

Alive and Kicking:

Nonprofits in Late 2009

by Lissette Rodriguez

IT HAS BEEN JUST MORE THAN A YEAR SINCE THE financial crisis on Wall Street and the results of the U.S. national election arrived almost simultaneously. The economic earthquake of the past year has shaken many organizations to their core. Individual donations, United Way campaigns, and foundation assets are all hurting, particularly in states where the economy is tough, and state and federal funding have fluctuated wildly.

“ [Before the downturn], we were already on a decline. Funding has dropped, and we are having to merge with another agency to survive. ”

—An NPQ Reader

And 2010 looks to offer even more of the same.

So how have nonprofits fared amid the tumult? The answer is mixed and depends on numerous variables, some external, others involving internal capacity. We interviewed three capacity builders around the country to get their perspective.

The More-with-Less Thing

“Probably the number-one thing we’ve seen is program cuts,” says Kate Barr, the executive

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director of the Nonprofit Assistance Fund, which operates in Minnesota and surrounding states. But she notes that a reduction in the total number of programs “doesn’t mean that [organizations] were necessarily serving fewer people, because their surviving programs may be growing. So the food shelf is attracting more people, but then they canceled the after-school program because they lost that grant.” In other words, one year into the recession, many organizations now serve at least as many people as they did previously—and as a result of the economy, many of those served have more intense needs.

A recent survey of approximately 250 leaders of human-service organizations in New York City tells a similar story. Conducted by the Human Services Council of New York City and the Center for Nonprofit Strategy and Management at Baruch College, the study found that 80 percent of responding organizations had experienced reductions in private contributions, while 66 percent had lost public funding. At the same time, 80 percent of respondents had experienced increased demand for their services.

Three Categories of Capacity?

While most organizations are affected by the economic downturn, the health of these organizations prior to the recession says a lot about



how they are doing now. “I think of nonprofits as having sorted themselves into three groups,” says Jeanne Bell, the CEO of CompassPoint Non-profit Services, a nonprofit consulting firm based in Northern California. “Some groups came into this downturn already relatively weak or needing a different frame for their work, and they have to make some decisions that probably should have been made a while ago.”

“ Employees have not received an increase this year, and administrators were asked for a 10 percent salary giveback.

We are looking at other measures to increase staff satisfaction.”

—An NPQ Reader

The second category, according to Bell, is made up of the groups “that are strong and getting even more resources at this point.” In the third category are groups “that were relatively strong as the downturn started and they need to reset or resize in response to funding cuts or diminishing donations.” Of course, while some organizations may have been able to adjust this year, not all will necessarily be able to thrive—or even survive—over the long term.

“ This year’s income is down by 30 percent, and we have had to cut people and costs. There is little that we can do differently and are simply forced to do less, but this has resulted in a thorough review of our organization, giving rise to some healthy streamlining of procedures.”

—An NPQ Reader

The Blessed among Us

Will your organization survive the downturn relatively unscathed, or will it have to scramble to survive? That may depend on the field your nonprofit occupies, especially if it is one with a strong link to federal funding. Some organizations, for example, are well positioned to provide a “shovel ready” service under the American Recovery and Reinvestment Act of 2009. Kate Barr of the Nonprofit Assistance Fund cites community and

housing development corporations as examples of the “blessed” among us. “They are just perfectly situated to purchase and rehab foreclosed property,” Barr says, “and if they’ve got access to the kind of capital they need to just get the construction done before sales,” increase again, that is an opportunity. “It’s being in the right place at the right time—doing the right kind of work.”

Eroding Cores

One of the big challenges for nonprofits during this period has been the hit that so many have taken to their core infrastructure. For instance, many organizations have worked hard to keep services intact but have compensated by reducing administrative, development, and financial staff. This presents a challenge to organizations trying to stay on top of the changing environment while cultivating funder relationships and tracking the political priorities that influence public resources. “There’s been an almost universal cutback in infrastructure, so if you had one and a half people in the development department, you’re now down to three-quarters,” Barr says. “If you had an assistant for the CEO, you now don’t, so [there are] a lot of those kinds of cuts.” On top of these situations where surviving staff are stretched thin, “there have been a lot of cuts to salaries,” Barr says. “A lot of cuts to benefits.”

Regeneration

Still, hard times can present opportunities as well, such as the chance to review and focus on core mission and strategic priorities. “One of the things that we are seeing is that people are trying to get better about prioritizing what they’re going to focus their attention on,” says Inca Mohamed, the executive director of the Management Assistance Group in Washington, D.C. “I think it certainly has called some groups to an opportunity to get really clear about their mission and strategy. These groups are saying, ‘If we have to make some hard choices, what are they going to be?’ And it’s serving as an impetus for people to look at things that they’ve questioned in terms of how directly it’s related to the mission or what might have been the cost of doing it and whether that cost is worth it.”

Exploiting the Moment

While weathering the current storm is something most groups have managed to do, predicting the long-term shifts and consequences of the recession is more difficult. “Be prepared for three years of downturn, which means that [nonprofits] have to go through the process of really analyzing and understanding every component of what they do,” Barr warns.

What do they do? What does it cost? What impact does it have? Whom do they serve? Who else competes on services? It’s really a time for strategic thinking. It’s not necessarily a time for that kind of classic nonprofit strategic planning, but really thinking strategically about what you do. We’re also—and we’re not the only ones saying this—really making sure that people understand that in three years—assuming that three years from now the nonprofit sector is in better shape—that it’s not going to be the same. So organizations should really be thinking about how they will be different in three or two years or in one year.

CompassPoint’s Bell has asked leaders to seriously consider the best way to frame that conversation to get some creative juices flowing: “What I would ask them is not to think about it as ‘We’re being cut by \$45,000’ or ‘We’re being cut by \$200,000,’” she explains.

Instead, say, “Alright, we used to be a \$4 million organization, now we’ve got to be a \$3.5 million organization; that doesn’t mean we can’t do incredible work. It means I have to think about delivering that work in some different ways,” and that kind of framing is very important. I think the reason people don’t do that is that they think categorically because they’re financed categorically. Just because a categorical funding source is going away or getting cut doesn’t mean that you have to respond categorically. I think that kind of a shift—particularly in health and human services—can be helpful to folks.

Meanwhile, Management Assistant Group’s Mohamed is working on getting organizations to

“ Our group has experienced 20 to 30 percent funding cuts. We’ve had site closures, layoffs, and we are serving fewer people because of loss of Medicaid funding. But on a positive note, we’ve had tons of press about the organization, and funding cuts led us to design a new strategy for the organization, talking with 550-plus community stakeholders and developing an 18-month strategic framework.”

—An NPQ Reader

think in parallel tracks: one focused on managing the present; the other on reaching for a longer-term vision: “Our clientele is primarily organizations [that] are engaged in some kind of systemic social-justice work,” he says.

Many of them are organizations doing advocacy work trying to do things like overturn the death penalty. These are goals that take a long time to achieve, so one of the ways we’ve been trying to work with people is to acknowledge that while the funding issues are there, there is also a tremendous political opportunity right now and the need to hold both things in sight is really important. I think that to different degrees, people are trying to hold both ideas. Of course, there are still really hard choices that people have to make while holding on to their long-term vision. But the long-term vision cannot be lost in the midst of all of this.

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“ The economic downturn has also reduced state tax revenues, which has reduced per-pupil spending. We have reduced the school year by 17 days and reduced administrative staff schedules by 20 percent. We have eliminated merit increases, eliminated breakfast, and slightly increased parent fees.”

—An NPQ Reader