
Building Strategic Relationships - A Toolkit for the Social Sector



Artist: Kristie Peters, Unity, 2013

This kit contains tools and methods designed to help social sector organisations identify and form strategic relationships with community or commercial partners.

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Foreword

The Ready4 consortium consisting of National Disability Service (NDS), ACT Council of Social Service (ACTCOSS) and RSM was engaged by the ACT Government to support organisations to be equipped to operate in the NDIS environment, and to support all community organisations build their capacity and knowledge around collaboration and partnerships.

Throughout 2016, as part of this initiative, Ready4 has been asking community sector organisations for their vision of good collaboration. They were asked, “What would it look like if the sector worked collaboratively as part of its core business?”

The sectors response to this was:

People are able to simply navigate a seamless service, whether those services are from different sections within an organisation and / or across organisations in the sector.

There would be:

- *Greater quality of service as organisations do what they do best and collaborate effectively with others to refer to*
- *Organisations maintain identity and operate supportively, creatively, with transparency and an openness to new ideas*
- *Organisations would co-locate for effectiveness purposes and to enhance service delivery to clients; and*
- *Organisations would be structurally simple and collaborative, with minimal bureaucracy – benefiting from a scale of collaboration that is fit for purpose*

The information and tools outlined in, Building Strategic Relationships – A toolkit for the Social Sector, is designed to assist in the exploration, implementation and analysis of strategic relationships with community organisations and commercial businesses.

This toolkit aims to build upon organisations strategic thinking, business models, workforce development and person centred practice so that the good work can continue in contributing to civil society by generating shared collective value.

It has a strong focus on the different types of partnerships and their purpose, how to identify opportunities and practical tips to support the ongoing journey.

Organisations are encouraged to work their way through this resource and, if needed, seek additional support.

We wish to finish with a quote from Helen Keller,

“Alone we can do so little, together we can do so much”

Ready4 Consortium

National Disability Service(NDS) , ACT Council of Social Service (ACTCOSS) and RSM

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Introduction

Why strategic relationships?

The landscape is changing for social sector organisations: the environment in which we operate has never been more volatile, uncertain, complex and ambiguous. Technology is enabling new opportunities, whilst brands and reputations are under constant scrutiny and persistent social problems have stretched government budgets. In addition to this, numerous social policy reforms are changing the landscape and necessitating new ways of thinking and working.

A case in point is the policy shift in the disability sector where block-funding models are converting to fee-for-service. Whilst Government is still regulating the price of services, the purpose of the National Disability Insurance Scheme, in its truest form, is that the choice and control is given to participants. Organisations operating in this sector need to develop value propositions and service offerings that participants will want to purchase.

When the external environment is unstable and in flux, the organisations operating within it also need to change. While change can be risky, not changing can be even riskier.

The net effect is that, in many cases, you'll need to consider collaborations and partnerships with other entities in order to deliver the best outcomes for your clients. There's no single recipe that tells you how to do this because every organisation has its own set of unique circumstances and the possibilities are vast.

What exactly is a “strategic relationship”? They come in many shapes and sizes and, until you start exploring, the exact form you end up with may not be apparent. Therefore we've adopted a very broad definition:

The term ‘strategic relationships’ is used to describe alliances, partnerships or any quasi-formal arrangements with other entities that involve a material exchange of value between partners with the intention there will be mutual benefits.

How to use this Kit

There are many excellent resources within the social sector that deal with strategic planning and partnership building and we make reference to some of those resources, however and we are not trying to reproduce them here. The process of building strategic relationships is hard to catalogue in a prescriptive or catch-all way as it requires many different perspectives and skill sets.

This kit is trying to widen your scope and thinking around strategic relationship development, elevating your knowledge of innovation methods, creativity tools and catering for human factors that come into play.

It consists of four sections, each with its own set of exercises or tools to work through. You don't have to do all of them nor in order - pick and choose what is relevant to you.

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At the end of each section we've included a practical example or two to help illustrate the process or point being made.

This kit will not necessarily provide all of the answers to every question you have. It is recommended that you consider engaging with subject matter experts and / or external facilitators to open yourself to new lines of questioning, gain new perspectives and get the most out of the tools provided.

1. Governance and Leadership

“To change stuff you need to get comfortable in the uncomfortable” - Daniel Flynn

Building strategic relationships has implications at the board and leadership level. With an increasing number of strategic relationships between for-purpose and for-profit organisations, community not-for-profits (NFPs) will need to prepare for:

- A wider set of strategic options
- Developing commercial or quasi-commercial lines of business
- Introducing and balancing commercial objectives within social goals
- Identifying and implementing best practice in new areas
- Organisational cultural challenges, both internally and externally

The tools provided in this Section are designed to help you prepare for the exploration process. Governance and strong leadership skills will be required to form innovative responses to the challenging operating environment. The main questions for boards and leaders to consider are:

- Am I prepared to challenge business-as-usual?
- What are the key risks we face?
- What are the opportunities on offer?
- What can our industry tackle together?
- How do I bring internal and external stakeholders on that journey?
- Where do I start?
- Is there a natural order for tackling things?
- How do I reduce the complexity of the problem?

- Are there good reference points?
- What tools and processes are available to assist?
- Is external advice or consulting required and will it pay off?
- What due diligence is required?

Doing nothing may be riskier than doing something. There's pressure on community NFPs to maximise the level of social impact they produce from existing resources, explore new business models and link up with others in ways that amplify strengths. Creating an internal environment that is conducive to these explorations requires strong leadership – your staff will need to buy-in to new ideas and strive for best practice in areas that may be unfamiliar to them. You'll need to build new capabilities to scope out, develop business plans and implement strategic relationships.

1.1 Classifying your business model

What is your current business model? Is it based on one type of model, such as a government funded community service provider? Or are there social enterprise or other components present?

Having classified your current business model, do you have a clear vision of what it will look like in the future or is there uncertainty? For example, you may be contemplating the addition of fee-for-service offerings in a commercially competitive market.

Using Diagram 1.1 as a reference point, address the questions in the table on the next page.

Diagram 1.1: The spectrum of business model types*

Entity Type	Traditional Non-profit	Social Enterprise	Social Business, Co-ops & Mutuals	B-Corp	Shared Value Business	Traditional Business
Business model	The social mission is funded mostly by grants, donations or government contracts	The social mission is funded <i>mainly</i> from commercial revenues or contracts	The social mission is funded <i>entirely</i> from commercial and / or member based revenues	A for-profit model with commitments to social, environment and workforce issues hard-wired into the business	Supporting relevant societal challenges is linked to core business strategy	Profit comes first - social support is about preserving licence-to-operate

* You may find organisations that are a blend of these business model types.

Source: Phil Preston

Exercise 1.1: Questioning your current and future business model

Question	Your reflections
Is there a single model that best reflects your current organisation, or is it a composition of several types?	
Do you have a clear vision of what your model will look like in the future, or is it uncertain? If so, why?	
Do you have a current strategic plan? What is the model best suited to achieving your current and future objectives?	
With which types of entities have you already formed strategic relationships with (excluding government)?	
Do you see yourself forming strategic relationships with one or several types in the future? And if so, which ones? For what purpose?	
From a governance perspective, what are the questions you should be considering at board level?	

As Diagram 1.1 illustrates, the demarcation between traditional social and commercial models is less clear. We are seeing the convergence of these business imperatives. The social sector is, for example, being motivated by policy change and the need to diversify funding sources to venture more into the commercial space. Conversely, traditional businesses - where social support has been historically driven by licence-to-operate and reputation concerns - are becoming more socially innovative, where they are finding links between investing in social issues and earnings growth.

A consequence of this trend is that organisations, regardless of their business model, will be sought out as partners in areas in which they add the most value.

1.2 Identifying key areas where you add value

Where do you add the most value? In an increasingly resource-challenged and competitive landscape it is worth considering what you are really good at. In Exercise 1.2, weigh up the opportunity areas presented based on what you know you are good at, or where strengths could be liberated via strategic relationships .

Exercise 1.2: Broad opportunity areas to leverage your value-add

Opportunity area	What are your strengths here?
Specialist knowledge and expertise in social problems that is evidence based	
Designing new products and services that deliver social benefits	
Devising alternative products that produce quality outcomes in your market	
Using your scale or distribution networks to achieve efficiencies	
Developing new dimensions to the value that you deliver to your clients	
Improving social conditions on a geographical or macro scale	
Other?	

This is essentially a core competency checklist, albeit an abbreviated one.

1.3 Focus areas for your organisation

In responding to the challenge, there are three areas of focus and capability building that are important for community NFPs. They are cumulative, meaning that accomplishment in one area is generally required before moving to the next one.

Review the three focus areas to determine where your internal resources and efforts are best applied.

Exercise 1.3: Where to focus

Focus area	Explanation	Example
1. Internal	Strong internal processes, structures and systems are a prerequisite before developing strategic relationships, because design, planning and implementation will be subject to operational risk. This is equivalent to being a good operator and ‘ensuring the ship is seaworthy’.	The global NGO, Pact [R1], established a new organisational structure to promote internal innovation and, ultimately, diversify funding concentration away from government aid programs.
2. External	Increasing impact, including playing a role in collaborative or collective impact projects, will require an outward looking lens, greater familiarity with players in all parts of the social value chain and the ability to build strategic relationships. The goal here is to work with partners and stakeholders to increase collective performance and create greater overall impact.	The ACT Housing Policy Consortium formed in the context of a small amount of policy funding being made available for a two year period. These funds were used to employ research expertise and leverage off existing knowledge, capacity and member engagement from the consortium members. Three research projects were completed that expanded the evidence base of ACT housing and homelessness policy reform and program design.
3. Customer	Building or improving on your value propositions for customers, which requires a culture of customer-centricity and processes that assist the design and development of new products, services and markets. With shifts such as those from block funding to contestable customers, for-profit sector operators will be looking for opportunities to disrupt the established market structure by providing customers with alternate choice in a limited market place.	For example, in aged care, the VET sector and early childhood education has seen growth in commercial operators over the past few years - however it has come with questionable quality of service and outcomes.

If you decide your focus area is Internal, it doesn't mean that you abandon your quest for strategic relationships, it is an indicator that such relationships could be focused on improving internal structures and processes rather than, say, multi-sector collaborations.

1.4 Uncovering your main challenges

In conjunction with the previous exercises, taking a “business model” view of your organisation can also help you lock on to the key challenges and opportunities that you face. Refer to the ACTCOSS resource entitled *Tools for Business Success in the Social Sector* [R2] to develop a greater depth of understanding and capability in this area.

The following exercise asks you to rate your main opportunity areas on a scale of 1-5, where 1 is low and 5 is high.

Exercise 1.4.1: A business model approach to challenges and opportunities

Area	Challenge or opportunity	Rate 1-5
Clients and their needs	What new client segments can be served and what new services can be offered to existing clients?	
Value propositions for clients or partners	What new or innovative value propositions for clients can be developed? Note that a value proposition may consist of one or many bundled products and services that utilise your unique knowledge and capabilities.	
Client relationships	How can you improve the way you connect with and / or maintain ongoing relationships with your clients?	
Distribution	How can you improve the cost or effectiveness in the way you provide your products or services? Or maybe you have a network or product that is valued by others and could be used to greater advantage?	
Skills and resources	Are there additional skills, resources or key capabilities that would enhance the value you provide to clients?	
Partners	How can you help existing or new partners improve their performance, including suppliers, distributors, associations, agencies and research organisations in a way that also improves your effectiveness?	
Financial drivers	How can you access new sources of funding or financing, or lower the cost of delivering services whilst maintaining quality?	

What do your ratings suggest in terms of your strategic challenges and opportunities?

By way of example, a commercial operator (Suncorp) was able to introduce a range of insurance products with affordable weekly premiums tailored to the low income market [R3]. It partnered with Good Shepherd Microfinance in order to better understand customer needs and gain access to its distribution channels. Without such a partnership, the solution may not have been economically feasible nor deliver on an important social objective of reducing vulnerability.

Exercise 1.4.2: Your current areas of need

Area of need	Make a note of any specific, current needs
Serving new clients or provide new services to existing clients.	
Developing new forms of value to meet needs of clients or partners	
Improving the way you make or maintain client relationships	
Cost effective delivery or leveraging networks for greater advantage	
Additional skills, resources or internal capabilities	
Helping existing or new partners in a way that also helps you	
Improving access to funding and financing	

1.5 Best practice challenges

Every organisation has its own guiding light. With the emergence of new players and hybrid business models, it's worth reflecting on best practice challenges for three key organisation types.

Exercise 1.5: Which best practice challenges do you face?

Area	Traditional NFP	Social enterprise	Traditional company
Primary objective	Social mission, citizen led democratic approach	Positive social outcomes	Profits and shareholder returns
Marketplace	Social service delivery aligned to the organisation's constitution and purpose	Social service delivery and contestable markets	Commercially competitive markets
Success measures	Social outcomes and impact indicators	Social outcome indicators and sustainable financial model	Solid trend growth in shareholder returns
Funding sources	Grants, donations and government funding through grants or SFA's, with the potential for some self generated income from membership or fee for service	Partly or fully funded by revenues from contestable markets; may obtain seed funding or partial ongoing support from grants, donations or government contracts	Public or private equity capital, debt and reinvesting a certain amount of profits from the sale of goods and services
Funding challenges	Changes to funding regimes, fundraising competition, demonstrating social value to funders, short funding cycles, competing in a contestable environment	Surviving the start-up or ramp up phase to achieve financial sustainability and maintaining revenue streams over the longer term	Growing and sustaining earnings, maintaining good access to financial markets and managing the short-term expectations of shareholders
Opportunities	Diversify funding risk and access resources through strategic relationships; innovation in fundraising / financing and new business models	Create new markets for products and services; become a formidable competitor in niche markets by disrupting traditional players / cost structures	Develop clarity about the purpose of the company, linking societal issues with business opportunities, aided by strategic relationships with social sector players
Ideal outcomes	Longer term funding cycles, genuine value-adding partnerships and highly sought after by customers	Creating surplus income that can be reinvested in social impact	Products and services become aligned with genuine societal needs which creates enduring value
Examples of best practice challenges	Building informal relationships and networks; developing strong value propositions for contestable customers; marketing and sales skills; understanding financial imperatives across the organisation; innovation in product commercialisation and services; effective governance	Dealing with a wider set of best practice skills, spanning the social and commercial sectors; effective governance structures to manage tensions between revenue generation and social impact	Differentiating strategic investments in social issues from philanthropy and reputation management; familiarisation with the cultures of other sectors; partnering for the delivery of social and economic benefits; stimulating social innovation from within the workforce

Area	Traditional NFP	Social enterprise	Traditional company
Example	St Vincent de Paul and Red Cross operate a range of clothing and retail businesses where the revenue is re-invested back into the organisation to value add to the work they already do or address unmet needs where no other funding is available	Social enterprise, HireUp, making it easy to connect people with disabilities with suitable carers	Global education provider, Pearson is redefining success in terms of educational outcomes rather than product profitability on the premise that greater returns will follow in the long run if they get the educational outcomes right

Source: Phil Preston and ACTCOSS

1.6 Normalising strategic planning

Governing a NFP organisation is a complex task and a significant amount of director time and energy should be invested in envisaging and planning for what's going to happen next, especially considering the level of change with respect to funding, policy and practice. Matrix on Board Consulting advocates for strategic thinking at every board meeting rather than once-off annual sessions [R4].

“Smart boards look ahead and anticipate the future. Board members engage in strategic thinking at every Board meeting...” - Matrix on Board Consulting

Exercise 1.6: Your strategic planning reflection exercise

Question	Response
Is strategic review and further planning included in every Board meeting?	
Is strategic relationships and partnership development included in the planning process?	
Which of these main objectives apply to your planning processes [R5]? <ul style="list-style-type: none"> • Optimising value from your resources • Reducing risk and uncertainty • Acquiring access to new resources and capabilities. 	

1.7 Leadership qualities

“Organisations need to have business models that can deal with complexity and uncertainty. Whilst many organisations are resilient and robust to change, they need to be adaptable to change quickly.” - Patrick Hollingsworth, The Light and Fast Organisation.

The changing landscape has many implications for the capabilities and culture nurtured within your organisation.

Your staff and the participants they provide services to, have knowledge and insights that are highly valued in the marketplace. Liberating the value of this ‘asset’ may require new ways of working: less command and control and more about collaboration and coaching.

“People are your greatest investment and asset, however boards and management should not assume that their passion will naturally transfer to a new product or way of doing things, especially if the purpose of the new initiative is in conflict with their values or what they believe are your organisation’s values” - Ivan Brown [R6].

The role of the leader with respect to the development and management of strategic relationships is multi-faceted. It includes taking responsibility, inspiring, motivating, empowering, create a common language, fostering respect and trust, transparency, inclusiveness, combining perspectives and creativity [R7].

The McKinsey Quarterly [R8] reported on a study that found four leadership behaviours explained 89% of the variance between strong and weak organisations. Use this as a checklist against the behaviours you see in your workplace.

Exercise 1.7: McKinsey leadership behaviour checklist

Behaviour	What do you see?
1. Those who are supportive, authentic and have a sincere interest in those around them build trust and inspire and help colleagues to overcome challenges.	
2. Leaders with a strong results focus tend to emphasise effectiveness, efficiency, and prioritising the highest value work. They communicate the vision and work with the team to identify objectives to achieve the vision.	
3. Seeking different perspectives - they monitor trends affecting the organisation, grasp changes in the environment, encourage staff to contribute ideas that could improve performance, accurately differentiate between important and unimportant issues and give the appropriate weight to stakeholders concerns.	
4. Strong leaders solve problems efficiently by using an informed decision making process which includes gathering information, analysis and consideration of the information.	

1.8 Collaborative leaders

Your leaders need collaboration skills at the intra-organisational and external partner levels. The collaborative leadership assessment tool [R9] is a useful reflective tool for all levels of management within an organisation:

Exercise 1.8: Collaborative leadership assessment tool

Question	Y / N?
1. Can I achieve results by influencing rather than directing?	
2. Can I share ownership, even if it means sharing credit and rewards?	
3. Can I delegate and let others deliver results?	
4. Have I demonstrated the ability to motivate groups of diverse individuals who may not share their viewpoints or perspectives?	
5. Have I demonstrated the ability to make and implement decisions collaboratively?	
6. Can I get results even when I have no direct control over people or resources?	

Reflecting on your responses, how can you enhance your level of skill, increase your circle of influence or change your mindset to achieve a better result?

Collaborative leaders understand the importance of having an innovative organisation, and such an organisation has structures in place to connect and nurture the people who have good ideas and are willing to take responsibility for them - they need to know how to work with others to take their ideas forward. For more on this topic, refer to the ACTCOSS resource, *Tools for Business Success in the Social Sector* [R2].

This point is echoed by Jason Fox, in *How to Lead a Quest*, where he talks about supporting “intrapreneurs” within organisations. These are people who seek to leverage their influence to create new value within an organisation.

1.9 Getting ready checklist

Getting ready doesn't mean rushing out and talking to anyone and everyone who might be a partner one day - it is about preparation for considering or discovering new and innovative ideas. You may have things in mind or be starting with a blank canvas.

Strategic relationships are only relevant in the context of your Strategic Plan. This takes into account the environment in which you operate, the goals and direction you have set and the allocation of the resources at your disposal. The intention is not to reproduce the strategic planning process here, however some good pointers are found in the *Community Sector and Business Partnerships Tool Kit* [R10], and you can use the points in Exercise 1.9 as a checklist.

Exercise 1.9: Getting ready checklist

Before you start, ensure you have a good grasp of:

- The clarity of purpose and mission of your organisation
- The historical and current state of play, including funding profile
- Values that you are not prepared to compromise

- Your market, geography and client footprint
- Analysis of key stakeholders, peers and competing organisations
- Legal, demographic and regulatory factors
- Prevalent social, industry or regional trends
- Your goals and how strategic relationships can help you meet them
- How success is measured and over what timeframes.

1.10 Example: Cancer Councils and AMP

The financial planning industry has been under fire due to several major bank scandals and regulatory interventions. With this backdrop in mind, AMP struck a partnership with the NSW Cancer Council that has since been rolled out across the country, where financial planners assist families affected by cancer. The program is typically for people who aren't well placed to get professional advice.

When a request is made, the relevant state-based Cancer Council links them with an accredited planner who must attend to the situation within 48 hours. The primary social benefit lies in relieving the family of the burden of financial management during a difficult period, allowing them to focus on physical and emotional aspects of their situation. In 2015, 923 families received assistance, bringing the overall total to nearly 4,000 since inception.

This collaboration is more intricate than it may appear at first glance:

- Cancer Councils are the contact point for families / clients
- Financial planners associated with AMP are the pro-bono service providers
- AMP plays a pivotal role in bringing the parties together
- AMP Foundation funded the program roll out.

At the industry level, the Financial Planning Association (FPA) recognises members who support their community through voluntary work and it has implemented its own program to connect planners with people affected by natural disasters. AMP's cancer initiative was also the inspiration for the formation of the Pro Bono Financial Advice Network in 2013.

AMP attempted to set up a similar arrangement with a social welfare partner prior to this program, however there was a misalignment in terms of cultural fit that hampered execution, highlighting one of the many challenges in establishing and maintaining partnerships.

Exercise 1.10: Applying a strategic lens to this example

From a strategic relationships perspective, what does this example reveal about:

- Motivations and benefits for the project partners?
- Scaling up and driving industry change?
- False starts and learning along the way?

Example compiled by Phil Preston (April 2016) from various published media, NSW Cancer Council updates and conversations with former AMP staff associated with the program

1.11 Example: Establishing a community NFP network

An example of a commercial player “converging” on the NFP space comes from an innovative response to a community need. Bendigo and Adelaide Bank's Community Banking model blends the provision of core services by a for-profit entity (the bank) with a community shareholder-owned bank branch, where the majority of profits are mandatorily reinvested back into the local community.

It's like a franchising model where the bank provides core banking services such as systems, processes and risk management in return for new business and a margin on products sold. The bank is gaining access to new customers at the same time the

community ensures it has a local bank branch presence that prevents people from going to other centres for their banking and other shopping needs.

This strategy has been a substantial contributor to Bendigo and Adelaide Bank's customer acquisition rate, balance sheet growth and positioning as the fifth largest bank in Australia.

Key statistics:

- More than 300 branches, 1,500 staff and 1,850 local directors
- \$26.8 billion in new banking business and \$1.1 billion in revenue
- 1,000,000 local customers
- More than \$148 million reinvested in local communities
- \$38.6 million in local shareholder dividends paid since inception

Source: Adapted from Bendigo and Adelaide Bank 2015 Review, Shared Value Project case study by Sam Moore and his article: <http://sharedvalue.org/groups/shared-value-initiative-community/shared-value-banking>

2. Types of Strategic Relationships

In this section we'll explore strategic relationships from a few different perspectives. Firstly we'll look at general classifications, hone in on those familiar to community NFPs and then take a look at motivations for companies to work with you.

2.1 Core types of relationships

Recall that we are considering alliances, partnerships or any quasi-formal arrangements with other entities that involve a material exchange of value with the intention there will be mutual benefits for those involved. In a renowned text on business modelling tools [R5] - which is applicable to organisations in all sectors - the authors define four core types of strategic relationships. It's worth checking in to see which ones you've used to date.

Exercise 2.1: Strategic relationship types

Type	Description	Example	Your notes / checklist
Strategic alliances	Alliances between non-competing organisations	Nursing agencies providing staff to hospitals and aged care facilities, or OzHarvest collecting and repurposing food from restaurants, events and supermarkets.	
Strategic partnerships	Strategic relationships involving similar organisations or competitors	Pharmacies: whilst being competitors they work together against other entrants to their market such as supermarkets; or competing real estate agents in an area working with housing support services to reduce tenancy evictions.	
Joint ventures	Used to create a new product or enter a new market with a partner	As per Suncorp and Good Shepherd Microfinance [R3] as discussed in Section 1.4. The affordable insurance product was a new product in a new market.	
Supplier relationships	Strengthening the reliability of supplies or improving performance	Programs that build the capacity and capability of local suppliers, such as the Federal Government's policy on procurement from Aboriginal businesses through Supply Nation.	

2.2 When NFPs work together

Because NFPs are focused on social outcomes it should be easier for them to work together compared to, say, competing companies. The Community Tool Box [R12] sets out a range of relationship types exhibited when NFPs work together.

As per the previous exercise, it's worth checking in to see which ones you've used or been involved with to date.

Exercise 2.2.1: NFP-specific relationships

Type	Description	Your notes / checklist
Networking	Exchanging information to help each other do a better job, such as an exchange of counselling techniques between two service providers. It requires a low form of commitment.	
Coordination	Activities are modified to better service to customers, such as a schools and counselling centres coordinating the times they offer services.	
Cooperation	Going one step further than coordination by sharing resources to provide better services and outcomes, such as staff, volunteers, premises, ICT, learning & development.	
Collaboration	A relationship where two organisations enhance their capacity to do their job by, for example, jointly applying for a grant to train staff or co-sponsoring a large public event. It involves sharing risks, responsibilities and rewards.	
Multi-sector	A collaboration between many different types of entities to solve systemic problems in the community, such as revamping a healthcare system or collective impact projects. The challenge lies in developing high levels of trust and aligning a wide range of players around a common objective.	

In the ACT there are good examples of NFPs working together, especially in specific sub-sectors such as homelessness, children, youth and family, mental health, alcohol, tobacco and other drug issues.

The key differences between the methods outlined above, lie in the assets utilised and level of commitment required.

Table 2.2.2: Types of relationships and commitment required

Type	Assets utilised	Level of commitment
Networking	Knowledge and relationships are shared in order to build capability and capacity of both partners.	Informal and often ad hoc; often seen as a way of building a greater understanding of the services being offered, the quality in which they are being delivered and the underpinning values of how the organisation works.
Coordination	Resources are applied in tandem with other organisations to achieve a greater impact.	Built upon informal understandings of the responsibility of each agency with regards to modified activities. This is often undertaken on an ad hoc basis to meet the specific needs of an activity, cohort or occasion.
Cooperation	Parties help each other fill 'gaps' in their resourcing profile.	Built upon informal understandings of the responsibility of each agency with regards to combining or sharing resources. This too is often ad hoc to meet the specific needs of an activity, cohort or occasion.
Collaboration	Leveraging resources and skills to increase impact or enhance value for customers.	This is a more formal arrangement, however it may only be for a short period of time. It could include a service level agreement, MOU or letter of engagement.
Multi-sector	The leveraging of skills and resources occurs on a broader and more systemic scale.	This requires significant coordination, trust and accountability from all parties, managed by agreements that all parties sign.

2.3 Client and community benefits

How could more formal relationships help you and your clients? The checklist below draws on the work of Tim Childs and TasCOSS [R13] and asks you to rate the relevance of the benefit in the context of your organisation and ideas that spring to mind.

Exercise 2.3: A person-centred approach to formalising partnerships

Benefit	Relevance to the client?	Ideas for improving outcomes
New approaches for a better outcome (for clients)		
Developing best practice		
Increasing the continuum of care		
Bringing a holistic approach to care		
Referral processes		
Provide a new service or better way of delivering an existing service		
Sharing resources to maximise impact for clients		
Auspicing a small organisation		
Policy development and lobbying		
Planning and coordination		
Collective strength		
Recruitment, training and professional development		
Lowering delivery costs, enabling increased volume or quality		
Resilience of your service by having a strong client focus		

2.4 Collaborating with for-profit businesses

While tensions often exist between for- and not-for-profit agendas, there is increasing interest from both sides in new and more strategic collaborations.

Strategic relationships that achieve win-win outcomes have been branded as “creating shared value” and there is strong and emerging interest from corporate Australia. They are different to those that are philanthropic or skewed more towards the brand and reputation management objectives of corporate social responsibility (CSR).

Review the tables that follow to locate the types of relationships you are already familiar with.

Exercise 2.4: For-profits motivations for developing NFP relationships

Category	Form of Support	Example
Philanthropic: Gifting of financial or other resources Driven by social conscience or desire to be a good corporate citizen	Employee giving: Enabling employee giving through payroll donation systems and processing	Workplace giving programs that support charities such as the Heart Research Institute
	Matched giving: The business offers to match employee donations dollar for dollar	Employer agreeing to match employee’s donation to the Starlight Foundation
	Foundation grants: Directing employee and business donations into a foundation for a grants team to allocate	A company foundation funds the build and fit-out of a Men’s Shed
	Sponsorships and supports: Providing smaller scale donations, goods, services or capacity building	Sponsoring a netball club, donating surplus food to charities or offering places in training courses
	Volunteering: Providing employees with skilled and unskilled volunteering opportunities	Employees helping with service in a community kitchen or lawyers providing pro-bono services
Community and Impact Investments: Investments in the community that are focused on specific social impacts, including forms of corporate social responsibility (CSR) Driven primarily by brand and reputation enhancements and risk management	Developmental volunteering: Volunteering opportunities for staff where the activity is linked to learning and development needs	Emerging leaders participating in mentoring programs to help build their knowledge and skills for future management roles
	Critical investments: Essential sponsorships or other forms of support that the community expects the business to provide	Financial support for health education programs in remote communities that a company operates in
	Catalytic investments: Contributions in the form of giving, leadership, knowledge, advocacy or coordination, focusing on a specific issue and involving a wide range of partners	American Express, via its foundation, works with several partners to provide tourism training for young people
	Brand and reputation enhancers: Projects or programs where partners are strategically chosen to help assuage concerns or build standing with customers or key partners to the business	Virgin Australia partners with JetPets and PetRescue to provide free flights for transporting rescued pets. A retail brand signing up to sustainable sourcing or ethical accreditation standards

Creating Shared Value: The business derives a benefit by positively contributing to social outcomes; includes elements of strategic CSR Driven by a desire to create value at scale on both the economic and social fronts	Social investments linked to business productivity: Investing in social outcomes to drive efficiency and lower the cost of doing business	Real estate agents in Western Sydney helping to reduce tenancy eviction rates and lowering their own operating costs in the process
	Social investments linked to product quality or revenue growth: Investing in social outcomes to drive effectiveness, such as improved product quality, performance, sales growth or new product and market development	Nestle supporting farmers in Wahgunyah to develop oats as a viable diversifying crop, providing seed research, agronomy advisers and accommodative contractual terms. Business benefits include local sourcing, higher yields and better oat quality, while community benefits include community stability and mental health outcomes.
	Business model transformation: Creating new models or profitable forms of business to address specific social or environmental needs and challenges	Suncorp's Insurance Essentials by AAI provides affordable and relevant insurance options for low income earners

Source and copyright: Phil Preston 2016

“While some shared value opportunities are possible for a company to seize on its own, others will benefit from insight, skills and resources that cut across profit / non-profit boundaries. Here companies will be less successful if they attempt to tackle societal problems on their own...” – Michael Porter & Mark Kramer [R14]

2.5 Key challenges in forming strategic relationships

When entities embark on a process of identifying and developing strategic relationships, the main challenges include:

- Efficiently capturing and taking ideas forward
- Blending the different imperatives and activities of different organisations
- Aligning collaborators around their individual and common goals
- Creating buy-in for change internally and / or externally
- Operating transparently and communicating effectively

You may have encountered one or more of these challenges yourself!!

Exercise 2.5: Reflection exercise

Activity	Reflections
Reflect on your own experiences and outline the nature of the challenges that you've experienced.	
Have your challenges mostly been captured by the points mentioned above, or are there different factors at play?	
Can you point to instances where relationships have been set up and worked really well and, if so, what were the key reasons for success?	
Hindsight is a wonderful thing. What would you do differently next time if you had a similar opportunity?	

In the Sections that follow we provide you with an array of tools to help the ideation and development process, to help overcome obstacles that may be getting in the way.

2.6 Example: TOOL Program

A good example of a multi-sector partnership based on strategic relationships is the Training, Options and Opportunities for Learning (TOOL) program on Hobart's eastern shore [R13], summarised here:

It supports grade 9 & 10 students who are struggling with the traditional learning system and provides training in a range of practical skills, including those where skills shortages are experienced by local employers. Neighbourhood centres, community centres and employment and training solutions organisations lie at the core of the collaboration, with partnerships including government departments, agencies, councils, police, industry bodies, various youth related organisations and companies.

The zinc smelter operator, Nyrstar, supplied a house that is used for training in renovations; and a vineyard, Gunners Quoin Estate, allowed its site to be used for trainees to acquire horticulture and maintenance skills.

The benefits for collaborators included:

- Neighbourhood and community centres – improving client value through the provision of new training opportunities, fuelled by working with new partners, creating new activities and accessing resources.
- Nystar and Gunners Quoin Estate – providing resources in the form of a house and vineyard for the purpose of working with employment and training partners to educate young people in areas where workforce skill gaps exist.

2.7 Example: A model for Women’s Community Shelters

The Women’s Community Shelters business model [R15] facilitates the creation of franchises to construct and manage local shelters. Donors can engage at a local or national level, the Advisory Board is made up of service experts and local mentors are also engaged. The State Government is asked to fund 50% - instead of the usual 100% - of the set up cost. The aims of such a model include:

- Creating fundraising offerings at national and local levels to suit the donor market
- Bringing scale to the provision of domestic violence shelters; and
- Creating an attractive proposition for state government in the form of reduced funding needs.

2.8 Example: Macarthur Real Estate Engagement Project

The Macarthur Real Estate Engagement Project (MREEP) is the name of the collaboration between real estate agents, homelessness service providers and various government agencies, including housing, community services and unemployment

support in Western Sydney. Formation of the project was led by the non-profit peak body, Western Sydney Community Forum (WSCF), whose mission is to strengthen the capacity of the social sector. It has more than 200 social sector organisations as members and it brought various players together with the aim of reducing homelessness.

The project has staged objectives: firstly, to ensure tenants at risk of eviction are introduced to available support services to reduce new cases of homelessness; and secondly, as trust builds between real estate agents and the social sector, provide people in temporary or refuge housing situations improved access to rental opportunities.

The Project is now operational and largely independent of funding support. Early on, it was identified that commercial incentive for real estate agents – who manage rental contracts on behalf of owners – would improve the likelihood of success, along with increasing the utilisation of existing social support resources.

In the first two years of operation (2012 – 2014), there were 102 referrals to social support providers from five real estate agents and 57 tenancies have been saved. It has since grown to include nine private real estate agents who regularly refer tenants showing signs of rental crisis. About half of the tenants referred through the process had never previously been in contact with the social services system.

As a result, real estate agents are beginning to trust community services and contacting them with notifications of vacant properties. For the participating real estate agents, there has been an estimated \$1,000 saving in hard costs alone and nearly \$10,000 in benefits for the property owner each time eviction is averted, due to rentals that would have otherwise been lost and avoidance of property remediation costs.

It took a while to find the right “language” to engage real estate agents, and was aided by a semi-retired agent who joined the project team. Feasibility was assisted by a state government grant however it is now independent of ongoing grant funding.

Sourced from: Gerencer and Preston (2015), “Reducing Homelessness Through Commercial Incentive for Real Estate Agents”, Shared Value Initiative case study

3. Identifying Opportunities

Opportunities can develop from a wide range of sources, such as your long held ideas that continue to evolve, new connections made or by necessity in response to policy changes. In other words, it is a creative and innovative process and there is no checklist that will provide the best answer. What you can do though, is be armed with many processes and methods that will increase your chances of finding and developing valuable strategic relationships.

3.1 Adopting a mindset to achieve success

To spark new collaborations and strategic relationships, you and your people need to be in a positive frame of mind - it is fundamentally about what's possible, finding workable solutions and looking outwards for win-wins.

The following essential mindset requirements form a checklist for your organisations culture and preparedness. If you see too many internal limitations, you may want to consider external facilitation as a way of breaking new ground.

Exercise 3.1: Assessing mindset elements

Mindset	Description	Reflections + Actions
1. Interdependent	You 'get' that your mission does not exist in isolation - the fortunes of your clients, community and local prosperity are intertwined.	
2. Capable	You accept that the operating environment is uncertain, complex and ambiguous, and position yourself internally to respond.	
3. Socially innovative	You need the ability to "join the dots" and work with other organisations in ways that deliver mutual benefits.	
4. Proactive	Opportunities won't magically appear - you must be prepared to go out there and find them.	
5. Professional	Strategic relationships require patient investments supported by a business case in order to generate improved outcomes.	

Mindset	Description	Reflections + Actions
6. Effective	You lever what your organisation is good at or has in abundance, finding the best partners to work with to maximise social impact.	
7. Analytical	You set up measurement systems and collect performance data to better inform decisions about your allocation of internal resources.	

Source: Phil Preston

What do your reflections tell you about your mindset and organisational structure? What are some immediate actions that you can put in place? What are your short term and medium term aspirations?

Next, we'll outline a three step process called "Pain to Positives to Potential" [R16] to spark some initial brainstorming before outlining some alternative approaches.

3.2 From pain to positives to potential

Strategic relationships involve the exchange of assets - usually resources, skills or expertise - where there are mutual benefits in doing so. In other words, clarity of assets and needs of the parties contemplating a strategic relationship underpins the opportunity identification process.

In Exercises 1.4.1 and 1.4.2 you were asked to think about strategic challenges and opportunities. It is a good time to review those exercises because the problems you identified will assist in these exercises.

Exercise 3.2.1: Your pain (circle the number that describes where you're at)

Area	<< Pain v Opportunity >>	Notes
Client outcomes	-5 -4 -3 -2 -1 0 +1 +2 +3 +4 +5	
Connecting or interfacing with clients	-5 -4 -3 -2 -1 0 +1 +2 +3 +4 +5	
Distributing products or services	-5 -4 -3 -2 -1 0 +1 +2 +3 +4 +5	

Area	<< Pain v Opportunity >>	Notes
Resourcing	-5 -4 -3 -2 -1 0 +1 +2 +3 +4 +5	
Operations	-5 -4 -3 -2 -1 0 +1 +2 +3 +4 +5	
Creating or managing partnerships	-5 -4 -3 -2 -1 0 +1 +2 +3 +4 +5	
Managing staff / volunteers	-5 -4 -3 -2 -1 0 +1 +2 +3 +4 +5	
Income sources	-5 -4 -3 -2 -1 0 +1 +2 +3 +4 +5	
Controlling costs	-5 -4 -3 -2 -1 0 +1 +2 +3 +4 +5	

From this list, where are your greatest areas of pain or opportunity? These are most likely the areas you scored at the extreme ends of the scale.

Exercise 3.2.2: Top 3 areas of pain or opportunity

1. _____
2. _____
3. _____

Now that your needs are better known, what assets and strengths do you possess? And who could they help? Underline those items in the list below that you believe are assets or strengths, and then review and circle the ones that you think could be of value to third parties. If possible, engage existing suppliers, partners or other stakeholders and ask them, “What are we good at and why?” to gain a more rounded view.

Exercise 3.2.3: Your positives

Type	Asset / strength	Who could it help and how?
Human	Key people, features of your workforce, volunteers, culture, values or other human based features of your enterprise	
Relationship-based	Relationships with funders, financiers, suppliers, distributors, customers, communities, peak bodies, associations, government, regulators, unions, labour market, peers, competitors or media. Key networks that you belong to.	
Structural	Physical goods, property, location, intellectual property, knowledge, know-how, experience, research and development, academic studies, databases, learning, insight, products and brands, systems or processes	
Core capabilities	Administration, governance, business planning, IT, logistics, compliance, marketing, procurement, customer service or risk management.	
Dynamic capabilities	Asset management, product and market development, change management, collaboration, customer knowledge, service quality, innovation, knowledge management, policy influence, talent management, workforce engagement and strategy implementation	

Source and copyright: Phil Preston 2016

Having formed some ideas about your assets and strengths, who they can help and how, your task is to *review each idea* in more detail using the table below as a guide. It will help you ascertain the nature of the opportunity and it will challenge you to ‘put on the hat’ of another business, agency or organisation.

Exercise 3.2.4: Your potential

Can you help another organisation...	Notes / ideas
Expand or build on an existing partnership?	
Develop new products or markets?	
Access or deal with clients more effectively?	
Find a new or better way of doing business?	
Increase operational efficiencies?	
Increase the productivity or their people?	
Address a regional problem / grasp an opportunity?	
Address an industry problem / grasp an opportunity?	

From these workings, are you starting to form a vision about opportunities to explore?

Exercise 3.2.5: Brainstorm your top 3 areas to explore

1. _____
2. _____
3. _____

3.3 Adaptive, Exploratory and Innovative methods

As explained earlier, there are no process guarantees when it comes to strategic relationships so, in addition to the above exercise, there are some other approaches you can take that might help you source alternative ideas.

An “adaptive” approach is about reviewing case studies and what you see going on around you to see if the same ideas can be adapted to your situation. If it’s already

happening in your industry then the chances are you could be playing catch up, although experience tells us that fast-followers can often benefit from seeing how the leaders fare and then create a superior model; alternatively, if you are adapting from another region, industry or context there may be true innovation value on offer.

Exercise 3.3.1: Adaptive methods

Approach	Description
Broad frameworks: SDGs for corporate engagement	<p>The Sustainable Development Goals (SDGs) developed by the UN [R17] provide a list of global social challenges (17 goals with 169 sub-goals) that government is persuading larger companies to focus on as a guide for their own social investment activities.</p> <p>It has gained greater engagement and buy-in compared to the Millennium Development Goals. The list is very ‘developing world’ in its composition, however there are strong parallels and applications for developed countries. You will easily find the goals using a web search and once you’re familiar with them, ask:</p> <ul style="list-style-type: none"> • Which categories are relevant for us? • Who else is interested in our categories, especially from the corporate side? • Which larger companies should we research to check their public commitments? <p>Examples of how companies are using the SDGs include:</p> <ul style="list-style-type: none"> • Mapping all 169 sub-goals to the company’s own goals to identify key areas of focus and social investment • Picking key goals and breaking them down into quantifiable operating targets • Prioritising research, guiding partnership formation, integrating into new product development processes • Improving the legitimacy for social investments with internal stakeholders
Broad frameworks: Social Progress Index (SPI)	<p>The Social Progress Index (SPI) [R18] outlines a set of social indicators that are highly correlated with a country’s economic growth - as there is increasing awareness that economic measures alone do not capture social progress.</p> <p>It can be employed in a similar way to the SDGs and it is more suited to dialogue with government and NGOs. The three categories are:</p> <ol style="list-style-type: none"> 1. Basic human needs (nutrition, medical care, air, water, sanitation, shelter and safety) 2. Foundations of wellbeing (access to knowledge, information and communications, health, wellness and ecosystem sustainability) 3. Opportunity (personal rights, access to higher education, personal freedom and choice, equity and inclusion) <p>Note that Australia ranks 7th in the world based on this index as of 2013.</p>
Method-based frameworks	<p>The Community Tool Box [R12] provides a list of engagement methods that could help spark ideas, namely: networking, coordination, cooperation, collaboration and multi-sector collaboration.</p> <ul style="list-style-type: none"> • What have you already done in this space? • What has / hasn’t worked and why? • Could a scan of the methods used by peers and partners be useful?

Approach	Description
Business frameworks for engaging with other operators	<p>How can you help another organisation or business:</p> <ul style="list-style-type: none"> • Differentiate itself from competitors, re-position its products or corporate brand, access new customer segments or markets or develop new products • Improve energy use, logistics costs or performance, help their suppliers with access to inputs, technology or access to financing, product distribution models, increase cost-effective local sourcing, employee insights, skills, health or wellbeing? • Develop surrounding infrastructure, community or economic health in its areas of operations
Focus on new products and markets	<p>Can your skills or services help other organisations or businesses in creating new products and markets in the following areas?</p> <ul style="list-style-type: none"> • Financial access • Health and nutrition • Energy efficiency product development • Reach into underserved markets • Education and learning product development • Affordable housing • Resource friendly products • A space for citizen voice to be heard • Address inequality • Impacts from trauma • The lives of marginalised people <p><i>(partly sourced from the Shared Value Initiative)</i></p>
Focus on operations and improving productivity	<p>How can your skills or services help other organisations or businesses in improving productivity or addressing operational problems / inefficiencies, in the following areas:</p> <ul style="list-style-type: none"> • Energy / resource efficiency • Agricultural development • Limiting emissions and waste • Value-added procurement • Worker safety and health • Local sourcing • Product distribution • Talent attraction / management <p><i>(partly sourced from the Shared Value Initiative)</i></p>
Focus on improving the broader operating environment	<p>How can your skills or services help improve the broader operating environment, which could be at a regional, industry or other level, in areas such as:</p> <ul style="list-style-type: none"> • Community development • Workforce development • Education and skill building • Local institution governance / capacity building • Behaviour change campaigns • Human rights strengthening • Citizen voice <p><i>(partly sourced from the Shared Value Initiative)</i></p>

Approach	Description
Case studies and examples	<p>Search for applicable case studies looking for commonality of:</p> <ul style="list-style-type: none"> • Social issues or prevalent trends • Strategic situations / responses • Operational challenges • Type of collaboration structures, methods or partner types • Industry or regional relevance • Business issues • Business opportunities <p>Look outside of the social sector research sources that you already tap into, such as case studies from the corporate social responsibility or shared value disciplines.</p>

Source: Phil Preston & ACTCOSS, with other sources noted in-text

Explorative methods build from your existing assets, organisational strengths, programs and relationships. These were covered to some degree in 3.3, however it's worth going over them and adding some extra ideas.

Exercise 3.3.2: Explorative methods

Approach	Description
Existing strategic relationships, programs or initiatives	<p>Review your existing strategic relationships through a lens of:</p> <ul style="list-style-type: none"> • How could effectiveness in terms of social outcomes or business returns be increased? • How could operational effectiveness be enhanced or costs reduced? • What other partners could play a role? • If the experience has been positive, is there collective will to extend or expand? • If the strategic relationship has been poor performing or problematic, could resources be better employed elsewhere? • Has the learning from the strategic relationship helped to clarify where the real opportunities lie? <p>For example, a truck manufacturer started supporting a business-relevant foundation by donating vans for mobile health checks. As the relationship evolved in a positive way, they supported the development of an app for truck drivers that delivered essential information. The company is now exploring ways to extend its social support activities in ways that are more strategic.</p>
Stakeholder perspectives	<p>Internal and external stakeholders will likely have different perspectives to you about opportunities for developing strategic relationships. You can make use of their perspective to bounce ideas such as:</p> <ul style="list-style-type: none"> • Capability – do they think you are well placed to develop strategic relationships and, if so, in which areas? • Blank canvas – where do they see opportunities for you to play a role or fill an unmet need? • Feedback - if you have ideas in mind, who else do they think you should talk to or consider as a potential collaborator? <p>An industry or regional stakeholder map is helpful when workshopping in this area.</p>

Approach	Description
Peers and partners	<p>Do a scan of peers and partners in your industry to:</p> <ol style="list-style-type: none"> 1. Identify their existing strategic relationships, which may provide ideas / possibilities for you, including a fast follower analysis: How could we tweak their model and do it even better? 2. Identify gaps, opportunity areas that you – or your potential business partners – haven't yet explored. For example, a micro-finance NGO was constraining its thinking about partner selection to banking and finance companies, whereas it had an opportunity to take a broader view and, for example, engage with multinational food companies that were the end purchasers of the commodities being micro-financed.
Assets and strengths	<p>Strategic relationships and partnerships in general are based on the trading of skills and resources. A full scan of your own assets and strengths – as outlined already in Exercise 3.2.3 – will help identify the value you can bring to other players and ask the questions:</p> <ul style="list-style-type: none"> • Who needs this asset or strength? • What value can it bring? • Is there a compelling case for them to access it via a strategic relationship? • What are we seeking in return? <p>Use Exercise 3.2.3 to map your assets and strengths and then highlight the ones that are quite unique to you, are in high demand or carry a high value in the market place. Prioritise your focus on these assets.</p> <p>It's often helpful to ask external stakeholders questions like these to inform your understanding of your own assets and strengths:</p> <ul style="list-style-type: none"> • What's the best experience you've had dealing with us? Why? • What do think we are really good at? • Who would you recommend us to and why?

Source: Phil Preston & ACTCOSS, with other sources noted in-text

The final category is where we use innovative methods to identify opportunities. They are centred on your needs at an operational, strategic and business model level. These three areas are going to be somewhat interrelated, however it is often useful to split them out and tackle them in turn.

Exercise 3.3.3: Innovative methods

Approach	Description
Operational issues and opportunities	<p>Talk to a range of stakeholders, especially frontline staff and partners, to verify what is holding you back at the operational level and then question whether strategic relationships might hold the solution. In particular, your questions could include:</p> <ul style="list-style-type: none">• What have we always done that probably should change?• What is the elephant in the room?• What would our customers or partners like us to do better?• If we could fix one thing overnight, what would it be?• Where are insufficient skills, services or resource gaps holding us back?• Where do we feel vulnerable?• What keeps us awake at night?• What would we do if we couldn't fix the main problems we have? <p>Look for themes and group them in terms of stakeholders involved or impact on customer outcomes. It's worth workshoping first round findings with internal groups or management meetings to start ranking the depth of the issues or, equivalently, the breadth of the opportunities.</p>
Strategic issues and opportunities	<p>A similar analysis can be performed using a strategic lens:</p> <ul style="list-style-type: none">• What are the mega-trends affecting our industry?• How is the operating landscape changing?• Are we positioned to adapt or take advantage of that change?• Where are we feeling the pressures today?• Where do we expect to feel them in three years time?• How are competitors and other industry players responding?• What is happening in other industries? <p>Many of these issues will already be captured by your strategic planning work (including SWOT analysis for example). This process is about filtering those issues wearing a strategic relationships hat.</p>

Approach	Description
Business model innovation	<p>A different way of approaching an issues / opportunities analysis is to make use of the Business Model Canvas tool [R5] to critically examine the impact of operational and strategic issues on your business model.</p> <p>It can help facilitate blue sky thinking, using questions like:</p> <ul style="list-style-type: none"> • Are we providing great client value today? • Are we positioned to keep doing it in the future? • How can we enhance the client value proposition? • Can we create new value propositions? • How can we better connect with our clients? • Are we creating meaningful ongoing relationships with them? • Where are the game-changing opportunities? • What new activities and resources are required to improve or change the game? • Should we collaborate at a regional or industry level? • What risks or challenges need to be controlled? • How would we measure success? <p>For example, a social enterprise was seeking sponsorship from companies to provide hands-on youth training opportunities and it was planning to give coffees away for free. Whilst this might sound great, it would likely have had an adverse impact on other operators in the vicinity and not maximised the value of the sponsorships. The model was re-thought with a focus on finding the optimal discounted pricing level. In other words, the retail consumer would have been ecstatic – and potentially under-valued the goods because they were free – but their “customer” was the trainee and it was creating pathways for employment into other businesses, so critical thinking around the business model and future business partners brought improvements.</p>

Source: Phil Preston & ACTCOSS, with other sources noted in-text

3.4 Filtering and prioritising opportunities

Assuming the exercises thus far have helped you compile a list of opportunities to explore, it's worth applying an organisational filter before going further. Consider:

- Input from people or teams from right across your organisation
- A cross-functional team to start shaping and honing ideas
- Senior leaders and executives reviewing and helping to prioritise the best ideas
- An advisory or steering group that provides input at every stage of the process

You may want to develop primary and secondary criteria for the prioritisation process. The following criteria are some, but not necessarily all, that you might consider.

Exercise 3.4: Applying criteria to filter your opportunities

Factor	Why consider in your criteria
Context	Does this make sense for us given our strategic and operating environment?
Priority	If we could implement all ideas, where would this sit in the pecking order?
Urgency	To what extent is speed or timing a factor in our decision?
Strategic appeal	Does this strongly align with our key strategic priorities?
Materiality	Are the benefits material / significant for both potential partners and us?
Impact	What level of customer impact is likely and possible versus other options? What strength of evidence is there for change? Keep in mind that value is “benefits relative to cost” and not benefits in isolation.
Resourcing	What level of resourcing is required versus other options? How many projects could or should we take on at once?
Ease of implementation	Is it likely to be easy and straightforward or complex? What is the likely response from stakeholders? Does everyone have skin in the game?
Timeline	What is the timeframe involved?
Portfolio	Do we want a spread of opportunities, timelines and types of projects?
Risk	How does it rate on the implementation risk scale? What impact does this have on our reputation - if it works and if it doesn't?
Confidence	Are we more confident in the process and partners than we'd normally be?
Opportunity cost	Is there a potential cost and / or risk if we don't pursue this?

Source: Phil Preston, ACTCOSS and [R10]

The question that needs to be answered is:

Is there a strategic relationship opportunity consistent with the mission and objectives of our organisation and the level of risk we are willing to take?

There will always be risk present in any situation, however taking controlled risk is different from recklessness or uncontrolled risk.

3.5 Checking out potential partners

Once you have locked onto your best opportunities you will be dealing with organisations that you may know well or not at all. Either way, you need to know who you are dealing with and what their motivations are.

Exercise 3.5: Initial due diligence checklist

Focus area	Summary of checklist items
1. Background	What is driving the strategic relationship? Who and how will it be assessed? Is it consistent with strategic planning? What are you achieving together that you can't easily do on your own? What is the sign-off process?
2. About prospective partner(s)	Who are they and what do they do? What is their market position, reputation and scope of operations? Who are their main competitors or peers and what is the basis for competition? How stable are they and their industry?
3. About their character	How did the relationship develop? At what level and who are the key contacts? What values and behaviours are essential from your perspective? What significant events have occurred in their past? Are there other people you know who can provide additional insight? What could cause you reputational risk? Would it be wise to develop a relationship in stages?
4. Analysing value for you	What are you seeking and how will you measure success? What monitoring and review events are you planning? What level of strategic priority are you giving it? What events, occurrences or behaviours would indicate the strategic relationship is not working? Are there further client segments, internal capabilities or organisations associated with them that are strategically attractive to you?
5. Analysing value for partners	What business value will be created for them? How will they assess and measure it? How strategically important is it for them? What incentives are there to maintain and strive for improvement?
6. Strategic relationship success checklist	Are there clearly defined activities, outcomes and roles? Do all parties have adequate resources, capabilities and internal support? Is there a mechanism for evaluating successes and learning from failures? How will contributions and achievements be recognised?
7. Due diligence	What additional information is required on either side prior to commitment? What assurances do you need?
8. Next steps	Summarise what is required to be able to make a decision and outline the next steps.

Source: Phil Preston

3.6 Example: Leukaemia Foundation of Queensland

Leukaemia Foundation of Queensland worked with Westpac and Lend Lease to develop additional accommodation options for families of leukaemia sufferers who are being treated at the Royal Brisbane and Women's Hospital (RBWH). Research shows that if Leukaemia patients and their families are not supported with accommodation during their (on average) six months to two years of treatment, they will most likely lose their family home and be on welfare for the rest of their lives.

The alternative co-located accommodation options were hotels that came at significant cost and were not well configured for family needs. Through discussions, Westpac proposed a solution involving a Lend Lease development across the road from RBWH at the Brisbane Showgrounds that contained a residential precinct. As part of the redevelopment contract with government, Lend Lease made commitments around affordable housing and community development.

Under the contract, Lend Lease sold 30 apartments to the Foundation at a discounted rate - recognising the purchase volume. They would be used by families during their treatment or, when not in use, be leased out at commercial rates to RBWH to accommodate visiting professionals. Westpac also provided a concessional loan to the Foundation as its social contribution, noting that this would be a component of a much larger project and financing for them.

From a business model or innovation perspective the reasons for this strategic relationship were:

- The Foundation gains discounted access to better quality resources (accommodation) that improves its ability to deliver value to its customers.
- Lend Lease requires good relationships with its customers and important stakeholders - which includes government - to carry on its business and the community benefit comes at little overall cost to them.
- Westpac fulfils social obligations under its corporate social responsibility (CSR) agenda through an informal partnership with community stakeholders and, as a

bonus, has developed intellectual property (a new resource) around this new financing technique.

- RWBH has access to cheaper and more convenient accommodation for visiting medical professionals (partners) and new staff (resources) which supports better client outcomes.
- The government benefits in terms of infrastructure and improved health outcomes.

This example shows how a multi-sector approach can produce win-wins and benefits at scale.

Source: *Shared Value in Australia, Social Outcomes report (2015)*

3.7 Example: The HART 4000 model

The HART 4000 model [R13] saw a range of Brisbane-based welfare and community development agencies collaborate to respond to a government tender for providing multiple access points for homeless people seeking help. Features of the strategic relationship included:

- A wide range of stakeholders were engaged in the formation of the model
- Local and overseas service models were reviewed
- An integrated model was deemed to be best-practice
- The collaborators held common values and were familiar with each other
- They played to their strengths, creating a stronger value proposition together compared to what they could offer individually
- Alignment around a common goal and a clear view of roles and responsibilities.

3.8 Example: Structural change to facilitate strategic partnerships

Despite this example being about an international organisation, there are some excellent lessons and insights from their approach and journey.

Pact is an international development agency that works in more than 30 countries with a mission of helping poor and marginalised people exercise their voice, build their own solutions and take ownership of their future. In 1998, it created a subsidiary, the Pact Institute, to focus on innovation capacity and funding diversification.

Pact has historically sourced a large portion of its funding from the US Government primarily through USAID. A new entity was created to increase access to foundations and corporate donors and to spark innovation and entrepreneurship. Pact Institute was able to focus on these new categories and, concurrently, new skill sets were brought in to galvanise innovation models. Its thesis was that a legally separate but culturally integrated entity would be more agile and effective.

It facilitated greater financial sustainability for Pact as well as creating new solutions to address societal challenges. Early Pact Institute projects have developed into sustained partnerships:

1. A successful \$270,000 project with the Bill & Melinda Gates Foundation in 2011 led to a \$5 million project in 2012 and increasing to \$15 million in 2014.
2. Chevron has funded healthcare projects in Myanmar and Nigeria that have expanded over time
3. Coca-Cola Foundation has funded women's livelihood projects in Myanmar and Vietnam

A new economic model was employed in the creation of the Institute, with fixed price contracts building in a margin of about 5% to allow the accrual of unrestricted funds. These funds, in addition to a Rockefeller Foundation grant, have allowed Pact to invest in under-funded organisational priorities such as IT, knowledge management and social entrepreneurship through social enterprise incubation.

Pact Institute revenues have grown from \$3.4m (2010) to \$22.6 million (2015). A second wholly owned (micro-finance) subsidiary was spun off in 2012 with the two of them generating 40% of Pact's revenues.

Despite senior leadership team resistance, early success provided proof of concept and Pact's private sector engagement has grown over time, following the pathway:

- Corporate foundation dollars
- Participating in CSR activities; and
- A partner in embedding social impact objectives into core business strategy (shared value)

Key lessons learned include: the subsidiary created a safe testing place for private sector engagement, early wins were key for buy-in and growth, it was a nimble operating structure and over time its remit grew from funding diversification to innovation and social impact.

Source: Abridged version of the Shared Value Initiative's case study [R1]

Exercise 3.8: Learning from Pact

Reflect on these themes and their relevance to your organisation:

- The lengthy timeframes that may be involved in implementing significant change
- How a structurally separate entity was created however it needed to be culturally integrated with the entire organisation
- The expansion away from government funding via philanthropic, corporate social responsibility and, eventually, shared value techniques
- The inclusion of a mechanism (5%) to accrue unrestricted funds that are invested in building its own capabilities
- Challenges experienced in the change process itself, with early proof of concept success providing a tailwind.

3.9 Further reading and resources

Topic	Reference / relevance
Sustainable Development Goals (SDGs)	<p>Multinationals in particular are drawing on the United Nations’ Sustainable Development Goals (SDGs) [R17] as a source of finding their area of greatest engagement and impact, whether it is at a philanthropic, CSR or shared value level. Commentators [R19] point out:</p> <p>“... the SDGs are going to be the way governments spend their money, so if a business can tackle any of these goals, there is money to be made.”</p> <p>For example, companies are using the goals to prioritise investments in their supply chain – finding where they can invest in societal problems to improve the economics and sustainability of their suppliers and reduce costs for them.</p> <p>Having a third-party generated set of goals such as the SDGs provides a lower-risk way of starting conversations with potential for-profit partners, especially if they have made public commitments around one or more of these goals.</p>
Disability sector	<p>A good resource is: <i>Understanding external factors that influence our services under the National Disability Insurance Scheme (NDIS)</i>, NOUS Group (2 April 2015).</p>
Where good ideas come from	<p>There is an excellent short video (YouTube) by Steve Johnson entitled <i>Where Good Ideas Come From</i> that analyses the sources of innovation.</p> <p>He has found that great ideas often stem from ‘hunches’ that people have and that these hunches take time to incubate and evolve over time. In many cases it is the collision of two or more hunches that sparks the great idea and our challenge is to create systems or processes to help these ‘missing pieces’ to come together, such as meeting people at events. Steve notes that, “Chance favours the connected mind”.</p>
NAB’s Dig Deeper report	<p>To gain greater insight into a corporate agenda and possibilities for strategic relationships, the NAB produces an annual report called <i>Dig Deeper</i> [R20] that outlines its methodology for prioritising and investing in value for stakeholders.</p> <p>Key insights from it include an outline of:</p> <ul style="list-style-type: none"> • Its current areas of focus in terms of strategy and business objectives • The significant social and environmental issues attached to them and where it believes it can focus to make a difference • The three social pillars underpinning its business, namely 1) a healthy relationship with money; 2) prosperous communities; and 3) future focused nation • A set of priority initiatives created under each pillar <p>This provides a template for honing in on or framing strategic relationships with companies. Whilst few companies provide this level of clarity or depth, the line of thinking or questioning can be replicated.</p>

4. Practical Tips For Moving Forward

Once you've identified your best ideas and opportunities, the way you take them forward will be largely determined by the processes that already exist or, in some cases, need to be created in your organisation. In this section we provide an array of tips and tools to help you develop your ideas and test key assumptions, setting the scene for creating the business case and, hopefully, implementation.

4.1 Validating assumptions

The essence of research is to be able to firm up the main assumptions that will underpin the strategic relationship, which could be, for example, estimates or forecasts in areas such as:

- Market size, growth rates or market share
- Service delivery costs
- Skills and knowledge within the team and what needs to be acquired
- Referral pathways and / or program completion rates
- Funding structures and opportunities (current, medium term, long term)
- Price points
- Customer retention rates
- Project milestones
- Measures of success, including outputs, outcomes and impact
- Steering group member capacity and willingness to dedicate resources

Desktop research, surveys, interviews and other forms of data gathering will be required. Partners in your potential strategic relationship may bring certain knowledge

to the table and be willing to share, or there could be a joint development stage where both sides build the business case together, with the advantage that the relationship can be tested and evaluated before any formal commitments are made.

4.2 Engaging with potential partners

Many people want to know:

- When do I engage with potential partners?
- Do I research and construct a detailed plan before approaching them?
- Or do I start by forming relationships and then developing plans from there?
- Or something else altogether?

There is no single correct answer to these questions apart from advising that, ideally, informal relationship building should be going on all the time through forums, events and one-on-one meetings. It's an investment in time and making connections that helps you seek out new opportunities.

There's also a lot of merit in going outside the scope of what you are comfortable with and your normal realm of engagement. For example, an NGO forum on social housing with guest speakers from the private sector will add value, however there may be more value to be gained from, say, attending a business chamber or private sector event focusing on an array of housing issues. The pay-off for attending this latter event could be very uncertain, however it could be invaluable in terms of gaining new perspectives, being immersed in the language and custom of that industry and forging connections that may build and later become valuable. The great thing about events and forums is that they create a low risk environment for connections and conversations that might otherwise be hard to create.

In other words, an array of networking activities in the areas you are interested in is the best ongoing way to identify and create an easier entree into building strategic

relationships. Even if you have a good grasp on the answers, posing open-ended questions to attendees are more effective than going into pitching mode. For example:

- What is your role?
- What goals have you set for the year ahead?
- What is your interest in this topic / event?
- What issues is your organisation facing right now?
- Who are the key players in your view?
- What's really motivating their behaviour?
- Do investments in [topic area] stack up?
- What are the keys to success for you?
- Why did project [XYZ] struggle?
- We're scoping out [X] and struggling to understand [Y], what's your view?
- Where do you think the NFP sector adds most value?
- In the long run, how do you think the industry will look?

As an example, probing a large industrial company about its internal training and leadership programs gave insight to the fact that it was very internally focused. At the same time, several emerging leaders in the business were seeking more personal purpose and community connection from their work. The company did have a foundation that allocated funds to successful applicants, however this new conversation led to the establishment of a program to help leaders become more engaged with local community NFPs that were struggling financially.

4.3 Keeping things moving

It goes without saying that, in any conversation, you are dealing with many agendas: the person's individual agenda, their team / division's and the organisation as a whole. It is important to delineate these layers, determine who is the right person to engage at each layer, and also work out what is likely to motivate them to take action.

And if there seems to be common areas of interest, closing a conversation by outlining the next logical step helps to pave the way for further dialogue, such as:

- If you don't mind, I'd like to touch base every now and then regarding [issue], is that ok?
- Next time our industry / organisation has more discussion around this I'll touch base to let you know how it's playing out.

If there is the nucleus of an idea to work on, the dialogue might be:

- How do you suggest we move that forward?
- It sounds like we should contemplate [X], what's your view?

And following up with an email that lists the committed actions, no matter big or small, is worthwhile.

4.4 Pitching

If you do find yourself in a situation that requires a short and sharp pitch – or even just to develop your own readiness – the 'elevator speech' template outlined in [R10] is worth preparing and trying out:

[Name of your organisation] works with [client or group] to [statement of need or opportunity] so they can [outcome] which means that [statement of key benefit].

We're the only organisation that [unique strength or selling point] and if we can [intended action and requirements] we can achieve [new goal].

We're coming to you because [state potential partnership]. We can offer you [state what you can offer] and need [state needs] from you. This partnership would help us [restate goal] and would help your [business or social goal]. Together we can [joint achievement].

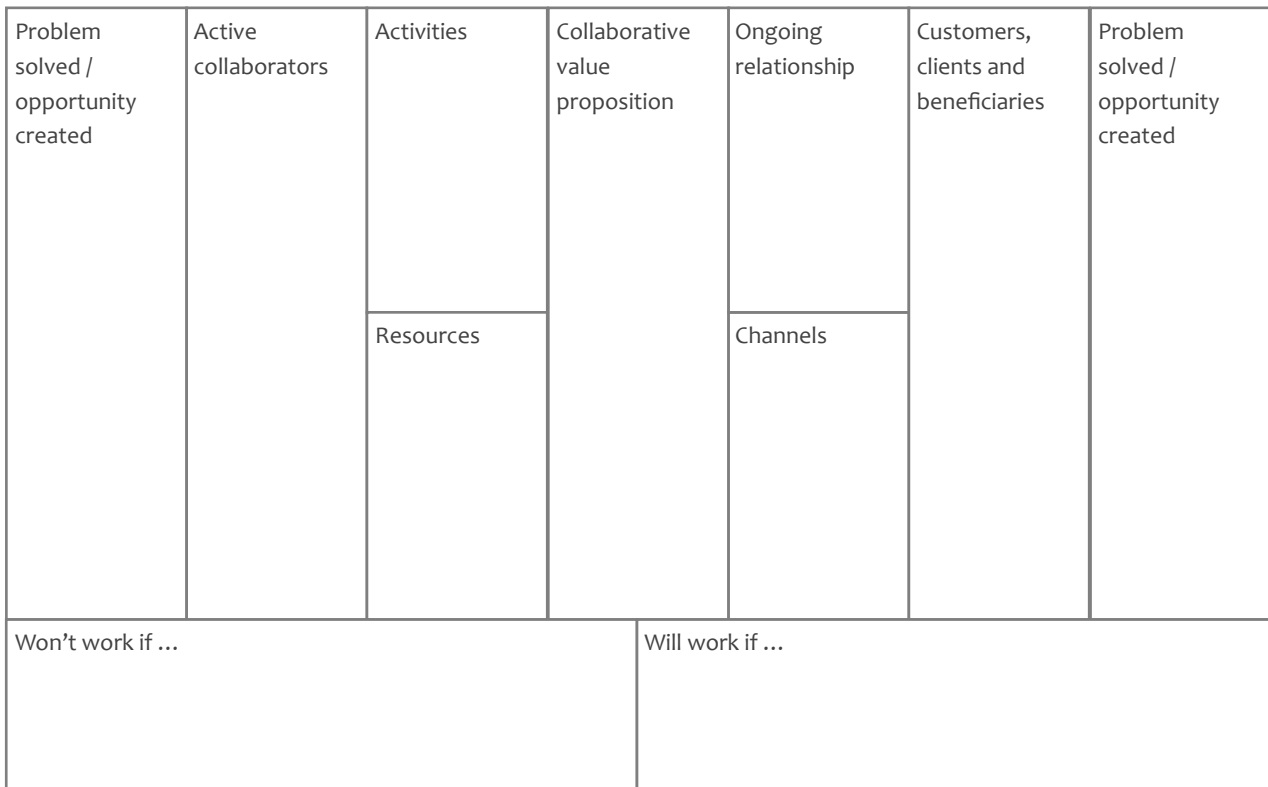
Outlining the value you bring and verifying the needs of potential partners is the foundation of strategic relationships. Further conversations about common areas of interest help to verify opportunities and levels of interest.

4.5 Collaboration mapping tools

Strategic relationships and collaborations are not just about finding good strategies - there's the human side to the process - challenging, refining and developing those ideas effectively is just as important.

“Collaboration is often thought of as working together for a common goal, however it is really about working together to achieve individual goals by trading resources and skills” - Adaptation of a Mark Panay quote

Diagram 4.5.1: The Collaboration Canvas



The Collaboration Canvas tool [R21], adapted from the Business Model Canvas [R5] by Cockburn, Preston & Ryan, helps this process by:

- Creating a shared language
- Ensuring the spotlight is on the needs of the end customer, client or beneficiary
- Facilitating discussions with internal and external stakeholders
- Providing a format that allows people to challenge and engage with the process
- Visualising and communicating the change process
- Containing enough detail to be useful but not too much to be overly complex

As well as mapping out your potential strategic relationships, the tool can be used for reviewing internal operations and increasing buy-in for change. This is because your organisation can be thought of as a collaboration between people, departments and teams.

It would take up too much space here to explain the elements of the tool and how to use it, however a very brief example is provided below and please contact ACTCOSS if you'd like more information about training and facilitation.

Diagram 4.5.2 shows how key elements of the Macarthur Real Estate Engagement Project (refer Section 2.8) would be mapped using the Collaboration Canvas.

Diagram 4.5.2: Mapping the Macarthur Real Estate Engagement Project (abridged)

Problem solved / Opportunity created	Active collaborators	Activities	Collaborative value proposition	Ongoing relationship	Customers, clients and beneficiaries	Problem solved / Opportunity created
Strengthen the capacity of the social sector	Western Sydney Community Forum (NFP peak body)	Referrals	Reduce homelessness in the Macarthur region	Social service providers	Tenants at risk of eviction	I've got major [financial / domestic violence / health / other] issues and I'm struggling to pay the rent.
We want to save time and costs	Real estate agents	Data collection	Achieved by: <ul style="list-style-type: none"> Supporting tenants at risk of becoming homeless Building trust with the real estate sector Creating access to opportunities for those in temporary housing / refuges 	Property managers	State and Federal government	We have homelessness policy objectives to meet
This helps us fulfil our mission	Social and homelessness service providers	Feedback system		Channels		Property owners
We have homelessness policy objectives to meet	State government housing and community services	Project coordination			Property managers	
		Resources				
		Single contact point				
		Manager				
		Real estate industry 'translator'				
		Online portal				
Won't work if ...			Will work if ...			
Problems will emerge if: <ul style="list-style-type: none"> There are poor processes, coordination and training High turnover of property managers Real estate agency principals not understanding the savings / value created 			Success indicators include: <ul style="list-style-type: none"> Referrals from real estate agencies Number of tenancies saved Tenancies saved versus benchmark 			

Source and copyright: Phil Preston 2016

4.6 Extra tips for approaching corporate partners

If you or your team are not used to interacting or dealing with corporate partners, the following tips may help you “acclimatise”.

Table 4.6: Approaching corporate partners

Topic area	Tip
Familiarity	Get to know as many players in their realm and industry – familiarisation with their language and issues will help the communication process and increase your understanding of what is important to them.
Initial contact	Conferences and events are ‘safe’ meeting places, so always scan the attendee list and establish a basic understanding of the companies you’d like to be talking to and a common interest / agenda item. Talking about an achievement of theirs is always a winning conversation starter.
Finding the right person	Find the right person – if the contact is new or you are calling the only person you know in that company, ask that person to help you find the best person to talk to; there’s also a good chance they’ll volunteer to make an introduction by email, or you can ask them if that would be okay.
Keep an eye on the end game	As with any partnering approach, getting people of similar seniority and influence together is, in general, going to produce better results. Quite often your process will work towards a meeting of the CEOs involved – not so much to flesh out the deal or detail, but to work out if there is sufficient compatibility to move forward.
Culture clash	There is a subtle but important difference between ‘different culture’ and ‘different values’. The former is usually a fact of life because their sector, customers and products are probably quite different from yours; values do need to be assessed and could either be a deal breaker or something you choose to acknowledge and manage as a risk.
Courtesy and respect	It doesn't matter who the person or organisation is, replying to emails and phone calls in a timely way and taking responsibility for communications builds stronger relationships. Too often there are stories of “we suggested a few things to them but we never heard back” that emanate from organisations across all sectors.
Framing	Framing discussions creates safer space for exploration – try and think of the main barriers that might exist in getting a genuine conversation going and frame them out; for example, if you think they might feel pressured, you might say “We’re not looking for partners at the moment, we’re just assessing the different perspectives that people have around the issue”, or to combat an onerous call on someone’s time, “I suspect you’re super busy coming into financial year end, so we’ve streamlined the process to get some feedback from you.”
Be succinct	One-pagers and short emails are good – just about everyone in every organisation is overloaded with work so, for initial conversations, keep all materials and email communications as brief and succinct as possible. Ideally it will be tailored or tweaked to their interest areas. In this day and age, less content often gets more traction.
Motivation	Sell the bigger outcome – your idea might be relatively small or a pilot / test process, so projecting what the scaled-up version might look like could really pique their interest in terms of future possibilities.

Topic area	Tip
Timing	Sometimes the timing or context just isn't right – no matter how compelling the idea is to you, there may be things happening on their side that get in the way. It could be a recent change of CEO, restructuring, a major project or reporting cycle, a raft of industry or competitive issues etc. The best way to deal with this is to try and find out when the right timing is likely to be and close your conversation with something along the lines of “I’ll diarise to call you in 3 months time when things settle down.”
Time	Strategic relationships take more time to build than those based on transactions or cookie-cutter programs. In effect, you need to put yourself ‘out there’ to incubate many connections and relationships that will evolve and mature over time.

Source and copyright: Phil Preston 2016

4.7 Being influential

As with any presentation or influencing strategy, you need the recipient to be receptive to what you are going to say. By including the following three elements early on in partnering-based conversations or presentations you can dramatically increase engagement in your ideas, and they can often be covered off fairly quickly.

Table 4.7: Three influencing tips

Element	Tip
WIIFM	Make sure they know early on “what’s in it for me” – frame the potential benefit in measures and terms that are meaningful to them, such as increased sales, confidence in the brand, lower costs, customer loyalty, regulatory relief etc
Credibility	Establish your credibility in the topic area – don’t give a full bio, just slip in enough to make it clear you are worth listening to, which could be a fact or two about you or your organisation such as “I was involved in Project X” or “I headed up the inquiry into [XYZ]”, “We are the second largest provider of [XYZ]” or “As a major child care operator and network we spend \$2.5 million on [XYZ] every year”
Curiosity	Create curiosity – instead of launching into solution mode straight away, create curiosity by outlining the value that will come forth, such as “When helping other organisations with [XYZ] we’ve also found ways for them to reduce their costs”. In other words, leave something on the table so they listen intently.

Source: Phil Preston

And finally, don’t be put off by a call or contact where your words come out all wrong or you missed an opportunity - they are all learning experiences!

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R20	NAB. <i>Dig Deeper</i> annual reports available from http://digdeeper.nab.com.au/
R21	Collaboration Canvas developed by Jane Cockburn, Phil Preston and Allan Ryan (Enquiries to enquiries@philpreston.co) is adapted from the Business Model Canvas (http://www.businessmodelgeneration.com/) that is licensed under the Creative Commons Attribution-Share Alike 3.0 Un-ported Licence
