

# **Mission *Plus* Strategy Consulting**

## **Nonprofit Strategic Restructuring: *What Smart Power Strategies Make Sense for Your Nonprofit?***



Presenter:

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**Mission + Strategy Consulting**

*Mission + Strategy = Social Value*

# Participants in this workshop will learn:

1. Definitions of Strategic Re-Structuring and Smart Power.
2. Environmental factors driving strategic re-structuring in the nonprofit sector.
3. The basic models of strategic re-structuring
4. The steps that Boards should follow in evaluating a strategic re-structuring strategy
5. Where to go for more information on strategic re-structuring and smart power



# What do we mean by Smart Power?

- The ability to combine hard and soft power into a winning strategy
- An international term popularized by international relations expert and author Joseph Nye in the aftermath of the 2003 invasion of Iraq



Joseph Nye, 2010, TED.com



# Soft and Hard Power in the Nonprofit Sector

- Power Generated by Advocacy
- Power generated by Fundraising/Marketing
- Power generated by Social Entrepreneurship
- Power generated by Collaboration



# What do we mean by *Collaboration*?

## RANGE OF NONPROFIT COLLABORATION MODELS

DEGREE OF CORPORATE INTEGRATION  
WHICH CAN BE REQUIRED TO COMPLETE THE COLLABORATION  
**STRATEGIC RE-STRUCTURING SPECTRUM**

**0%**

- Membership association
- Advocacy coalition referral agreement

**50%**

- Partnership
- Program or Business Shared Service Alliance
- Joint Venture
- Management Service Organization Alliance
- Co-Operative Network

**100%**

- Parent/Subsidiary Merger



# What do we mean by STRATEGIC RE-STRUCTURING?

A strategy that consolidates corporate or program structure in a variety of ways, all or in part, together with one or more nonprofit organizations, in order to advance mission.



# MICRO TRENDS

## 5 Drivers for Strategic Re-Structuring

1. Pressure to raise unrestricted funding for back office expenses.
2. Government moving to more managed-care contracting
3. The shift to measuring results in nonprofit organizations
4. More competition from nonprofits and for-profits
5. The impending leadership gap in the management in the sector.



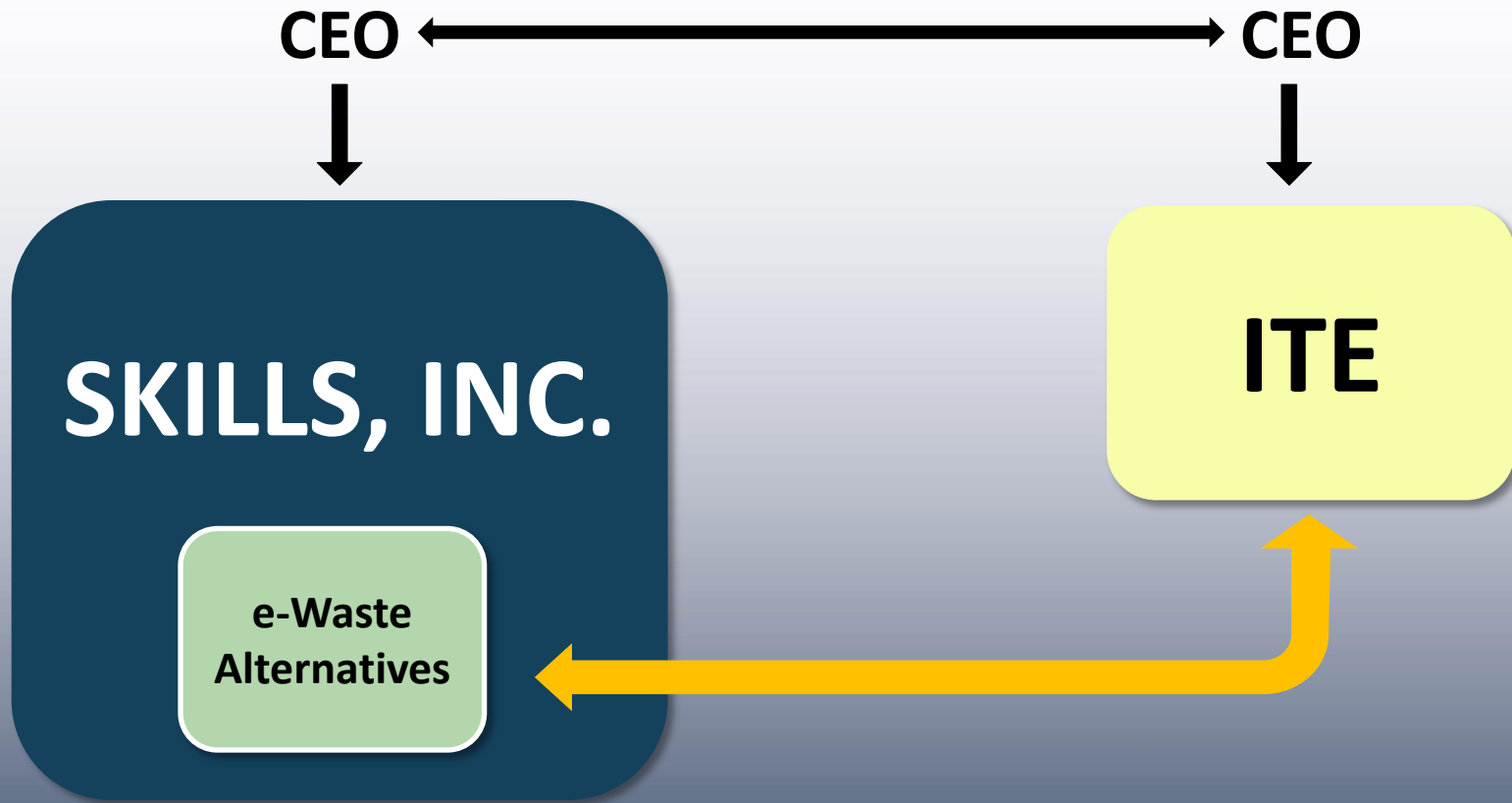
# MACRO TRENDS

1. Political forces pushing for smaller federal government
2. Economic forces – the recession
3. Social forces – the complexity of issues that clients bring to nonprofits are beyond the ability of a single nonprofit to cope with



# JOINT VENTURE CORPORATION

Governed by a Legal Contract



# MANAGEMENT SERVICE ORGANIZATIONS

## MACC Commonwealth 10 Members

### FINANCE

General Accounting  
Budgeting support  
Management of payables  
and receivables  
Audit support  
990 And other government  
filings

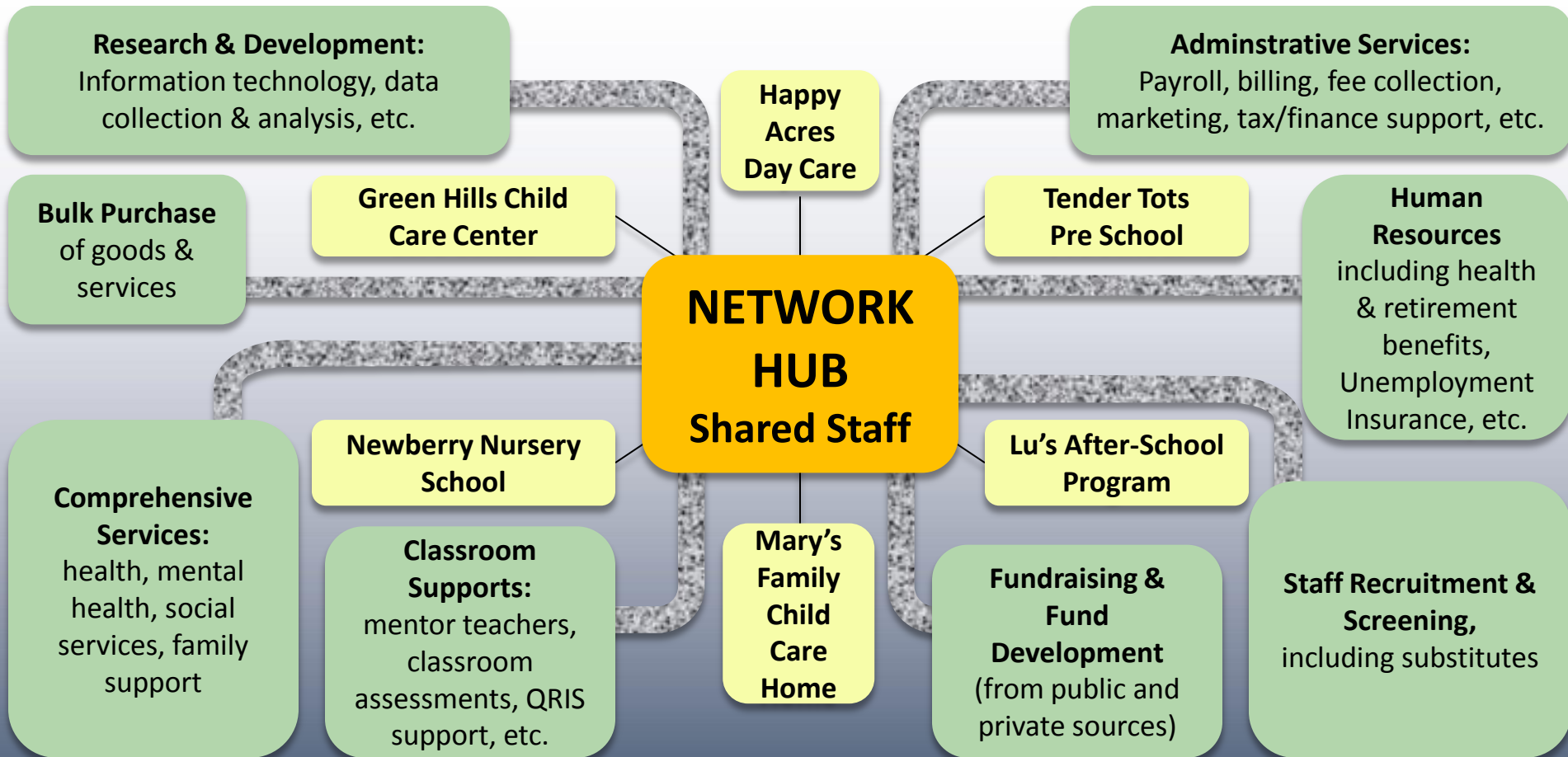
### HUMAN RESOURCES

Compensation, benefits,  
time tracking  
Leave administration  
Staffing support  
Records management  
Performance review systems

### INFORMATION TECHNOLOGY

Infrastructure management  
Help desk  
Client data system  
Wide-area networking and  
Internet access  
Voice-over –IP (telephony)

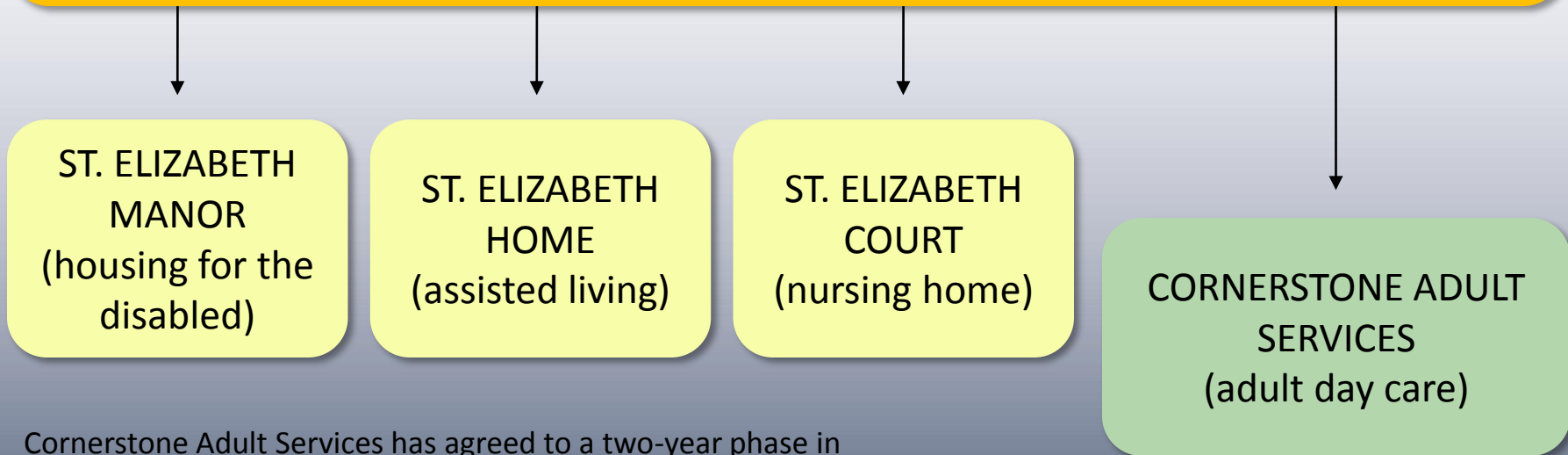
# SHARED SERVICE ALLIANCES



# PARENT/SUBSIDIARY CORPORATION

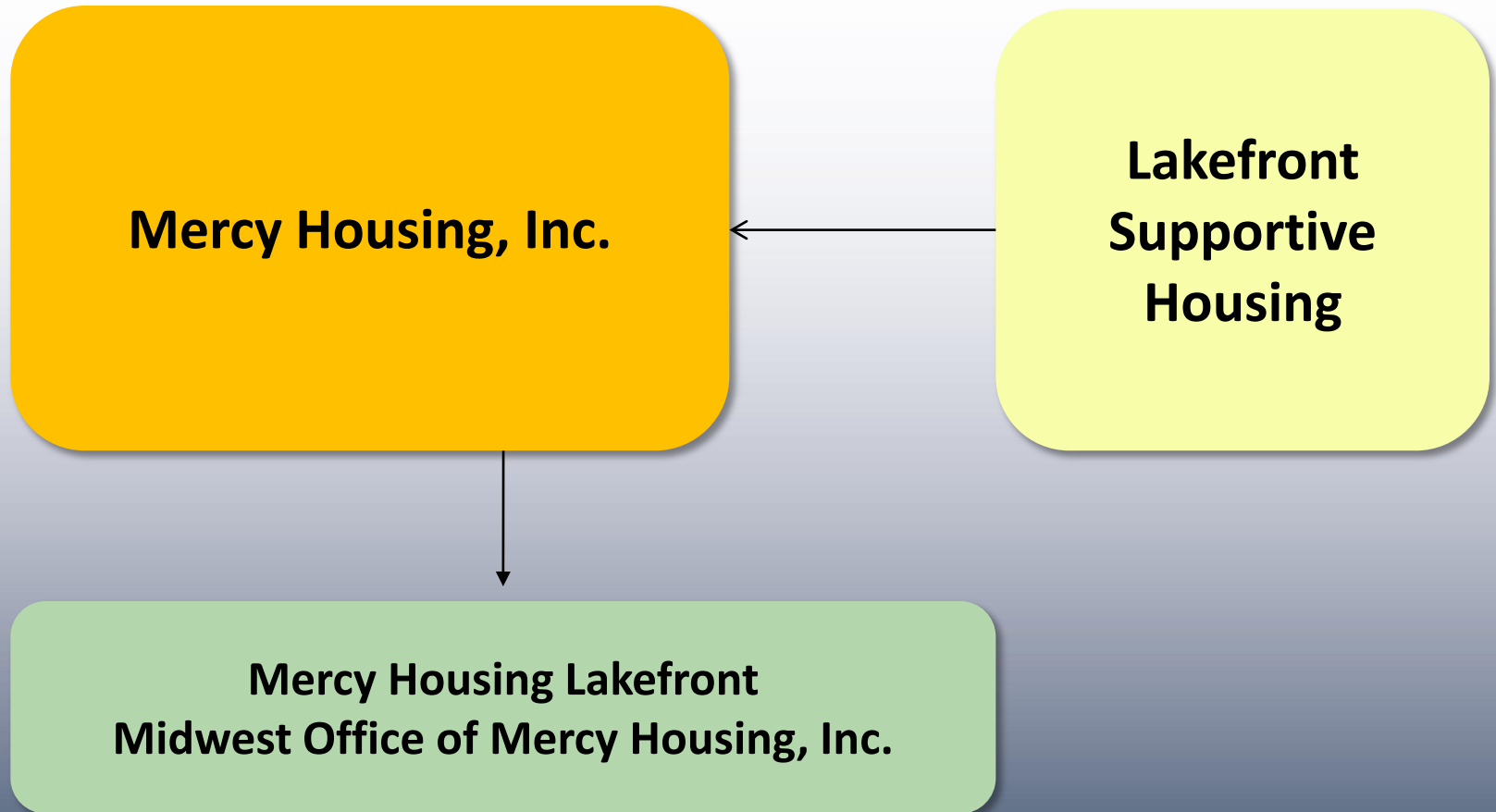
## St. Elizabeth Community

### PARENT CORPORATION

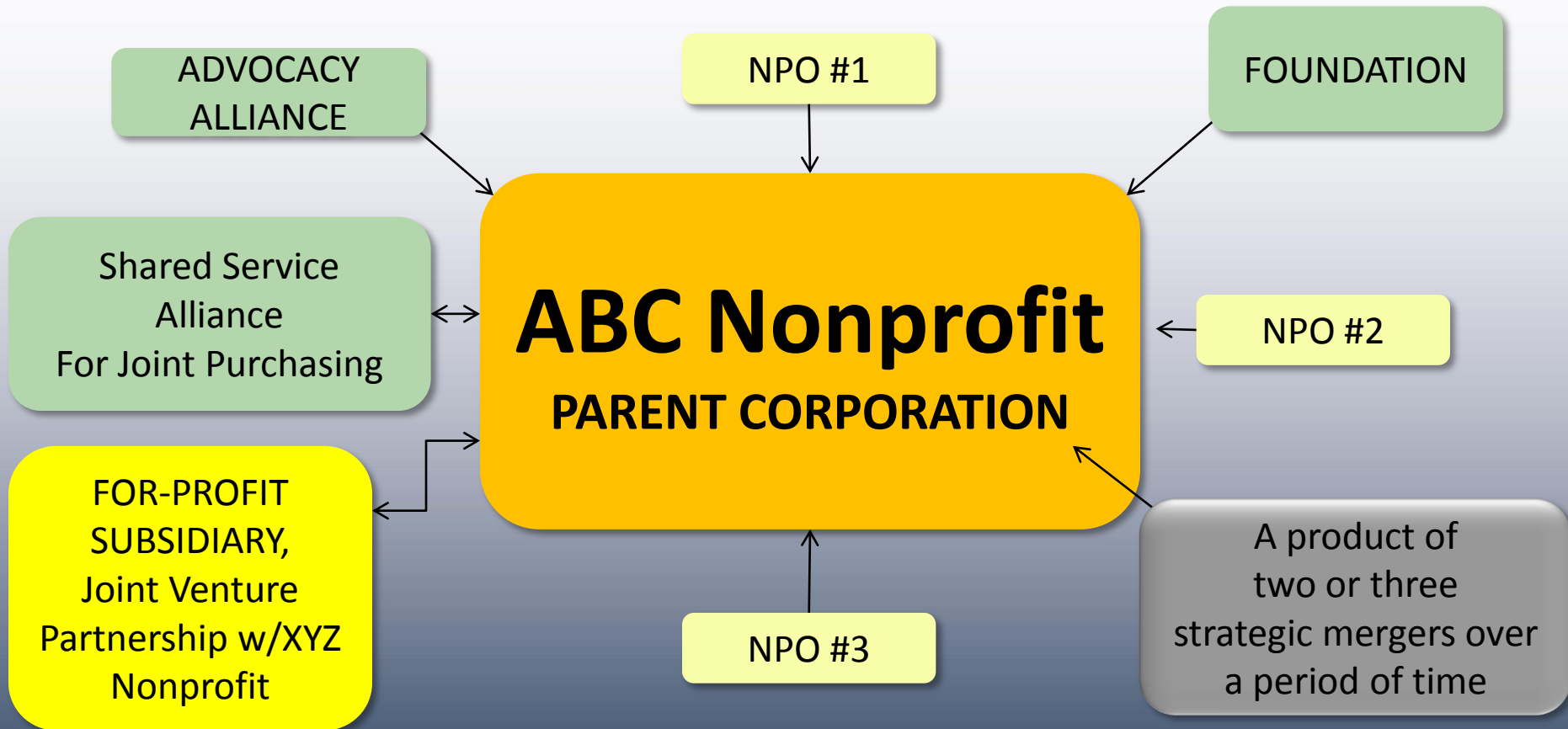


Cornerstone Adult Services has agreed to a two-year phase in with St. Elizabeth Community. They will have over-lapping boards during that time, and shared governance duties while they test the partnership relationship.

# NONPROFIT MERGER



# A SMART POWER NONPROFIT



# THE BOARD'S ROLE IN REVIEWING A POTENTIAL STRATEGIC RE-STRUCTURING STRATEGY

- Phase 1: Identifying a Strategy
  - Create a Strategic Planning Committee
  - Review your strengths, weaknesses, opportunities, and threats
  - Review all possible strategies to address your weaknesses and threats, including strategic re-structuring strategies
  - Determine which strategies best leverage your strengths and opportunities



# PROGRAM QUESTIONS

1. Are you adding or expanding services, including geographic or demographic expansion?
2. Are there new services you would like to add to your portfolio that you do not currently provide?
3. Would you like to deepen the services you currently provide?
4. Are there related services you would like to bring in-house that complement your current portfolio?
5. Are your programs strong, but you find it difficult to raise the necessary revenue to support them?



# INFRASTRUCTURE/FINANCE QUESTIONS

1. Would you like to deepen your back office skill set or strengthen the management of your organization in one or more areas?
2. Have you been cutting the funding for back office functions such as I.T., H.R., or Evaluation?
3. Are you finding it difficult to pay for necessary program expenses like program evaluation and measurement?
4. Do you find it difficult to spread the costs of administration across your program due to the number of service units?
5. Are you annually dipping into reserves to balance the budget?



# LEADERSHIP QUESTIONS

1. Do you currently have, or will soon have, a vacancy in the CEO position?
2. Do you have a vacancy in a key senior management position? Do you have trouble retaining senior management staff?
3. Do you have a need for additional strong Board Directors? Are there current members looking to step down?
4. Do you have trouble holding onto strong, committed Board Directors?



# FUNDRAISING QUESTIONS

1. Have you recently lost a major donor or do you anticipate losing one soon?
2. Are you having difficulty raising unrestricted funding?
3. Do you have trouble consistently raising the necessary funding to meet inflationary increases for all organizational spending?
4. Are you competing with other, similar nonprofits for revenues and often losing funding to them?
5. Are donors suggesting to you that you merge with another nonprofit?



# ORGANIZATIONAL IDENTITY QUESTIONS

1. Does your organization have a culture of risk-taking, growth, or an entrepreneurial spirit?
2. Is your organization often confused with another nonprofit?
3. Do you have a history of joining collaborations or partnering with other nonprofits?
4. Do you have a current partner that could be ripe for a merger?



# Board's Role, continued

- Complete the SWOT analysis
- Identify the desired SR strategy or strategies
- Create a Partnership committee to design a process for approaching and selecting a prospective partner(s) for the strategy



# SUMMARY OF KEY POINTS

1. Strategic Re-Structuring is a strategy that is here to stay in the nonprofit sector due to micro and macro environmental factors that we are facing
2. Nonprofits need to combine soft and hard power strategies in order to achieve Smart power, to accomplish their missions
3. One of the Board's key roles is to help set strategy, and so Board members must take a lead in helping nonprofits add SR strategy to their portfolios



## Strategic Re-Structuring Follow-On Session 11:30 – 12:30 today

The steps of completing a strategic restructuring agreement with a partner, using an actual case example.

Q &A time for your own transactions will be incorporated to this workshop.



# Mission Plus Strategy Consulting

## Where to go for more information about Strategic Re-Structuring and Smart Power?

- See your bibliography for free and other resources on the topic.
- To see the full video of Joseph Nye, go to Ted.com and search “Joseph Nye, Smart Power.”
- To get a copy of today’s Power Point, go to:
- [www.MissionPlusStrategy.com](http://www.MissionPlusStrategy.com) and click on the Board Source Presentation under “Resources.”

