

## The Moment to Explore Strategic Partnerships

# Adapting to Change

### CASE STUDY

## The Power of Possibility: Turning a Shift in Funding into New Efficiencies

*“We needed to prepare for a new economic reality. By creating Newtrax as a joint venture between Merrick and PAI, we have demonstrated that it is possible to support each nonprofit’s unique mission while simultaneously working together to find efficiencies.”*

— John Wayne Barker, executive director, Merrick, Inc.

### The Moment

State-initiated reforms were going to result in a major reduction in Medicaid revenue for two organizations providing day services to individuals with disabilities in Minnesota. Merrick, Inc. and PAI, Inc. both needed to get ahead of this massive change, and began looking for strategies to reduce expenses.

### The Power of Possibility

The two organizations came together to explore how a strategic partnership could help both organizations. Because it was important to each organization to maintain separate organizational identities, they focused their efforts on identifying strategies to share functions that were not central to those identities. They did this by creating a joint venture, Newtrax, a separate 501(c)(3) entity created to manage and operate the shared functions of these two organizations, beginning with their transportation services.

### The Result

Under the Newtrax structure, the two organizations consolidated their individual transportation routes into one system that could more efficiently transport 500 passengers between their homes and six program sites. This reduced the number of vehicles needed and miles driven, saving the two organizations a combined \$150,000 annually and dramatically decreasing their carbon footprint.

Based on early successes, Newtrax expanded its functional offerings and now provides building maintenance, financial services, fleet maintenance, and information technology, in addition to transportation services. Its model is working so well for Merrick and PAI that Newtrax is open to expanding its services to meet the transportation and back-office needs of other organizations serving similar communities and needs. And none of it would have been possible were it not for organizational leaders who met an impending challenge with creativity and openness to collaboration.



Change is constant, but some changes require board-level thinking about how your organization may need to adapt or change to best serve your core purpose. Oftentimes, that means considering how a strategic alliance or restructuring could support — or even expand — your ability to have a positive impact.

**CASE STUDY**

## The Power of Possibility: Strengthening the Arts Community in Dayton, Ohio

*“We realized the key point wasn’t how the merger looked in comparison to the status quo, or to the way things used to be, but rather how the merger looked compared to where we might all be in five years if we didn’t take such a bold and progressive step...we’re better served working together than competing against one another.”*

— Paul Helfrich, president, Dayton Performing Arts Alliance

### **The Moment**

In the aftermath of the economic downturn, Dayton Philharmonic Orchestra, Dayton Opera, and Dayton Ballet were all concerned about their long-term financial viability due to reduced donations, ticket sales, endowment funds, and foundation, corporate, and governmental funding. All three organizations had cut programs, salaries, and staff, but knew these stop-gap measures would not solve their long-term sustainability problems.

### **The Power of Possibility**

The three organizations discussed the possibility of merging. While the conversation started due to financial reasons, the groups quickly realized that a merger would provide artistic opportunities as well and began planning for a new combined set of programs that would strengthen — rather than simply save — arts offerings in their community.

### **The Result**

The three organizations formally merged in 2012, and have seen tremendous results as the newly formed Dayton Performing Arts Alliance. It has been able to integrate all three art forms into a single artistic season, implement cross attendance promotions, and create unique “Signature Events” that combine the three art forms. The merger also helped cultivate new funding opportunities, both from individual patrons who had been supporting just one art form and now support all three, as well as from other sources that would not have been interested in the previous models. There’s no question that the new organization is stronger both financially and programmatically — a huge win for the Dayton community and the creative and courageous leaders who made it happen.

## Exploring The Power of Possibility: Does a Strategic Alliance or Restructuring Make Sense for Your Organization?

While the stories of both Newtrax and the Dayton Performing Arts Alliance focus on changes that were — or would soon be — creating a financial challenge, that's not the only kind of change to which nonprofit organizations must adapt. There are a host of internal and external shifts and changes that could impact your organization, both positively and negatively, including changes in the regulatory environment, shifting demographics or geographic patterns within your service population, rising costs of service delivery, or even a vacancy in a key position. All require organizations to adapt.

As a board, it's critical that you understand the changes that your organization is — or may be — facing and that you take the time to make sense of what that will mean for your organization. For some organizations, that means thoughtfully considering the possibility of a strategic alliance and restructuring. It can be a powerful opportunity to adapt to change in a way that serves your organization's core purpose. And, as the stories of both Newtrax and the Dayton Performing Arts Alliance demonstrate, sometimes what starts as a real challenge can lead to big wins for the community and each organization's core purpose and mission. As your organization works to adapt to change, here are some things to keep in mind:

### **Board Opportunity #1: Understand the change and its impact.**

Adapting to change starts with a strong understanding of what the change is and how it will impact the organization's work. Board members and executives should start by asking these questions:

- What's the timeframe for this change? How quickly will it take effect and how long will it last?
- Is this change internal to our organization (e.g., key staffing change) or external?
  - If it's internal, what do we need to understand about what created this change?
  - If it's external, who or what else will it affect?
- Have other organizations been impacted by a similar change in the past? Is there anything we can learn from their experiences?
- What is the real or anticipated impact of this shift — on budget, program or service delivery, stakeholders, reputation, etc.?

### **Board Opportunity #2: Put the change in the context of your organization's core purpose.**

As your organization considers how best to adapt to your post-change reality, it's helpful to look at things through the lens of your organization's core purpose — the reason that you exist or the need that you seek to meet. Ask yourselves the following:

- What is our core purpose? What problem are we trying to solve or new reality are we trying to create?
- Does this change in any way diminish (or amplify) the need for our core purpose?
- How might this change affect our ability to fulfill our core purpose?

### **Board Opportunity #3: Work to make sense of what change might mean for your organization.**

Once you understand the change and its potential impact on your organization and its core purpose or mission, it's important to begin working to make sense of what that means for your organization and its future work. There are a broad range of changes that could impact your organization. We've highlighted some of the most common ones, and invite you to consider the questions that best apply to your situation:

- **Change that will create a financial crunch:** For both Newtrax and the Dayton Performing Arts Alliance, the changes to which they needed to adapt were primarily financial — they needed to ensure that they could remain financially viable. When faced with similar circumstances, organizations often go straight to budget cuts as a strategy for change. But, in doing so, organizations sometimes miss opportunities to find operating efficiencies through strategic alliances or restructuring that would enable them to preserve — and possibly even strengthen — their work in support of their core purpose or mission.

Consider these questions:

- What programs and functions are absolutely core to our purpose, versus those functions that are necessary but not core to our purpose?
- Are there ways that we could outsource or share certain functions with another organization that would save us money? What are the potential benefits and risks of doing so?
- **Change that will require a new programmatic strategy or model:** If a change in regulations, recent research, or findings calls for a change to your programmatic strategy or model, you may have an opportunity to work with others to create a new strategy or model, particularly if they are also being impacted by the same external shift. Consider these questions:
  - Are there other organizations that will be looking to adapt to these same changes?
  - Is there an opportunity for us to collaborate or learn from each other as we build new strategies? What are the potential benefits and risks of doing so?
  - Would partnering with another organization enable us to build a strategy or model faster, more efficiently, or with better results?
- **Change that has created a gap in staffing capacity or expertise:** If your organization has lost a staff member in a key position, there may be an opportunity to proactively consider how a strategic alliance or restructuring could help build back that capacity more efficiently. It's important, however, for boards to remain in a strategic space, and not micromanage the executive on how to staff the organization. Consider these questions:
  - Is this position essential to our core purpose as an organization? If not, could this be an opportunity for us to consider outsourcing this function or sharing expenses with another organization through an administrative or programmatic consolidation?
  - If it is core to our purpose, is this a position for which we think we are well positioned to find the talent we need? If not, should we be thinking about ways to strategically align with another organization that has this expertise or talent?
- **Change that creates new opportunity:** As you consider the environment in which you're operating, change may create opportunities that didn't previously exist.
  - An organization within your ecosystem may be going through its own change and open to partnership with you in a new way.
  - A policy or regulatory change may give you new access to resources or program opportunities.
  - A shift in local, state, or federal leadership may create new interest or needs for your programs.

#### **Board Opportunity #4: Watch for early indicators of future change.**

One thing is for certain — change is constant. Organizations and their leaders should monitor their external environment on an ongoing basis to help anticipate both the opportunities and challenges of likely change. There are many relevant considerations; here are a few of the most important:

- **Population and Demographics:** How are the population and demographics of the people we serve likely to change over time? What will this mean for the demand and need for our core purpose and work?
- **Funding Environment:** How might the funding environment for our organization change in the future? Does there seem to be growing or waning interest in our work?
- **Policy and Regulations:** How is the regulatory and policy environment likely to shift on a local, state, and federal level? What could that mean for our work, and how can we engage to increase the likelihood of decisions that will support our mission and the people we serve?
- **Competitive Landscape:** What other organizations are working in a space similar to ours, and how might changes in their work impact us (or vice versa)? How do our results and reputation in the community compare? Could new players emerge that would make our work more (or less) relevant?

### **Learn More About The Power of Possibility**

The Power of Possibility is an effort to invite boards and executives to consider how strategic alliances and restructuring could enable their organizations to expand their impact. To learn more about the campaign, and to access more resources and guidance for organizations that are exploring the possibility of strategic alliances and restructuring, visit [www.thepowerofpossibility.org](http://www.thepowerofpossibility.org).

### **KEY TAKEAWAYS**

- Consider the impact that change will have on your organization's ability to serve its core purpose.
- Seek strategies and solutions that will enable the organization to serve its core purpose and mission long into the future, even if the solution lies beyond the boundaries of your current organization.
- Pay attention to your external environment and think on an ongoing basis about the potential to collaborate through strategic alliances and restructuring.