

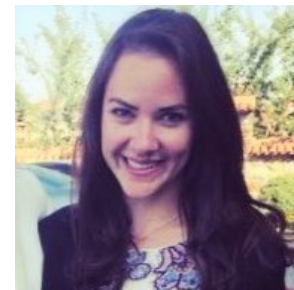
# The Power of Successful Partnerships

March 22<sup>nd</sup> Webinar

Presented by The McCormick Group

Thanks for joining us! A few instructions before we begin:

- You may **join the audio** by selecting the radio button for either “Telephone” or “Mic & Speakers.” If you are using telephone, please dial in with the conference line and audio pin provided.
- If you are having any technical issues, please let us know in the chat box.
- We will have time for **Q&A**. Please enter your questions in the chat box at any time.
- This webinar is being recorded, and we will distribute the **recording** after the webinar.



**Marta Hodgkins-Sumner**  
Director of Membership and Programs



# The Power of Successful Partnerships

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**Kim McCormick, Sr. VP**

# The Speed of Change

## ■ Warp Speed Indicators

- Number of patent applications has tripled in 20 years
- US M&A activity hit \$2 trillion in 2015
- 29% of world's population has a device (~iPhone) connecting them to all knowledge

## ■ Sloth Speed Indicators

- Inventory ratios declining since 2011
- 8% of firms are -5 years old, compared to 13% in the 1990s

*Some Data Courtesy The Economist, Dec. 2015*



# What About the Competition?

- You can set up a new charitable organization and raise money instantly.
- Over the last two decades the charitable sector has grown by more than 155% far outstripping all other.
- Americans started NPOs 50 times faster than small businesses over the last decade.
  - Currently, there are nearly 40 NPOs per US zip code
- According to a Stanford University Study, the IRS approves more than 99.5% of all charitable applications.



# Bright Outlook

- **Giving grew 1% in 2016 (*Blakbaud*)**
  - Online giving +7.9%
  - Arts & Culture and K-12 Ed. grew most

**“Alone we can do little.  
Together, we can  
do so much more.”**

Helen Keller

- **Funders are increasingly recognizing that nonprofits need more flexible and effective funding (*Social Velocity 2016*)**
  - The Ford Foundation moved to provide more unrestricted support
  - The federal government released new guidelines providing more indirect funding to nonprofits

# Powerful Partnerships

- **NPO leaders are investing in the future pursuing long-term sustainability and viability options .**

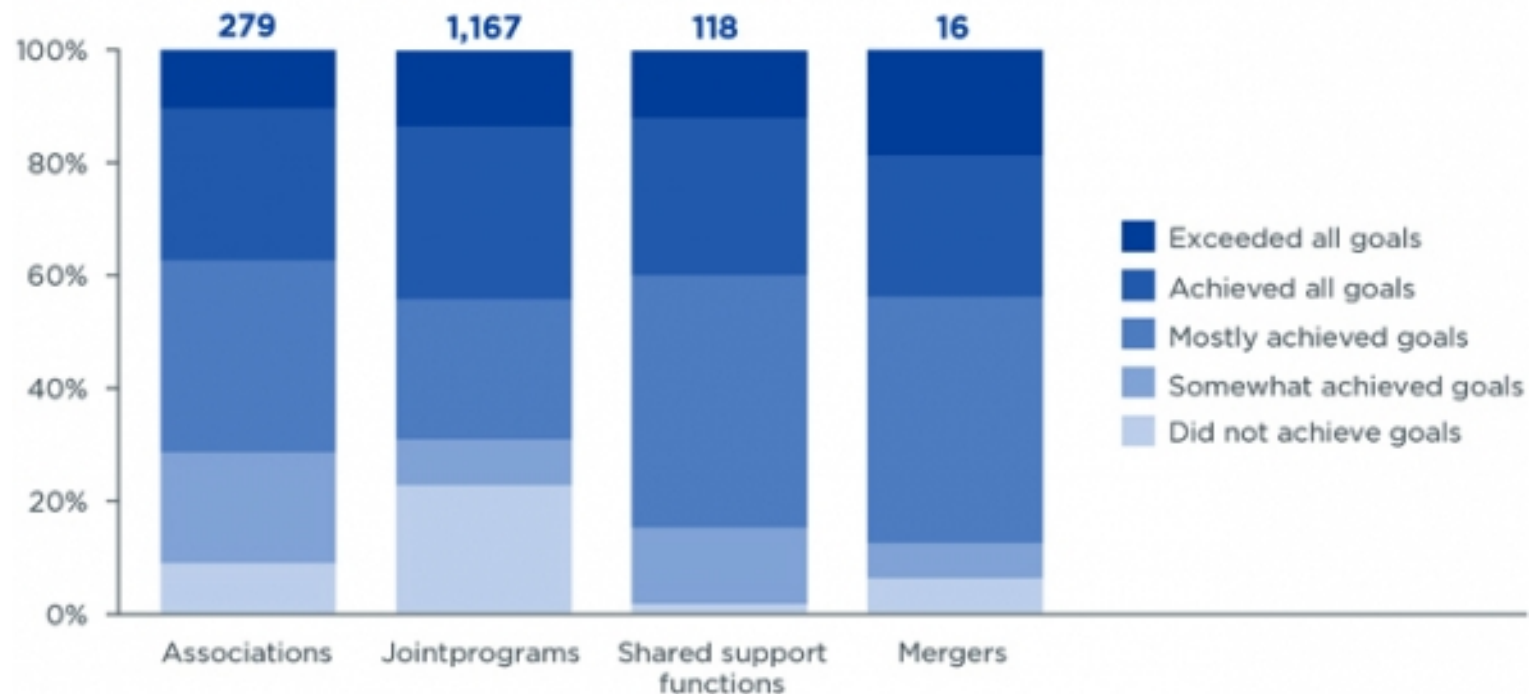
*(Stafford Social Innovation Review 2014)*



- **91% of CEOs already engaged in collaboration**
- **84% of funders had supported at least 1 collaboration**
- **Most CEOs believe that more integrated forms offer the greatest opportunities for increasing impact**
- **55% of funders wanted to see more mergers**

# Collaborations Are Successful

Percent of collaborations that achieved their goals



Source: Bridgespan 2014 Nonprofit Collaboration Spectrum Survey of CEOs

Survey question: "To what extent did your collaboration(s) achieve its goal?" Excludes responses of "too soon to tell."

# Why Does This Matter?

- **NPOs are recognizing what our for-profit counterparts have adopted as best practices:**
  - **We can't afford the luxury of operating in a silo**
  - **It's too expensive to own everything**
  - **More people and more resources applied to a problem results in greater impact**
  - **Reduction in competition provides greater concentration of highly engaged constituents**

Organizations need to have capacity and financial strength + offer clear and valuable services to survive.



# Here and Now

We need to develop systems,  
processes and relationships  
that will help us  
be better positioned to  
capitalize on opportunities.

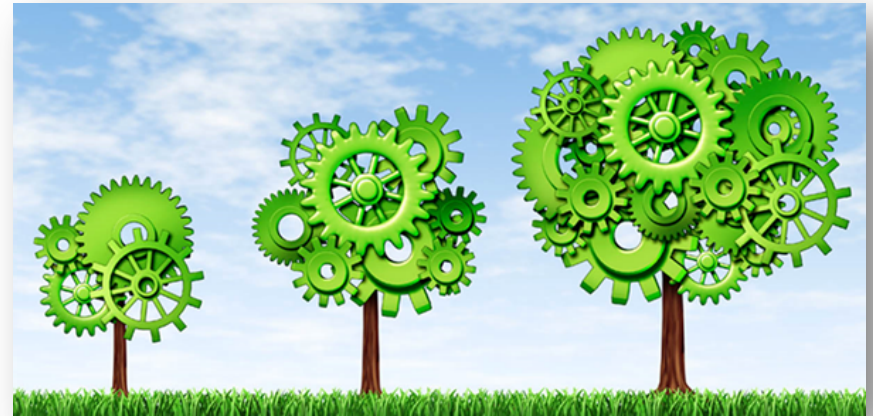
# NPO Mindset



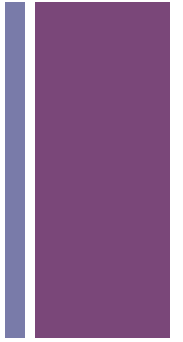
- **“We are unique” – as organizations, as boards, to our supporters...**
- **We create an environment of industry competition rather than cooperation:**
  - **Similar missions seeking funding from same sources**
  - **Similar missions making small impact**
  - **Compete for staff with similar skills and experience**
- **Our very industry name “nonprofits” is a misnomer for what we are – we are “for purpose” organizations.**

# Sustainability Takes Capacity

- **Smaller organizations, and those that are at the plateau or beginning decline, are heavily committed in human and financial resources.**
- **Hard to find time to reconfigure the organization because of the pressures of daily functionality and staying afloat.**
- **Financial capacity and human resources are limited.**
- **Stability of current mission support with options to grow becomes a rare commodity.**



# Are We in the Right Form to Have the Greatest Mission Impact?



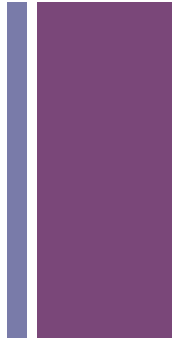
- The field around us is changing.
- One of the ways we can be successful is to collaborate.
- Can we maintain what is critically important to our organization and mission in some form of collaborative environment?





# A Case for Change

# A Case for Change



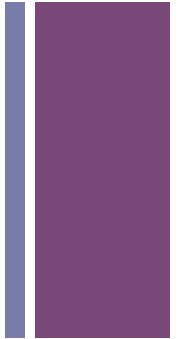
- Like many NPO's our 100+ year old brand was experiencing fund raising issues and consistency problems, especially after 2008 financial challenges.
- We had almost 1200 Local United Ways.
- All separately incorporated and chartered by UWW
- 900 raised less than \$1M
- 150+ had no staff
- 80% of our total money was raised in 61 markets
  - Many were too small to deliver on our brand

# Strategic Imperative

- National initiatives were becoming harder to implement system wide.
- Individual United Way's participation was mostly voluntary.
- Our board members wanted nation objectives instituted more widely in each organization.



# A Place to Start



- **We began to look for obvious places where the greatest gains might be realized:**
  - **Large markets with many local United Way organizations**
  - **Markets where one struggling organization was near another financial strong organization**
  - **Markets with major live/work patterns**
  - **Retiring CEOs**

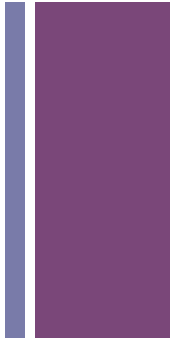


# Our Approach

**Get senior leaders and active volunteers in a room to talk about the advantages of merger.**

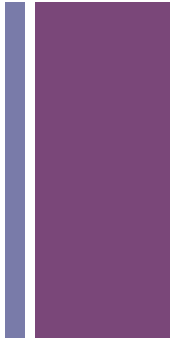


# Why Us – Why Now?



- **Needed significant structural change**
- **Wanted national initiatives instituted nationwide**
- **Small United Ways would struggle**
- **Changes coming: social media, e-giving and brand development**
  - **Local UWs would not be able to take advantage of because of size**

# The Hard Facts



- **In today's NPO world, smaller means more exposed financially**
  - **76% of nonprofit CEOs report an increase in demand for services\***
  - **52% couldn't meet that demand\***
- **NPO missions are dependent upon the organizational health to have impact and connect with supporters**
  - **Personalization is the new mantra for nonprofits looking to engage with funders. (*Abila Fundraising Predictions for 2016*)**
- **NPOs must be open and accepting to new ways of doing things to succeed**
  - **In 2015, 51% of nonprofit CEOs reported collaborating to improve or increase services. (*\*Nonprofit Finance Fund 2015 report*)**

# Preparing for a Successful Partnership

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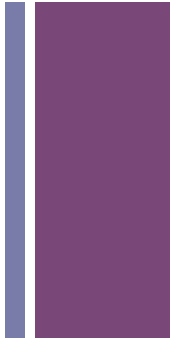
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# What Should We Do First?

- Take a real and truthful assessment of the current state.
- Look at trends from the last 2 to 5 years.
- Believe the results.
- Look for aberrations that may make the trend line average either worse or better – discount those numbers.



# Organizational Choices



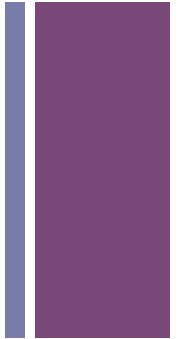
- **Stay the course and live out our trend lines.**
- **Seek ways to reinvent our organization and hope it works.**
- **Become more open and more adaptive, resulting in more agility and opportunity for change.**
- **Actively grow capacity through collaboration, consolidation, joint ventures and mergers.**

# Acquiring Capacity

- A potential partner has something we want now.
- A potential partner has something that works, that would take too long or be too expensive to build.
- We (or a potential partner) are about to do something that will segment the field or produce more competition.
- We have something outstanding that others covet.
- Our physical footprint is too small.



# Picking A Partner



- **Take a fellow CEO to lunch**
- **Invite a CEO and Board Chair for a chat**
- **Ask a group to a meeting and see if there is interest**
- **Have a third party approach on your behalf**
- **Listen to funders and supporters suggestions**
- **Board member to board member inquiry**
- **Consider the messenger**



# The Promise

- Think about what “could” be.
- Think about things what none of the groups are doing now, but could be accomplished if we were together.
- This is critical “Dream Works”
- List all the things that could be combined and either work better, be more efficient or faster, and potentially less expensive.



# Be Open and Flexible



- **It seems easy to say what you want in a merger discussion, but in the context of discussions among volunteers it becomes harder.**
- **Opportunities and barriers emerge:**
  - **Surprises that appear as representations do not always conform to reality**
  - **Initial 'hard line' positions often are more flexible than they seem**
- **We are not negotiating, we are designing a new combined organization.**

# How Do We Prepare Our Boards?

- **Start with a small group to test the water**
  - Remember, if the initiative fails you, as CEO, may have that legacy to manage going forward.
  - If we don't get to the discussion table, we will lose at least one generation of leadership and board members before we can talk about this again.



# Getting the Boards on the Same Side of the Table

- **NPO mergers are usually not steeped in negotiation for position or power.**
- **NPO mergers are about all parties sitting on the same side of the table, looking at a new resultant combined organization and how such an entity would have more impact upon the respective missions.**



# Nothing to Fear

- **Nothing happens until our board (and/or members) vote.**
- **Why not start a discussion?**
- **Why not explore possibilities?**
- **Let's see if there is opportunity to grow mission impact.**



# Constant and Relentless

**We tend to exist in a distracted present, where forces on the periphery are magnified and those immediately before us are ignored. Our ability to create a plan – much less follow through on it – is undermined by our need to be able to improvise our way through any number of external impacts that stand to derail us at any moment.**



**Douglass Russkoff – “Present Shock” 2013**



# Questions