Board Oversight of Not-for-Profit Collaboration

QUESTIONS FOR DIRECTORS TO ASK

CHARTERED PROFESSIONAL ACCOUNTANTS CANADA

IgniteNPS

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Preface

The Corporate Oversight and Governance Board (COGB) of the Chartered Professional Accountants of Canada (CPA Canada) is committed to helping boards of directors of not-for-profit organizations fulfil their responsibility for the oversight of collaborations with other organizations.

Not-for-profit organizations have a long history of weaving alliances, and they are adept at engaging multiple stakeholders. In recent times, collaborative initiatives in the sector have been rising in both number and importance. With a widening variety of options available, boards of not-for-profit organizations have an important role to play in steering their organizations toward the right collaborations and overseeing their effective execution.

CPA Canada is pleased to have collaborated with Ignite NPS on this publication. Ignite NPS is a foundation that supports the development and broad distribution of practical research, resources and tools designed for board members and staff of not-for-profit organizations across the sector. The goal is to help leaders to adapt creatively and effectively during a time of complexity.

This publication offers a practical guide to help directors oversee their organization's collaborative pursuits and ensure they advance their organization's mission with efficiency and effectiveness.

The COGB acknowledges the members of the Not-for-Profit Organizations Committee for their invaluable input and direction, Linda Mollenhauer, the author, and the CPA Canada staff who provided support for the project.

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Understanding the Benefits of Collaboration

Pooled resources. Better impacts. Broader skillsets and perspectives. These are just some of the advantages that collaborations can bring to help not-for-profit organizations better serve their clients and stakeholders, and achieve outcomes that would be difficult or impossible to achieve on their own. Directors can help their organizations maximize these benefits by nurturing a collaborative culture and ensuring work with others is conducted efficiently, effectively, and in ways that advance the organization's mission.

This publication presents a practical guide to help directors:

- understand the range of benefits of various forms of collaboration in advancing the organization's mission and creating value for those served
- understand their roles and responsibilities in overseeing collaborations
- ensure policies are in place to govern the selection, execution, evaluation and conclusion of collaborations
- ensure the risks associated with a collaboration are properly identified, analyzed and managed
- monitor the collaboration's progress and promote continual improvement.

What Is Collaboration?

In the not-for-profit context, "collaboration" can refer to a variety of collective pursuits, including integration, coalitions, alliances, partnerships, joint ventures and networks. Options range from complex collaborations that integrate staff teams or address community-wide issues to simpler pursuits to reach new markets or access resources. Partners can be other not-for-profit organizations (charitable and non-charitable), businesses and levels of government.

For example:

- A group of representatives from diverse parts of the community might sit down at a table and figure out how to address issues of community safety collectively.
- Two boards might come together to develop a joint strategic plan that guides the priorities and actions of both their hospitals.
- Four partner organizations might create a linked data system that would allow them to coordinate more effectively and helps families access services more easily. The organizations might also share a human resource person to handle strategic recruitment, training and leadership development.

Regardless of the terminology used and partners involved, authentic **collaborations** in the not-for-profit sector involve two or more organizations coming together to achieve mutually beneficial outcomes that advance their missions by sharing decision making, risks, rewards and responsibility for outcomes.[1] (See Appendix 4 for a glossary of terms associated with collaborations involving not-for-profit organizations.)

Has the Board Examined How Working with Others can Advance Its Mission?

Two of the biggest reasons why organizations in the not-for-profit sector are working together more frequently in recent times are to gain access to resources in a highly competitive environment and to tackle more complex objectives that are beyond their individual means.

Competition for resources in the not-for-profit sector is intensifying. Funding sources are less stable, donors and funders are frustrated by the number of similar causes seeking funding and duplicating efforts, and demand for services is increasing. Meanwhile, the proliferation of social enterprises, corporations with their own social responsibility agendas and crowdsourcing free agents is changing the market for volunteers and funds.

Some problems, like poverty, the environment and educational achievement, are so complex that they dwarf the resources of even the largest not-for-profit organizations and go beyond short-term or single organization fixes. By joining forces with other organizations, not-for-profit leaders can leverage their unique competencies to create more significant and lasting impacts.

1 A collaboration is not a merger or amalgamation in which two or more organizations become a single legal entity, although it may be a step toward them. A collaboration is also distinct from a strictly transactional relationship, such as a contracted purchase of service, grant or sponsorship.

In this environment, not-for-profit organizations are increasing their participation in collaborations to benefit from:

- collective action to address joint issues and improve organizational practice
- operational efficiencies and effectiveness by sharing or integrating administrative and support functions
- improved quality and effectiveness of projects, programs or services through coordination, sharing, joint programming and integration
- the ability to address large-scale and complex social issues in the broader community.

Appendix 1 describes the benefits of collaboration in more detail.

What Is the Board's Role?

Does the Board Understand Its Roles and Responsibilities in Overseeing Collaboration?

Directors have significant roles and responsibilities related to their organization's collaborative pursuits. The board has the same fiduciary responsibility to the organization regarding its collaborations as it does for all of the organization's activities. The basic duty of directors is always to act in the best interest of the organization they serve—this is not altered by participation in a collaboration. Directors should bear in mind that they expose themselves to liability if collaborations are pursued without keeping their fiduciary responsibilities to their organization at the forefront.

Therefore, it is important for directors to know how decisions about collaboration link into their governance responsibilities, understanding when to step in and when to pull back. This role involves providing a combination of foresight and insight, oversight and support.

Foresight and insight—Directors need to work with management to determine how collaboration fits into the organization's purposes, vision, values, strategic directions and priorities, and how collaboration can help maintain a strong and vibrant organization.

Oversight—To fulfil their oversight duties related to collaboration, directors need to ensure the organization has:

- the right portfolio of collaborations that generate critical benefits and represent a sound use of resources
- a good risk management process that allows the board to objectively and thoroughly understand the risks associated with collaborations and to ensure that reasonable mitigation strategies are developed and executed

- the culture and competencies that allows it to be a good collaborative partner and build and sustain effective collaborations
- processes in place for the CEO[2] to report to the board on the status, issues and outcomes of the organization's collaborative efforts.

Support—To support the staff in building and executing collaborations, directors need to empower the CEO to seek out, formalize and execute collaborations within clearly articulated, board-agreed parameters. Directors should also share their knowledge of the community with the CEO and other staff as appropriate to help them to leverage relationships and networks and be ambassadors for the organization's mission in the community.

What Policy Is in Place to Govern the Organization's Collaborations?

Many organizations develop a board policy and/or corporate policy framework on collaboration. Defining and documenting these policies can help clarify the understanding and commitment to collaboration; define the internal roles, responsibilities and authorities; and describe the mechanisms that ensure there is proper oversight. The checklist below sets out points to consider when designing a collaboration policy for an organization.

Checklist: Key Components of a Policy on Collaboration

According to Capacity Builders' "Collaboration Coach" (2013),[3] a policy on collaboration should:

- ✓ describe the organization's commitment to collaboration—including how collaboration is defined, why it is important and how the organization benefits
- ✓ outline expectations about keeping an inventory of collaboration relationships and activities and the mechanisms for reviewing and revising it
- ✓ determine what degree of documentation is required for collaborations
- ✓ outline what requires board input, decision-making approvals and authorization and what is delegated to the CEO

2 The title of the most senior management position in not-for-profit organizations varies, with CEO and Executive Director being the most common. For simplicity, references to "CEO" in this publication encompass Executive Director and other top-most management titles.

3 See Capacity Builder's website at www.collaborationcoach.ca.

- ✓ describe the organizational commitment to ensuring that collaboration activities are appropriately supported internally (e.g., time, people, funds)
- ✓ identify the mechanisms that are used to assess potential collaborations and monitor existing ones; manage risk; and ensure alignment with strategic priorities
- ✓ describe the process for ensuring that collaborations are meeting the organization's accountability requirements as well as those of the collaboration.

When Should the Board Engage Directly in Decisions on Working with Others?

Most of an organization's collaborative activities fall within the operational responsibilities of the CEO, as defined by board policies. For these kinds of collaborations, the board should only require updates on their progress, rather than approvals or authorizations.

The board should pay close attention where significant strategic issues are involved, for example, where a potential collaboration is not clearly aligned with the organization's mission or strategic priorities, does not meet agreed-to criteria for choosing a collaboration, or would significantly affect the organization (e.g., type of services, resource allocation or accountability to key stakeholders; commitment of resources).

In light of directors' fiduciary responsibility and potential liability, boards should become directly involved when the collaboration may put the organization at risk (see page 21). In these cases, due diligence of the strategic, legal, financial and operational issues needs to be completed and any concerns need to be addressed before the organization commits to the collaboration. Depending on the organization's resources or the nature of the collaboration, the board may wish to delegate oversight of collaborations to a subcommittee or task force.

For these more complex collaborations, the board's responsibility is to ensure:

- a proper due diligence process has been completed and highlights shared with them
- the key ingredients are in place to enhance the potential for success
- the collaboration continues to provide the organization with an appropriate return on its investment.

When Should the Board Engage with Other Boards?

Sometimes a board can benefit by engaging with other boards, either as a full board or through representative members. Boards may choose to meet with other boards to:

- explore the other organization's mandates and possibilities for strategic collaboration
- enable both boards to speak with a common voice if the collaboration is controversial
- develop joint strategies for shared pursuits that significantly affect both organizations
- give the board assurance about the outcomes when the challenges and degree of difficulty of the collaboration dictate that direct contact is essential.

In any engagement with another board, the organization's board and the CEO need to understand and agree on the engagement's purpose and intended outcomes. For this reason, it might be helpful for the CEO or a senior manager to join the meetings. If more than one meeting is needed, clear terms of reference should be in place.

Sometimes, board-to-board engagement is mandated. In Ontario, for example, health service providers are expected to identify opportunities to integrate the services of the local health system.[4] Some Local Health Integration Networks (LHIN) host forums for members of boards to explore opportunities to collaborate. Other LHINs have set up more formal structures for board members to meet regularly to develop joint direction and oversight for specific collaboration initiatives.

Board-to-board engagement should not occur because the board lacks confidence in the CEO; these matters should be handled internally. Engagement should also not occur because a collaboration is struggling. Rather, the board should raise its concerns internally and allow the CEO to manage the situation through the collaboration's governance structure.

4 Maureen Quigley, *Collaborative Governance/Governance Collaboration*, September 2013; see Local Health System Integration Act, SO, 2006, at section 24.

Assessing Opportunities

Does the Board Understand How the Organization Fits within the Larger System?

As boards and management focus on their own programs and services, they also need to understand how their work fits into the bigger picture. Programs and services are part of a larger, complex system. Understanding the wider context can help boards and management determine how collaborating with other organizations can advance their own organization's strategic goals and help to affect change in the larger system. In healthcare systems, for example, some organizations are now mandated to work in collaboration with others to ensure their programs contribute to the full continuum of care.

Understanding the Bigger Picture: Questions for Directors

Discussing these questions with management can help the board determine the place of collaboration in the organization's priorities and make strategic decisions.

- What part do we play in the system? What unique contribution do we make?
- Have we identified all the players in the system, including those we think of as "competitors"?
- What has been done by other organizations to address the issues we care about?
- What can we not achieve alone that is critical to achieving our mission?
- What do we do best? Where should we cede ground to other organizations that can do something better?
- How can we most effectively affect change for the benefit of those we serve?

There are many ways that a board can learn about the system in which its organization operates. One way is to invite representatives from other organizations within the system to board meetings to discuss what they do and the outcomes they are achieving.

Organizations often use visual maps to understand where their organization fits into the larger picture and to identify potential partners. Visual maps are diagrams that graphically represent ideas, concepts and connections. Some types of visual maps commonly used in the not-for-profit context are as follows:

- A **theory of change** is a visual depiction, usually supported by a narrative, that describes how and why certain programs or strategies bring about positive change. Reviewing the depiction helps to unravel the complexity of an organization's issues and identify the areas and actions that have the greatest impact.
- A **continuum of care or service** maps the pathway of people as they make their way through a system, such as health care, education or the justice system.
- A **system map** shows all the various organizations that affect the mission and those who are affected by it. It helps the board to see the whole system, including its interdependences and connections.

Aligning Collaboration with Strategy

Now that the board has a better sense of where the organization fits within the larger system, the board can work with management to determine how collaboration fits into its strategic directions and priorities. The way collaboration is presented in the strategic plan signals its importance to staff, volunteers, funders and potential and existing partners, demonstrating whether collaboration is integral to the way the organization works or simply a short-term tactic.

For example, an organization might define its long-term strategic priority as "sustainable growth" and then define two strategies for achieving it: 1) participate in collaborative relationships; and 2) generate new and diversified funds.

Are the Board and Management Clear about the Purposes of Collaborations?

Collaborations should be joined to advance the organization's mission and create value for those served, not just to save money or respond to a funder's demands. If the time spent on collaborations exceeds the value received, if the organizations tends to react to collaboration offers but rarely initiates them, or if the organization is not always viewed as a good collaborator, it may be time for the board to clarify the intentions driving its collaboration choices.

Understanding the Purposes of Collaboration: Questions for Directors

Discussing these questions can help the board define the intent of its collaborations:

- What are the organizational challenges or opportunities that could be addressed through collaboration?
- What gaps in programs or services could we advance through collaboration?
- What core competencies and assets can we bring to collaborations (e.g., target populations, innovative solutions, communication vehicles, facilities or equipment, expertise and capacity, delivery mechanisms, positive reputation, community positioning)?
- What partners—whether allies or competitors—could we work with to maximize our combined strengths?
- What can we learn from what we've achieved through our past collaborations that should inform future directions?

When collaborations are critical to achieving the vision and strategic directions of an organization, it can be helpful to develop a corporate policy framework for investing in collaborations. As noted earlier, such a framework can help define the key elements of prospective collaborations, such as clarifying the roles and responsibilities, defining different types of collaborations, and outlining the requirements for strategic analysis, risks assessment, reporting and approvals.

Is the Board Confident that a Collaboration Is the Right Investment?

As noted earlier, the day-to-day decisions and activities involved in working with other organizations are normally the responsibility of management, conducted in accordance with the board's policies and subject to appropriate oversight. However, when a complex collaboration could pose significant risk to the organization (see page 9), the board needs to get more involved.

In these cases, the board will need information from management about the potential benefits, issues and risks in order to assess whether a collaboration is the right investment. Before management makes any commitments, directors should evaluate opportunities to work with other organizations in terms of strategy alignment, investment and potential return and practical implementation.

Strategic alignment—Directors should be clear about how the collaboration would measurably benefit the people and causes served, and how working with another organization would produce better outcomes than working independently. Directors should seek to ensure that a partner organization is a good fit in terms of its culture and values and compatible in practical matters such as IT systems, funding requirements and collective agreements. Directors should also consider whether any significant changes required to enter the collaboration (e.g., structure, policy, performance) would be worth the expected benefits.

Finally, if there are concerns about a partner's reputation, ethics or practices, directors should ask how those concerns would be addressed.

Investment—Directors should have a clear view of the amount of time and resources that will be required of the organization and whether the anticipated value would exceed the costs. They should also understand the amount of resources to be contributed by the partners, whether the partner can be reasonably expected to deliver them and what would happen if the partner does not deliver. Directors need confidence in their own organization's ability to meet its obligations.

It is also important for directors to understand where the organization fits into the arrangement. For example, are they the lead (backbone) organization? Whatever their role and contribution within a collaboration, directors should be comfortable with the level of their own staff's authority and the extent to which the organization would be able to influence decisions.

Implementation—Once a collaboration is moving forward, directors should consider some practical aspects. These include:

- whether the staff who will be responsible for making the collaboration work are committed to its success
- what governance structure will be put in place to allow for good decision making and the proper handling of complex financial arrangements and accountabilities (recognizing that the governance structure may evolve with implementation)
- what formal agreements or legally binding contracts are required, and whether those agreements set clear terms that cover responsibilities, exit strategies and risk management mechanisms

- the risks to the organization of entering — or not entering — the collaboration, and how those risks would be mitigated (see page 22)
- how progress would be measured, and whether performance measurement would be aligned or integrated (see page 26)
- how the staff who are working together will communicate between themselves and with their organizations.

Once a more complex collaboration is in progress, directors should check regularly with management to ensure the collaboration continues to align with the organization's mission and that the partners are meeting their responsibilities. Directors should evaluate whether the collaboration continues to provide meaningful and measurable benefits or whether course corrections are required. Directors should also be alert to any developments that change the collaboration agreement in any significant way and keep an eye out for emerging issues that could require the organization to withdraw.

Appendix 2 sets out questions for directors to consider when evaluating opportunities and when assessing a collaboration's implementation or continuance.

Enabling Effective Collaboration

How Well Does Our Board Enable Collaboration?

Board and CEO leadership, and the organization's culture, can make the difference between success and failure in collaborations. Two of the most important factors that influence the success of a collaboration are:

- the value each organization puts on collaboration within its own culture
- the personal qualities of the people involved in the collaboration, including their values, leadership styles and attitudes.

While directors rarely take part in collaborations directly, their approach to collaboration can enable or impede their organization's success. Collaborations are more likely to succeed with oversight from directors who look beyond short-term metrics and financial results and have the courage to consider new ways of thinking and directions to pursue the organization's goals.

The board can enable collaboration by:

- working with management to instil an organizational culture that embraces collaboration as a way to work internally and achieve the organization's mission
- ensuring that all new directors have an in-depth orientation to the values and philosophy that underpin this culture
- recruiting a board that has diversity in terms of, for example, professional background, geography, age, race and gender, along with members with competencies that are aligned with collaboration, such as deep understanding of the larger system, strategic thinking and comfort with innovation
- empowering the CEO and staff to seek out and manage collaborations

- keeping deliberations at the governance level and delegating day-to-day operational decisions to management
- putting a high value on building social capital and engaging networks outside of the organization's closest stakeholders
- acting as a champion for collaboration in the community as well as within the organization.

Does Our CEO Have the Right Competencies?

To ensure the success of its collaborations, the board must select and support a CEO with qualities that promote and maintain successful partnerships. The unique characteristics of collaborations requires different skills than leading within an organization.

> **Collaboration can be messy:** Collaborations evolve organically, especially if they are complex. Collaborators must align the interests of all the partners, develop untested approaches and continuously reshape the work's path to completion.

Example

Ontario's York Region undertook a regional planning initiative to define and address its service delivery challenge. Extensive planning and development in partnership with three levels of government resulted in a unique and complex service delivery model. Five agencies were joined in collaboration to provide multiple services for new immigrants from shared locations across the region. This approach evolved to see delivery of a holistic, seamless, broad range of services that put clients' needs first. While sharing onsite management, administration and IT services, each agency claimed a service offering, creating a non-competitive environment.[5]

> **Collaborations are built on trust:** Trust is the cornerstone of success in collaborations. To build and maintain it, collaborations need the time, space and resources to build strong relationships. Leaders must set clear expectations and do what they say they will do. They should also take time to reflect with other partners about what's working and what isn't.

5 MowatNFP, *The Integration Agenda*, at p. 7.

> **Collaborations are led through persuasion:** While power and positions of authority within organizations are usually well defined, leadership of collaborations is more fluid. Each of the partners has a voice in decision-making, even though they may contribute differently to the success of the collaboration. While collaborative leaders drive toward results, they also value processes that generate consensus, transparency and joint recognition of successes.

Example

Conflicts arose when a group of citizens and three community organizations collaborating on food security made a decision that did not reflect the interests of their collective membership. The collaboration's leaders realized that they needed a clear protocol for decision making that allowed them to stay true to its vision and the interests and values of each partner without getting mired in cumbersome processes.[6]

> **Collaborations balance collective goals with the interests of each partner:** Collaborations are complicated by the need to juggle the interests of the collaborating group, the partner organizations and the stakeholders they represent. Finding the best balance requires leaders who are good at listening, weighing possibilities and evaluating trade-offs.

> **Collaborations often comprise diverse partners:** Leaders of collaborations need to work across organizations, sectors, disciplines and philosophies. They need to partner with people who may be quite different from themselves, working to bridge interests and find synergies. Most importantly, they need to recognize that diverse perspectives often bring unique insights and innovative solutions.

Example

To mobilize people to support alternative energy sources and environmental conservation, a collaboration was formed comprising groups with widely varying missions and beliefs—from labour unions, environmental organizations and low-income advocacy groups to pro-conservation electric utilities and civic

6 Adapted from Collaboration Coach: Creating Shared Leadership.

groups. Although many of the partners were not ideologically aligned, their operational needs overlapped. In the end, the collaboration rallied people to the cause more efficiently than if each group had worked in isolation.[7]

Finally, directors should ensure that CEOs have sufficient time and resources to devote to managing collaborations in addition to their other responsibilities.

See **Appendix 3** for a checklist of attributes for directors to look for when recruiting or providing performance feedback to CEOs leading collaborative activities.

7 Adapted from *Building Successful Collaborations: A guide to collaboration among non-profit agencies and between non-profit agencies and businesses*, Cambridge and North Dumfries Community Foundation.

Overseeing Risk

How Does the Board Assess a Collaboration's Level of Risk?

All collaborations bear some risk because they involve working with people beyond the control of the board and management. While a degree of risk tolerance is required to participate, some collaborations represent a higher risk than others. In these cases, the board needs to know that a good risk management process is in place to identify and address risk. The trick is to weigh the opportunity against the level and likelihood of negative impact on the organization and then to determine if those risks can be addressed or mitigated to a reasonable level.

The extent of the board's role in oversight of risk can vary depending upon the capacity of the organization's staff—with less capacity, the board needs to be more hands-on. Usually, the board delegates day-to-day risk management to the CEO and only requires the CEO to bring to its attention any risk concerns that may arise.

As noted earlier, when there is more significant risk associated with the collaboration, the board should be more engaged in the decisions about whether to commit, in strategizing about issues and in monitoring its progress.

A collaboration bears high risk where decision making and accountabilities are complex (e.g., complicated governance structure, significant differential in capacity between partners, accountability to multiple funders, difficulty in measuring performance and impact). High risk also arises where the collaboration would have a major impact on the organization's stakeholders (people served, funders and donors), or could potentially affect its policies and procedures, facilities, human and financial resources, or ability to deliver its programs and services.

Collaborations may also expose the organization to risk where:

- the collaborating partners are not aligned in areas such as culture, governance and priorities
- execution involves complexity (e.g., vulnerable or difficult to reach populations are targeted; new collective policies need to be implemented)
- a new program or area of activity is being introduced
- chances are slim that the collaboration will produce the intended outcomes (e.g., due to insufficient funds, partners who don't deliver, inadequate planning or unrealistic expectations)
- the organization's staff, the community or funders or donors do not fully support the collaboration
- the organization lacks capacity to fulfil obligations and support the collaboration effectively
- due diligence is not undertaken.

Finally, directors should watch out for situations where a collaboration could tarnish the organization's brand and reputation, for example, through brand dilution or potential actions of the collaborating partner.

Example

Plans to build a not-for-profit centre to showcase the arts attracted lots of prospective partners. But when the time came to contribute resources so that construction could begin, some partners were in financial trouble or had appointed new staff representatives who weren't able to make appropriate and timely decisions. The process of asking these partners to leave the collaboration created resentment and frustration, which was then communicated to the broader community. Restoring stakeholders' confidence in the initiative took significant effort.[8]

Is the Board Confident That Management Is Handling Potential Risk Effectively?

A key responsibility of the board is to ensure a systematic risk management program is in place, including policies, procedures and practices. Such programs give the board confidence that the risks associated with a collaboration are properly identified, analyzed and managed.

8 Adapted from Collaboration Coach: Building Effective Relationships.

For example, management should be able to answer the following questions about a potential collaboration to give the board confidence that the organization should proceed:

- What opportunities or positive impacts could the collaboration provide?
- What could happen that would negatively affect the organization?
- Does the opportunity fit into our risk tolerance profile? If not, why should we pursue it?
- What can be done to reduce the possibility of the risk occurring?
- Are we well prepared to respond to any problems that might occur?

Keep in mind that more complex collaborations usually need to evolve over time to be successful; anticipating all potential risks at the collaboration's outset can be difficult. In these cases, the CEO should update the board regularly as the collaboration progresses.

Here are some red flags that suggest a collaboration is not working well.

- Funders or other important community stakeholders are concerned about the collaboration.
- Little or no progress is being achieved toward the collaboration's goals.
- Available resources are not sufficient to meet the collaboration's goals.
- Partners are leaving the collaboration.
- Only a few partners are committed to the collaboration; most are not very engaged.
- No workable governance structure in place for decision-making or clarifying accountabilities.
- There is a lack of trust among the partners.

Monitoring and Improving a Collaboration's Results

Is the Board Receiving the Right Information from the CEO?

The board should receive timely, relevant and clear information about the organization's collaborations in a way that facilitates governance oversight and decision making. The amount of information and degree of detail vary depending on the complexity and risk of the collaboration and the type of governance model used for decision making. Too much detail and the board is tempted to delve into the management of collaborations. Too little and the board will not be able to fulfil its responsibility for oversight.

Several mechanisms can be used for the board to gain information about collaboration. These include:

- regular reporting on progress in achieving the strategic plans priorities, directions and strategies
- regular CEO reports (e.g., annually or quarterly, depending on the collaboration)
- organizational performance management system
- evaluation reports
- planning updates and progress/accountability reports
- formal risk management process
- CEO performance reviews.

It is common practice for the CEO to present the board with an overview of the organization's portfolio of collaborations at least annually, reporting on status, progress against key metrics, unexpected outcomes, relationship issues and costs versus benefits. This reporting allows directors to review all collaborations to ensure that they are a good use of resources, advance the mission, priorities and goals and produce benefits for the people or causes served. The CEO should update the board more frequently on collaborations that have more significant impact on the organization.

How Is the Collaboration's Progress and Success Measured?

Partners working together should establish a system for measuring the collaboration's progress and success. In more complex collaborations, measurement should include formal means to assess how well the collaboration itself is functioning. Evaluation processes and indicators can vary widely, depending on the purpose of the collaboration.

The CEO, or staff leading the collaboration, is responsible for ensuring that the collaboration's evaluation process is generating valuable information and that its outcomes are aligned with those of the partner organizations. Evaluation is especially difficult for collaborations that aim to address highly complex issues because the measures of success are harder to gauge precisely. It is important for the board to discuss these challenges with the CEO to gain comfort with the way the collaboration is being monitored.

The board should also convene regularly to reflect on its collaborative activities more broadly. By periodically examining successes, lessons learned and progress in advancing the organization's mission, the board can derive insights to help management refine the organization's approach to and execution of these activities.

What Strategy Is in Place to Support a Clear Exit?

An organization may decide to leave a collaboration for many reasons, the most common being a shift in organizational priorities, inability to contribute, lack of progress on outcomes, and concerns about risk. Partners may also decide to end a collaboration when outcomes are achieved or it loses momentum. It is important for a collaborating organization to have an effective strategy in place for exiting a complex collaboration.

For more complex collaborations, a formal agreement should be in place between the partners that specifies processes for exiting from or terminating a collaboration. The board will have reviewed this agreement as part of its due diligence when deciding whether to invest in the collaboration. The collaboration agreement should answer these questions:

- How will we communicate the rationale for ending a collaboration to stakeholders in positive and productive ways?
- What are the expectations for transparency between partners and notification timelines?
- How will assets of the collaboration be handled, including funding arrangements?
- How will the partners deal with staff who have been dedicated to the collaboration?
- How will shared infrastructure, data and systems be unbundled and reallocated?
- Where the collaboration provides a social good, what can be done to ensure recipients can continue to benefit?

Summary

Collaboration can help a not-for-profit corporation achieve outcomes and mission objectives far beyond what it could achieve on its own. Directors can help ensure their organization's collaborations succeed by:

- ensuring they understand their roles and responsibilities in overseeing collaborations
- setting a policy to govern collaborations that describes their organization's commitment, defines the roles, responsibilities and authorities; and describes effective oversight mechanisms
- clarifying the purposes of its collaborations in advancing the organization's mission and creating value for those served
- having a risk management program in place, including policies, procedures and practices, that ensures the risks associated with a collaboration are properly identified, analyzed and managed
- receiving timely, relevant and clear reports about the organization's collaborations in a way that facilitates governance oversight, decision making and continuous improvement.

By looking outward, embracing the right opportunities and developing a reputation as a good collaborative partner, directors can help their not-for-profit organization increase its positive influence and impact on the people and causes it serves while enhancing the benefits provided by the not-for-profit community overall.

Appendices

Appendix 1: Examples—Purposes and Benefits of Collaboration

Purpose: Take collective action to address joint issues and improve organizational practice	
Description	**Benefits**
Organizations can mobilize around shared issues to achieve a common purpose, such as to advocate for a policy change or to change behaviour or attitude. They may also come together to share learning, identify best/most promising practices, and generate larger-scale research or access to data.	• Improve or refine policy and advance education • Create new levels of insight and knowledge • Expand and nurture connections • Improve the quality of programs and services
Purpose: Strengthen operational efficiencies and effectiveness by sharing or integrating administrative and support functions	
Organizations can share or integrate functions such as finance, human resources, IT, fundraising, evaluation, procurement and reception. These collaborations can be simple, such as the sharing of staff or technology, or more complicated, such as the creation of a social enterprise. They can also be complex, such as when organizations consolidate functions and administer them through a lead agency acting on behalf of the collaborating organizations or through the joint creation of a separate organization. **Note:** *A shared platform approach supports collaboration by providing a legal home for a project or initiative that is unincorporated and does not have its own legal status.*	• Better use of resources by reducing duplication or expanding potential • Create more efficient processes, systems and practices • Enhance program delivery and operational effectiveness by tapping into new or better expertise and knowledge • Share the costs of more advanced technology • Promote better use of underused resources

Purpose: Improve the quality and effectiveness of projects, programs or services through coordination, sharing, joint programming and integration

Description	Benefits
These collaborations can be simple relationships in which organizations share information and coordinate activities, such as joint referral systems or the creation of common materials. They can be more complicated, in which organizations collaborate on programming to reach new markets and expand services. They can also be complex, such as those in which professionals from different organizations form an integrated team to deliver a program. Organizations may also collaborate to form joint strategies and set program priorities, such as at community planning tables or collaborative governance structures.	• Enhance the experience of those served by reducing fragmentation and increasing responsiveness to their needs • Improve access to programs and services and reduce gaps • Increase impact and generate innovative solutions • Strengthen a program's legitimacy by demonstrating cross-organizational endorsement and better use of resources

Purpose: Address large-scale and complex social issues in the broader community

Description	Benefits
Organizations from different sectors come together around a common agenda for solving complex, community-wide problems, such as homelessness, poverty, youth disengagement and environmental problems. Often referred to as "collective impact,", these collaborations are usually supported by a "backbone" organization, which is provided by a 'lead' organization or by an entity set up to serve that purpose.	• Address root causes of problems rather than just symptoms and make significant improvements to the larger system in which organizations operate • Open access to the particular resources, skills and knowledge of diverse sectors • Generate broad learning across different segments of a community

Shared space

Shared space supports collaborations because it can strengthen operational and program efficiencies and effectiveness. Sometimes referred to as "hubs," shared spaces can provide easier access for those served and enable more coordination and integration. These collaborations can be as simple as co-location. They can also be more complex, where there are deeper service, back-office integration or collaborative governance. Property can be co-owned to build equity and contain costs.

Appendix 2: Questions for Directors—Ingredients of Successful Collaborations

This table below sets out questions for directors to consider before committing their organization to a collaboration, while implementing a collaboration, and when considering whether a current collaboration should be continued.

Committing to a Collaboration
Strategic Alignment
• How will the people we serve measurably benefit? How will the collaboration advance our mission, priorities and goals? Are we convinced that we need a collaboration in order to achieve the intended goals, or are we better to do it ourselves?
• Is there a fit between partners in brand, culture and values? Do they see the problem or opportunity in the same way as we do? To what degree are the organizations compatible (e.g., IT systems, funding requirements, collective agreements)? Can areas of incompatibility be overcome or addressed?
• Are there any concerns about the reputation, ethics or practices of our partners? If so, how are they being addressed?
• Will the collaboration require significant changes to our organization's structure, policies, practices and/or performance? If so, are they worth it?
Investment
• What investment of time and resources are required of our organization? Will the value we receive exceed the costs?
• Are we taking on any significant obligations? Can we fulfil the expectations? What aspects of the collaboration agreement are non-negotiable? What kind of assurances do we need from our partners?
• What resources are the partners providing? Do we have confidence that they can deliver? What will happen if they don't? Can all their interests be reasonably accommodated?
• Where do we fit into the collaboration (e.g., lead or contributor)? Do we have the right capacity to fulfil the role, or is another partner better equipped? If we don't play a significant role, how can we influence decisions?
• Collaborations require giving up complete control—are we prepared to do it? Are we comfortable empowering the staff with the authority to make decisions and work toward collective goals? Are the staff's parameters of authority clear?

Committing to a Collaboration

Implementation

- Are the staff who will be responsible for making the collaboration work committed to its success? Is there a sense of urgency, and if not, is that a problem?
- Do we have confidence that a governance structure can be put in place that will allow for good decision-making and the proper handling of complex financial arrangements and accountabilities (recognizing that the governance structure may evolve with implementation)?
- What formal agreements are required, if any? Is a more legally binding contract required? Does the agreement or contract clearly lay out responsibilities, obligations, exit strategies and mechanisms for managing risk?[9]
- What are the significant risks to our organization and can we reasonably mitigate them (see page 21)? What are the risks if we don't join the collaboration?
- How will progress and success be measured? How will performance measurement systems be aligned or integrated?
- Are there sound strategies for communicating between the partners and with their organizations?

Continuing a Collaboration

- Does the collaboration continue to align with our mission, priorities and goals? Is there still internal commitment to the collaboration?
- Are partners fulfilling their responsibilities? Is there a high degree of trust between partners?
- Does the collaboration continue to provide us with meaningful and measurable benefits? How well are we doing in accomplishing the intended outcomes? Are any significant course corrections required?
- Has the agreement between partners been changed in any significant way?
- Are there any issues that would cause us to exit from the collaboration?

9 For an outline of the key components of a collaboration agreement, see Collaboration Coach: www.collaborationcoach.ca/wp-intent/uploads/2013/02/DevelopingACollaborationAgreementB.pdf

Appendix 3: Checklist — Qualities of a Collaborative CEO

This checklist sets out a list of key characteristics for directors to consider when recruiting a CEO to lead the organization's collaborations. This checklist can also serve as a reference for directors when they are evaluating their CEO's collaboration-related performance.

Checklist — Qualities of a Collaborative CEO
A Collaborative CEO:
✓ helps the board to see the larger system
✓ believes that collaboration makes the organization and broader community stronger
✓ insists staff work as teams across programs and functions
✓ helps staff succeed in collaborations by providing training, setting clear expectations, and empowering them to make decisions on the organization's behalf
✓ takes a deliberate approach to selecting and committing to collaborations, while being agile when opportunities are presented
✓ values openness and is comfortable sharing with and learning from others in the community
✓ is comfortable with change and taking smart risks
✓ cultivates extensive, diverse networks
✓ understands that good collaborative relationships are founded on trust and that trust needs to be earned
✓ treats people with respect, appreciates diverse perspectives and encourages people to challenge the status quo
✓ searches for creative, practical ways to approach problems
✓ works to minimize rules and bureaucracy so staff are free to adapt to and align with the way others work
✓ is seen internally and externally as running a good organization that produces important outcomes and fulfils its obligations

Appendix 4: Glossary

Backbone organization
The organization or special-purpose entity that leads a large, complex collaboration involving multiple partners (e.g., to achieve "collective impact" as defined below).

Collaboration
A collaboration in the not-for-profit sector involves two or more organizations coming together to achieve mutually beneficial outcomes that advance their missions by sharing decision making, risks, rewards and responsibility for outcomes.

A collaboration is not a merger or amalgamation in which two or more organizations become a single legal entity, although it may be a step toward them. A collaboration is also distinct from a strictly transactional relationship, such as a contracted purchase of service, grant or sponsorship.

Collective impact
The results of collaborations in which organizations from different sectors come together around a common agenda for solving complex, community-wide problems, such as homelessness, poverty, youth disengagement and environmental problems.

Continuum of care/continuum of service
A diagram that maps the pathway of people as they make their way through a system, such as healthcare, education or the justice system.

Hub
Shared space used by multiple organizations, usually within the same larger system or community. Hubs can support collaboration in the not-for-profit sector by strengthening operational and program efficiencies and effectiveness.

Shared platform
An organization which provides a legal home and assumes control and responsibility for a project or initiative which supports other organizations.

Social capital
The resources that are available to individuals, organizations and communities as a result of social networks; the value that social networks can bring to enable individuals and groups to achieve outcomes that they could not achieve on their own.

Social enterprise
The use of revenue-generating business-like activities to accomplish, at least in part, a socially beneficial purpose. The term may be used to describe the entity conducting the activity or the activity or program itself (particularly when conducted in an organization that also carries on a range of other activities).

Social responsibility
An approach used by organizations to operate ethically and with sensitivity to environmental, cultural and social issues in order to promote the organization's sustainable development.

System map
A diagram that shows all the various entities that affect an organization's mission and those who are affected by it, covering the whole system, including its interdependences and connections.

Theory of change
A visual depiction, usually supported by a narrative, that describes how and why certain programs or strategies bring about positive change. Reviewing the depiction helps to unravel the complexity of an organization's issues and identify the areas and actions that have the greatest impact.

Visual map
Diagrams that graphically represent ideas, concepts and connections; often used to understand where a not-for-profit organization fits within the system in which it operates.

Where to Find More Information

CPA Canada Publications on governance
(available at **www.cpacanada.ca/governance**)

The Not-For-Profit Director Series

20 Questions Series

- 20 Questions Directors of Not-For-Profit Organizations Should Ask about Board Recruitment, Development and Assessment
- 20 Questions Directors of Not-For-Profit Organizations Should Ask about CEO Succession
- 20 Questions Directors of Not-For-Profit Organizations Should Ask about Fiduciary Duty
- 20 Questions Directors of Not-For-Profit Organizations Should Ask about Human Resources
- 20 Questions Directors of Not-For-Profit Organizations Should Ask about Mergers
- 20 Questions Directors of Not-For-Profit Organizations Should Ask about Risk
- 20 Questions Directors of Not-For-Profit Organizations Should Ask about Social Enterprise

Board Briefings

- Accountants on Board—A Guide to Becoming a Director of a Not-For-Profit Organization
- A Guide to Financial Statements of Not-For-Profit Organizations—Questions for Directors to Ask

- Board Oversight of Not-for-Profit Program Evaluation — Questions for Directors to Ask
- Board Oversight of Not-for-Profit Collaboration — Questions for Directors to Ask
- Governance for Not-for-Profit Organizations — Questions for Directors to Ask

Board Bulletins

- Advocacy and Political Activities — Questions for Directors to Ask
- Canada's Anti-Spam Legislation ("CASL"): It's the Law on July 1, 2014 — Questions for Directors to Ask
- Cloud Computing for Not-For-Profit Organizations — Questions for Directors to Ask
- The New "Ineligible Individual" Provisions — Considerations for Directors of Registered Charities And Registered Canadian Amateur Athletic Associations

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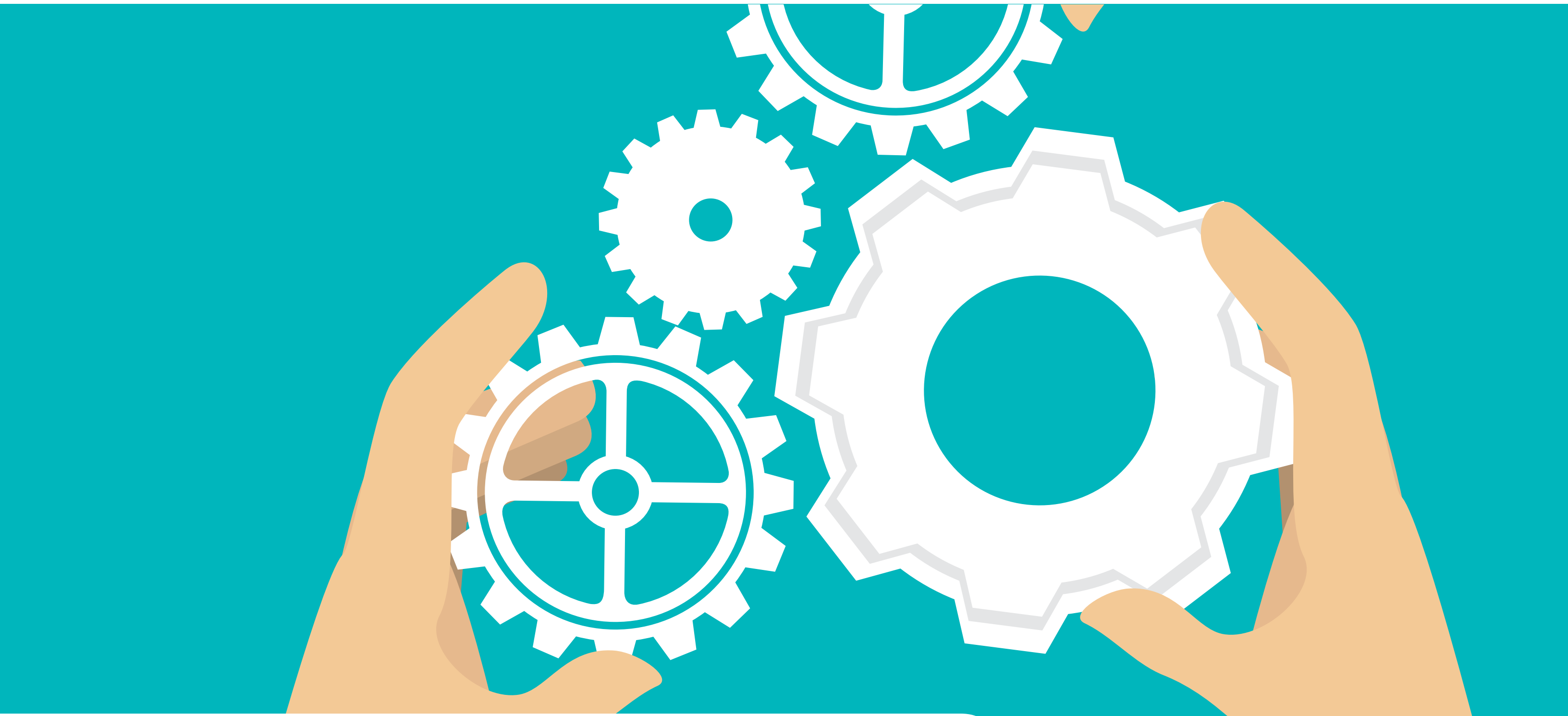
Linda Mollenhauer is Chair of *Ignite NPS*, a foundation which supports the development and dissemination of research and tools targeted to the leadership of not-for-profit organizations across the sector in Canada. Prior to this, she had a consulting practice for over 20 years, working with funders as well as national, provincial and community based organizations in the not-for-profit sector. She facilitated processes which helped guide them toward excellence in governance, leadership, change management, engagement and planning.

Linda has done workshops and webinars and, in collaboration with other experts, published many practical resources, including *Building a Nonprofit Network*; *Benchmarks of Excellence for the Voluntary Sector*; *A Framework for Success for Nonprofit Federations*; *Transformation in Structure and Governance in National Health Charities*; *A Strategic Planning Toolkit*; and *A Culture of Accountability*. She has also coauthored research papers such as: *Strengthening Collaboration in the Not-for-Profit Sector (Ontario Trillium Foundation)*; and co-developed an online resource called *Collaboration Coach*.

Linda was President and CEO of IMAGINE Canada (the Canadian Centre for Philanthropy) and was the Director of its national social marketing program encouraging giving and volunteering. Recent volunteer activity included helping to develop IMAGINE Canada's accreditation program setting out organizational and governance standards for the sector. She has a Master's degree in communication from Boston University.



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