A collaborative among nonprofit human service agencies in Minnesota’s Twin Cities of Minneapolis and St. Paul is offering new solutions to the challenges posed by a tumultuous economy and the need for advanced technical expertise.

Founded in part by Alliance for Children and Families members Family & Children’s Service and Pillsbury United Communities (both are also members of United Neighborhood Centers of America), the collaborative allows its members to share many back office functions. Thereby, members are able to focus on serving clients and advancing mission.

This is the second of a two-part series about how Alliance members are increasingly turning to cooperative solutions to gain high levels of administrative competence and cost savings.

Part one appeared in the fall 2008 Alliance for Children & Families Magazine and can be viewed at alliance1.org/magazine.

A companion article on page 36 of this magazine features an additional cooperative arrangement in which Alliance member United Family Services, Charlotte, N.C., participates. The effort, which began as a means to save on rent costs by sharing office space, has resulted in much broader services-sharing initiatives with the potential for revenue generation.

On page 37, John Talbot, executive vice president of OPEN MINDS, a member of the Alliance’s Executive Consultant Select Group, offers advice for senior leaders to consider when thinking about whether collaborative arrangements are right for their organization.

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The challenges of today’s economic, legal, and social environment require bold solutions. Tossing the old “every organization for itself” attitude out the window, a group of human service agencies are blazing a new trail in Minnesota’s Twin Cities.

Together, they’ve committed to seeking the common good and sustainable solutions by forming a nonprofit shared services organization. The new organization, MACC CommonWealth Services was launched in 2006 under the umbrella of a larger Twin Cities nonprofit membership organization, the MACC Alliance of Connected Communities.

... the greatest benefit of the collaboration ... is that it enables senior leadership to focus on their agency’s core mission services.

Stan Birnbaum, president, MACC CommonWealth Services

More than two dozen community-based nonprofit organizations belong to MACC, including Alliance members Family & Children’s Service and Pillsbury United Communities.

Like many nonprofit organizations, Family & Children’s Service and Pillsbury United Communities were struggling to maintain adequate staffing and supervision of administrative services. This was especially true in areas requiring a high degree of technical expertise and accountability, such as finance, human resources, and information technology.

“It was apparent that, unless you are a very large organization, it would be increasingly difficult to amass the kind of talent and capacity required in this complicated age,” says Tony Wagner, president of Pillsbury United Communities. “We realized we had to do things differently.”

Based on the recommendations of a 2005 feasibility study, Pillsbury United Communities worked with Family & Children’s Service and three other MACC members to found the CommonWealth as a joint venture agreement. Their motivation wasn’t just to save money—although cost-savings is a welcome consequence—it was to access first-rate, cost-efficient administrative services.

“Our founding members pooled their resources to achieve new capacity (collective scale), new efficiencies (economies of scale), and new levels of expertise,” says Stan Birnbaum, CommonWealth president and CFO at Family & Children’s Service.

Among the collaborative’s first tasks was to develop a new cross-organizational financial platform, reorganize the human resources team, and rebuild the information technology and telecommunications platform. The CommonWealth’s scale allowed it to implement innovative solutions well beyond the individual capacity of any of its members, which have annual budgets ranging from $1 million to $13.8 million.

Access to high quality administrative services also substantially reduces each agency’s operating risk, Birnbaum notes. But the greatest benefit of the collaboration, he emphasizes, is that it enables senior leadership to focus on their agency’s core mission services.

A Partnership Grounded in Trust

Trust, familiarity, and open communication proved essential ingredients when the CommonWealth’s founding members approached the table to discuss making their vision for high-performing administrative services a reality, says Molly Greenman, president and CEO of Family & Children’s Service.

Each agency had been a member of MACC for years. They knew and respected each other. Still, as the collaborative was developing, the CEOs met at least twice monthly to discuss vision, values, and culture. Other management and staff members from each agency met frequently to solve operational issues in their areas of focus.

“As a group, the agency executives talked through whatever concern any of us had. And the staff members worked hard to design what this would look like and make it work,” says Greenman. “By the time we signed on the dotted line, my trust level was just about unlimited.”

The group operated for about a year as a joint venture agreement before rewriting the charter and bylaws to form a nonprofit limited liability corporation, which began operations Jan. 1, 2007. In order to receive 501(c)3 status, which was received in August 2008, the CommonWealth later changed its incorporation to a non-shareholding organization.

“It was necessary to put a toe in the water first,” explains Wagner. “The executive directors were enthusiastic, but their boards of directors were somewhat wary.”

As a member-controlled organization, the CommonWealth guarantees a significant voice to all members. Each member organization has two seats on the board. The CEOs of each member agency form the CommonWealth executive committee, which shapes and holds accountable the CommonWealth staff.

Currently the CommonWealth employs 20 professionals with more than two centuries of combined expertise in the areas of finance, human resources, and information technology. The group uses a common outside auditor and hired one contractor to manage all the information technology functions.

Resources used to provide services to member agencies are owned by the CommonWealth. Its members are charged for services according to the value of the assets they contributed to the CommonWealth and the proportion of resources they use.

“We’re not customers of the CommonWealth,” Greenman emphasizes. “We are partners.”

Partners with full membership status—all five of the founding organizations are full members—have representation and a vote on the board. Several associate members are represented but do not have a vote.

In November 2008, the CommonWealth also approved affiliate memberships for organizations to purchase select services from the CommonWealth. Affiliate members do not share responsibility for governance or resources.
Committing to Shared Solutions Broadens Opportunities

“To make this successful and achieve economies of scale, every member needs to support several principles,” explains Birnbaum. “It requires a rigorous process of committing to shared solutions and driving out complexity and individual member variance. Our agreements are long-term, based on our understanding that our success depends on deep, sustained collaboration among the members.”

These collaborations have already moved beyond administrative functions. Members are working actively on shared programmatic initiatives, joint proposals, and other ways to leverage their unique capabilities for the benefit of the clients and communities they serve. For example, several CommonWealth member organizations responded to a request for proposal as a network and received funding.

CommonWealth members are also discussing ways to collaborate and drive efficiencies in other areas, such as development, program evaluation, communications, and volunteer programs. The group recently launched two new products: facilities management and a client database. Both have the potential to generate revenue for the CommonWealth. The client database in particular is attracting interest from potential affiliate members.

Meanwhile, foundations and donors are taking notice of the CommonWealth as an innovative collaboration. When MACC held a capital campaign several years ago, which included start-up funds for the CommonWealth, many foundations were moved to give more than they were asked for.

“We worked toward transparency, cooperation, and collaboration,” says Wagner. “We got to know each other’s values and judgment. We talked through every single issue that came up, and we learned how to trust each other.”

Each member had to make some concessions, too. It is essential to have a certain critical mass for a joint venture like this to work, Wagner notes. “Unless you all have the same financial software, information technology platform, and other systems, somebody is going to have to give up something,” he says. “That was the risk for all of us: Am I going to lose staff? Systems I’ve become dependent on?”

He cites an effort by several very large nonprofit organizations in the Twin Cities to create a similar organization. It never got off the ground. Each organization felt it had invested too much in its individual infrastructure to give up any part of it.

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Strength of Togetherness Outweighs Individual Risk

Although the agency executives who founded the CommonWealth knew each other well and worked hard to establish a trusting and communicative process, planning and implementation wasn’t without challenges.

To start, the founding members came to the table with unique agency cultures. Their needs and hopes for the CommonWealth differed. Overcoming the obstacles this created required each agency executive director to invest time into building relationships with their colleagues and understanding their peers’ organizations.

“Donors are excited about this initiative. There is a real ‘wow factor’ in what we’re doing,” says Greenman.

In addition to Family & Children’s Service and Pillsbury United Communities, several other United Neighborhood Centers of America members in Minnesota’s Twin Cities are part of MACC CommonWealth Services, including full members Emerge, Phyllis Wheatley Community Center, and Plymouth Christian Youth Center; and associate members Annex Teen Clinic, Learning Disabilities Association Minnesota, and Neighborhood House.

Visual above is a conceptual representation of MACC CommonWealth Services only; it does not reflect the true number of CommonWealth members.

Partners, Not Customers

Resources used to provide services to member agencies are owned by the CommonWealth. Its members are charged for services according to the value of the assets they contributed to the CommonWealth and the proportion of resources they use.

- Full members share responsibility for resources and long-term direction. They have representation and a vote on the board.
- Associate members join to participate in specific service areas. They are represented on the board but do not have a vote.
- Affiliate members purchase select services but do not share responsibility for governance or resources.
From Sharing Space to Innovative Collaboration
Cooperative model opens doors to revenue generation

After several forced relocations, nine human service organizations in Charlotte, N.C., decided to put their destinies in their own hands—not in those of a landlord. Although sharing office space was the catalyst that brought the group together, even before the first capital dollar was raised, the group was already working toward a much deeper collaboration.

“The CEOs of each agency realized up front that we could construct a building and save money on rent. Or we could do something really different,” says Mark Pierman, president and CEO of United Family Services, a member of the Alliance for Children and Families. “We all went into this with the idea that we were going to find other ways to collaborate. We wanted one plus one to equal three.”

The nine organizations formed the Children & Family Services Center (CFSC) in 2000, a separate 501(c)3 with a shared services and shared governance structure. In 2003, they moved into a newly constructed facility in a central, easily accessible location that provides clients with a one-stop-shop for child and family services. Members rent space and pay a monthly fee for facilities management and administration.

With the move, the agencies immediately gained operational efficiencies through new technology installed in the building. That necessitated a move to a common telephone and information technology platform—a major step toward sharing services rather than simply sharing space.

But what began as an infrastructure sharing arrangement took a giant leap forward in January 2009 when CFSC consolidated to share the finance, accounting, and human resource services of six partner agencies into one.

“My agency has more than 100 employees, but I don’t have a human resources director,” says Pierman. “By sharing this service, I’ll receive a level of expertise for less than I could purchase it as an individual agency. I’ll have backup, so if a key administrative staff member is on vacation, the work will still get done. Sharing these services also frees my staff and me to focus on what we do best: delivering mission-related services.”

The partner agencies are also discussing sharing management for development activities, public relations, and other services.

Ultimately, CFSC hopes to develop service products that can be sold to other nonprofit agencies to generate revenue. Already CFSC is able to generate some revenue by leasing office space not used by partner agencies to other tenants at market price.

For Pierman, it all comes down to making sure children and families in the community receive better services. “I know this is the right thing to do,” he says. “The impact on children and families is greater when we’re working together rather than when we are acting individually.”

Greenman says losing some control over administrative processes is a fair trade-off. “Often individual organizations do things a certain way just because we’ve always done it that way,” she acknowledges. “So I had to give up some control, but to be honest, where I want control is in the quality and value of my agency’s programming.”

The complicating factor in any such venture, Wagner says, is the balancing act between spending on administration and spending on mission. “In my organization, there is always a tension between line staff and administration. Most of us believe that resources ought to go as directly as possible to the people we serve. We want the organization to be as lean in administration and executive leadership as possible. But we can’t compromise quality.”

Although Pillsbury United Communities has the largest budget of the member organizations, before the CommonWealth it struggled to build a strong in-house information technology capability. “With the CommonWealth, I now have state-of-the-art information technology, in addition to human resources and finance,” says Wagner.

Like Wagner, Greenman believes that human service agencies can no longer survive and thrive without the strongest possible infrastructure. With an annual budget of $6 million, Greenman says her agency could not afford to build the agency’s administrative bench strength. “We now have the range of depth and talent we need. The CommonWealth has enabled me to solve some real challenges.”

Based on the principle that when one member of the group does better, they all do better, the CommonWealth has “tied our futures together,” Greenman says. “Whatever happens to one of us could impact the other organizations. But the strength of being together far outweighs the individual risks.”

For more information about the members featured visit everychildmatters.org for Family & Children’s Service and puc-mn.org for Pillsbury United Communities. Learn more about MACC Alliance of Connected Communities at maccalliance.org or about MACC CommonWealth Services at mcwmn.org.

An article about Alliance for Children and Families member Public Health Management Corporation, Philadelphia, from the fall 2007 Alliance for Children & Families Magazine also addresses back office management services agreements. View an updated version of this article at alliancef1.org/magazine.
Collaborations require hard work and total commitment, not just in the planning and start-up phases, but on an ongoing basis, Pierman says, explaining how CFSC has weathered several challenges.

"Trust was one of the biggest issues at the beginning and probably still is. These agencies had no prior history of working together," he says. CFSC hired a skilled consultant to help the agency executives get to know each other, communicate openly about difficult issues, and build trust. CEO turnover has had an impact; only two of the agency CEOs in place when CFSC was formed are still there. When they leave, trust must be rebuilt among a new team.

Pierman cautions other potential collaborators to expect to invest a huge amount of time.

"This collaboration through CFSC is the perfect illustration of our mission at work."

For more information about United Family Services visit unitedfamilyservices.org. Learn more about the Children & Family Services Center at childrenfamily.org.

Is a Back Office Collaborative Right for Your Agency?

John Talbot, executive vice president of OPEN MINDS, a member of the Alliance for Children and Families’ Executive Consultant Select Group (ECSG), advises that entering into a back office collaborative—even a simple group purchasing agreement—must be a deliberate, thoughtful process. Most importantly, it needs to tie back to your agency’s organizational assessment and strategic plan. Organizations should consider questions such as:

- How will a collaborative help my agency further its mission?
- What are the anticipated costs and benefits to my agency?
- What potential operational and human resource implications do we anticipate?

Talbot and the agency executives involved in collaboratives such as MACC CommonWealth Services (see companion article on page 34) and Chicago’s Back Office Cooperative (see part one of this two-part series at alliance1.org/magazine) offer these tips:

- Visit other back office collaboratives and get first-hand knowledge of their strengths and potential pitfalls.
- Obtain an outside assessment to determine the benefits and risks of the collaborative.
- Be sure you have the solid backing of your board of directors. This is a risk-taking venture. There are no guarantees.
- Be prepared to devote considerable time to the collaborative, particularly in the start-up phase.
- Be ready to share the role of executive with other executives in the collaborative. You will have to make compromises and won’t have sole decision-making power.

- The collaborative must have a clear strategy and strong leadership to see it through.
- Have clearly stated goals and well-defined outcomes to measure the collaborative’s success.
- The greater the degree of integration, the more important it is that the member agencies have congruent missions, cultures, and goals.
- Start small. Learn to work together and get some successful products launched before expanding membership and tackling more challenging projects.

For more information about OPEN MINDS and all Alliance ECSG members, visit ecsg.alliance1.org.