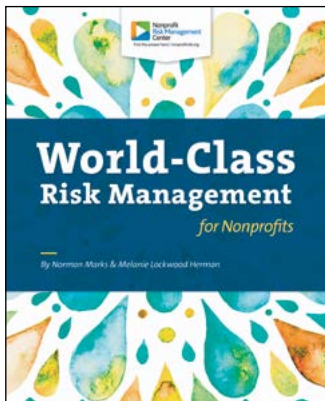


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## THE COLLABORATIONS AND COMPETITION ISSUE



## Collaboration: Building the Intentional Partnership

By Glenn Mott

Motivations to collaborate run the gamut from the desire to access talent and resources to satisfying funders or other stakeholders, conserve financial resources, or bolster recognition and awareness of your cause or services. Collaborations can be a test drive for eventual mergers, but a much more common reason for partnerships is to head off merger pressure.

Most collaborations begin with the best of intentions and an expectation (or at least the hope) that the relationship will be a lasting one. The more you and your partnering organization understand what's at stake, the more you come to understand the advantage of a different perspective for your shared goals or objectives.

### Fears About Collaboration

During a workshop delivered by NRMC we asked participants to share their fears and concerns about collaboration. Mentioned were:

- Failure to communicate effectively
- Lack of a *complete* commitment
- Incompatible partners
- Poor judgment by a partner
- Impossibility of continued good relations after an incident or loss
- Difficulty escaping a failed relationship without serious repercussions
- Unwillingness to consider potential harm and to allocate responsibility

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# Risk Management ESSENTIALS

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## Collaboration: Building the Intentional Partnership

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- Loss of momentum or “ground” made towards the mission
- Being taken advantage of
- Lack of resources (funding) for all partners
- Failure to learn from a failed partnership

Another fear in collaboration is that an outside organization, possibly one run for-profit will get a look inside the management of the nonprofit. What they may see is more passion than management. Or the fear that another organization will challenge your mission by deciding they can achieve better results on their own, while making use of their insights to compete for grants and other resources. Organizations with public and private financing will invariably have done the groundwork, over those nonprofits that haven’t sought out these partnerships before. Invariably, at NRMCM we believe the opportunities outweigh the fears.

## Weighing Risk and Reward in Collaboration

Nonprofits typically view collaboration with other organizations as a way to:

- Increase financial or operational efficiencies
- Reach a larger constituency
- Delve into or explore new sources of funding
- Gain new expertise and networks of experience
- Streamline the structure of communication and authority
- Boost staffing resources and outreach
- Save programs and services that might otherwise be lost without a partnership (or merger)
- Prevent the mission of an organization in decline from disappearing

Both strategic and tactical goals factor into experiments with and fully-committed collaborative ventures. Above all, nonprofits

that collaborate seek the largest potential impact for their clients and the communities they serve.

Collaboration offers many benefits over more formal strategies. Partnerships, joint ventures or strategic alliances may not be permanent arrangements like mergers and acquisitions (though they can lead to these more formal arrangements); instead, collaborating allows organizations to work together while maintaining their independence.

Collaborative arrangements may involve alliances with for-profit partners. There is a clear distinction between how business and nonprofits define efficacy and value, but both recognize the benefits of a strategic collaboration, and the range of relationships that evolve from nonprofit-corporate alliances is diverse.

Determine your structure early, as each collaborative method has different legal and tax requirements, and inherent risks.

## Common Risks in Collaborations

**Failure to Communicate Effectively and Conflicting Expectations:** The failure of parties in collaboration to communicate effectively may be the number one reason why many don’t succeed or fail to meet the partners’ expectations. Clear, explicit communication is essential in collaborative ventures. Partners need to be aware of motivations. The partners must discuss openly their expectations, desires, and available resources. In a word: *candor*. Be clear and candid, upfront. Don’t keep your motivations and needs a secret from a potential partner. Use a written document, either a Contract or Memorandum of Understanding (MOU) to memorialize commitments.

**Incompatible Partners:** While you can’t choose your relatives, you can generally choose the individuals and organizations that will be your nonprofit’s partners. Many nonprofit collaborations

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## Collaboration: Building the Intentional Partnership

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will begin before giving enough thought to a range of compatibility issues. As a result, many failed collaborations are attributed to a poor match. When things aren't going well, consider a mid-course correction, or redefine the division of labor.

### Unwillingness to Consider Potential Harm and Allocate Responsibility for Harm:

It's human nature to focus on all of the positive outcomes expected from a partnership. No one wants to raise the possibility of failure or disaster. If you're not discussing the potential that the partnership may cause harm or result in a loss, then it's unlikely either party has agreed to assume responsibility for the cost of harm. The discussion of this issue should culminate with the inclusion of risk allocation decisions in the written document that memorializes the collaboration. Prepare for success as well as trouble; a good MOU or Contract anticipates the "what ifs."

### Don't Let Collaboration Be A Proxy For Honest Competition

Substituting collaboration for competition sounds well intentioned. But collaborations take management, resources, and

relationship building. Being financially sound, staying focused on the mission, rather than chasing every grant or collaboration, is in the best interest of people who work at and support nonprofits, and the communities they serve. Is the collaboration mission driven, or driven by access to short-term funding? Sometimes a competitive stance is the appropriate one, and the more practical approach.

Collaboration isn't there to take the place of competition. Collaboration, in itself, isn't strategic—though it should be. We mean, if you're motivated to collaborate to rid yourself of competition, you're not being completely honest with yourself or the partner. If anything collaboration should lead to a competitive awareness in both parties, a more formal competitive analysis, and a competitive strategy for the shared goals or objectives. The question must be asked, if either organization can compete on its own, why collaborate?

### Risk Tips for Successful Collaborative Relationships

**Be patient and trusting.** Keep in mind trust must be earned over time. Give

a new collaboration the time and attention it needs to build the lasting trust that will make it durable. Focus on relationship building. Relationships between people are the building blocks of collaborations between two or more organizations.

#### Be open, transparent and honest.

If you're looking for a partner who is just like you, your options will be limited. Why bother? It's best to ask tough questions and establish boundaries early on. Ask, don't assume. Collaborations sometimes wind up in quicksand when one partner assumes the other "has it covered." Part and parcel with this, resolve not to offend—some potential collaboration sour for preventable reasons, such as unintentional slights. Hinting that your time is more important than your counterpart's time is a real turn off. Insisting on working with someone "at your level" is another.

**Be generous.** Don't skimp with your time. When it comes to being available and responsive to a new partner/collaborator, commit to making yourself and your team available. If time is scarce or limited (for any reason), gently explain why, and then follow up.

### Overcoming Resistance to Collaboration

No consideration of collaboration is complete without assessing resistance to partnerships. The obvious financial risks are built into the formula—collaborations are expensive. Collaborations may strengthen financial standing in the long run, but the up-front costs of collaboration (due diligence, legal review, new branding, human resources, raising funds to support the activity or program) can be high.

Other big ones are resistance from stakeholders and employees (fear of being made redundant), and any conflicts of interest these parties may have. The concept of a partnership itself can be frightening to some, and threaten an organization's culture.

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**“Substituting collaboration for competition sounds well intentioned. But collaborations take management, resources, and relationship building.”**

The risks of resistance to collaboration are not unfounded. Board members might object to a collaboration because it may diminish or eliminate their role in a pet project. As Kathleen Enright, currently CEO of Grantmakers for Effective Organizations (and newly appointed CEO of the Council on Foundations), has noted, the psychology of collaboration requires “leaders to put the mission of the institution before their egos. De-emphasizing individual turf and sharing prestige.” This will also require institutional changes to make collaboration a priority.

**Weighing Partnership Risks**

While NRM’s tagline is “find the answer here,” inspired risk management always begins with asking tough questions. On the topic of partnership risks, we suggest these to get started:

- What could go wrong/awry with this partnership/collaboration?
- What will we do if the partnership does not proceed as anticipated?
- Who will pay for losses stemming from the partnership?
- What can we do now to either prevent the partnership from going awry or make it easier to get it back on track?

**Insurance Coverage:** Are the partners aware of the impact on insurance coverage as a result of their collaborative activities?

- Have we notified our insurance professional about the collaborative activity?
- Whose insurance will apply?

**Manage the message:** Do we have a communications plan to tell our stakeholders about the success of the partnership/collaboration?

- What about if something goes wrong?
- Who will design and manage that message?
- What can we do *now* to be prepared?

With care and due diligence, collaborative efforts with other organizations can be an effective way to conserve resources and advance your organization’s mission. Understand your partners’ motives, openly communicate your expectations, and document the agreement in writing.

**Collaboration Risk Management Checklist**

**Confirm Compatibility:** Take the time to confirm compatibility. We can’t stress this enough. There are hazards in the schmooze. It’s easy to make assumptions about the compatibility of other organizations based on their public facing media, or an impressive web presence, but don’t assume that their internal structure or risk culture is similar to your own.

Whether your partner is a for-profit or another nonprofit, resolve to understand your prospective partner’s goals upfront. Be aware of economic and social objectives that are often in competition. Will you violate any precedents or policy by partnering with the organization? Cautionary tales here include the “Buckets for the Cure” campaign a few years ago between KFC and the Komen organization (which funds research grants and community-based projects focused on breast health education, screening and treatment). Among the harshest critics of the alliance was Breast Cancer Action, a rival group to Komen.

**Understand Motivations:** Think about motivation on both sides of the partnership. The motivation for your nonprofit may be clear, e.g., to raise additional monies for a critical initiative or to engage a contractor to provide a service you can’t provide on your own. Or your nonprofit’s motivations may be complex—perhaps you’re trying

## Collaboration: Building the Intentional Partnership

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to raise money and awareness by gaining access to a new donor list. Your partner's motivations may be simple or complicated, obvious or obscure.

**Conduct Due Diligence:** It pays to conduct due diligence before formalizing a partnership. For example, is the entity a subsidiary of a company that engages in activities that your constituents may find objectionable? Does the company engage in unacceptable business practices (foreign labor, child labor, and inadequate attention to environmental safeguards)? Can you be sure, and is a trusted brand truly trustworthy? Leaders may think they know a company because it has a strong brand, (Wells Fargo, Tesla, and Uber come to mind), but later find out about a practice that is objectionable or antithetical to their values.

**Focus on Communication:** Develop a communications protocol for the partnership. Who will be the primary points of contact? Which party updates the other(s)? What form will communication take? How will you communicate with stakeholders about the partnership? How might stakeholders react? Will they be bombarded with your partner's advertising and confused about the use of your logo? Will it appear that you have endorsed a company's or another nonprofit's products or services? Have you?

**Be Aware of Conflicts and Clarify Expectations:** The most important ingredient to a successful partnership is clarity of expectations. Make certain you know and acknowledge what your partner hopes to get out of the endeavor. Conflicts happen and they need to be managed: Always ask whether the partnership or collaboration creates a real, or *perceived* conflict of interest between your organization's best interests and the self-interest of the other party(ies).

**Put It in Writing:** Any partnership or collaboration that spans an extended period of time, involves a substantial sum of money, or in which each partner



has specific responsibilities, should be put in writing. A brief Memorandum of Understanding or Agreement provides an opportunity to outline expectations and responsibilities, and to assign risk to those who will be responsible if something goes wrong. A good MOU is a risk management tool *par excellence*. The best agreement will memorialize what has already been agreed to. If there is trouble at this stage, proceed with caution.

### Checklist for a Memorandum of Understanding

Consider each of the following areas as you craft a Memorandum of Understanding for your collaboration. As in all transactions that create potential legal exposures, consult your attorney for advice and assistance before signing any contract.

- **Overall intent** — reflects what the parties are intending to do.
- **The parties** — name, type of organization, city and state of headquarters.
- **The period** — a start and end date of the partnership.
- **Assignments/responsibilities** — describe each organization's responsibilities separately, beginning with those that are the sole responsibility followed by any shared responsibilities.
- **Disclaimers** — what disclaimers are necessary, e.g., that an employee of one partner is not an employee of the other.
- **Financial Agreements** — spell out in detail, including which entity will pay for each item and when payment is due.
- **Risk Sharing** — describe who will bear the risk of a mishap and its associated cost. Never assume responsibility for something over which you don't have control. Ideally indemnification provisions should be mutual: each party is responsible for its own acts or omissions. Make certain each partner isn't only *willing* but is *able* to pay.
- **Signatures** — by each partner's representative who is authorized to bind the organization contractually.

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## Partnerships and Collaboration vs. Nonprofit Mergers and Acquisitions

### The partnership approaches described thus far are collaborative:

shared infrastructure, skills and technology, banding together with like-minded organizations to affect policy change; sharing administrative expense, networks, programs, leadership, boosting efficiency, improving performance; increasing effectiveness to drive broader social change together.

Mergers happen when two or more collaborators decide to combine all of their resources and assets into a single entity and their liabilities, assets, and obligations

are combined. Mergers offer the promise of efficiencies, but create new challenges in the process. Some merging organizations stumble by trying to accommodate and protect, rather than humanely eliminate staff and volunteer roles from the organizational chart of the merging entities. Another area of risk and awkwardness is the goal of protecting the merging entities' respective names and brands, perhaps in the hopes of signaling stakeholders that a merger, versus an acquisition has occurred. By the time the dust settles, positions generally must be eliminated to achieve the promised efficiencies and it's a rare event when the names of two nonprofits can be combined seamlessly. Acquisitions may result in one organization being

absorbed into another, in which the primary organization retains its identity, whereas the secondary is absorbed. Other mergers result in consolidation, whereby organizations combine to form a new entity. Be aware of the differences, and proceed accordingly.

Collaborate where you can; compete when you must; and when staying in your respective lane is not an option, merge when you're ready.

Glenn Mott is a recent addition to the lineup of NRMC Associates in the role of Senior Consultant. When he's not writing about risk and reward in the trenches of the nonprofit sector he's Partner at New Narrative North America, a media and communications firm with offices in New York and Hong Kong.



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## Competition: A Risk Aware Definition

By Glenn Mott

To voice the word “competition” is to summon the idea of defeating or establishing superiority over others. People sometimes modify this by adding the word “healthy” to competition, as a sign of good intentions. Which only emphasizes the point. Competition, in its contemporary usage, is a word with thorns for those who work at and support nonprofits. Even if they don’t reject the idea of competition outright, organizations may chafe at the sound of dominance over cooperation.

One reason many of us love root words is that they so often take us back to the definitions hidden within the familiar words we think we know. The Latin root

of compete, for instance, is *competere*, “to strive or contend for something,” from com- “together” + *petere* “aim at, seek.” Viewed from its linguistic foundations, it seems competition originally came from a healthy and collaborative impulse—perhaps from the activity of hunting and gathering to put more food on the table.

Beyond the idea of aggressively and unilaterally winning, a new view of competition is taking hold, one that tests organizations against best practices elsewhere. In this issue of *Risk Management Essentials*, we explore the ways competition and collaboration go hand-in-hand and what’s at risk for nonprofits.

### Unmasking Competition Risks

Competition risks include:

**1. Believing your nonprofit is so unique that you have no competitors.**

Self-regard and a lack of willingness to measure the organization against the competition can lead to inertia, malaise, and a lack of innovation. Be aware that the public at large may perceive competition where organizations themselves might not.

This is not the same as a demur, declaring yourself to have *no competitors* for reasons of decorum or to demonstrate your fair-mindedness. Rather, *believing yourself to have no competitors* is to actively neglect

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**Whether acknowledged or not, all nonprofits compete, all of the time, and not just with other nonprofits. Without exception, you compete for “likes,” members, readers, donors, funders, attendees, clients, consumers, board members, service volunteers, grants, ethical positions, and limited resources of every kind.”**

the very real competition that exists, or to talk about it only in private conversations. Which leads to our second risk:

- 2. Undervaluing, discounting, or demonizing the competition.** When competitor(s) are viewed in a negative light, we miss the opportunity to see them as potential collaborators. We miss learning from the things they do right that make them competitive in the first place. For example, an organization may come to feel they have inalienable

funding rights to a territory or cause, and that their mission is being pirated by a competing organization siphoning off more than their share of resources. The alternative to *undervaluing, discounting, or demonizing* is to understand whether the competing organization is doing something you aren't, can't, or haven't managed to do well, and to make partners of the “pirates.”

The reverse scenario is also possible, as *confirmation bias*: Seeing your nonprofit in a false light, believing your own press, or even discounting your value as a potential partner to others.

### **A Redefinition Is Required**

In the nonprofit sector, competition should not be the inverse of collaboration, but its complement. Redefining how we view competition can be productive for all sides. We gain self-knowledge if we first see the race as a test of ourselves, rather than the other.

A good metaphor for this redefinition of competition is the technique of “pushing hands,” the slow and graceful sparing practice within tai chi and other martial arts. Used as a two-person training exercise, pushing hands tests leverage, reflex, sensitivity, timing, coordination, and positioning. Through proper training one learns how to undo the natural instinct that signals us to push back against a competitor's strength. The key teaching of pushing hands is not to resist an incoming force with more force; instead, one must redirect the opponent's energy so that it comes into equilibrium with yours and is balanced, as through a dance.

Whether acknowledged or not, all nonprofits compete, all of the time, and not just with other nonprofits. Without exception, you compete for “likes,” members, readers, donors, funders, attendees, clients, consumers, board members, service volunteers, grants, ethical positions, and limited resources of every kind.



## Competition: A Risk Aware Definition

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Competition and new alliances are inevitable, as new nonprofits offer programs and services to the same groups as existing and longstanding organizations. With duplication increasing, so is the division of services into ever more specialization. Short of changing the grant giving structure to focus more on collective impact, nonprofits need to overcome the short-term forces in the economy they are part of, and put the long-term goals of the mission first. On the plus side, for many nonprofit leaders, partnering in this environment is second nature.

Yet, enthusiasm for partnering may create blind spots that obscure our view of the competition. Think of it this way, if you are in competition with an organization whose agenda you share, but that entity isn't living up to its obligation to provide a public benefit in exchange for tax exempt resources, your heart may tell you to bolster them with a collaborative olive branch, but your head must be thinking

your organization could better steward their resources, if only they were yours. Your first step in assessing a competing organization should be thinking through your nonprofit's motivations and needs. Identify and manage risks that threaten your mission and operations, and leverage the opportunities.

### Risk Tips for a Positive Competitive Advantage

- **Don't ignore your competition.** What do they do well? Are there opportunities for collaboration? Public, private or nonprofit, are they in the same space as you? Are they taking risks, market share, resources? Then ask what they are doing better or differently than your organization. This applies even when you don't want to imitate their efforts or results. Understanding your competition is key to positioning.

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“In the nonprofit sector, competition should not be the inverse of collaboration, but its complement. Redefining how we view competition can be productive for all sides. We gain self-knowledge if we first see the race as a test of ourselves, rather than the other.”

- **Don't discount or demonize your competitors.** It's a big world (of potential clients and supporters) out there. When a psychology of demonizing the competition takes hold, the blinders are on. Nothing personal, but how do they challenge your organization? Turn that into actionable intelligence.
- **This may seem obvious, and something we will repeat *ad infinitum* at NRMC, but welcome feedback, positive and critical.** A funder, a stakeholder, a competitor who shares feedback on how they

experience your nonprofit is giving you a priceless gift of information that you can use to evolve and improve.

### **Competition's Rich Palette**

**Competition comes in many flavors:** *direct competitors, resource competitors, and substitutable competitors.* We like how concisely these are defined by Melissa Mendes Campos, Partner at La Piana Consulting:

**Direct competitors:** Those organizations that provide similar services to similar populations in your geographic region. Because there is often more need than there is capacity

## Competition: A Risk Aware Definition

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to meet it, such competition may not be keenly felt.

**Resource competitors:** Which include every other organization seeking grants from the same foundations, contributions from the same donors, visibility in the same media, etc. In a sector concerned with making best use of precious resources, this type of competition should be a core concern.

**Substitutable competitors:** Your programs and services may be contending with an increasing number of organizations that offer alternative solutions to the problems you are trying to address. As more for-profit and hybrid organizations enter the spaces once served only by nonprofits, the sector is seeing this type of competition take on new urgency.

Of these, the trickiest one to define is *substitutable competitors*. These competitors often reveal an organization's hidden vulnerabilities, testing it against best practices and innovations in the field. With hybrid social enterprises, in particular, the line between social mission and commercial venture is not always clear. Competing organizations may be entrepreneurial ventures that combine the social good of a nonprofit with the commercial acumen of a business or start-up.

Often, substitutable competitors are hidden from sight, or may not be proper organizations at all, but things that affect the competitive environment. Consider them *adjacencies*. For instance, a museum in Miami could be in competition with the South Beach lifestyle for people's time, attention, and spending. The childcare sector is a clearer example. A childcare provider is in competition with pre-K and afterschool programs, and even extended families, which may provide substitute benefits that impact a childcare organization (whether positively or negatively). These *adjacencies* may not be

seen as competitors, but they might meet the needs of individuals otherwise served by a nonprofit.

Other *adjacency risks* include: the anxiety of keeping nonprofits relevant in a world where corporations have learned to inject social responsibility and social justice into their brand marketing campaigns; social media advocacy—sometimes referred to as “slacktivism”—requiring little time or involvement, e.g., signing an online petition, shares, badges, liking a group or campaign, are also in competition with attention spans for the mission of nonprofits; even some crowdfunding campaigns can be substitutable competitors. All this makes the nonprofit sector no less competitive than any other enterprise—with the glaring exception that nonprofits are often squeamish about taking a public stance on competition.

### Contending with Profitable “Social Responsibility”

Though rare, there can be risks associated with nonprofits that compete too successfully against for-profit niches. Some industries have come after nonprofits because they perceive a nonprofit tax status as a competitive advantage. One result may be that values-focused nonprofits have led the private sector to change their brand strategies.

Social good is not the exclusive domain of nonprofits, but we think one reason social responsibility is trending in corporate marketing is the appeal of mission-driven messaging. The brand-advantage of appearing to be values-focused has inspired slogans that helped Google “Don't Be Evil,” Apple “Think Different” (sic.), and Nike “Just Do It” capture the hearts and minds of consumers. But when brands break with the values implied in their mottos, they can become millstones around the corporate neck. Witness how Google's willingness to self-censor in China played to its US base, and to lawmakers. Or the

conservative reaction against Nike's choice to make Colin Kaepernick the face of a new campaign, with a “Believe in something” caption. Sales suggest Nike has just done it, again.

In an ideal world, for-profit companies would have as much social responsibility as nonprofits, but are often awkward about it in the execution. In the boardroom, even corporate charity is fraught with risk. Nonprofit organizations, on the other hand, tend to be awkward when it comes to discussing market share and competition. Organizations may already feel they are pitted against each other for the same grants, funders, and talent, without wishing to stoke discord that could take energy away from their missions.

### Impact, Not Origin

Competition is an inevitable and enviable result of highly successful or innovative organizations. Competing in the nonprofit sector is about balancing mission-advancing risks with values-focused leadership. Competing successfully is in the best interest of those who work at and support nonprofits, and the populations they serve. Nonprofit organizations are in direct competition for dollars and attention that might otherwise go to business or hybrid social enterprises. A competitive strategy is not a matter of tax status, but a matter of providing the most benefit—*compete on impact, not origin*. The mission, values, and risk aware culture of an organization should drive its competitive strategy.

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Glenn Mott is a recent addition to the lineup of NRMC Associates in the role of Senior Consultant. When he's not writing about risk and reward in the trenches of the nonprofit sector he's Partner at New Narrative North America, a media and communications firm with offices in New York and Hong Kong.



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# Risk Management ESSENTIALS

Tips, Knowledge and Tools for Nonprofit Organizations

## PLEASE ROUTE TO:

- Executive Director
- Director of Volunteers
- Risk Manager
- Legal Counsel
- Human Resources
- Finance/Administration

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## NEW AFFILIATE MEMBERS

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