



***Funder Collaboration in Support of  
Strategic Restructuring:  
A Grantmakers' Gathering***

Session Highlights

March 9, 2012



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## The Event

On March 9<sup>th</sup>, 2012 twelve leaders from the philanthropic community gathered in San Francisco to talk about a shared interest: supporting nonprofits in the exploration and implementation of strategic restructuring. Many of those participating provide that support in collaboration with other grantmakers; others are interested in doing so in the future. Throughout the day, the group focused on five topics. Those topics, along with some of the specific “thought questions” addressed, were as follows:



### State of the Field

*What are you seeing (and hearing) in your subsector and/or region in terms of interest in, readiness for, and prevalence of strategic restructuring?*



### Nuts and Bolts

*How has it actually worked? What questions do you have for others? What advice?*



### Engaging Others: Forming and Operationalizing Funder Collaboratives

*How do you “make the case” to other funders? What is difficult about working with other funders? What are best practices? How do funders encourage nonprofits to consider strategic restructuring – i.e., create demand?*



### Designing a Dream Initiative

*Sometimes “starting from scratch” – or imagining that you can – opens the door to new ideas and new perspectives. If you could collaborate with others to design a “dream initiative” to support strategic restructuring among nonprofit organizations, what would it look like?*



### Looking Ahead, Working Together

*What comes next? How can this group – and others with interest who were not able to attend – continue to collaborate in this work?*

## State of the Field

### A Changing Narrative

Whether it's a more sophisticated understanding of strategic partnerships or increased interest in rethinking the way that nonprofits are organized and operate, there's a shift in the way grantmakers and nonprofits are thinking about the value of partnerships. The focus on mergers as an answer to too many nonprofits chasing too few dollars or as a path to efficiency is being replaced in many communities with a conversation about asset building and mission optimization. Polly Carr of the Alaska Conservation Foundation described this shift as one in which the relevant question is "*What would we create together if we weren't constrained by what we have now?*" This approach elevates the discussion and can move people from an organization-specific mindset to thinking about what could be created. Diana Bucco of The Forbes Funds spoke about the conversation in her community as one in which strategic restructuring is a tool for "spiraling up."



This change in the narrative has opened the way for organizations to look at what might be gained – programs realigned to provide more holistic solutions, boards and Executive Directors freed up to focus more on mission, organizations renewed and repositioned to attract

the next generation of leaders. Although mergers continue to be part of this conversation, they are more often being seen as one option among many.

This is not to say that both nonprofit leaders and grantmakers have completely figured this out. There are still concerns about whether combining programs and functions may loosen tight connections to the community, make services harder rather than easier for consumers to access, and strain boards and staff leaders now charged with governing and managing larger and more complex organizations. Overall, though, there was consensus that the upsides of strategic restructuring outweigh the negatives and more foundations are making more resources available to organizations interested in exploring and implementing this strategy.

### Building Capacity

As the amount of funding available to support strategic restructuring has increased, pockets of technical assistance have popped up in many parts of the country – some more organized than others. Participants noted that they are trying to build capacity through educational workshops, identifying and providing specialized training for consultants, and highlighting success stories in their own communities.

The conversation yielded several other suggestions for funders and capacity builders interested in supporting nonprofits in the strategic restructuring process:

- Walk the talk – model partnership.
- Speak in terms of “we.” Funders, organizations, and the community all need to work together. *“We need to say, ‘We don’t have all the answers, but we want to support you.’”*
- Ask those with experience in strategic restructuring to speak to others in the community. Nonprofits need to hear those stories.
- Remind grantees (and each other) that it is impossible to get everyone’s buy-in for this kind of change. If you wait for that, it will never happen; at some point you need to move forward.
- Identify the change leaders in each process; they will need support from their peers.
- Be willing to provide unrestricted support, or at least allow grantees more flexibility to determine how funding will be used.
- Work with grantees to help them attract additional funding to support the partnership.



After looking at the “big picture,” participants broke into small groups and discussed a number of more specific questions.

## “Nuts and Bolts”

While many grantmakers have been actively supporting strategic restructuring for years, no one feels they have all the answers. The field overall, like each individual approach, continues to evolve. All who attended the Gathering came with both questions and wisdom gained through experience. There was particular interest in questions around financial support for the process, consultant identification, and measurement of impact.

### How much financial support is really needed?

In general it makes sense to think of costs as falling into several buckets, each associated with a different phase of the process – e.g. assessment, negotiations, implementation, integration. For the most part, the costs associated with assessment and negotiations are not huge; a relatively small investment can facilitate significant impact. Implementation can be costly, particularly in the (less common) case of MSO development. (MSOs may not be the best option for organizations looking to share services, however; the same outcomes can often be achieved through a series of smaller projects and agreements.)

One common concern was raised: nonprofits that choose to merge often fear that funders who support both/all organizations pre-merger might see a merger as an opportunity to cut funding. The nonprofits involved need to go to and communicate with their overlapping funders early in the process, helping them understand the impact of the merger on the organizations’ clients (e.g. food banks feeding twice as many people) and the need for continued funding. Funders *can* “get it” if they understand what is involved.



### Should the nonprofits involved contribute money toward the process?

There is recognition that nonprofits need to contribute some funds/resources to the process in order to demonstrate intention. However, is this circular, in that nonprofits may then need to go to other foundations to raise that money? And is the opportunity cost – the sacrifice associated with having to set aside and *not* do certain things because the organizations’ leaders are occupied with a strategic restructuring process – investment enough?

Participants have taken different approaches. Lodestar requires a 10% contribution toward the cost, even for assessments. Even in cases where this is just a few thousand dollars, it helps ensure buy in. Sometimes that money comes from a board member, sometimes through fundraising or from another foundation. The underlying belief: “*They have to step up.*”

The Patterson Foundation (TPF) is not a grantmaking organization; support for merger negotiations has been provided via three-way contracts. TPF contracts directly with, and pays, the facilitator. TPF also

contracts with the nonprofits involved, which cover 25% of the facilitation cost. The nonprofits split the 25% and each makes payment to the Pay It Forward fund, which TPF established at a local community foundation. (To date, TPF has covered 100% of the facilitation costs for non-merger assessments and negotiations.)

CHCF is trying a “security deposit” approach, asking each grantee to contribute \$1,000. If the parties keep to the timeline and bring the process to conclusion, they get that money back.

### Why fund staff time? Why not?

Nonprofits struggle with the amount of time it takes to put together a partnership, particularly when it requires senior staff to set aside other priorities. For the most part, the funders in the room do *not* fund staff time, believing that a willingness to commit the time and energy required is a necessary sign of commitment on the part of those involved. This was not a universal point of view, however. It was suggested that covering staff time might be appropriate post-restructuring, as integration is often most time-consuming. Lodestar, on the other hand, is not prescriptive as to how its grantees utilize the funding *other than* in the integration phase, when it will only pay for third party costs.



### What’s the best way to create a consultant list for a community?

Many in the room have wrestled with the question of if and how funders should “qualify” consultants interested in facilitating strategic restructuring processes. Is it possible or desirable to create a master list? How would such a list stay up-to-date?

Several different approaches were described. One is the “trip advisor” concept, with ratings for participating consultants. The Patterson Foundation has taken a different approach, engaging La Piana Consulting to train local consultants and creating a support group of sorts for those that have gone

through the process; TPF requires the nonprofits it supports to use a trained consultant. Formal mentoring is another strategy.

Encouraging nonprofits to consider consultants they may not have used before can be helpful – though it is important that the consultant have some experience with strategic restructuring. One approach: encourage (or require) nonprofits to seek out at least one “unknown” consultant to broaden their understanding of who’s out there and potentially find a better “fit” for both the organization and the particular engagement.



## How do you measure impact for this type of initiative?

Formal post-partnership evaluation efforts are rare, though one particular effort – an ongoing evaluation of mergers in Minnesota - was called out. There was general consensus that funders *do* need to commit to evaluation, but questions around how to measure success. Lodestar asks grantees to report back two years post-agreement and describe the impact of the partnership.

### Looking Ahead: Specific Ideas and Suggestions

- Go back to some of the organizations in the Foundation Center's Collaboration Database and assess what the impact has been longer-term, what has continued to work, and what organizations have learned since submitting a letter of nomination.
- Establish local "speakers' bureaus" for board members. Participating board members could volunteer to talk with other organizations about what has worked, what was challenging, and what resources were required.
- Create some kind of "101" for funders explaining the costs that typically arise in a strategic restructuring process (assessment, negotiations, and integration). Include examples of how nonprofits share in those costs, or otherwise demonstrate "buy in."
- Be more intentional about sharing the resources that current funders of strategic restructuring already *have* created and collected.



## *Engaging Others: Forming and Operationalizing Funder Collaboratives*

There are two ways to engage multiple funders in a coordinated effort to support strategic restructuring: **co-funding**, and **pooling funds**. In co-funding, a grantmaker offers to provide a percentage of the funds required with the stipulation that the nonprofits involved must raise the rest from other sources. Sometimes the “challenge funder” helps raise the remaining funds, but often not. A pooled fund brings together resources from multiple grantmakers and draws upon that pool to fund specific requests.

Pooling funds *can* be more difficult, particularly if (as is sometimes the case) contributing foundations regard it as re-granting, and as such have a more difficult time releasing control. Participating foundations may also have different expectations, and it can be hard to effectively communicate those. Pooling funds may be easier locally, where customization to each funder’s needs is more possible. Some participants in the discussion have found it easier to create a pooled fund with high-net-worth individuals rather than (just) foundations.

### **How do we get funder collaboration?**

While funder coordination in support of strategic restructuring can be extremely beneficial for all involved, actually engaging other funders in a formal effort can be challenging.

*“We’re struggling with it. All of the struggles with collaboration we see in nonprofits, we have them too. It’s hard. Foundations can be competitive, too.”*

Nonprofits sometimes get nervous at the prospect of funder collaboration:

*“They think we’re all in a room talking about them, and comparing notes. Frankly, I’m not sure it’s good if we all fund the same thing. It’s good to have a diversity of funding. Where do we go along that continuum of funder collaboration?”*

For the most part, how you make the case to other funders depends upon what you want to accomplish. On the other hand, it may not always be as difficult as expected. When asked why The Kresge Foundation decided to join the two funder collaboratives she had described, Sandy McAlister Ambrozy replied: “Because we were asked!”

*“We see the benefit in taking advantage of the heavy lifting that another group has done. There’s no way we can authentically be in the community. If we can add value by joining the community, that works for us.”*

Melissa Schoen of The California HealthCare Foundation mentioned that in her experience, the “ask” is likely to be better-received when there is a third party administering the fund – something CHCF just instituted.

*“It’s not ‘just a CHCF thing’ now, but ‘The Catalyst Fund,’ something outside of ourselves – which has brought the conversation to a new level. It’s easier for people than if the initiative is owned by just one funder.”*

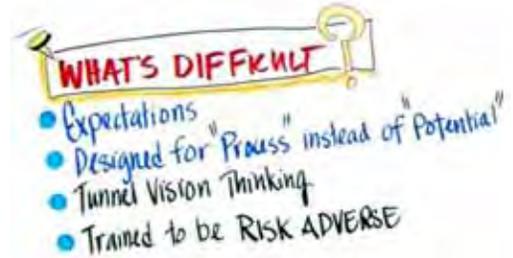


## What is **difficult** about working with other funders?

Foundations suffer from many of the same problems as do nonprofits. They can at times focus on their specific interests and needs rather than the bigger questions of mission.

Foundations are trained to be risk averse rather than risk-taking. That can make collaboration difficult, as working together may require walking into the space of the unknown.

Diana Bucco (The Forbes Funds) spoke about her vision of doing something that is non-threatening to rally people around an idea or an activity and “change the dynamic in our community.”



Often foundation staff feel like they have to stay in their role (program officer, Executive Director, board member), and this can leave them set up for process rather than for potential. They sometimes operate in silos, and don't always share information well. In addition, most foundations are not very agile – they have long lead times and lots of “controls” in place.

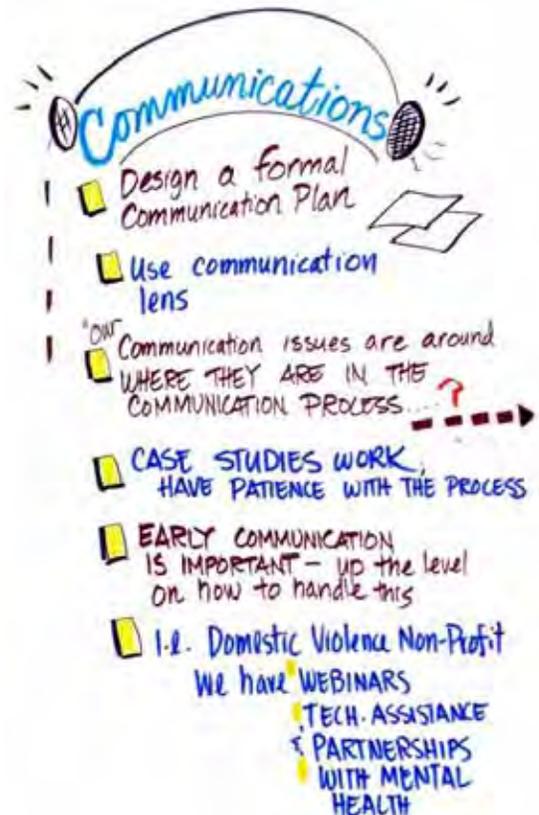
## What are **best practices** for funder collaboration for strategic restructuring?

Suggestions included:

- Find activities that require more people to come to the table – ideas that require true collective (and creative) effort rather than “out of the box” solutions.
- Establish an end goal and be clear about *expectations*.



One *promising* practice is that of developing a communications/media strategy. Patterson is doing that now, and Jo DeBolt (La Piana Consulting) described how The Human Services Restructuring Pilot Project in Cleveland incorporated a media strategy. The Blue Shield of California Foundation's Blue Shield Against Violence program has also paid a great deal of attention to communication with its initiative.



## How do funders **encourage** nonprofits to consider strategic restructuring – i.e., **create demand**?

One of the most important things funders can do is make it known that the foundation(s) is/are willing to support collaboration. Funders (and capacity builders) must then be willing and able to talk with nonprofits about the process in terms of the benefits it yields. E.g., what does success look like, and why is strategic restructuring likely to get you there? While it is best to have the conversation when an organization is still strong and can truly influence the outcome, organizational challenges can provide an opportunity to initiate the discussion, as can leadership transitions.

Funders can convene their grantees to begin building a sense of “community” and provide opportunities for trust-building and finding common ground. Research has shown that both pre-existing relationships and the opportunity to develop programs together increase the likelihood that partnership efforts will be successful.

Education – of both nonprofits and funders – is also critical. Diana Bucco described elements of the approach that The Forbes Funds has found to be effective. They include making sure that board members are involved in the education process and that sessions include good story-telling. The latter can help to create a positive buzz around strategic restructuring. Storytellers from other nonprofits are great, but funders can also come to the table and be involved in the telling of the story. Similarly, case studies are critical. In either case, it is not about the funder saying you should do something; but: “I *made it through*, here’s *how it worked for me*.” Organizations are more seriously interested in strategic restructuring when they hear about it from their colleagues.



Education should be followed by very specific training. E.g., here’s the internal conversation, here’s how you prepare you agency for change, here’s how you begin the conversation.

Another specific suggestion: reframe the question and introduce the topic by talking in terms of the great thing(s) the organization could accomplish. E.g., in fundraising, rather than ask someone to talk about estate planning, you ask: “If I can show you to give away \$1 million, can I have 10 minutes of your time?”

## What if it isn’t clear where **implementation** funding will come from?

Implementation can be complicated, and go on for years – and yet not all funders or collaborative funding initiatives provide resources for this stage of the process. The Catalyst Fund for Nonprofits in Boston is just one example.

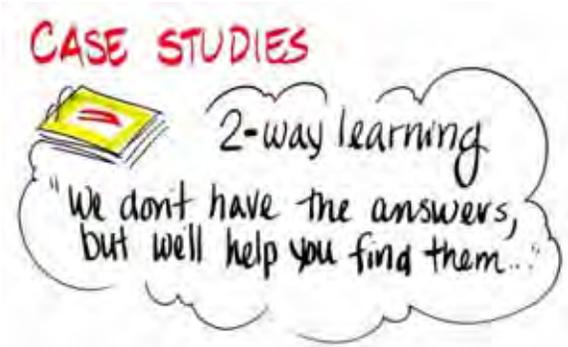
The point was made that if the nonprofits involved can articulate the outcomes they’re trying to achieve through the partnership, they should be able to go to their “regular” funders for support.

Implementation and integration are – after all – about the life of the new organization.



## Looking Ahead: Specific Ideas and Suggestions

- Affinity group leaders can get the message out about the importance of not decreasing overall funding after a merger.
- It would be helpful to have research or case studies that show the financial reality for most mergers: while organizations typically do not need less money post-merger, they are more effective.
- Lois Savage (Lodestar Foundation) suggested convening the nonprofits that receive funding for strategic restructuring for information sharing and joint training. This could be a great way to spawn other collaborative efforts.
- Those present – along with others doing this kind of work – could commit to connecting more intentionally in the future, and sharing resources. In the short term, funders who have relevant resources that are not yet on The Foundation Center website could forward those to Cindy Bailie.



### *Designing a Dream Initiative*

Those attending the Gathering brought and shared wisdom gained through many – and diverse – experiences. They represented small institutions as well as large, rural communities and urban areas. Some have formed or participated in multi-million dollar initiatives, others are just beginning to put a formal program together. Most have learned at least a few valuable lessons about what works what doesn't. Thus we asked: if you could start fresh, what would you do? What would be the best, most effective way to support collaboration and strategic restructuring across the country?

There were few restrictions on the creative process, other than the invitation to... *be creative!* The goal: to take a fresh look at the challenge facing all of us and talk about “who” and “how” to most effectively address it moving forward. The result: two very different – and very inspiring – concepts.



**Group 1: Healthy Baby**



**Group 2: Collaboration in Bloom**

## “Healthy Baby”

What is the ultimate goal of this work? Impact – represented in this group’s mural as a “healthy baby.” To get there, government, foundations, the community, business, and nonprofits must all work together (as represented by the intersection of five different paths). There will be roadblocks (the sticks), and *everyone* must agree to change (the triangle). The reward, however, can be tremendous: an ability to productively disrupt the status quo (the bursting tower of pipe cleaners), take risks, and truly change outcomes for those in need.



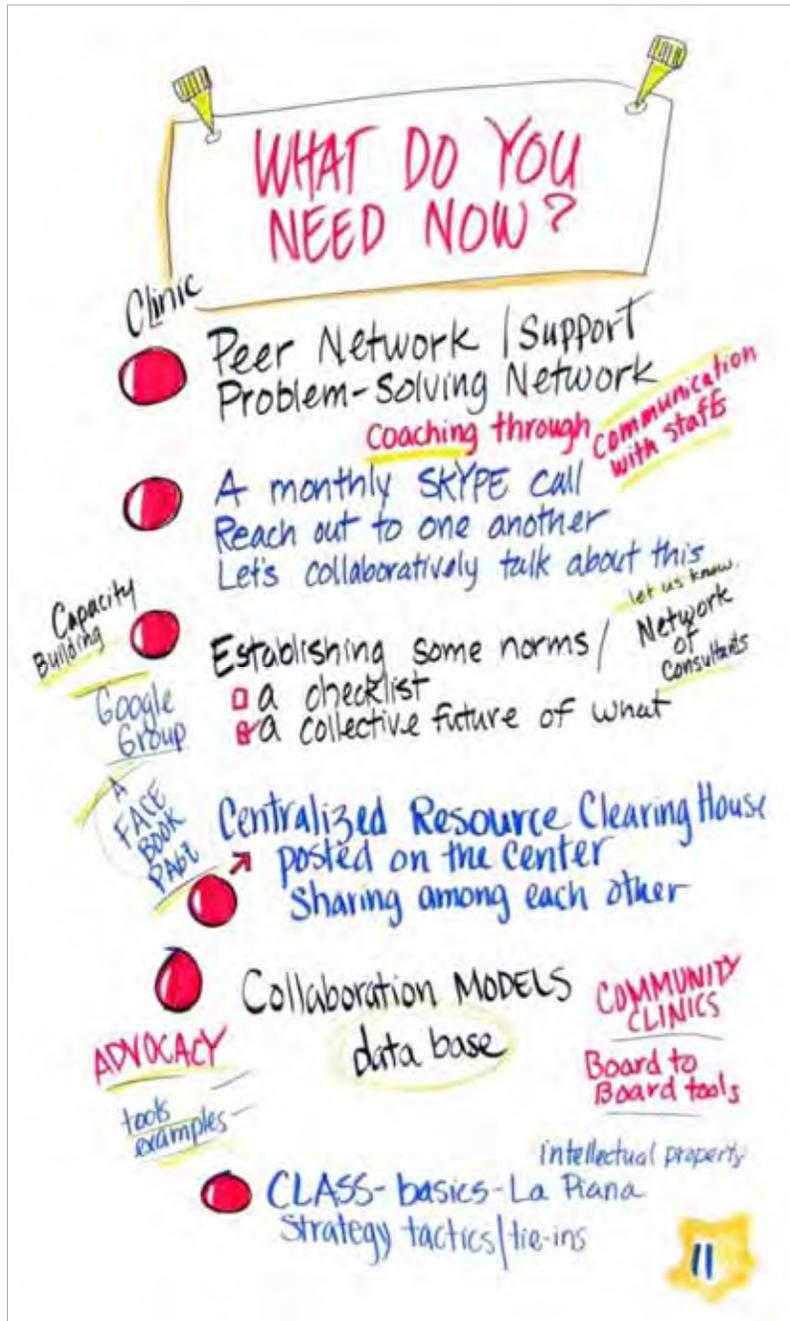
## “Collaboration in Bloom”

Funder collaboratives in support of strategic restructuring have “grown up” in many communities around the country; new ones will continue to “sprout.” Letting a thousand flowers bloom is important – every community is different, and locally-grown (or tailored) initiatives can be responsive to local needs. Connection is critical, however. The more those individual flowers and gardens can share, talk, and even cross-pollinate, the more successful all will be in encouraging and supporting collaboration throughout the nonprofit sector.



## What Next? Looking Ahead, Working Together

The final discussion of the Gathering focused on next steps. How could this group – and others with interest who were not able to attend – continue to collaborate in this work? There was clear interest in continuing the conversation, perhaps through a technology-enabled peer network (e.g. a Google Group or Facebook page, Skype calls). Additional “concrete” resources were suggested as well, including new case studies or stories, and tools for funders and boards to help them better understand the costs and communications needs common to the integration process. Also of interest: increased emphasis on sharing resources via the existing Foundation Center website.



At the conclusion of the session each participant was also asked to write down one thing they planned to do upon returning home; the twelve responses are shown below.

Gather funders to brainstorm with Foundation Center re: raising profile of Foundation Center as collaboration resource for the sector	Sit down with merger groups in Alaska to clarify their outcomes	Focus on the potential not the process
Explore idea of nonprofits rating consultants	Deepen understanding of shared services models - - - Develop communication strategy	Develop a communications strategy
Frame the reasons to consider collaboration from a positive / asset-based perspective... "imagine the possibilities"	Build networks with participants	Ask more of applicants – not give so much
Meet with community foundation board member	Continue to build connective tissue to create new realities	Develop an organizational strategy for incorporating change management and SR as part of our core competency

Appendix A: Graphic Recording – Full Images

# FUNDER COLLABORATION IN SUPPORT OF STRATEGIC RESTRUCTURING A GRANTMAKER'S GATHERING

**MARCH 9th 2012**

**TIDES**  
THE PRESIDIO  
San Francisco, CA

**WELCOME!**

Collaborations in the Non-Profit Sectors

**THEMES:**

- NEEDS
- MERGERS
- COMPARE NOTES
- READINESS

**PARTICIPANTS:**

<ul style="list-style-type: none"> <li>★ Sandra McAlister Ambrozy The Kresge Foundation</li> <li>★ Diana Bucco The Forbes Fund</li> <li>★ Polly Carr Alaska Conservation Foundation</li> <li>★ Nicole Hurtubise United Way, Canada</li> <li>★ Debra Jacobs The Patterson Foundation</li> <li>★ Dennis Johnson Forward Community Investments</li> </ul>	<ul style="list-style-type: none"> <li>★ Lita Pardi The Community Foundation For Greater Atlanta</li> <li>★ Lois Savage The Lodestar Foundation</li> <li>★ Salli Martyniak Forward Community Investments</li> <li>★ Melissa Schoen California Health Care Foundation</li> <li>★ Pam Trutt The Patterson Foundation</li> <li>★ Melissa Scholz Non-Profit law Forward Community Investments</li> </ul>
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**La Piana Consulting**

- ★ Jo DeBoit Partner
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**TIDES** Thank you Tides

- ★ Roxanne Hanson - Sr Consultant, Non-Profit Centers  
The Non-Profit Network
- ★ CHINA Brotsky - Managing Director, TIDES shared Space  
Founder/Director, The Non-Profit Centers Network



\* "Difficult to get Buy-in  
need for organic energy  
from the Agency side  
Know the difficulties  
TOUGH LOVE...



\* We are presently going  
through a MERGER  
The idea of Time  
is an issue!  
PEOPLE HAVE  
2 Jobs!!!!  
Make clear  
it is ... Truly a commitment of  
TIME TALENT & RESOURCES



3

" it's about a  
Continuum of Partnerships

it's not about mergers

**CASE STUDIES**

2-way learning

"We don't have the answers,  
but we'll help you find them..."

BUILD IN  
Flexibility



4

# EVALUATIONS

of mergers done in MINN.



HOW TO HELP GRPS. KEEP FUNCTIONING

- no time
- no money

track record on due diligence



WHAT DOES THE OPPTY. COST?

Have A Campaign:

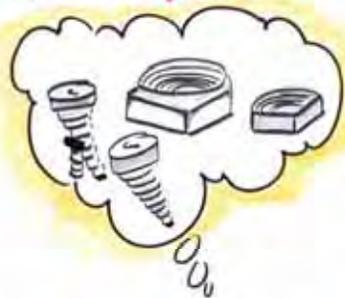
restricted dollars

Start talking about

"they need unrestricted support!"



# NUTS & BOLTS of STRATEGIC RESTRUCTURING



Authenticity

Trust

## WHAT CONTRIBUTED TO YOUR SUCCESS?

- Bring funders along...
- Personal Connections
- Facilitation is a low cost with great leverage investment
- Ask the hard questions up front...
- Develop a list of consultants to help build impact!

## WHAT DIDN'T WORK?

- The Wrong Consultants

How to select the consultants

qualifications are important for determining consultants  
So is the Fit -

## WHAT WORKED WELL?

★ Models - good models work...

- Non-Profits pay part of the cost
- Flexibility -
- Cost models less fuzzy in what the merger will cost
- Application on Costs
- Develop

→ A Collaboration Data Base

Build depth in the consultant world

Good fit with the culture  
Choose the consultant that fits

## WHAT HAS BEEN THE MOST DIFFICULT?

Small organizations have difficulty growing

- Resource scarcity
- Isolation issues
- Business Acumen
- Lack of Clarity
- Communication Processes

6

# NUTS & BOLTS (cont.)

## THEMES:

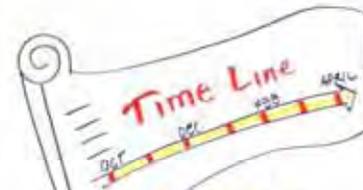
- Build an appetite for change
  - Convene & Facilitate
  - Bring the space to the Group
  - Provide Grants to help them
- EXPLORE → 



QUESTIONS  
YOU MIGHT HAVE  
FOR OTHERS

## HOW DID IT WORK?

- Ask Questions
- ~~Use~~ Asset based approach
- Get someone to "Champion" the  
A Key stakeholder  
with an entrepreneurial SPIRIT
- Establish TRUST
- Know the OUTCOMES  
Script the outcomes but have flexibility



## ADVICE...

- SHARE COSTS
- SECURITY DEPOSIT
- HAVE A TIME-LINE
- SHARED SERVICES FOR IMPACT







