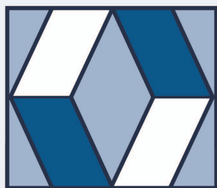

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Trust as an Asset:

Building a Managed Service Organization within MACC

Part A

In December 2002, the state of Minnesota faced a $4.5 billion shortfall caused, as in many states, by the national recession and the corresponding decline in tax revenues. The newly elected governor, Tim Pawlenty, warned that everyone would need to share the pain – townships, cities, counties, nonprofits and individual Minnesotans. The state's nonprofit sector, which had enjoyed years of growth and a reputation for social innovation, steeled itself for cuts. The outlook for nonprofits was made worse by dramatic reductions in giving from the Twin Cities United Way and private philanthropy. Eighty-nine percent of Minnesota Council on Foundations membership reported asset declines that decreased their giving.[1]

The state government's crisis was exacerbated by a pledge for no new taxes taken by the governor during the election. Like many Republican leaders, Pawlenty had signed a pledge of the Taxpayers League of Minnesota, a citizens' group that advocates for smaller, less expensive government and lower taxes. The message of the Taxpayers League resonated with many Minnesotans; polls revealed that the majority of citizens believed that state lawmakers should

[1] Minnesota Council on Foundations (2002). "Minnesota Nonprofits, Grantmakers Explore Funding Outlook at MCF Meeting." Retrieved 12/11/06 http://www.mcf.org/MCF/forum/2002/mcfmeeting.htm

This case was a first place winner in our 2007 "Collaborative Public Management, Collaborative Governance, and Collaborative Problem Solving" teaching case and simulation competition. It was double-blind peer reviewed by a committee of academics and practitioners. It was written by Jodi Sandfort and Timothy Dykstal of the University of Minnesota, and edited by Laurel Saiz. This case is intended for classroom discussion and is not intended to suggest either effective or ineffective handling of the situation depicted. It is brought to you by E-PARCC, part of the Maxwell School of Syracuse University's Collaborative Governance Initiative, a subset of the Program for the Advancement of Research on Conflict and Collaboration (PARCC). This material may be copied as many times as needed as long as the authors are given full credit for their work.

avoid increasing taxes. The League's President David Strom took direct credit for changing public opinion in a state that had, historically, seen a positive role for government. He noted, "The fact that we've been able to, with the help of the governor, convince the majority of Minnesotans that government is too big, it's time to cut back -- that's the real power that we have -- our ability to persuade people." [2]

This attitude infuriated many other nonprofit leaders. Although the League was a nonprofit organization itself, to many others in the sector it represented a philosophy that they directly opposed. To them, the League advocated placing the burden for coping with scarcity on the backs of those who already had the least resources. The Minnesota Council on Nonprofits, for example, launched an aggressive public media campaign in 2002 to educate Minnesotans about the roles nonprofits play in providing public services and meeting the needs of the disadvantaged. Other nonprofit leaders began to develop innovative solutions in the increasingly challenging fiscal environment they faced.

Jan Berry, the new president of the Metropolitan Alliance of Community Centers (MACC), was one such innovator. Her organization, a coalition of thirteen human service providers in Minneapolis and St. Paul, would be seriously hurt by cuts coming to state and county contracts. As Berry studied the Taxpayers League, she saw how successful it was at marketing its ideology. It seemed to be larger and more influential with politicians and policy makers than it actually was. As a nonprofit, the Taxpayers League clearly focused strategically on marketing and systems change. Although MACC agencies were nonprofits working towards different ends (providing human services), Berry realized much could be learned from the League's approach. The League members clearly articulated their value to taxpayers, funders, and every other stakeholder. Berry admits now, "This was a significant shift for me. I had never thought strategically about human service organizations before." She knew any strategy needed to build upon organizational assets, moving members out of the reactive position they traditionally had taken to fiscal uncertainty. Berry began to focus her attention on how to grow MACC and enhance their member agencies so they could "work smarter" at both the operational and strategic levels.

A Vision of Deep Collaboration

When Berry became president in 2003, MACC was comprised almost exclusively of agencies established in the early 20th century and built upon the settlement-house tradition of Berrye Addams's Hull House (See Appendix A). The hallmark of this approach was deep engagement with communities to provide services and support, and holistically meeting family needs rather than the more piece-meal service provision that dominated much of social services in the 1970s and 1980s. The agencies varied tremendously in size and reach: some had budgets of around $500,000 annually, while others had budgets over $10 million. While

2 Zdechlik, Mark (2003). "Taxpayers League Puts 'Fear of God' Into Lawmakers." Minnesota Public Radio.Retrieved 12/11/06 http://news.minnesota.publicradio.org/features/2003/04/15_zdechlikm_taxpayers/

many were exemplary service providers, most were not very skilled in policy advocacy. It was easier, and more in their tradition, to feed people rather than advocate for a more just food distribution system. They would be more likely to find their clients work, than lobbying to increase the minimum wage.

In the mid-1990s, the executive directors of these settlement houses in St. Paul began to meet to share information. By 1997, this informal gathering had expanded to the other side of the river, and two years later the organizations decided to incorporate formally as an independent nonprofit, the Metropolitan Alliance of Community Centers (MACC). As Tony Wagner, the prominent leader of Pillsbury United Communities and one of MACC's founders reflected, "I had tried for ten years to get something together. I realized that, as non-profits, we had to get bigger to command respect. Otherwise, we were going to get nickel and dimed to death."

MACC raised some money from private foundations and hired a part-time operations director, Sharon Haas. Over the next few years, Haas tried out some activities. She hosted a few conferences that brought together member agency staff from all levels for small group sessions and information sharing. She sponsored other training and professional development programs. She strived to develop "affinity groups" to encourage regular peer learning among staff, including those who were in youth programs, human resource management, and financial management.

The biggest idea, though, was for all of the agencies to provide a single health-benefits package to their employees. The attraction of such an idea is obvious. Health care is the biggest expense in any benefits package for employers. Health care costs and premiums are rising and the complexity of program choices is challenging even for experienced human resource professionals. They wondered if, rather than "getting nickel and dimed to death," the organizations could pool their expertise and sheer numbers to arrive at one streamlined, more efficient plan. Unfortunately, initial attempts to share health benefits failed. According to Wagner, the effort didn't succeed because executive directors, rather than human resource professionals, led the charge. They tried to negotiate deals, but did not understand the details of the packages. The reality is that the issue of health benefits was a charged topic within many organizations. Some agency boards of directors had preferences for particular providers and some employees resisted the idea of the change. In the end, the leaders did not relish the idea of confronting their employees over one of their prized benefits. MACC backed away from shared health, but worked out a common package for disability and life insurance benefits.

By 2003, the MACC board members were ready to build upon their small successes and take their collaboration to a new level. They hired Berry as president, a newly created position. While it was not a risky move, it was bold. Berry, who had directed a Minneapolis-based youth services organization, was known in the community for her innovative programming, her long-term vision and her ability to "connect the dots." She could make relevant connections between the challenges of practice and larger ideas. In short, she was what one colleague termed "an innovator of high order."

From the start, Berry made clear her intention to steer the alliance to an unprecedented level of collaboration. In Berry's eyes, the board was, "A bunch of guys who wanted to change, but didn't know how." MACC had received a small grant of $30,000 for strategic planning, but was unsure of how to spend it. Berry knew that the alliance needed to find a way to address questions that kept surfacing for the board. Should MACC remain small – as it was – and relatively nimble? Or, should it grow and bring in-house some of the essential functions of the member agencies, such as human resource management, marketing and policy advocacy?

During the first months, Berry began to systematically explore this question, spending a day with each member agency, asking questions and listening to responses. Through these conversations, she learned that the agencies shared, in her words, "a very beautiful set of values." Their work was neighborhood-based and focused on the poor and disadvantaged. They were passionate about creating social change by combating prejudice and teaching tolerance. These values and passion grew directly from the settlement-house tradition and were an asset that MACC could use to enrich the collaboration. Once articulated, these values became a touchstone of support when the going got tough. And it was tough. Despite the espoused values of collaboration and the small, early achievements, the organizations didn't have a lot of experience in deep collaboration. They really were competitors in the tough environment for public contracts, staff talent, and private funding.

To move the collaboration to a new level, Berry knew that she needed to build the relationships among leadership and staff. As she talked with the CEOs during her first few months, she deliberately asked what they thought about each other and then shared their opinions with each other. The technique, which Berry borrowed from family-systems theory, was meant to build a sense of whole, to lower barriers to communication and take power away from what was *not* being said. Berry recalls, "I told them things that they wouldn't tell themselves." Then, at the 2003 annual meeting, she challenged each leader to publicly recognize an asset that another executive director brought to the collaboration. "It was uncomfortable for them to hear good things about themselves," Berry recalls, "but they all did it, and they all loved it."

From Berry's perspective, trust was an essential foundation upon which other innovations could be built. As Berry thought more strategically, she realized that the MACC human service providers resembled a credit-card company in the late 1960s that, ultimately, became Visa International.[3] Initially, the industry was failing as banks undercut each other in pursuit of the lowest-common customer. Each bank had to administer its card individually, creating high costs and razor-thin profits. What VISA provided was a way to centralize the payment process and de-centralize its marketing, encouraging banks to create, price, market, and service their own products under the Visa name. While the card adheres to certain common standards and each bank honors the other's card, banks continued to compete for

[3] Dee Hock, *The Birth of the Chaortic Age* (1999) reviewed in Michael M. Waldrop, "The Trillion-Dollar Vision of Dee Hock." *Fast Company*, October 1996, 5:75.

customers. In short, member banks had to be intensely competitive and intensely cooperative at the same time. Berry recognized that the individual agencies that made up MACC were in much the same situation as the banks before the "birth" of VISA International: performing the same social good, sharing similar values and serving the same kinds of clients, yet used to competing with each other and uncertain about what collaboration could actually mean.

As the agencies worked together to craft common disability and life insurance policies, they hit a stumbling block that proved to be an important test to their evolving collaboration. When agency staff explored different options, it seemed that many involved large financial differentials; some organizations would save money from the pooled benefits plan, while others would need to pay significantly more. The MACC board considered what to do. To support a new way of working more purposively with each other, it seemed important for any initiative to be financially neutral for all agencies. While some organizations might gain short-term savings because of their buying power, they would need to sacrifice these to assure that their partners would not have to shoulder the additional costs. As Berry recalls, "It was a transformational moment when they began to see a larger common good and move beyond merely 'what was in it for me.'"

These conversations sparked another idea. Why not develop a "common backroom" or managed service organization (MSO), whereby participating agencies would cut costs by sharing administrative functions like finance, human resources, and information technology? [See Appendix B for a description of the model] Yet, when Berry initially followed up with CEOs, the idea was met with a tepid response.

Rather than pushing it ahead, Berry began to consider how to grow the organizational membership of MACC, particularly with agencies that both shared core values and brought other key skills in the areas of community organizing and marketing that seemed essential if MACC was going to become a more strategic, policy-shaping player. In 2004, five agencies accepted MACC's invitation to join, including the ARC Hennepin Carver, which works with disabled people; the Tubman Family Alliance, an anti-family violence group; and Family and Children's Services (FCS), a large social-services agency in Minneapolis. The growth added diversity to MACC as well as fresh perspectives. While men headed all but one of the original agencies, women led the new additions. Not everyone, though, was entirely pleased with the growth.

Brad Englund, CEO of Loring-Nicollet Bethlehem Community Centers in Minneapolis, liked the shared missions and goals of the original group. "We all came out of the settlement-house tradition, and we all served low-income families," he says. "We had similar histories. The organizations that were joining us are fine organizations, but they changed the nature of the alliance." One of the new organizations, for example, focused programs on adolescents, alone, rather than their whole families. Another organization's niche historically had been mental health services. As a result, its culture was more professional, bureaucratic and "beige," in contrast to the more informal and "colorful" culture that existed in the settlement house organizations.

Ultimately, these differences brought what actually held MACC together into sharp relief. Molly Greenman, CEO of Family and Children's Services, explains what drew her to join. "I had been through the 'collaboration craze' of the 1990s," she says. "It was all funder-driven, and not necessarily effective. I was looking to partner with people with whom we had a relationship." In fact, Greenman maintains, the quality of the relationships could often trump other factors in building the alliance, like similar programs or business criteria, noting, "We need to work with others who shared our values." To build these values, and learn to make management and leadership decisions collectively, MACC formalized some operating procedures. The affinity groups, pulling together staff who worked on similar functions from each agency, continued to meet regularly and share ideas and struggles. The MACC board instituted a practice of alternating monthly meetings between those for "business" and those for "learning."

While the investment of time in relationship building was important, it was difficult to represent its utility to MACC's funders. While Minnesota enjoys a relatively rich and diverse philanthropic community, foundations are drawn to programs because they provide a tangible sense of accomplishments as a result of a grant. Investing in operations infrastructure or community building among agencies often does not have the same appeal. Instead, from many funders perspective, MACC's seemed like a trade association: an organization, separate from, but constituted by its individual members. It offers its members a range of services that they can take or leave. In the tight environment, this model seemed to offer a way to achieve cost-savings. In fact, the idea of a "common backroom" was a appealing through this lens. Why not offer some administrative services in the trade-association model to save money and improve efficiencies?

Drawing Upon Technical Consultants

The MACC leadership decided to take a first step in exploring this idea. They hired a large consulting firm with a nonprofit department, well respected by the foundation community and trusted by MACC's board. The consultants began assessing the potential of using the MSO to create an independent, fully formed MACC organization in the trade association model. They convened the board for a planning meeting so that they could "articulate their hopes and concerns" about the idea of a MSO. They also reviewed MACC's financials to try to ascertain how the business-side of a trade association model could work.

While the consulting team proceeded, Berry and Wagner continued to be uncomfortable with the fit of this model for their emerging collaboration. Intuitively, it didn't feel that a trade association would sustain MACC in the long-term. MACC's membership did not want the organization to become merely a service provider. They also cherished the social missions of their organizations and expected the collaboration, itself, to cherish and reinforce it through its actions. In fact, the hallmark of MACC – the affinity group meetings and the learning board meetings among executive directors – required organizations to invest more of their time and energy than a trade association required. Membership was invited and members felt the value

of the collaboration came was felt in effectiveness rather than efficiency gains. Yet the trade association model focused on improving efficiencies through centralized decision-making and buying power. As Wagner said, "For nonprofits, our bottom line is service to the community. Our return to customers is this service that is built upon relationships." Unlike a simple trade association, MACC had to be both efficient *and* effective where it matters. It had to be *big* in administration and public policy and *small* in program offerings. Wagner described this thinking as, "We need to be big where big matters and small where small matters." That formulation was written into every grant proposal and mentioned, like a mantra, at every board meeting. So while the private funding community was encouraging MACC to assume a trade association model, its leadership realized their emerging model was much more complex--and more difficult to explain.

By December 2003, the consultants had their report ready for the MACC board. Their analysis had been framed to explore the feasibility of MACC reshaping itself into a full-scale MSO that gradually would assume all the operational functions of its member agencies. The core of this idea was that MACC, itself, would become the common backroom for what had been separate finance, human resources, and informational technology departments and would be the central employer of the staff performing these roles. Overtime, the MACC budget would need to grow from $350,000 to more than $5 million. Like a trade association, it would price its services to member agencies at prevailing market rates. For instance, HR services would be $525 per year per employee and financial services would be one percent of the agency's previous year revenues. Following the "big where it matters and small where it matters" dictum, the consultant model proposed both centralizing strategic decision-making and keeping day-to-day administrative functions local. In human resource management, for example, decisions about staff training, hiring coordination, and benefits administration would be centralized while functions like issuing payroll checks or tracking services would remain with the member organizations. Above all, the analysis made two central assumptions: 1) that a critical mass of MACC agencies would quickly assent to the new, centralized system, and 2) that those agencies would financially support the migration. The final report also concluded that without these assumptions, the model as proposed was "not sustainable." For cost savings to appear, many agencies needed to migrate to the new system by 2007, yet there was little that could be done to absorb the upfront or defray costs of the migration.

The MACC board received this analysis like a lead balloon. Staff at the Loring-Nicollet Bethlehem Community Centers analyzed the viability for their organization and concluded that the costs far outweighed the benefits. "We already have a streamlined staff," Englund insists. "We had made cuts." Now, in order for the MSO to be viable, this new model required Loring-Nicollet to make more staff cuts and turn over some of its middle-management capacity to a third entity. Hoxworth also had deep misgivings about the model. "It required that we hire new staff and train them—and the operating cost after all that was still high. It just wasn't showing economic savings." While still believing in the essential idea, Wagner realized that the consultant report exposed the difference between outsider funders' assumptions and those of the MACC membership. "We sold the MSO idea on efficiency. But outsiders equate efficiency with cost savings, and they were not immediately apparent" in this

early model, he notes. Perhaps most importantly, the model did not align with one of the fundamental values of MACC, one that Berry had spent so much time developing: that all organizations had an equal space at the collaborative table. Under the proposal, larger organizations were the only ones who would benefit from the transition. "We knew that the 'winners' in any consolidation effort had to share their winnings, so that the 'losers' could benefit," says Hoxworth. "The gains to some had to be reduced, so that others could do all right."

Deepening the Relationships

Throughout the time that the consultants did their analysis, Berry continued to build the relationships among MACC agencies, working at different levels within each. The board meetings that focused on learning, allowed leaders a chance to grapple with deeper issues. As Dan Hoxworth observes, "In MACC, we truly get at compromise and the level of our discussions are real…people are honest about where their conflicts are." Such a process changed his own expectation of collaborative groups. When asked to be a leader of Council of Agency Executives for the United Way, Hoxworth relied directly upon his MACC experience to help him be more effective as a collaborative leader. He, in fact, introduced learning meetings to that setting. Molly Greenman reflects, "We [the executive directors] give each other courage. We know our values, and we respect each other. We help each other be our best in leadership, culture, values."

The affinity groups of other staff members also gained traction. The human resource, financial, information technology and youth program staff continued to meet regularly. They talked about changing country grant practices, introducing new programmatic ideas, and learning from their experiences negotiating services from various vendors. The affinity group structure provided an important way to reduce isolation and gain new ideas. For many, this was the first time they had access to this type of professional, peer learning and many used what they gained to improve what they did each day. Some program staff began to work on joint programs together and share information about communities needs. Benefits at all levels of the organizations seemed to be increasing from working more collaboratively.

Back to the Drawing Board

In spite of the real limitations of the trade association model, a small group of MACC leaders continued to be interested in the MSO idea. While no action was taken for seven or eight months, the idea was still percolating. Some wondered if perhaps the model of shared services might be viable if they start by sharing *one* service, such as financial operations or information technology. Berry also began to realize that this idea did not have to become the defining aspect of MACC. Wagner credits that as one of her most important contributions to keeping the collaboration alive, noting, "Berry taught us that we didn't all have to jump in at the same time."

Berry began to bring together the small group of executive directors who remained

interested in the idea. It was clear, from the start, that leaders did not want to link the creation of the MSO with layoffs in current staff. In fact, they wanted to see how a structure could be created to help better utilize the skills of the staff and fill out administrative functions that long had been under capitalized. They decided to task a committee comprised of the CFOs from six organizations, who had formed relationships through the affinity group, to explore more fully the idea. The CFO group felt certain an alternative model could be developed.

By late 2004, the CFO group, lead by Stan Birnbaum, was ready to present the analysis to the MACC board. They began by laying out their concepts of how expertise is divided in the operation of any organization. As Figure One illustrates, a three-fold distinction exists between any administrative services. The foundational level focuses primarily on tactical and transactional activities of day-to-day operations. In financial management, this is doing accounts-payable tasks; in human resource management, this is doing payroll or tracking personnel files. The middle level, that of "professional practice," consists of those staff who implement professionally guided "best practices" in a particular area. In financial management, doing investment; in human resources, creating performance appraisal systems. Finally, the top level really focuses on strategic management, fundamentally aligning that function with the rest of the organization and setting the course for how it will be carried out. In the committee's assessment, nearly all MACC organizations had severely compromised one or more of these three roles across many management areas. Some had never invested in building professional practice or strategic capacity. Others had lost this ability when a state or county contract was not renewed. The CFO committee critiqued the idea offered by the consultants because they felt it would further compromise organizations' abilities to think of the bigger picture by centralizing the professional and strategic levels and keeping the transactional services in their home agencies.

Instead, they believed an MSO must offer services at the tactical/ transactional level because many organizations faced challenges finding and retaining high quality staff. If this constant churning was reduced, the group felt that effectiveness would be improved because the senior managers and executive directors could be focused on the issues that are most critical. They would be able to build relationships with funders, thinking about strategic positioning and program development, rather than putting out fires because of crises in payroll or accounts payable. Without the distractions of the day-to-day, agencies would be better poised to use their managerial talent, to, in the words of Birnbaum, "solve problems together that they can't take on alone." Yet, because of all of the start-up costs – developing systems, reorienting staff, and securing space – the CFO committee realized that this approach also would not result in immediate cost savings.

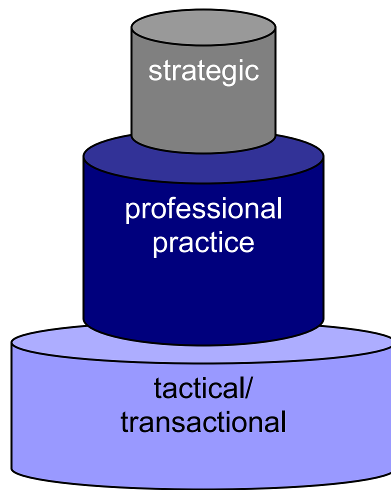

Figure One: Division of roles within each functional management area

In their analysis, the committee recast the proposition of the MSO itself. Rather than being a means to reducing costs, the effort would be a means to reduce risk and improve talent management. Operational efficiencies might well result and, over the longer term, at larger scale, they could produce cost savings. Yet, that was not the focus of the initiative.

To make these ideas a reality, the board would need to grapple with the parameters of implementation. From where they sat, the CFO committee felt there were two approaches. The first, "steady-state" model would focus on the implementation of one functional area at a time and allow for a highly controlled, orderly implementation of a full-scale MSO (See Figure 2):

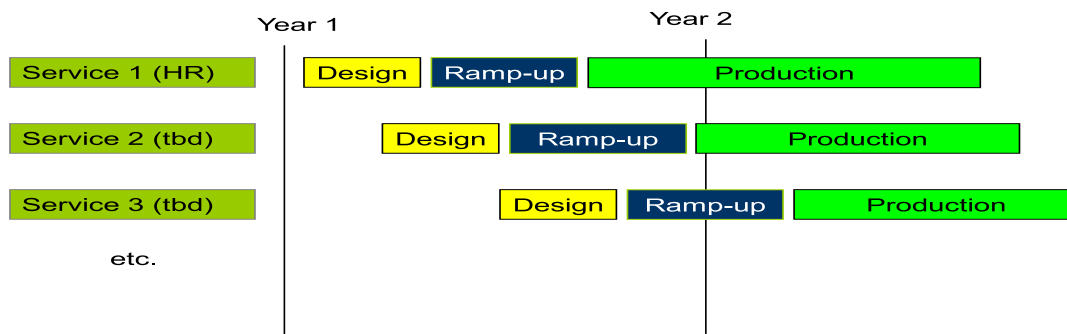

Figure Two: Steady state implementation

The steady-state model might involve hiring new people, or it might mean simply moving staff from an existing MACC agency to the new MSO. However, any hiring would follow a careful design process whereby the MSO would decide which services to offer its

member agencies, one by one, and then decide how to staff that service. The second option was a “rapid-rollout” or “smooshed” model. This model took the existing administrative functions of two or more MACC agencies and combined them (see Figure Three). New staff would not need to be hired, but existing staff needed to be willing to work with staff outside of their current organizations.

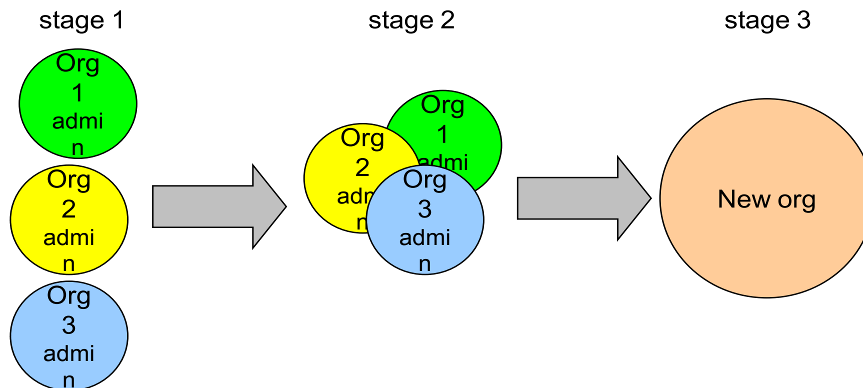

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Figure 3: Smooshed model of implementation

A third alternative existed, although it was not discussed much. In a “staff-pooling” model, organizations simply shared existing staff between them. Neighborhood House, for example, had an existing relationship to share human resources personnel with Minneapolis’s East Side Neighborhood Services. One staff member worked part-time at each agency. While Berry had encouraged this kind of sharing, others on the MACC Board thought it drained time and energy from the development of a “true” MSO.

The committee stressed that – in the short term – none of these options would reduce costs. The steady-state model was less risky but more costly than the smooshed model. It was less risky because the MSO would closely examine each service before it offered that service, and more costly because close examination took time and money. The smooshed model was faster and cheaper, but riskier. By throwing together existing staffs, the model saved on start-up costs. However, the longer term implications of moving people into a new setting to retool, where they would learn new jobs and begin to work with a different group of people, were not clear.

The committee noted other risks inherent in both models, risks that could be minimized

by the third option of the simple staff-pooling model approach:

1. Joining an MSO meant that individual agencies had to give up control of their financial, human resource and information technology systems to a third entity that they had little control over. The MSO would not be just a vendor of these services to its participants. Agencies would need to be jointly liable.

2. Agencies that joined the MSO would find it difficult to get out of it once they got in. The new structure would need to create a hefty exit penalty.

3. The MSO would stipulate that participants would have to buy or contribute to the offering of all three services—finance, human resources, and information technology—even if those services were staged in how they came "on line" (via the steady-state approach).

4. Contributing resources to the MSO would lower the resources available to individual agencies, making it more difficult for CEOs to balance their budgets.

5. Risks are always involved in change of this sort involving personnel. Would agencies' cultures clash? Would their people? Who would supervise MSO employees, especially if they were hired before a chain of command was in place?

The MACC board now faced a critical decision. Should the organization move forward on one of the models? Or should it, instead, focus on other areas of collaboration that had cropped up as potentially important? To become more effective in shaping the state political environment, like the Taxpayer's League, they needed to do public education, and make their values and their programming more visible to the public and policy decision makers. The MACC public policy committee was proposing an initiative to do just that by encouraging agency clients to register and vote in elections. A partnership with a large local realty company was also in the works that would focus on promoting home ownerships among MACC agency clients. MACC could continue to collaborate in many ways and work toward being *big* where it matters and *small* where it matters. However, the current environment, with limited funding and a charged political polarization required that they make a purposive and strategic decision around the MSO issue.

Appendix A

Comparison of MACC's Mission and Membership in June 2002 and 2006

2002 Mission: To assist individuals and families to achieve greater self-sufficiency by strengthening the capacity of community-based social service organizations.

2002 Membership

Minneapolis	***St. Paul***
Pillsbury United Communities*	Neighborhood House*
Phyllis Wheatley Community Center*	West 7th Community Center*
Plymouth Christian Youth Center*	Merriam Park Community Services*
Eastside Neighborhood Services*	Merrick Community Services*
Sabathani Community Center*	Hallie Q. Brown/Martin Luther King Center
Loring Nicollet-Bethlehem Community* Centers	
Confederation of Somali Community in Minnesota*	
Neighbor to Neighbor	

* Denotes organizations that developed from a settlement house history.

2006 Mission: Unleashing the connective power of communities to build their own future.

2006 Membership

Minneapolis	***St. Paul***
Pillsbury United Communities*	Neighborhood House*
Phyllis Wheatley Community Center*	West 7th Community Center*
Plymouth Christian Youth Center*	Merrick Community Services*
Eastside Neighborhood Services*	Keystone Community Services*
Sabathani Community Center*	Hallie Q. Brown/Martin Luther King Center
Loring Nicollet-Bethlehem Community Centers*	
Confederation of Somali Community in Minnesota*	
Arc-Hennepin Carver	
The City, Inc.	
Family and Children's Service	
LDA Minnesota	
Life's Missing Link	
Minnesota Indian Women's Resource Center	
Tubman Family Alliance	
Way to Grow	

* Denotes organizations that developed from a settlement house history.

Appendix B: Other Managed Service Organizations (MSOs)

One of the early memos from the consulting firm hired in early 2004 to assess the viability of a single MSO for MACC claimed that "no such model . . . exists either locally or nationally." Yet how could that be true?

In the world of health care, which, in Minnesota, remains non-profit, "managed services organizations" are not uncommon. Many hospitals, for example, sell their payroll or billing services to the smaller providers with whom they work, doing the more complicated and more costly tasks that they would otherwise have to do for themselves. In other nonprofits, a MSO may step in as third-party organizations to provide temporary management or management consulting services for organizations in need of help. Yet, MSOs have been largely overlooked in the professional literature.

Arsenault (1998) surveys the risks and costs of the various alliances available to non-profits, from a joint venture to a merger, and including MSOs. Golensky and Walker describe a rehabilitation services provider that formed a separate non-profit "to achieve greater efficiency and effectiveness by providing management and administrative services to other organizations" (2003: 68), a description that, however broad, sounds close to what MACC was trying to do with its MSO.

In a briefing paper, La Piana consulting firm concedes that non-profit MSOs "are not very common" (Coy & Yoshida, no date). From their view of the field, three other options exist other than an MSO for organizations that want to share or consolidate functions: "administrative collaboration," "administrative consolidation," and contracting with external service providers. Of these options, MSOs are the most formal arrangements of all because, in this model, an entirely new organization is formed and a governance structure must be developed. The promise of an MSO is that all participating organizations must come to be on the same page. The peril of an MSO—as the MACC development team had identified in their analysis at the end of 2004—is that getting everyone on the same page may be more trouble and take more money, than it is worth. The La Piana briefing thus concludes that "successful MSOs typically have a mission related to serving a specific community."

So perhaps the consulting firm memo was right: the MACC was venturing out into uncharted waters by considering the implementation of an MSO based upon and focused on solidifying the collaborations they were development among human service providers in the Twin Cities. MACC members did share a broad set of "settlement-house" values, but did that provide a strong enough base to move forward in early 2005?

References

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