Five Myths about Nonprofit Partnerships

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Introduction

In 1998, La Piana Consulting undertook a landmark study of strategic restructuring among nonprofits. We looked at nearly 200 strategic alliances and corporate integrations, forms of partnership that include joint programming, administrative consolidation, joint venture corporations, management services organizations, parent-subsidiary arrangements, and mergers. Since that time we have written, spoken, and consulted extensively in this area, facilitating hundreds of partnerships.

New data reveals misconceptions about nonprofit partnerships.

Recently, we have analyzed data gleaned from The Collaboration Prize nominations – a process that we managed. These data from 644 applicants include current examples of strategic restructuring from across the U.S., providing new information for nonprofits and their funders, and an opportunity to update our landmark study from a decade ago. These data, and the many recent conversations we're having with funders and nonprofit leaders, reveal a number of misconceptions about partnering that we would like to address.

Myth #1

These are the best strategies for tough economic times.

They may be, but then again they may not. Strategic restructuring requires careful assessment and thoughtful decision-making. Wise organizations choose strategic restructuring to further their missions. This includes organizations that enter into joint programming agreements to expand existing programs or to create new ones; organizations that consolidate administrative services to gain capacity; and of mergers intended to reach scale. Saving money can be a result of strategic alliances or corporate integrations, but it is rarely the sole or even the primary reason. For nonprofits, it is first and foremost about mission and most often any "savings" are plowed back into higher impact programs and services.

We have also found that in the initial period following a merger, administrative consolidation, or joint programming agreement – sometimes up to eighteen months – those involved in the partnership have to "regroup." By definition these partnership forms require shared

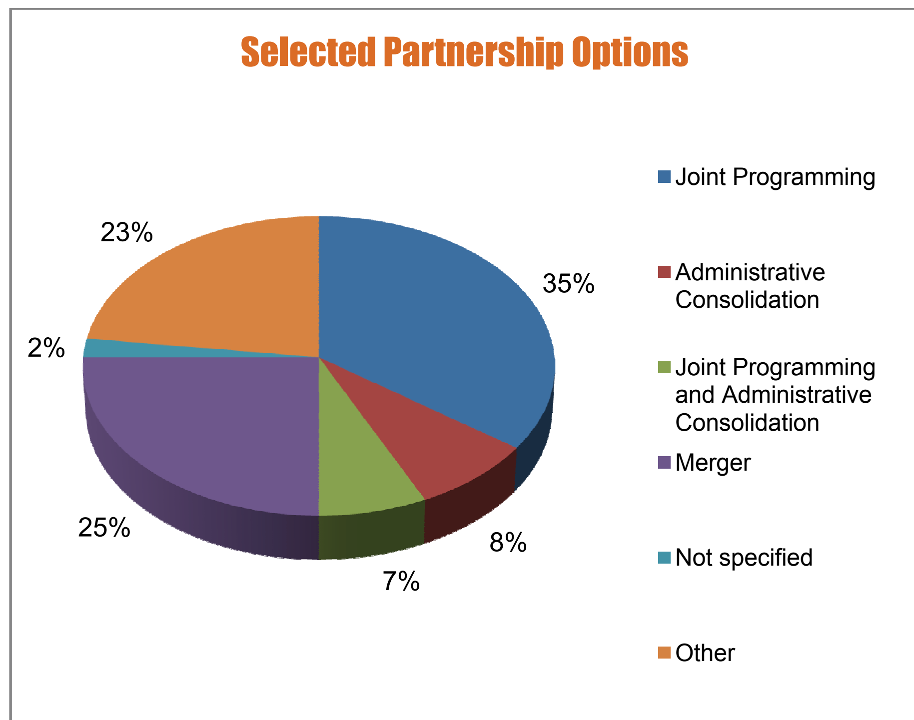
planning, decision-making, and implementation. Systems must be integrated, staff must be oriented to the changes, and managers must learn how to share authority in new ways. All of this takes time and often money, making the choice to undertake strategic restructuring a big investment decision.

Only 25% of the 175 highest ranking nominations for The Collaboration Prize were mergers.

Myth #2:

It's all about mergers.

While mergers are getting a lot of attention right now, they are only one of a number of options available to nonprofits looking for ways to achieve greater efficiency and improve outcomes. In fact, only 25% of the 175 highest ranking nominations for The Collaboration Prize were mergers. Although this is a higher percentage than seen in the total pool of 644 nominations, it is notable that half of the nominations reflected joint programming, administrative consolidation or a combination of the two. This is consistent with what we are currently seeing in our consulting practice – many more organizations are exploring administrative consolidation than merger.



Data from The Collaboration Prize, 2008

Myth #3

Even if a merger makes sense, we'll lose our identity and the value of our brand.

There are many ways to structure a merger, and the sector has gotten much smarter about tailoring deals to meet the specific needs of the merging organizations. There are fully integrated mergers which result in a single corporate entity which continues to use several programmatic "brands." Sometimes these are identified as "a program of" the corporate entity. There are organizations that combine everything -- share a CEO and management team, fully integrate administrative and programmatic functions – but retain two corporate structures in a parent-subsidiary relationship. The fact is that you can get much more than you give up when you tailor the merger to meet your needs.

Myth #4

It is just like M&A work in the corporate world.

We have long argued that nonprofit mergers bear little resemblance to those in the corporate world. We have advised funders and nonprofit alike to avoid the "A Word" in order to not scare off potential partners, and because nonprofits are not acquired (i.e. purchased); they merge for strategic reasons. Recently, however, the term M&A has begun to creep into the nonprofit literature. We think this usage causes unnecessary confusion. The conceptualization of nonprofit mergers as acquisitions is not borne out by The Collaboration Prize data. In none of the 42 mergers described by applicants, were these partnerships executed as acquisitions.

None of nonprofit mergers described by The Collaboration Prize applicants were executed as acquisitions.

While there are multiple examples of mergers between a larger and/or stronger organization and a smaller and/or struggling organization, wise organizational leaders recognize that they are creating something that is not additive, but transformative. The difference may be subtle, but it is important nonetheless. A nonprofit's board must choose to enter into partnership, and each party brings something to the table. There are no hostile takeovers in the nonprofit sector, and no "owners" receiving financial or material benefit as a result of the transaction. Instead, it is the community that benefits when formerly independent organizations, of any size, come together to more effectively advance their shared mission.

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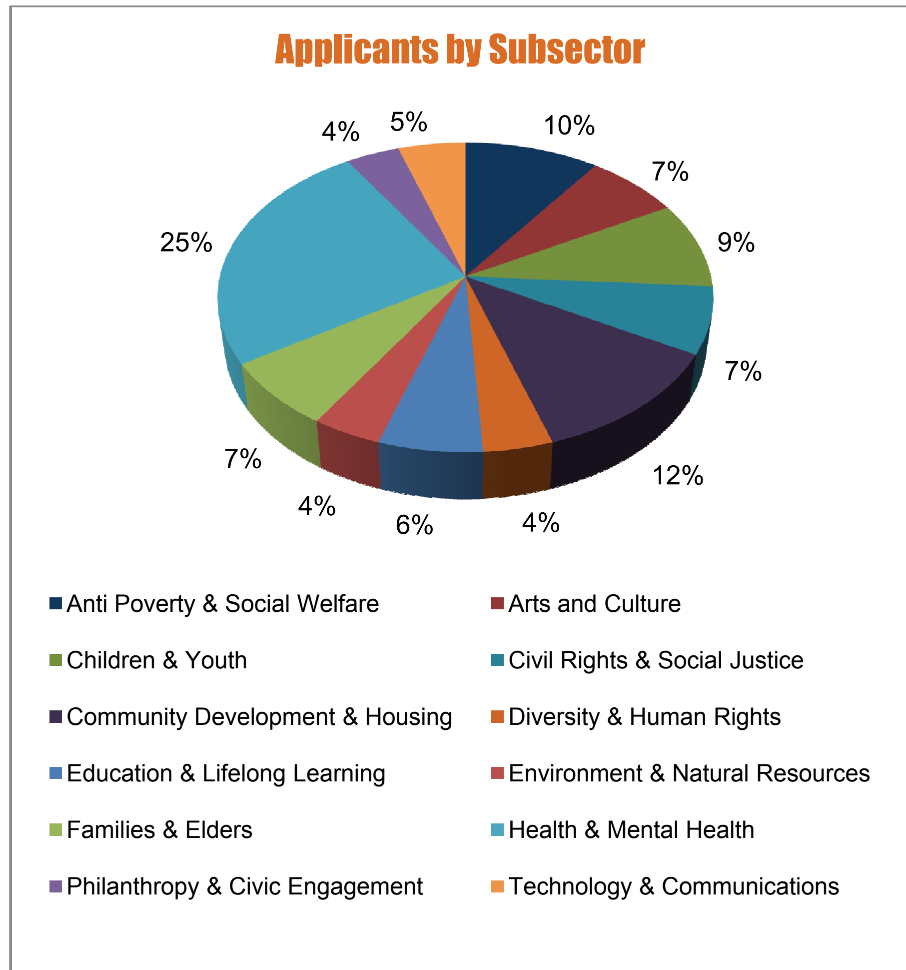
Myth #5:

These strategies don't work in my field.

Given the breadth of fields of service represented by The Collaboration Prize data it would be difficult to find any subsector which is not exploring and implementing strategic partnerships. When we look at why these organizations are partnering, the most frequently cited reason is "improve quality of services and programs" with "maximize financial resources" a close second. Other reasons include "improve program outcomes" and "reach new clients/audiences." Mentioned less often were "response to a request or suggestion from funder" and "response to parent organization request."



Data from The Collaboration Prize, 2008

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Conclusion

In the 11 years since the first large-scale study of strategic restructuring, conducted by La Piana Consulting, thousands of mergers, administrative consolidations and other forms of partnership have been tried. The Collaboration Prize offers a new dataset, and a new window into this behavior, which we are just beginning to mine. While many misconceptions and fears still abound, the sector's growing body of knowledge and experience will only make these partnerships more plentiful and more successful in the future.

About La Piana Consulting

Founded in 1998, La Piana Consulting is a national firm dedicated to strengthening nonprofits and foundations. Our mission is to improve management practices throughout the nonprofit sector for greater social impact. La Piana Consulting can help your organization become more effective through enhanced strategy, leadership, and collaboration. For more information, visit www.lapiana.org or call 510-601-9056.

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