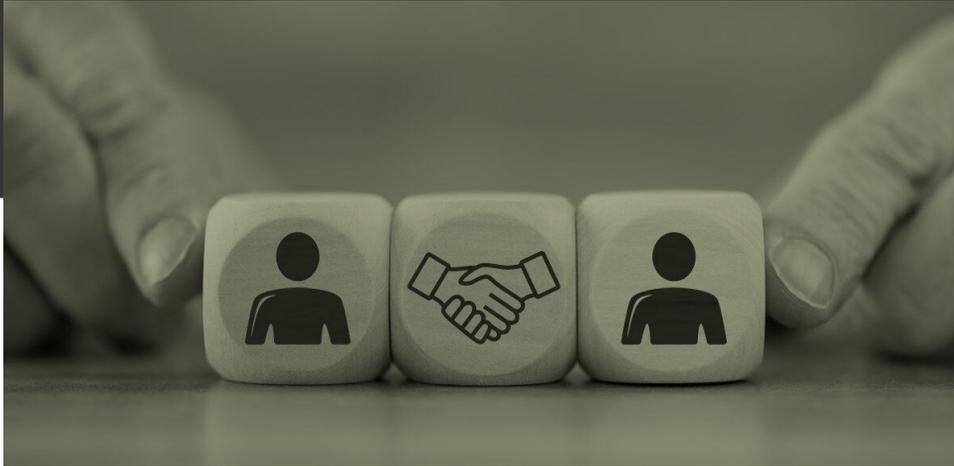


Four Kalamazoo Nonprofits Launch Hub ONE Collaborative

01.28.20 | Linda J. Rosenthal, JD



The corrosive effect of The Overhead Myth is well-known among board and staff of nonprofit organizations. We've written about it several times, most recently in *Smashing the Overhead Myth: A Step Forward* (October 24, 2019).

Simply put, there's been a false narrative floating around for decades that a nonprofit should be judged on its effectiveness by how *little* it spends on overhead. But the opposite is true: that is, "it takes money to achieve charitable purposes, and nonprofits must spend enough in overhead to avert being in constant financial straits."

In a major pushback, the major charity watchdog/rating groups including GuideStar, Charity Navigator, and the Wise Giving Alliance together posted a landmark open letter in 2013 calling for an end to "... the obsession many have had with nonprofit overhead costs as a proxy for measuring effectiveness...." The groups explained that "the percent of charity expenses that go to administrative and fundraising costs—commonly referred to as 'overhead'—is a poor measure of a charity's performance" and that more attention should be paid "to other factors of nonprofit performance: transparency, governance, leadership, and results...."

Slowly but surely since then, funders and donors have begun to rethink their misconceptions on this point. In the meantime, though, most nonprofits – and social service agencies, in particular – must work with severe underfunding.

About two years ago, the executive directors of four social service agencies in Kalamazoo, Michigan, met in an informal "venting session" about their common obstacles and problems. They "recognized they were experiencing similar administrative issues" based in large part on the paucity of funds for critical functions. They decided to brainstorm for ideas and solutions.

The talks culminated in a “vision session” for a collaboration model. On October 3, 2019, the executive directors of the Boys & Girls Clubs of Greater Kalamazoo, Prevention Works, Urban Alliance, and Big Brothers Big Sisters formally launched a new and innovative shared service collaborative called Hub ONE.

Planning the Collaborative Hub ONE

The press release introducing Hub ONE explains: “Four nonprofit organizations will coordinate and share core operational functions and leverage each other’s programs to better meet the needs of children and families they serve in the Kalamazoo area.”

The executive directors of these Kalamazoo social service agencies had held “in-depth conversations” along with “building trust” and “gathering stakeholder feedback.” These four nonprofits are a logical fit; each works to “combat an aspect of generational poverty.”

They brainstormed ideas and possible solutions. In particular, they honed in on a “single question: What power would we have to address issues in the sector if we worked together?”

One of their biggest common problems has been that “...donors and funders require funds to be used for direct services” only, so they don’t have enough money “to invest in core mission support activities, such as accounting, human resources, and talent development.”

An essential ingredient in the planning was “... gaining the buy-in of the Kalamazoo community.” In the early planning period, “the group met with funders and partners to discuss if they would be interested in backing such an initiative. The Stryker Johnston Foundation was the first to sign on, investing \$8.3 million dollars over a three-year period.” In addition, there has also been support from the local business community. It will continue with “consolidated fundraising” which the participants have agreed they will allocate among the four organizations “based on need.”

Hub ONE Launched

What emerged – Hub ONE – is a collaborative that will “focus on creating a shared service-delivery model” that the four constituent organizations hope will “leverage resources, increase efficiency, and expand their impact” in their local community and for the beneficiaries they serve.

Hub ONE is not a new, separate nonprofit nor is it a merger. Each participant is a 501 (c)(3) nonprofit with an independent, community-based board of directors. Each will remain an independent organization with its own identity. “The specific initiatives of the collaborative will be guided by the four organizations’ chief executives in cooperation with their boards of directors, other nonprofit organizations, donors and community partners.”

Hub ONE will hire its own chief of staff “to manage day-to-day operations.” Among the key functions of the collaborative will be human resources, information technology, professional development, and accounting. Normal operational and program funding of each of the four organizations will continue, as will their programs. “This isn’t a replacement organization....” said Matt Lynn, Chief Professional Officer at Boys & Girls Clubs. “Hub ONE is both a practical solution to the daily challenges we face

and a strategic approach to addressing larger community issues. Cooperation and communication will be key.”

Hub ONE will also hire “navigators who will assist families in obtaining services from multiple organizations. As an example, Big Brothers Big Sisters offers mentoring services, but a young person that group is serving – or his or her family member – “could well use the tools and services of other organizations.”

Conclusion

The work of Hub ONE now begins and will be evaluated independently. “Working together,” according to the press release, the four organizations “... hope to shift some of the current dynamics in the nonprofit sector which frequently cause conflict and competition. Hub ONE is a focused initiative dedicated to collective impact through intentional teamwork and a shared strategic vision.”