

The Strategic Alternatives Matrix Definitions and Information

Solo Agency Options

Option	Pros	Cons	Process
<p>Restructure Restructure programs and services, realign staff, reduce or change the outcomes and meet the needs of its target population in a different way. May decide to change or alter its target population. As result of the restructuring of programs and services, there are changes in job descriptions and responsibilities, often personnel changes, shifting of costs, etc.</p>	<ul style="list-style-type: none"> • Provides focus on core mission and programs • Engages staff and board into remembering what is important • Ability to shift resources to meet emerging community needs 	<ul style="list-style-type: none"> • Results in changes in service delivery to clients • Unsettling for staff – time period of sorting the options creates internal turmoil • May not result in cost reductions but cost shifting 	<p>The organization reviews its mission, vision, outcome measures and strategies. Reviews all programs, market demand, funding sources and creates options for going forward.</p> <p>Uses a planning process of some type –strategic planning, results based planning, or scenario planning.</p>
<p>Soft Close Organization closes one or all of its programs without closing the entire organization. Board continues to govern, plans for reopening, addresses funding issues, and continues to hold community events for visibility with minimal staff and budget.</p>	<ul style="list-style-type: none"> • Addresses immediate cash flow situation, provides way to address cash and expense issues immediately. • Gives board time to reevaluate and reorganize. • Provides opportunity to engage stakeholders in the conversation to determine future. 	<ul style="list-style-type: none"> • Risk that may not reopen. • Staff positions are eliminated and rehiring may be difficult • Loss of services to clients. • Image in community and funders may be negative. 	<p>Organization reviews options, cash situation in the next 3, 6 and 12 months. Financial projections are critical to the process of decision making.</p> <p>Board determines information it needs, reviews contracts and financial commitments, reviews services and client data.</p>
<p>Hard Close Organization closes its doors, lays off staff, and distributes assets according to by-laws. Board disbands.</p>	<ul style="list-style-type: none"> • Addresses lack of permanent and ongoing funding. • Provides graceful exit when no funding alternatives. • Shifts funding resources to other more stable organizations. • Limits debt liabilities to organization. 	<ul style="list-style-type: none"> • Permanent and difficult to restart. • Debt may need to be restructured or bankruptcy considered. • Clients left without services – need strong referral base. 	<p>Organization reviews options, cash situation in the next 3, 6 and 12 months. Financial projections important information.</p> <p>Board determines information it needs, reviews contracts and financial commitments, reviews services and client data.</p>

Multi Agency Options

Option	Pros	Cons	Process
<p>Administrative Consolidation Organization determines it can save money and reduce overhead by consolidating its administrative functions such as HR, bookkeeping, purchasing, training, data collection, marketing and communications, and specific program components. Contracted out can be cheaper than having a full or part time person with benefits, office space, and other expenses. Work is project or time based.</p>	<ul style="list-style-type: none"> Provides for reductions in overhead costs if total costs aggregated. Enables organization to afford someone with greater expertise than a staff position might provide. Provides flexibility in hours and thus costs so can respond to funding and cash flow. Provides some efficiency through scale. Most effective for smaller organizations or those with intermediate budget size. 	<ul style="list-style-type: none"> Quality can be impacted. Cost of supervision may be higher if working with a number of different contractors. Shared services may not meet quality standards of all agencies. Cultural issues and mission focus may be impacted. 	<p>Review of the costs for various administrative or overhead functions in the organization. Costing out staff with their operating costs vs. cost of contract is important. Determine project or contract descriptions of what is to be accomplished on what timeline. Issue RFP for bids. Need clear description. Develop shared agreements on expectations if sharing services. Regular communication between organizations important.</p>
<p>Joint Programming Develop and operate programs through a shared design, staff and budget. Organizations design a joint program which each brings unique abilities, strengths, money, or other resources such as facilities to shared programming. Program designed and funded cooperatively. Client experience is one program so seamless or one stop for the client.</p>	<ul style="list-style-type: none"> Shared expertise among various organizations which should create stronger program for the client. Ability to share costs and save money rather than doing it alone. Each entity retains its own identity, board, mission, etc. Share contribution to program costs so no one organization has the responsibility alone. 	<ul style="list-style-type: none"> Complicated to plan if organizations are very different in culture, values or size. Takes extra time for communication, joint planning, and ongoing problem solving. Costs may not be evenly distributed. Fundraising responsibility often not equal. 	<p>Organization leadership with program staff meets to test the concept and determine interest. Develop shared plan and budget. Determine revenue to cover costs. Develop written agreement on who is responsible for what. Present plan and budget to board for approval. Establish outcomes, review process, communication, and procedures. Determine exit strategy.</p>
<p>Strategic Alliances Formal written agreement to jointly provide program or service to client population. Agreement defines all elements of the alliance. Shared outcomes, goals and</p>	<ul style="list-style-type: none"> Formal relationship defined by contract. Ability to achieve greater impact than doing something alone. Shared contribution to expenses making 	<ul style="list-style-type: none"> Contract takes time to develop Works best if each organization is contributing equal but different resources. Can be a drain if too much duplication. 	<p>Define scope and program/services to be provided. Leadership meets to define shared outcomes and objectives. Board approves concept. Staff develops annual</p>



<p>objectives, workplan, etc are prepared. Cost or resource savings should be identified by each organization.</p>	<p>program more affordable.</p> <ul style="list-style-type: none"> • Greater capacity and/or creativity using each others resources. • Allows for several organizations to work together. 	<ul style="list-style-type: none"> • Shared outcomes are not always clearly defined and can weaken impact of alliance. 	<p>workplan for alliance. Resources defined and allocated by each member. Often uses a consultant to facilitate the process to achieve agreement.</p>
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New Corporate Structure Options

Option	Pros	Cons	Process
<p>Management Services Organization A corporate entity jointly owned or controlled by a group of agencies with the purpose of providing a range of operating services to each individual member under a contractual agreement. Model comes from the medical field with physicians contracting for management services. Can include management, finance, personnel, data collection, training, billing and collections, grant writing and reporting, etc. It is everything but the direct service to the client.</p>	<ul style="list-style-type: none"> • Allows entity to focus on direct service and not administrative and management functions. • Achieves efficiencies through scale and shared distribution of costs. • Provides legal structure for transitions and contractual obligations. • Allows for budgeting and funding requests. 	<ul style="list-style-type: none"> • Takes time, legal advice and a new corporate structure. • Would need funding to put together business plan and corporate structure. • Four or more organizations would be needed to make this financially viable. • Complicated and organizations would have to move to new way of thinking about managing many administrative functions. 	<p>Develop a feasibility study to test the assumptions, identify the market, costs and revenue projections.. Test the viability. Determine what number and amount of contracts are needed to be financial variable. Develop planning process around a business plan format. Form a steering committee which could become the eventual board. Hire legal advice to assist with the corporate structure and design. Determine corporate governance model. Seek funding for planning process.</p>
<p>Joint Ventures Two or more organizations form a new legal entity that functions as a new venture, organization or set of programs. Often organizations identify a need in community that is unmet and the organizations join together to design, develop and operate a new service. Entity is co-owned and governed by the partners in the venture. As legal entity it may do its own fundraising, hire staff, have a governing board, etc.</p>	<ul style="list-style-type: none"> • Organizations can join together to provide a needed service that may be related but different from what they already do. • Provides a legal entity and governance structure. • Shared responsibility for developing venture. • Combines strengths of various organizations and addresses their weaknesses through a joint venture. 	<ul style="list-style-type: none"> • Forms a new legal entity which may increase management costs. • Can be expensive and time consuming to design and develop shared plan. • Organizational cultures can sometimes be difficult to blend or manage under the new venture. 	<p>Form steering committee and complete a feasibility plan to test the idea and the financial, community and funding viability. Develop business plan which addresses programs, operations, management, funding and financial cost projections. Develop funding strategy. Determine governance structure. Develop operating agreement among the partners in the venture.</p>
<p>Merger/Corporate Restructuring</p>	<ul style="list-style-type: none"> • Cost savings for eliminating 	<ul style="list-style-type: none"> • Takes time to negotiate. Different 	<p>Leadership approaches each other about possible</p>



	<p>administrative and management expenses.</p> <ul style="list-style-type: none"> • Can be program savings – not always. • Allows less stable or financially viable nonprofit to find stronger partner to ensure services and mission continue. • Provides economies of scale for middle size organizations by combining. 	<p>models exist of how to merge.</p> <ul style="list-style-type: none"> • Needs board and leadership – most often done under financial duress or when executive director position is open. • Transfer of assets and debt can be barrier. • One or both parties can lose community identity. • Organizational cultures are difficult to blend. 	<p>merger. Initial conversations have to include board and executive director. Rational and feasibility have to be developed for why merger would make sense. Planning process with key decision points developed and points where either party may withdraw. Develop plan to address legal structure, name or corporate identity, board governance, management, programs, budget, funding, etc. Can use business plan format for a planning process. Need consultant often to facilitate some of the meetings. May need interim funding for the transition when initial costs of merging may be higher. Need a first year plan for conducting the merger and how to transition programs, staff, money, assets, etc.</p>
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