

Rochester Area Nonprofit Consortium

Developing Shared Services: National and Local Assessment Findings

What is the Consortium?

In early 2017, a work group of the Greater Rochester Nonprofit Partners (GRNPP) began exploring the possibility of developing shared services to increase operational efficiency. When GRNPP stopped convening in 2017, work group members established the Rochester Area Nonprofit Consortium (the Consortium) to continue this exploration. The five organizations represented on the group jointly applied for and received Otto Bremer Trust funding to further advance work by funding a Strategist's time. Upon hiring the Strategist, the original members invited three additional organizations of varying sizes and services to round out an Executive Committee.

The Executive Committee serves as the convener and guiding body of the Consortium. Members include: *Zumbro Valley Health Center, Families First, IMAA, Channel One Regional Food Bank, NAMI SE MN, Family Service Rochester, Ability Building Center, and the Diversity Council.*

What has the Consortium accomplished?

The Consortium Strategist worked with the Executive Committee to design and implement an assessment to 1) through a national scan, learn from examples of similar work in U.S.; and 2) examine local interests in operational functions, shared service models, and barriers/ motivations for pursuing shared services.

National Scan
<ul style="list-style-type: none">Reviewed information from 16 organizations.Conducted phone interviews with 4 shared service entities. Interviews focused on processes used to identify shared functions and benefits and challenges of shared service arrangements.
Local Assessment
<ul style="list-style-type: none">Conducted two strategy sessions with representatives of 15 area organizations.Received 26 responses to online survey issued to area nonprofit organizations.

What are shared services?

Shared services can take different forms

- An agreement to share staff positions with other nonprofits for designated operational functions.
- Shared vendor contracts where one organization holds a contract on behalf of several others OR several organizations collectively pursue and jointly negotiate contracts with one vendor.

- A new, separate organization that provides operational functions for members/non-members.

What have we learned about *models*?

High interest in shared services including shared staffing

- Half of survey respondents were "very interested" in pooling or sharing operational functions; several strategy session participants also expressed interest.
- A few national organizations started as a shared staffing model before becoming an independent entity dedicated to providing specific functions for nonprofit organizations.
- Strategy session participants expressed cautious interest in this model but felt that dividing a shared staff members' time and agreeing on compensation and benefits could be challenging.

Shared vendor contracts considered a good place to start

- Approximately 70% of local organizations are "very" or "somewhat interested" in outsourcing functions with other organizations.
- This model viewed as "low hanging fruit" since existing vendors have experience accommodating diverse needs of various organizations.
- Some concerns were expressed that aligning organizations' contract terms and timeframes could be challenging.

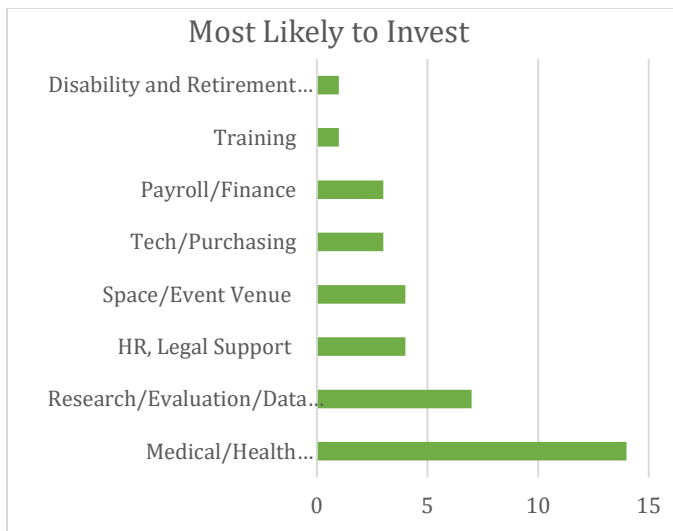
Local nonprofits less supportive of establishing new organization requiring membership

- Most national organizations were newly-formed entities that were created to provide operational functions to nonprofit organizations. Services are accessed via membership or quasi membership.
- Locally, only 20% of survey respondents said they were "very likely" to participate in a membership-based model; 48% said they were "somewhat likely."
- Strategy session participants were most supportive of a membership structure if it provided health insurance.
- Costs associated with staffing and membership were cited as challenges to this model.

What have we learned about *operational functions*?

Health insurance is a commonly desired service

- Nationally and locally, organizations are interested in shared service arrangements that offer health insurance benefits for employees or reduce the costs of acquiring a plan.
- Over half of survey respondents indicated they were mostly likely to invest in health insurance. This is supported by 85% of survey respondents who selected health insurance as a high priority.



Some Information Technology (IT) functions, joint purchasing, and training are also high priorities

- About half of respondents indicated that IT technical support is a high priority though many rated cyber security and shared IT staff lower.
- Participants identified joint purchasing and training as a high priority.

Fewer local non-profit organizations rated shared financial and accounting functions as high priorities.

- Financial functions with the most “high priority” ratings included payroll and external audits.
- Bookkeeping received the fewest “high priority” ratings.

Mixed results for sharing space

- Space and facilities such as shared kitchen or classroom space, outdoor venues, or offices were cited as “not a priority” by many on the survey.
- Strategy session participants and Executive Committee members expressed interest in shared office space.

Further exploration needed for other functions

Among the following functions, there was not agreement about level of priority: human resources; research/evaluation/data; copier/printer services; legal support and risk management; payroll and payroll tax processing and reporting; IT staffing and cyber security; and shared event venues and meeting/conference rooms. These functions may be valuable in the future or for a smaller subset of organizations in the community.

What factors are motivating or worrying organizations about shared services?

Cost is the leading motivator and a perceived barrier for shared services

- Nationally and locally, reducing costs drives shared services decisions.

- 62% of survey respondents cited saving money as high motivator for pursuing shared services.
- Savings are possible: one shared service organization in North Carolina saved \$11,000,000 over ten years.
- Conversely, the cost of shared services and their implications were cited as a potential barrier by half of survey respondents.

Organizations also motivated by ensuring best practices and legal compliance

- A few participants stated that their organization needs expertise such as IT and risk management that staff and board members do not have.
- Others wanted to gain access to services that are currently too expensive or unavailable because of their small size.

Losing autonomy and implications on current staff are also perceived barriers

- Interviewees indicated that compromising on shared services is difficult or not worth it for some organizations. Losing autonomy was the second most cited barrier by survey participants.
- Eliminating staff positions due to outsourcing their functions is a concern. Organizations may decline to participate because of this.

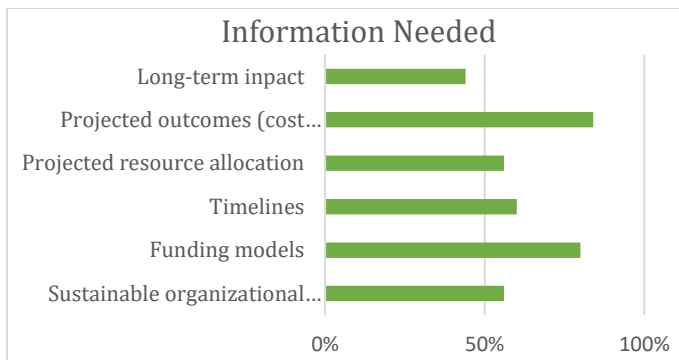
What can move shared services forward?

Existing efforts provide an opportunity for organizations

- The Executive Committee is developing a plan to secure ongoing funding for staff support.
- Currently, there are committed staff resources and work underway for establishing shared space for offices and community events.
- Several human service organizations are collaborating to determine shared training opportunities to meet State requirements.
- Several organizations in the region currently offer or are planning to offer pooled health insurance.

Many organizations willing to participate in planning

- While some participants wanted to know more before they committed, many were interested in setting the direction of the Consortium’s work.
- Most need more information about costs, project savings, and other outcomes of shared services before advancing discussions in their organization.
- Organizations agree that there should be some “early wins” to keep interest and momentum.



How and what did the community prioritize?

Over 40 nonprofit leaders convened to select priorities

In November 2018, over 40 local nonprofit leaders participated in a forum called “Taking Action to Develop Shared Services.” During the forum, participants reviewed assessment findings and collectively prioritized three operational functions. Once identified, Action Groups were to be formed and tasked with developing priority-specific action plans to guide implementation.

Forum participants engaged in small and large group discussions to consider five functions that emerged as potential priorities during the assessment:

- IT: Tech Support
- Finance: Long Term Planning
- Health Insurance
- Joint Purchasing: Goods and Services
- Required Training (HIPAA, sexual harassment, data privacy, etc.)

Nonprofit leaders collectively prioritized 3 functions

Using a rapid consensus building approach with the aid of a 2 x 2 matrix activity, participants considered the following criteria for each function:

Feasibility Factors
<ul style="list-style-type: none"> ▪ Cost (e.g. low cost/no cost/money or staff time available through existing budgets) ▪ Time to implement ▪ Existing efforts already occurring to build upon ▪ Community interest ▪ Key partners already engaged ▪ Within purview to address/ability to make changes
Impact Factors
<ul style="list-style-type: none"> ▪ Nonprofit organizations reached (both number and those with greatest need) ▪ Positive impact on organizational budget or other important outcomes ▪ Evidence-based or examples of successes elsewhere

The three functions identified to be the most feasible and/or have the highest impact were: **health insurance, IT tech support, and joint purchasing**. At the end of the forum, participants signed up for the three action groups.

What are the action groups tasked with?

Action plans will be collaboratively developed

The three action groups, which are made up of at least one representative from the Executive Committee as well as four or more nonprofit leaders with the appropriate expertise, are staffed by the Strategist. Members were required to commit to participating in 3 – 4 meetings between December and January. The expectation was that they would present their completed priority-specific action plans to the broader group for feedback during a second forum in mid-February 2019.

Action groups are making progress

The action groups are making progress in order to meet the tight deadlines. Some examples include:

- Upon convening, the Joint Purchasing Action Group narrowed their focus to be on services related to Human Resources.
- Both the Joint Purchasing and IT Tech Support groups are launching in depth surveys to understand organizational needs and pain points related to human resources and IT. This information is critical for negotiations with potential vendors and the action plans.
- The Health Insurance Action Group created and reviewed a matrix of known/planned options and are proposing developing a guide to assist nonprofits of all sizes in considering options available to them.

They will continue their work throughout January 2019. It is important to note that the three initial priorities are a starting point for the Consortium to develop and test solutions. Once successful models are identified, the Consortium can expand the focus to additional community priorities.

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