

Managing and Adapting in a Time of Uncertainty

A resource article by Nonprofits Assistance Fund

Minnesota's nonprofit organizations are facing uncertain times. The demand for services is increasing at the same time that traditional sources of funding are shrinking and changing. Having been through economic cycles before, nonprofit leaders know that it will take creativity, innovation, and focus to weather this period. Adapting to these challenges also demands leadership and an open mind. The following steps provide a framework for discussion and action for the staff and board of directors to prepare for and respond to today's challenges.

Step One: Understand Your Situation

- Compile and analyze information on your organization's financial and programmatic trends for the past one to three years.
- Project future grants and revenue based on your knowledge of the external environment for the next one to three years.
- Consider several "what if" scenarios based on various assumptions about funding changes.
- Fully understand the costs of programs, including indirect expenses and the level of support for these programs.
- Assess the potential impact of a deficit period – short-term and long-term.

Step Two: Mission is the Cornerstone

- Spend time discussing your mission and connecting with stakeholders.
- Engage the board and staff in a discussion about the organization's mission.
 - Ask what has changed in your area or field.
 - Review your mission. Does it still respond to today's needs and environment?
 - Evaluate each activity or program as it relates to and contributes to the mission.
 - Evaluate the impact and quality of the programs and services you offer:
 - What do you do best?
 - Which programs are of unique value to the community?

Step Three: Set Priorities and Make Choices

- Prioritize core activities and services.
- Re-assess all programs and activities – both newly developed and long-standing:
 - Consider the resources used for each program and the program’s relative contribution to the mission.
 - Give special scrutiny in evaluating programs that were started because of funding opportunities to be sure they contribute to the mission.

	Low contribution to mission	High contribution to mission
Low use of resources	Is this a fit?	Keep or expand
High use of resources	Needs to be reconsidered or eliminated	Core services – Can it be done differently for less?

Step Four: Develop Strategies

Once the board of directors and staff have determined the priorities and identified resources available, develop specific strategies for implementation. The following list includes some ideas to start the brainstorming:

Do the same work with less

In many ways, this is how many nonprofits have historically responded to economic challenges.

- Cut operating costs by economizing or going without.
- Solicit in-kind contributions.
- Review each job description and level when filling openings.
- Increase the use of volunteers, if your organization has the capacity to manage them effectively.
- Before asking staff to “work harder,” consider the impact on both staff and clients.

Do the same with new funding

Some nonprofits are trying to change their mix of funds, achieving this goal takes work.

- Find new donors (but be realistic about what new funds can be raised).
- Increase fees and charges for your services.
- Put the effort into developing an individual donor program.
- Use internal funds by dipping into reserves or intentionally operating with a deficit budget.

Do less of the work

You can't always realistically do "more with less," reductions might be the right option.

- Re-assess intake and eligibility requirements.
- Reduce services by decreasing hours or program volume.
- Cut services by eliminating programs based on mission, capacity, and funding.
- Scale back programs across the board.

Do the work differently

Many effective changes start with a new idea or approach.

- Reconsider how programs are delivered.
- Creatively redesign the use of people, resources, and technology.
- Outsource some administrative work.
- Share space, staff, or other overhead costs.
- Develop new revenue sources from contracts or earned income ventures.
- Initiate earned income ventures that fit with your organization's mission.
- Collaborate with other organizations on programs.
- Ask allied organizations to take over programs that are a low-priority fit with your mission.
- Consider mergers.

Step Five: Consider Ramifications of Changes

- Assess how each of the strategies under consideration will affect the organization's impact and mission.
- Project the financial implications of each of the strategies under consideration.

Step Six: Discuss, Communicate, Communicate

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