

Innovation in Recession

A recent countywide survey conducted by the Orange County Funders Roundtable took a snapshot of the economic impact of the recession on local nonprofits in 2009. The results will not surprise you.



- 50%** expect fewer individual donations
- 60%** anticipate lay-offs or staff reductions
- 21%** expect to lose an anticipated grant
- 52%** anticipate using up all reserves
- 27%** anticipate halting the provision of state-funded services
- 67%** are facing greater demand for services

What might surprise you is that in the face of these statistics, the most common attitude reflected in the comment portion of the survey was positive determination. “We need to stick together,” said one executive. “Time for mergers and creativity,” said another. Many others declared the need to “tear down walls,” “open territories,” “be transparent,” and “reevaluate markets and reasons for being.” And finally one executive voiced what was obvious from all the comments: “Everyone – from board, to staff, to volunteers – is willing to put forth the extra effort” to survive.

The silver lining in the depth of the recession is a paradigm shift in the sector – from isolation to support groups, from competition to collaboration. The reduction in donations and the increase in community need demands both creativity and efficiency. The topics below are examples of how this challenge is being addressed by proactive nonprofit leaders.



Creative Management

Creative scheduling, reducing hours, strategic decisions about services, and shifting assignments are all strategies being used by executives to avoid lay-offs.

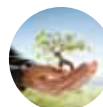
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Your Grant Budget
Is Not Just an Attachment



Stop Petitioning,
Start Partnering



Building a Foundation
for Social Change

Innovation in Recession

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Strategic Restructuring

Not historically a popular topic for nonprofits, many executives are seriously discussing the pros and cons of merging with like-minded and mission-oriented agencies. Successful restructuring and new collaborations can strengthen systems, improve service delivery in the community and make more effective use of grant funding. Nonprofit leaders must overcome perceived threats to autonomy as well as potential culture clashes.

Visit our website to download a copy of a February 2009 report from The Bridgespan Group, *Nonprofit Mergers & Acquisitions: More Than a Tool for Tough Times*.

Shared Space

Nonprofits who might not be able to merge completely can share space and back office functions such as accounting, IT and human resource support.

For more information on successful models of shared space nationwide, visit the Nonprofit Centers Network at www.nonprofitcenters.org. To tap into the shared space movement in Orange County, contact Deena Margolis, Project Director of the Orange County Shared Spaces Foundation at (323) 664-1146.

Expanded Volunteer Base

Unable to hire more staff, agencies are turning to professional volunteers who can provide specialized services and young interns looking for community experience who can commit long-term. Organizations can start by posting internships and service learning opportunities at local university websites. For more information, contact Volunteer Center Orange County.

Fiscal Sponsorship

Small charitable projects that might typically pursue incorporation and 501(c)3 tax status are seeking fiscal sponsors to achieve their mission. Under the umbrella of a fiscal agent, a nonprofit project can focus on establishing its purpose and mission with less overhead and the benefit of the administrative and fiscal support a sponsor can provide.

For a comprehensive discussion on the role of fiscal sponsorship, visit The Tides Center website at www.tidescenter.org. Orange County agencies currently offering fiscal sponsorship include Charitable Ventures of Orange County (www.charitableventuresoc.org) and Volunteer Center Orange County (www.volunteercenter.org).

The silver lining in the depth of the recession is a paradigm shift in the sector – from isolation to support groups, from competition to collaboration.

The strength of the nonprofit sector will be defined by its ability to redefine itself in the changing landscape, and to continue – in spite of the obstacles – to evolve to meet the changing needs of the community. No other sector does so much with so little.



Your Grant Budget is Not Just an Attachment

As nonprofits increase grant production, the financial picture you portray is as important as the narrative that you write. Here are some common pitfalls that can jeopardize your chances of funding:

1. Budget doesn't reflect narrative
2. Mathematical mistakes
3. Budget under/over finances scope of project
4. Budget does not delineate income, only lists expenses
5. Budget relies too heavily on one source of income
6. Budget does not adequately reflect personnel expenses
7. Budget has no indirect/too much indirect
8. Budget asks for a type of funding that the funder clearly does not fund
9. Budget has no set time frame

“
I start with the financials, then the budget, then the narrative. If they don't match up, I won't fund the ask.
”
– Foundation program officer

The Economics of Collaboration

Nonprofits are constantly urged by funders and community leaders to collaborate with other agencies to provide a greater impact in the community. But how does a nonprofit begin to assess whether collaboration makes sense? Basic economics and business sense is our leaping pad.

SWOT Analysis

What are your Strengths, Weaknesses, Opportunities and Threats as a community provider? Strengths and Weaknesses are related to your internal operations. Opportunities and Threats address external factors such as stakeholders, similar agencies and community trends. Does your agency face holes that can be filled by another agency?

Core Competencies

Of your strengths what does your agency do most efficiently and effectively in the community? Of these core competencies what do you uniquely provide to the community and potentially another agency?

Opportunity Costs

What is your agency gaining or losing by outsourcing a service to another agency? Are more community members served and are your agencies resources better utilized? The key is efficiency and greater return on investment.

Bottomline: Collaboration only makes sense when the economics make sense.

Stop Petitioning, Start Partnering

Even during good economic times, communicating with donors can be difficult for nonprofit organizations. In difficult times talking about money can put a strain on the best relationships. During these especially challenging times, nonprofits can take three basic steps to build a partnership with potential funders:

- Learn to speak in terms of “opportunity” and “impact” instead of need
- Identify common goals you share with the donor
- Clarify the social value you bring to support the donor’s mission

Grants often force nonprofits into the trap of communicating only in the language of need – both their own and that of the community. Applications require responses to need questions: *What community needs are you addressing? What are the needs of your target population? What organizational needs will this funding address?*



These important questions underscore that the role of a nonprofit is to provide a service to the community. But the hyper-focus on need often traps nonprofits into communicating only through terms of hardship – their own and that of the community. Such a position pigeonholes many agencies into a constant state of petition.

As agents of social change, donors seek ways to convert their funding resources into “social good.” Our job as nonprofits is to steer the conversation from their assessment of our need to an effective argument for our value.

What does that partnership look like? How do you start the conversation? The answer will be different for each organization and each donor. But what is true for all organizations is that the ability to communicate social value to potential donors can make the difference between just petitioning for funds and partnering for years to come.

“Nonprofits should not panic...This [recession] is a wake-up call and an opportunity to do things differently. When you look at your organization, unencumbered by doing the same old thing, you may find hidden opportunities.”

Alan H. Woo,
Director of Planning and Program Development
Community Action Partnership of Orange County

Agency in Action

Families Forward Makes the Case for Collaboration

In an effort to bring needed resources to families facing severe financial hardship, Orange County-based Families Forward initiated a collaborative Community Resource Fair on May 2. The fair brought together 47 agencies to serve hundreds of families with free on-site services, including: children's immunizations, well person exams, health screenings, legal advice, financial and housing consultations, workshops, and children's activities.

The event was developed and implemented within 5 months – a fast response to the growing critical needs of the community. With a cash cost of \$9,500, the event benefited from approximately 1,000 hours of in-kind support of partner agencies including Irvine Unified School District School Readiness Program, Northwood High School, Tanaka Farms, City of Irvine, and The Fairmont Hotel, and the funding support of Hoag Hospital, Wells Fargo, The Allergan Foundation, and The Gas Company. Irvine Valley College offered the location as host for the event.

The benefits of this collaboration for the community is clear: a one-stop repository of immediate and free services for families in need, and often ill-equipped to navigate the social services system. For participating agencies, the event offered a way to connect with complementary organizations, to leverage resources to serve shared target populations, and to reach clientele who might not otherwise be able to find agency services.

As families unused to hardship seek help, these collaborative community events make it easier to connect families to the agencies that can serve them.

Contact Lisa Simone at Families Forward (949-552-2727) for more information on how they did it.

GRANT DEADLINES

June 11, 2009
National Endowment for the Arts
Arts

June 13, 2009
Saucony Run for Good Program
Childhood Obesity

June 30, 2009
Mary Kay Ash Charitable Foundation
Women's Shelters

June 30, 2009
Council on Foundations
Collaborating Foundations

July 1, 2009
Brookdale Foundation Group
Alzheimer's Respite Programs

July 15, 2009
Allergan Foundation
Community Services

August 31, 2009
Pacific Life Foundation
Community Services

For more
information on
these grant deadlines
and to access other
valuable resources, please
visit our website at
www.theolingroup.com.





*Building a Foundation
for Social Change*

The Olin Group is dedicated to fostering collaboration and effective business practices for nonprofit organizations and to supporting all organizations that are looking for ways to promote social change. Visit our website at www.theolingroup.com for more information.



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