Nonprofit Repositioning Fund

Considerations for a Strategic Alliance

Self-Assessment Questions

- Pursuing alliances requires commitment of staff, board, and financial resources. Commitment increases with each stage in the process. Are all parties for your organization ready to take on the commitment?
- Saving money is unlikely in the short-term, though it could be a long-term effect of the alliance. Significant one-time costs are likely to offset any immediate savings. Is your organization financially ready to consider an alliance?
- Is there capacity to pursue an alliance while managing day-to-day operations?
- Are you ready to address the risks and human factors of the alliance?
    - Control: shared governance, program quality?
    - Culture: values, customs, missions, visions?
    - Brand: name change?
    - Self-interest: loss of employment, loss of status?
    - Community attitudes?
- Is the leadership engaged?
    - Is there unity of strategic purpose?
    - Can all leaders speak with one voice regarding organizational direction?
    - Are relationships between board and management stable?
- Are there internal impediments to the alliance?
- Is the organization currently in crisis?

Success Factors of Strategic Alliances

- Strong working relationships among executives prior to alliance
- Preservation of services following the alliance
- Integral involvement in the alliance process by all boards
- Providing boards with evidence-based information regarding the alliance throughout the process
- All potential collaborating partners identifying potential mutual gains before the alliance
- Using consultants as facilitators and third party observers who can take a more objective view of the issues faced by the organizations
- Less likelihood of looking back with regret when the organizations had experienced financial stress before the alliance

- Funder involvement and funder opportunity to give input are associated with improved financial stability and better alignment of the staff with the needs of the organization and its clients
- Collaborations or partnerships among the organizations before the merger
- The inclusion and support of non-administrative staff in planning and implementation
- Opportunities for organizations considering alliance to examine the financial and legal information about their potential partner(s) prior to alliance

Due Diligence Materials

- Corporate Documents
  - Incorporation papers
  - Bylaws and amendments
  - Conflict of interest policies
  - Organization chart
  - Annual reports
  - Federal and state tax exemption letters
  - Board member roster
  - Membership roster (if a membership organization)
  - Most recent 990 forms and state filing forms
  - Permits
  - Accreditations
  - Licenses
- Financial
  - Most recent audited statements
  - Most recent budgets
  - List of significant assets
    - Owned or mortgaged property
    - Major equipment
    - Major intangible assets (i.e. copyrights)
  - Information about endowments
  - Investment policies
- Risk Management
  - Actual, pending, or threatened litigation
  - Settlement agreements
  - Unsatisfied judgments
  - Insurance policies
  - Schedule of claims

Nonprofit Repositioning Fund

    - Risk management policies and practices (as well as list of known violations)
- Fundraising
    - List of foundation and corporate funders with amounts, restrictions, and expiration dates
    - List of government grants and contracts with amounts, restrictions, and expiration dates
    - Description of individual donor gifts and any restrictions placed on these gifts by donors (names omitted depending on point in alliance process)
- Personnel
    - List of employees, titles, and pay rates
    - Schedule of benefits, cost, and utilization rates
    - Consulting agreements
    - Personnel policies

Adapted from the Forbes Funds' Strategic Alliances Toolkit, MAP for Nonprofits' "Success Factors in Nonprofit Mergers," and National Executive Service Corps' "A Framework for Facilitating Nonprofit Collaboration."