

Nonprofit Sustainability Initiative Los Angeles Two Case Profiles (Inaugural 2012-14 Cohort)

The Nonprofit Sustainability Initiative (NSI) was launched in 2012 as a multi-funder collaborative designed to help Los Angeles area nonprofits explore and implement formal partnerships and restructuring efforts to become more sustainable and to increase their community impact. As of spring 2014, the NSI has supported more than 60 organizations in assessing their readiness for, and/or engaging in negotiations toward, developing integrated partnerships. This report features case profiles illustrating how four participating nonprofits made use of this unique opportunity.

NSI Leadership and Design

The Nonprofit Sustainability Initiative was patterned after other regional initiatives such as the Human Services Strategic Restructuring Pilot Project in Ohio, and included three carefully thought-out phases of activity.

- Phase 1: Education – In April 2012, an educational workshop was held at the California Science Center, drawing more than 700 individuals representing over 300 nonprofits.
- Phase 2: Assessment – In June 2012, 44 organizations were selected from among 82 applicants to receive one-on-one consulting from La Piana Consulting through the end of the year to assess their readiness to engage in strategic restructuring negotiations.
- Phase 3: Negotiations – In January 2013, 20 organizations from Phase 2 together with 19 new partner organizations engaged in consultant-guided negotiations, resulting in 15 new strategic partnerships ranging from joint programming to mergers.

The NSI was launched in April 2012 by the California Community Foundation, the Ralph M. Parsons Foundation, and the Weingart Foundation. Over the course of this inaugural cohort, the original three funders were joined by The Ahmanson Foundation, The Annenberg Foundation, The California Endowment, the Carol & James Collins Foundation, Conrad N. Hilton Foundation, The James Irvine Foundation, and JP Morgan Chase Foundation in contributing a total of \$2.2 million to the effort.

Western Justice Center and ENCOMPASS Unite to Help Youth Value Differences and Manage Conflict

Introduction/Overview

Equipping young people with the knowledge and skills to choose peace over conflict is part of creating a more safe and just world. In 2010, Western Justice Center and ENCOMPASS, both dedicated to creating a more just, peaceful society where differences are valued, initiated informal conversations about how they might work more closely together to serve their similar service areas and populations. This led the two organizations to begin to explore how ENCOMPASS' strengths in programs could inform Western Justice Center's work, as well as ways in which Western Justice Center's stronger organizational infrastructure could provide more stable footing for ENCOMPASS. When the Nonprofit Sustainability Initiative emerged in 2012, it offered the opportunity for both organizations to explore the benefits of defining their relationship in a more formal and permanent way. Building on an existing foundation of mutual trust, Western Justice Center and ENCOMPASS negotiated a merger that went into effect February 2014. Now, as one organization, Western Justice Center and ENCOMPASS continue to deepen their commitment to integrated programming and administrative systems that will enhance their combined sustainability, reach, and impact.

Motivations

Western Justice Center (WJC) was founded in 1987 by a group of judges, lawyers, and community leaders led by the Hon. Dorothy W. Nelson of the U.S. Court of Appeals 9th Circuit. Part of its primary purpose was to provide creative programs to teach students, teachers, and communities to resolve conflict peacefully. ENCOMPASS was founded in 2004 by a small group of experts in intergroup relations, youth development, and arts education who shared a vision of engaging youth in interactive programs to reduce prejudice and conflict. Both nonprofits worked with youth, educators, schools, and other youth-serving organizations in the Los Angeles area to advance similar goals, albeit using different methodologies. Western Justice Center came from a conflict resolution approach emphasizing mediation skills, whereas ENCOMPASS focused on interactive arts-based programming to engage participants on multiple levels: personal, interpersonal, and social change. In early 2010, ENCOMPASS founder and executive director Lori Nelson began talking with Angela Oh, then executive director of WJC, about their organizations' commonalities as well as ways in which each could complement the other's respective strengths. The effects of the Great Recession served as a backdrop for these early conversations, a reminder of the challenge of nonprofit sustainability in tough economic times.

WJC was the longer-established of the two organizations, and had built an infrastructure for fundraising and operations that ENCOMPASS, a more grassroots enterprise, lacked. But its programs were not as cohesive as they might be, and several years of executive turnover had somewhat diluted its strategic direction.

ENCOMPASS, for its part, had a dynamic set of programs that were proven to be effective, but did not have the funder relationships or fundraising capacity to support them for the long term. Reflecting on these motivations, Lori Nelson summed up the situation for each as: “ENCOMPASS was threatened with survival and WJC was threatened with relevancy.” Although neither leader was thinking about a merger (or any

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– Lori Nelson

other formal structure) at the time, the two shared an interest in exploring how by working together they might be more efficient and effective in reaching common goals. In 2011, grant funding from the California Community Foundation and Ralph M. Parsons Foundation had enabled Lori Nelson to help WJC assess its programs, which brought the organizations one step closer together. Later that same year, Oh left WJC and was replaced by Judge Judith C. Chirlin (retired from the Los Angeles Superior Court). Together, Lori Nelson and Judith Chirlin continued to develop the relationship between ENCOMPASS and WJC — first on their own, then with support made possible through the Nonprofit Sustainability Initiative (NSI).

Process

Although the two organizations had worked closely prior to the NSI, Judith Chirlin said that neither organization was thinking about an actual merger going into the process. Both were reluctant to mention what they called “the ‘M’ word” because it raised fears of losing what they each held most dear about their work and their organizations. Judith Chirlin credited the design of the NSI with recognizing this discomfort and lowering the barrier to participation: “With NSI, it was understood that there was no commitment that we would have to merge. Had there been pressure, we wouldn’t have been able to be part of it...there would have been too much trepidation.” Nonetheless, both leaders embraced the opportunity to learn more about the different forms their partnership might take, and originally thought a parent-subsidiary structure might be mutually beneficial. But in meetings with La Piana Consulting Senior Manager, Luis Vergara, they compared the respective benefits of a parent-subsidiary and a merger and concluded that in their case the parallel organizational structure of a parent-subsidiary relationship offered no tangible advantage over a merger. Choosing to negotiate toward a merger was an act of faith on multiple levels: it meant that Judith Chirlin and Lori Nelson were banking on the high level of trust they had built with each other, and it also spoke to the high level of trust that their respective boards had in these two leaders.

WJC and ENCOMPASS came to the NSI with a head start because they had already begun to develop a relationship. At the same time, Judith Chirlin said, this also made it tempting to want to shortcut the process and go straight to ironing out the specifics of an agreement. However, looking back, both leaders were thankful to have adhered to the methodology advised by the consultant, saying that going “by the book” made their boards feel more confident in the process and more comfortable with the outcome. In all, the organizations spent five months leading up to the vote to merge, in a process that included three meetings of a joint negotiations committee interspersed by meetings with just the consultant and the two executives. Even with the merger fully executed, their work continues, as both leaders recognize the importance of cultural and systems integration that follows. Lori Nelson noted that many of the day-to-day operations and ways of doing things have not yet been fully examined or modified, but that this has not slowed them down. “As moments of cultural difference come up, we notice it and talk about it and assess whether there’s a problem that needs solving.” For now, both leaders (Judith Chirlin is Executive Director of the merged entity, and Lori Nelson is Associate Executive Director) have agreed “we’re better together” and with what each uniquely brings to the table, but they expect that over time they will develop a distinct culture — a “new way.”

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A Meeting of Two Worlds

What do you get when you combine a group of judges and lawyers with a group of arts and youth development educators? This unusual alchemy seems to be working for WJC and ENCOMPASS, but they have also had their “odd couple” moments.

When Lori Nelson first moved into offices in WJC’s historic building, the no-nonsense workspace looked (to her creative eye) like it was ready for a bit of enlivening. “Everything was white!” she said. “In conflict resolution, there’s a value placed on neutrality, but to me, the lack of color was a lack of vision, of identity.” Seeking permission to paint the walls, Lori kicked off what Judith Chirlin genially called a “paint chip saga,” and the two reviewed various color combinations. Not sharing Lori’s passion for pigments, Judith let her choose the new hues. In retrospect, Judith noted that giving Lori the freedom to define the space in this way “made her feel she had a stake in WJC.” Not only that, but: “Our offices are much nicer than they were before!”

This continued integration will be shaped by planning they are currently engaged in around strategy development, still working with Luis Vergara. This follow-up work will support their successful merger by engaging the newly combined staff and board in making decisions about the identity of the merged organization, such as the messaging it uses to talk about its work, the norms of its office culture, the style of its management and communications, and more.

Results

Often, it takes time for mergers to yield measurable results, but already the merger of WJC and ENCOMPASS has made a difference in desired areas such as programming and fundraising capacity. In addition to integrating ENCOMPASS' interactive theater components into WJC mediator and educator trainings, WJC and ENCOMPASS have together launched a new social network for high school students and advisors working to make their schools safer and more inclusive. The combination of solid organizational infrastructure and a mix of new and time-tested programs has put the organization in a stronger position to seek funding support, and stakeholders are responding well: a gala fundraiser held in October (as the merger was being formalized) raised \$135,000 more than the highest-grossing event in previous years. All this means that WJC and ENCOMPASS will be able to serve more program participants in a broader geographic area than either could have served independently. The merger has had unanticipated benefits, as well, including a palpable new enthusiasm among the board of directors and a boost in staff morale. Lori Nelson attributes this in part to a sense of anticipation for what is in store for the new organization and in part to the merger process itself: "When you go into a merger, everybody's educated in what we do and how we do it. We all know what we are trying to achieve. Now we can focus on how to build on what we've created."

Tips and Takeaways

- Do take time to build mutual trust. Many successful partnership negotiations are built on a pre-existing relationship and/or rapport.
- Don't shortcut the process. You need to fully understand your own organization before you can effectively partner with another one.
- Don't underestimate the importance of organizational culture. Even though it can be uncomfortable to talk about differences in style, norms, power, etc., it is critical to bring these into the open and deal with them.
- Do expect to keep working on it. Like a marriage or other long-term relationship, resolving differences is an ongoing part of post-merger integration.

Foothill AIDS Project & ChapCare Explore Collaborative Responses to ACA

Introduction/Overview

There are 60,000 people living with HIV in Los Angeles County,ⁱ and at least 1 in 6 are homeless or at risk of homelessness.ⁱⁱ In 2013, Foothill AIDS Project, an AIDS services organization serving east Los Angeles County and the Inland Empire, and ChapCare, a Federally Qualified Health Center providing primary care services in Los Angeles' San Gabriel Valley, engaged in exploratory conversations about how a nonprofit partnership might better serve people living with HIV, particularly in light of today's changing health care environment. With shifts in Ryan White funding and new approaches to care under the Affordable Care Act, both nonprofits faced changing roles and expectations. Over the course of 12 months, the two examined how they might respond to these challenges and opportunities by working together. Their facilitated planning process was supported by the Nonprofit Sustainability Initiative. Although these negotiations have not resulted in a partnership agreement, their motivations for seeking new strategies, the discoveries they made about one another's work as well as their own, and the factors that went into their ultimate decision-making can help to inform other nonprofits considering collaborative strategies — not only those working in AIDS services or health care, but the broad range of health and human services organizations affected by health care reform.

Motivations

Foothill AIDS Project (FAP) provides case management and comprehensive non-medical support services in three counties for those affected by or at risk of HIV/AIDS. With changes in federal HIV/AIDS funding and ACA's focus on coordination of care by primary care providers, the organization was concerned about being squeezed out of the equation. In San Bernardino and Riverside, where it offers social services to complement the medical care provided by county agencies, FAP was more confident in its ability to maintain its accustomed role. But in Los Angeles, funding was shifting more rapidly toward a primary care focused, or clinic-driven, model of care.

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Anticipating the risk of losing its case management role in the HIV/AIDS services landscape, FAP sought to partner with a medical provider to which it could bring its social service and case management expertise, perhaps

through a co-location arrangement such those it maintains in San Bernardino and Riverside. Reflecting on these initial motivations, Executive Director Maritza Tona says that FAP was hoping for a win-win situation: one that would benefit both organizations and provide seamless services to shared clients.

ChapCare is a community health center that provides primary health care services to the underserved in the San Gabriel Valley in Los Angeles. In recent years, ChapCare had become increasingly aware of the changes in HIV/AIDS funding and that the new model of more closely integrated medical and support services under ACA would pose dilemmas for AIDS service organizations as well as health clinics. For ChapCare, the question would be how successfully it could integrate HIV+ clients into its service population and link them to a variety of essential non-medical services. Encouraged by one of its federal funders to examine its readiness in this area, ChapCare set out to learn more about what support services for this population looked like. At the same time, it was considering how to extend its reach in the mid-valley region. It saw Foothill AIDS Project not only as an expert to learn from, but as a potential partner that might enable ChapCare to serve new populations without having to build this capacity from scratch.

At the time that the two organizations began to explore collaborative options together, ChapCare had just received a grant to expand its services to homeless clients and was also exploring opportunities to reach out to HIV+ populations in the mid-valley region. FAP was already well known in the county for its programs for people living with HIV, including housing assistance. Their first contact was informal: ChapCare CEO Margaret Martinez met a member of FAP staff at a conference on homelessness and struck up a conversation. FAP was poised and ready, as Maritza Tona had already learned of the NSI and suggested to ChapCare that participation in the Initiative could support and facilitate their exploration of collaborative opportunities.

Process

Maritza Tona and Margaret Martinez both say they were unsure how to take the step from the idea of collaboration to fleshing out what that might actually look like, and that they welcomed the NSI as an opportunity to receive guidance on how to explore their collaborative options. A small group from each organization was convened on roughly a monthly basis. FAP was represented by Executive Director Maritza Tona, Director of Programs Marie-France Francois and board member Mike Maher, a registered nurse. Attending on behalf of ChapCare was either CEO Margaret Martinez or CFO/COO Sergio Bautista, along with board member Judith Saunders, a retired registered nurse, and at times Chief Medical Officer and/or Marketing Manager. Meetings were led by La Piana Consulting Senior Manager, Vance Yoshida, who walked both parties through the various forms a partnership could possibly take, facilitated the exchange of information to inform potential collaborative ventures, and provided neutral third-party guidance for deliberations and decision making.

During these exploratory conversations, both organizations learned more about the scope of services each was most interested in providing as well as the degree of integration they were willing to consider in a partnership. FAP's executive director was eager to test what she saw as her organization's value proposition: that by partnering with ChapCare to provide ready access to social services, it could offer the clinic an edge in an increasingly competitive health care environment. She also felt that this could be achieved by co-location, which would require alignment of systems and processes, but not full integration. ChapCare's leadership, on the other hand, favored a more integrated solution in which FAP would become part of the clinic, and also sought greater flexibility in being able to offer support services and case management to a wider variety of clients, HIV+ or otherwise.

For FAP, whose client population is almost all HIV, the challenge was not just who it would be providing case management to, but how. It was not accustomed to providing case management under the auspices of a health center, and was not fully confident that its approach to social services (e.g., spending more time with each client) would be accepted or shared by ChapCare, which came from more of a medical model perspective. In addition to these perceived differences in organizational culture and philosophy of care, there was a lack of alignment in how each viewed the financial model of a potential partnership. ChapCare did not share FAP's view of the latter's value proposition as a subcontractor or partner, preferring that case management services be folded into its own corporate structure. Thus, FAP's questions about shared revenue or reimbursement of costs were viewed by ChapCare as a lack of commitment to an integrated partnership. Ultimately, the two were not able to identify a shared vision of what it means to provide case management for support services, or to reconcile differing desires for autonomy and how the relationship should be structured.

Although FAP and ChapCare did not elect to pursue a formal partnership, their decision was a fully informed one — and for that reason, a success.

Each organization came to the NSI process with valid motivations inspired by changes in their respective funding and care delivery environments. They, like others negotiating health care reform and other policy shifts, saw partnership as one possible strategy for providing quality services in a sustainable way in the changing market. In the process of exploring their collaborative options, FAP and ChapCare learned more about the scope of one another's services and clarified their own assets, limitations, and guiding values. They even explored examples of how other organizations are making the transition from all-medical and all-social services to a more blended, integrated model, making site visits to programs in neighboring Orange County.ⁱⁱⁱ Although FAP and ChapCare did not elect to pursue a formal partnership, their decision was a fully informed one — and for that reason, a success. As described below, both continue to view partnerships as a strategic option to use in pursuing their respective missions.

Results

FAP continues to build on the strength of its relationships in the Inland Empire, working with San Bernardino County to become certified by Medi-Cal to provide mental health services, initiating a nutritional program in partnership with California State University San Bernardino, and partnering with another nonprofit to purchase apartment units to enhance its housing program capacity. In Los Angeles, FAP has just received a two-year grant from the County Department of Public Health to strengthen linkages to care. Maritza Tona says that the shift in care management to the clinics has resulted in a drop in patients showing up to follow-up appointments, so Los Angeles County is going back to the social service agencies that have long provided the kind of transportation assistance, appointment reminders, and other supports needed to help patients comply with treatment plans. She is hopeful that this experience will remind funders and clinics of the value that social service agencies contribute to the health care landscape, so that as ACA continues to evolve there will be more interest in sharing new revenue streams with non-clinic partners that can help make effective coordination of care possible.

ChapCare is also pursuing partnerships with other organizations to reach new client populations and to grow its capacity to provide integrated access to social services. Margaret Martinez credits the conversations with FAP and the NSI process overall with enhancing ChapCare's readiness to move toward more collaborative strategies. Like FAP, ChapCare is optimistic about the potential for medical and social service providers to come together for greater coordination and integration of services.

Tips and Takeaways

- Don't shy away from conversations with organizations that do work different from yours.
- Do look for a partner that understands the services you provide.
- Don't be afraid to take the time that is needed.
- Do learn from other partnerships that have done what you are trying to do.
- Don't consider a decision not to partner a failure.
- Do focus on mission — on those who will benefit from your services.

Commonalities, Contrasts, and Best Practices

These case profiles include one merger that was completed, and one potential partnership that did not end in an agreement. This is intentional because it is important to understand that *both results were a success*. It is usually the new mergers that get visibility and kudos from funders, peers, and their communities, but there are many exploratory processes that — while they do not result in partnerships — do help organizations make informed decisions about what is right for them. The NSI and initiatives like it acknowledge this, as they are aimed at giving nonprofits the knowledge, tools, and supports needed to create successful collaborative structures, but without attachment to a specific outcome.

Both sets of organizations featured in these cases approached the NSI as an opportunity to respond strategically to changes in their operating environments. For WJC and ENCOMPASS, the recession had made it difficult for ENCOMPASS to raise funds to sustain itself as a small, independent nonprofit, while WJC sought experience in ensuring its programs were meeting high standards in an era of increased focus on evaluation. For FAP and ChapCare, funding and policy shifts at the national, state, and local levels — including, but certainly not limited to ACA — compelled each to look differently at how they might do their work.

The most obvious difference in these two stories is that they began at different starting points. Whereas WJC and ENCOMPASS had been slowly nurturing a relationship for some time and sought a way to better define the collaborative work they were already doing together, FAP and ChapCare had no previous history together, and as such had not yet defined a common vision or goals, let alone developed a strong understanding of one another as organizations. Even with these differences, it is notable that in both cases, organizational culture played a significant part in their exploration and/or negotiations process. For FAP and ChapCare, the differences in their respective organizational values and ways of working posed just one obstacle to their forming a partnership. For WJC and ENCOMPASS, their cultural differences will continue to be a focus in their post-merger integration and strategic planning.

Finally, it is important to note that these stories do not end here. These cases profiles provide only a snapshot in time, and thus a limited view of each set of organizations' experiences with strategic restructuring. Just as the relationship between WJC and ENCOMPASS preceded their involvement in the NSI, so will FAP's and ChapCare's respective explorations of other collaborative opportunities continue beyond the Initiative. WJC and ENCOMPASS are now developing their shared identity and providing a range of conflict management programming from a foundation of combined strength. FAP and ChapCare, while they will continue their work on behalf of a healthy community separately, they each have greater knowledge and experience in what it takes to form a partnership as they continue to explore other collaborative strategies.

ⁱ “Estimated Number of Persons Living with HIV and AIDS in LAC at End of 2013,” Los Angeles County Department of Public Health

(<http://publichealth.lacounty.gov/dhsp/Presentations/EstimatedPLWH2013.pdf>).

ⁱⁱ The Alliance for Housing and Healing cites estimates indicating that more than 10,500 people living with HIV/AIDS in Los Angeles County are homeless or unstably housed (<http://www.alliancehh.org>).

ⁱⁱⁱ Share our Selves (SOS), based in Orange County, is a provider of medical, dental, and comprehensive support services including food, emergency financial assistance, case management, legal aid, education and training for low-income and homeless residents (www.shareourselves.org). The Illumination Foundation’s Recuperative Care & Recovery Center provides interim housing, integrated medical oversight, and case management to homeless patients discharged from the hospital but with no safe place to go to continue their recovery (www.ifhomeless.org).