

# MACC CommonWealth

## *Formation*

In 1999 the leaders of a core group of the Twin Cities' community-based human service agencies came together to address a troubling issue: the rising cost and growing complexity of administrative services were draining the budgets of these worthwhile organizations and taking their attention away from their mission. Together they articulated a vision for a shared management services organization. They then embarked on what became a six-year journey that included retaining external consultants and commissioning a cross-organizational task force of agency executives to develop potential designs to move this vision from dream to reality. Five of those organizations signed an agreement in December 2005 to merge their back room operations into a single entity. Design work continued through 2006, reaching the next phase of organization with the Jan. 1, 2007 launch of MACC CommonWealth (MCW) as a discrete corporation, chartered to provide finance, human resources and information technology services to its members. The five founding members (ultimately became six founding members when one of the founders spun off a subsidiary as an independent corporation) have been joined by another 13 members who share in one or more CommonWealth activities.

The formation process paid significant attention to key values that have contributed significantly to our success. These values include a commitment to managing the common good as well as each member's individual good, reliance on "best practice" principles for healthy collaboration, a preference for open versus closed systems, and a strong commitment to reduce complexity and develop shared solutions.

Those principles proved attractive to subsequent members, all of whom hold active participation and partnership values in high esteem. The continuation of these values has protected MACC CommonWealth's core value proposition as a partnership seeking to solve jointly problems that none of the members can solve effectively on their own.

These approaches have also contributed to the growth of CommonWealth services. Member requests have led to the development of new telecommunications and facilities services in addition to the core financial, human resource and technology services that we offered at our foundation.

MACC CommonWealth is on the verge of new and exciting direction as our members seek to move their collaboration "upstream" from administrative areas to core mission activities. We have successfully contracted with a local county to provide youth truancy services on a joint basis. The county's contract is with MACC CommonWealth, which in turn contracts with members to provide the actual services. The County has high interest in continuing this model, which both simplifies their contracting, while providing a rich, cross-county network of services for clients served. Our board and management is working on expanding the CommonWealth's capacity to provide networked services to funders (particularly in the government sector). We expect that this shift will also attract additional partners while increasing the value provided to current partners.

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## Management

The creation of MACC CommonWealth as an independent, non-profit corporation was the result of careful analysis by a team of board members of the parents, who also relied on input from non-profit attorneys and LarsonAllen resources. Significant attention was paid to structuring of the board. The core principle was "one member, one vote" -- that is, each member has an equal share of board control, regardless of size. This principle was key to creating a climate of trust for other members, both at foundation and in the years since foundation.

Specifically, each member of the CommonWealth was entitled to two board seats--one for the CEO and one to be named by the member's Board of Directors. This mechanism was designed to make sure that the CommonWealth remained connected to the boards of the members through board members other than just the CEO.

The board retained Stan Birnbaum as initial CEO, based on both his significant current experience as chief administrative executive at one of the founding members as well as prior experience in the non-profit, government, and private sectors. Birnbaum was also team lead for a cross-member task force that helped design the operating model for the CommonWealth.

Like other non-profits, the CEO is accountable to the board for the effectiveness of organizational activities and outcomes. In addition to formal board meetings, the CommonWealth CEO meets with CEOs of the member organizations monthly. The persistence of the two-hour monthly sessions has provided significant feedback to help us achieve the design goals and outcomes of MACC CommonWealth.

Independence of the CommonWealth--unencumbered by excess "noise" that can accompany a broad partnership--has allowed it to make rapid progress integrating operations and advancing capacity and performance. A strong CEO-model has made it possible for the CommonWealth to focus on building out its capacity and then extending that capacity to new members.

## Challenges

Our first core challenge was building out an integrated, standards-based design for our management services. We worked closely with the CEOs to establish two principles that have guided our work: (1) appreciation for standards and reduction in variances, and (2) support for the common good. Face time with the CEOs, particularly in the early months, was critical for developing acceptable solutions as we built out our systems.

The second challenge was to meet growth goals. The benefits of scale require achieving scale. We developed marketing approaches, based heavily on relationship management that has resulted in targeted annual growth of 2-3 new members per year.

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## *Impact*

Early measurements of members' cost demonstrated that the financial return to members was approximately 10% per year. Only a minority of this came from savings in administrative fees--most of this return comes from reductions in cost of goods and services negotiated by CommonWealth participation (for example, 20% reduction in T-1 telecommunication lines cost). Less measurable benefits include greater focus on mission for each of the organizations.

More important, our members are extending this collaboration into programmatic areas. A successful cross-member initiative with our local county, in which MACC CommonWealth is actually the service provider, should lead to additional such efforts in the future--in fact, this is one of four key goals in our strategic plan for 2011-2013.

## *Model*

MACC CommonWealth demonstrates the possibility of achieving alternate operating models as a tool to face an increasingly uncertain future. We have demonstrated the value of deep collaboration as a method to strengthen organizational performance, lower cost and reduce operating risk.

## *Efficiencies achieved*

At the end of 2008, we conducted a detailed study of cost savings to participants. That study showed that fees spent on MACC CommonWealth services reduced other operating costs by about 5%. Those savings include reduced cost of employee benefits, reduced telecommunications expense, and reduced audit fees.

More important--though more difficult to measure--MACC CommonWealth is helping its members put an end to the "Non-profit Starvation Cycle" as described in a memorable article by Ann Goggins Gregory and Don Howard in the fall 2009 issue of the Stanford Social Innovation Review. We have demonstrated, in pricing reviews conducted with prospective members that we can provide our members with the benefit of best-practice administrative services for about the same cost as their current spending level. However, we add significant quality while reducing operating risks.

Examples of quality enhancements include expert accounting knowledge, including deep expertise in non-profit accounting (e.g., handling of restricted and endowment funds), human resources (everything from up-to-date expertise in changes in the regulatory environment to best practices in change management), technology networks with "down" time held to a state-of-the-art standard, telecommunications technologies that provide the latest in customer service capacity, client data systems that truly handle the complexity of our members' programs and reporting needs... and the list goes on.

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Examples of reducing operating risk includes a rigorous segregation of financials duties, best practice, well document accounting controls, reduction of risk related to hiring and terminating staff, redundant data center, etc. Our members have historically absorbed this risk because they couldn't commit the funds to mitigate the risk. For example, you can't have a segregation of accounting duties in a non-profit that can only afford a single accountant. Our collaboration has solved this problem for all our members.

For the community, the public good that our members provide is now backed up by serious systems that protect that value for the long term while providing strong operating support for day-to-day operations. Our approach also makes it possible for our members' boards and leaders to focus more on mission and strategy and less on addressing their own "infrastructure starvation." While we can't discount any organization's cost of starving, we have demonstrated consistent success in lowering the cost of being fed.

## *Evolution*

The parties that first created MACC CommonWealth recognized that on their own, they had persistent and often serious problems with their administrative infrastructure. They correctly identified these problems as rooted in their scale, which in turn, constrained their ability to hire expert talent or build robust systems to address these needs. Their hope was that doing this in concert would provide the scale needed to provide high quality administrative services.

The model we had in mind as we built out governance and leadership was much more like a "co-op" than a service bureau. We valued the concepts of membership/ownership that co-ops bring. To bring this concept to non-profits, our governance structure included members, which are permitted under Minnesota law. Each of the founding non-profits became a member in MACC CommonWealth. Each member was also given equal representation on the board (one member / one vote), which gave smaller organizations equal voice to larger organizations.

Most important, the founding CEOs spent about 9 months meeting twice monthly for relationship-building work. This process was critical to create a level of trust that would allow us to get past all the hurdles that go with the CommonWealth launch.

One of our challenges is that this proved to be a privileged moment. The founding organizations have a level of commitment to the CommonWealth and to one another which is not fully shared by the organizations who joined since formation.

Perhaps the most compelling demonstration of our success is our members' desire to move this level of deep collaboration from administrative services to program services. We have overhauled our governance in the past year to make this possible (a pilot program is now in its second year). In our new model, we expect to build out a separate entity, like MACC CommonWealth, but design and staff for collaborative programming in addition to CommonWealth's capacity for collaborative administration.

# *MACC Commonwealth*

A final measure of the collaboration's success is the role we have (unintentionally) assume as a model for shared administrative services. We have been priveleged to present this model in various conferences (e.g., Alliance for Families, New Hampshire Council of Non-Profits). We are often contacted by other communities all around the country attempting to create a similar shared services model, as well as providing assistance to interested parties in Minnesota.