Forming Partnerships to Meet Administrative Needs of Youth-Serving Organizations

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The FINANCE PROJECT

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Overview

Youth-serving organizations have come under increasing pressure to do more with less in the wake of the economic downturn. Many organizations are looking for ways to weather the decline, including accessing untapped revenues, cutting costs, and building administrative partnerships.[1] Sharing administrative services through an administrative partnership has become a more widely used strategy in recent years.[2]

The term "administrative partnership" refers to any partnership arrangement for sharing, consolidating of outsourcing administrative services.[3] Administrative partnerships involve the collaborative use of resources, including staff, equipment, program resources, and/or physical space.[4] The complexity of arrangements to share administrative services varies significantly, ranging from straightforward efforts, such as sharing office space between two organizations, to more complex efforts, such as creating a new management services organization (MSO) to provide back-office services to multiple nonprofit groups.[5]

Forming an administrative partnership is one strategy youth-serving organizations can use to help them become more sustainable. Some organizations partner because they want to become more efficient in an effort to direct more resources and attention to programming. Other organizations believe sharing administrative services with another organization is a reasonable way to try to survive in a difficult economy. Yet most organizations hold a common view that sharing administrative services, at a minimum, will be cost-neutral and could lead to stronger organizational capacity, which would help the organization lower its costs.

This brief explores the options available to youth program leaders to meet their back-office needs by establishing administrative partnerships.[6] It addresses the following questions:

- Why form an administrative partnership?
- What are the different types of administrative partnerships?
- Which administrative services can be shared or outsourced?
- What are key considerations for determining whether to form an administrative partnership?

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1 Eric Keller, *Cutting Cost, Keeping Quality: Financing Strategies for Youth-Serving Organizations in a Difficult Economy* (Washington, D.C.: The Finance Project, March 2010), **http://www.financeproject.org/publications/CuttingCostKeepingQuality.pdf**.

2 Two terms are used interchangeably throughout the brief. *Administrative services* include human resources, accounting, payroll, fundraising, and enrollment and participation systems. *Shared services* typically involve sharing administrative or back-office services.

3 Bill Coy and Vance Yoshida, "Administrative Collaborations, Consolidations, and MSOs" (Emeryville, Calif.: La Piana Associates, 2009), **http://www.lapiana.org/files/Admin_Partnerships_briefing_paper.pdf**.

4 The Nonprofit Centers Network, *Shared Services: A Guide to Collaborative Solutions for Nonprofits* (San Francisco, Calif.: The NonprofitCenters Network, 2010).

5 David La Piana, Merging Wisely, *Stanford Social Innovation Review* (Spring 2010).

6 In developing this brief, the author conducted a literature review, and interviewed staff from organizations that are sharing or outsourcing administrative services. The author also drew on internal research by The Finance Project, conducted in 2008, that included a series of interviews, focus groups, and surveys of management services organizations.

As a first step, organizations should determine what administrative systems they want to improve and determine their goals for forming an administrative partnership. For example, if the ultimate goal is to lower administrative costs for a particular function, they may choose a different strategy than if their goal is to strengthen their administrative systems while staying cost-neutral. The most successful administrative partnerships provide enhanced back-office systems as well as lower costs for the partners.

When sharing or consolidating administrative functions, careful consideration should also be given as to which organizations make the best partners. Organizations that share a common mission, that operate similar programs, and with which the primary organization has an ongoing relationship often make the best partners.[7] In determining whether to outsource certain back-office services, these factors may be less important than the need to weigh the costs and benefits of each option. Whichever strategy organizations choose, they should work closely with their partners to develop consensus and clarity on which functions will be shared or merged and allocate responsibility appropriately.

7 Coy and Yoshida

Why form an administrative partnership?

Financial challenges created by the uncertain economic times have spurred greater interest in administrative partnerships among youth-serving organizations, in particular, and among nonprofit organizations, in general. A November 2009 survey by the Bridgespan Group found that 80 percent of nonprofit organizations had recently experienced funding cuts.[8] Another recent study from the Nonprofit Finance Fund found that 31 percent of nonprofit organizations had less than one month of cash on hand or reserves to pay expenses. In this same survey, 13 percent of the respondents indicated they already were collaborating, or were considering collaborating, with another organization to reduce administrative costs; 42 percent of respondents reported they were collaborating with another organization to cut expenses through shared programming.[9]

Although the recession certainly has made things worse, several studies conducted prior to the downturn identified a significant lack of resources to support administrative capacity as a major concern for nonprofit organizations. In a survey of 900 education and human services nonprofit leaders, 90 percent of the respondents indicated their administrative capacities were underfunded.[10] One survey of small nonprofit organizations found a considerable need for improved administrative support in finance, information technology, human resources management, and development and fundraising.[11] Similarly, The Finance Project has found that most youth-serving organizations are not satisfied with their human resources systems or fundraising capacity.[12] In many small nonprofit organizations, executive directors often are required to perform administrative functions, reducing the time they can spend on programmatic and strategic concerns.

Nonprofit organizations form an administrative partnership to share or outsource some or all administrative functions for many different reasons. Generally, organizations have done so because they believe this strategy will help their organization achieve at least one of these goals:

- reduce administrative costs;
- enhance organizational capacity;
- increase flexibility;
- focus on mission; and
- improve quality of services.

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8 Allen Tuck, Ann Goggins Gregory, and Sarah Sable, *A Year of Managing in Tough Times: November 2009 Survey Up date of Nonprofit Leaders* (Boston, Mass.: The Bridgespan Group, November 2009).

9 Non Profit Finance Fund, *Nonprofit Finance Fund Survey: America's Nonprofits Brace for Tough 2010*, accessed on No vember 15, 2010. **http://nonprofitfinancefund.org/node/2672/node/376**

10 Patrick Rooney and Heidi Frederick, *Paying for Overhead: A Study of the Impact of Foundations' Overhead Payment Policies on Educational and Human Service Organizations* (Washington, D.C.: The Aspen Institute, Nonprofit Sector Research Fund, March 2007).

11 Mark Leach, *Outsourcing Back-Office Services in Small Nonprofits: Pitfalls and Possibilities* (Washington, D.C.: Management Assistance Group for the Eugene and Agnes E. Meyer Foundation, 2008), **http://www.theolingroup.com/pdf/Outsourcing%20Back-Office%20Services%20to%20Small%20Nonprofits%20-%20Pitfalls%20and%20Possibilities%20(Management%20Assistance%20Group,%20Meyer%20Foundation).pdf**.

12 This finding derives from a survey conducted by The Finance Project to which 106 youth-serving organizations responded.

Reduce Administrative Costs

Not surprisingly, many nonprofit organizations are interested in forming administrative partnerships to help reduce administrative costs. Many youth-serving organizations have succeeded in reducing their administrative costs by outsourcing certain administrative functions, jointly purchasing products and services, or sharing space or staff. These strategies can reduce duplication of administrative services across organizations and allocate resources when and where they are needed most. In some cases, this can also lead to improved quality or expanded services.

For example, in 2007, five human services organizations serving the greater Minneapolis area merged their administrative staff, including finance, human resources, and information technology staff, to form MACC Commonwealth, a management services organization (MSO).[13] Leaders estimate the MSO saved the partnering organizations roughly $200,000 in the first year alone while affording them greatly improved financial and administrative services. Moreover, the joint purchasing power enjoyed by MACC Commonwealth helped negotiate a common set of ancillary benefits that represented a 30 percent savings over what would have been achieved separately (see MACC Commonwealth: Forming a Management Services Organization on page 6).

[13] Management services organizations are either profit or nonprofit firms that provide back-office supports and services to clients.

MACC Commonwealth: Forming a Management Services Organization

Type of Administrative Partnership	Form a Management Services Organization
Level of Effort	High
Reason to Form Partnership	Lower administrative costs; build organizational capacity; focus on mission.
Organizations Involved	More than 24 community-based human services organizations
Administrative Services Shared	■ Finance ■ Human Resources ■ Facilities Management ■ Information Technology ■ Medical Billing

Background

In 2007, five human services organizations serving the greater Minneapolis area merged their administrative staff, including finance, human resources, and information technology staff, to form MACC Commonwealth. The strategy was not seen simply as one directed toward cost reduction. Instead, the primary aim of the consolidation was to provide the organizations with higher-quality administrative and financial services at a reasonable cost.

The executive directors of each partnering organization met for one or two hours every other week for about a year prior to the consolidation. These meetings afforded opportunities for them to agree on what administrative services the partnering organizations wanted to have provided, how the new organization would be structured, and what results the partnering organizations hoped the consolidation would achieve.

Structure

The agreed-upon structure was MACC Commonwealth, an independent 501(c)(3) organization with a board of directors composed of the executive directors of all the partnering organizations. Although some of the organizations were much larger than others, each would have equal decision-making authority. A perceived advantage of this structure was that each organization would have an ownership stake in MACC Commonwealth, rather than simply being consumers of the administrative services the new organization would provide.

Results

Establishing this partnership entailed sizeable start-up costs. Partners spent $200,000 to establish the new organization and relocate employees, $400,000 on new administrative systems and a new data center, and roughly $200,000 in staff time dedicated to planning and coordinating the enterprise.[14] However, MACC Commonwealth's leaders estimate the arrangement saved the partnering organizations roughly $200,000 in the first year alone while affording them greatly improved financial and administrative services. Moreover, the joint purchasing power enjoyed by MACC Commonwealth helped negotiate a common set of ancillary benefits that represented a 30 percent savings over what would have been achieved separately.

A major benefit of MACC Commonwealth is that it provides the partnering organizations with increased flexibility in the administrative services they receive and lowers the prices they pay for them. For example, one participating organization estimated that with recent budget cuts, it could no longer afford a full-time chief financial officer, as it had had before the recession. MACC Commonwealth enables this organization to access CFO and other administrative services on a part-time basis.

Additional Resource

See the MACC Commonwealth website at http://www.mcwmn.org/.

[14] Nichole Wallace, "Joining Forces in the Back Office," *Chronicle of Philanthropy* (March 26, 2009).

Enhance Organizational Capacity

Some youth-serving organizations use an administrative partnership as a tool for building stronger organizational capacity, which ultimately leads to better productivity and higher-quality service delivery. For example, an organization may see long-term value in improving its financial reporting systems, such as increasing its ability to compete for federal grants. Such an organization may not need, or be able to afford, a full-time chief financial officer (CFO), but it may find long-term value from outsourcing some financial management services or joining a collaborative of small nonprofit organizations that share one CFO.

One example of an organization that uses administrative and management services to improve program quality is The Children's Home / Chambliss Shelter, in Chattanooga, Tennessee. This nonprofit agency operates its own child development center and provides a broad range of administrative and financial management services to 10 community-based early childhood programs, including licensing, risk management, and human resources functions such as hiring and staff training. Organizations pay an annual fee for the services, which are offered at a fraction of the cost relative to their having their own full-time administrative staff. The administrative and financial management services provided by The Children's Home / Chambliss Shelter also have enabled the early childhood programs to improve program quality. All the programs have improved their quality rating score, with most now achieving a three-star rating according to the state quality improvement rating system (the highest rating in the state system).

Increase Flexibility

Administrative partnerships can also provide youth programs with greater flexibility in their administrative spending. A common challenge that small youth programs face are the peaks and troughs in their need for administrative services.[15] Programs may need extra support with grant writing during peak proposal season or may temporarily need better information technology services to redesign their website. Receiving these services through a shared services organization or other provider enables programs to pay for the services they need when they need them.

For example, several MSOs allow partner organizations to pay a fee for access to a certain amount of administrative services, based on their specific needs. One such organization, the Centre for Social Innovation provides facility space and various administrative services (e.g., reception services, telephone and Internet services, and access to shared office equipment) to its 180 member organizations. Member organizations have access to different types of work and meeting room space, depending on their unique needs. They are charged a standard fee for certain basic amenities and are charged based on usage for other administrative functions such as copying.[16]

[15] Leach.
[16] For more information on the Centre for Social Innovation, visit http://www.socialinnovation.ca.

Focus on Mission

Leaders of nonprofit organizations are busy people with competing priorities, and they are often looking for ways to spend more time on their mission and less time on administrative duties. Sharing administrative services has the potential to afford these leaders and their management staff more time to focus on key program goals and tasks. This strategy may be particularly relevant for very small nonprofit organizations, where the limited number of administrative staff sometimes forces organization leaders to spend significant time on tasks such as hiring, fundraising, and financial administration.

Two Rochester, New York-based organizations are dedicated to helping persons with disabilities live independently. They provide an example of a smaller organization partnering to obtain administrative services from a larger organization in order to maintain a focus on mission. The Regional Center for Independent Living (RCIL) and the Center for Disability Rights (CDR) developed a shared services agreement under which CDR provides administrative services, including accounting, finance, and human resources management services, to RCIL for a nominal fee. CDR is a much larger organization with a well-established administrative infrastructure, including accounting and finance, so it made sense for RCIL to focus on providing direct services to clients.[17] The partnership has helped leverage the relevant strengths of each organization to more effectively serve the community.

Improve Quality of Services

Ultimately, administrative partnerships for youth-serving organizations are judged by whether they help improve the programs and services those organizations provide. In addition to helping to build administrative capacity, organizations can form partnerships to improve the quality of services through shared training, mentoring, and curriculum or other supportive resources. In the field of early care and education, child care providers are forming Shared Services Alliances, which are networks of child care providers that share costs and receive a set of administrative and program services provided through a hub.[18] These alliances may provide staff training that is linked to professional development standards, and shared curriculum, in addition to more traditional back-office supports.[19]

Youth-serving organizations should have a clear idea of how the administrative improvements they are seeking will translate into better services for youth. In some cases, improved administrative services may afford overburdened staff more time to focus on programmatic innovations. Improved financial management and reporting capacities may enable some organizations to access federal grants and expand their services. Improved human resources services may help some organizations reduce staff turnover or hire better-qualified staff to work with youth in their community. Regardless, administrative partnerships should begin with the goal of program improvements clearly in mind.

[17] Information accessed from the Collaboration Database, The Foundation Center, http://collaboration.foundationcenter.org/search/searchGenerator.php.

[18] Louise Stoney, *Shared Services: A New Business Model to Support Scale and Sustainability in Early Care and Education,* (Greenwood Village, C.O.:, Early Learning Ventures, 2010).

[19] Stoney.

What are the different types of administrative partnerships?

Administrative partnerships can take different forms that vary in their complexity and the level of effort required to implement and oversee the partnership.[20] Three types of administrative partnerships are discussed in this brief. At one end of the continuum are relatively low-level efforts (outsourcing arrangements), and at the other end of the continuum are very high-level efforts (management services organizations). In between are efforts to consolidate administrative functions. Note that all types of administrative partnerships require careful planning and consideration before deciding to move forward.

Type of Administrative Partnership	Level of Effort		
	LOW	MEDIUM	HIGH
Outsource Administrative Functions			
Consolidate Administrative Functions			
Create a Management Services Organization			

Outsource Administrative Functions

Under this arrangement, a nonprofit organization contracts with an outside provider to operate and manage one or more of its administrative functions. Organizations may choose to contract with a private or nonprofit organization, including an MSO.

- **Services Provided/Offered.** Services outsourced typically include payroll, financial management, information technology, and human resources management services.
- **Level of Effort.** The level of effort of this type of administrative partnership is low to medium. This form requires the least amount of effort in terms of up-front investment and oversight.
- **Benefits.** Nonprofit organizations can reduce their liability for certain human resources functions through outsourcing. In addition, it may be easier to end this type of partnership if it is not working.
- **Challenges.** Some of the services most readily available through outsourcing do not address the greatest administrative challenges faced by nonprofit organizations, such as fundraising, board development, and strategic planning.[21] This level of partnership may not provide cost savings and quality improvements that are as extensive as can be obtained from more intensive forms of partnerships.

[20] La Piana.
[21] Leach.

Consolidate Administrative Functions

Under this type of administrative partnership, two or more organizations formally share or consolidate some or all of their administrative functions.[22] Administrative consolidation could involve one organization providing finance and accounting support to another organization, or it could involve two or more organizations sharing a single marketing or fundraising staff member. Organizations typically remain independent and maintain independent boards.

- **Services Offered/Provided.** Any services provided through outsourcing can also be shared between organizations. In addition, organizations can share more complex administrative or management functions, such as fundraising, marketing, communications, and board development.
- **Level of Effort.** The level of effort of this type of administrative partnership is medium to high. The level will depend greatly on which and how many administrative services are shared. Consolidating administrative functions is likely to require more planning than outsourcing.
- **Benefits.** This type of administrative partnership affords an opportunity to share staff and expertise that may not be available through outsourcing or a shared services organization.
- **Challenges.** This type of administrative partnership requires a high level of trust in the partner organizations and may require an organization to adapt to the policies and/or systems of a partner organization.

[22] Coy and Yoshida.

Create a Management Services Organization

Management services organizations are created by a group of founding partner organizations specifically to handle administrative functions across all partner organizations. The MSO typically is a new organization for which member organizations share some responsibility for oversight and decisionmaking. MSOs can have different governance structures, including independent providers, joint ventures, fiscal sponsorships, and networked services.[23]

- **Services Offered/Provided.** MSOs may provide shared physical resources, shared staffing, or shared program services.
- **Level of Effort.** This type of administrative partnership requires a high level of effort. It generally involves developing a new organization that is dedicated solely to providing administrative services to member organizations.
- **Benefits.** A management services organization can achieve significant cost savings on certain administrative services due to economies of scale. Being part of an MSO can also lead to other benefits, including cross-organizational learning and innovation.
- **Challenges.** This type of administrative partnership requires significant planning and financial investment to be successful.

[23] For a complete list of the types of governance structures available, see The NonprofitCenters Network, *Shared Services: A Guide to Collaborative Solutions for Nonprofits* (San Francisco, Calif.: The NonprofitsCenter Network, 2010).

Which administrative services can be shared or outsourced?

Basic administrative functions that can be shared or outsourced typically include human resources, finance and administration, and information technology (see table).[24] **More complex administrative functions**, such as fundraising, board development, and marketing and communications, can also be shared or outsourced with more effort. In addition, organizations can share **physical resources**, such as office space and equipment.

Human Resources	Finance & Administration	Information Technology	Other
✓ Benefits administration	✓ Bookkeeping and Accounting	✓ Technology maintenance and security	✓ Marketing
✓ Personnel management	✓ Payroll processing	✓ Information management	✓ Fundraising/Development
✓ Staff development	✓ Budgeting and reporting	✓ Website development and management	✓ Office space
✓ Risk management	✓ Vendor management	✓ Help Desk	✓ Equipment
	✓ Grants management		✓ Quality assurance

Basic Administrative Functions

Some administrative services, such as payroll services, bookkeeping, and information technology services, are readily available through nonprofit or private service providers, including management services organizations. Many youth-serving organizations, particularly those with more than a $3 million budget, already outsource these services. However, a recent survey reveals that many smaller nonprofit organizations manage these functions internally and often are not satisfied with the results.[25] Nonprofit organizations can also form partnerships with other organizations to consolidate these functions by sharing staff or having one organization provide these services to the other.

More Complex Administrative Functions

A recent survey of nonprofit leaders found that many were seeking help with more complex administrative functions, including fundraising, board development, and marketing and communications.[26] Some MSOs offer these more complex administrative functions to their member organizations. In other cases, nonprofit organizations have formed partnerships with one or more organizations to consolidate some of the more complex administrative functions.

[24] Coy and Yoshida.
[25] Leach.
[26] Leach.

Physical Resources

Youth-serving organizations can form administrative partnerships to share physical resources, including office space and equipment. They can do this by consolidating administrative services or forming a management services organization that provides these services. Shared physical resources include shared office space, conference facilities, or libraries as well as shared equipment (e.g., telephones, communications equipment, copiers, fax machines, and information technology).[27]

[27] The Nonprofit Centers Network.

What are key considerations for determining whether to form an administrative partnership?

Nonprofit organizations have many reasons to share or outsource administrative services. However, they will want to carefully consider their options before moving forward. Establishing an administrative partnership to share or outsource administrative services entails investing time and resources in planning, defining roles and responsibilities, and maintaining relationships. As organizations consolidate more of their administrative functions, they will need to make larger investments of time and other resources, particularly if they create a new entity to manage the merged administrative systems. Organizations wanting to form an administrative partnership will need to:

- consider start-up and ongoing costs;
- start slow;
- agree to give up control, while maintaining oversight;
- formalize the partnership; and
- seek additional support.

Consider Start-up and Ongoing Costs

Any of the administrative partnerships described in this brief will involve some planning on the part of partner organizations, which will require staff time. Outsourcing administrative services has certain up-front costs, including time spent planning, collecting information on vendors, and working with vendors to ensure a smooth transition of administrative services. On the other end of the continuum is creating a management services organization, which can take months and even years to plan, secure financial support, and implement. For example, leaders of the five human services organizations that started MACC Commonwealth worked for more than a year to identify what administrative services they wanted to have provided and how the new organization would be structured.

Unfortunately, there is no rule of thumb for how long an organization can expect to wait before breaking even on its investment to share or outsource administrative functions. Consequently, organizations should not necessarily count on immediate cost savings from sharing or outsourcing administrative services, and they will need to structure their budget accordingly.

Start Slow

Many nonprofit organizations may not have the time or other resources to create an MSO, so they may want to start with sharing or consolidating one or more of their administrative services (see Cleveland Tenants Organization: Shared Development Director on page 15). This may take the form of shared staff, such as a shared accountant or bookkeeper, grant writer, or human resources director. Identifying opportunities to share office space and/or equipment is another relatively low-cost way of sharing back-office administrative services.[28] Sharing systems, such as moving to a common accounting software package, is another option to streamline administrative functions and potentially lower costs. However, even these strategies have costs associated with them that need to be carefully considered and weighed against the potential benefits that such partnerships can bring.

Cleveland Tenants Organization: Shared Development Director

Type of Administrative Partnership	Consolidate Administrative Functions
Level of Effort	Low to Medium
Reason to Form Partnership	Lower administrative costs; build organizational capacity
Organizations Involved	Cleveland Tenants Organization; Environmental Health Watch; and Northeast Ohio Coalition for the Homeless
Administrative Services Shared	Shared Staff (Development Director Position)

Background

In 2006, the Cleveland Tenants Organization, Environmental Health Watch, and Northeast Ohio Coalition for the Homeless formed a partnership to share a single development director position. The partnership was born, in part, out of necessity, as each organization had hired part-time fundraising consultants in the past with mixed results. The organizations were able to secure funding from a local foundation to support a full-time position, which would be shared among the three organizations.

Structure

The development director position reports to each of the three organization directors, who meet regularly to discuss issues around timelines for grants and any concerns regarding the timesharing agreement. The Cleveland Tenants Organization officially employs the development director, and it provides all administrative services for the position, such as payroll and health benefits.

Results

One of the key achievements of the partnership has been to lower the costs of fundraising within each individual organization while securing additional resources. All three organizations have reported lower costs, largely because the private fundraising consultants they had used previously charged a much higher hourly rate. Furthermore, the three organizations have each secured significant funding above prior fundraising levels. At the same time, sharing the position has enabled the three groups to partner on certain grants and fundraising efforts in which they have a common interest, rather than competing against one another.

Additional Resource

See Foundation Center, "Collaboration Database: Collaboration Case Study on a Shared Development Director" (New York, N.Y. Foundation Center, 2010), http://collaboration.foundationcenter.org/search/searchGenerator.php (accessed July 19, 2010).

[28] The Nonprofit Centers Network.

Agree to Give Up Control, while Maintaining Oversight

Giving up control over some administrative processes can be a significant barrier to outsourcing or sharing services for many organizations. In one survey of nonprofit organizations, 59 percent of respondents identified "loss of control" as their top barrier to outsourcing administrative services.[29] Especially when outsourcing services to external providers, youth programs may be concerned that these providers do not understand their unique needs or cannot provide better services than they can provide themselves. When agreeing to give up control of certain administrative functions, it is important that the organization continues to provide oversight and understands the work that is being shared or outsourced.

Consolidating administrative functions typically requires one organization to stop doing that function entirely and turn responsibilities over to a partner organization. Organizations that have built up a level of trust over time will generally have an easier time working together than organizations that are unfamiliar with each other.

Formalize the Partnership

Most shared services agreements are formalized through a memorandum of agreement, formal contract, or other legal document, which may require in-house or contracted legal services. Doing this work up front is critical to ensure all partners understand their obligations as well as any decision-making authorities they must relinquish.

One example highlighting the importance of engaging in a thoughtful process of developing a formal partnership is a collaborative effort between the United Way of Fond du Lac, Wisconsin, and the local Boys & Girls Club to create an expanded multiservice center (see Boys & Girls Club and YMCA of Fond du Lac, Wisconsin: Administrative Consolidation on page 17). The two organizations spent more than a year working on the details of consolidating programmatic and administrative functions under a single multi-use facility. One of the leaders involved in the partnership attributed the long-term success of the partnership to this careful planning.

[29] Leach.

Boys & Girls Club and YMCA of Fond du Lac, Wisconsin: Administrative Consolidation

Type of Administrative Partnership	Consolidate Administrative Functions
Level of Effort	Medium to High
Reason to Form Partnership	Build organizational capacity; lower administrative costs
Organizations Involved	Boys & Girls Club and YMCA
Administrative Services Shared	■ Shared space ■ Capital fundraising ■ Shared purchasing ■ Considering various other administrative functions

Background

In 2007, a major storm flooded a large portion of downtown Fond du Lac, Wisconsin, including the local Boys & Girls Club of Cedar Rapids. As a result, leaders from community-based organizations serving youth, including the YMCA and Boys & Girls Club, came together to seize the opportunity. The YMCA had been planning to begin a new capital campaign and decided instead to work with the Boys & Girls Club on a joint capital campaign that would involve developing a multiservice center facility from which both organizations could work.

Structure

The two organizations formed a governing body that included leaders from the local YMCA and Boys & Girls Club, as well as other community and business leaders, to consider ways to consolidate programs, administrative services, and physical space. Both boards were actively engaged in the planning, which also included determining how to consolidate programs and administrative services, based on which organization had the stronger expertise and capacity to deliver services. A detailed formal agreement was developed based on those decisions to map out roles and responsibilities of each organization.

Results

A two-year planning process culminated in a joint capital campaign that raised $12.5 million to help renovate and add to the existing YMCA facility. Both organizations can now better serve the community by collaborating to offer their various programs at a single location.

Additional Resource

Visit the website of the Boys & Girls Club of Fond du Lac, Wisconsin, at http://kidsclubfdl.org/programpartnerships.html.

Seek Additional Support

Forming administrative partnerships requires time and resources to be effective, and partner organizations may not reap immediate costs savings as a result of the effort. Organizations considering outsourcing some administrative functions, or considering consolidating some of those functions with partner organizations, may want to seek private start-up funding for planning and/or implementation.

Organizations interested in starting an MSO may need to seek initial start-up funding from private foundations or other community partners. Many MSOs also rely on grants, loans, and even private investment to supplement their fees to make them affordable to nonprofit organizations.[30] In the long run, any partnership, including an MSO, will need to develop a sustainable business model, which includes setting an appropriate rate or fee to recoup costs.

30 Nonprofit Centers Network, 2010.

Conclusion

Youth-serving nonprofit organizations are using, or are considering using, diverse strategies to become more efficient while maintaining or improving the quality of their services. Forming partnerships to share, consolidate, or outsource administrative services is worth exploring. As discussed in this brief, the complexity and level of effort involved in sharing, consolidating, or outsourcing administrative services can vary significantly. Choosing an appropriate strategy will depend on several factors, including the time and other resources an organization has to invest in developing the partnership.

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Organizations & Resources Referenced in Report

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http://www.lapiana.org/

The Non Profit Centers Network
http://www.nonprofitcenters.org/

The Foundation Center- Non Profit Collaboration Database
http://collaboration.foundationcenter.org/search/searchGenerator.php

MACC Commonwealth Services, Inc.
http://www.maccalliance.org/

The Merage Foundation
http://www.merage.org/

Children's Home / Chambliss Shelter
http://www.ch-cs.org/

Opportunities Exchange
http://opportunities-exchange.org

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The Finance Project is an independent nonprofit research, training, consulting, and technical assistance firm for public- and private-sector leaders nationwide. It specializes in helping leaders plan and implement financing and sustainability strategies for initiatives that benefit children, families, and communities. Through a broad array of tools, products, and services, The Finance Project helps leaders make smart investment decisions, develop sound financing strategies, and build solid partnerships. To learn more, visit http://www.financeproject.org.

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