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

Presenter: Jean Butzen

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
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

<p>| DEGREE OF CORPORATE INTEGRATION WHICH CAN BE REQUIRED TO COMPLETE THE COLLABORATION |</p>
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<th>STRATEGIC RE-STRUCTURING SPECTRUM</th>
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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

CEO

SKILLS, INC.

e-Waste Alternatives

ITE

CEO
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

NETWORK HUB
Shared Staff

Research & Development:
Information technology, data collection & analysis, etc.

Adminstrative Services:
Payroll, billing, fee collection, marketing, tax/finance support, etc.

Bulk Purchase of goods & services

Green Hills Child Care Center

Tender Tots Pre School

Human Resources including health & retirement benefits, Unemployment Insurance, etc.

Comprehensive Services:
health, mental health, social services, family support

Classroom Supports:
mentor teachers, classroom assessments, QRIS support, etc.

Newberry Nursery School

Mary’s Family Child Care Home

Fundraising & Fund Development (from public and private sources)

Lu’s After-School Program

Staff Recruitment & Screening, including substitutes

Mission Plus Strategy Consulting
Cornerstone Adult Services has agreed to a two-year phase in with St. Elizabeth Community. They will have overlapping boards during that time, and shared governance duties while they test the partnership relationship.
NONPROFIT MERGER

Mercy Housing, Inc.

Lakefront Supportive Housing

Mercy Housing Lakefront Midwest Office of Mercy Housing, Inc.
A SMART POWER NONPROFIT

ABC Nonprofit
PARENT CORPORATION

- ADVOCACY ALLIANCE
- Shared Service Alliance For Joint Purchasing
- FOR-PROFIT SUBSIDIARY, Joint Venture Partnership w/XYZ Nonprofit
- A product of two or three strategic mergers over a period of time

NPO #1
NPO #2
NPO #3
FOUNDATION

FOR PROFIT
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?
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
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.
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: