

Collaboration for Greater Impact

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1. Introduction

In more challenging economic times, two facts seem of particular pertinence for those working in the non-profit sector. Firstly, in the US, it is estimated that between 80,000 and 90,000 new non-profits are created every year.¹ That equates to over 200 new non-profits created each and every day of the year. Secondly, as far back as 1999, in a poll carried out by MORI on behalf of the Charity Commission in the UK, 58% of those surveyed agreed that there were too many charities.²

Today, it seems likely that donors will be more determined than ever to ensure their hard earned money is being spent wisely, efficiently and appropriately. Donors will be interested in ensuring that more cents in their euro goes to those they want to help, and fewer go to the support the, albeit very necessary, infrastructure through which services are provided.

While collaborative working has been present in the for profit sector for many years, it seems that collaboration among non-profits is becoming more common. This may be in part due to the growing trend whereby experienced people from the business world are entering the non-profit world. Many of these people bring with them a wealth of experience and knowledge about collaborative working and a deep understanding of the importance of the drive for efficiency. A recent study carried out by Bridgespan identified that non-profits in the US are engaging in mergers and acquisitions at the same rate as the entire for-profit sector.³ In the UK, The Charity Commission has found that 22% of all charities work collaboratively and 5% of charities exist as a result of a merger in the last 10 years.⁴

Data on the frequency of collaborative working among non-profits in Ireland is not readily available, other than some isolated examples. However, with increasing growth in the non-profit sector, current economic pressures, and a growing interest within and beyond the sector for effectiveness and efficiency, the time seems ripe to consider the value of collaboration in the non-profit sector to achieve greater impact. While the government could have a role to play in encouraging this type of working, in the absence of this action, it falls to each player within the sector to identify how collaborative working might best work for their organisation.

This paper seeks to provide an overview of the options, opportunities, and challenges inherent in collaborative working, including some examples of those that have engaged in collaborative working. It is intended to give some 'food for thought' for organisations in the non-profit sector in Ireland. It is not intended as complete and comprehensive coverage of the issues involved, or as a substitute for professional advice for non-profits considering collaborative work.

¹ The Christian Science Monitor: <http://www.csmonitor.com/2006/0605/p13s01-wmgn.html>

² The Charity Commission: <http://www.charitycommission.gov.uk/spr/mori.asp>

³ The Bridgespan Group: <http://www.bridgespan.org/LearningCenter/ResourceDetail.aspx?id=2450>

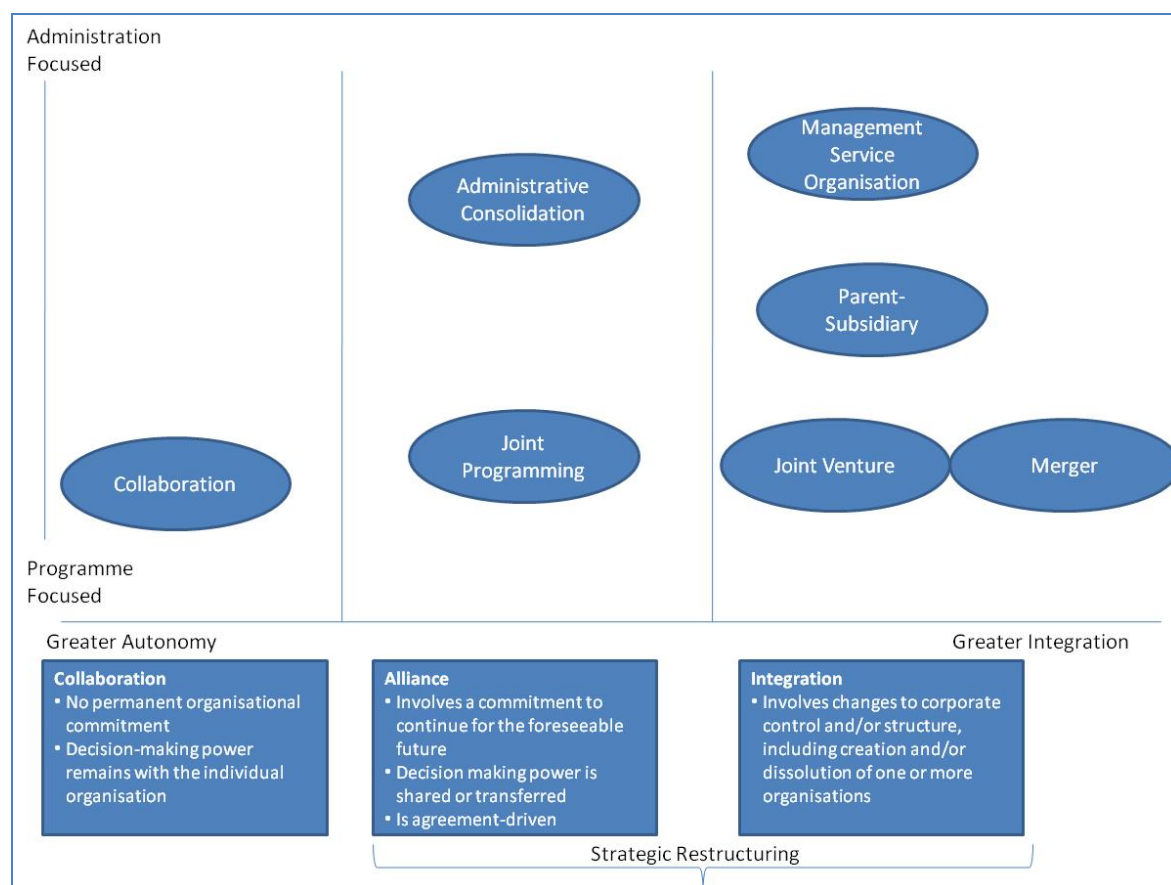
⁴ The Charity Commission: <http://www.charity-commission.gov.uk/publications/rs4.asp>

2. What are the options for collaboration?

The National Council for Voluntary Organisations (NCVO) in the UK defines collaborative working as a partnership between two non-profit organisations.⁵ It identifies that the term can cover a spectrum of ways of working, from informal networks and information sharing to full mergers. In this paper, the term ‘collaboration’ is used in a similar way, to cover the wide range of collaborative partnerships that may exist.

A paper produced by GEO (Grantmakers for Effective Organizations, a coalition of grantmakers based in America that focuses upon building strong, effective non-profits) identifies two major types of strategic restructuring, including a range of subtypes. The types identified differ based on their degree of integration and their focus on administrative and programme issues.⁶ Figure 1 illustrates the different types of collaboration that have been identified by GEO.

(Note that, in this diagram, the term ‘collaboration’ refers to a specific type of partnership, rather than in the wider sense in which it is used elsewhere in this paper.)



⁵ NCVO Collaborative Working Unit: ‘Collaborative Working: Partnerships between Voluntary Organisations’, March 2007

⁶ ‘In search of Strategic Solutions: a funders briefing on nonprofit strategic restructuring’ by David La Piana and Amelia Kohm, 2003, Grantmakers for Effective Organizations

3. What are the motivations for collaboration?

The motivations for collaboration in the non-profit world are often broadly similar to the motivations of for profit companies: value for money, competitiveness and customer satisfaction. Similarly, the decision to collaborate may be as a result of a strategic decision or it may be a tactical move, as an unplanned reaction to a crisis. In many cases the decision to collaborate arises from a combination of internal and external factors, which combine to create an environment where collaboration seems appropriate and/or desirable.

Generally, the motivation for collaboration comes from one or more of three overarching factors: finances, skill set and mission.⁷

Finances

For many, the primary motivation for collaboration with other non-profits is either a drive to save funds or to try to garner additional funds. Savings may be found through efficiencies of scale, such as sharing employees or administrative functions. For some, the drive to save funds may be through staff reduction, although generally in the non-profit world this tends to be managed through natural attrition rather than layoffs.⁸ Collaboration may help raise additional funds through funding opportunities that become available, through a wider donor base or through newly opened sources of income.

Skill set

Collaboration can allow non-profits to benefit from expertise that they may not have in their own organisation. In addition, if the collaboration is resulting in a larger organisation, it can also allow a non-profit to attract, hire and share more experienced and/or specialised staff/board members than they could have attracted on their own. This may be the case particularly in a tight labour market, where staff with the right experience, connections and skills can be in short supply. Enhancing expertise can have the knock on effect of enhancing the organisation's reputation, and in turn, funding. Collaboration may also give employees the opportunity to have better pay and greater career opportunities, helping to reduce staff turnover.

Mission

For non-profits working in an area and locality where there are many different organisations with similar missions and similar services, the result may be fragmented services, and uncoordinated and/or overlapping programmes. This in turn can result in identity confusion in the eyes of the public. Collaboration can help overcome these problems, leading to increased or improved services. It can allow the missions of the non-profits involved to be served in a more appropriate way. It can also help create a more joined-up and seamless service that better serves the people it seeks to help. Strengthening advocacy capacity may be another reason for collaboration between similar organisations, as greater influence can emerge from increased numbers speaking with a unified voice.

⁷ 'Nonprofit Mergers: Is Your Organization Ready for the Road?' by David La Piana, 2000

⁸ 'In search of Strategic Solutions: a funders briefing on nonprofit strategic restructuring' by David La Piana and Amelia Kohm, 2003, Grantmakers for Effective Organizations

4. What are the challenges?

There are a series of common challenges that organisations working collaboratively may encounter, to a greater or lesser extent.

1. Where a high degree of collaboration is required, for example in a merger, one of the biggest difficulties can arise in relation to **organisational culture and fit**. In a survey of non-profits that had merged, the most common barrier to merger was considered to be culture clash – this was experienced in the case of 52% of respondents.⁹ Management style, policies and procedures, decision making processes, professional philosophies, and dress code can all become challenges.
2. With some types of collaboration, **staff turnover** can also be a problem. While a small proportion of staff turnover may be due to redundancies, this is more often due to a change in leadership which in turn leads to changes in philosophy or structure, resulting in a work environment that may not be suited to all staff. In addition, some staff may leave due to increased workload resulting from collaboration – this tends to happen more often with management, as they may be expected to oversee more people than they originally managed or wanted to manage.
3. The process can be **resource intensive**, in terms of time and money, due to the need for due diligence, professional advice, and other costs such as marketing, re-branding and systems integration. Equalisation of staff benefits and pension costs can be an additional cost in some cases.
4. Collaboration can also lead to problems with **leadership**. Leadership may be shared, in an attempt to make it clear that one organisation is not dominating another. This can lead to confusion about roles and responsibilities. In addition, some leaders may find it difficult to manage a larger organisation.
5. If the collaboration results in the creation of a new organisation, there may be issues in relation to **organisational identity**. This can cause problems for staff and in the eyes of donors and the general public, and may also impact staff motivation and commitment levels.
6. There may be a **lack of support** for the collaboration from the board and staff. This may be due to a fear that organisational autonomy will be lost, or it may be fear of loss of power or funding, job security or changes in employment conditions.

⁹ NCVO Collaborative Working Unit: 'Should you collaborate – key questions', March 2005

5. What are the success factors?

A review of the available literature on the key success factors for non-profits seeking to collaborate identifies a range of success factors that are generally found in successful collaborations.

1. One of the key success factors is **research and planning**. All options for collaboration and their implications should be explored, in the context of the wider environmental factors impacting the work of the organisation, and in the context of how that option will advance the mission. The cost of implementing each option needs to be weighed up against expected benefits of implementing that option. Researching potential partners is another important part of the process. A thorough due diligence process needs to be undertaken to understand the suitability of the prospective partner. This should include examination of governing procedures and documents, financial stability and organisational liability of the potential partner. Cultural fit, funding and staffing should also be considered.
2. **Openness and communication** are imperative for success. Open communication is key in conducting discussions with the partnering organisation, to build trust and avoid unexpected disclosures later down the line. Plans for collaboration should be communicated within the organisation with good timing and sensitivity. While some advocate involving staff throughout the decision making process, this may not be appropriate for all organisations. Good communication can help quell staff fears, mistrust and uncertainty, and prevent the rumour mill going into overdrive. Appropriate communication with members (particularly where members have voting rights), beneficiaries, donors and funders is another important consideration.
3. **Supportive staff teams** play a crucial role during and after the collaboration process. It is important that senior management are supportive of the proposed collaboration, so that they can sell the change to various stakeholders. In particular, a senior 'champion' for the collaboration in each organisation can help to get input from staff, manage conflict and keep discussions focussed. Champions of the process on the board can help to garner the board support and encouragement that is so necessary for success.
4. **Strong leaders** are another success factor. Leaders are needed that can remain focused on the mission and vision of the organisation and the overarching purpose and long term strategic benefit of the collaboration.
5. The **desired outcomes** of the collaboration should be considered early in the process. Where possible, these should be **quantified**, so the success of the collaboration can be evaluated later.
6. Particularly with collaborations involving a high degree of integration, such as mergers, **professional advice** should be sought. The earlier in the process that this can happen, the better. This makes it more likely that costly and complex issues can be identified and resolved early.
7. Some commentators propose that an organisational propensity for **risk taking** or a **growth orientation** can also be a success factor. However, it seems likely that the importance of this varies depending on the type of collaboration in question.

8. Some of the literature also advocates **moving quickly** in certain cases. For example, if a number of difficult changes need to be made, such as staff cuts, it is suggested that decisions should be made all at once if possible, so that uncertainty is reduced for staff members.

6. What are the outcomes of collaboration?

The Charity Commission in the UK states that previous research has shown that it is difficult to measure or demonstrate the benefits of collaboration. This is due to the number of factors that can affect the end result of the collaboration. However, it does report that approximately a third of non-profits report an improvement as a result of collaboration, with improved service delivery being identified as the main benefit. A tiny proportion of non-profits felt that their position had worsened as a result of collaboration.¹⁰

Another study conducted by GEO found that many of the case study participants did not have hard evidence of the beneficial impact of the collaboration, but many felt strongly that it resulted in financial savings, increased or improved client services, sharing of expertise, improved staff benefits and enhanced reputation for their organisation.¹¹

It must be recognised that collaboration is not always appropriate and can be difficult to achieve. However, it seems that when collaboration is strategic rather than tactical, it can be instrumental in furthering a non-profit's mission, serving more clients, or providing better quality service, often at a lower cost.

7. Is collaborative working right for my organisation?

Collaborative working involves risk. It is not right for every organisation at every time. In the words of one commentator, *'the consequences of merger are absolute...It could be the best move ever, or an absolute disaster'*.¹² While this commentator's focus is upon mergers, the comment could equally apply to other types of collaborative working.

NCVO have developed a series of documents that focus on collaborative working between non-profits. 'Should you collaborate – key questions' is particularly useful for organisations considering collaboration as an option. It sets out a range of questions, albeit in a UK context, that can help non-profits think through the implications of collaboration.

¹⁰ The Charity Commission: <http://www.charity-commission.gov.uk/publications/rs4.asp>

¹¹ 'In search of Strategic Solutions: a funders briefing on nonprofit strategic restructuring' by David La Piana and Amelia Kohm, 2003, Grantmakers for Effective Organizations

¹² 'Merging Interests' by Bill Mather, published by the Baring Foundation, 2000

8. What role can funders play?

Funders can play an important role in encouraging collaborative working. Many funders see funding requests from nonprofits that provide similar or complementary services. These funders are therefore often in an appropriate position to identify potential opportunities for collaboration, to unlock the efficiency and economies of scale that can be associated with this type of working.

For these reasons, funders often act as the catalyst for collaboration amongst non-profits, through giving specific incentives to collaboration, or favouring those that demonstrate efficiency through collaboration. One example is the Lodestar Foundation, an organisation that seeks to, amongst other initiatives, encourage and support collaboration and long term cooperation among non-profits working in the same area. To this end, the foundation is making available a prize of \$250,000 to two or more non-profits that collaborate to increase impact and eliminate duplication of effort.¹³

Funders can also help to encourage collaboration in other ways. For example, they can help to create an environment that is conducive to facilitating collaborative working such as through convening grantees to share information, common issues and strategies. Funders can also provide funding to non-profits exploring the idea of long-term collaboration, or provide funding to facilitate the cost of the actual collaboration process.

Many commentators focus on the fact that funders should play a facilitative role rather than a directive role, as a forced collaboration is less likely to work.

¹³ The Collaboration Prize: <http://www.thecollaborationprize.org/Home.aspx>

9. The Irish context

There are 7,449 registered charities in Ireland. However, this only includes those organisations registered with the Revenue Commissioners for tax exemptions on charitable grounds. The Centre for Nonprofit Management at Trinity College, Dublin carried out a study on non-profit organisations in 2006.¹⁴ They identified over 24,000 non-profits in Ireland. The sector is clearly hugely significant in Ireland, not just in terms of valuable services provided but also in terms of social capital, or the development of social networks among individuals. Through local community engagement and opportunities for volunteering, the sector makes an important contribution to a healthier society.

Information on the level of collaborative working in Ireland is not currently available. In the absence of this information, it is useful to consider some of the data that is available in the non-profit sector in Ireland.

The study carried out by the Centre for Nonprofit Management found that half of the organisations surveyed were established since the 1980s. This indicates that there has been significant growth in the sector over the last two decades. While much of this growth is, of course, in response to need, it is possible that some of these organisations are duplicating work of others.

The survey notes that growth patterns of organisations vary according to their area of focus. It points out that *'sports groups, for example, are over represented up to 1986, while development and housing groups are over represented since 1986. Social services organisations are over represented since the late 1960s, and arts and cultural organisations are over represented in the period 1987-1996. Education, religious groups and trade unions, business and professional associations are over represented in the period up to the late 1960s.'* This changing profile again is likely to be reflective of changing needs and attitudes among the Irish population, and changes in government policy. However, it also may indicate particular areas that could be examined for the potential of collaborative working.

A quick search on the list of registered charities provided by the Revenue Commissioners shows that in some areas there appear to be a proliferation of non-profits at work. For example, there are 48 organisations operating in one particular health field, and 21 international development organisations operating in one specific geographic area. As this is based only on those organisations that are registered charities, the actual figure is likely to be higher. Quoting these figures is in no way intended as a suggestion that these organisations all have precisely the same remit, or that some of the organisations are obsolete. However, it does indicate that there may be areas in which some of these groups could potentially collaborate.

The Centre for Nonprofit Management found that, of those that responded, over half of expenditure (54.6%) went on staff costs, followed by over one third (36.9%) on operating costs. 8% was spent on capital costs. If staff and operating costs could be reduced through collaborative working this could increase the amount available to help the beneficiaries of the organisation.

¹⁴ 'The Hidden Landscape: First Forays into Mapping Nonprofit Organisations in Ireland' by Freda Donoghue, Geraldine Prizeman, Andrew O'Regan and Virginie Noel, 2006.

In addition, the study examined resource vulnerability across different types of organisation, comparing income to expenditure.

	Income as % of Expenditure
Arts, Culture and Heritage	77.2
Sports and Recreation	112.9
Education and Research	96.9
Health	97.3
Social Services	97.1
Environment	58.2
Development and Housing	106.7
Advocacy, Law and Politics	112.6
Philanthropy	152.4
International Development	93.6
Religious Groups	91.3
Trade Unions, Business and Professional Associations	119.9
Total	98.2

As the table above shows, the study found that the organisations most vulnerable to resource insufficiency were environmental organisations, followed by arts/culture/heritage organisations. Again, it appears that while all non-profits could benefit from reducing costs through collaborative working, it might particularly help to strengthen those showing resource vulnerability.

10. Some examples of collaborative working

Drawing from the experience of others who have collaborated is useful. Some examples are listed here, to show the range of types of collaboration that may be available, the drivers for collaboration and some outcomes of collaborative working.

1. A joint venture for a specific project

The **Community Council for Devon** and **Kenn Parish Hall** are an example of two organisations that are taking a collaborative approach. They are embarking on a **joint venture** to provide a new purpose-built complex. This will provide an up to date premises for the Community Council for Devon and give Kenn Parish Hall new community hall facilities. The two organisations drew up a joint venture agreement detailing the ratio for investment and the usage arrangements for each organisation. In this way, both organisations are working together for their own mutual benefit.¹⁵

2. Working together in areas of shared interest

Community Alliance is a **partnership** set up in England in 2004. It consists of four national community based networks – bassac, Community Matters, Development Trusts Association and The Scarman Trust. These organisations work in close collaboration on areas of **shared interest**, such as publications, while ensuring the **distinctive features** of each organisation are retained.¹⁶

3. A merger funded by specific grants

Volunteering England was formed in 2004 as a result of the **merger** of three organisations: Volunteer Development England, the National Centre for Volunteering and the Consortium on Opportunities for Volunteering. This merger was initiated from a belief held by the three Chief Executives that the fragmented provision of volunteering services at a national level was not in the best interests of the strategic development of volunteering. The proposal to merge was strongly supported by funders, who provided funds for the merger process. This merger cost £150,000, a cost that was **funded by specific grants** from the Home Office, the Department of Health and Lloyds TSB Foundation. The merger was implemented by a Steering Group made up of representatives from the existing organisations. The merger resulted in economies of scale and the ability to attract higher levels of funding. Following the merger, the new non-profit saw a 32% increase in government funding compared to total funding for the three constituent organisations. This increase is thought to be due to two reasons – support for the merger from funders and a greater ability on the part of the new organisation to obtain funding.

¹⁵ The Charity Commission: <http://www.charity-commission.gov.uk/publications/cc34.asp#b>

¹⁶ The Charity Commission: <http://www.charity-commission.gov.uk/publications/cc34.asp#b>

4. Merging to achieve greater impact

Community Foundation Silicon Valley and the Peninsula Community Foundation agreed to merge in 2006 to form a united foundation, **Silicon Valley Community Foundation**. This foundation is the fourth largest community foundation in America, with more than \$1.9 billion in assets. The rationale for this merger was to achieve **greater impact** through a regional approach. The catalyst for change was the fact that the **leaders of both organisations** were planning to move on at about the same time, and so the time seemed right to reconsider merging, a move that was first discussed in 1991.¹⁷

5. A merger arising from a merger feasibility study

Asian and Pacific Islander Wellness Centre was formed in 1997 by the **merger** of two organisations in San Francisco. The San Francisco Department of Public Health awarded \$10,000 to the two organisations to conduct a **merger feasibility study**. Initial merger discussions had been attempted four years prior to the grant being awarded. This grant facilitated exploration of the idea of collaborative working. Five years later the merger has been completed and is considered a success.¹⁸

6. An example of administrative consolidation, followed by a merger

Neighborhood Healthcare initiated **consolidation** of the key administrative functions of two health clinics located in California in 1999. This move was prompted by the substantial financial losses and lack of appropriately qualified staff that was in one of the clinics. The second organisation, while relatively stable financially, was seeking to expand. They agreed to consolidate several key administrative functions, including sharing an Executive Director. Following the success of this collaboration, and in response to increased financial pressure, the two organisations decided to **merge** into Neighborhood Healthcare in 2002.¹⁹

7. Managing communications throughout a merger

In the mid 1990s, the **American Cancer Society** merged a number of offices into one regional division. Every employee except the CEO was required to reapply for their job. This created stress for staff and an environment where rumours were likely to thrive. To combat this, they took a proactive approach to managing communications throughout the merger process. A weekly newsletter was issued containing updates about the merger. In addition, a concerted effort was made to communicate throughout all levels of the organisation. Employees were assigned to act as a liaison between those leading the merger and other

¹⁷ Silicon Valley Community Foundation: <http://www.siliconvalleycf.org/index.html>; Association of Fundraising Professionals: http://www.afpnet.org/ka/ka-3.cfm?content_item_id=23723&folder_id=2545

¹⁸ Strategic Restructuring: http://www.lapiana.org/resources/cases/mergers/05_2002.html

¹⁹ Strategic Restructuring: http://www.lapiana.org/resources/cases/admin/11_2002.html

employees. These contact points passed on any rumours that were circulating, without identifying the sources, so they could be addressed in the newsletter. This helped prevent rumours and false information from circulating, at a time that was stressful for all staff.

8. Merging fundraising activities

Three organisations in New York (Safe Space NYC, the Children’s Village Inc. and Inwood House) decided to collaborate by merging **fundraising activities**. They created a separate charitable organisation to cultivate donors and solicit major gifts. This type of arrangement can allow smaller organisations to share the financial burden of recruiting fundraising staff with the appropriate skills and experience.

9. A recent example in Ireland

Self Help Africa was formed in 2008 as a result of a merger between Self Help Development International and Harvest Help. This merger was initiated to reduce management and administration costs and increase capacity to deliver on mission.²⁰ Both organisations had a similar ethos and approach, although methods of delivering services differed. Each organisation brought complementary skills and experience to the new entity.

Comments and feedback welcome.

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²⁰ The Independent: <http://www.independent.ie/national-news/aid-agencies-merge-to-streamline-help-for-africa-1447483.html>