

STRATEGIC PARTNERSHIPS FOR RURAL NONPROFITS

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Background

For rural nonprofits involved in the broad range of affordable housing activities, the days of being able to rely upon a single source of funding are long gone. Just as we have learned to diversify our funding sources, an equally powerful strategy can be to diversify our strategic partnerships.

What do we mean by strategic partnerships? This phrase can mean many things to different people. For the purposes of this discussion, we're suggesting that nonprofit leaders ask themselves, *"Are there things we care about doing that we could do better, or that we can only do, if we take a partnership approach?"* This is the kind of question to spend time on at staff and board planning retreats.

Issues/Challenges and Opportunities

For many rural nonprofits, especially those that have been delivering the same services for decades, the notion of having to negotiate new relationships, often with organizations that compete for the same resources, is not very appealing. But the challenges, particularly for smaller organizations, are increasing. The status quo is no longer acceptable, and we are all continually expected to do more with less. This implies change, and change, as we know, is difficult. Once an organization realizes that it must demonstrate increased impact in order to remain competitive, a second question can spark useful discussion: *"In order to increase our impact and leverage our strengths without increasing our overhead, who could we partner with?"*

Just as there are nonprofits who may be new to strategic partnerships, clearly there are many who think of themselves as quite effective. No matter how sophisticated your organization may be, it is useful to check in on your existing partnerships periodically and to look aggressively for new opportunities.

Here are a couple of examples:

The Federation of Appalachian Housing Enterprises (FAHE): In order to connect more low- and very low-income customers across central Appalachia to durable homeownership, and insure that the customers' experience with a federal home loan program is positive, FAHE spearheaded a national demonstration of nonprofit underwriting for USDA Rural Development's Section 502 direct loan program, partnering with other regional intermediaries as well as national organizations such as HAC and NeighborWorks America. Even though a partnership at this scale took time and hard work, FAHE has already reaped benefits such as dramatic reduction in the cycle time from loan application to closing, increased production over a larger service area, and healthy cash flow from fees. The customers are happier too.

Even though the national scale of this example is what draws attention, it's important to note that FAHE had to invest a lot of attention to partnership and understanding with each of the RD state offices with which it worked. The jumps in production came as a direct result of outreach and training at the local level.

NeighborWorks organizations in Vermont: To open up a healthier flow of resources to each rural nonprofit in a core group of Vermont affordable housing providers, the groups – Champlain Housing Trust, Gilman Housing Trust, NeighborWorks of Western Vermont, Central Vermont Community Land Trust, and Windham-Windsor Housing Trust – formed a statewide network, the NeighborWorks Alliance of Vermont. Even though the individual members still occasionally compete for grants, they have a long established track record of partnering for shared resources. The investment of time and effort has changed the way the individual members conduct their businesses. As the partnerships have seasoned, they have grown beyond the initial impulse to attract new resources and now can consider new economies of scale in shared functions across lines of business. Does each nonprofit have to maintain the capacity to service loans, for example? Does one have excess capacity for shared accounting? Do all of them need to manage property? These are the kinds of questions that partners can ask once trust and mutual benefits have been established.

Discussion Questions

- What are some of the considerations your organization might have when structuring a partnership with one or more rival organizations? Are there trade-offs you can build into agreements to insure a win-win situation?
- What are some other examples from your own experience of particularly effective strategic partnerships, especially those that did not seem promising at first?
- What advice would you give to a rural nonprofit thinking about branching out into strategic partnerships?