

Strategic Restructuring

Have you ever wished your organization could...
...diversify services?
...expand its client base and/or geographic reach?
...improve its public profile or advance its image in the community?

Increasingly, savvy nonprofits are using strategic restructuring to achieve one or more of these goals.


In the last issue of our newsletter, we discussed the Generosity Gap report, and its recommendations for enhancing the sustainability of nonprofit organizations here in Los Angeles. In this and coming issues, we'll explore some of these recommendations further.

As noted by the Generosity Gap's authors, the number of nonprofit organizations has continued to grow exponentially: There are now more than 35,000 nonprofits organizations in our region. Available funds have not multiplied at the same pace! Given the increased competition for limited resources, it's little surprise that one of the Generosity Gap report's recommendations is to "strengthen and streamline local nonprofits through partnerships, restructuring, etc."

Going beyond collaborative activities, the options for strategic partnerships and restructuring include consolidation of administrative functions and joint programming agreements, for example, as well as various forms of merger. Several local foundations are now working together to support this process of strategic restructuring among nonprofit organizations: The **Nonprofit Sustainability Initiative** (NSI) was established in Los Angeles County in 2012, when the California Community Foundation, The Ralph M. Parsons Foundation and Weingart Foundation came together to provide support for local nonprofit organizations that are exploring strategic restructuring for enhanced effectiveness and efficiency.

Lynn Alvarez serves as program manager for the initiative, which today involves 13 foundations in total. She notes that the initiative has thus far distributed more than \$1.7 million to help cover the costs of neutral third-party consultation for strategic restructuring negotiations. The results have included 43 formal restructuring agreements to date. (Applicants must have identified their potential partner/s and be able to demonstrate that they have carefully vetted their consultant to ensure appropriate skills and experience.)

"We know these are delicate and often difficult conversations," Lynn says of restructuring negotiations. "That's why we created funding for consultation. When you're doing the work of running your organization, it can also be very difficult to do all of this yourself," she adds.



Lynn notes that NSI has evolved since its inception, in response to community input, and now also accepts requests for funding toward one-time integration costs, after a restructuring agreement has been reached. In all cases, she says, “We view applications to NSI as completely separate from applications to the partner foundations.” (If you’ve already applied to one of the partner foundations — even when that foundation states it accepts only one request a time — you can still apply to NSI concurrently.)

“What we’re ultimately trying to accomplish with the Nonprofit Sustainability Initiative is to normalize strategic restructuring,” Lynn notes, “and it’s important to note that we’re really neutral about the form that strategic restructuring takes.” Whether a merger or back-office consolidation, for example, it’s important to pursue the path that best meets the goals of the organizations involved.

And while, in the past, nonprofit leaders may have viewed strategic restructuring as a sign of weakness, Lynn says, “We need to get rid of that stigma and see this for what it truly is: another important strategic tool that nonprofit organizations can use to pursue their missions.”

Further information about NSI, including application materials, can be found at <http://calfund.org/nonprofits/grant-opportunities/nonprofit-sustainability/>.

In our next issue, we’ll share key factors for successful restructuring, based on NSI’s research — along with related input from nonprofit leaders who’ve led significant restructuring efforts themselves.