

# The Human Services Strategic Restructuring Pilot Project

## Transforming Nonprofits in Cuyahoga County, Ohio



Summary Report  
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## Introduction

As nonprofits grapple with unprecedented social change, economic challenges, and other shifts in their operating environment, more funders are recognizing the need to augment traditional forms of support with new tools and strategic solutions. In Cleveland, Ohio, a group of 18 funders came together in 2009 to do just that.<sup>1</sup> Listening to their nonprofit community, they identified the opportunity to facilitate real transformation through support for strategic restructuring<sup>2</sup>, and launched the Human Services Strategic Restructuring Pilot Project.

The initiative invited area nonprofits to examine a range of restructuring options in a three-phase facilitated process of education, assessment, and negotiations. Initiated with an educational workshop attracting leaders from 76 nonprofits, the year-long pilot provided 17 organizations with readiness assessments and helped 8 to develop restructuring plans. The Human Service Strategic Restructuring Pilot Project culminated in four nonprofit restructurings (including a program transfer, two parent-subsidary relationships, and a common board and management structure), raised the profile of restructuring as a strategic option among area nonprofits, equipped participating funders to provide needed supports, and captured the attention of funders across the nation interested in launching similar efforts in their communities.

## Designing the Pilot

The group of 18 funders was brought together by a common desire to offer struggling nonprofits with support “beyond a grant check.” The initial invitation came from Denise Zeman of Saint Luke’s Foundation and Deborah Vesey of Deaconess Community Foundation, who asked the Ohio Grantmakers Forum to help put out the word to their funder colleagues. Interest among area funders was strong. Having heard nonprofits’ desire for support in exploring restructuring options, the funders knew that they would have a better chance of addressing this need by collaborating than they each could on their own – and that they had to learn more about what to do to be helpful.

A distinguishing characteristic of this collaborative is that the funders approached the effort in learning mode. “We wanted to learn how to serve this need, this interest,” recalled Zeman, “and then use that knowledge to ensure that this kind of support becomes something that is available to nonprofits in all sectors on an ongoing basis.” This is in large part why the process was designed as a phased pilot, emphasizing documentation, evaluation, and learning at each step of the way. In planning the initiative, the funders first looked at other models. Immediately after

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<sup>1</sup> Members of the funders collaborative included: The Abington Foundation, Charter One Foundation, The Cleveland Foundation, Deaconess Community Foundation, Dominion Foundation, Eva L. and Joseph M. Bruening Foundation, The Frank Hadley Ginn and Cornelia Root Ginn Charitable Trust, Fred A. Lennon Charitable Trust, The George Gund Foundation, John P. Murphy Foundation, Kulas Foundation, The Reinberger Foundation, The Reuter Foundation, Saint Luke’s Foundation, The Thomas H. White Foundation, United Way of Greater Cleveland, Weathertop Foundation, and The William J. and Dorothy K. O’Neill Foundation.

<sup>2</sup> The term *strategic restructuring* refers a continuum of partnerships — including but not limited to mergers, joint ventures, administrative consolidations, joint programming and MSO’s — through which nonprofits attempt to anticipate or respond to environmental threats and opportunities. These partnerships are differentiated from collaboration in that they involve a change in the locus of control of at least a portion of one or more of the organizations involved.

the initial meeting Zeman and Vesny, with the assistance of the Ohio Grantmaker's Forum, sought to identify and bring back information on similar efforts from elsewhere around the state as well as nationally. Taking note of a recent initiative in nearby Dayton, the Cleveland funders saw the opportunity to build on that model, adapt it, and "maybe even do it a little better."

Having led the effort to identify models for the initiative, Zeman and Vesny became the de facto co-chairs of the pilot project moving forward. This shared leadership proved successful, as it allowed each to pick up for the other when demands external to the pilot required their attention. It also brought together the best of two different perspectives and complementary work styles. Based on this experience, both would recommend that similar initiatives work with two co-chairs.

## Process and Timeline

### **PHASE I: December 2009**

Educational Workshop – 76 organizations

*Attendees were asked to submit an "Intent to Proceed" document to formally express interest in Phase II.*

### **PHASE II: January–May 2010**

Readiness Assessments – 17 organizations grouped into seven clusters

Each agency completed a self-assessment and a financial position assessment; provided financial, corporate, program, board and staffing information for consultant review; completed an in-person interview with a member of the consulting team; and reviewed the assessment report compiled by the consulting team.

*Attendees were asked to submit an "Intent to Proceed" document to formally express interest in Phase III.*

### **PHASE III: June–November 2010**

Restructuring Plan Formulation – eight organizations (four pairs)

Each pair was guided through a process to determine shared outcomes; negotiate the elements of an agreement regarding governance, leadership, program, administrative functions, and budget; conduct due diligence; and take legal steps toward restructuring.

The co-chairs were aided in the beginning by the participation of the Ohio Grantmakers Forum, which served as both neutral convener and fiscal agent for the pooled funds. This role was important, and was intentionally created to help counter the common tendency for an initiative to be seen as "owned" by the institution holding the money and/or the meetings. Although the Ohio Grantmakers Forum provided convening and other logistical support throughout the first phase of the pilot, an unforeseen staffing change disrupted its participation and these responsibilities reverted to the two co-chairs for the remaining phases.

The scope of the pilot was shaped by a few key factors. First, it was the composition of the funder group itself which determined that human services organizations would be the focus of

the initiative. Human services was inclusive enough to be a common intersection among the participating funders, whereas focusing on another field would have left some funders out. Additionally, focusing on a particular geographic area – Cuyahoga County – provided a clearly defined target community for the pilot. Although this geographic focus eliminated a couple of interested funders from the pilot, they remained interested and closely observed the evolution and outcomes of the initiative. Finally, it was decided that technical assistance would take the nonprofits through a negotiations process, but that if legal services or detailed financial analysis were needed, the organizations would have to find other sources of support. This was a pragmatic approach informed by the need to focus the pilot activities and work within the overall budget, as well as the expectation that some organizations may have access to pro bono expertise in those specialty areas.

A defining feature of this initiative was its engagement of a multi-consultant team. Composed of a mix of local and national consultants, the team of three not only leveraged diverse experience and accelerated learning, but modeled the same collaborative spirit shared by participating funders and nonprofits. Other critical design elements included a built-in evaluation component that helped shape the pilot and facilitate real-time learning and adaptation. This also ensured that challenges and successes would be captured and shared. As Vesey described, “It worked well. The evaluations came in phase by phase. After each phase, we had a face to face meeting, the consultants would report, the evaluators would report, and we’d plan for the next phase.”

## Lessons Learned: Successes and Challenges

### ***Collaborative funder relationships***

Past experience with collaborative funding helped to set the stage for success. Ohio is home to the Fund for Our Economic Future, a collaboration of philanthropic organizations and individuals

“We have a strong base of trust and respect for each other. We like each other, and didn’t have to work through lots of junk. All this helped make the collaboration much easier.”

Denise Zeman  
*St. Luke’s Foundation President and CEO*

that have united to strengthen the economic competitiveness of Northeast Ohio through grantmaking, research and civic engagement. Funders have also engaged in joint efforts in pairs and other small groups. This is indicative of a collaborative culture among area funders, built on both existing relationships and trust developed over time. The co-chairs of the Human Services Restructuring Pilot Project were pleased that 18 funders elected to participate. Although this represents a substantial number of partners, the co-chairs reported no difficulties related to the size of the group. Vesey noted, “Everyone really checked their own organizational egos at the door.”

### ***Flexibility of participation***

The ease with which the funders worked together is also credited in part to the flexibility of the pilot's design and operation. The funders self-selected and were allowed to choose their own level of investment, with no specific financial contribution required to participate. The collaborative raised just over \$400,000 with funder contributions ranging from \$5,000 to over \$50,000. All were treated equally: as Zeman explained, "If you were an interested funder, willing to fund at any level, you were welcome." Communication was ongoing through various progress reports and convenings, via conference call, email, or in person. Attendance at meetings was not compulsory, and funders were allowed to send "alternates" when their primary liaison was unavailable. Decision making was by consensus.

### ***Responsiveness to nonprofit interests***

Another hallmark of this pilot is that it was firmly rooted in an understanding of local nonprofit needs. Although various grantmaking initiatives, philanthropic awards and prizes, and other efforts aimed at promoting nonprofit restructuring have gained traction since the economic downturn, this collaborative's choice to support restructuring was by no means a foregone conclusion. Informed by survey results indicating that strategic restructuring was, in fact, a need expressed by area nonprofits<sup>3</sup>, funders continued to involve nonprofit voices in the planning process. In addition to informing the design of the pilot, nonprofit executives were engaged in helping to shape the RFP for consulting services and in reviewing responses. Vesy indicated that this level of involvement was important "to help think through what [the pilot project] would look like, what would be meaningful to them." Zeman added, "Having their voice at the table from the beginning was truly critical. So in the end it's what they really need."

### ***Collaborative consultant team***

The pilot design was also the result of the combined efforts of multiple consultants. The funders had not anticipated that they would be working with a collaborative consultant team. However when they reviewed the range of proposals submitted they found themselves favorably impressed with elements of three in particular, and saw an opportunity to take an innovative approach. Zeman recalled, "We said, 'This initiative is about collaboration – why don't we ask the consultants to collaborate? And they did!'" In addition to leveraging the knowledge and expertise each consultant brought to the table, engaging a team of consultants enabled the merging of local and national perspectives. Often funders are faced with a conundrum of whether to hire a local consultant who knows the community or a larger national firm with specialized expertise – in this case, the pilot was able to benefit from both. The team approach also enabled the pilot to offer nonprofits more than one choice of who to work with, something planners felt participants would value.

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<sup>3</sup> Saint Luke's Foundation had surveyed their grantees in January 2009 to inform their own thinking and planning. While the survey was conducted before the idea of the pilot was conceived, both co-chairs noted that the results were very helpful in informing the initial conversation with the funders group.

### ***Communications expertise***

In addition to the consultant team providing direct technical assistance to nonprofit participants, the collaborative hired a communications consultant. Initially, the rationale was that the consultant would not only support process-related communications, but also be able to manage external communications should one of the organizations or fledgling partnerships encounter a PR crisis. Although none of the participating nonprofits encountered difficulties requiring communications expertise, having the consultant on board was very helpful in launching the pilot, communicating its intent, and articulating its design and process. This was extremely important, as even with the professional communications, funder intentions are often a point of speculation. As Zeman shared, “Initially, there were concerns and questions from the nonprofit community: ‘What is this, *really?*’ Thinking there’s an ulterior motive. It wasn’t a trust issue, probably, but some were hesitant, maybe a little cynical.”

### ***Confidentiality***

Understanding the sensitivity surrounding funder initiatives and strategic restructuring efforts in particular, pilot organizers made confidentiality a key operating principle. “From the beginning, we felt strongly that everything should be kept completely and totally confidential,” Vesy noted. This meant not only that the funders communicated nothing to the media, leaving it up to each nonprofit to determine what to reveal about their participation, but that they held themselves apart from the process. As Zeman described, “We didn’t need to know who was asking what questions or who had what concerns.” The real work was left up to the nonprofits in partnership with the consultants. Vesy recalled, “We didn’t not take their calls, but their relationship was with the consultant team. We weren’t privy to what was happening with the consultants.” Ensuring this confidentiality and non-interference was highly valued by participating nonprofits, and was a critical factor in the pilot’s success.

### ***Participation in the educational workshop***

When the invitation to the initial educational workshop was extended to Cuyahoga County human services organizations in late 2009, it was made very clear that the invitees were the Board Chair and the Executive Director of the organization, and that both must attend the workshop. Substitutions were not permitted. This was done to emphasize that this type of effort starts with and requires the commitment of top leadership – a valuable message, and one that organizers feel contributed to the success of the pilot.

In hindsight, scheduling the workshop in December – an extremely busy time of year for any nonprofit – was *not* optimal, though ultimately 151 Board Chairs and Executive Directors from 75 organizations made time to attend, and response to the content was very positive.

### ***Timeline***

Although the pilot went quite smoothly and many of the lessons learned were about what the collaborative did right, there was one element in particular that both co-chairs identified as a challenge, and something they might approach differently were they to do it again. Because the initiative was designed as a pilot project for testing and learning purposes, there was little

flexibility built into the timeline. The phases were part of a logical process, and each organization or potential partnership had to move through as part of a cohort. And, because the process was progressive, it precluded the participation of organizations that were already further along than where the pilot was designed to begin providing support. Maintaining a uniform timeline was necessary for evaluation purposes, and also made the pilot more manageable to administer, but it was not as responsive to the different readiness levels and pacing needs of participant organizations as a more individualized approach would have been.

## In Closing

The Human Service Strategic Restructuring Pilot Project fulfilled its aim of providing nonprofits needed support in examining restructuring options and educating area funders in the process. The effort proceeded remarkably smoothly for a collaborative of 18 funders, culminated in four successful restructurings, and now serves as a successful model for other funders interested in doing the same for their communities. The co-chairs have received inquiries from numerous peers interested in their process, a development that Zeman found heartening: “It’s great, kind of affirming! That we did something that people really find of value.” Zeman also reported that the impact of the initiative extends well beyond the cadre of organizations that participated, having inspired somewhat of a “flurry of activity” in strategic restructuring as other area nonprofits are encouraged in exploring this option. Long term, organizers hope that funders in other communities will consider supporting strategic restructuring as well, and that this type of phased initiative will become more commonplace.

## For More Information

A comprehensive case study is currently being developed by a team led by Dr. John A. Yankey, the Leonard W. Mayo Professor Emeritus at Case Western Reserve University, to help inform the field and share lessons learned.

## About La Piana Consulting

Founded in 1998, La Piana Consulting is a national firm dedicated to strengthening nonprofits and foundations, by enhancing organizational strategy, collaboration, and leadership. Our mission is to advance management practices throughout the nonprofit sector for greater social impact. Visit us at [www.lapiana.org](http://www.lapiana.org) or call 510-601-9056.