



**GREATER
HARTFORD GIVES
FOUNDATION**



Exploring Strategic Alliances

PREPARING TO PARTNER

We help leaders make better decisions. | [FIOPARTNERS.COM](https://fiopartners.com)

WELCOME!



**GREATER HARTFORD
GIVES FOUNDATION**
Our gracious host!



ANNE YURASEK
Principal



MELISSA HARRIS
Director of Service
Development



**Introduce yourself
in the chat!**
Name, Org, Location

WELCOME!



Fio Partners, LLC

*We help leaders
make better decisions.*

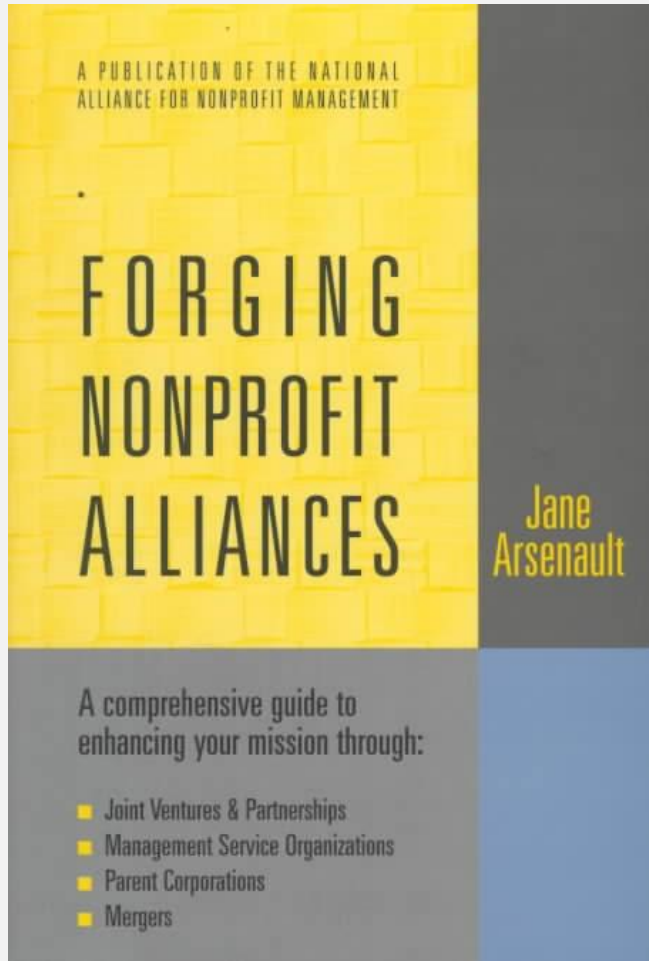
We work exclusively with:

- Nonprofits
- Foundations
- Collaboratives
- Government Agencies
- And their Boards

Our services include:

- Strategic Planning
- Strategic Alliances
- Leadership Advisory
- Executive Search
- Succession Planning
- Research & Evaluation
- Training (Staff & Board)

Why Fio?



Fio Partners has supported the creation of strategic alliances ranging from coordination to collaboration to consolidation:

- Community impact coalitions
- Formal program collaborations
- Joint ventures or partnerships
- Management service organizations (MSOs) for cost savings and sharing back-office functions
- Service networks that share state contracts
- Parent corporations linking individual nonprofits capable of pursuing market opportunities jointly
- Mergers or acquisitions



Exploring Strategic Alliances

Format: 75 minutes of content (recorded)
+ 15 min Q&A (not recorded)

Resources: PDF of deck and companion workbook

Today, will help you:

1. Clarify your why for partnership
2. Become familiar with the range of partnership options
3. Prepare your organization to pursue and develop win-win-win partnerships



Acknowledging the Current Environment

- Substantive federal funding and policy uncertainties
- Mass layoffs and potential sector contraction
- Lingering post-COVID workforce challenges
- End of ARPA funds re-exposing weak business models
- Increase in leadership transitions
- Increasingly competitive philanthropic landscape
- Donor fatigue and declines in individual giving as a whole
- Continued high demand for services across communities
- Increased need for scenario planning and rapid response strategy
- Sector-wide shift toward a network mindset that prioritizes community impact



USE THE CHAT:

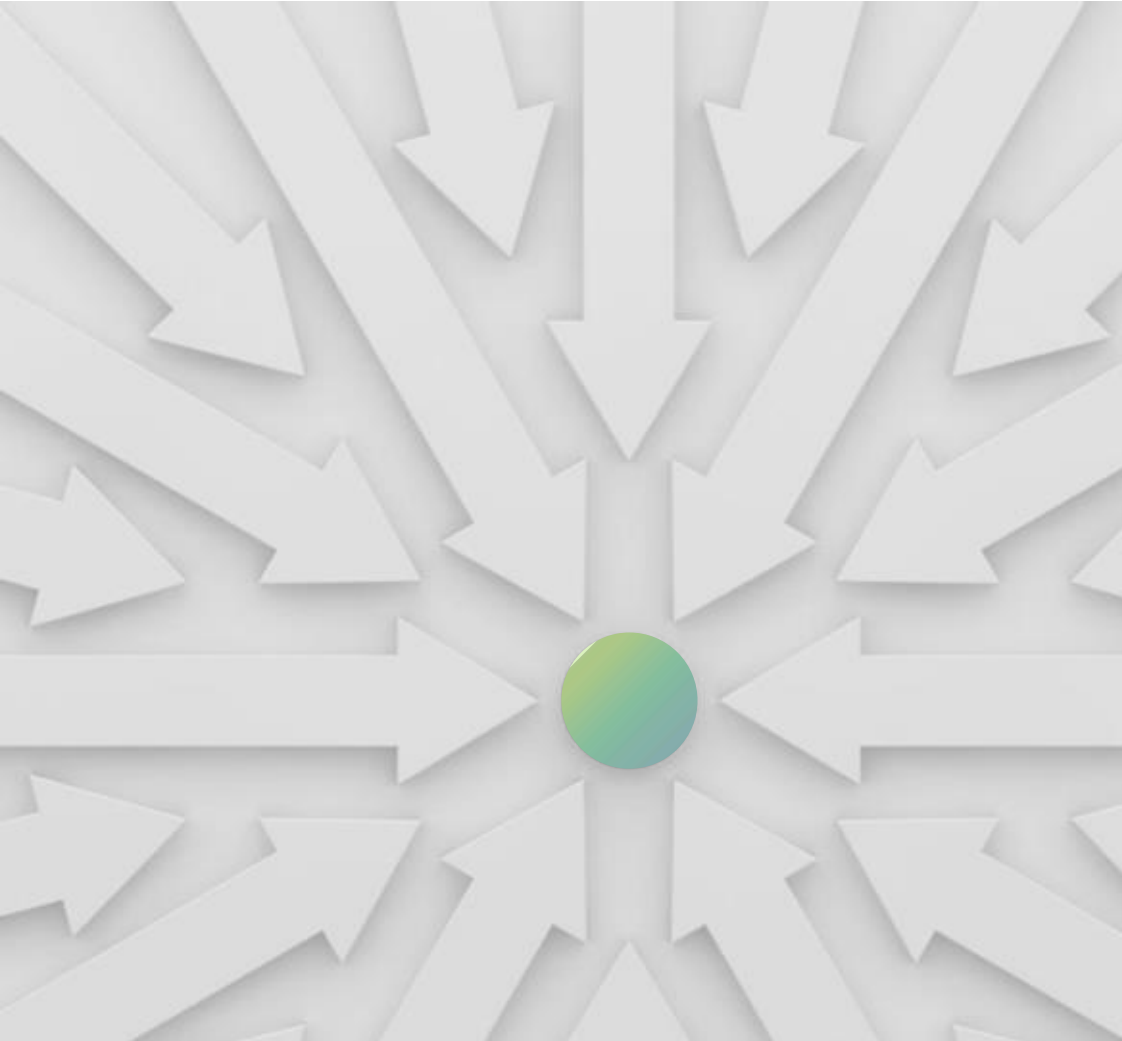
What are your organization's top challenges or opportunities?

Could your organization advance its mission more effectively alone or by partnering with others?



Clarifying Your Why

TAKE STOCK & GET CLEAR BEFORE YOU GET GOING



The journey begins with you.

- What experiences have you had partnering with other organizations?
- What do you view as the qualities and behaviors of a good partner?
- Are there experiences or circumstances that have made you hesitant to partner?
- What emotions come up for you as a leader when you hear terms like partnership or merger?



Network Leader Mindset

(Jane Wei-Skillern)

Four counterintuitive principles that are essential to effective collaboration:

1. **Mission, not organization**

Leaders adopt strategies and tactics to achieve the mission, not necessarily to stimulate organizational growth.

2. **Trust, not control**

Shared values are more important than formal control.

3. **Humility, not brand**

Organizations work alongside their peers as equals and take a backseat when their partners are better positioned to lead.

4. **Node, not hub**

Organizations are seen as one part of a larger web of activity directed toward a cause, not as the hub of the action.



Make the
conversation
about your
organization's
why.

What is your organization's current context and desired future?



EXTERNAL

- Environmental Context
- Market Position
- Relationships



INTERNAL

- Financial Position
- Program Capacity
- Administrative Systems/Capacity



DIRECTION

- Desired Impact
- Future Strategy
- Leadership (transition?)



Workbook Resources

- Financial Health / Warning Signs
- Outside-In and Scenario Thinking
- Organizational Positioning Summary
- Broad Program Strategies to Consider
- Retrenchment Strategies



Workbook: Positioning Summary

- Financial Position
 - Current financial health
 - Risk to major current funding sources
- Market Position
 - Program Position – Demand, quality, consumer loyalty
 - Extent & Cost of Competition
- External Environment
 - Level of disruption in your working environment
 - Level of risk to services created by disruption
- Core Work
 - What are you best at?
 - What work is most essential to fulfilling your mission?

Identify Your Core



- What is your organization best at?
- What is most essential to fulfilling its mission?
- What could change?
- What can it let go of?

Your new core programming should sit at the intersection of your mission, your strongest competencies, and available resources.



Leadership Mindset

Leadership's will and alignment (Board and staff):

- Do we have the energy to fight for our sustainability? What is our willingness to persist?
- Are we able to innovate? Do our leaders have entrepreneurial mindsets and capacities?
- Are we ready to have challenging conversations and center our mission and community, rather than our current programming or organizational structure?



What's your
why?

- How might an alliance help the organization protect, strengthen, or amplify its impact?
- What are the internal and external vulnerabilities that could be addressed?
- What are the potential risks? What are we most concerned about?
- What do we need to assess or learn more about?

What's your why?

Strengthen Programs:

Adding competencies
and/or services

Building New Entities and Approaches:

Innovative combinations of
programs and services

Protect Programs:

When the survival of all or
part of the entity is in doubt

Sunset Responsibly:

Ensure clients can access
services through another
local provider

Expand Impact:

Opportunity to grow market
share or geography

Expand Funding:

Attract additional resources
to accomplish desirable goal

Strengthen Infrastructure:

Support strengthening
management capacity

Stay focused on your purpose

- As an organization
- For considering a strategic alliance
- For community impact

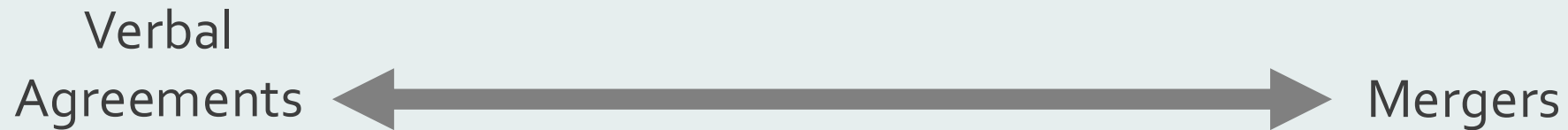
Create a win-win-win scenario



Understanding the Options

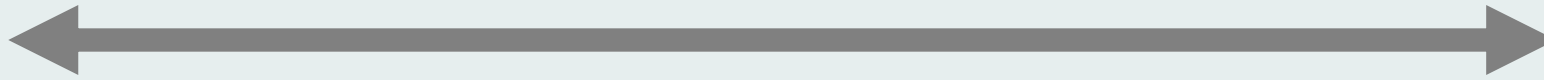
STRATEGIC ALLIANCE CONTINUUM

Strategic Alliance Continuum



*Increasing control over the activities taking place, risk, and cost to create
Decreasing autonomy and ease of exit*

Strategic Alliance Continuum



Coordination

- Involves communication and some sharing of information
- Decision-making is independent. Low risk and low or no investment of resources

Collaboration

- Organizations work together to accomplish a common goal
- Increasing degrees of coordination, investment, and risk

Consolidation

- Involves alterations to the legal links between organizations
- Increasing central authority and reduction in autonomy

Strategic Alliance Continuum

Organizational health, positioning,
and **purpose** determine structure

Program Partnerships

Strengthen or expand offerings (borrow competencies, continuum)

Attract funding for collective impact

Shared Infrastructure Arrangements

Build operational capacity (and focus on mission)

Parent-Subsidiary Relationships

Strengthen or expand offerings (build or “buy” competencies, continuum, geography)
Build new approaches through combination (innovation)
Build operational capacity (scale)
Protect or transfer programs responsibly (sustain impact)

Mergers & Asset Transfers

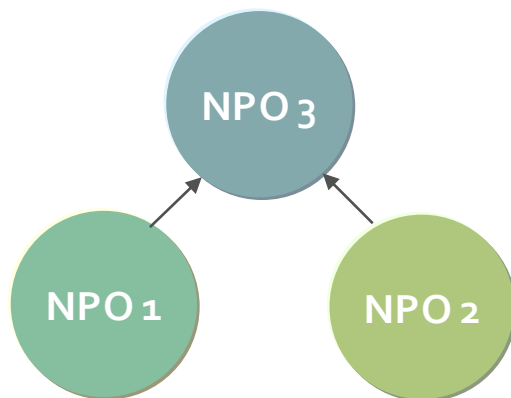


Joint Ventures

Consider the degree of:

- Communication
- Information sharing
- Autonomy in decision-making
- Resource investment
- Risk

CONTRACTUAL JOINT PROJECT



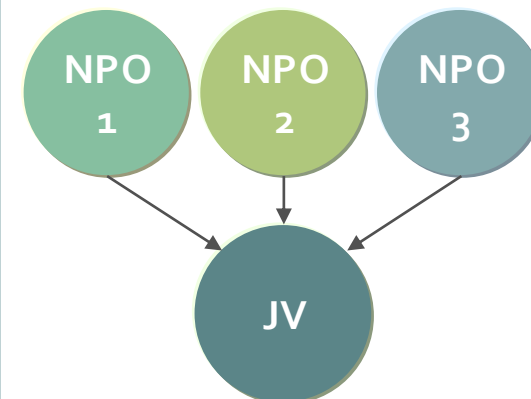
- NPOs contribute time, resources, and staff to a joint project
- Operations generally covered by a contract
- Shortest term, lower risk

PARTNERSHIP AGREEMENT



- NPOs use existing resources to create a shared program that leverages the strengths of partner agencies
- Governed by a partnership agreement

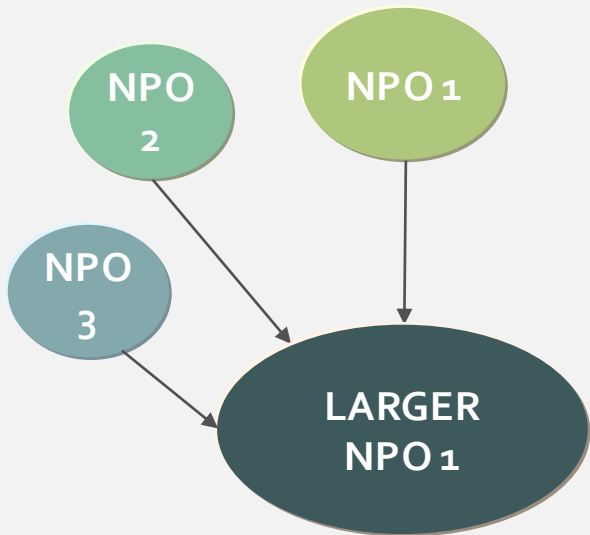
INCORPORATED JOINT VENTURE



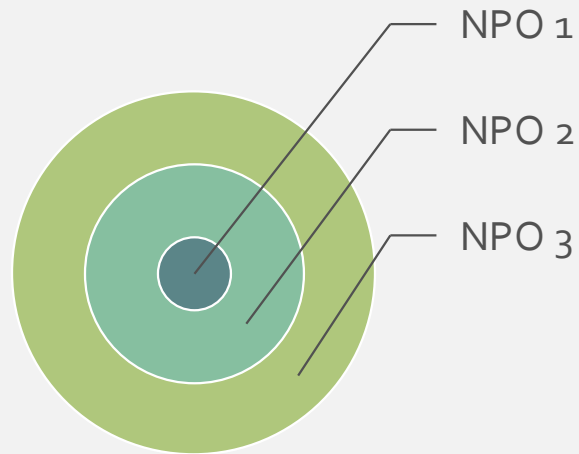
- NPOs incorporate a third entity that is jointly owned
- Has separate board & staff
- Useful when risk of JV is high, partners need liability protection

Understanding the Structures

RESULT IS A LARGER NPO #1



SOMETHING ENTIRELY NEW CREATED



Mergers & Asset Transfers

- Revenue diversification
- Economies of scale
- Reducing duplication of effort or competition
- Growth by acquisition
- Create multi-disciplinary approaches or continuum of care
- Create something new!



PURPOSE
defines
STRUCTURE

and



STRUCTURE
drives
BEHAVIOR

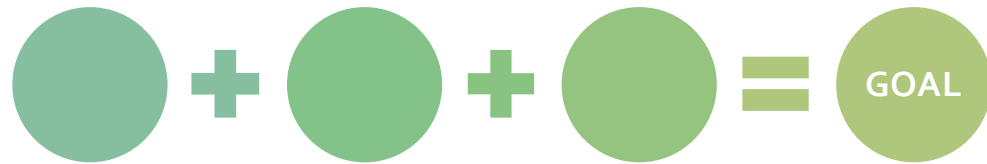


What are we building? The Role of Central Authority

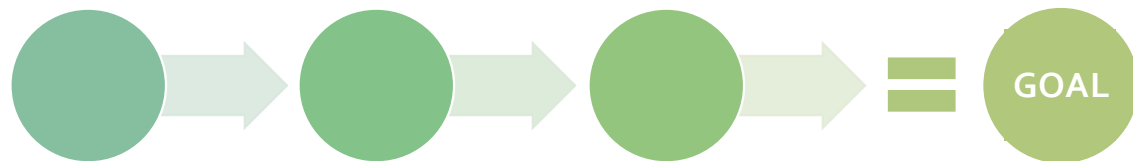
- What are the strategic alliance's objectives?
- Task Integration: What degree of interdependence is needed to achieve the shared objectives?
- Coordination Costs to Complete Tasks
- Knowledge Transfer Among Players

Kinds of Interdependence

Pooled (Swim Team)



Sequential (Relay Team)



Reciprocal (Basketball Team)



Stories from the Field: Examples of Shared Work

Combining Forces – Consolidating for Impact:

RI Philharmonic Orchestra & The Community Music School

Providing Shared Services in a Subsidiary Model:

Clifford Beers & Youth Continuum

Building a Shared Training Function:

Prospect & Other Vancouver Based Nonprofits

Preparing to Partner

PEOPLE AND PROCESS



Who should you involve?

This is an **intentional process** with leaders who are willing to **learn and work together** to envision the organization's future.

When (or not) to involve the board

- Is there significant money involved?
- Is there significant risk involved?
(reputational, sensitive information)
- Does it change your strategic direction or focus areas?
- Will there be changes to the legal linkages between organizations or your corporate structure?
- Have you had a conversation with the board about alliance thresholds? (informed, consulted, involved)
 - Help them be knowledgeable ambassadors and stewards
 - Bring them along in advance of needing their approval



Establishing
a joint group
to oversee
the process

The joint group meets regularly to explore key issues and move the process forward:

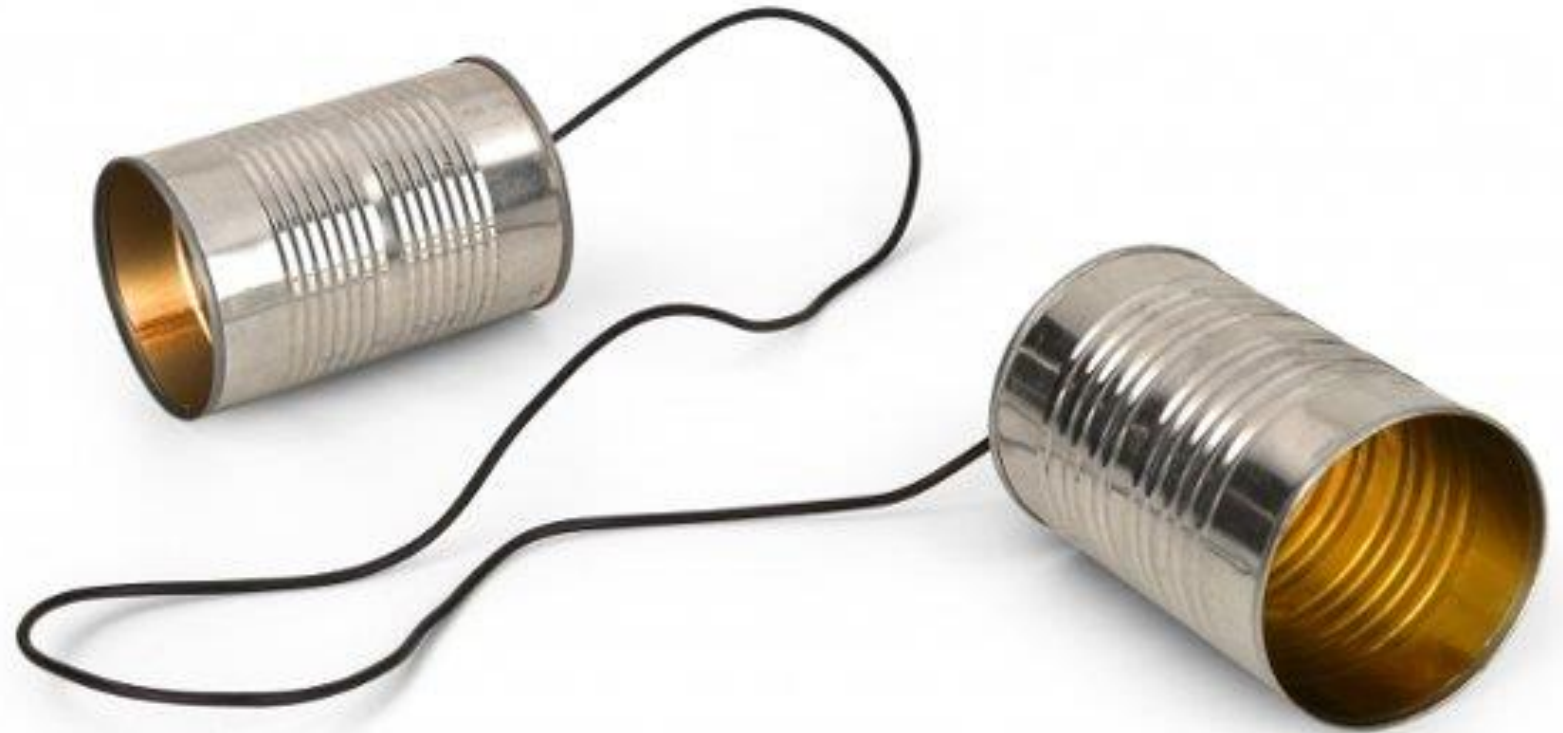
- **Programmatic partnerships** may include a mix of staff leadership with less or no Board involvement
- Potential **legal combinations** typically involve 2-3 Board members from each organization and the CEOs/EDs

Choose Board members with good heads, good hearts, and emotional intelligence.

- Oversee the process on behalf of the Board, provide updates, act as ambassadors
- Oversee creation of letter of intent, design of strategic alliance, due diligence, legal counsel support, selection of consulting support (if needed)

Don't get your wires crossed.

Set expectations about what will happen and policies to support partnership discussions.



As you proceed, remember to get the attitude right.

“As the relationships unfold, the ‘partner’ mentality should operate in all aspects of decision-making, without regard to where each organization sits in the hierarchy of size or finances.”

– Jane Arsenault



What is the vision for the shared work?

- What type of work do you want to do together?
- What are your shared values about that work?
- To what degree do the organizations need to control the activities to achieve the strategic alliance's objectives?
- What structure will promote the successful execution of the shared work?

Recognize the importance of **TRUST** to the process

Source: Dennis & Michelle Reina, Trust & Betrayal in the Workplace

The 3 Cs of Trust

COMPETENCE
"Trust of Capability"
Acknowledge people's skills and abilities, seek their input, and let them make decisions.



CONTRACTUAL
"Trust of Character"
Keep agreements, be consistent, and encourage mutually serving intentions.

COMMUNICATION
"Trust of Disclosure"
Communicate openly, honestly, and effectively. Share information, tell the truth, admit mistakes, and maintain confidentiality.

MINDFUL MOMENT

- Thinking about your current collaborators, who feels **most aligned** with your organization's purpose? Which ones do you have **established trust** with?
- Thinking about your why for deepening collaboration, what **partner criteria** may be important to your organization?
- Are there **current collaborators** that satisfy all the above?





Workbook: Map your relationships

- Inventory organizations you already have a relationship with.
- Determine whether there's a potential fit to pursue.
- Consider an RFP if there isn't, and you have a clear case for partnership.

Set Criteria:

What do we need to know about potential partners to assess fit and possibilities?

- Mission & Values
- Program Service Types
- Primary Population(s) Served
- Community Impact
- Geographical Reach
- Operating Budget
- Funding Mix
- # of Employees
- Organizational Infrastructure

Potential Mutual Benefit

- What is the vision for the shared work? How would the people served benefit?
- How might each organization benefit from the partnership?

Narrow it down and make the initial outreach

- Develop a short-list of organizations to approach
- Intentionally reach out and cultivate relationships with key leaders to explore possibilities for collaboration/consolidation
- Can be organic and informal to formal requests for partnership

Developing the Alliance

DOCUMENTS THAT CODIFY AGREEMENTS



Develop a Letter of Intent

- Creates an objective frame for the discussions
- Process of drafting the LOI helps the group define its common ground before formal planning or negotiations begin
- Tests the seriousness of intent of the participants
- Can also be supplemented with a formal non-disclosure agreement

The LOI defines

- Roles
- Timeline
- How expenses will be handled
- Information to be gathered and how it'll be exchanged
- Spokespersons and consultants for the process
- Confidentiality expectations



Formal Due Diligence

For Strategic Consolidations:

- Formal process of document exchange and review
- Document list and volume designed and approved by Joint Working Group
- Seeks to determine areas of risk or potential liability
- Can include outside experts to review information exchanged (all reviewers should sign NDA)
- Helps to inform structural selection

Develop Rationale for Partnership

- Why are we considering partnership at this time?
- What is our shared vision for our work together?
- What is the work we would like to do together?
Over what period of time?
- How does each organization benefit? How does the community benefit?
- What does that work require of each of the parties?
 - Consider type of work being undertaken together
 - What supports that type of work: communication, coordination, and learning





Remember
to get the
attitude right!

Alliance work is win-win work.

- Avoid positional bargaining
- Agree to the rules of the negotiation process
- Focus on common ground interests
- Invent options for mutual gain
- Use objective decision criteria: lean into rationale and vision for the partnership/strategic alliance

What kinds of agreements get developed?

COLLABORATION

- **Informal Collaboration / Network:** None required, optional MOU
- **Program Collaboration:** MOU or Letter of Agreement, data-sharing, branding / communications
- **Coalition or Alliance:** Charter, MOU among members, governance framework, data-sharing, funding

CONSOLIDATION

- **Administrative Consolidation:** shared services, cost-sharing, data security, insurance
- **Fiscal Sponsorship Agreement** (Model A or C), grant agreement, financial reporting
- **Contractual Partnership:** Service Contract, scope of work, confidentiality, indemnification
- **Joint Venture Agreement,** operating agreement (if LLC), governance, conflict-of-interest
- **Parent-Subsidiary:** Articles of Incorporation, bylaws, operating or shared services, governance policies
- **Asset Transfer Agreement,** any dissolution activities
- **Merger:** LOI, NDA, MOU, due diligence documentation, Plan of Merger, board resolutions, state filings, IRS notifications, integration plan



Using an MOU

To govern collaborations

Captures agreements such as:

- The collaboration's goals and anticipated duration
- Partner responsibilities
- Financial contributions and distributions
- Staffing allocations
- Day-to-day management and decision-making
- Process to address conflict
- Process for exiting the collaboration

To guide consolidations or corporate changes

Captures agreements such as:

- Rationale for combination
- Selected structure
- Leadership
- Location
- Governance
- Financial considerations
- Naming (if applicable)
- Other unique issues to be addressed
- Transition activities



When to get other experts involved

- **Accountants**
 - Preparation
 - During due diligence
 - During transition activities (closing audits)
- **Lawyers**
 - Guidance on structure selection based on vision and intent
 - Use the MOU to develop and implement the appropriate legal transaction
 - Ensure compliance with governance and employment laws

Remember the importance of trust

Source: Dennis & Michelle Reina, Trust & Betrayal in the Workplace

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Process Recap: Addressing Your Questions



Acknowledge
Your
Experiences



Build Internal
Clarity



Assess
Relationships



Envision
Shared Work



Select &
Implement
Structure

Thank You!



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Melissa@fiopartners.com

The logo for fiō, consisting of the lowercase letters 'fiō' in a dark teal color, enclosed within a white circle. The background of the slide features a pattern of concentric, overlapping circles in various shades of green and teal, creating a textured, ripple-like effect.

fiō