Determining The Value of Your Collaborations

Are you getting enough value from collaboration? Is it worth the time involved? Add up the costs and benefits to be sure.

By Joan Roberts

When two or more private sector companies consider collaborating on a new business venture, they both want to know how they will benefit from the new arrangement before signing a pact. To answer that question, they use what's called the value proposition. The focus of the value proposition is typically on dollars and cents—expected costs and revenues—making the decision relatively simple. The question is: Will the scale tip in favor of moving toward or against collaboration?

With different priorities in the nonprofit sector, it may not be as easy to quantify the benefits of collaboration, but it's not impossible. Your board members—many of whom are business people who work with value propositions on a regular basis—can help you stay focused on the benefits. But are you making use of your skills in this area? Have you clarified what's needed?

Much of the time, we sit down at a collaborative table without giving much thought as to how our organizations, our communities, or society will benefit. We approach collaboration as an organic process that takes time to emerge. This is probably not a problem if your organization is involved in just one or two collaborative endeavors, but many executive directors now report their organizations are involved in 60 or more.

Board members, take control! One of your primary functions is to act as an organizational steward, providing oversight to ensure the safety and effective use of the resources entrusted to your organization. This includes inventorying collaborative initiatives, assessing the value of the organization's investment in these initiatives, and asking questions that will help everyone decide how the organization will best benefit from the collaboration.

You might consider the number of hours that your staff works on behalf of each collaboration. Hours attending meetings and responding to e-mails are just the beginning of your organization's costs. Once you factor in joint projects and committee work, some staff may be contributing up to half of their work time to outside efforts.

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Given the potential costs involved, your collaboration endeavors should generate value that exceeds what your organization would typically generate using its own resources to provide its own services in the usual manner. This doesn't mean that the organization must benefit monetarily. For example, you may see new services for your clients as good value for your organization's investment of staff time. If you serve a homeless population and your staff is involved in a collaboration to provide permanent housing for your target population, then an increased pool of long-term housing units might reduce the amount of time your staff spends trying to place clients in shelters. The increased value to your organization is derived from an improved quality of life for your clients and more available staff time to devote to clients—a win-win proposition.

To ensure management and staff are thoughtful and deliberate when they make decisions on how they spend their time, board members should transmit and reinforce the expectation of future benefit if your organization is to invest time and energy in collaborations.

Compute Return on Investment

One tool to determine the value of any investment is the financial ratio *return on investment (ROI),* which can illustrate that for every dollar invested, a percentage increase is gained. This ratio is:

$$\text{ROI} = \frac{\text{Gain from Investment} - \text{Cost of Investment}}{\text{Cost of Investment}}$$

LOOK AT MONEY

Consider Nonprofits A, B, and C. They are interested in coming together to collaborate. Each organization is investing the time of a staff person, estimated at $15,000. For the collaboration to be considered worthwhile, there needs to be a positive return on the collective $45,000 investment.

Similarly, each organization must be able to justify its $15,000 investment by getting something back from the collaboration that is more beneficial than it would get by working alone. In addition, the collaboration investment must have a collaborative return.

LOOK AT CLIENTS & SERVICES

As I've said, value in the nonprofit sector isn't always determined by money. I gave an example that resulted in additional housing opportunities for clients and more time for staff to work on other projects. You might also be able to quantify the impact of the collaborative project by the increased number of clients served, or by the additional services your clients will now be able to access without the development and start-up costs of creating a new program internally. Ultimately, the value might be that you have no more clients because the social problem has been eliminated!

Let's say a half-time worker services 15 clients per year at each of our same nonprofits: A, B, and C. By engaging in a collaborative project, there should be a substantial increase in the number of clients as the result of the collaboration and the pooling of resources. If, however, only the same 45 clients are served through the collaboration, then the individual organization investment of staff time generates no return on the $15,000 individual investment, and the collaboration won't be considered worthwhile. On the other hand, let's assume 60 clients are served—15 more than the 45 total clients served by each organization working independently. This is good, unless all those clients are served by only one of the organizations, say Nonprofit A. Then there will be no return on the investments of Nonprofit B or C—again, not good.

BE CREATIVE—BUT QUANTIFY

If the project focus is broader than direct service delivery or a behavior change campaign, the task of quantifying the impact of joint pooling of resources gets much harder. But the important point is that you need to make every effort to quantify your organization's investment. The first place to start is often with the investment of staff time. Even if you're dealing with complex outcomes like community revitalization, you can quantify the time spent in meetings and project work and try to quantify the anticipated outcomes as much as possible.

The key message here is that investing in collaboration takes time and money and should be expected to generate positive outcomes. Your board needs to ensure that your organization doesn't invest time and energy without thinking hard about the costs and benefits. You must be sure that there is a clear value proposition for each of your organization's collaborations.

EXAMPLE

Some anticipated outcomes for a community revitalization collaborative might be increased sales for downtown businesses or an increase in employment. You might also qualitatively measure changes in the attitude of stakeholders.

As with any other governance issue, the best way for your board to provide guidance to your organization is through a policy. This policy might require the identification of any financial investment, spell out organizational procedures designed to mitigate risks to reputations, and/or define reporting procedures for staff. When all is said and done, don't forget to take credit for your organization's contribution to the collective outcome!

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Trust, But Verify

Successful collaboration requires trust; it also means taking a close look at your outcomes. These articles will help (www.NonprofitWorld.org/members):

A Collaboration Checklist: Ten Questions for Success (Vol. 24, No. 1)

What's All the Fuss about ROI? (Vol. 32, No. 2)

How Do Leaders of Nonprofit Partnerships Foster Collaboration? (Vol. 22, No. 3)

Measuring Outcomes in the Real World (Vol. 30, No. 6)

Take the Collaboration Quiz (Vol. 24, No. 3)

Free Webinar Recording for Members: A Strategy for Surviving in Tough Times. This webinar will help you face the toughest issues in collaboration, starting with deciding whether collaboration is the best way to meet your goals.

Also see Learning Institute programs on-line: Strategic Alliances and Outcome Measurement (www.NonprofitWorld.org/LearningInstitute).