



# collaboration and partnerships: a funder's quick review

## about the collaboration prize

The Collaboration Prize was created by the Lodestar Foundation. Lodestar seeks to identify achievements in collaboration as models for inspiration and replication in the nonprofit world. The Prize also seeks to build a data base of practice models that can be used by academics, nonprofit leaders and funders to advance their work. In keeping with the spirit of collaboration, the Lodestar Foundation has partnered with the AIM Alliance on these efforts.

AIM—the Arizona-Indiana-Michigan Alliance is a collaboration composed of The Lodestar Center for Philanthropy and Nonprofit Innovation at Arizona State University, The Center on Philanthropy at Indiana University, and the Johnson Center for Philanthropy and Nonprofit Leadership at Grand Valley State University (Michigan). The AIM Alliance assists in promoting and publicizing the Collaboration Prize, reviewing nominations, and selecting semi-finalists; as well as writing articles, white papers, and doing research to advance our understanding of collaboration.

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Collaboration allows organizations to combine ideas, funds, and/or resources to tackle the more complex issues facing their communities. By joining forces many are able to provide new or improved services, and in some cases simply remain intact. This review covers the different types of collaboration and helps one to make an informed decision about whether or not to fund collaboration.

## **Definition**

Collaboration has been defined often as mutually beneficial relationships that are simple or complex between organizations to achieve common goals more efficiently and effectively. The Collaboration Prize has sought to focus on collaboration between two or more nonprofit organizations. Further, our focus is on how nonprofits decide to work together more intensely in order to improve their missions as well as their sustainability. Contracts, sponsorships, and other similar relationships were not part of our focus.

## **Why Consider Collaboration Anyway**

Much of the literature and discussion on collaboration focuses on what one might call the collaboration three whys (C3Ys).

- *Collaboration One*

Organizations collaborate in order to obtain the resources they currently lack. Each organization seeks to be less reliant on the organization that they are collaborating with than the other organization will be on them. Smaller organizations may be more likely to collaborate formally while larger organizations prefer informal collaboration. In the end, each collaborating organization calculates a cost-benefit analysis making sure that the loss of autonomy is not greater than the benefits received.

When a cost is transferred in a partnership the alternative governing structures need to offset costs in the collaboration. Providing assurances that the benefits outweigh the costs is viewed as crucial.

- *Collaboration Two*

Some organizations are said to collaborate to symbolically fit into the new institutional environment that praises and legitimizes those who work with the community. Collaboration is now viewed as essential, especially if an organization is seeking grant funding from sources that expect budgets be offset through multiple revenue streams.

- *Collaboration Three*

The third why focuses on the personal relationships and social networks between organizations that are enhanced through collaboration. These collaborations are built on trust and allow both organizations to develop their adaptability in an ever-changing world. Board members approach the potential partners and set the boundaries once collaboration is begun.

## **Types of Collaboration**

The AIM partnership analyzed the 44 quarterfinalists in the 2009 Collaboration Prize competition and identified eight models which emerged. (See: [http://lodestar.asu.edu/aim-alliance/images/coll\\_models\\_report-2009](http://lodestar.asu.edu/aim-alliance/images/coll_models_report-2009) for a copy of the publication.) The types below are tied to the model classification in the AIM publication noted above.

### *Mergers—(Full and Partial—Models 1 and 2)*

Two organizations agree to combine their efforts into one permanent partnership. This usually occurs after years of lower level collaborating or after all other attempts failed. A horizontal merger includes two organizations that provide the same service. A vertical merger combines two organizations that give sequential service and are working towards better relationships with their clients. A conglomerate merger partners two organizations in different fields in an attempt to diversify. A concentric merger combines organizations that aren't competing but in the same field to provide new services.

### *Group Structure—(Joint Program Office—Model 3)*

Separate smaller organizations come together under a parent or umbrella organization. The subsidiary organizations are joined under one issue but usually carry out different activities. It can be enacted either from the top down or bottom up.

### *Joint programming—(Joint Partnership...Programming—Model 4)*

Many organizations are implementing joint programming in order to maintain autonomy but still share programs and become eligible for governmental and foundational funding. A staff member from one or both organizations may supervise the programming and both organizations provide participants. A memorandum of agreement (MOU) allows the parties the framework to carry out the mission articulated.

### *Joint Venture—(Joint Partnership—Model 5)*

The type of joint venture is often focused on issue advocacy where coming together as one voice may not be based upon a more formal agreement between the two organizations. The nature of the issue is often short term and pooled resources allow for greater impact.

### *Management Service Organizations (MSO)—(Joint Partnership-Model 6)*

Two or more organizations increase administrative efficiency by creating a new organization to provide mutual services. No one organization owns the MSO. Services provided vary widely, ranging from HR to joint fundraising. This approach lowers administrative costs and allows organizations to focus on their mission. Economies of scale increases efficiency.

### *Administrative Consolidation—(Joint Administrative Office—Model 7)*

Usually out of economic necessity, one organization hires another organization contractually to handle HR, financial or other management functions at a set cost. The organization outsourcing the work saves the money of an extra salary and it allows the other organization to maximize the efficiency of the staff member they already have in this capacity.

### *Information Sharing—(Confederation—Model 8)*

This form is the least integrative and the most informal of the types. Organizations can simply meet to discuss ideas or give referrals to the other organization's client or they can meet as part of a more formal entity. This collaboration can evolve naturally out of ties and friendships forged within the philanthropic community.

## **Motivations**

The literature and research of practices suggest that the main motivations for partnering are financial, mission driven, and environmental.

- Financial—

While most organizations would prefer to remain fiscally autonomous, most realize that they cannot rely on their internal resources alone. By collaborating, organizations are able to create cost efficiencies through joint endeavors. In some cases the organization's funders mandate collaboration.

- **Mission—**

Organizations are sometimes faced with an opportunity to better fulfill their missions through collaboration. This gives the clients they serve more opportunities and can even allow the mission to be furthered. In today's complex world few organizations can tackle a problem alone and certainly should examine what organizations are already doing with an eye toward collaborating for delivering higher quality results.

- **Environmental—**

With for-profit firms blurring the edges between themselves and the nonprofit sector it becomes imperative that nonprofit organizations find a way to differentiate themselves. Collaboration between nonprofits can be a way to protect institutional identity. It is also a way to meet the increased pressure by funders to be more efficient in delivering services.

## **Implementation Issues**

Issues to be considered when an organization is seeking collaboration can be broken down into two-layer process categories. The first category is the information stage and the second is the planning and implementation stage.

### **1. Information Stage**

- What is the goal of the collaboration? Both sides must agree before proceeding.
- How well is the other organization organized and do the missions align? If you must shift away from your mission or take on a large financial burden do not collaborate.
- Is it feasible? You should evaluate whether or not the benefits outweigh the costs.
- Have both staffs and boards been kept in the loop? A collaboration is only successful with the backing of the members it will affect.

### **2. Planning and Implementation Stage**

- What is the new role of staff and the boards? Everyone should be clear on their impact on the success of the collaboration. Also decide the size of the board and who will be on it. Before presenting the collaboration decide on salaries and benefits. Most will increase all to the higher salary instead of cutting the salary of some.
- What programs are emphasized?

- What are the legal steps needed to complete the undertaking or collaboration?
- What are the changes that could occur over the next few years? Consider capital campaigns, clientele shifts, and outside factors.

### **The Future of Collaboration**

In the current economic crisis the push to consider various partnerships or even mergers appears to be great. As this brief overview has noted, nonprofits and their boards need to raise key questions on the cost-benefit ratios, whether mission alignment is clear, and if the culture and management of the potential partners are in sync.

Funders need to be particularly careful not to exert undue external pressure. The proverbial expression that “shotgun weddings are not lightly to produce the intended results” rings loudly. Collaborating must be a “win-win” for all parties. As many have noted, mergers can be expensive and very disruptive and may not lead to a stronger organization.

Current and future work by the members of the AIM Alliance with the Lodestar Prize on the collaboration continuum models put forth by La Piana ([www.lapiana.org](http://www.lapiana.org)) and by Austin (The Collaboration Challenge) can provide useful knowledge on what makes a partnership work and what kind of collaboration is most appropriate given the goals of the partners.