

Catalyst Fund for Nonprofits: An Interim Assessment

Two years of nurturing nonprofit collaborations



Funding Partners

The Boston Foundation
Boston LISC
The Hyams Foundation
The Kresge Foundation
United Way of Massachusetts Bay
and Merrimack Valley

Fund Manager

Nonprofit Finance Fund

Report Author

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Catalyst Fund *for* Nonprofits



Acknowledgements

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The economic downturn of 2008 sparked new urgency for nonprofits to explore strategic alliances. Responding to the needs of organizations for guidance — and resources to pursue a collaboration or merger — in 2010, a group of funders formed the Catalyst Fund for Nonprofits (CFN, the Fund). Managed by Nonprofit Finance Fund (NFF), the Fund has received seed capital from five funders totaling \$1.9M. To date, six CFN collaborations have been implemented, three have chosen not to move forward, and the remaining six are in varying stages of development. This interim assessment shares the lessons CFN has learned during its first two years. Its findings will be used not only to enhance the Fund's own future efforts but also to serve as a resource for others seeking to support deeper collaborations between nonprofits.

A representative from each funding body serves on the Fund's Advisory Board (AB) and meets regularly with NFF staff to review proposals and develop policy. Together, they have created the Fund's objectives to have influence at both micro and macro levels. The Fund's first objective is to provide resources for independent consultants to work with nonprofits so they can develop their own unique collaborations. The second objective is to promote collaboration as a strategic tool to advance mission. Together, these two objectives form a cyclical approach, reinforcing each other to build a stronger environment for strategic collaborations.

The Success

- The collaborative model of funding has shown itself to be of benefit to both funders and nonprofits through shared learning, leadership development, and administrative efficiencies. Even among those nonprofits that received CFN support but did not move forward into collaboration, participants expressed long-term value to their nonprofit from undergoing the CFN process with Fund-supported consultants.
- CFN's diverse portfolio touches organizations from the arts and culture, community development, human services, and youth development sub-sectors. It has fostered a range of partnerships from program collaborations to full organizational mergers. Although each venture has unique qualities, the report details the common characteristics exhibited across nonprofits that had success in forging relationships. These characteristics include experienced executive leadership, engaged boards of directors, clear strategic plans, program compatibility, and trust between partners.
- For the most part, the Fund has supported stable nonprofits to plot a collaborative course based on longer-term strategic advantages between partners rather than impending crises. The majority of CFN-sponsored partnerships have developed innovative collaborations in which two or more organizations come together to create a new approach to operations and/or the provision of programs and services. CFN also has been instrumental in fostering the creation of another collaborative funding venture in California.
- Much of the Fund's early success can be attributed to its ability to provide a flexible model in which nonprofits can chart their own course with the freedom to choose their own consultants and timetable. AB members have also been limber in their approach, making adjustments to the application and review processes to better accommodate the needs of nonprofits. CFN has encouraged nonprofits to look at collaboration as a phased process including feasibility analysis, due diligence, and implementation. In breaking the process into steps, nonprofit partners have not become overwhelmed with final outcomes from the start but rather challenged to initiate the difficult discussions and work that lead to true partnerships.

The Challenge

Nonprofits understand the value of strategic alliances in the abstract; however, some may be hesitant to pursue an alliance for a variety of reasons, including lack of expertise and fear of losing control. “This is much more difficult work than we expected,” was voiced consistently by funders and participants. The goal of CFN is not just to pursue collaboration for collaboration’s sake but to preserve, improve, or expand services to individuals and/or communities. These lasting outcomes will not be realized until the collaborations have been fully implemented for years. In addition, because it is often difficult to predict the dollars that will be necessary to implement organizational change, nonprofits sometimes need additional resources over the course of the integration. While successful with the initial grantees, it has been challenging to measure uniform outcomes across the portfolio of participants and to see immediate cost benefits. Finally, given the number of troubled nonprofits, there is a sense that the Fund has not yet reached the volume of potentially-eligible nonprofits that it could support.

The Future

Over half of the CFN grantees first considered collaboration after another nonprofit approached them to consider a partnership. Similarly, CFN participants report that hearing directly from nonprofits who have developed strategic alliances through the Fund was key to prompting them to apply and initiate collaborations. In sharing the experiences of nonprofits evaluated to date, CFN’s hope is that their work will encourage other nonprofits to seek support, prompt sector leaders to promote collaboration and to motivate potential funders to invest in strategic alliances. Although challenging, as one CFN participant reflected about his organization’s collaboration, “We are going to deliver higher-quality services to families who need it the most. And at the end of the day, that is why we are here.”

Methods and Structure of the Interim Report

The Fund commissioned this interim report to compile and share early findings of its collaborative approach to supporting strategic alliances. Research for the interim assessment was conducted from July 2012 to October 2012, and focused on the Fund’s activities from inception in September 2010 through July 2012.

In total, 40 in-depth, confidential, in-person or telephone interviews were conducted with members of the following six target groups: 1) senior staff of the contributing funding partners, 2) executives and board members of the nonprofits that received support, 3) executives from organizations who submitted applications but were deferred or denied support, 4) executives from organizations who attended information sessions and inquired about applications but did not submit requests, 5) the primary consultants who were involved in working with the nonprofit grantees, and 6) a group of sector leaders. This last group provided insight into and suggestions on how to improve the outreach and visibility of the Fund. These interviews provide the bases for the research for the interim assessment.

The content for the report is divided into the following areas:

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Synopsis

The Fund, a five-year funder collaborative, supports the exploration, planning, and implementation of voluntary strategic collaborations and mergers in the Boston area. Its efforts focus on supporting technical assistance for collaborating nonprofits, and promoting collaboration as a strategic tool to advance their missions.

Launched in September 2010, the Fund was created through a partnership of The Boston Foundation, Boston LISC, The Hyams Foundation, and United Way of Massachusetts Bay and Merrimack Valley, and is managed by NFF. In October 2011, the Kresge Foundation joined the collaborative as the only national funder participating in the initiative. Currently, the total fund size is \$1.925 million.

To date, the fund has made 18 awards totaling nearly \$450,000 to 15 collaborative ventures.

<i>Funding Partner</i>	<i>Catalyst Fund Commitment</i>
The Boston Foundation	\$1,000,000
Boston LISC	\$250,000
The Hyams Foundation	\$225,000
The Kresge Foundation	\$200,000
United Way of Massachusetts Bay and Merrimack Valley	\$250,000
Total	\$1,925,000

Background

In 2008, as the nation stood on the cusp of a deep and protracted economic downturn, the Boston Foundation published *Passion & Purpose*, a report examining the fiscal health of the nonprofit sector. The report found that many of the state's 37,000 nonprofits were in precarious financial condition. Among other recommendations, the report suggested that the sector could benefit from restructuring and consolidation.

While this suggestion generated some controversy among Massachusetts nonprofits, the ongoing difficult economic landscape has motivated a number of organizations to consider alternative ways of organizing operations, sharing costs, and delivering services. Out of these growing conversations, led by the Boston Foundation and NFF, about ways to more effectively help nonprofits advance their mission in a changing economic environment, the Fund emerged. These early conversations with local and national nonprofit leaders informed the concept, goals, and structure of the Fund.

At that time, CFN funding partners were receiving increasing requests from nonprofits for assistance with collaborations and mergers. Establishing a pool of shared grant dollars provided funders with the opportunity to model the type of collaborative behavior that they intended to support while leveraging one another's resources and knowledge to achieve more together than they could apart. As a national leader in providing financial resources, asset building programs, and management advice, NFF was a natural choice to manage the effort.

I. Catalyst Fund Overview

Defining Collaboration

For the purposes of the Fund, collaboration includes relationships among nonprofits that:

1. *Meaningfully change the way participating organizations do business for the long term,*
2. *Require involvement of participating organizations' Boards of Directors due to their strategic nature, and*
3. *Have the potential to preserve, improve, or expand services to individuals and/or communities.*

The Fund understands collaboration to include a diverse spectrum of activities that change relationships between organizations including back-office resource sharing, joint ventures, management agreements, and full mergers.

Fund Objectives

The Fund seeks to: 1) support nonprofit collaborations and mergers through technical assistance, and 2) promote collaboration as a strategic tool to advance mission. These two objectives are designed to complement each other in a cyclical nature with development of one reinforcing the strength of the other. In providing direct support to nonprofits, the Fund seeks to expand the body of knowledge that will fulfill the larger objective of promoting collaboration in the entire sector. In turn, with more knowledge in the field, more nonprofits and funders will consider collaborations as a strategic tool for advancing their mission.

1. Support nonprofit collaborations and mergers through technical assistance

CFN dedicates its resources to supporting the costs of experienced technical assistance providers who offer their expertise and add capacity. Technical assistance helps guide collaborative ventures through the phases of feasibility assessment, due diligence and planning, and implementation. Facilitating difficult discussions, conducting financial analyses, encouraging creative thinking, raising legal considerations, and building trust are just some of the ways that technical assistance providers add value to the collaboration process.

2. Promote collaboration as a strategic tool to advance mission

CFN promotes the enhancements to programs and services that collaborations and mergers can provide, offering a counterbalance to prevalent negative connotations, while acknowledging that deep collaboration is not necessarily for every organization. As the Fund builds a portfolio of technical assistance investments of various shapes and sizes, it seeks to share lessons learned and continue engaging the nonprofit community in dialogue. By conducting and participating in outreach events, seeking press opportunities, and publishing findings, the Fund will continue to aggregate and share best practices and lessons on strategic collaborations and mergers.

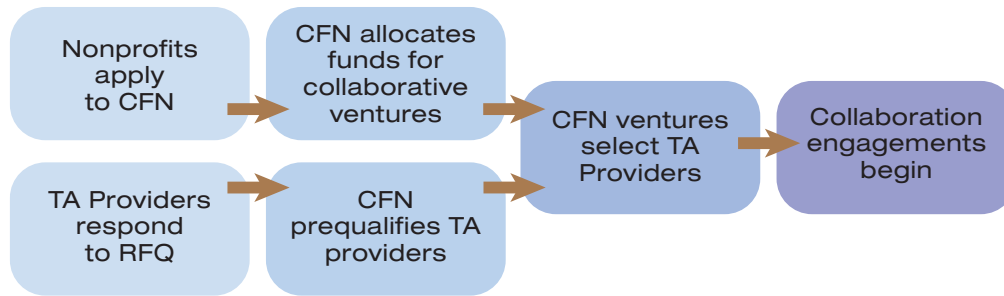
*Catalyst Fund Objectives:
A Cyclical Approach*

Objective 1
Support nonprofit collaborations and mergers through technical assistance

Objective 2
Promote collaboration as a strategic tool to advance mission



Program Design



How It Works: Application Process and Engagement

Nonprofit collaborative ventures in the sub-sectors of arts and culture, community development, human services, and youth development are eligible for Fund support. CFN awards grants for technical assistance through a competitive application process facilitated by NFF. This technical assistance takes the form of advisory engagements with qualified consultants to explore, plan, and implement collaborations and mergers. To date, the average grant size has been approximately \$25,000, and individual awards have ranged between \$10,000 and \$50,000.

Grant recipients can either select a technical assistance provider from the Fund’s pool of pre-qualified professionals or bring their own consultant, provided they meet the Fund’s minimum criteria. Once collaborating partners select a technical assistance provider, all parties agree on a scope of work and associated fees. CFN pays for the technical assistance provider’s services, and NFF periodically meets with the nonprofits and technical assistance provider for status update discussions on progress, challenges, and lessons learned.

How It Works: Technical Assistance Provider Pool

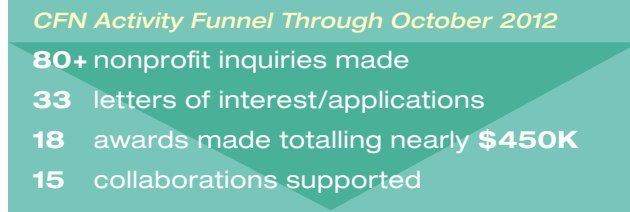
CFN’s technical assistance pool aims to reflect the diversity of needs and experiences of the local nonprofit community. Currently, the pool is comprised of more than 30 independent professionals and firms representing expertise in each of the four sub-sectors named in the previous section, as well as relevant skill areas such as finance and accounting, law, governance, technology, marketing, strategy, and project management. The Fund vets consultants at a high level, examining the following criteria:

- Demonstrated professional experience advising on one or more aspects of nonprofit collaborations,
- Demonstrated professional experience in one or more of the following mission areas: Arts and Culture, Community Development, Human Services, and Youth Development, and
- Commitment to operate within the policies and procedures of the Fund.

For additional information and application guidelines visit:
<http://nonprofitfinancefund.org/catalystfund>

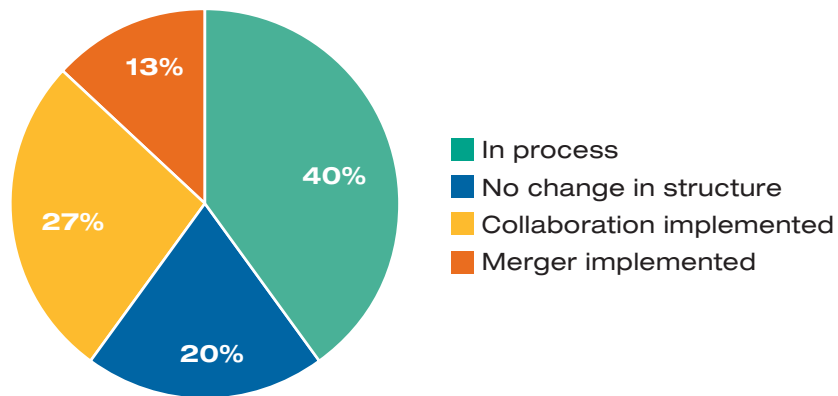
II. Catalyst Fund Results and Outcomes

1. Inquiries and Awards

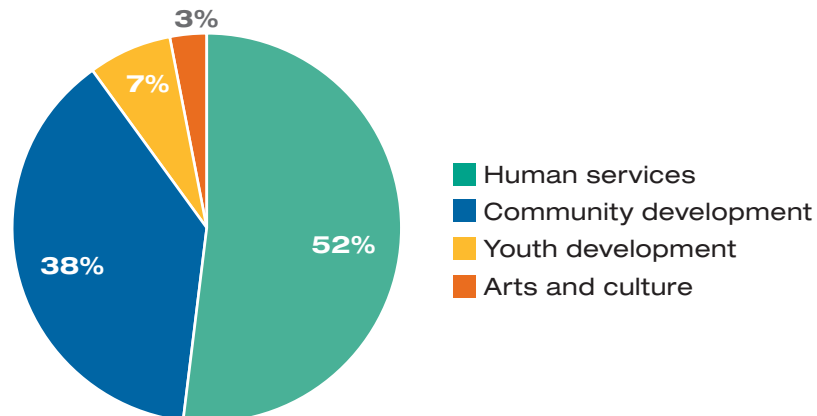


In total, 15 partnerships have been supported; three organizations were awarded two grants to support different phases of their collaborative process. To date, 40% of CFN-funded projects have resulted in either a merger or significant collaboration. Of the rest, 20% of grantees underwent technical assistance and decided not to pursue collaboration or merger, and 40% of grantees are still in process with CFN technical assistance.

Status of CFN Portfolio of Collaborative Ventures



Percentage of Funds Committed to Date by Sub-sector



II. Catalyst Fund Results and Outcomes

Complete List of CFN Collaborations to Date

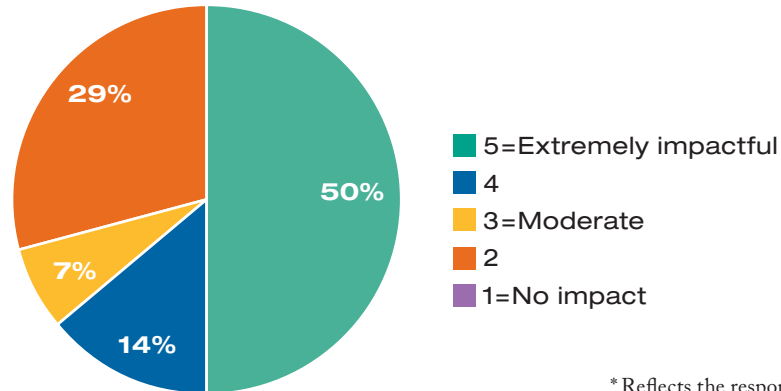
Partners	Objective	Collaboration Type	Catalyst Support	Collaboration Status
Allston Brighton CDC & Urban Edge	Consolidate asset management function of real estate portfolios to focus on community programs	Operational Joint Venture	Business Planning & Implementation Support	Implementing Pilot
CONNECT: The Neighborhood Developers Centro Latino Bunker Hill Community College Career Source Metro Credit Union MBPH	Co-locate and streamline services to build personal and family financial resilience in Chelsea, MA	Programmatic Joint Venture	Business Planning with focus on Governance, Technology Systems, and Fund Development	Implemented
Girls LEAP & Big Sister Association	Explore programmatic collaboration opportunities to better serve young girls	Merger	Feasibility Assessment	Not moving forward
Public Policy Institute & Massachusetts Communities Action Network	Merge advocacy and public policy curricula to improve training of nonprofits and communities	Programmatic Joint Venture	Financial Planning & Implementation Support	Implemented
Pine Street Inn & hopeFound	Enhance delivery and effectiveness of services to homeless populations	Merger	Feasibility Assessment & Implementation Planning	Implemented
Victory Programs & Boston Living Center	Preserve and enhance the mission and services of the Boston Living Center and complete a formal strategic alliance/merger	Merger	Merger Diligence, Legal Services, & Audit Support	Implemented
Quincy Asian Resources, Inc. & Boston Chinatown Neighborhood Center	Explore collaboration opportunities to better serve the Asian community of Quincy, MA	Programmatic Joint Venture	Feasibility Assessment	Underway
Commonwealth Alliance of Family & Children's Agencies: Children's Study Home Community Care Services Family Continuity Italian Home for Children NFI Massachusetts Walker School	Create an integrated system of care for child and family services with a statewide footprint via common intake and collaborative clinical team	Joint Venture	Feasibility Assessment & Business Planning	Implemented
Longwood Symphony Orchestra & Cantata Singers	Co-locate, sharing office space and other resources	Shared Space	Feasibility Assessment & Business Planning	Not moving forward
Bridge Over Troubled Waters & AIDS Action Committee	Preserve services to homeless youth by transferring Youth on Fire Program from AIDS Action to Bridge	Program Transfer	Feasibility Assessment	Not moving forward
South End Community Health Center & Pathways to Wellness	Integrate Pathways into SECHC for enhanced care to patients, particularly low-income patients	Deeper Strategic Relationship	Feasibility Assessment & Planning	Underway
Trinity Boston Foundation & The TRUST Project	Preserve youth mentoring program of the TRUST Project	Acquisition	Feasibility Assessment & Planning	Underway
Groundwork Lawrence & Groundwork Somerville	Explore opportunities for back-office collaboration for improved efficiency	Administrative Collaboration	Feasibility Assessment & Planning	Underway
VietAID & Vietnamese American Civic Association	Explore collaboration opportunities to preserve services to Vietnamese community of Boston	Unknown	Feasibility Assessment	Underway
Massachusetts Adoption Resource Exchange & Cambridge Family and Children's Services	Plan for implementation of program to better serve children waiting to be adopted	Programmatic Joint Venture	Business Planning	Underway

II. Catalyst Fund Results and Outcomes

Objective One Outcomes: Support for Collaborations and Mergers through Technical Assistance

Recipients' Expressed Value of CFN Support*

What impact, if any, did the Catalyst grant have on your ability to meet your objectives in your collaboration/merger plans?



* Reflects the responses from leaders of 14 CFN grant recipient organizations.

Creating Innovative, System-Wide Models

CFN-supported collaborations have focused on developing new operations and service delivery structures for their respective fields. In these instances, two or more organizations came together to create new approaches to operations and/or provision of programs and services. These new collaborations have the potential to leverage new government support and to engage other nonprofit partners to even further increase the economies of scale.

These collaborations are already having local impact and have great potential to serve as examples for national replication.

- *The Academy* – Center for community organizing and advocacy training
Partners: Public Policy Institute (PPI) and Massachusetts Communities Action Network (MCAN)

Through *The Academy*, PPI and MCAN have combined their advocacy and community organizing trainings into an integrated curriculum to better equip nonprofits and communities to achieve social change. *The Academy* leverages the expertise of both organizations through integrated trainings and a growing online resource library.

- *The Asset Management Center* – Co-managed affordable housing
Partners: Allston Brighton CDC and Urban Edge

Asset management is crucial for strong stewardship of affordable housing developments that contribute to the financial and mission goals of Community Development Corporations (CDCs). This collaboration will provide asset management services to both partners, including property plan development, property budget and capital expenditure review, and oversight of third-party contractors, while inviting other local CDCs to participate as well.

II. Catalyst Fund Results and Outcomes

- *The Commonwealth Alliance of Family and Children's Agencies* – Integrated system of care for child and family services
Partners: Children's Study Home, Community Care Services, Family Continuity, Italian Home for Children, NFI Massachusetts, the Walker Home and School

The Alliance members are coordinating their systems for client intake and data collection to make for more seamless referrals and services. The Alliance members also will create common metrics for collecting data on program outcomes throughout their statewide reach. In addition, they anticipate sharing in staff training and certain development and marketing functions.

- *CONNECT* – “One stop” financial services for low-income families
Partners: Bunker Hill Community College, Career Source, Centro Latino, Metropolitan Boston Housing Partnership, the Metro Credit Union, The Neighborhood Developers

CFN supported the development of CONNECT's business, governance, and fundraising plans as well as the creation of a shared technology platform for low-income residents to access job placement and financial planning services. In June, the Department of Labor and Workforce Development made a \$3 million commitment to CONNECT. While CONNECT can attribute the development of the model to many players over the years, the Fund provided vital technical assistance for building the organizational infrastructure.

Avoiding Crisis and Maintaining Identity

Partners: Victory Programs, Inc. and the Boston Living Center

Boston Living Center (BLC) was experiencing a financial and leadership crisis that put its longer-term sustainability at risk. With support from the Fund, the BLC was able to continue providing meals and services to individuals living with HIV/AIDS through a merger with Victory Programs. In Victory Programs, BLC found a partner that would allow them to maintain their name and programs within the Victory Programs' umbrella organization.

Diversifying Services to Build Strength

Partners: hopeFound and Pine Street Inn

With the ambitious goal of ending homelessness in Boston, leadership at Pine Street Inn knew that systems change would have to be a part of its strategy. When hopeFound approached Pine Street Inn about a potential merger, the advantage was clear: aligning more resources around a common strategy for ending homelessness. Each agency was in a position of strength and the combined entity boasts complementary programs and expertise in job training and job placement, addiction treatment, emergency shelter, and permanent housing. For an in-depth case-study on the Pine Street Inn – hopeFound merger, visit: <http://nonprofitfinancefund.org/PSI-HFCase>.

II. Catalyst Fund Results and Outcomes

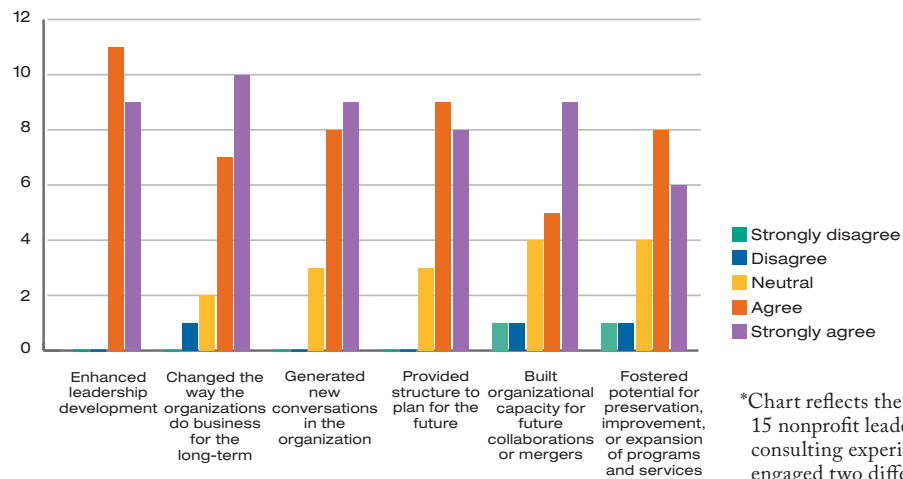
Organizational Development

Over 90% of CFN recipients felt that the technical assistance they received during the CFN process would have long-term impact on their organization. All interviewed participants reported gaining some new organizational strength that would have enduring value beyond the specific goals of the CFN project.

The following chart reflects the major organizational benefits reported by nonprofit leaders who received CFN support:

Benefits of Technical Assistance*

How did your engagement with the Catalyst Fund consultant impact your organization in the following ways?



*Chart reflects the responses of 15 nonprofit leaders on 21 CFN consulting experiences (6 leaders engaged two different consultants during the course of their CFN project)

Not all collaborations explored with CFN support are implemented. The collaborations that stop short of being fully realized should not be perceived as “failures.” For some nonprofits, for reasons of timing, alignment, or commitment, among others, collaboration was not the ideal outcome. For those nonprofits that did not move beyond the feasibility phase, their executives reported that the CFN process still provided value for their organizations. Nonprofits in this category include:

- Big Sister Association – Girls LEAP
- Bridge Over Troubled Waters – AIDS Action Committee
- Longwood Symphony Orchestra – Cantata Singers

In addition to the benefits noted above regarding organizational development, the nonprofits whose collaborations did not proceed felt that work with their CFN-sponsored consultant led to the following specific impacts for their organizations:

- Creating space and equipment assessments for future use
- Engaging the board of directors more fully
- Clarifying the priorities of the organization
- Inspiring organizational commitment to undergo a full strategic planning process

Objective Two Outcomes: Contributions to Building Resources to Promote Collaboration as a Strategic Tool for the Nonprofit Sector

Promotional Activities

To date, CFN has been featured in eight publications and several blogs. For the full list of coverage visit: <http://nonprofitfinancefund.org/articles/Catalyst-Fund>.

In addition to media, CFN was featured in the programs of seven conferences and hosted three information sessions for nonprofits.

Replication of the CFN Model

The CFN model was designed as a template that could be replicated and tailored to meet the needs of various communities and nonprofit sub-sectors interested in a concerted effort to support strategic collaborations and mergers. Since its launch in Fall 2010, the Fund has had conversations with and made presentations to interested parties in a number of communities including Colorado, Illinois, and New Hampshire.

Notably, Blue Shield Foundation of California and California Healthcare Foundation replicated the CFN model in Spring 2012. Named The California Catalyst Fund, this initiative grew out of the California Healthcare Foundation's successful 2010 efforts to support strategic restructuring among community clinics amidst the changing landscape of national healthcare reform. The fund is managed by NFF and focuses its efforts on strategic restructurings of community health clinics over a two-year period with \$500,000 in dedicated funding to support technical assistance.

Challenges to Measurement

It is clear that CFN has had an impact on the grant recipients — in terms of collaboration results and organizational development — in line with its primary objective of supporting collaborations and mergers through technical assistance. However, rigorously measuring and quantifying outcomes has proven difficult. As nonprofits supported by the Fund continue to implement their collaborative ventures, the greater impact on the organizations and the communities they serve will become more apparent over a period of many years.

Since each of the collaborations is unique and their goals vary in nature and scope, it may be impossible to establish uniform outcomes. In addition, given that the aim of the Fund is to encourage organizations to change “business as usual,” nonprofits need room to experiment. Establishing new partnerships involves taking risks that make it even more difficult to predict outcomes. As the Fund develops, the challenge is to support each collaboration/merger in establishing realistic goals and timelines for their specific partnerships. The Fund, in turn, can measure its own organizational success not only by the number of nonprofits that it can support, but by how each of these projects reaches its goals.

Measuring the impact of the Fund's second objective — to promote collaboration as a strategic tool — is similarly challenging. In the absence of pre-CFN data on perceptions of collaboration in the local nonprofit sector, it will be difficult to show if or how attitudes change over time, and to what extent the Fund has played a role in those changes. Though measuring the success of this effort to support and promote strategic collaboration is difficult, continuing to find ways to communicate the results of the Fund's efforts quantitatively and/or qualitatively will help build valuable information that will benefit others in the nonprofit sector.

III. Characteristics of Organizations in Successful Collaborations and Mergers

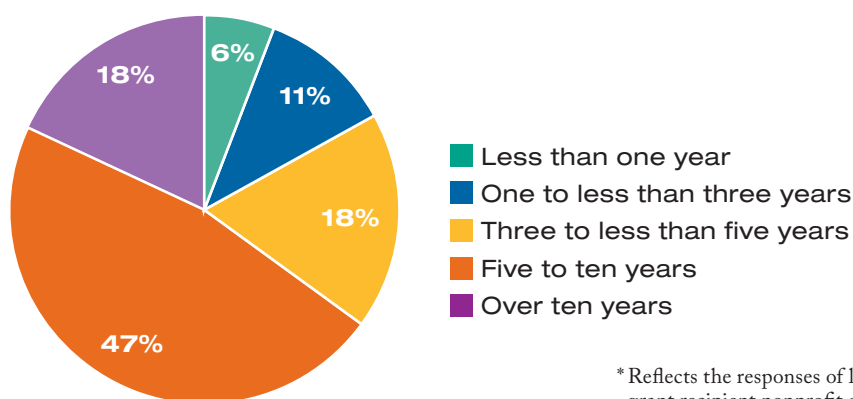
Mutual Trust

All of the partners that moved forward to a substantive collaboration cited trust in each other's leadership as an essential quality. Although the due diligence process can be challenging, these organizations expressed mutual trust both personally and professionally throughout their work.

Executive Director Experience

Almost all grant recipients had executive directors who had been in the position or been employed with the organization for at least three years; the majority had over eight years of work experience at the nonprofit. In addition, over half of the grantee executives had previous experience in some form of a collaborative venture.

*At the time of your application to the Catalyst Fund, how long had your Executive Director been in their role within the organization?**

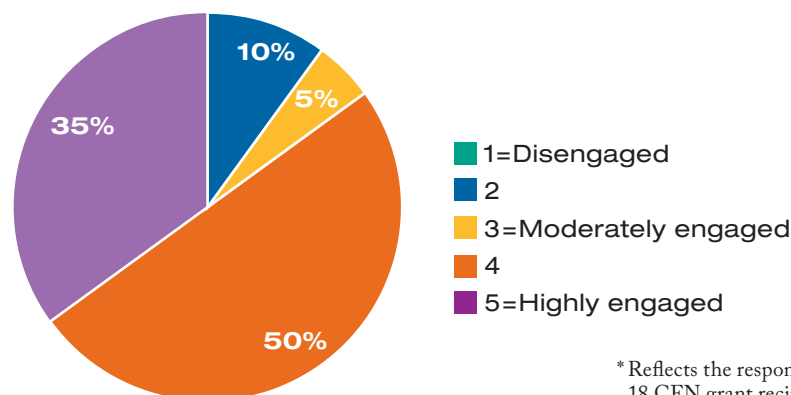


* Reflects the responses of leaders of 17 CFN grant recipient nonprofit organizations

Engaged and Experienced Board of Directors

Overall, executives of organizations that received CFN support considered their boards to be very engaged. They noted high levels of attendance and participation in meetings of the full board and of sub-committees. Almost all of the nonprofits receiving support had board chairs who had been in the role for over two years and had been on the board for over three years. In addition, 80% of the nonprofits reported having at least one person on the board who had previous collaboration or merger experience. In the mergers, the boards of directors were cited as the ultimate leaders of the process.

*At the time that the collaboration/merger idea was initially discussed, please rate your Board's level of engagement in strategic matters.**



* Reflects the responses of leaders of 18 CFN grant recipient organizations

III. Characteristics of Organizations in Successful Collaborations and Mergers

Program Compatibility

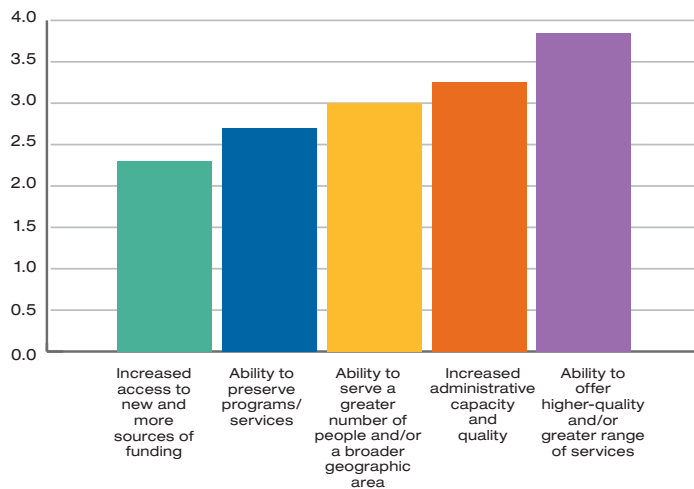
The organizations that moved beyond feasibility felt that their models of program delivery were similar. Although there were some differences, they felt generally that they approached their work in the same spirit and that they would maintain or increase the quality of services to their clients. Among organizations that received CFN grants and did not move forward with a deeper collaboration, a difference in approaches to serving clients was cited as a significant barrier.

Clear Strategic Planning

Almost all of the partnerships that had success in moving beyond the feasibility stage of the technical assistance process reported having undergone a strategic planning process within the three years preceding their CFN support. In about half of the cases, their strategies called for the organization to consider exploring some form of collaboration to strengthen an existing program and/or to advance their missions. Organizations that did not move forward beyond feasibility indicated a lack of organizational readiness to participate in collaboration. These organizations did not feel comfortable moving forward because they did not have a clear idea of how the collaboration fit into their broader strategic goals.

Surprisingly, only one partnership came out of an organizational crisis. The vast majority of nonprofits sought collaboration because of a more strategic goal. The following chart indicates the reasons cited.

Reasons that influenced CFN recipients to consider collaboration/merger, 1=least influential and 5=most influential.*



* Reflects the average rating from responses of leaders of 17 CFN grant recipient organizations

Seasoned Chief Financial Officer (CFO)

Almost unanimously, the CFO was identified as a major factor for “getting the job done.” In almost all cases, the CFO had been with the organization for over three years. Much of the due diligence coordination and reporting had to proceed through the CFOs, and their ability to respond quickly and comprehensively to requests was key to a smooth process.

IV. Lessons Learned from the CFN Experience

Collaboration is Valuable for Funders and Nonprofits

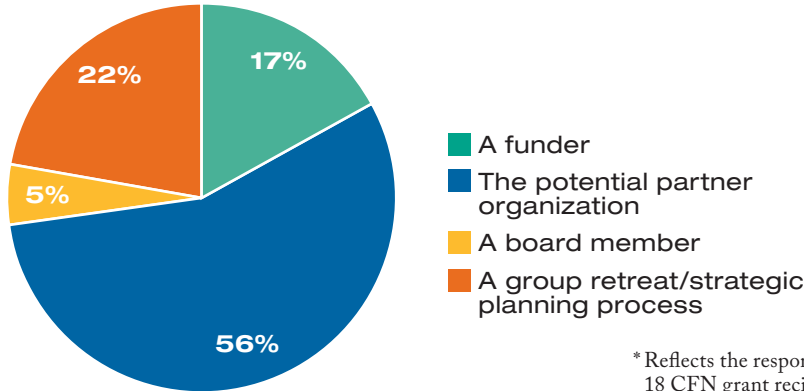
Overwhelmingly, participants in this study cited the collaborative funding structure as a major strength of the Fund. All AB members indicated shared learning as a top benefit from their participation. Funders appreciated the opportunity to pilot a concept and test best practices without having to invent the wheel and divert precious staff time to administering a full-scale program. They valued having a place where they could point nonprofits for technical assistance and having anonymity to explore “big change ideas.”

Nonprofit leaders valued the opportunity to get exposure to funders who had not supported them in the past. Although several organizations had received individual support from multiple contributing foundations for other programs, not one organization had received support from all five. Several nonprofits and funders expressed excitement about having the Kresge Foundation, a national funder, involved in this Boston effort.

Available Funding Sparks Peer to Peer Action

The opportunity for a nonprofit to approach a potential partner with an idea and a chance to obtain resources to explore the possibility of working together is a strong motivator for collaboration. Over half of the grantees first considered collaboration because another nonprofit had approached them to develop a partnership. This form of “peer to peer” communication was one of the most significant ways in which nonprofits learned about the Fund. In addition, interviews revealed that hearing about the Fund directly from nonprofits who had received support was very helpful to other nonprofits and helped spur participation. Even nonprofits who considered application but have not yet applied commented that hearing from nonprofit leaders during CFN information sessions was most helpful in understanding the value of the Fund’s services.

*Who first suggested the idea for exploring a collaboration/merger?**



* Reflects the responses of leaders of 18 CFN grant recipient organizations

Good Collaboration is Best Approached in Phases

The work of exploring, planning, and implementing a successful collaboration requires trust, in-depth analysis, due diligence, and alignment around a shared vision, among other activities. The complexity of even the most seemingly simple and straightforward collaboration is not to be underestimated. With the guidance of the Fund’s technical assistance, each partnership can find its own momentum,

IV. Lessons Learned from the CFN Experience

moving quickly through one phase when necessary and spending more time on another phase when needed. This process can seem overwhelming to nonprofits. For best results, it seems advantageous to approach collaboration in smaller steps. If organizations fully engage in feasibility analysis and choose to forgo collaboration, it should not be viewed as a failure. The experience seems to provide valuable insight for future development.

The final stage of each process involves support for implementing the collaboration. Although there may be long-term cost savings to collaborations, the initial changes to integrate operations or programs can add costs to nonprofits. As more collaborations move through the planning phases they need to seek funding and expertise to execute the changes. There remains a challenge for nonprofits to secure resources for this phase.

Flexibility is Key to Success

All participants cited the flexibility of the Fund to let them “do their own thing” as a major strength. They appreciated the opportunity to take their time, to change consultants for different aspects of their partnership development, and to obtain additional funding support for the different stages of the process.

Overall, nonprofits also appreciated the opportunity to select their own consultant. This allowed partnering nonprofits to select a consultant whom they felt was the best fit in terms of expertise and personality. In a few instances, personality mismatches between the consultant and the organizations arose. In these cases, nonprofits have been given the opportunity to change consultants for the next phase of development.

The AB has been open to changing procedures to adapt to the needs of the nonprofits. For example, months after launching the Fund, it became clear that the original application form was too rigid and geared toward applicants considering only a merger. To better assess the full range of collaborative ventures, the Fund changed its application guidelines and process by moving away from a form application to a letter of interest and face-to-face meeting with potential grantees.

Technical Assistance Works

Consultants provided the needed expertise to guide the collaboration process. “We knew we wanted to do this but we had no idea how,” was repeatedly heard from Fund participants. Consultants were seen as providing a wide range of support, including strategy development, meeting facilitation, due diligence, analysis, financial and legal expertise, and space planning and technology support.

Executive directors from those nonprofits that did not move beyond the feasibility phase also reported that the CFN technical assistance process provided valuable organizational development that will continue to benefit them in the long term.

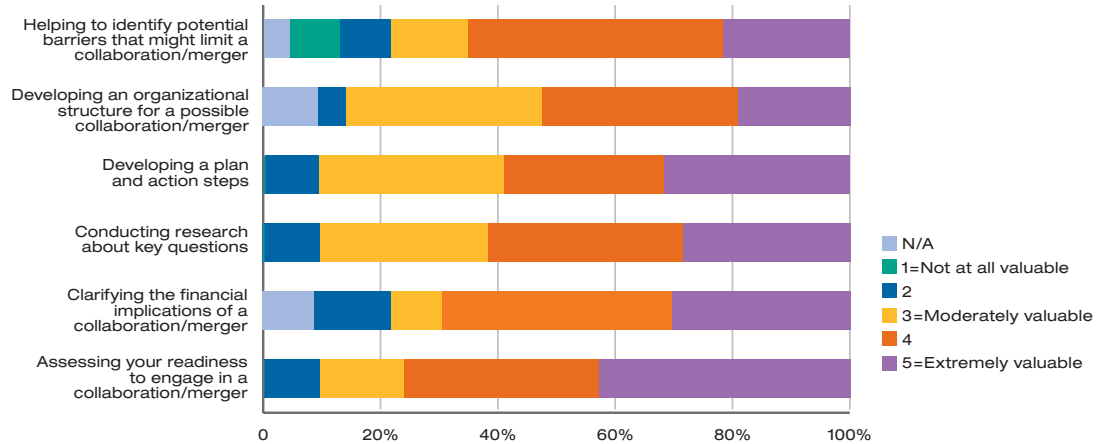
Fund consultants were able to effectively act as the “middle man” between partner organizations. Consultants helped deliver uncomfortable but necessary messages and requests. Many consultants also were cited by nonprofits as providing valuable “executive coaching” to organization leaders beyond the specific Fund project. Consultants supported the development of communication and conflict resolution skills.

IV. Lessons Learned from the CFN Experience

The following charts reflect the range of support that consultants provided nonprofits. The complex range of expert service provided has been broken into the following areas including: research and technical, group facilitation and administrative support.

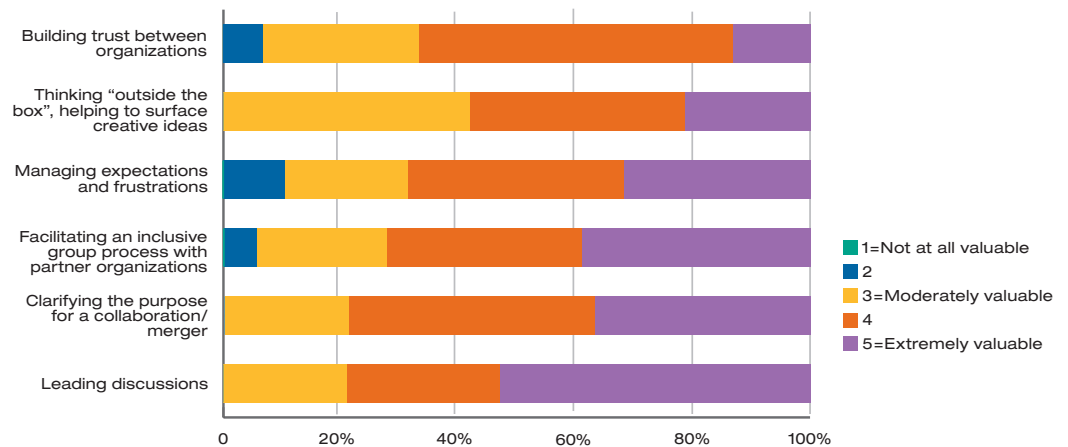
Research and Technical Support*

How valuable was the consultant to your organization in each of the following ways?



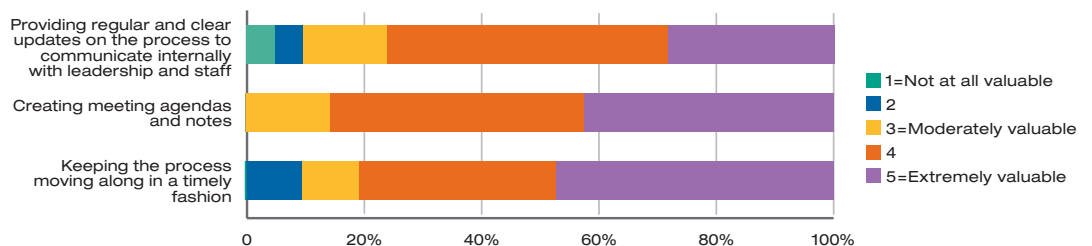
Group Facilitation*

How valuable was the consultant to your organization in each of the following ways?



Administrative Support*

How valuable was the consultant to your organization in each of the following ways?



Collaboration Takes Time to Establish

Collaborative ventures and mergers are often highly complex endeavors, requiring a great deal of thought, diligence, planning, and resources. Many nonprofits are overwhelmed with day-to-day operations and raising dollars necessary to stay in business, which can lead to risk aversion and hesitation to commit resources to exploring collaborative ventures. Knowledge on the topic tends to be fragmented and often informed by negative connotations from the for-profit sector such as hostile takeovers and mass layoffs. Furthermore, many in the nonprofit sector perceive collaborations and mergers to be a sign of weakness or failure, stymying conversations about the benefits and strengths that strategic collaborations can provide.

Despite the stresses on nonprofits, the volume of applications to the Fund was smaller than originally expected by the funders. In addition, CFN has had fewer applicants from the arts & culture and youth development sector than in human services and community development. It is clear that establishing the Catalyst Fund brand will take additional time and effort. However, with two years of experience to share, the Fund is now in a position to expand outreach with examples and information to spur involvement. With a growing track record and pool of experienced consultants, the CFN is in a stronger position to increase visibility and work toward fully realizing its objective of promoting collaboration as a strategic tool.

V. Case Studies

To help provide a more detailed overview of how nonprofits work with CFN, this section shares case studies of two collaborations that underwent the technical assistance process. A third case study, on the Pine Street Inn – hopeFound merger, can be found at: <http://nonprofitfinancefund.org/PSI-HFCase>. Although each partnership is unique, these case studies provide examples of three different decisions nonprofits made as a result of CFN technical assistance: merger, programmatic collaboration, and maintaining existing structure.

Case Study 1

The Children's Study Home

Founded in 1865, the Children's Study Home provides residential and educational services for children, adolescents, and families with special needs throughout the Pioneer Valley.

Community Care Services

Community Care Services, founded in 1952, provides emotional, educational, and behavioral support to more than 7,500 children, adults, elders, and families annually throughout Southeastern Massachusetts and Rhode Island.

Family Continuity

Established more than a quarter century ago, Family Continuity has 20 programs that provide mental health and social services in Eastern and Central Massachusetts from hub offices in several communities. They focus on serving the whole family through services that target a spectrum of emotional, developmental, and behavioral problems for children, adolescents, adults, couples, and seniors.

From Competitors to Collaborators – A Catalyst Fund Case Study

Participants: The Children's Study Home, Community Care Services, Family Continuity, The Italian Home for Children, NFI Massachusetts, The Walker Home and School

Overview

What began as informal lunch and dinner gatherings among old friends resulted in a deep partnership that can serve as a model for how to provide an integrated system of care for troubled children and their families. Through support from the Fund, the partner organizations formed the Commonwealth Alliance of Family and Children's Agencies, to combine strengths to better serve their clients, while shifting from competitors to collaborators.

Background

The Department of Children and Families (DCF) and the Department of Mental Health (DMH) are changing their contract and re-procurement processes in favor of more comprehensive services for individuals and families. Although DCF and DMH have explicitly stated that they are looking for agencies to collaborate with each other, little guidance or resources needed to create a unified system have been provided. Since families often receive services from multiple providers, until now they have needed to manage each relationship separately.

Motivated by his desire to explore how his colleagues were dealing with the current environment, Skip Stuck, Chief Executive Officer of Family Continuity, invited the executive directors of six other nonprofits to lunch. "I bought the sandwiches and we all got together to talk. Our organizations were roughly the same size and since we were all old friends, we immediately felt comfortable sharing our problems and concerns. We met regularly over the next six months to talk more and were ready to get more serious. I had read about the Catalyst Fund in a Boston Foundation publication and contacted Peter Kramer, the program manager, about the group's idea," Stuck reported

The Process

After receiving support from the Fund, the Alliance members contracted with Beth Skidmore to conduct a survey of the general human services landscape. Skidmore's research and discussions provided background on trends in State funding to human services agencies and confirmed the group's rationale for moving forward. Her work provided needed data for buy-in from the respective boards and established stronger confidence at all levels to proceed with the collaboration. Her research helped connect the Alliance leaders to a number of out-of-state networks that served as models for their effort.

The Alliance then selected Thomas McLaughlin to advise them on creating a framework and a business plan for an endeavor that would ensure that partner agencies kept their independence while maintaining responsibilities for the larger efforts of the group. Referred by the Fund, the Alliance selected McLaughlin because of his extensive experience in the field of nonprofit collaborations and mergers. McLaughlin focused on implementation planning. He spent time with each of the executive directors and boards individually, and then brought them together to voice their questions and concerns.

Each agency formed an internal team from their organization that worked with McLaughlin to develop the mission and a plan for governance, structure, and funding. “At the beginning, Tom spoke weekly with us,” said Richard Small, then Executive Director of the Walker School. “It was a labor-intensive process and I devoted a significant amount of my time on this effort for many months,” he went on to say.

The Alliance is currently in the implementation phase. The members have entered into a formal relationship in which partner organizations contribute funds to support the creation of a collaborative system that will coordinate client intake and data collection to make for more seamless referrals. Partners will also share in staff training and some development and marketing functions. They expect to be in a position to apply for joint funding in the next year. By offering an integrated system of care and collaborating on funding applications, Alliance members hope to secure more resources for their programs.

Lessons Learned

Several factors contributed to the success of this strategic collaboration:

- **Executive Leadership and Experience** – Together the executive directors of the Alliance had almost 200 years of experience working in human services. “Most of us were at a point in our career and thinking about retirement. We wanted to leave our organizations stronger and felt like we could make a difference together,” Small said.
- **Organizational Reputation and Trust** – Each Alliance partner is an established organization in their respective communities.
- **External Landscape** – State funding represents a significant amount of revenue and activity for all Alliance members. For several years, DCF and DMH budgets have been slashed – a pain that Alliance members have experienced and managed to continue delivering quality programs. Such State cuts have put pressure on nonprofits to re-examine their current ways of doing business.

Conclusions

Creating an integrated system of care with the existing resources of the partner agencies did not mean that a merger was necessary. By identifying early on that maintaining separate organizations, governance, and brands was important to the group, they were able to develop a collaborative structure that met those needs and still can deliver a comprehensive system of care. “I think that even if we are not able to secure more funding, this was an important evolution for us. We are going to deliver higher-quality services to families who need it the most. And at the end of the day, that is why we are here,” Stuck concluded.

The Italian Home for Children

The devastating influenza epidemic of 1918 orphaned many Italian children of Boston’s North End, and the community and clergy responded by establishing the Italian Home for Children to care for these orphans. Today, the Home’s focus is on providing residential and day treatment services for emotionally disturbed children of all nationalities.

NFI Massachusetts

Founded in Massachusetts in 1974, NFI is a leading human services organization that operates over 90 programs in nine states to help provide positive communities and or foster care for youth who are remanded to the State Departments of Youth Services.

The Walker Home and School

Walker provides intensive services for hundreds of the most troubled youth and families. It operates two therapeutic schools serving students from 5 to 22 years old. In addition, Walker’s programs extend specialized therapeutic support beyond its classrooms into family homes, public schools, and community settings.

Case Study 2

Right Place, Wrong Time – A Catalyst Fund Case Study

Participants : AIDS Action Committee and Bridge Over Troubled Waters

Overview

On the surface, the AIDS Action Committee's (AAC) Youth on Fire (YOF) program seemed like it would be a strong partner for strategic collaboration with Bridge Over Troubled Waters (BOTW). They both provide drop-in programs and services to homeless and street-involved youth in the Boston area. The Fund supported a feasibility study that quickly determined that despite strong programmatic alignment, deep collaboration was not a sound course of action at the time. Nonetheless, both organizations learned important lessons through the technical assistance process.

Background

"We had completed a comprehensive strategic plan and determined how each of our programs fit into our mission and how they could remain financially healthy. This involved seriously assessing our programs one by one. Our YOF program in Cambridge had been very successful and we had secure funding for another year but we do not specialize in serving teens, and were not in a strong position for securing longer-term support," explained Rebecca Haag, President and CEO of the AAC. "Homeless youth are at great risk of HIV, Hepatitis C and STDs and therefore a high priority population for AAC. However, we determined YOF would be better positioned within a youth-centered organization while we could support them with prevention and testing services. We quickly identified BOTW as a strong prospective partner due to their reputation for working with homeless teens. An added bonus was that our respective staffs had successfully collaborated more informally on various projects," Haag noted.

Working with AAC program staff, Haag approached BOTW with the idea of transferring the YOF program under the BOTW umbrella. "It was easy to see the connections and why this idea had great potential for success," BOTW's Executive Director at the time Robb Zarges said. "We were enthusiastic about exploring partnership. We thought it had great potential to expand and enhance our impact on teens and signed on to submitting a Catalyst Fund application for technical assistance to explore the idea more deeply," Zarges said.

The Process

Steve Stanton, with CFN support, was hired by the partner organizations to facilitate the feasibility study. Stanton worked with both executive directors to define the process, which involved input from their boards and staff. He conducted individual interviews and group meetings and reviewed program designs and financials. Through the process, the nonprofits jointly determined that they were, as Stanton describes, "at very different places in their development."

Bridge Over Troubled Waters (BOTW)

BOTW began in 1970 with a small group of staff and volunteers offering free and confidential services to homeless young people on the streets. BOTW has grown to provide a free mobile medical van that travels the city to provide health care to teens, a transitional day program which offers a safe place for young people to get a hot meal, take a shower, and participate in educational programs, and provides an Emergency Youth Shelter which helps young people move into stable housing.

Lessons Learned

In the end, the following differences substantially shaped the decision not to pursue the collaboration:

- **Strategic Planning** – Zarges had joined the organization in 2008 and just begun the facilitation of a new strategic planning process with his board when he was approached by AAC. With Stanton’s help, it became clear that “before we answered some larger organization-wide questions, it was very difficult to think about putting something new like the YOF program on our plate. As an organization, we did not have the confidence to take ongoing responsibility for YOF at this time. We didn’t want to put the cart before the horse,” Zarges concluded.
- **Program Compatibility** – Through the due diligence process a clear difference in approach to working with youth was identified as a potential challenge. The two programs had conflicting requirements for teen participation. This difference in program design posed a hurdle to collaboration, albeit a surmountable one with deeper discussions.

Conclusions

Though the outcome of the exploration was not what the organizations expected, the executives agreed that answering the questions quickly upfront prevented a potentially unsuccessful program transfer. “The Catalyst Fund process was a great learning experience for the BOTW board and me,” said Zarges. “Through the guidance of the Catalyst consultant, I gained a stronger relationship with my board. Steve asked tough questions that fostered a new dialogue in our organization. It helped strengthen our strategic planning and we are now in a better position to consider future strategic collaborations,” Zarges concluded. They found it was not the best time for program transfer because proper long-term plans were not in place for BOTW.

AAC is considering alternative paths for the Youth on Fire program and plans to steward those services for the foreseeable future. “We have a clearer idea of what we need to make a strategic partnership work for this program,” Haag said. “There were key questions that needed to be asked and answered. The Catalyst Fund provided the resources and structure to get this job done.”

AIDS Action Committee (AAC)

AAC was established in 1983, at the beginning of the AIDS epidemic. The AAC has grown from a grass roots organization to one of the premier nonprofits dedicated to stopping the HIV/AIDS epidemic and maximizing healthier outcomes for those infected and at risk of contracting the virus.

For several years, the AAC had been operating the Youth on Fire drop-in center in Cambridge, which serves homeless and street-involved youth with basic needs including hot meals, laundry, and showers, in combination with preventative health care services including counseling on HIV and STD prevention.

Catalyst Fund *for Nonprofits*



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United Way
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Report author: Margaret Leipsitz