The Power of Successful Partnerships

March 22\textsuperscript{nd} Webinar
Presented by The McCormick Group

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

- You may \textbf{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 \textbf{Q&A}. Please enter your questions in the chat box at any time.

- This webinar is being recorded, and we will distribute the \textbf{recording} after the webinar.
The Power of Successful Partnerships

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

- 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

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

- Associations: 279
- Jointprograms: 1,167
- Shared support functions: 118
- Mergers: 16

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.
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

McCORMICK GROUP
NON-PROFIT CONSULTANTS
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 loose 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