Building Capacity for Sustained Collaboration

by
Heather McLeod Grant
Kate Wilkinson
Mickey Butts

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Authors: Heather McLeod Grant, Kate Wilkinson, and Mickey Butts

PREFACE

The social sector is facing a perfect storm.

Demand for community services keeps rising. At the same time, government funding is in decline, more philanthropy is concentrated in the hands of fewer funders, and smaller donors are giving less. And this was before the Covid-19 pandemic and economic recession hit—just as we were preparing to launch this report. Since March 2020, an already dire situation has destabilized further, featuring skyrocketing demand for services coupled with falling revenue and an entirely uncertain future.

As a result, demand for "sustained collaboration" is rapidly growing, as nonprofits seek to do more with less by combining resources and putting impact ahead of organizational identities. Over the past decade, more than 100 local foundations in seven communities have committed $20 million in capital and created pooled-funding initiatives to help local nonprofits pursue "a continuum of organizational strategies for structured collaboration that represent a long-term and permanent change to their business or operating models." These strategies can take the form of mergers, shared services, partnerships, and other arrangements. Six local initiatives are now launching the national Sustained Collaboration Network (SCN) to develop best practices and share frameworks and tools that will benefit members and other communities considering similar efforts.

The launch of this network—and this report—couldn't be more timely. Inside, readers will find stories from communities that have experimented with pooled funding models for supporting sustained collaboration, two case studies of initiatives in Los Angeles and New York, and a list of emerging practices for other communities and funders seeking to emulate this approach. The time is ripe for funders and nonprofits to begin thinking beyond the immediate crisis and contemplate the structural reform needed to create a more sustainable, resilient sector that can maximize community impact. We hope this report will provide some ideas for advancing this important work.

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+ INTRODUCTION

In the social sector, it has become almost cliché to say that no organization can afford to go it alone.

The scale of the issues that nonprofits are tackling—climate change, homelessness, racial justice, income inequality—often feels too big for any one nonprofit or funder to get its arms around. And the scale of the impact these organizations hope to achieve—at the level of systems, not symptoms—can often feel overwhelming.

Sometimes the best way to advance an organization's mission is to think beyond its own boundaries. That's why nonprofit collaboration has increasingly become an important tool in social change. But just urging nonprofits to collaborate is not sufficient. Working with other organizations—whether in a loose affiliate network or movement, or in a more structured partnership or merger—requires a commensurate growth in *capacity* to collaborate.

In the case of structured collaborations, this capacity building often means securing temporary legal, financial, and logistical expertise to execute nonprofit partnerships, mergers, and shared service arrangements. In the for-profit world, companies wouldn't think twice about hiring outside specialists to help with work like this. In the nonprofit world, however, hiring experts is less common and fewer financial rewards for mergers or partnerships exist, so funders rarely invest in this capacity building.

"A sustained collaboration is not business as usual, so why wouldn't funders provide support to nonprofits to hire outside help?" asks Nadya Shmavonian, a partner with SeaChange Capital Partners and director of the Nonprofit Repositioning Fund, a regional effort to fund long-term collaborations among nonprofits in the Philadelphia area. "The work of collaboration can be utterly transformative in terms of impact."

> *"Collaboration can be utterly transformative in terms of impact."*

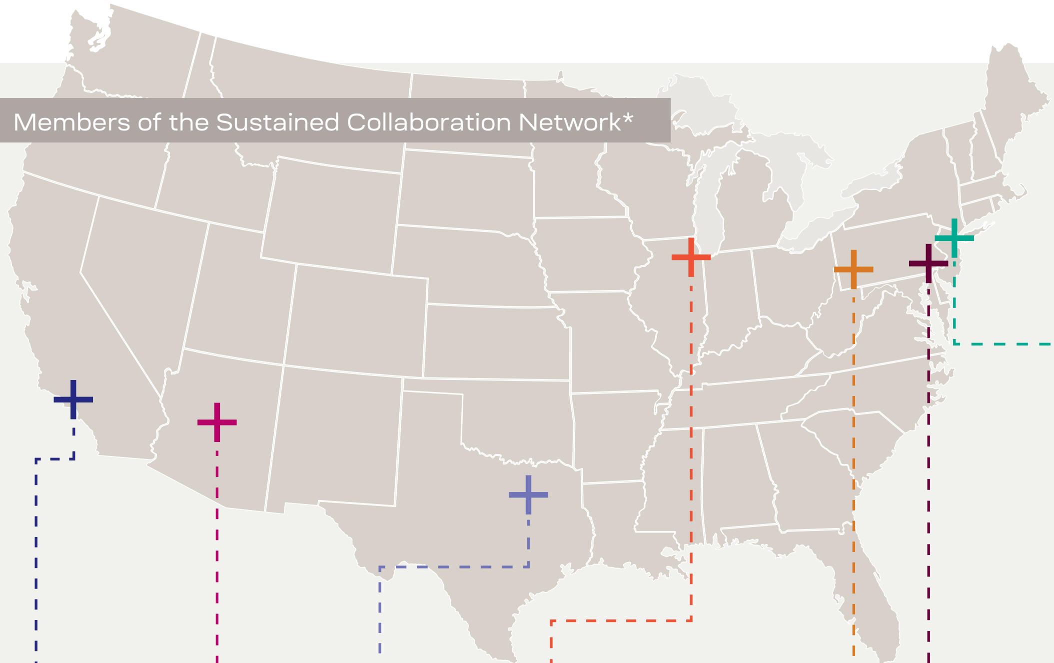
Fortunately, more local foundations from around the country have begun taking up this work, following in the footsteps of the Lodestar Foundation, which has funded this sort of capacity-building since 1999. Recently, more than 100 local foundations have created pooled-funding initiatives in seven communities and are now forming the Sustained Collaboration Network (SCN). (See Figure 1.) This network is developing best practices and shared evaluation frameworks that will benefit both member initiatives and those considering similar efforts. One of the goals of the SCN is to support new communities that want to start pooled funds by creating a step-by-step guide for prospective collaborations.

Over the last seven years, SCN member funders have collectively committed more than $20 million in capital that allows nonprofits to explore and implement formal collaborations. And national funders such as Fidelity Charitable Trustees' Initiative have engaged with this work to unlock more investment in strategic collaborations and to advance their mission of strengthening social sector infrastructure. "You can't underestimate the power of a collective action network in driving more engagement, collaboration, and shared learning to catalyze these kinds of transactions," says Sarah Gelfand, vice president of social impact programs at Fidelity Charitable Trustees' Initiative.

Collectively, this network of local initiatives has managed hundreds of sustained nonprofit collaborations involving thousands of organizations, and has built a robust pipeline of future projects. In addition to supporting the emergence of this network, the national SeaChange-Lodestar Fund has also invested $2.2 million through 132 investments in 260 organizations across the country over the past decade. The end game is to help nonprofits sustain and grow their *impact*, not necessarily their individual organizations.

The total funding thus far is admittedly small compared with the scale of "big bet" philanthropy. But this behind-the-scenes effort is catalyzing an important shift across the nonprofit landscape and having an outsized impact on the ground. In other words, it's a highly leveraged investment. We think more funders and change-makers may want to learn from this approach, and even consider replicating it. To that end, we want to share what we've learned from helping to build this network. As we will explore in this report, innovative platforms for this work are coalescing into a powerful field of capacity building for sustained collaboration.

Figure 1 Members of the Sustained Collaboration Network*



Nonprofit Sustainability Initiative (NSI)
Los Angeles, CA
Est. 2012
FUNDED
$3.7M
GRANTS MADE
112

Arizona Together for Impact Fund
Statewide in AZ
Est. 2019
FUNDED
$122,000
GRANTS MADE
7

Better Together Fund (BTF)
Dallas, TX
Est. 2017
FUNDED
$4.2M
GRANTS MADE
74

Mission Sustainability Initiative (MSI)
Chicago, IL
Est. 2016
FUNDED
$766,000
GRANTS MADE
34

The Forbes Fund
Pittsburgh, PA
Est. 2016
FUNDED
$1.4M
GRANTS MADE
94

Nonprofit Repositioning Fund (NRF)
Philadelphia, PA
Est. 2015
FUNDED
$1.2M
GRANTS MADE
54

New York Merger and Collaboration Fund (NYMAC)
New York, NY
Est. 2012
FUNDED
$1.8 M
GRANTS MADE
61

*Chicago's MSI was a founding member of the network but has subsequently left; Arizona just joined as this report was being published.

+ GROWING DEMAND IN THE FIELD

The need for collaboration is growing, in part, because demand for community services keeps rising.

Among nonprofits serving low-income communities, 65 percent can't meet current demand.[1] Ironically, the response of many well-intentioned nonprofit leaders, social entrepreneurs, and funders is to create yet another organization. But with 1.5 million nonprofits in the US—a number that grows 10 percent each decade[2]—simply adding more organizations won't sustainably meet the demand. "One organization is not going to create the systems-level change we need," says Kristen Scott Kennedy, chief of staff of the Council of Foundations. "We need folks coming together in partnership to move the needle. They can't work in silos."

> *"We need folks coming together in partnership to move the needle. They can't work in silos."*

All over the country, nonprofits are heeding this call and collaborating in new ways—whether forming loose alliances, partnering in local collective action initiatives, or going even further to develop a more structured and sustained collaboration between two or more entities. Take, for example, a groundbreaking public-private partnership in Dallas called After8toEducate, which is the result of a collaboration among the city's school district,

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[1] *State of the Nonprofit Sector Survey*, Nonprofit Finance Fund, May 9, 2018. https://nff.org/learn/survey

[2] *The Nonprofit Sector in Brief 2018*, Urban Institute, December 13, 2018. https://nccs.urban.org/publication/nonprofit-sector-brief-2018

two agencies serving homeless youth, and a group of local philanthropists. The group is now repurposing a vacant former school into a shelter with services for the estimated 4,000 students who are homeless in the Dallas Independent School District.

Likewise, in Los Angeles, two child welfare nonprofits with complementary strengths decided they would have greater impact together. Bienvenidos became a subsidiary of the larger Hillsides, which freed up more than $1 million for additional family services after a back-office and leadership integration. The merger enabled the expansion of Bienvenidos' foster care and adoption services to Hillsides' clients, allowing a number of youth to be placed with a "forever family."

Shifts in the nonprofit landscape are making these kinds of sustained collaborations increasingly necessary. Government funding continues to decline, more philanthropic resources are concentrated in the hands of a few funders, and smaller "everyday" donors are giving less as they struggle to make ends meet. As a result, two-thirds of nonprofits can't offer competitive pay, and for 62 percent of nonprofits, achieving financial sustainability remains a top challenge, according to a 2018 Nonprofit Finance Fund survey. Those percentages are likely much higher today.

Of course, a host of barriers often stands in the way of sustained collaborations. The trend in philanthropy is toward the "shiny new thing": to fund programs over operations, and seed start-ups over scaling existing organizations. The initiatives that are part of the SCN were established, in part, because nonprofits couldn't access the flexible, risk-tolerant capital that they needed to assess and implement complex organizational collaborations.

"Over these past 21 years I have seen a lot of funders invest in planning for leadership transitions and other aspects of capacity building, but they will not support nonprofits that want to come together," says Lois Savage, president of the Lodestar Foundation. "Sustained collaboration can be a successful and smart funder strategy to support building capacity. When funders help two high-performing nonprofits come together, they are supporting opportunities to increase effectiveness and magnify impact."

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The social sector has also been slow to give up the organization as the unit of change—rather than focusing on the mission or impact. Many nonprofit leaders want to preserve their own organizations, and their boards have a "duty of care" to do what's best for the nonprofit. "People put their heart and soul into building organizations," says Scott Cotenoff, a partner at La Piana Consulting who has worked with a number of nonprofits on strategic restructurings. "There is a sense of 'This is my baby and I am not ready to let it go.' There's an emotional connection that makes it hard for many people to move from 'We need to sustain our organization' to 'We need to sustain our impact.'"

And nonprofits have different ways of measuring impact. “Many organizations working toward similar goals differ subtly in their strategies and approaches to achieving results,” says Gelfand of Fidelity. “These subtle differences can get in the way of similarly motivated organizations seeing the benefits and opportunities of combining forces.”

To overcome these barriers, members of the SCN help with more structured and sustained collaborations such as mergers and acquisitions, joint ventures, and parent-subsidiary structures that enable organizations to combine efforts. They are also assisting communities in developing critical “backbone” platforms, through fiscal sponsorship, management support organizations, colocation, and shared back-office services. All these initiatives aim to remove the stigma that often wrongly surrounds sustained collaborations, and to make them part of regular conversations that nonprofits and funders should have about impact and sustainability.

“Formal collaboration should be a tool just like any other in a nonprofit leader’s toolkit,” says Jennifer Price-Letscher, director of programs and special projects at The Ralph M. Parsons Foundation, one of the managing funders of the collective Nonprofit Sustainability Initiative (NSI) in Los Angeles. “We’re working toward this goal of normalization: It becomes a normal, healthy conversation that organizations and funders can have on a more regular basis.” Adds Savage: “The goal of all of the collaboration work that we’ve done is to normalize the concept of mergers and sustained collaborations so that they are not scary. They are a strategic option that everyone ought to consider. I think that people are coming around to believe that it’s a smart way to grow.”

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The goal is to normalize sustained collaborations so that they are not scary. They are a strategic option that everyone ought to consider.

The nonprofits flocking to these initiatives, including the two efforts described above, are proving that robust demand exists for sustained collaboration. “When we held our launch event in June 2017, we were nervous that there wasn’t going to be enough demand,” says Margaret Black, director of Lyda Hill Philanthropies and a member of the steering committee of the Better Together Fund in Dallas, which is part of the SCN. “I remember wondering how many chairs to put out in the room. Should it be 30 or 35? And to our pleasant surprise, we had 400 people show up, and it was standing room only. We discovered that the demand exists, that our community is willing and ready, and that this is a true need that we had unearthed.”

+ DEFINING SUSTAINED COLLABORATION

What do we mean by *sustained collaboration?*

The SCN defines the term as a "continuum of organizational strategies for structured collaboration that represent a long-term and permanent change to the business or operating models of two or more nonprofits." In this definition, less structured collaborations such as coalitions, collaboratives, movements, or associations lie at the other end of the continuum and outside of the boundaries of sustained collaboration. (See Figure 2.) A 2014 Bridgespan survey of nonprofit CEOs found that the vast majority of collaborations happen in the least formal areas of joint programming and loose associations.[3] But demand is growing for more formal structured collaborations, frequently driven by community outreach from SCN initiatives that highlights the fragility of many local nonprofits and educates them about options for collaboration.

"The big challenge in messaging to the nonprofit community is that this is about more than mergers," says Genita C. Robinson, director of the Mission Sustainability Initiative (MSI) in Chicago, a founding member of the Sustained Collaboration Network.[4] "This is about the entire continuum of long-term and permanent partnerships, including colocation, shared staffing, joint-venture partnerships, and back-office cooperation."

Most sustained collaborations take the form of parent–subsidiary relationships or asset transfers, according to Jessica Cavagnero, a partner at SeaChange Capital Partners who manages the SeaChange-Lodestar Fund and the New York Merger and Collaboration Fund (NYMAC). She thinks leaders are finally starting to think about where to place themselves on the spectrum of sustained collaboration in order to reach their goals. "It's really nice to see that folks are trying to take all of these various knobs and screws and build

3 *Making Sense of Nonprofit Collaborations,* Alex Neuhoff, Katie Smith Milway, Reilly Kiernan, and Josh Grehan, The Bridgespan Group and The Lodestar Foundation, December 2014.
https://www.bridgespan.org/bridgespan/Images/articles/making-sense-of-nonprofit-collaborations/MakingSenseOfNonprofitCollaborations_1.pdf

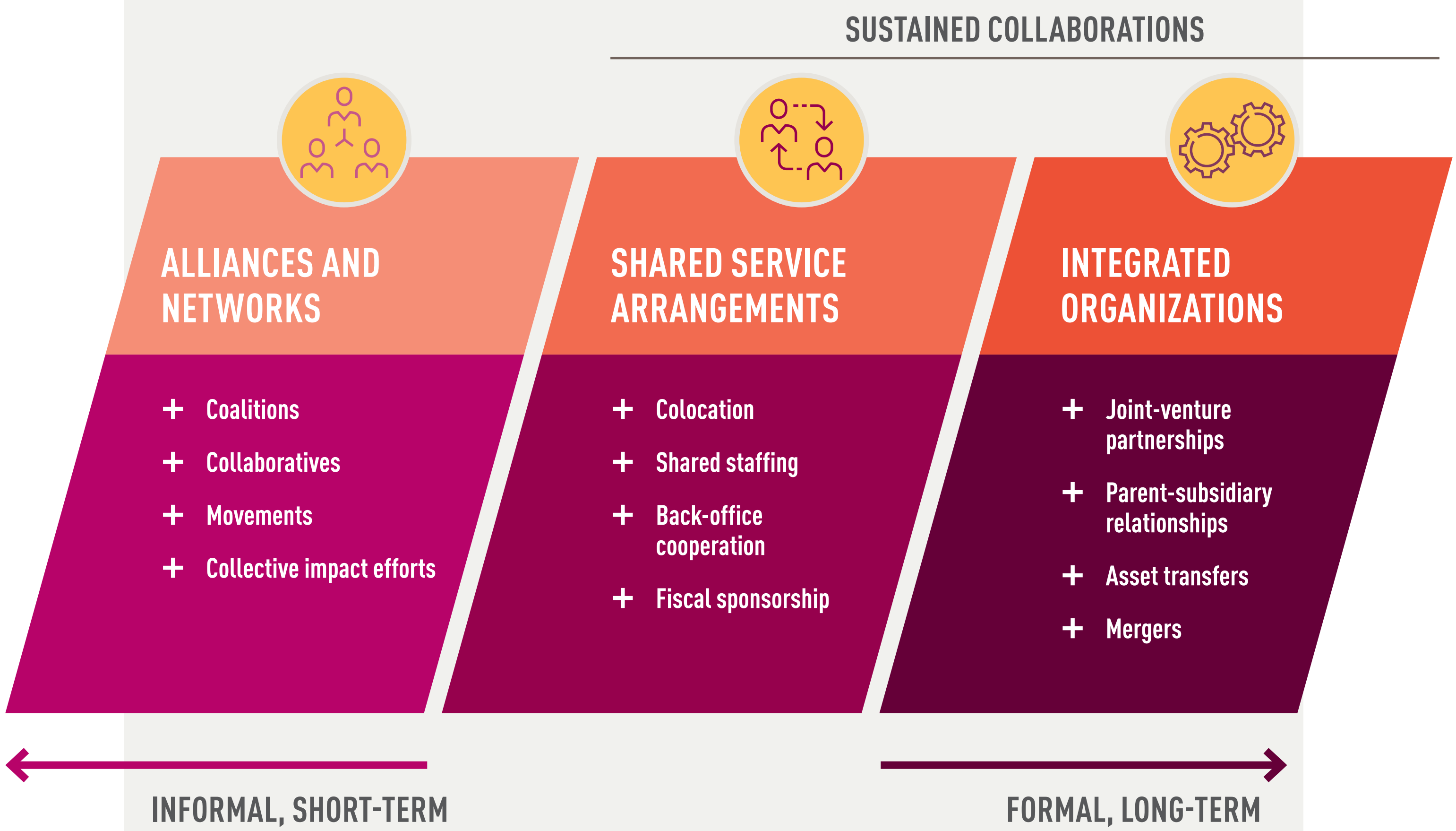
4 Chicago's MSI was a founding member of the network but has subsequently left.

something that makes sense for them, because it's no longer seen as just one size fits all," she says.

Whatever form these sustained collaborations take, there's more going on than just another "flavor" of collaboration. Instead, they represent a set of new funder behaviors designed to shift organizations toward more sustainable ways of working.

"Sustained collaborations don't just happen by themselves," says Shmavonian of SeaChange. "They require serious funding, resources, and incentives. One cannot overestimate the significance of having respected community funders band together to offer a safe space and resources for nonprofits to assess and exercise their options. These initiatives are essential catalysts for sustained collaboration."

Figure 2 A Continuum of Collaboration



Note: Sustained collaborations are organizational strategies that represent a long-term and permanent change to the business or operating models of two or more nonprofits.

+ AN EMERGING MODEL FOR SUPPORTING COLLABORATION

The most successful initiatives feature strategic elements that fuel sustained collaboration.

While we have found no single cookie-cutter approach that works every time, our research and work with the SCN show that most successful initiatives typically have four characteristics that lead to powerful results.

1 COMMUNITY RESPONSIVENESS

All of the SCN initiatives have grown out of strong community demand and have not been imposed from on high. "We believe it takes a coalition of the willing," says Black of the Better Together Fund. "You can't force collaboration."

Today the local SCN initiatives work to raise awareness and change attitudes about sustained collaborations at convenings for nonprofit boards, staff, and community members—gatherings that frequently attract hundreds of participants. Each initiative in the network fields dozens of confidential calls per month from nonprofit leaders who are interested in getting advice about sustained collaboration.

Nonprofit leaders and boards often know they need help and are in a good position to advocate for what would be of value to them. But many haven't done this before, and sometimes, neither have the funders. Initiative leaders have to have humility. "First and foremost, what guides us is to always assume that nonprofits know what they're doing," says Cavagnero of NYMAC. "Our work is really driven by the needs and desires of nonprofits and the questions that they ask. We represent money, we represent knowledge, we represent a network. And I think all of those things wrapped up add value to the community." Adds Robinson of MSI: "In general, nonprofits know best; they just need the resources and support to help them come to an informed decision."

Ultimately, it's important to send the right message to grantees to bridge what can feel like a divide with their funders. "The message we're trying to send is that we are all on the same team and we're on the same side of the table trying to advance the same things," says Black.

2 POOLED FUNDS OF PATIENT CAPITAL

Most of the six current SCN initiatives started independently when a group of local funders decided to pool funds to cover the financial costs of collaboration, such as the short-term help needed to explore or implement sustained collaborations, or grants for technical assistance and consultants. These grants are separate from the regular funding of individual foundations, so nonprofits are not "robbing Peter to pay Paul" or cannibalizing existing funding efforts. "It cannot be overstated the amount of expertise and time it takes to evaluate if a sustained collaboration is going to be worth it," says Black of the Better Together Fund. "Unless you're creating that space of dedicated funding, collaboration doesn't rise to the level of priority that's needed."

These local initiatives are responding to a lack of funder support for the true costs of collaboration. According to surveys from Bridgespan and Grantmakers for Effective Organizations, most funders play little role in supporting collaboration.[5] Those funders that do support collaboration view mergers as the least successful, and joint programming as the most successful. Whereas the view from nonprofit CEOs is the exact opposite: Twenty percent report failure with loose collaborations, which they often feel pressured to initiate. Clearly, there's a disconnect between funders and nonprofits.

Why is this? Program officers often work to advance issue areas that they are passionate about, and most foundations are organized along program-specific lines. Relatively few funders link a sophisticated understanding of nonprofit capacity to their ability to deliver upon programmatic outcomes. Sustained collaboration work lies at the heart of strengthening nonprofit business models, but galvanizing funder support is challenging. "We need to stop believing that social entrepreneurs alone are going to save the world," says Stephen Patrick, vice president of the Aspen Institute and executive director of the Forum for Community Solutions. "What about the infrastructure already in place that needs to be strengthened and expanded for greater impact?"

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To address these barriers, SCN member foundations typically make multiyear financial commitments to a network initiative, in the hopes of seeing the benefits over months and years. Initiatives like NYMAC and the Greater Philadelphia Nonprofit Repositioning Fund raise funds once every two to three years, much

[5] *Making Sense of Nonprofit Collaborations,* The Bridgespan Group and the Lodestar Foundation, December 2014.

like investment funds assemble capital in the for-profit world. The average three-year budget across all the initiatives is $1.5 million, supporting several years of operation and allowing the initiatives to make grants when the time is right. "Having that patient capital on the sidelines ready to be deployed makes us better able to support organizations at the moment they need funding," says Cavagnero of NYMAC. "It also makes our funding partners pay more attention when we're at investment committee meetings, because we don't have to get all the money out the door, and we're not distracted by fundraising."

Adds Savage of the Lodestar Foundation: "These transactions take time, and you can't rush them. It's like any relationship. Sometimes they blossom immediately; sometimes they take years to develop. And sometimes you have to wait a generation, until an ED or some board members leave. You have to be patient and responsive to the needs of the nonprofits."

> *"These transactions take time, and you can't rush them. It's like any relationship. Sometimes they blossom immediately; sometimes they take years to develop."*

Initiative grants across the SCN come in two basic types: exploration and implementation. An exploration grant helps two or more nonprofits access third-party experts—such as lawyers, facilitators, and financial analysts—to perform due diligence, figure out whether a collaboration makes sense, and negotiate what it might look like. Exploration grants vary by location and range from $10,000 to $40,000. At the implementation stage, the nonprofits have negotiated the terms of the deal, their boards have signed off, and the transaction is ready to proceed. These grants average $30,000, but in some cases can be up to $100,000; they cover one-time costs such as rebranding, updating websites, integrating IT systems, staff and board cultural integration, breaking leases, combining office spaces, and other expenses necessary to complete a transaction.

The grants represent a case in which a small amount of capital can be the catalyst for a huge amount of impact. Even relatively small grants can help organizations overcome stumbling blocks as they look to make a structural change. Grants to pay for these deal-related expenses can be difficult to obtain from traditional programmatic funders.

One advantage of these initiatives is the ability to make fast funding decisions, often within a month. "When collaborations are ready to go, they're ready to go," says Price-Letscher of NSI. "You can't wait nine months to move a grant. You need to move it now." Another critical advantage is that this funding is open to risk. Nonprofits can apply for funding even if they are just thinking about a collaboration and want to take a few months to figure it out. "If it's a good idea, and there's a solid financial model behind it, we'll probably say yes," says Cavagnero of NYMAC. "And if nonprofits don't end up doing the deal, but they have learned something from the process, we think, 'Great. Carry on. Here's our card and call us again.'"

3 A NEUTRAL, TRUSTED INITIATIVE

The question of who drives these efforts can be fraught with unspoken power dynamics, which is a central reason for arms-length management of funds through an independent initiative, separate from funders' regular grantmaking. Funds are often held at a member organization, so that there's no need to set up yet another permanent structure. This arrangement encourages confidential inquiries, allowing a safe space where collaboration ideas can percolate on a timeline that meets nonprofit needs—funders typically don't know who is in the pipeline until a grant is actually recommended.

In most cases, network initiatives are led by an independent manager who has earned trust in the community, has recognized expertise, and can speak the language of nonprofit executives, boards, and funders. Initiative managers often vet grant proposals for the funders, steward grantees throughout the process, and offer a confidential sounding board for nonprofits to have exploratory conversations and receive feedback about potential collaborations. When needed, initiative managers can help nonprofits identify potential consultants or technical assistance providers. In the process of helping so many nonprofits, they amass tremendous knowledge of what makes successful deals.

"There's a safety of going to a neutral third party," says Lynn Alvarez, vice president of programs and strategy for ECMC Foundation in Los Angeles and the former initiative manager at NSI. "You don't have to go to your regular funder and feel like you're double dipping or needing to air your dirty laundry. The initiatives keep a pot of money separate from any one funder."

Because of the power dynamics, a nonprofit may be loath to admit to its funder that it is having problems or exploring a merger. "One added value of these initiatives is the ability to provide a confidential place for nonprofit leaders to talk about some of the bigger issues, especially in the early days, without having it get back to their very important foundation funders that support them," says Cavagnero of NYMAC. "There can be a sense that organizations are doing this work from a position of weakness—there can be a perceived taint of failure. Leaders who call us often want assurances that we won't be sharing information before they are ready to discuss things with our broader funder group. We've gained this reputation—rightfully so—of being a trusted thought partner where our currency is really our reputation and discretion."

The Better Together Fund in Texas is an exception to this general structure. Instead of having an initiative manager, it has a distributed model: a steering committee of five foundations serves as the governing body that decides on grants while the Dallas Foundation manages the donor-advised fund that holds pooled capital. A nonprofit can approach any of the steering committee members knowing that all of them will honor confidentiality.

"If you're really trying to model that we're on the same team, then I think it's OK that you don't have this neutral party as a go-between," says Black. "Because every decision maker on the committee has directly stewarded some of these programs, I think everybody is a better decision maker. That strengthens the steering committee, it strengthens the organizations that are funding it, and it brings a closer connection to this great divide between grantees and funders."

4 THIRD-PARTY TECHNICAL EXPERTISE

There's no shortage of collaboration in the nonprofit sector: In fact, 68 percent of nonprofits plan to collaborate (formally or informally) with other nonprofits over the coming year, according to the Nonprofit Finance Fund. But most nonprofits struggle to find the time, resources, and funding to make collaboration real.

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Neutral outside consultants are experts in all the components of formal collaboration, and they can help nonprofits put together a plan over the months, and sometimes years, these efforts can take to complete. Technical assistance could be needed in several areas, including financial and legal research and analysis, human resources compensation, fundraising feasibility studies, IT platforms and capacity assessments, and rebranding strategies in the case of mergers. Legal assistance is critical to completing complex transactions, and the initiatives can either coordinate access to pro bono counsel or provide support to retain discounted legal counsel—help that can be worth upwards of six figures. Many network initiatives offer a list of vetted, experienced technical assistance providers, or help develop capacity among consultants for this work.

When done well, the assistance of consultants can be invaluable. In Dallas, six domestic violence shelters were able to come together to explore consolidating their individual hotlines into one hotline that victims and police could call for help, learning from how Safe Horizon in New York City had created its hotline. According to one nonprofit leader, "The funding to work with an independent third-party consultant and the ability to bring New York City colleagues to Dallas to educate the group was the critical tool to making this collaboration possible."

This explains why more than 80 percent of respondents to an NSI survey said consultants were essential to the completion of a deal, and about 75 percent said they were satisfied with the work. A study of mergers in Minnesota found similar results.[6] Half of respondents said that the consultant performed tasks that the organization's staff or board members could not have done on their own. Nearly all the respondents said they would involve a consultant if they were doing another merger.

More than 80 percent of respondents to an NSI survey said consultants were essential to the completion of a deal, and about 75 percent said they were satisfied with the work.

[6] *Synopsis: Success Factors in Nonprofit Mergers*, MAP for Nonprofits and the Amherst H. Wilder Foundation, July 2012. https://www.wilder.org/sites/default/files/imports/MapMerger_SuccessFactors_Synopsis_7-12.pdf

CASE STUDIES OF TWO LOCAL INITIATIVES

Initiatives in Los Angeles and New York are examples of how this model has played out in different communities.

CALIFORNIA'S NONPROFIT SUSTAINABILITY INITIATIVE

The Nonprofit Sustainability Initiative in Los Angeles grew out of a 2011 conference hosted at the UCLA Center for Civil Society about the financial strain nonprofits were experiencing following the Great Recession of 2008. After the downturn, demand for services had spiked while revenue from public and private funders had plummeted—a perfect storm for nonprofits. "We hosted a conference and an initiative broke out," jokes Jennifer Price-Letscher of NSI.

> *"We hosted a conference and an initiative broke out."*

A few years later, the funding environment was still dire, with a UCLA study finding that philanthropists in Los Angeles County gave $1 billion less per year in 2013 than in 2006, at the height of the previous economic boom.[7]

[7] *The Generosity Gap: Donating Less in Post-Recession Los Angeles County*, Shawn Landres and Shakari Byerl, UCLA Luskin School of Public Affairs and the California Community Foundation, 2016. https://www.calfund.org/wp-content/uploads/ucla-ccf-report-may2016-rev5-WEB.pdf

Demand among nonprofits for NSI was strong from the start: Seven hundred local nonprofit CEOs and board members showed up when NSI held its first meeting on sustained collaboration. The network started as an informal collaboration among three leading Southern California foundations, and has since grown to include 18 foundation partners. The three current managing funders—The Ahmanson, California Community, and Ralph M. Parsons foundations—provide the initiative manager with direction and help make decisions about grant requests. The California Community Foundation (CCF) acts as fiscal agent and hosts NSI's website.

To date, 230 nonprofits in the Los Angeles area have received $3.7 million across 79 exploration grants and 33 implementation grants. NSI grants are distributed across six major categories, in order of investment: youth and family, human services, health, education, arts, and animal welfare. Among grantees, more than 85 percent of exploration grants have resulted in signed agreements: Half are mergers or acquisitions, while the remainder involve formal partnerships such as colocation agreements, joint programming, and consolidation of administrative functions.

More than 80 percent of grantees report that these partnerships enhance their organization's ability to achieve impact, and more than 75 percent say that their relationship with NSI has a positive impact on their ability to think strategically, foster board engagement, improve financial awareness, and remain open to future partnerships. The definition of success for NSI is not whether organizations come to an agreement, says Carrie Harlow, project manager for NSI. Participants gain a greater awareness of their organizational capacities from going through the process, even if they get to the altar and decide not to marry.

More than 80 percent of NSI's grantees report that partnerships enhance their organization's ability to achieve impact.

"One hundred percent of the 80 organizations that participated in a post-negotiation survey reported that, regardless of whether or not they came to some sort of agreement, they felt that the experience of going through the negotiation was valuable," says Harlow. "And if they don't come to an agreement, many of them come back to us with a new partner down the line and engage in the process again. That speaks to the fact that this is a tool that they're comfortable using, whether or not it results in an agreement on the first attempt."

Over time, NSI has developed a list of high-quality technical assistance providers that nonprofits can choose to use. These are not run-of-the-mill consultants; rather, they have a unique skill set that includes an important psychological component. "What we've heard consistently from grantees that we've supported is that this work requires consultants to have an organizational-behavior or therapeutic capacity," says Price-Letscher. "It's not like the for-profit sector, where you get your golden parachute and your name in the business journal when your company has been acquired. It's more like your identity is being subsumed by another organization and can you let that go? A consultant needs to be able to help clients navigate the complex interpersonal dynamics that often arise during this process."

Like all the initiatives, NSI carefully assesses nonprofits' readiness for sustained collaboration, making sure grantees have realistic expectations about the time and the financial and emotional commitment it can take to complete a negotiation. "We have conversations with the participating organizations to ensure that they're entering into the negotiations with clear and realistic expectations," says Harlow. (See sidebar "Questions to Assess a Nonprofit's Readiness for Sustained Collaboration.")

What makes NSI's quick response rate of two weeks to one month possible is a governance structure made up of only three decision makers who vote on grants, rather than all 18 foundation partners in the pooled fund. The other foundation partners form a learning community focused on evaluating results, and they often hear directly from grantees with "boots on the ground" as they advise and give input on strategy at convenings twice a year.

As an example of NSI's impact, one grant resulted in the creation of the Arts for Incarcerated Youth Network (AIYN). AIYN is an L.A.-based programmatic alliance of six nonprofits that provides arts programs, such as theater or creative writing, for youth in the juvenile justice system. Each nonprofit maintains its own organizational structure and programming, while AIYN provides a neutral shared structure that can look across the landscape and guide the members' collective work on funding and executing joint programming.

One early result is a major expansion of arts programs to all youth in L.A. County's detention facilities, thanks to $1 million in new county funding that AIYN was able to tap as a larger and more powerful network. "We realized that there was more we could be doing collectively than in our own organizational silos," says Chris Henrikson, executive director of Street Poets, which is a member of AIYN. "It's been amazing to watch this collaborative network take off. NSI got us off the ground. It was hugely impactful for us as an organization and for the other partners."

NEW YORK'S MERGER AND COLLABORATION FUND

Founded in 2012, the New York Merger and Collaboration Fund (NYMAC) serves nonprofits in the New York City area. The initiative grew out of the national SeaChange-Lodestar Fund for Nonprofit Collaboration, the first joint fund in the nation dedicated to promoting sustained collaborations among nonprofits.

NYMAC has made 61 grants totaling $1.8 million from six foundation partners and 12 individuals. It estimates that the 142 organizations it has helped in turn serve more than 1.8 million New Yorkers annually. NYMAC's foundation partners must be open to funding nonprofits outside their grantee portfolio. Foundations typically invest in the pooled fund at the $150,000 level over three years, with a dozen individuals contributing at the $25,000 level over the same period. $2.75 million has been raised since the initiative began.

When the NYMAC initiative launched following the Great Recession, its funders saw multiple distressed, "hair on fire" situations in which nonprofits had six to eight weeks of payroll left and needed to stabilize the organization. "None of the conversations in the first two years were about proactive efficiencies and scale—the language was about preservation and sustaining of programs," says Cavagnero of NYMAC. "Now the language has shifted more proactively, to 'How can this be a long-term strategy for impact? There's no pressing need, but we think in 18 months, we have to do something. So let's get a whiteboard in a room and talk about it.'"

The merger of the HOPE Program and Sustainable South Bronx in 2015 demonstrates NYMAC's impact on the ground. The organizations operated in separate boroughs of New York City and had complementary workforce development programs focused on helping those with a history of homelessness, substance abuse, incarceration, or domestic violence develop job skills. After weathering two years of declining revenue, Sustainable South Bronx determined that it needed to become part of a bigger effort to sustain its programs focused on training and placing clients in green-economy jobs. Meanwhile, the HOPE Program was looking to scale up its intensive job training programs through an expansion into a new area of the city.

As a result of the two organizations' subsequent parent–subsidiary partnership, the combined organization has been able to reach the next level of scale needed to attract larger funders like the City of New York. It has also doubled its budget and the number of clients served, as well as solidified its position as one of the top nonprofits in New York. "Seeing them working from the same playbook all along, and achieving near-unanimous agreement on most matters, was very important and very gratifying," says Suzi Epstein, managing director of jobs and economic security at Robin Hood, a funder to both organizations that played a key role in the partnership.[8]

So far, Cavagnero says, the majority of the deals NY-MAC has supported have improved the programmatic services of the organizations far beyond the level originally intended. More than 85 percent of nonprofit grantees have deemed the initiative's support as successful. "These grants have helped build long-term financial sustainability, expand programmatic reach, and allow the organizations in many cases to attract and retain talent at the leadership and board levels that might otherwise have been more difficult to achieve if they had been stand-alone organizations," says Cavagnero. "And even if these transactions didn't work out, the grants often helped boards and leadership get aligned and put organizations in a better place as independent entities."

> *"These grants have helped build long-term financial sustainability, expand programmatic reach, and allow the organizations in many cases to attract and retain talent at the leadership and board levels."*

QUESTIONS TO ASSESS A NONPROFIT'S READINESS FOR SUSTAINED COLLABORATION

- **MOTIVATIONS |** What circumstances brought these nonprofits together? Why now? What outcome are they hoping for?
- **RELATIONSHIP |** When and how did the conversation between these organizations begin? How are they compatible? How do the communities they serve overlap? Are there cultural differences or power dynamics at play? Is there transparency about the strengths and liabilities each participant brings to the table?
- **BOARDS |** Is there any dissent among board members? Do the boards of each organization know one another? Have they submitted board resolutions in favor of exploring a collaboration?
- **CONSULTATION |** Did the nonprofits do due diligence in choosing the right consultant? Is the scope of work realistic?
- **SHARED VISION |** Do the participants have realistic expectations? What challenges do they anticipate? Are they aligned in their goals?

[8] *Purpose-Driven Partnership Grows Community Resources*, La Piana Consulting, 2018. https://www.lapiana.org/Portals/0/Documents/HOPE-SSBx%20Case%20Study%20FINAL%20111318.pdf?ver=2018-12-04-151848-337

+ CREATING CAPACITY FOR SUSTAINED COLLABORATION

The time is ripe for funders to support sustained collaboration with both their financial resources as well as their leadership. As they do, they should keep in mind some practical advice.

ENCOURAGE COLLABORATION CURIOSITY.

Robinson of the Mission Sustainability Initiative in Chicago has seen more nonprofits thinking proactively about collaboration. "One of our goals is to change the culture of the conversation around partnerships, toward something that people think about proactively and talk about openly. It doesn't have to be spoken about quietly behind closed doors. You can make it part of your periodic strategic planning routine," she says.

She sees more and more nonprofits coming together to generate greater effectiveness and not just to increase efficiencies. "Partnerships aren't just because people are having problems or facing external pressures," says Robinson. "Partnerships help organizations be more effective: serving more people, serving a bigger geographic area, providing more services to the same people."

One Chicago-area health center she worked with merged with a community mental health organization to bring client referrals under one roof. MSI funded a cultural integration program designed to create shared ownership for programs. Another merger of three healthy affordable-housing nonprofits, which had overlapping funding sources and tight connections between EDs and board members, allowed clients to access a wide range of services with one phone call. "MSI provided the critical tools and early resources that we needed to get the ball rolling," says Rob Anthony, president of Community Partners for Affordable Housing in Chicago.

A nonprofit leader in Los Angeles saw the benefits of proactivity firsthand when she applied for a grant from NSI to explore its eventual merger with a similar L.A. community organization. "I used to be of the opinion that people needed to do mergers when an organization was failing and it was a last resort," says Michelle Freridge, executive director of the Asian Youth Center (AYC). "Attending an NSI conference was a real eye opener for me about the possibilities for mutual benefits for healthy organizations."

GET BOARDS ON BOARD.

Boards represent the single biggest barrier—and leverage point—to developing healthy sustained collaborations. The duty of care that board members must demonstrate, as well as their own loyalties, can sometimes hinder their ability to elevate achieving and delivering on the organization's mission above its own narrow interests.

While the executive director is far more likely to initiate collaboration discussions than the board, boards are critical in creating an environment in which executive directors feel empowered to begin these discussions and to evaluate opportunities. If a project doesn't rise to the strategic level of early board involvement, it is unlikely to yield a successful long-term formal collaboration.

Education for nonprofit boards is therefore vital. Resources such as those from the Power of Possibility project, created by the nonprofit group BoardSource, and the GrantSpace Nonprofit Collaboration Database from Candid can be helpful in starting and advancing the conversation about sustained collaborations among boards and nonprofit leaders.[9] The initiatives profiled in this article have held dozens of events reaching out to boards and nonprofits to demonstrate that sustained collaboration can be a productive strategy.

[9] *The Power of Possibility,* BoardSource. http://www.thepowerofpossibility.org/; GrantSpace Nonprofit Collaboration Database, Candid, https://grantspace.org/collaboration/.

BE SENSITIVE TO CULTURE AND LEADERSHIP.

It's difficult under any circumstance to blend two vastly different organizations, such as one founded 100 years ago and one founded last year by millennials. "The folks who put culture front and center have come out of the process in a much better place two years later than the folks who were just like, 'Whatever, we'll figure that out,'" says Cavagnero of NYMAC. "You need to assess whether or not there are big cultural issues, and then ask those questions up front as part of the due diligence process to at least get people thinking about it."

She also adds, "Some of the deals that I have seen blow up spectacularly have been around leadership, when a founder is involved. The deals that have worked have been those in which the founder and board have understood the importance of this transition, put their mission front and center, and worked toward the same goals."

Those involved in developing this field have noted that a critical time to hit the pause button and consider alternatives is when a nonprofit faces a leadership transition. The majority of nonprofit mergers and acquisitions that the initiatives have stewarded resulted from a planned leadership transition. This can be an opportune time to reflect on whether a formal partnership with another organization may advance a nonprofit's mission. Other good transition points include when a nonprofit loses a major revenue stream or the regulatory environment changes radically. Rather than going forward with business as usual, it can be time to determine if a nonprofit can be more effective by joining forces with others.

FOSTER TRANSPARENCY AND TRUST.

Efforts that have succeeded have built trusting relationships with nonprofits. "Collaboration moves at the speed of trust," says Black of the Better Together Fund. "You hear it, you think you know it, you believe it at the onset, but you really need to experience it."

> *"Collaboration moves at the speed of trust. You hear it, you think you know it, you believe it at the onset, but you really need to experience it."*

She thinks back to one collaboration that had the benefit of technical assistance from a fully staffed team with a major consulting company. The planning meetings kicked off with an exhaustive data analysis, before the respective nonprofit leaders had gotten to know each other well. The project stalled between planning and execution, and while it eventually moved forward, the experience drove home the importance of the human connection in this work. "It's not that we need to start with trust falls, but it is essential that we don't assume that everybody is truly trusting before we move forward," Black says.

To build more trust, funders can convene grantees around best practices in the field of sustained collaboration so that nonprofits have an opportunity to become more receptive to collaboration. "Sustained collaborations are very sensitive work and people are very much aware of the power dynamic," says Savage of Lodestar. "Funders have to be very respectful of nonprofits. You can't demand that two nonprofits come together, because it's like a marriage—these relationships have to be built on trust. When efforts are foundation-mandated and -initiated, that can create problems."

BRING FUNDERS TOGETHER

Everyone in philanthropy wants to maximize the impact of their limited dollars. One way to do that is by supporting nonprofits that want to achieve more impact by working together on a permanent basis. “All funders should want to see impact magnified,” says Savage. “From all of the combinations of nonprofits I’ve seen, the stories are amazing of how much more they’re able to achieve when they come together.” For example, Lodestar funded the national merger of Gilda’s Club and the Wellness Community to form the Cancer Support Community, which provides support for cancer patients. In the first year, that combination led to a budget for the new organization that was $1.6 million lower than the sum of the previous organizations’ separate budgets, with an increase in its effectiveness and impact.

CONCLUSION

Ultimately, sustained collaborations are about growth and change, and about achieving more impact with limited dollars. But to advance this important work, funders face an important choice: They can help organizations come together—or they can continue to do more of the same, organization by organization.

Fortunately, it’s not an either/or decision. Funders can and will do both. The more forward-thinking among them will also join forces with other funders to magnify the impact of their philanthropic work by supporting formal, long-term collaboration among nonprofits. In the process, they will achieve lasting impact among the clients that organizations serve.

SeaChange

SeaChange Capital Partners helps nonprofits navigate complex challenges using its experience, financial resources, and connections. The group has served as the backbone organization incubating and launching the new national Sustained Collaboration Network. **https://seachangecap.org**

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Sustained Collaboration Network

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Heather McLeod Grant is the cofounder of Open Impact, and a social entrepreneur, author, and consultant with 25 years of experience in leading social change. She is coauthor of *Forces for Good*, *The Giving Code*, *The Giving Journey*, and numerous other publications.

Kate Wilkinson is an engagement manager at Open Impact, who has spent more than 15 years working in nonprofits and philanthropy. She has led the research for and co-authored several previous reports, including *The Giving Code* and *The New Normal*.

Mickey Butts is the editorial director of the Insight Content Lab, an agency specializing in thought leadership, data visualization, and content strategy.