Collaboration: Building the Intentional Partnership

By

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Motivations to collaborate run the gamut from the desire to access talent and resources to satisfying funders or other stakeholders, conserve financial resources, or bolster recognition and awareness of your cause or services. Collaborations can be a test drive for eventual mergers, but a much more common reason for partnerships is to head off merger pressure.

Most collaborations begin with the best of intentions and an expectation (or at least the hope) that the relationship will be a lasting one. The more you and your partnering organization understand what's at stake, the more you come to understand the advantage of a different perspective for shared goals or objectives.

Fears About Collaboration

During a workshop delivered by NRMC we asked participants to share their fears and concerns about collaboration. Mentioned were:

- Failure to communicate effectively
- Lack of a *complete* commitment
- Incompatible partners
- Poor judgment by a partner
- Impossibility of continued good relations after an incident or loss
- Difficulty escaping a failed relationship without serious repercussions
- Unwillingness to consider potential harm and to allocate responsibility
- Loss of momentum or "ground" made towards the mission
- Being taken advantage of
- Lack of resources (funding) for all partners
- Failure to learn from a failed partnership

Another fear in collaboration is that an outside organization, possibly one run for-profit will get a look inside the management of the nonprofit. What they may see is more passion than management. Or the fear that another organization will challenge your mission by deciding they can achieve better results on their own, while making use of their insights to compete for grants and other resources. Organizations with public and private financing will invariably have done the groundwork, over those nonprofits that haven't sought out these partnerships before. Invariably, at NRMC we believe the opportunities outweigh the fears.

Weighing Risk and Reward in Collaboration

Nonprofits typically view collaboration with other organizations as a way to:

- Increase financial or operational efficiencies
- Reach a larger constituency
- Delve into or explore new sources of funding
- Gain new expertise and networks of experience
- Streamline the structure of communication and authority
- Boost staffing resources and outreach
- Save programs and services that might otherwise be lost without a partnership (or merger)
- Prevent the mission of an organization in decline from disappearing

Both strategic and tactical goals factor into experiments with and fully-committed collaborative ventures. Above all, nonprofits that collaborate seek the largest potential impact for their clients and the communities they serve.

Collaboration offers many benefits over more formal strategies. Partnerships, joint ventures or strategic alliances may not be permanent arrangements like mergers and acquisitions (though they can lead to these more formal arrangements); instead, collaborating allows organizations to work together while maintaining their independence.

Collaborative arrangements may involve alliances with for-profit partners. There is a clear distinction between how business and nonprofits define efficacy and value, but both recognize the benefits of a strategic collaboration, and the range of relationships that evolve from nonprofit-corporate alliances is diverse.

Determine your structure early, as each collaborative method has different legal and tax requirements, and inherent risks.

Common Risks in Collaborations

Failure to Communicate Effectively and Conflicting Expectations: The failure of parties in collaboration to communicate effectively may be the number one reason why many don't succeed or fail to meet the partners' expectations. Clear, explicit communication is essential in collaborative ventures. Partners need to be aware of motivations. The partners must discuss openly their expectations, desires, and available resources. In a word: *candor*. Be clear and candid, upfront. Don't keep your motivations and needs a secret from a potential partner. Use a written document, either a Contract or Memorandum of Understanding (MOU) to memorialize commitments.

Incompatible Partners: While you can't choose your relatives, you can generally choose the individuals and organizations that will be your nonprofit's partners. Many nonprofit collaborations will begin before giving enough thought to a range of compatibility issues. As a result, many failed collaborations are attributed to a poor match. When things aren't going well, consider a mid-course correction, or redefine the division of labor.

Unwillingness to Consider Potential Harm and Allocate Responsibility for Harm: It's human nature to focus on all of the *positive* outcomes expected from a partnership. No one wants to raise the possibility of failure or disaster. If you're not discussing the potential that the partnership may cause harm or result in a loss, then it's unlikely either party has agreed to assume responsibility for the cost of harm. The discussion of this issue should culminate with the inclusion of risk allocation decisions in the written document that memorializes the collaboration. Prepare for success as well as trouble; a good MOU or Contract anticipates the "what ifs."

Don't Let Collaboration Be A Proxy For Honest Competition

Substituting collaboration for competition sounds well intentioned. But collaborations take management, resources, and relationship building. Being financially sound, staying focused on the mission, rather than chasing every grant or collaboration, is in the best interest of people who work at and support nonprofits, and the communities they serve. Is the collaboration mission driven, or driven by access to short-term funding? Sometimes a competitive stance is the appropriate one, and the more practical approach.

Collaboration isn't there to take the place of competition. Collaboration, in itself, isn't strategic—though it should be. We mean, if you're motivated to collaborate to rid yourself of competition, you're not being completely honest with yourself or the partner. If anything collaboration should lead to a competitive awareness in both parties, a more formal competitive analysis, and a competitive strategy for the shared goals or objectives.The question must be asked, if either organization can compete on its own, why collaborate?

Risk Tips for Successful Collaborative Relationships

Be patient and trusting. Keep in mind trust must be earned over time. Give a new collaboration the time and attention it needs to build the lasting trust that will make it durable. Focus on relationship building. Relationships between people are the building blocks of collaborations between two or more organizations.

Be open, transparent and honest. If you're looking for a partner who is just like you, your options will be limited. Why bother? It's best to ask tough questions and establish boundaries early on. Ask, don't assume. Collaborations sometimes wind up in quicksand when one partner assumes the other "has it covered." Part and parcel with this, resolve not to offend—some potential collaboration sour for preventable reasons, such as unintentional slights. Hinting that your time is more important than your counterpart's time is a real turn off. Insisting on working with someone "at your level" is another.

Be generous. Don't skimp with your time. When it comes to being available and responsive to a new partner/collaborator, commit to making yourself and your team available. If time is scarce or limited (for any reason), gently explain why, and then follow up.

Overcoming Resistance to Collaboration

No consideration of collaboration is complete without assessing resistance to partnerships. The obvious financial risks are built into the formula—collaborations are expensive. Collaborations may strengthen financial standing in the long run, but the up-front costs of collaboration (due diligence, legal review, new branding, human resources, raising funds to support the activity or program) can be high.

Other big ones are resistance from stakeholders and employees (fear of being made redundant), and any conflicts of interest these parties may have. The concept of a partnership itself can be frightening to some, and threaten an organization's culture.

The risks of resistance to collaboration are not unfounded. Board members might object to a collaboration because it may diminish or eliminate their role in a pet project. As Kathleen Enright, currently CEO of Grantmakers for Effective Organizations (and newly appointed CEO of the Council on Foundations), has noted, the psychology of collaboration requires "leaders to put the mission of the institution before their egos. De-emphasizing individual turf and sharing prestige." This will also require institutional changes to make collaboration a priority.

Weighing Partnership Risks

While NRMC's tagline is "find the answer here," inspired risk management always begins with asking tough questions. On the topic of partnership risks, we suggest these to get started:

- What could go wrong/awry with this partnership/collaboration?
- What will we do if the partnership does not proceed as anticipated?
- Who will pay for losses stemming from the partnership?
- What can we do *now* to either prevent the partnership from going awry or make it easier to get it back on track?

Insurance Coverage: Are the partners aware of the impact on insurance coverage as a result of their collaborative activities?

- Have we notified our insurance professional about the collaborative activity?
- Whose insurance will apply?

Manage the message: Do we have a communications plan to tell our stakeholders about the success of the partnership/collaboration?

- What about if something goes wrong?
- Who will design and manage that message?
- What can we do *now* to be prepared?

With care and due diligence, collaborative efforts with other organizations can be an effective way to conserve resources and advance your organization's mission. Understand your partners' motives, openly communicate your expectations, and document the agreement in writing.

Collaboration Risk Management Checklist

Confirm Compatibility: Take the time to confirm compatibility. We can't stress this enough. There are hazards in the schmooze. It's easy to make assumptions about the compatibility of other organizations based on their public facing media, or an impressive web presence, but don't assume that their internal structure or risk culture is similar to your own.

Whether your partner is a for-profit or another nonprofit, resolve to understand your prospective partner's goals upfront. Be aware of economic and social objectives that are often in competition. Will you violate any precedents or policy by partnering with the organization? Cautionary tales here include the "Buckets for the Cure" campaign a few years ago between KFC and the Komen organization (which funds research grants and community-based projects focused on breast health education, screening and treatment). Among the harshest critics of the alliance was Breast Cancer Action, a rival group to Komen.

Understand Motivations: Think about motivation on both sides of the partnership. The motivation for your nonprofit may be clear, e.g., to raise additional monies for a critical initiative or to engage a contractor to provide a service you can't provide on your own. Or your nonprofit's motivations may be complex—perhaps you're trying to raise money and awareness by gaining access to a new donor list. Your partner's motivations may simple or complicated, obvious or obscure.

Focus on Communication: Develop a communications protocol for the partnership. Who will be the primary points of contact? Which party updates the other(s)? What form will communication take? How will you communicate with stakeholders about the partnership? How might stakeholders react? Will they be bombarded with your partner's advertising and confused about the use of your logo? Will it appear that you have endorsed a company's or another nonprofit's products or services? Have you?

Be Aware of Conflicts and Clarify Expectations: The most important ingredient to a successful partnership is clarity of expectations. Make certain you know and acknowledge what your partner hopes to get out of the endeavor. Conflicts happen and they need to be managed: Always ask whether the partnership or collaboration creates a real, or *perceived* conflict of interest between your organization's best interests and the self-interest of the other party(ies).

Put It in Writing: Any partnership or collaboration that spans an extended period of time, involves a substantial sum of money, or in which each partner has specific responsibilities, should be put in writing. A brief Memorandum of Understanding or Agreement provides an opportunity to outline expectations and responsibilities, and to assign risk to those who will be responsible if something goes wrong. A good MOU is a risk management tool *par excellence*. The best agreement will memorialize what has already been agreed to. If there is trouble at this stage, proceed with caution.

Checklist for a Memorandum of Understanding

Consider each of the following areas as you craft a Memorandum of Understanding for your collaboration. As in all transactions that create potential legal exposures, consult your attorney for advice and assistance before signing any contract.

- *Overall intent*— reflects what the parties are intending to do.
- *The parties*— name, type of organization, city and state of headquarters.
- *The period*— a start and end date of the partnership.
- *Assignments/responsibilities*— describe each organization's responsibilities separately, beginning with those that are the sole responsibility followed by any shared responsibilities.
- *Disclaimers*— what disclaimers are necessary, e.g., that an employee of one partner is not an employee of the other.
- *Financial Agreements*— spell out in detail, including which entity will pay for each item and when payment is due.
- *Risk Sharing*— describe who will bear the risk of a mishap and its associated cost. Never assume responsibility for something over which you don't have control. Ideally indemnification provisions should be mutual: each party is responsible for its own acts or omissions. Make certain each partner isn't only *willing* but is *able* to pay.
- *Signatures*— by each partner's representative who is authorized to bind the organization contractually.

Partnerships and Collaboration vs. Nonprofit Mergers and Acquisitions

*The partnership approaches described thus far are collaborative:*shared infrastructure, skills and technology, banding together with like-minded organizations to affect policy change; sharing administrative expense, networks, programs, leadership, boosting efficiency, improving performance; increasing effectiveness to drive broader social change together.

Mergers happen when two or more collaborators decide to combine all of their resources and assets into a single entity and their liabilities, assets, and obligations are combined. Mergers offer the promise of efficiencies, but create new challenges in the process. Some merging organizations stumble by trying to accommodate and protect, rather than humanely eliminate staff and volunteer roles from the organizational chart of the merging entities. Another area of risk and awkwardness is the goal of protecting the merging entities' respective names and brands, perhaps in the hopes of signaling stakeholders that a merger, versus an acquisition has occurred. By the time the dust settles, positions generally must be eliminated to achieve the promised efficiencies and it's a rare event when the names of two nonprofits can be combined seamlessly. Acquisitions may result in one organization being absorbed into another, in which the primary organization retains its identity, whereas the secondary is absorbed. Other mergers result in consolidation, whereby organizations combine to form a new entity. Be aware of the differences, and proceed accordingly.

Collaborate where you can; compete when you must; and when staying in your respective lane is not an option, merge when you're ready.

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