Sharing Services, Sharing Space

Laying the foundation for increased collaboration in the voluntary sector

Summary Report

CCVO
CALGARY
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Acknowledgements

The Calgary Chamber of Voluntary Organizations (CCVO) would like to extend specific appreciation to the many report contributors who have entrusted us to echo their thoughts and opinions in a manner that respects their relationships and experience.

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We hope the findings and recommendations in this report lay the foundation for good work, innovation and progressive collaborations.

The Calgary Chamber of Voluntary Organizations (CCVO) gives voice to the nonprofit and voluntary sector. CCVO's insight and leadership generate results for the sector to thrive and create a vibrant community. Visit www.calgarycvo.org for more information.

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Introduction

Two significant themes in the current environment of the nonprofit and voluntary sector are those of shrinking resources and increasing exploration of alternative ways of doing business. Within these alternative approaches a range of collaborative options exists, and many of these options are being undertaken or considered by sector organizations.

With this context and these possibilities in mind, the Calgary Chamber of Voluntary Organizations (CCVO) has undertaken a multi-phased, shared options project as part of a range of activities that will support collaborative and innovative approaches to sector work. This specific project focuses on shared services and co-location and involves applied research, convening, sharing experience and the identification of tools and resources.

Summary of Ways to Move Forward

Develop Greater Sector Awareness

The working models currently used to support shared service arrangements must be better understood and co-location challenges such as ownership structure, governance and management must be explored and clarified.

Understand Benefits Require Significant Investment

Research indicates the majority of organizations undertaking shared service and co-location initiatives received the benefits they sought within the original agreement, but the process for developing these initiatives is more complicated and time consuming than expected.

Demonstrate Collaborative Innovation

To help ensure the broadest exposure to current practice and increase comfort and participation, creating mechanisms for organizations to share their stories is vital.

Recognize and Support Key Success Factors

While each shared service and co-location arrangement follows some elements unique to its own path, a number of common themes that support success were identified including understanding motivations, having clear and comprehensive business plans and allowing for expansion and disengagement.

Increase Subject Matter Understanding

Both shared service and co-location require: a comprehensive understanding of market needs; business model and financial projections; sourcing experienced guidance; and developing partnership and collaboration skills.

Background

This summary research report marks the first activity of a multi-phased project. The objective is to build knowledge, describe current practice in Calgary and suggest a path towards developing increased comfort and expertise in shared options.

The project is prompted by interest in how collaborative frameworks enhance the ability of nonprofit organizations to contribute to the community. While it is important to understand the nature of all types of collaborations, the following report focuses primarily on the questions surrounding shared administrative and professional (back office) services and co-locations.

The primary research question for this study was: **What are the critical factors to consider in developing and supporting a culture of shared service and co-location initiatives within Calgary's nonprofit and voluntary sector?** To answer this question, the research began by providing common language and definitions. It then explored the sector's experience and interest in shared service and co-location initiatives along with the related risks and benefits.

Research Methodology

The research methodology provided opportunity to isolate leading and promising practices and locate clusters of knowledge to support Calgary-based activity. A mixed-method approach was undertaken for this project using both exploratory and descriptive research. A literature scan of more than 170 documents, reports and articles:

- supported the development of shared service and co-location working definitions;
- indicated models for sharing service and co-locating;
- identified challenges and barriers to these types of activities; and
- clarified supports required by the sector to undertake shared service and co-location.

The secondary research also identified best practices, success factors and areas that required further exploration within the Calgary-context, providing information that gave direction to the primary research undertaken for this report.

It is important to note that, though there is significant literature available to help address the critical questions associated with co-location (governance, ownership structures and management) and shared services (self-sufficient models and quality management), little of this information has been tailored for the legal and regulatory environment in Canada and Alberta. Therefore, an environment rich in information has resulted in an atmosphere cluttered with an overwhelming number of resources that must be scanned and tested by organizations interested in learning from practice in other jurisdictions.

Little of the published information has been tailored for the legal and regulatory environment in Canada and Alberta.

Survey Respondents

The e-survey was undertaken in October 2009. Survey findings reflect responses from 200 charities and nonprofits, representing a 39.4% rate of return. Of those returns, respondents identified themselves as representing one or more of the following subsectors:

- 44% social service agencies;
- 22% education and research;
- 16% arts and culture;
- 16% sports and recreation;
- 9% grant making and volunteer promotion;
- 7% housing and development; and
- 18% chose to remain undesignated.

The majority of respondents are Executive Directors (68%) and, overall, the responding organizations are well established in the community, with 57% having more than 20 years history. In general, responding agencies were optimistic about their financial stability over the next three years, with 41% indicating they expect their situation to improve, although 21% of respondents thought their financial stability would decrease.

More than half of responding agencies operate from one primary site and the majority had budgets of $500,000 or more. The majority lease, rent, or rely on donated space, with 20% of respondents owning real estate assets. Although most agencies report spending 10% or less of their overhead costs on office space, one-third of respondents report that 15% or more of their overhead costs are associated with office space.

> "Collaboration takes time, is a cost and the business model must reflect that time and resource burden."

The project utilized the following definitions for shared service and co-location:

Shared service: a service shared among two or more co-located or physically separate nonprofit organizations, provided by the nonprofit organizations themselves, another nonprofit organization, or a private company.

These services focus on the professional and administrative (back office) services required to support an organization's programs, including: facilities management, purchasing, data management, insurance, benefits, administration, reception, printing, finance, human resources, financial development, legal, marketing, communications, information technology, and risk management.

Co-location: two or more nonprofit organizations located in the same building or at the same site with the intent to share, at minimum, common areas such as conference rooms, kitchens or Internet access portals. (Co-location initiatives that were intended to improve organizational efficiencies and enhance community impact through their co-habitation arrangement – rather than those that were solely tenant-oriented – were more closely examined.)

Shared Services Survey Findings

While the majority of survey respondents (78%) indicated they do not share administrative or professional services, a total of 44 responding agencies (22%) currently participate in shared service relationships. Many of these current relationships have been stable with half (48%) of respondents indicating that their initiative has been active for more than five years. Interestingly, of those organizations currently sharing services, some 63% are co-located with other nonprofit and voluntary agencies.

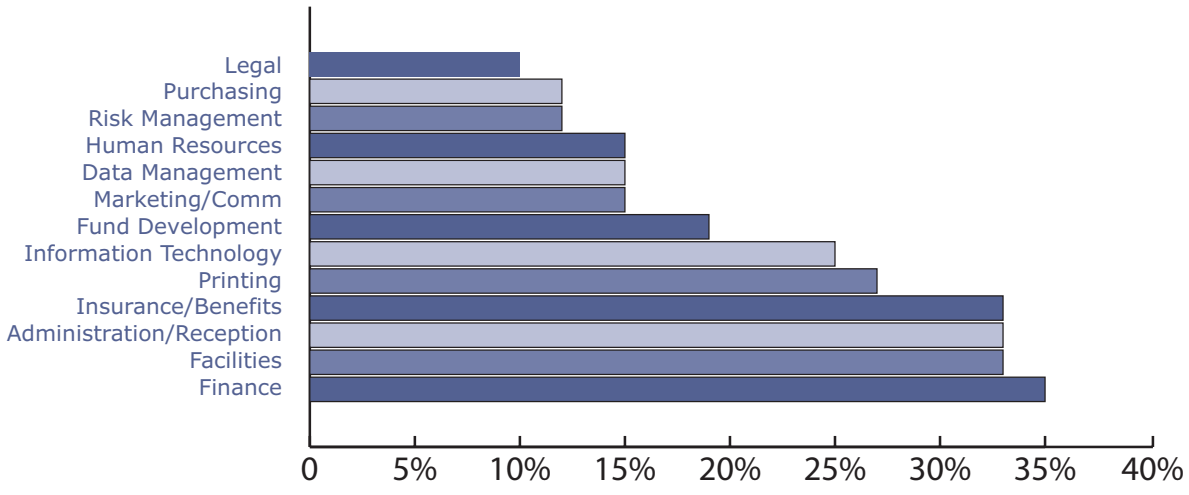
A little more than one-quarter (26%) of all respondents had shared administrative and professional services in past arrangements that were no longer active.

97% of agencies currently sharing services receive the benefits they hoped for.

When asked **why their organizations no longer participated in a shared services arrangement,** respondents indicated:

- the other agency closed its doors, sold the building or otherwise ended the relationship (43%);
- the project or contract ended (21%);
- they moved into their own space (17%);
- there was an unresolved conflict or problem that forced them out of the arrangement (12%); or
- financial constraints and/or funding cuts dissolved the arrangement (9%).

Type and Frequency of Shared Services



Rationale for Sharing Services

The majority of those participating in shared services were prompted into action for cost saving/financial reasons, followed closely by the desire to improve operations and program delivery.

Despite challenges associated with sharing services, some elements worked very well. When asked to identify **elements of shared services that worked better than anticipated,** respondents noted:

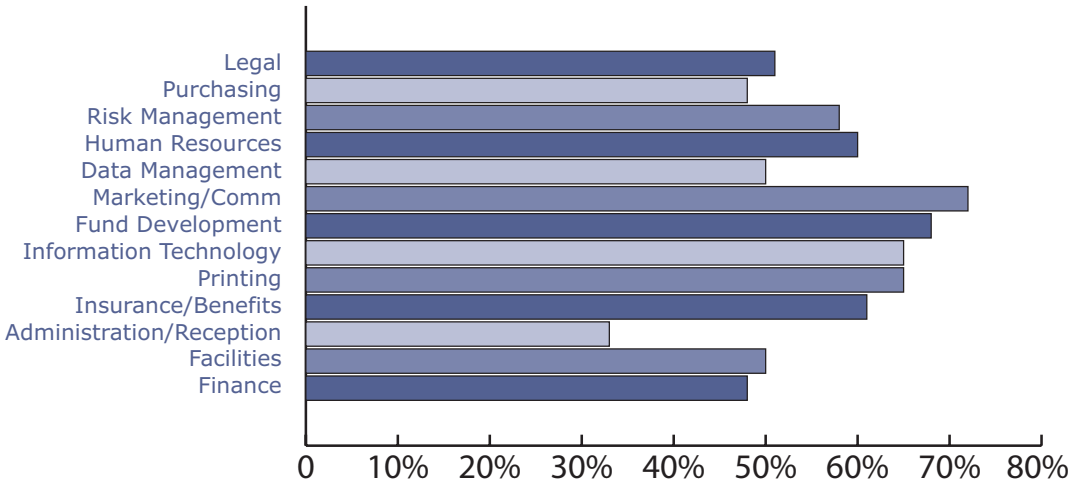
- improved access to knowledge and resources through sharing (63%);
- open communications, trust and collaboration (25%); and
- all elements of shared services worked well, including reducing the eco-footprint through shared infrastructure and equipment (21%).

When asked to identify the **greatest challenges associated with sharing services:**

- 41% of the total 37 respondents to this question said streamlining agreements and policies was the number one challenge; followed by
- time, such as time to develop sharing relationships, and related cost constraints, primarily associated with staff time (32%);
- overcoming unrelated vision, philosophies and operating strategies (30%); and
- communication barriers (14%).

Streamlining agreements and policies was identified as the number one challenge in sharing services.

Shared Services of Greatest Interest



Clusters of Success

In 2002, The Muttart Foundation thought there was a better, more effective and fiscally responsible way for Edmonton's charity-based and nonprofit organizations to operate. That seed of an idea grew into the HR Cluster Pilot Project, which saw six nonprofits of varying size, maturity and budgets collaborate, sharing the skill and knowledge of one human resources expert acting as ring leader, marriage counsellor and wisdom-partner.

At the conclusion of the pilot project cluster (a two-year pilot that operated for more than four years), the members decided to create and self-fund their own HR cluster. Today, the cluster has seven members and is self-sustaining, with organizations contributing their own costs to access expert HR advice.

Interestingly, although this is an example of a successful shared service model – one applicable to most organizational operations, not just HR – the ultimate goal of the project is to build the organizations' in-house capacity and competencies to a point where an external expert is no longer needed. While this may lead to the member organizations no longer sharing services, it will build capacity throughout the sector.

Plans to Share Services in the Future

Some 40% of the 200 responding agencies were in the process of developing a shared professional and/or administrative service initiative. Looking forward, more than 75% of respondents indicated they were interested in developing or expanding shared service initiatives. Several respondents indicated that with recent funding reductions or the threat of reductions, their organizations will need to consider shared service arrangements as a form of cost reduction.

Support Required for Sharing Services

Respondents indicated a number of supports that would have been helpful during the process of establishing their shared service initiatives:

- access to a skills-specific advisor to help with the legal, business and other aspects of creating and operating a shared service (38%);
- additional resources, both human and financial (5%).

Twenty-seven of the agencies currently active in a shared service indicated they still required support by way of:

- funding to support the further establishment of their shared service initiatives, perhaps leading to cost recovery models that decouple the shared service from reliance on external funding sources; and
- improved or renewed business planning/ systems for tracking and cost allocation.

In order to share services with other agencies in the future, organizations need:

- best practice materials and case studies of both successes and failures (49%);
- access to "experts" in the field (49%); and
- more financial support (25%).

"It is very hard to get consensus with a number of agencies and for them to understand the give and take required to meet all of their objectives."

Co-location Survey Findings

One-third of responding agencies (32%) currently co-locate with another agency. These clusters of active co-locations occur with relatively equal weighting throughout the city. The annual budget of organizations currently co-located is weighted slightly towards larger organizations with approximately 45% of respondents operating with a budget of $1.5 million or more. Co-located agencies have an established history in the city, with 59% operating for more than 20 years in Calgary and area. Over the next three years, 43% of co-located agencies believe their financial stability will improve or improve substantially, while 31% think their stability will decrease or decrease substantially. Overall, these arrangements are stable with over half (52%) having co-located for more than five years and nearly half (41%) of all co-located organizations sharing services in addition to space.

More than one-quarter of responding agencies had participated in a co-location in the past in an arrangement that no longer exists. Respondents cited several **reasons for dissolving or leaving a previous initiative,** including:

- disbanding or growth to independence of organization(s) involved in the initiative (53%);
- transition in the people involved in the original initiative (19%);
- poor alignment of goals, values and or mission (16%); and
- conflict in management/approach to shared assets (12%).

Rationale for Co-locating

More than half of the co-locations (57%) are comprised of agencies that work with similar mandates or clientele. When asked whether or not their organization received the benefits sought through co-location, 81% said they had. Of those:

- 50% said co-location offered improved operations and program delivery;
- 24% indicated it provided improved access to bigger or better spaces; and
- 17% said it provided cost savings.

Other respondents also indicated an improved ability to be mindful of each other's organizations and the potential points of intersection in the work leading to synergies that create better service or outcomes. Respondents also indicated improved training opportunities and morale.

When asked to identify the **greatest challenges associated with co-location,** 44% struggled with unrelated visions, philosophies and operating strategies, while others noted the cost of co-location and communication breakdowns.

"We work together all the time in our sector – so we have to ask ourselves why co-locate when it can be so challenging? Co-location is about sustainability and reducing operating costs so that we can spend more of that money on service delivery."

Plans to Co-locate in the Future

Over one-third of respondents were in the process of developing a co-location initiative. When asked if their organization would be interested in co-locating, respondents indicated it would depend on:

- type of organization(s) involved in the co-location (38%);
- potential costs savings, location, and flexibility of the space and arrangement, including clarity regarding equity positions and/or exit strategies (38%);
- ability for the agency to improve community impact through co-location (15%); and
- willingness of the organization's Board to undertake a co-location initiative (9%).

Nearly half of respondents indicated their leadership was prepared or somewhat prepared to undertake a co-location initiative, and 62% were interested in learning more about co-location.

Those with past experience remained more interested in co-location and in exploring co-location with other sub-sectors.

Support Required for Co-location

Of those organizations actively involved in co-location, 70% did not use any professional resources to orchestrate their arrangements. Those that did indicated the professional resources they used were valuable to the process. Expertise most often cited included: legal/contract guidance; fundraising; business planning; and project management.

When asked to identify supportive requirements in order to co-locate with other agencies, of the 80 responses the two most common were financial (23%), and the need for information/ guidance (20%), such as:

- access to a skills-specific advisor who could provide expertise where required;
- workshops, information and tools on co-location, including a central resource to connect agencies and support communications and collaboration; and
- clearly defined processes and procedures, including a good strategic fit between partners and flexibility in the arrangement to meet partners' needs.

> Those experienced in co-location emphasized the need for creating clear, formal and transparent agreements.

The majority of respondents (71%) with experience co-locating emphasized the need for creating clear, formal and transparent agreements, including written detailed agreements to clearly identify fiscal responsibility and expectations. Other respondents emphasized the importance of high level, ongoing communication between parties; having a third-party involved in the front-end planning and on an ongoing basis; and choosing the right partner with whom to co-locate.

> "Creating infrastructure takes leadership. I don't think you can successfully create a shared building through a fully democratic process, where everybody has a say over everything."

Advice from Calgary Practitioners

Survey findings and interviews with local leaders led to the following key pieces of advice.

Sound Planning and Long-term Thinking

The importance of sound planning and long-term thinking was heavily emphasized. This translates into comprehensive strategic and business plans that provide action today for future initiatives. Shared service and co-location arrangements must be based on solid, trusting relationships. Time is required to establish these relationships and informal networks are a valuable environment from which these relationships emerge.

Action-oriented Leadership & Resources

Strong, clear and persistent leadership is needed to implement a collaborative vision. There are unique skills required to establish these initiatives, including facilitation, conflict resolution, and an understanding of the process required to establish a shared service and/or co-location. In all cases where contributors had experienced highly integrative collaborations, they indicated the process is resource intensive, and organizations need a clear understanding of the benefits in order to stay the course.

Clarity Regarding Motivations

While there is recognition that co-locating and sharing space helps organizations achieve significant efficiencies and stabilize facility costs, practitioners indicated that cost savings alone are not enough and that these arrangements must also further the organization's broader mandate.

Economic challenges, however, do provide clear incentive to learn more about how shared service and co-location may help support organizational resiliency. Several survey respondents indicated the current financial challenges facing their organizations will demand a transition of this type in the years ahead. This is due to the need for stabilized infrastructure, increased control over that infrastructure, and reduced infrastructure and operating costs.

The Art of Collaboration

Calgary's Epcor Centre for the Performing Arts is used to stealing the show. So it comes as little surprise that this co-location/shared service is centre stage in the area of collaboration. The eight resident companies, including Theatre Calgary, the Calgary Philharmonic Orchestra and the Calgary International Children's Festival, are so successful in working together, the University of Calgary's Haskayne School of Business is using the Centre as case study material.

Groups not only share a building, but also a phone system, box office, building services, some accounting, and marketing. Most notably, the companies share Epcor Centre's new magazine, *Stephen*, with an editorial committee that has representation from marketing managers of each resident company, at no cost to them. Through sound leadership and "absolute" transparency, even the Centre's governance model changed, as did its business model and culture, all with an eye to the next big project – a major expansion of the Centre as a collaborative venture of 12 arts organizations.

Conclusions: Critical Factors to Develop a Sharing Culture

Calgary nonprofit and voluntary sector organizations are collaborative entities that are engaged in exploring new ways to optimize their community impact, and are increasingly interested in shared space and services as a way to reach their goals. There is limited infrastructure or expertise in Calgary to support strategic transitions, whether they are co-locations, shared back-office service arrangements, or other collaborative strategies that help optimize an organization's performance. The following are critical factors to grow and support a culture of shared service and co-location in Calgary.

Develop Greater Sector Awareness

Several crucial factors to developing a sharing culture were identified as a need to:

- expand learnings from the working models currently used to support shared service arrangements, including imbedded, cluster, independent and fiscal sponsorship models active throughout North America; and
- explore, clarify and de-risk ownership structure, governance and management challenges of successful co-location initiatives.

> "Co-located organizations must have similar DNA – they need to come to the table operating at similar levels of sophistication and with great respect for one another if they hope to be successful."

Understand Benefits Require Significant Investment

Returns from the e-survey indicate the majority of organizations undertaking shared service and co-location initiatives – difficult as they can be at times – have received the benefits they sought within the original agreement. Research points to reports of cost savings associated with sharing services and leasing expenses. But the process for developing these initiatives is more complicated and time consuming than expected.

Several research participants indicate the process can be derailed simply through a shift in perspective and/or personality, such as what might be seen during a leadership transition. With such an enormous investment of resources being jeopardized by personalities, some organizations that have long shared services or provided back office support to smaller agencies see limited to no benefit to their organizations acting as the service coordinator.

Demonstrate Collaborative Innovation to Create More of the Same

It is important to note the geographic or sector clustering of shared service/co-location models. Anecdotally, research participants indicated they saw an increase of interest and action to develop co-location initiatives once a demonstration project was completed within a community. In the case of shared services, participants said these services compounded in popularity as subscription rates to them increased. As mentioned, responses to the survey indicate that organizations with experience sharing are more likely to participate in a sharing arrangement. To help ensure the broadest exposure to current practice and increase comfort and participation, creating mechanisms for organizations to share their stories is vital.

Recognize and Support Key Success Factors

- **Understand motivations:** Clear benefits and a strong values proposition must be identified early in the process in order to keep agencies and their Boards engaged.
- **Know strengths and develop new skills:** Be prepared to bring in professional support for items unrelated to the mission.
- **Have a clear and comprehensive business plan:** Develop a realistic business plan that will account for start-up capital expenses, marketing, and ongoing long-term management.
- **Put it in writing:** The black and white formality of service and legal agreements is of paramount importance.
- **Allow for expansion and disengagement:** Ensure there is room for growth and consider how partners can disengage.
- **Ensure effective governance:** Clarity surrounding ownership, operational structures and governance is crucial from the start.
- **Provide sound management:** Ensure that someone with the appropriate management skills is in place to oversee and support the success of a shared service/co-location.
- **Set goals:** Successful shared service and co-location initiatives establish very specific missions and goals before starting the project.
- **Affordability is not everything, but it is a strong motivator:** To participate in a way that benefits all, organizations may need to integrate and collaborate more deeply than ever.

Greater Subject Matter Understanding

Just as any individual or organization carefully considers an investment in commercial real estate or weighs the benefits of starting a business, nonprofit and voluntary sector organizations must also ensure they are considering information that helps them make the best investment for their organizations and their missions. Both shared service and co-location requires a comprehensive understanding of the following:

- **Market needs:** Include a process to analyze market information, supply and demand of services or space.

Birds of Various Feathers Flock Together

The Redpoll bird is a hardy species that endures difficult circumstances and challenging conditions – not unlike many nonprofit agencies. So when it came time to name a new initiative in Fort McMurray in which organizations would come together, naming it after a bird with similar characteristics and a strong sense of community just made sense.

The Redpoll Centre, created by the United Way of Fort McMurray and Suncor Energy Foundation, is a specially-designed co-location/shared service initiative that provides affordable and sustainable office space for seven small nonprofit organizations, which flocked to the centre when it opened in 2009. Before the 3,500-square-foot office was renovated, some of the agencies now nesting there were working out of home basements and meeting clients in coffee shops. Today, they are part of a below-market leasing arrangement that offers a professional work environment – including communal spaces and equipment – and provides opportunities to build collaboration and learn from one another.

With a Suncor staff person on loan to manage the project and animate the community for the United Way, Redpoll Centre participants have increased their profile in the community and helped one another in large and small ways, from setting up accounting systems and establishing recruiting processes to ensuring clients are referred to the right agency. As an important intended outcome that benefits all involved, the centre also provides a peer-learning environment for participants.

- **Business model and financial projections:** With a variety of ownership and operating models, shared service/co-location initiatives require a process for determining best fit.
- **Experienced guidance:** Understanding and seeking out the expertise required to assist organizations in sharing services or co-locating is absolutely critical to success.
- **Developing partnership and collaboration skills:** Partner negotiation, process facilitation, conflict management and resolution, mediation, community engagement, and other key skills are required to ensure success.

The desire to pursue this work combined with significant preparation and the right internal and external environmental factors place organizations in an excellent position to succeed. However, the right timing has a multiplying affect on the ability for an organization to 'close the deal' on innovations such as shared space or services.

A Model to Measure Internal and External Catalytic Factors

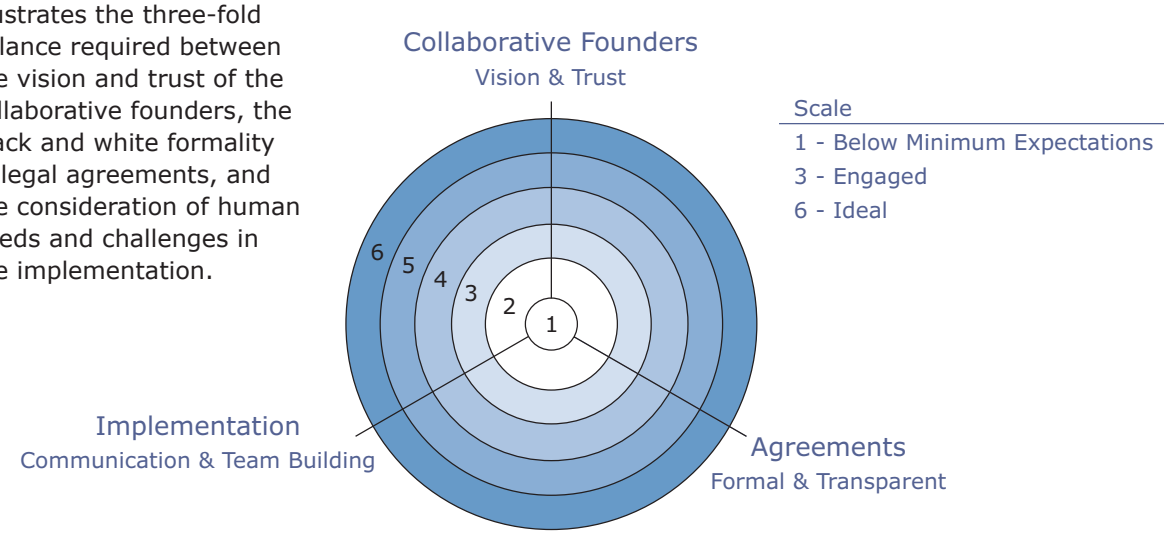
Situations where there is both a push and pull create the best environment to support shared service and co-location initiatives. Whether prompted by restrained resources or by a strong collaborative vision, it takes a certain type of organization to be successful with projects that share resources across agencies. An environment rich in communication and team building is critical to realizing the success of written agreements.

As such, it is vital to create an internal environment where there is a three-fold balance between the visions and trust of the collaborative founders, the black and white formality of legal agreements, and the consideration of the human needs of stakeholders within the challenge of implementation.

Intentionality in Relationships makes the Difference

When organizations pursue shared service and co-location initiatives, on many levels they are pursuing a new way of life. Because sharing requires and creates different dynamics between people and organizations, it is important to invest in significant relationship building at the front-end in order for these initiatives to succeed. To support success, an experienced project or process manager was identified as an important resource. Organizations undertaking this work indicated they need a focused leader to drive and orchestrate it, as this level of collaboration is not something that can happen at the side of someone's desk.

This Tri-Focus model illustrates the three-fold balance required between the vision and trust of the collaborative founders, the black and white formality of legal agreements, and the consideration of human needs and challenges in the implementation.



The Way Forward

Developing and supporting a culture of sharing requires a long-term commitment, demonstrated collaborative leadership from proponents, and a financial investment to support the work. A coordinated, sustained and strategic approach is required by all elements of the nonprofit and voluntary sector, including funders and facilitator agencies. A number of sector bodies are undertaking collaborative activities, but the research indicates there is both increasing practice and appetite for this work.

The following bullets highlight some of the key considerations as we move forward with what we now know:

- In order to fully take advantage of the benefits and possibilities inherent in this work, there is a need for intentional, broad-based, long-term commitment on the part of all stakeholders within a collaborative infrastructure. This infrastructure includes three key components:
    - financial resources;
    - centralized information resources and practical tools through a neutral third-party partner organization; and
    - the experience, wisdom and engagement of nonprofit and voluntary organizations themselves.

This infrastructure presents an opportunity for funders, granters, government, and facilitators to collaborate in a way that demonstrates leadership, commitment and the safe exploration of shared options.

- There is no one turnkey solution for shared service or co-location because each scenario must be designed with the unique, mission-oriented vision and assets of its participants in mind. However, the practical application of past experience can be utilized to build clear development paths that help ensure organizations invest resources where they are needed most: partnership/relationship development, risk analysis, scenario development and project management.
- Sharing this report's findings is the beginning of a broader dialogue in which the sector must engage openly in order to learn from the experience inherent in our community.

It became apparent during the research that, while often very valuable and workable, shared service and co-location are only two of the potential strategies to address sector optimization. Other types of collaborative activities may provide a better fit depending upon an organization's skills, assets, stability and motivation.

In an environment of shrinking resources, and with a future that will see more frequent strategic collaborations in the nonprofit and voluntary sector, funding, granting and facilitating organizations have a responsibility to not only support these activities, but to demonstrate the value of them through collaborative action. If we fail in this regard, there are strong indicators that market forces will ensure these transitions occur without the strategic input of the sector itself resulting in arrangements that may not be in the best interest of the community.

> "The trick is to get it roughly right… then go from there. Recognize that this is an iterative process."

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