



***Weathering the Perfect Storm:
Nonprofit Leaders' Roundtable on the Economic Crisis***

February 18th, 2009
Washington, DC

Highlights and Outcomes

Background and Context

The purpose of this roundtable was to bring together a cross-disciplinary group of executive leadership of NHTA member organizations – top executives of national human services nonprofits – to engage together in grappling with the current economic crisis with candor and a focus on solutions. Organizations responded in force to the invitation to bring a team of key executives – CFOs, COOs, HR leaders, CEOs and other top leaders – to a session designed to engage participants in looking at the current 'perfect storm' of a crisis in a multi-faceted way.

To that end, NHTA recruited Josh Mintz, a nationally-known facilitator specializing in working with nonprofit organizations, to design and facilitate our day. We recruited two plenary speakers to frame issues from a macro perspective: Dan Cardinali, CEO of Communities in Schools, and Richard Brewster, Executive Director of the National Center for Nonprofit Enterprise. A practitioner panel brought HR, CFO, COO and Strategy perspectives to the topic; after extensive discussion with speakers and a networking lunch with peers, participants work in small groups, across roles, to explore and tackle challenges facing all of our organizations.

This report is intended to capture highlights of the day – more importantly, it is intended as a sort of after-action report, to use military terms – an assessment of what has happened as a springboard for further action based on learning. We intend this document to form the basis for attendees and other NHTA members to explore bold collective action and continued engagement in shared learning as we muster the best of each and all of us to move our organizations and our sector through this historic time of great challenge.

Session Opening – Framing the Conversation

Why this roundtable? Responding to members' needs to learn and think together about

- ✓ How networks are responding
- ✓ How we make use of this moment
- ✓ Perspectives beyond our own, of different organizations and people

Overarching goal: to share strategies and solutions for navigating the new economy for nonprofits

The problem, plainly stated, involves:

- Downturn in funding
- Increased demand for services
- Impact on staff
 - Morale, fear of layoffs, looking to leaders for reassurance and direction
- Impact on networks

From problems to solutions: what can we do

- Financial strategies to address the economy
- Maintaining morale and staff development
- Enhancing efficiencies of our networks
- Finding meaningful opportunities to collaborate in our response

THE CEO PERSPECTIVE - DAN CARDINALI, COMMUNITIES IN SCHOOLS

Building on the framing of where we find ourselves – what Dan calls “What in heaven’s name is going on in the world” and “How on earth do we deal with it?” Dan took us through Bridgespan’s approach, called “Managing in Tough Times: Seven Steps,” bringing the steps alive by sharing how he has made meaning of them and put them into action at CIS. He closed by offering us CIS as a case study, walking us through the approach he and his key leaders are taking in moving their network through the perfect storm. Readers can refer to Dan’s PowerPoint and to the Bridgespan documents (Attachments A and B) for a thorough sense of what was offered. A few high level highlights include:

- Be crystal clear about what your core business is and what are you good at
- Know who your A-players are, and protect them
- Stay very close to key funders
- Shape up your organization – crisis is a great motivator to make tough choices. Cut those that do not produce great results over those that are getting results
- Build partnership with your board
- Communicate openly with staff - don’t communicate anxiety – remain enthusiastic and mission focused

CIS Case Study

- Impact of decreased public support on schools and school-based programs
- Seizing on policy opportunities (TARP funding) for CIS’s work (integrated student services)
- Strategic actions to respond quickly and longer term, at federal and state levels
- Engaging stakeholders and key players, from affiliates and board to government relations staff and grassroots network

Possible elements of a silver lining to this crisis:

- Clarity re core business
- Aligning your allocation of resources to your core business
- Preparing for competition, which is a healthy dynamic for our sector

THE FINANCE / ECONOMICS PERSPECTIVE: RICHARD BREWSTER, NATIONAL CENTER FOR NONPROFIT ENTERPRISE

Richard offered both research-based guidance and astute observations about what works, approaches and ways of thinking about leading our organizations through the current crisis. Some key observations:

- Historical approaches may not work anymore
- Remember that by their nature governments look at basic investment first, and individuals are concerned with their security first
- Don't plan on financial health solely on Stimulus Package
- Steps to take for survival:
 - Check out safety of any cash or investments and protect
 - Freeze anything where cash might flow out
 - Be very clear about your organization's use of credit, reserves etc
 - Engage your board in additional tasks, as advisors
 - It may seem basic, but everyone involved in making decisions needs to be working with a spreadsheet of their budget – amazing how often this is not the case.
- To prevent worsening of staff morale
 - Communication and engagement are key
 - Free up resources to invest in your people
- Importance of having a structure for decision making that has as its basis
 - An understanding of the financial health of your organization
 - An understanding of nonprofit economics
 - A commitment to protecting the people and programs important to the organization
- Some prudent steps to take when revenues are down and demand is up
 - Spend less
 - Look at funding streams - diversification is important, but – counterintuitively – research indicates that having more than 2 major funding streams can be counterproductive. Diversifying within a stream – e.g. obtaining funding from a variety of government sources – can be most useful.
 - Pay attention to productivity, but also be aware of the issue of balancing greater workloads with staff stress and morale
 - Last resort—cuts
- If you have to resort to cuts
 - Capture in writing the actual dollars you will save and any other benefits of the cut
 - Pay attention to the cost of laying someone off – loss of capacity, cost of replacing that person down the line, loss of institutional knowledge and expertise
 - Bear in mind that you can't just cut 10% and expect staff to continue producing in the same manner
 - Remember that people need some sense of control in these chaotic times, and engagement helps people move through the change process more quickly and makes the worst of the process less severe. Help staff feel a sense of control by engaging them in the process and communicating more

PRACTITIONERS' PANEL

- **Peter Lowet, VP Strategy, NCOA**
 - NCOA uses a *Good to Great* approach, so they are always looking at the relationship between activities, actions and decisions as they relate to their own 'hedgehog.'
 - Have started asking managers to create "stop doing" lists with their teams, rather than simply add work and priorities
 - Importance of looking at your funding priorities and strategies
 - Getting all staff involved in framing of new initiatives
 - Involving the board as advisers
 - If you have to implement layoffs:
 - Make it a last resort
 - Be strategic about it, think hard about it, what the impact will be
 - Staff are your customers so let them go humanely
 - Be thoughtful about process, make it the least impactful on everyone
 - Think about the impact the way you treat those let go will have on those still working
- **Tom Turnbull, CFO, Volunteers of America**
 - Communication is your most effective strategy
 - Importance of idea sharing back and forth with affiliates – VOA has recently written several white papers for affiliates that have been well-received
 - VOA as an organization has been energized by changes in business model
 - Sharing opportunities and optimism
 - Keep people focused and engaged
- **Robin Robin, HR Director, Girls Incorporated**
 - Through involvement with an association of HR professionals in nonprofits, has seen survey data on what is happening within the sector
 - While there are hiring freezes, layoffs, and salary freezes, many organizations are just considering those steps vs. having actually implemented them
 - Bear in mind that 75% have **not** acted on layoffs at this time
 - It seems that the organizations that survive and retain a committed workforce are those whose CFOs, COOs and CEOs talk to the staff
 - Take these opportunities for communication and support – informal and more formal events and gathering – as a chance for staff at all levels to learn more about each other.
 - Remind staff about positives.
 - Remember that staff need to see the leadership, especially in these times
- **Michael Watson, Senior Vice President of HR, Girl Scouts of USA**
 - Importance of meeting and working as a leadership team
 - GSUSA has consistently sought input from Girl Scout Councils on important issues
 - Holding a series of staff meetings for communication and real engagement
 - Ensure leadership has a shared strategy and get plenty of feedback from affiliates
 - Remember that layoffs cause your best people to start worrying – often they then take the first opportunity to move on.

Highlights from Q&A with Panel

- Most important strategies
 - Balance between staff and leadership engagement
 - People want to be influential and help - everyone needs to be involved
 - Create and nurture relationships with funders
 - Give opportunities for affiliates at different levels to talk to each other
 - Communication between everyone, in all directions
 - Organizational culture needs to move with strategy
 - Keep your mission in front
 - Most important resource for accomplishing strategy is your people
 - Communication is key because informed people aren't frightened
 - Trust in the strength of the organization
 - Human capital just as important as financial capital
 - Look at how are you positioned to take a leadership role after the economic crisis is over

Small Group Work on Specific Issues

Participants chose small groups based on topics, and were asked to focus their discussion on three levels at which solutions could be implemented – headquarters/national, networks, and collectively.

- **Finance (short term and long term)**

HQ:

- Delayed hiring
- Require justification for salary increases
- Place greater emphasis on interns
- Kill hard copies – it reduces print and shipping costs and is greener
- Establish clear boundaries

Networks:

- Raise money collaboratively – national and affiliate pursuing funding together
- Encouraging affiliates to consider consolidating / sharing back office operations

Collectively:

- Take advantage of group purchasing (e.g. through NHSA) which produces a dividend payment to the national office, substantial savings at national and affiliate level
- Take a coordinated approach to travel – one organization has done this very successfully, saving considerable money
- Use one another's services to obtain mutual benefit
- Consider creating regional learning opportunities (e.g. on fundraising) – make available to multiple networks of NHSA member organizations
- Coordinate internship programs – explore rotation of interns through several member organizations
- Promote consolidation – bring together those who have done consolidation with those thinking about it

- **Morale/ Impact on Staff**

HQ:

- Importance of encouraging words from those in leadership and those with 'face time' with staff
- Giving Regular, thoughtful, truthful and consistent messages to staff and networks on where the organization is going
- Provide support for those leaving
 - Communicate reason for lay-off
- When you set a timetable, honor those deadlines with staff
- If you have recognition programs and awards, continue them
- Get together with staff to discuss life, the world, etc
- Encourage cross departmental work, assignments and cross-training – provides you with depth of bench and is a development opportunity for staff who are involved
- Clear and consistent policies that everyone understands
- Respect staffs' personal time and time off
- Do nice things for your staff
- "Myth busters"
 - People brought rumors they heard to the leadership
 - They reassured the staff they weren't true
 - Highly effective way to communicate with staff

Networks:

- Communicate best practices
- Work closely with affiliates so you can move together when opportunities arise
- Distribute ideas and help through networks

Collectively:

- Keep communicating with everyone involved
- Sense of control, consistency and stability

- **Working Together / Collective Action**

Networks

- More regular communication (e.g. conference calling)
- Develop a more active community with affiliates
- Importance of clarifying relationship and roles with affiliates
- Importance of investing in better systems for information sharing
- Seek better ways to fund this work
- Ensure high level quality of work
- Ensure that organization at any level gets to know other nonprofits well before seriously considering merger
- Look to NHSA to be a collective voice to advocate on behalf of the sector

- **Collaboration with National Assembly**

HQ and Networks:

- Look at back-office consolidation options
- Explore efficient ways to identify capacity excesses (e.g. in-house printing capacity, IT, office or warehouse space) to share

- Share good board members with other organizations, for mutual benefit and to build bridges

Collective:

- Borrowing talent and expertise
- Joint fundraising
- Knowledge management and sharing
- Internships

- **What you want from the National Assembly?**

- Packaging and consolidation of best practices
- Every 6 months have a survey to follow up on organizations' progress
- Explore build a database between organizations
- Find inspirational stories
- Collective story is more impactful than individual stories
- Share new stories or data with NHTSA so they can send it to everyone else

NHTSA is committed to continuing to engage attendees and other members in collaboration and shared learning around our collective response to the economic crisis, co-navigating and ultimately weathering the perfect storm together on behalf of our employees, volunteers, constituents and communities.

This roundtable of NHTSA member executives was made possible through the sponsorship of Mutual of America. NHTSA is also grateful to Merrill Lynch and to Jim Schmutz for hosting our daylong event.