Leadership for Long Term Sustainability: The Role of the Board and ED in Collaboration

Thomas Tupitza, Esq.
Knox McLaughlin Gornall & Sennett, P.C.

Debra Thompson,
Strategy Solutions, Inc.
Objectives for Today:

Understand fiduciary responsibility and the leadership role of the board and executive director to ensure long-term sustainability.

Learn techniques to create the environment and willingness to explore strategic collaborations and partnerships as a long-term strategy for sustainability as well as tools and methods to build trust and address fear and other barriers to collaboration.

Explore what it takes to develop partnership criteria and explore meaningful relationships with other organizations.

Identify effective action steps that can be implemented to produce results.
Standards for excellence

AN ETHICS AND ACCOUNTABILITY CODE FOR THE NONPROFIT SECTOR

PANO
Pennsylvania Association of Nonprofit Organizations

Second edition
Printed 2019

MAJOR SPONSOR

PNC INSTITUTIONAL ASSET MANAGEMENT
Standards for Excellence: What are they?

- 6 Guiding Principles, 27 areas of focus and 67 Benchmarks:
  - Preamble
  - Mission, Strategy and Evaluation
  - Leadership: Board, Staff and Volunteers
  - Legal Compliance and Ethics
  - Finance and Operations
  - Resource Development
  - Public Awareness, Engagement and Advocacy
The Standards for Excellence Code

- The code provides a framework and step-by-step guidelines to achieve a well-managed and responsibly governed organization.
Standard:
Leadership and Governance

- Governance and Fiduciary Responsibility
- Members committed to the mission
- Members understand fiduciary role
- Periodic review of bylaws and policies
Standard: Leadership and Governance

Act in Accordance with Legal Standards:

- **DUTY OF CARE:**
  Stay informed and ask questions.

- **DUTY OF LOYALTY:**
  Show undivided allegiance to organization’s welfare.
Key Functions of the Board:

- **Strategic** – what to do, with whom and where.

- **Generative** – organization culture, values, beliefs and assumptions.
Leadership + Adaptability + Capacity = Sustainability
Tools for Assessing Sustainability

- *Standards for Excellence*®
  Organizational Assessment and Planning Tool & Sustainability Checklist

- Industry and product lifecycle analysis

- Organizational “Capacity Assessment” tool(s)
## MISSION, STRATEGY, and EVALUATION

### A. Mission and Impact

1. A nonprofit should have a mission statement that is a clear and formal statement of the organization’s purpose as defined and approved by the board of directors. The organization’s activities should be consistent with its mission.
   - The statement of mission is clear
   - The mission is defined and approved by the board
   - The organization’s activities are consistent with its mission

2. A nonprofit should be able to articulate how its mission is supported by a statement of the organization’s vision.
   - The organization has a vision statement and it is clearly connected to the mission (see also B1 below)

### B. Planning Strategically

1. Nonprofits should engage in ongoing long and short-term strategic and tactical planning activities as necessary to determine the mission of the organization, to define specific goals and objectives related to the mission, and to evaluate the success of the organization’s programs toward achieving the mission.
   - The organization engages in long-term planning activities (strategic planning, financial forecasting, sustainability planning, etc.)
   - The organization defines specific goals and objectives and these goals clearly support the organization's mission
   - The organization evaluates the success of the organization's programs (success is measured by mission fulfillment)

2. A nonprofit should periodically revisit its mission (i.e., at a minimum every five years) to determine whether the need for its programs or services continues to exist. In light of societal changes and critical strategic issues, the organization should evaluate whether its programs should be modified, expanded, or discontinued to meet the organization’s mission.
   - The organization's board and staff have reviewed the mission statement within the last 3 to 5 years
   - The organization has identified critical strategic issues and trends in their community
   - The organization has evaluated the need for its programs

---

**Note**: Teal = Basics Tier Requirements. Green = Accreditation Requirements.

*** added as part of Standards 2.0
Standards for Excellence:®
Sustainability Checklist

All of the key systems and processes are in place:

- Mission, Vision, Purpose, Relevance
- Risk Assessment and Planning
- Strategic Planning and Assessment of External Factors
- Crisis or Contingency Planning
- Board Development and Succession Planning
- Staff Development and Succession Planning
- Resource Development Planning
- Product/Service/Program Delivery and Evaluation
- Operational Systems and Policies
- Long-Term Financial Planning
Industry and Product Lifecycle Analysis:
What does it take to create a sustainable business model?

How well are we adapting to industry changes and consumer expectations?
Are there a “sea change” happening in every industry to “value based” outcomes that every organization must adapt to…..can we generate enough “cash” for strategic investment to make this shift?

Nonprofit Organizations

Volume-Based First Curve
- Fee-for-service reimbursement
- High quality not rewarded
- No shared financial risk
- Acute inpatient hospital focus
- IT investment incentives not seen by hospital
- Stand-alone care systems can thrive
- Regulatory actions impede hospital-physician collaboration

Value-Based Second Curve
- Payment rewards population value: quality and efficiency
- Quality impacts reimbursement
- Partnerships with shared risk
- Increased patient severity
- IT utilization essential for population health management
- Scale increases in importance
- Realigned incentives, encouraged coordination

There is a “sea change” happening in every industry to “value based” outcomes that every organization must adapt to.....can we generate enough “cash” for strategic investment to make this shift?
Organizational Capacity Assessment Tools: Connolly

The ability to monitor, assess, respond to and stimulate internal and external changes

Ensure the effective and efficient use of organizational resources.

The ability of leadership and staff and to inspire, prioritize, make decisions, provide directions and innovate.

The ability to implement all of the key organizational functions and deliver products and services.

Source: Navigating the Organizational Lifecycle: A Capacity-Building Guide for Nonprofit Leaders by Paul Connolly
Internal Capacity Self-Assessment

<table>
<thead>
<tr>
<th>Leadership</th>
<th>Adaptive</th>
<th>Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Board Development</td>
<td>• Needs assessments</td>
<td>• Human resource development and management</td>
</tr>
<tr>
<td>• Finding the right board members</td>
<td>• Organizational assessment</td>
<td>• Internal communications</td>
</tr>
<tr>
<td>• Executive Leadership Development</td>
<td>• Program evaluation</td>
<td>• Financial management</td>
</tr>
<tr>
<td>• Leadership transitions and</td>
<td>• Knowledge management</td>
<td></td>
</tr>
<tr>
<td>dealing with Founder’s Syndrome</td>
<td>• Strategic planning</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Collaborations and partnerships</td>
<td></td>
</tr>
</tbody>
</table>

Source: Navigating the Organizational Lifecycle: A Capacity-Building Guide for Nonprofit Leaders by Paul Connolly
Internal Capacity Self-Assessment
Technical

1. Product Development Planning (Fast, Effective and Adaptive, including market research)
2. Outreach and Advocacy
3. Program Operations (standardization so programs can be replicated)
4. Outcomes Measurement, Management AND Program Evaluation
5. Earned Income Generation
6. Information Technology
7. Finance (including access to capital)
8. Accounting (including process cost accounting)
9. Fundraising
10. Legal
11. Facilities
12. Marketing and Communications
13. Human Resources
14. Other(s)…..

The most significant challenge today is that training and capacity building alone (and gap filling consulting projects) are not going to be sufficient for the small-medium sized nonprofit to address these technical needs. All nonprofits need access to expert assistance in EACH of these areas on an ongoing basis to be sustainable.

Source: Navigating the Organizational Lifecycle: A Capacity-Building Guide for Nonprofit Leaders by Paul Connolly
Think about it....

Does your nonprofit really have a sustainable business model?

- If a $475 million health system does not have the required technical capacity and purchasing power to generate enough cash for strategic investment on its own without affiliating with a UPMC (or equivalent), then how does the small to medium sized nonprofit have a sustainable business model?

Key strategic question:

- How do we build a “collaborative” corporate support model that allows our nonprofit programs to retain their individual “brand identity” (such as Pepsi, Pizza Hut, Taco Bell and KFC) but allows them to benefit from cost savings, strong back office operations and technical expertise?
Standard: Mission, Strategy and Evaluation

- **Strategic Partnerships:**
  - Partnerships are mission driven.
  - Board approved policy – with whom and how partnerships work.
  - Includes:
    - Due diligence.
    - Agreements, MOUs.
Strategic Partnership Standard

- Nonprofits engaging in strategic partnerships and formal alliances with other organizations should do so within the context of a board-approved policy outlining the goals and parameters of such partnerships. Depending on the type of strategic partnership, nonprofits should ensure that proper due diligence has been followed and that agreements, memoranda of understanding, or similar documentation have been thoughtfully reviewed and considered.
### Strategic Partnership Standard

#### Benchmark

<table>
<thead>
<tr>
<th>E. Strategic Partnerships</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Nonprofits engaging in strategic partnerships and formal alliances with other organizations should do so within the context of a board-approved policy outlining the goals and parameters of such partnerships. Depending on the type of strategic partnership, nonprofits should ensure that proper due diligence has been followed and that agreements, memoranda of understanding, or similar documentation have been thoughtfully reviewed and considered.</td>
</tr>
</tbody>
</table>

#### Measures

| The organization partners with other organizations to help meet its mission |
| The organization has a procedure for determining who to partner with on what programs or issues |
| The organization completes due diligence on potential partners |
| Where the partnership would require it, the organization has in place a contract, MOU, or similar documentation |
Barriers to Collaboration and Partnership: (Real or Perceived)

- Fears and assumptions about potential collaborators
  - Loss of control
  - Loss of identity

- Language and cultural differences

- Lack of understanding of capacity building opportunities available through collaboration

- Pain of the present not strong enough

- Lack of bandwidth

- Opportunity cost(s) associated with the planning
Role of the Board in Collaboration and Partnerships

Determining where and how collaboration and/or partnership contributes to sustainability

Highly dependent on the autonomy retained in the collaboration or partnership

Activities could include:
- Fact finding
- Partnership criteria
- Parameter setting
- Partnership evaluation
- Ultimate approval
Identifying and Vetting Potential Partners or Collaborators: Criteria to Consider

**Alignment** – Will this further our mission and programs in a meaningful way? Does it align with our current programs? Does this compete with other offerings? Are the image, activities, and values of the partner consistent with our own? How does this contribute something new?

**Benefit** – What benefits or considerations will the partners provide each other? How are we improving ourselves as an organization, raising our visibility, and helping our stakeholders? How will we evaluation the success of this effort?

**Continuity** – Is this a single or short-term event or will it be ongoing? Do we have the capacity and desire to sustain the effort?
Identifying and Vetting Potential Partners or Collaborators: Criteria to Consider

**Delivery** – Do we have the capacity to do this? If not, what would be required to do so? What are the risks, including reputation, legal, financial, and opportunity costs?

**Equity** – Does the relationship provide the opportunity for equal value or benefit? If unequal, is this justified and understood? Are roles, relationships, and obligations clearly defined?

**Financial** – What will this cost us? Will we derive income?
The Partnership Matrix

Greater Autonomy

Collaboration
- Information sharing
- Program coordination
- Joint planning

Joint Programming
- Single focus or program
- Multi-focus or program
- Integrated system

Administrative Consolidation
- Contracting for services
- Exchanging services
- Sharing services

Management Services Organization

Parent/Subsidiary Corporation

Corporate Merger/Acquisition

Joint Venture Corporation

Greater Integration

Contract or MOU
- No permanent organizational commitment
- Decision-making power remains with individual organizations

Change in Corporate Structure
- Involves a commitment for the future
- Decision-making power is shared or transferred
- Is agreement-driven

Collaboration

Strategic Alliance

Corporate Integration

Strategic Restructuring

Source: LaPiana Consulting
Partnership (Autonomous or Light): Collaboration

**Examples:**
- Information sharing
- Program coordination
- Joint planning

**Features:**
- No permanent organizational commitment
- Decision-making power remains with the individual organizations
The Spectrum of Collaboration

Low Collaboration

- Organization has scheduled routine coalition meetings with others. There is regular interaction among all levels of staff at various organizations.
- Organization makes regular referrals to others and has a system in place to receive referrals from others.
- Organization shares service provision and reporting with another organization. More than “referrals” are exchanged – this may include case notes or joint eligibility applications.
- Organization mutually shares resources with another organization. This may include a sub-grantee relationship or sharing of space, staff, time, administrative duties, marketing and/or outreach.

High Collaboration

- There is a “merged” component of service delivery or administration function. There is a strong interdependence on another organization.

High collaboration starts to move to administrative consolidation/joint programming.
Partnership (Medium): Administrative Consolidation/Joint Programming

**Examples:**
- Administrative consolidation: contracting for, exchanging or sharing services
- Joint Programming: single, multiple or integrated system

**Feature:**
- Involves a commitment for the future
- Decision-making power is shared or transferred
- Is agreement-driven
Partnership (Heavy or Serious): Corporate Integration Opportunities

**Examples:**
- Management Service Organization
- Parent/subsidiary organization
- Corporate acquisition/merger
- Joint venture corporation

**Features:**
- Involves changes to corporate control and/or structure, including creation and/or dissolution of one or more organizations
These are the steps to follow if you are considering a more serious or formal relationship beyond (simple) collaboration:

1. **Internal Self-Assessment**
   - Is restructuring an option?

2. **Develop Partner Criteria**
   - What are we looking for in a partner?

3. **Partner Selection**
   - Who do we want to partner with?

4. **Collaboration Committee**
   - What is our vision of the collaboration?

5. **Interorganizational Assessment**
   - What do both organizations bring to the table?
     - What are the concerns?

6. **Options Analysis**
   - What is the best structure for us?

7. **Due Diligence**
   - What will the new organization look like?

8. **Implementation Plan**
   - Who does what to get it done?

Source: La Piana Consulting © 2010
Develop Partnership Criteria

• What might your organization look for in a collaborator or partner?
• What is the criteria that your organization could use to select a collaborator or partner?
Case Study: The 5 C’s of Collaboration and

Clinical
Capital
Culture
Community
Control
Understanding Trust

**Reliability**
- Consistency
- Dependability
- Demonstrated commitment
- Dedicated to mission
- Diligent

**Openness**
- Open communications
- Genuine talking and listening
- Sharing important information
- Important information not hidden
- Sharing decision making
- Shared power

**Integrity**
- Walking the talk
- Truthfulness
- Agreements honored
- Authenticity
- Responsibilities accepted
- Manipulation avoided
- Committed to doing what is right

**Benevolence**
- Environment of good will and caring
- Positive interactions
- Appreciation expressed
- Fair
- Confidences maintained
- "Well-being" is looked after
- People willing to go the extra mile
- Perform to expectations
- Demonstrated skill in areas of professional accountability
- Setting standards of excellence
- Results oriented
- Flexibility/adaptability
- Willingness to fulfill responsibilities

**Competence**
- Perform to expectations
- Demonstrated skill in areas of professional accountability
- Setting standards of excellence
- Results oriented
- Flexibility/adaptability
- Willingness to fulfill responsibilities

Source: LaPiana Consulting
Taking Action

• Where do we go from here?
  – Develop a Strategic Partnerships Policy (with board approval) if you don’t have one
  – Discuss the following questions:
    • What can we do to assess our organization’s potential sustainability and consider partnership options?
    • What can we do to initiate or enhance collaborations or partnerships to improve our organization’s sustainability?
Questions/Discussion