

The Future of Nonprofit Shared Services

Shared services strategies are creating new opportunities for nonprofit organizations to access overhead job functions more efficiently.

Through shared services, organizations collaborate to jointly access the expertise of staff members, contracted service providers and fiscal sponsors, and gain from:

- Greater access to high-quality overhead service areas, including information technology (IT), accounting and human resources
- Increased time for leadership, staff members, board and volunteers to focus on mission-related activities
- More opportunities to build trusting relationships with other participating organizations, which can lead to reduced duplication of effort, greater effectiveness and heightened visibility for the nonprofit sector.

All shared services strategies are uniquely customized to meet the needs of participating organizations and the communities they serve. The Nonprofit Centers Network (NCN) identifies four types of shared service models that are gaining momentum:

- Connective mechanisms
- Management support organizations (MSOs)
- Joint contracting
- Fiscal sponsorship

These categories are intended to advance the conversation of shared services. Additional models are likely to emerge as the concept of shared services gains traction in the nonprofit sector.

Nonprofit organizations that participate in shared services are intentional about collaborating to generate positive outcomes that extend beyond specific job functions or service areas. Unlike outsourcing, nonprofit organizations that share services:¹

- Unite to strengthen a shared social purpose or community impact
- Engage in activities that build organizational capacity
- Nurture trusting and symbiotic relationships
- Redistribute organizational risks

¹ For more information about the similarities and differences between outsourcing and shared services, please see the Rethinking Overhead Introduction.

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NCN also recognizes that new shared services models have the potential to positively impact the nonprofit sector as a whole.² Through our case study analysis of five shared services providers, many similarities have emerged, leading us to believe that there are more similarities than distinctions among the models presented.

These cases demonstrate how shared services providers are using high quality, collaborative infrastructure to move the nonprofit sector into new territory by supporting innovative, unique and creative strategies for social change.

Rainier Valley Corps (RVC) provides holistic operating support, structured as fiscal sponsorship, to a cohort of partner organizations in order to build power. However, RVC is careful to also preserve its partners' independent missions and programs. Partner organizations are led by people of color and are doing impactful work within communities of color. Partners' values and actions are highly aligned with RVC's values of community, equity, integrity, action and transformation. RVC is committed to providing comprehensive support and building long-term relationships with partners, ensuring that their voices and work are amplified.

CultureWorks Greater Philadelphia (CultureWorks) supports individuals and organizations in fine arts, performing and media arts, heritage arts and humanities by nurturing an intentional community in which members are highly encouraged to share space, services and resources and contribute to the creation of a "management commons." By challenging the very language that we use to describe back-office support, CultureWorks creates shared ownership in its community.

The Metropolitan Alliance of Connected Communities (MACC) is committed to "courageous collaboration," prioritizing building members' trust and the five core values of collaboration, relationship-driven work, courage, equity and excellence.³ This commitment drives the services offered to MACC's approximately 50 member organizations, mostly human services organizations, located throughout the Twin Cities metropolitan region. Collectively, these organizations form a voice for the human services sector.

Both Support KC and TSNE MissionWorks (TSNE) increase nonprofit leaders' access to expertise. They act as key advisors and supporters by guiding leaders through obstacles and setting new standards in their communities.

² Read more about the organizations highlighted here in the Rethinking Overhead case studies and video interviews.

³ To learn more about the core values of the Metropolitan Alliance of Connected Communities, visit <http://www.macc-mn.org/AboutUs.aspx>.

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Despite its potential, the field of shared services must overcome many challenges in order to become widely accepted in the nonprofit sector:

- As with any innovative strategy, funders must gain awareness and understanding of the intention and potential benefits of shared services and adjust funding guidelines to provide startup and on-going funding as needed.
- Nonprofit leaders, board, volunteers and funders need to recognize the critical importance of high-quality overhead services and the potential efficiencies that may be generated through collaborative shared services.
- Geographic and mission-aligned organizations need to identify a champion with the time, resources and knowledge necessary to engage the community and spur the development of shared services strategies.
- Shared services providers, including staff members, contractors and fiscal sponsors, must be willing to adapt and customize service offerings to suit the needs of participating organizations and their communities. At the same time, shared services providers must also carefully develop a financial plan and pricing structure that works in the long-run.

To date, most of the shared services models studies have required startup funding, typically from philanthropy.

- Partners in RVC's operational support services pay approximately 12% of their monthly expenses as participation fees. These fees do not cover the costs of services, which are currently largely subsidized by philanthropy. The goal is for the services to eventually be self-sustaining with fees covering 100% of operational costs.
- Though there was an initial capital campaign to get the services started, MACC's shared services are not currently subsidized by philanthropy. All services are delivered at cost with no profit motive. Costs are driven by staffing needs, and any operating margin is reinvested to improve service delivery.

Shared services models will continue to evolve to address these challenges and meet the needs of participating organizations and their communities. NCN looks forward to supporting organizations considering possible shared services solutions.

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