Family & Community Services
Ageing, Disability & Home Care

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Glossary

Disclaimer: The Department of Family and Community Services (FACS) does not warrant that these definitions are correct. Directors should seek professional legal advice relevant to their issues.

acquisition – One organisation acquiring or taking over another. Usually involves a change in legal status and a transfer of resources from one entity to another.

alliance or coalition – Multiple partners may work together to achieve a shared goal, such as improving outcomes for people receiving services. This does not require formal integration – each member maintains independence and autonomy.

auspicing – Where an established organisation supports or assists a new or struggling organisation by providing a management and governance structure, or back office systems (such as finance or human resource management). In some instances the auspicing organisation may share its existing accreditation/s with the junior partner.

brokerage – Where an organisation facilitates the delivery of services on behalf of a person through another provider using funds that are available to support that person.

cartel – A group of organisations acting together in a way that limits competition.

commercial in confidence – Refers to confidential information that is commercially sensitive, and therefore that an organisation does not necessarily want to disclose publicly.

consortium – A group of organisations jointly associated to pursue shared objectives under a legally binding agreement. Each organisation retains their independent legal entity, character and name.

board – the governing body of an organisation, made up of directors. *Note: some organisations refer to the board as management committee and to the directors as management committee members. The term 'board' is used in this manual to include management committee*.

due diligence – The term used to describe the legal duty and process whereby an organisation assures itself of the financial viability and good standing of a potential collaborator.

federation – Organisations with shared values or goals may come together in a federation in which there is a national or state (lead or umbrella) body, bringing together other organisations under a common banner who will generally adopt a shared name. Members of the federation will commonly establish clear geographic or service delivery type operating boundaries.

joint venture – The term refers to two organisations retaining autonomy and independence, but setting up a new legal entity to carry out a joint project. This entity could have a board made up of representatives from each party.

merger – A merger is the amalgamation of two or more organisations to form a new single entity. It is considered a merger when two or more organisations voluntarily initiate a merging of organisational structure including legal structure, assets, funding and service delivery.

networking – A loose grouping of organisations with no integration, often set up for the sharing of information. May occur at the staff, management or board level and occurs through informal networks, meetings, shared interest groups, workshops etc.

outsourcing – A discrete piece of work is contracted out to a trusted supplier who can complete it more efficiently or effectively.

partnership – In this context refers to the many different ways that organisations may work together collaboratively.

person centred approach – A way of supporting and working with service users that puts the person at the centre of planning, funding and support and service arrangements.

resource sharing – Often refers to an arrangement with a lead organisation facilitating (brokering) the sharing of resources or information among partner organisations.

strategic alliances – In this context refers to the many different ways that organisations may work together collaboratively. The terms strategic alliance and partnerships can be used interchangeably. Some organisations will prefer the term partnerships, while others will find it too formal and will prefer a term like strategic alliances.

subcontracting – Where an organisation enters into a contract with a third party provider to deliver services or activities that it would usually provide directly. This option allows an organisation to obtain services that people need without having to establish the infrastructure to provide the service itself.

supplier – The supply of services at standard commercial rates is common business practice, and yet "preferred provider" relationships may be established in which a degree of trust and respect is developed – and so a partnership forms.

About this chapter

No organisation operates in isolation – your organisation will already be involved in partnerships on many levels. Partnerships can enable organisations to better meet the needs of their service users and maximise service delivery. Directors and managers will regularly need to consider opportunities to establish **formal** partnerships. Service delivery staff may be effectively generating **informal** partnerships where ideas, information and delivery of projects are often shared.

Partnerships refer to the range of ways organisations can work together through collaborative and/or commercial arrangements to enhance the delivery of services.

This chapter explores the nature of partnerships and the critical issues involved in identifying, establishing and maintaining successful partnerships. The primary consideration throughout is how a potential partnership will benefit service users. For example, disability services need to consider how they can best support people with disability to exercise their choices and preferences, and participate in the community as they wish.

The way in which services for people with disability are provided is changing. The recent reforms of the disability services sector puts people at the centre of service delivery. In the context of the National Disability Insurance Scheme (NDIS), where the focus is on person-centred approaches and individual choices, partnerships can be a critical mechanism to ensure that there is sufficient supply, innovation, flexibility and sustainability in the system to accommodate the diverse needs and choices of people with disability, their families and carers.

Partnerships provide opportunities for service providers to build community networks and leverage social capital, and create public value by supporting a more flexible and responsive human services industry.

The development of partnerships is just one part of the broader strategic planning undertaken by organisations to maximise their impact and ensure sustainability.

There are five practical tools provided at the end of this chapter to assist directors and senior staff within the organisation to consider the benefits of partnerships, assist in the formation of partnerships and to evaluate them once they are formed. Checklists and other resources are included in the References section at the end of the chapter.

This chapter is not intended to provide legal or other professional advice and should be used as a guide only.

9.1 Partnerships

Partnerships offer a way of creating innovative service models, building the capacity of organisations, engaging with the community and establishing better links between mainstream services and specialist community service providers. Through effective partnerships organisations may be able to offer services and achieve results for their local communities and service users which may not have been possible on their own.

> **TIP:** With the transition to NDIS and shift to individualised funding, disability service organisations need to implement person centred support. One of the key elements of the principles at the heart of person centred support is the focus on community inclusion, participation and connectedness. Decisions need to be made locally, service planning needs to involve the personal and community networks in which the person lives, and the resources of the community need to be coordinated to help meet service user needs. The development of strong partnerships is critical to achieving this.

In an increasingly competitive environment, service providers need to demonstrate the ability to develop strong networks to support the delivery of services, building social capital, social inclusion and community resources. In a market-driven context, partnerships may provide service providers with the competitive advantage required to meet the needs of the local community while being sustainable and financially viable.

Building effective partnerships requires skills, commitment and resources. This chapter will help identify the skills needed to identify and develop partnership opportunities, and identify the resources and energy that will need to be invested across different forms of partnership.

9.1.1 Partnership structures

Partnership types vary from collaborative to commercial partnerships and involve varying degrees of integration.

Collaborative partnerships generally involve organisations entering into agreements as equals.

Commercial partnerships involve the provision of goods or services from one organisation to another – generally for a negotiated price.

Many partnerships contain both commercial and collaborative elements. The table below identifies some common partnership arrangements, and the degree of organisational integration involved the nature of the relationship between the parties.

Partnership types	Level of integration					
	Low		Moderate		High	
Collaborative partnership	Networking	Resource sharing	Alliance Coalition	Consortium	Federation	Joint venture
Commercial partnership	Merger	Supplier	Outsourcing	Sub-contracting	Auspicing	Acquisition

This chapter focuses on collaborative arrangements while acknowledging that the nature of partnerships can change and evolve over time. The range of collaborative partnership types are described below.

9.1.1.1 Collaborative partnerships

Networking – A loose grouping of organisations with no organisational integration – often set up for the sharing of information. May occur at the staff, management or board level and occurs through informal networks, meetings, shared interest groups, workshops, etc.

Resource sharing – Often refers to an arrangement with a lead organisation facilitating the sharing of resources or information among partner organisations. Shared back office arrangements or co-location are types of resource sharing. Requires some level of formal integration.

Alliance or Coalition – Multiple partners may work together to achieve a shared goal, such as improving outcomes for people receiving services. This does not require formal integration – each member maintains independence and autonomy.

Consortium – A group of organisations jointly associated to pursue shared objectives under a legally binding agreement. Each organisation retains their independent legal entity, character and name. Consortia are often formed to fulfill the needs of a particular job that a single organisation does not have the capacity to cover fully.

Joint venture – Two organisations retaining autonomy and independence, but setting up a new legal entity to carry out a joint project. This entity could have a board made up of representatives from each party.

Federation – Organisations with shared values or goals may come together in a federation in which there is a national or state (lead or umbrella) body, bringing together other organisations under a common banner who will generally adopt a shared name. Members of the federation will commonly establish clear geographic or service delivery type operating boundaries. The formation of industry peak bodies is an example of this type of partnership.

9.1.1.2 Commercial partnerships

Supplier – The supply of services at standard commercial rates is common business practice; "preferred provider" relationships may be established in which a degree of trust and respect is developed – and so a partnership forms.

Outsourcing – A discrete piece of work is contracted out to a trusted supplier who can complete it more efficiently or effectively.

Subcontracting – Where an organisation enters into a contract with a third party provider to deliver services or activities that it would usually provide directly. Subcontracting arrangements may require the formal written agreement of the individual service user, where relevant. Subcontracting should be distinguished from brokerage, which is where an organisation facilitates the delivery of services on behalf of a person through another provider using funds that are available to support that person. For both subcontracting and brokerage arrangements, organisations must have the necessary safeguards in place to ensure that the services that are delivered are to an appropriate quality, deliver the necessary results and are value for money.

Auspicing – An established organisation may support and assist a new or struggling organisation by providing a management and governance structure, or back office systems (such as finance or human resource management). In some instances the auspicing organisation may share its existing accreditation/s with the junior partner. Generally, the auspicing organisation will charge a management or similar fee for the support it provides. The agreement will need to include clear exit provisions – commonly the junior partner will be developing the capacity to become an independent organisation in the future.

Merger – A merger is the amalgamation of two or more organisations to form a new single entity. It is considered a merger when two or more organisations voluntarily initiate a merging of organisational structure including legal structure, assets, funding and service delivery.

Acquisition – In certain circumstances, one organisation may acquire or take over another. This is a complex legal process, often triggered in the not-for-profit sector by a request from an organisation whose board no longer feels that their organisation has a sustainable future. The board is responsible for due diligence to ensure potential partners are financially sound, culturally aligned and will continue to meet the organisation's aims and the needs of service users.

9.2 Partnerships in the community sector

The first thing a board should do when considering establishing a partnership is to ask:

- what do we want to achieve?
- how will the partnership support the strategic direction of the organisation?
- how will the partnership benefit our service users?

There are a range of reasons why an organisation may want to enter into a partnership with other services and organisations including:

- improve services to existing service users
- expand services to meet the needs of new service users
- increase range of services and/or geographical coverage
- improve access to services for potential service users
- create long term sustainability of services, meeting service users needs in the long term
- build social capital and enhance the capacity for social inclusion in the local community
- increase efficiencies and financial benefits
- specialisation, allowing each partner to focus on best practice in core areas of business
- create communities of interest that increase an organisation's expertise and the information available to staff and management
- raise the organisation's profile and advocacy capacity – organisations working together often have a stronger voice
- increase fund raising capacity
- achieve short-term outcomes, such as writing joint submissions
- seek funding that may not have been possible acting independently
- improve linkages and easier referrals
- increase skills required of employees
- recruit and retain workers
- provide wider and more coordinated range of services.

9.2.1 Meeting service user needs

In the human services sector, both nationally and at state level, policy and practice now focuses on outcomes for people, person centred practice, consumer choice, and market driven services.

An organisation should continually identify and review the needs of their service users, and customise and tailor services to respond to and meet individual needs.

In the case that the needs and expectations of service users cannot be met with existing resources and capability, an effective response may be to draw on the expertise, resources and networks of other organisations.

The ultimate test for whether any partnership should proceed is: what is in the best interests of the service user?

9.2.2 Building on success

Informal collaborative arrangements will exist in most community organisations, because of staff relationships and networks in the community and board member contacts. Existing relationships are an opportunity to develop higher impact partnerships. Where cultural alignment already exists, organisations may rapidly move to consider sharing back office functions and systems, or developing alliances or a consortium to enable economies of scale to be achieved.

9.2.3 Sector initiatives

Peak bodies coordinate collaborative partnership opportunities for the benefits of members and the community sector. This may include participation on working parties, advocacy of a common issue of concern and peer exchange of practice and policy. The level of commitment and effort required varies depending on the degree of contribution and negotiation required.

9.2.4 Strategic planning

Strategic planning provides structure and rigour to organisational decision making and enables community service organisations to maintain an overview of priorities and direction.

The strategic plan sets out the goals of the organisation for three to five years and states the vision, mission and values of the organisation. The strategic plan will indicate whether pursuing and maintaining strategic partnerships are important priorities for the organisation, and defines agreed performance measures for successful partnerships.

See *It's Your Business, Chapter 3, Strategic Business Planning* for more information

> **TIP:** In transitioning to the NDIS, disability service providers might want to consider engaging another organisation in a parternship to enhance their capacity to meet service user needs or even expand their service provision. Your organisation could undertake a strategic planning process of scenario modeling to determine whether a partnership arrangement might be beneficial.

9.3 Preparing for partnership opportunities

9.3.1 Capacity to enter into partnerships

The amount of effort and resources required to ensure a partnership is effective is high and additional to business as usual. Two of the most time-consuming elements of forming a partnership are the building of trusting relationships, and conducting due diligence.

Due diligence describes the process where the board and senior staff seek assurance of the financial viability, good standing and cultural fit of a potential collaborator. The Charities Commission in the UK classifies due diligence into three categories: **commercial, financial** and **legal**. An adapted version of their due diligence checklist is included in the toolkit (see **Resource 3 Due diligence worksheet** and collaborative working and mergers, *Charities Commission UK*).

The checklist is comprehensive and can be used selectively to assist in pursuing due diligence activities.

The following table provides an estimate of the time and nature of the commitment that may be required for different types of collaborative partnership arrangements.

Partnership commitments	Collaborative partnership				
	Networking	Resource sharing	Alliance or coalition	Joint venture	Federation
Establishment time	Minimal	Up to 2 weeks	Up to 2 months	Up to year	Up to year
Form of agreement	Verbal	Letter or email	A signed MOU	A formal legal agreement	Constitutional amendments

Section 9.1.1 provides more information about the different partnership structures.

As this chapter does not cover commercial partnerships in any depth, the above table does not include commercial partnerships. Service providers should seek further advice, including legal advice, in relation to commercial partnerships.

9.3.2 Low risk partnerships

A low risk partnership is when the level of integration and the cost of establishing the partnership are minimal and the risk to service users and the organisations involved is generally low. Beyond networking and interagency meetings, resource sharing is a common first step by organisations seeking the benefit of partnerships without the associated risks. For example, organisations working in a common building may share cleaning and security arrangements or reception services. Staff may work part-time for two or more organisations, or may jointly purchase items to achieve economies of scale. Such resource sharing is an excellent “try before you buy” strategy for learning about potential partners before committing to more legally binding arrangements.

9.3.3 Finding out about potential partners

For formal partnerships, or when working with organisations that are not well known to your board and management, a due diligence process is needed to inform the board of the suitability of the potential partner. This process can include:

- meetings with partner organisations' management/board to learn their views and motivations, and in particular, seeing if there is an alignment of organisational values. Resource 1 provides a value assessment checklist.
- reviews of publically available information about the organisation, generally available on its website – annual reports, strategic plans and similar documents.
- for legally binding arrangements, a more in depth due diligence process of your potential partner's constitution, finances and governance is important. Refer to Resource 3 Due Diligence checklist
- considering the reputation of your potential partner(s), particularly as understood by your key stakeholders, your local community, your staff, your service users and your donors.

Unless commercial in confidence considerations are involved, a consultation process should take place with staff, service users and other stakeholders to identify their perception of the need for the partnership.

Engagement and good communication with service users helps to manage risk, especially reputational risk, by highlighting and addressing any potential negative perceptions and impacts early in the process. A good communication plan will anticipate the best time to inform stakeholders of the potential partnership to manage any adverse reactions.

Staff are likely to be directly affected by a partnership – it is important that they are appropriately engaged at key stages and are always informed of the impact on them of potential new arrangements. Staff may also perceive adverse implications to their job or their position, so discuss changes with them in a timely manner. In the majority of cases a new partnership will be a net benefit to staff – expanding the opportunities available to them and their ability to meet the needs of service users.

> **TIP:** In order to ensure your staff are prepared for any changes, particularly with the likely increase in partnerships towards the transition to NDIS, it is important that your organisation has in place a systematic process for reviewing workforce planning and staff training. This will help to lower any apprehension the staff may have, for example regarding mergers.

Appointing internal staff champions for a partnership will provide impetus for change amongst staff, and help ensure concerns can be identified and responded to at the organisational coal-face. Where staff roles will change because of the partnership, identify any requirements for new skills or changes to work tasks – carefully planned and timed training processes will be needed.

There is no hard or fast rule about when or how much to involve different stakeholders – it will depend on each collaboration, but generally the greater the level of involvement or the greater the effect on service users, the greater the risk for damage to the organisation from a poor collaboration, particularly with respect to reputation. Involving service users, families and communities helps to manage the risk of a poor collaboration.

It should be noted that in some cases – initially, at least – it may not be strategically useful to discuss aspects of a proposed merger or acquisition with service users, their families or communities due to the confidential nature of the proposed transaction. If in doubt about matters of confidentiality, legal advice should be sought.

9.3.4 Common considerations

The following list of considerations may assist boards with making decisions about potential partners.

What we offer – Where all parties are bringing roughly equal contributions to the table, a collaborative partnership may be workable. However, if one partner will be heavily dependent on another, a fee for service commercial partnership may be more mutually advantageous.

The alignment of the partners' aims and objectives – There is a higher likelihood of success for long-term partnerships, or to merge organisations, where there is an alignment of aspirations and values between the organisations.

Culture – This refers to the system of shared assumptions, values, and beliefs, which governs how people behave in your organisation. It is important to consider how well the cultures of both organisations will integrate in a partnership and address what aspects both organisations want to hang on to and what they are willing to let go of.

Level of coordination required – Consider the decision making required for each partnership type. An informal partnership allows organisation's more autonomy, but may result in less control over implementation strategies and outcomes. The greater the need for a single point of decision making, the more integrated the partnership arrangement needs to be.

Quality assurance – Does the potential partner meet and maintain the level of quality, industry standards and service user outcomes that your organisation is required to satisfy. These may be determined by the conditions of contractual agreements or the regulatory environment under which you operate.

Governance – The degree of integration and or renewal of a partnership arrangement needs to be considered. Whether the partnership will require a new ongoing board (eg. in the example of a merger or joint venture) or whether it will require a temporary governance/advisory structure that will cease to exist if and when the partnership ceases to exist (eg. an alliance or coalition). If there is a new governance structure, the degree of decision making will need to be decided (eg. will it have a degree of delegated authority or will it have a purely advisory role).

Budget – a budget prior to setting up any formal partnership arrangement provides a realistic picture of costs.

Risks – The more formal the partnership, the more exposed an organisation may become to taking on risks of the other organisation, as such there is an increasing need for due diligence (see Resource 4 Partnership agreement).

Impact on current revenue and contracts – Each partner is likely to already have obligations and contractual requirements to fulfill. There may be specific provisions that can limit the flexibility of partnering arrangements.

Legal and constitutional implications – Organisations must be wary that they are not forming a cartel (see Section 9.4.7.4) and are not in conflict with their constitution, requirements of incorporation, or applicable state and federal laws. Due process will vary from organisation to organisation, and any specific requirements should be addressed in the constitution.

9.3.5 Assessing opportunities

For straightforward project partnerships, an assessment and review by management will generally be sufficient. However, for more complex formal partnerships, a working party or steering committee should be set up to provide oversight to the initial review process.

A risk assessment (per the process of assessing and rating risks as set out in detail in *Chapter Six* of *It's Your Business*) will help identify concerns. A good risk management strategy will deal with each risk in some way, eliminating, minimising, transferring or accepting each risk.

A cost/benefit analysis – listing and quantifying financial and other costs and benefits – will help determine if the collaborative arrangements add value to people receiving services. Resource 2 provides a template for this analysis, while Section 9.2.2 provides a list of common partnership benefits. Common partnership costs to consider include:

- insurance requirements if new activities will be undertaken
- staff recruitment and/or training costs, and staff time to deliver on partnership agreements
- opportunity costs – what else could the organisation's resources be used for?
- management and board effort
- marketing costs, especially for new projects or merged organisations
- head office staffing costs – finance requirements, management and corporate governance body time
- establishing new procedures and updating existing procedures
- cost of professional advice (legal reviews, etc.)
- changes to information technology systems
- exit costs if the partnership ceases.

9.3.6 The impact of multiple decision makers

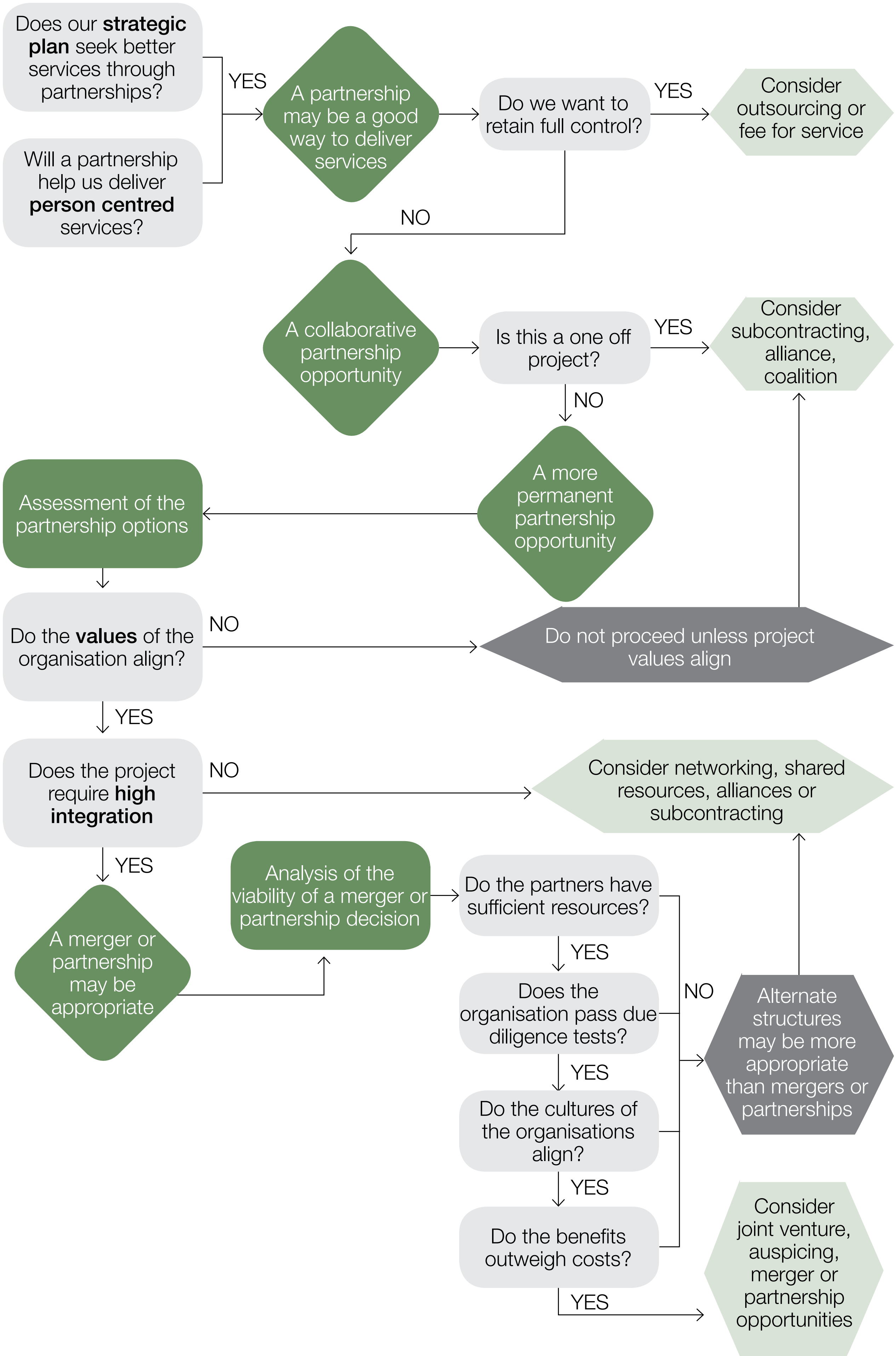
The board should consider how many stakeholders should be involved in making the initial decision to partner or not, and at what point different stakeholders should be engaged with the decision making process. Stakeholders could include:

- multiple layers of management
- service users
- key stakeholders on board subcommittees as well as the full board
- affected third parties, such as family and carers.

A high number of decision makers can be unwieldy and pose a risk in the early stages and could derail a robust partnership investigation. Additional time and resources are needed to achieve effective buy-in by all stakeholders. Initial due diligence and an in-principle decision to partner should be conducted prior to all stakeholders being involved in the final decision making.

9.3.7 Decision tree

A decision tree capturing many of the issues on the following page may assist in thinking through issues logically.


Does our **strategic plan** seek better services through partnerships?
Will a partnership help us deliver **person centred** services?
YES
A partnership may be a good way to deliver services
Do we want to retain full control?
YES
Consider outsourcing or fee for service
NO
A collaborative partnership opportunity
Is this a one off project?
YES
Consider subcontracting, alliance, coalition
NO
A more permanent partnership opportunity
Assessment of the partnership options
Do the **values** of the organisation align?
NO
Do not proceed unless project values align
YES
Does the project require **high integration**
NO
Consider networking, shared resources, alliances or subcontracting
YES
A merger or partnership may be appropriate
Analysis of the viability of a merger or partnership decision
Do the partners have sufficient resources?
YES
Does the organisation pass due diligence tests?
YES
Do the cultures of the organisations align?
YES
Do the benefits outweigh costs?
YES
NO
Alternate structures may be more appropriate than mergers or partnerships
Consider joint venture, auspicing, merger or partnership opportunities

9.4 Establishing a partnership

9.4.1 Confirm the partnership is feasible

Once a formal partnership opportunity has been assessed and is considered feasible, and stakeholders are in agreement, the final decision to confirm go ahead is the responsibility of the board. A briefing paper should be provided to the board which covers:

- how the needs of service users will be addressed or enhanced
- the impact on the current strategic plan
- whether a plan, contract or Memorandum of Understanding is in place that outlines the responsibilities of each partner (see **Resource 4 Partnership agreement**)
- there is a net benefit to your organisation (see **Resource 2 Cost/benefit analysis**)
- the outcomes of the due diligence process
- potential risks and risk mitigating strategies have been identified and resourced (see **Resource 3 Due diligence worksheet**)
- whether the partners have articulated a shared objective and value alignment (see **Resource 1 Assessing values worksheet**).

9.4.2 Value alignment

High value alignment is important for successful partnerships, particularly for value driven community organisations.

Resource 1 is a tool that can be used in determining value alignment between organisations for the purposes of a partnership.

Investigate whether the stated values of the organisation are embodied in practice by interviewing staff and service users.

For short term project partnerships or a takeover or acquisition value alignment may not be so critical.

9.4.3 Formalising the agreement in writing

A written partnership agreement is important, so that both parties have a common reference point particularly as staff change. **Resource 4** outlines the common contents of a partnership agreement. Ways of documenting a partnership agreement depend on the degree of formality and flexibility and include:

- exchange of emails – A casual, but still documented, way of confirming an agreement is by exchange of emails. Ideally, emails would form part of a suite of documentation, including more formal records
- Memorandum of Understanding (MoU) – An MoU may be referred to as a framework for collaboration or heads of agreement and will often state that it is not intended to be legally binding. It may be a precursor to a subsequent legally binding agreement

- legally binding arrangements – Contracts are used to create legal obligations. Legal advice should be sought where it is intended to create a legally binding agreement. The term "service level agreement" (or SLA) can be applied where one organisation agrees to deliver services on behalf of another
- constitutional change – When federation, merger or acquisition is being considered, organisations may need to change their constitution. This will generally involve a special meeting of members and a carefully constructed sequence of steps that will need legal advice.

9.4.4 Project management

From the simplest networking meetings to the most complex mergers and acquisitions, a partnership with other organisations needs to be managed on an ongoing basis. The partnership agreement should include the objectives of the partnership, leadership arrangements and dispute resolution. Ongoing issues to manage include:

- effective reporting – Information about the outcomes and challenges of the partnership will go to multiple parties. Ensure all involved are given consistent information with regular opportunities to examine the partnership's outcomes
- project work reviews – The outcomes and timeframes expected from a partnership may change over time. Prepare briefing notes or papers to identify the underlying issues, and notify key decision makers in all parties whenever a project revision will occur
- staffing and budgets – Each partner will be committing resources – staff time, assets and/or money – to the project. In some cases, one partner will spend and use these resources on behalf of the partners. Ensure there are clear accounting processes to allocate these costs and assign any financial contributions received. It is important to budget and commit resources both for the short and long term
- managing change to the partnership itself – Any change to the nature of the partnership will require sign-off by multiple parties. Undertake any such process consultatively, and plan for it to require significantly more time and communication than a similar internal change would take
- outcomes/benefits from the partnership – Outcomes and benefits from the partnership should be monitored on an ongoing basis (see **Resource 5 Evaluating partnership success**). The monitoring process can be used to drive continual quality improvement.

9.4.5 People management

Relationship management is a key element of a successful partnership. The level of consultation and engagement with people involved with and benefiting from the partnership will depend on the nature and objectives of the partnership arrangement. Where the partnership involves back office functions, or inter-agency alliances, informal updates in an organisational newsletter are probably sufficient. Where direct service provision to service users has changed, engagement with all parties to the partnership is vital.

If a partnership involves multiple CEOs and boards, individual personalities and viewpoints will need to be managed. Decisions will be made outside of a proven internal hierarchy – credit must be regularly given and shared with all involved, and ongoing consultation and communication is crucial to maintain buy-in.

9.4.6 Asset management

It is important to ensure there is clarity around who owns the assets of the partnership, whether any third parties (such as government) maintain an interest in those assets, and what will become of the assets if the partnership dissolves. See *It's Your Business, Chapter 4 Financial Management*, for more information.

There needs to be an accurate asset register with clarity about the joint assets. Clarity is also needed regarding the extent to which each asset is owned, and by which organisation. This is needed to minimise the potential risk of taking on another organisation's forward debt. Careful consideration will also need to be given to fraud and corruption controls as relating to asset management, See *It's Your Business, Chapter 7 Fraud and Corruption Control* for more information.

9.4.7 Other partnership considerations

9.4.7.1 Mergers and acquisitions

Mergers are fundamentally different in nature to the other types of partnerships described in this chapter. The risks and change management challenges are considerable. Careful consideration needs to be given as to how to bring two different organisational cultures together. Regardless of this challenge, a merger can achieve economies of scale and enable smaller organisations to develop services that might otherwise be out of reach. A due diligence process is essential (see **Resource 3 Due diligence worksheet**).

This chapter provides a framework that may lead your board to consider a merger – if this situation arises, seek legal advice before proceeding.

9.4.7.2 Commercial partnerships with not-for-profits

The establishment of a commercial partnership will entail an offer from one party to the other. Such an offer contains elements of a business deal, which are not covered in this chapter, and elements of partnership. It is often feasible, for instance, to outsource some back-office functions to another like minded organisation which can complete these tasks more efficiently – leading to savings for your organisation and additional revenue to your partner organisation. In both cases people receiving services will benefit. When preparing or reviewing an offer that involves financial considerations:

- **clearly calculate your unit costs** – If you underprice the service, you are missing out on critical revenue
- **examine the cultural implications** – The way in which your service is managed may need to change to be able to ensure you can continuously supply the service to your partner. Staff may be concerned that their skills and effort are being "sold" for commercial considerations.

9.4.7.3 Dealing with commercial/educational entities

Some organisations may achieve value for their people by collaborating with private enterprises. These collaborations need careful consideration as the private enterprise may not be a person centred organisation – pay particular attention to value alignment. Collaborations with private enterprise have traditionally been in relation to sponsorship, but collaborations for less traditional reasons are becoming more prevalent. This includes training of staff, outsourcing functions, and marketing campaigns. Many for profit organisations, particularly larger ones, have active corporate social responsibility programs that can open doors to new and innovative partnerships.

Academic institutions can provide another potential avenue for partnership – your organisation may be able to offer suitably de-identified, valuable data for academic consideration. Academics may be willing to provide research analysis that can inform your service delivery approach and future strategic directions, and both parties may be able to work together to apply for funding for innovative research in your sector.

9.4.7.4 Cartels

You must ensure, no matter what form a partnership takes, that it does not include arrangements that might lead to concerns that a cartel has been formed. A cartel is a group of organisations acting together in such as way as to limit competition. The Australian Competition and Consumer Commission (ACCC) has more detailed information on behaviour that constitutes a cartel and the penalties attached to cartel conduct.

9.5 Sustaining a partnership

9.5.1 Celebrate the partnership

Set a positive, committed tone for new partnerships by releasing board and CEO statements in support of the initiative. Clear statements in support of a partnership provide staff with a reason to support the change, while generating excitement about the benefit it can bring to service users.

All relationships need encouragement, and there is nothing like a shared and celebrated success to keep partners together. Acknowledge the value your partners provide – to the partner directly, in your newsletter, in your annual report, at your annual general meeting (AGM) and in other public forums. Invite your partners to the events your organisation hosts. As your partnership will be aimed at meeting the needs of service users, invite service users to share their experiences as part of this process of celebration.

9.5.2 Review and evaluation

A regular review process and an annual evaluation of the effectiveness of the partnership are essential to maintain a shared understanding of the challenges and benefits of the partnership. The review and evaluation process should be risk mitigation strategies to identify potential problems before they impact on service delivery and before they lead to disputes in the partnership.

Effective review and evaluation covers:

- the strength of working relationships and any issues limiting the effective functioning of the collaboration team
- the clarity of the goals and directions of the collaboration, and how the collaboration deals with any changes
- the capabilities and capacity of the collaboration to carry out its tasks
- the qualitative and quantitative achievements of the collaboration by collecting and presenting data that proves effectiveness.

Resource 5 Evaluating partnership success can be used to measure the functioning and outcomes of a partnership and to identify areas for improvement. Independent evaluation by subject matter experts or agencies without a vested interest in the partnership, where these are positive, will assist with embedding positive messages with key stakeholders.

9.5.3 Managing the partnership

Successful partnerships in the not-for-profit sector should be built on:

- a person centred approach
- good relationship management
- clear and consistent project management and leadership
- careful and considered planning
- effective communication.

Where these "core partnership competencies" are lacking, the risk of partnership failure is high.

Common pitfalls and warning signs to look out for include:

- **disengagement** – a partner may stop attending meetings, be slow in responding to communications, send more junior staff to partner meetings in situations where it's not appropriate, or contribute goods or services to the partnership that decline in quality
- **direction change** – a partner's board or CEO may change, or their revenue mix may significantly change
- **capacity challenges** – a partner organisation that has viability concerns and/ or high staff turnover may retreat from partnerships, focusing on survival and internal concerns.

Where your partnership is showing any of these potential pitfalls, address these issues with your partner(s). Revisit the benefits of the partnership, its value to service users and your willingness to work with them collaboratively and cooperatively, to negotiate any changes to improve any problems. Additional effort may be required at times throughout the life of the partnership.

9.5.4 Handling disputes

The more formal your partnership, the more likely it is that formal dispute handling procedures will be established. Dispute handling procedures are a valuable risk mitigation strategy. In resolving disputes it is recommended to:

- establish as a guiding principle that each party will take all reasonable steps to resolve the dispute
- ensure that the interests of service users are taken into account
- ensure each party has the opportunity to outline their specific concerns and issues, and that each party has the opportunity to respond to specific concerns and issues
- identify if the parties in a legally binding partnership cannot resolve the dispute
- identify a professional business mediator suitable to all parties to resolve the dispute.

Pro-bono mediation services are available through professional associations.

9.5.5 Ending a partnership

A partnership can end in many ways – the partners' interests diverge, a deal-breaking dispute arises, or the partnership achieves required outcomes. Often the need to end a partnership will be obvious to both parties – but in some cases, one partner may wish to exit the arrangement while another wishes to retain the arrangement. Common reasons to cease a partnership include:

- a natural end was reached – the partnership's goals may have been reached, a shared submission was unsuccessful, or a funding arrangement ends
- the project takes on a life of its own. Sometimes collaboration may be so successful that the project or program becomes a stand alone project.
- one organisation may take over the project by agreement
- the collaboration may move to a point where organisations decide that they will merge
- organisation strategy changes over time, and the collaboration may no longer align with the strategic priorities of one or both organisations
- an evaluation of the collaboration reveals that organisational resources could be better used elsewhere.

Provisions to be addressed in exiting legally binding partnerships include:

- who will pay out any incurred costs?
- how will a decision to exit the collaboration be made?
- what are the triggers for exiting?
- what will happen to any employees?
- how will service users be told?
- what will happen to assets?
- how will the organisations deal with publicity?

If partners cannot reach a shared position in a legally binding arrangement, legal advice should be sought.

9.6 Conclusion

A successful partnership can create a win-win situation for all involved that benefits service users now and into the future. Naturally, upfront effort is required, and partnerships are not without risk. board members should be open to new opportunities, and consider leveraging existing successful arrangements, including the informal networks of your staff.

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Resources

How to use this toolkit

This chapter explores the nature of partnerships and the critical issues involved in identifying, establishing and maintaining successful partnerships.

There are five practical tools provided in this chapter to assist directors and senior people within the organisation to consider the benefits of partnerships, assist in the formation of partnerships, and to evaluate partnerships once they are formed.

Resource	Tool	Use
1	Assessing Values Worksheet	This worksheet can be used by the board to assess the values of potential partners. Alignment of values is a key indication of partnership success. Both potential partners should work through the value alignment worksheet separately and together (where indicated in the worksheet).
2	Cost/Benefit Analysis	A cost/benefit analysis will assist in evaluating the positive outcomes for service users, and can be used by boards or senior managers to work through the process of identifying the costs and benefits of the partnership to service users, both financial and otherwise.
3	Due Diligence Worksheet	The greater the level of integration between the partners to the partnership, the more detailed a checking process each organisation will undertake on the other. This worksheet can be used selectively by the board and senior managers to assist with the due diligence process.
4	Partnership Agreement	This list sets out what a board should consider including in the partnership agreement. Not all of the matters listed will be relevant to every partnership.
5	Evaluating Partnership Success	This evaluation worksheet can be used to assess the effectiveness of established and new partnerships.

Resource 1: Assessing values worksheet

This tool is designed for assessing the organisational value alignment for organisations considering working collaboratively. Each organisation should independently complete Part 1, and use the results as a starting point for discussions and to complete Parts 2 and 3.

Part 1: Our organisational and collaborative values

Questions	Set out the values here
What are our explicit values?	
What are our other values contained in other documents?	
What are the values we believe are necessary for this collaboration?	

Part 2: Assessing alignment

Questions	Set out the values here
The values for collaboration important to both organisations are:	
The values for the collaboration that are misaligned are:	
Will any misaligned values effect the collaboration?	
How will we control any misaligned values?	

Part 3: Joint value statement

Resource 2: Cost/benefit analysis

A cost/benefit analysis will assist in evaluating the positive outcomes for service users. It can be used by boards or senior managers to work through the process of identifying the costs and benefits of the partnership to service users, both financial and otherwise.

Part 1: Benefits

Questions	Response	Dollar Value
What are the non-financial benefits for service users?		n/a
How will this collaboration ensure that services are delivered more efficiently or effectively?		$
How will this collaboration save costs that can be passed on to benefit service delivery?		$
How will this collaboration attract new sources of funding for our organisation?		$
Will it improve our fund raising capacity?		$
Other financial benefits		$
Total benefits		**$**

Part 2: Costs

Questions	Response	Dollar Value
What are the non-financial costs?		n/a
Implementation costs – changed service delivery		$
Insurance: work health & safety		$
Staffing costs		$
Marketing costs		$
Management board costs		$
Professional advice		$
General and special meetings		$
Information technology		$
Training costs		$
Other costs		$
Total costs		**$**

Part 3: Risks

Set out the project risks and methods of controlling risk. What will each cost?

Risk	Control Method	Dollar Value
Risk	Control Method	Dollar Value
Risk to reputation		n/a
Disruption to current activities		$
Loss of revenue		$
Gaps in organisational policy		$
The impact on other areas of our work		$
Other risks		$
Total dollar value of risks		**$**

Part 4: Evaluation

Will the collaborative arrangements add value to service users, and justify the financial and other costs?

Resource 3: Due diligence worksheet

This worksheet has been developed by the Charities Commission UK, as part of the publication *Collaborative Working and Mergers*. It has been reproduced with permission.

Part 1: Commercial and strategic

Area to review	What to do	Questions to ask	Done?
Reasons for collaborating	Review appropriate board minutes and identify the benefits of the collaboration for the service users.	What are the reasons for collaborating? What benefit will collaborating bring to service users?	
Strategic plan	Review strategic plan.	Are aspirations and objects compatible?	
Revenue sources and revenue generating strategies			
Fundraising strategy	Review amount raised in the last two years and compare with budget.	Is the effectiveness of the fundraising strategy reviewed against a predetermined programme?	
Donors and Funders	Consult with existing donors and funders about collaboration. Review other sources of financial support.	Will they support the proposed collaboration? Do they need to consider the source of funding for the other organisation?	
Service users	Review existing and potential service users.	How is the collaboration likely to impact on the service user base? As a result of the collaboration, will the number of service users increase? What are the service user outcomes?	
Board and management	Review CVs and contracts of employment for CEOs and senior management. Review CVs of board members. Compare current provision with future need.	Is there sufficient board/ management experience in different disciplines for the collaboration?	

Area to review	What to do	Questions to ask	Done?
Organisational structure	Review organisation charts and staff handbooks.	Are the organisational structures of the organisations compatible?	
Governance	Review current governance mechanisms.	What interim / future governance mechanisms will be required?	
Effectiveness of board meetings	Review minutes of board meetings. Review minutes relating to financial information.	Are there recurring issues in board minutes, which indicate an issue that is not being properly addressed?	
Risk management	Review risk registers and appropriate board minutes.	Are there significant risks that need to be resolved before collaborating?	
Information technology (IT)	Review IT systems.	Are systems compatible? How might existing IT systems be used in the collaboration? Is there scope to consolidate?	
Stakeholders opinion	Consult with stakeholders about collaboration.	Will they continue to support the proposed collaboration?	
SWOT analysis	Review any existing SWOT analysis or conduct a SWOT analysis.	What issues does this raise?	

Part 2: Financial accounts

Area to review	What to do	Questions to ask	Done?
Annual financial statements	Identify the main sources of income and categories of expenditure for the last two–three years. Review the excess of assets over liabilities for the last two–three years.	What are the trends for the last two–three years of excess income over expenditure and excess assets over liabilities? This will confirm the organisation's solvency	
Management accounts	Compare accuracy of year-end management accounts with annual financial statements for that year. Compare management accounts with budget or latest forecast. Compare management accounts and annual financial statements for previous two years with budget/forecast for following two years.	Are periodic management accounts reliable for decision-making? Is current budgeting/ forecasting reliable and realistic? What are the reasons for any variances that have arisen?	
Cash flow	Review cash flow and look for trends that show sustainability.	Are there any potential deficits that need to be monitored arising from timing differences in future cash flow?	
Accounting standards	Confirm compliance with the International Financial Reporting Standards (IFRS) or Australian Accounting Standards (AAS.)	Are there any departures from the IFRS or AAS?	
Accounting policies and internal financial controls	Compare accounting policies and internal financial controls with your own.	Are there any differences that make the organisations incompatible? How effective are internal controls?	

Part 3: Commitment and assets

Area to review	What to do	Questions to ask	Done?
Future revenue	Review plans for revenue in next two–three years.	Is it likely that future revenue will be achieved?	
Funding of projects	Check that the practice of full cost recovery is being followed and that budgets allow for a small surplus to be added to reserves.	What is the risk of undertaking projects where full cost recovery is not achievable and what will be the effect if those projects have to be subsidised from unrestricted funds?	
Property	Obtain a list of properties and obtain title deeds. Check if cost exceeds market value.	Could losses arise if property has to be disposed of?	
Fixed assets	Get a register of fixed assets and reconcile the figures to the accounts. Check on sample basis fixtures and fittings.	Does the register represent the assets fairly? Are there assets that will be used in the collaboration? Will some assets have to be disposed of at a loss?	
Investments	Obtain a list of costs and value of investments.	Can you verify the legal title by checking certificates or other legal evidence?	
Accounts receivable	Obtain a list of debtors and amounts owed. Get direct third party verification on material amounts.	Are adequate provisions in place for doubtful debts?	
Prepayments	Obtain a list of prepayments. Verify a sample of prepayments.	Where prepayments relate to agreements that will be terminated does the value of the prepayment need to be reduced?	
Bank	Obtain a list of bank balance(s) and cheque bank(s) reconciliations.	Are bank balances accurate? Are all bank accounts accounted for?	
Accounts payable	Obtain a list of creditors and the amounts owing. Enquire into and consider getting direct third party verification on material and long standing amounts.	Are all creditors genuinely still owed or could there be problems with the records?	

Area to review	What to do	Questions to ask	Done?
Debt and guarantees	Obtain details of terms for all debt, secured and unsecured and any guarantees. Review timing of debt repayments as part of cash flow analysis.	Can any terms, covenants and guarantees remain in place following collaboration?	
Accruals	Obtain a list of accruals. Verify a sample.	Are potential liabilities being calculated on a reasonable basis and is the list complete?	
Intangibles	Get details of patents, licences, brands and other intellectual property rights and goodwill together with copies of relevant agreements.	Is the valuation of intangibles reasonable?	

Part 4: Tax

Area to review	What to do	Questions to ask	Done?
Payroll tax	Examine the payroll and find out the normal monthly liability for payroll tax.	Is payroll tax owed for one month or for longer? Does there appear to be any overpayments and if so, are they recoverable?	
Company tax	Check that there is no liability to pay company tax on any form of trading or relating to non- charitable expenditure.	Discuss with tax advisers.	
Goods and Services Tax (GST)	Check whether the organisation is GST registered or should be. Check procedures with regard to irrecoverable GST.	Discuss with tax advisers.	
Deductable Gift Recipient (DGR)	Obtain a list of donations on which DGR is being recovered. Check on a sample basis whether the documentation is correct to enable recoveries to be made.	Would a DGR audit uncover liabilities for gift aid being reclaimed in error?	
Fringe Benefit Tax (FBT)	Check that there is no liability to pay FBT.	Discuss with tax advisers.	

Part 5: Legal

Area to review	What to do	Questions to ask	Done?
Power to collaborate	Get copies of current governing documents. Review the legal basis on which collaboration will proceed.	Is there power for the organisations to collaborate in the governing documents?	
Employment awards and contracts	Review contracts of employment and seek professional advice.	What are the implications for any transfer of staff?	
Property	Consider various clauses of leases such as dilapidation clauses and seek professional advice.	What are the implications of these? Act on professional advice.	
Intellectual property	Obtain details of patents, trademarks and other intellectual property rights and seek professional advice.	What are the implications of these? Act on professional advice.	
Other legal contracts	Review existing contracts.	Act on professional advice.	
Insurance	Obtain details of all insurance policies and make contact with insurers.	What are the insurance requirements of the collaboration?	
Permanent endowment	Obtain relevant trust deeds and other documentation.	Are the proposed arrangements for holding the permanent endowment legally sound? Act on professional advice.	
Legacies	Consider reliance on future legacy income.	Is there a need to register the collaboration?	

Resource 4: Partnership agreement

Any formal agreement should be prepared by a lawyer. The board should consider the following list for inclusion in a partnership agreement:

- objectives of the collaboration
- relevant timelines for the collaboration
- project milestones
- the responsibilities of each partner
- the staff and other resources that each partner will bring to the project
- any specific risks associated with the project and responsibility associated with those risks
- expected behaviours of each party (to act ethically and be transparent etc)
- dispute resolution clauses
- governance and operations structures (including decision making responsibilities)
- division of costs between the parties
- review and evaluation requirements
- renewal or exit provisions
- accounting arrangements including matters relevant to acquittals or funding
- confidentiality
- copyright
- ongoing communications plans/structures between the parties
- agreement as to responsibility and content of external communications
- key contacts for each partner
- early warning provisions – obligations to report early to the other party any matter that might affect the collaboration
- good faith provisions
- clauses relating to deductable gift recipient status
- conflict of interest provisions
- employment matters, including work health & safety (WHS)
- insurance.

Resource 5: Evaluating partnership success

This evaluation worksheet is a guideline to assist in evaluating the effectiveness of both established and new partnerships.

The South Australian Community Health Research Unit has put together a comprehensive evaluation tool for collaborations, which has been adapted with permission:

Part 1: Functioning of the partnership

Questions	Response	Plans for improvement
Meetings of the partners are at a convenient time and place		
There are clear agendas, minutes and clear communications among partnership members		
Everyone gets a chance to give their input		
Partners contribute to the meetings		
The atmosphere at meetings is positive		
The appropriate people are involved in the collaboration		
There has not been a large amount of turnover among partnership members		

Part 2: Clarity of goals and directions

Questions	Response	Plans for improvement
All partners agree on and understand the purpose and goals of the partnership		
The partnership group have terms of reference that are reviewed and everyone is aware of and agrees with them		
There is regular review of the partnerships achievements/ direction		
If changes are made, everyone is consulted about them		

Part 3: Capabilities of the collaboration

Questions	Response	Plans for improvement
An officer is appointed to ensure the smooth running of the partnership		
Leadership is consultative		
Tasks get assigned and completed		
There is enough time to accomplish the goals of the partnership		
The partnership is able to adapt to changes in staff		
All the key organisations/people are involved		
All the people involved have the support of their managers/ organisations in the work they are doing		
The partnership is able to deal with conflict in a positive way		

Part 4: Current achievements

Questions	Response	Plans for improvement
The partnership is meeting the identified needs of service users		
There are tangible outcomes from the partnership to date		
There is community recognition of what the partnership is trying to achieve		
The partnership is continuing to grow and progress		
There is potential for other opportunities to arise from the partnership		
The partnership has made progress toward achieving its goals		

Source: *http://som.flinders.edu.au/FUSA/SACHRU/Toolkit/PDF/3.pdf*

Case Study

Two not-for-profit organisations located in South East Sydney offer a variety of services to people with disability in the local area. Although they both specialise in disability services, most of the services they offer differ from each other. Both organisations are aware of the imminent transition toward the NDIS and have held discussions as to whether it would be financially viable to merge in order to generate new revenue streams and diversify funding sources.

In light of the changes regarding NDIS both organisations see the value in forming a partnership. As discussions continue, organisation 1 is apprehensive as organisation 2 has shown their financial statements are down on profit from previous years figures. Organisation 2 thinks that a partnership with another organisation would be necessary in order for short-term survival and long-term viability.

The points that each organisation have taken in to consideration when reviewing whether to go into partnership with one another include:

- Organisation 1 is generating significantly more profit for the services they provide than that of organisation 2. Both organisations have discussed that by creating a partnership between the two organisations, this will help to keep organisation 2 afloat and improve organisation 1's financial status. To ease the concerns of Organisation 1 a process of external review of the financials is undertaken to ensure that both organisations are across all the financial risks that need to be managed in entering into the merger;
- Organisation 1 has a board whose tenure is due to be renewed and the executive chairman is planning to retire. This would be a good time to go into partnership with one another. This provides an opportunity to refresh board tenure and establish a systematic process of board review where membership is renewed in three year terms;
- By merging the organisations, they will be able to acquire the output of different services that they would have not been able to provide without the partnership. When undertaking a process of strategic scenario modeling, both organisations determined that in the future the increased service provision capacity could see them expanding to more outlets in other areas;
- Both organisations have a good reputation within the community as a result of the services that they provide. By forming a partnership both organisations hope to build on their image and garner stronger public support and build their new organization to be a leader in disability services.

After taking this into consideration, both organisations believe the benefits of going into partnership outweigh the possibility of organisation 2 failing and put both organisations in a situation where they are in a position to enhance outcomes and better meet the needs of their service users.