

Business Advice for Non-Profits During a Recession
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Presented to SNAP – August 26, 2009

Speaker Background

Greg Snell is an attorney with Snell Legal – The Business Lawyers. He has been practicing law for nearly 25 years, the last 21 plus of which have been in Volusia County. Mr. Snell has served, and continues to serve, on the Board of Directors of, and as legal counsel to, many local non-profits. For more information on Mr. Snell see his profile at www.snelllegal.com. To follow Snell Legal on Twitter go to twitter.com/snelllegal.

Volusia County Non-Profits and the Recession

Nationally the recession is the worst since World War II. In terms of loss of wealth it's the worst since the Great Depression. The unemployment and foreclosure rates in Volusia County are higher than the national averages. Accordingly, the impact of the recession has been greater on Volusia County than the nation as a whole.

Volusia County is one of the top dozen of the 67 Florida counties in Florida in terms of population but below average in terms of median household income. Florida household income is less than the national median household income. Accordingly, Volusia County is a relatively highly populated county with lower than average median household income. The percentage of persons below the poverty level is also higher in Volusia County than the percentage for Florida and the nation. All of these numbers are based on the 2008 national census.

There is a correlation between the need for the type of services often provided by non-profits and income. The lower the income the greater the need for such services. In Volusia County alone there are over 2,000 non-profits, roughly one for every 250 people.

Higher unemployment in Volusia County has increased the need for services provided by non-profits, some more than others. For example, food banks have been under unprecedented pressure. At the same time the apparent capacity for giving has decreased.

What's the Answer?

The answer is to be the best you can be, in every respect. If you're the best you can be you are most likely to succeed. That's nothing profound but you have to do it and you have to do it now.

Non-profits tend to be places of passion and emotion but you must make a dispassionate, unemotional assessment of how you can do better. This assessment should be done by both staff and the Board cooperatively and supportively.

Do we Matter?

Just because you're a non-profit doesn't mean you shouldn't do some of the same things the for-profits are doing (or not doing), at least with respect to business management.

The first thing you need to do as part of your dispassionate and unemotional assessment is to know who you are and why you matter. If you are not really clear about who you are and why you matter then everything else you try to do will be compromised.

Just as with a for-profit business you're in competition. You're in competition for donors, you're in competition for Board members, you're in competition for employees and you may be in competition for paying users of your services. If you can't distinguish your organization from the competition you will not fare well in this current environment or probably any other.

It is possible, without intending to be harsh, that while your organization at one time had a great mission the mission may not be so great anymore. You have to be honest about that. It is also possible that while your mission may still be somewhat valid it is simply not a mission that is deemed particularly valuable in the context of so much competition.

Accordingly, it may be time to either change the mission or close the doors. While closing the doors might seem like a defeat it shouldn't be perceived that way. If the mission has been fulfilled or is no longer particularly relevant it only makes sense to close and allow the people and dollars devoted to go somewhere else more compelling.

Similarly, if your mission is closely aligned, or complimentary, with the mission of another non-profit in the area you may be better off merging. A perfect example of this was the recent merger of the West Volusia YMCA and the Great Daytona Beach Area YMCA. They clearly had a similar mission and now they have merged and there is only one non-profit YMCA (with many branches) for all of Volusia and Flagler Counties. Many efficiencies and economies of scale were realized from that merger and the timing couldn't have been better. While everybody wants to believe they're special and unique don't let your pride interfere with making a decision which is better for the long term success of your organization and, more importantly, those you seek to serve.

Delivering the Message

Assuming you do matter and you know why then you have to convey that to those who need to know. You have to deliver your message in a clear and effective way that lets those who you are reaching out to understand it and embrace it.

A great photograph or video can go a long way. Again, remember, you have competition. Imagine your materials sitting amongst a pile including all of the other area non-profits. Would yours win? Why would someone pick you over another non-profit?

Be innovative. Don't just deliver your message in conventional ways, such as mailings. People rely on web sites now more than ever. Make sure your web site is outstanding. It shouldn't just be a place for basic information it is a place where your message should be delivered well. Again, photographs and videos add interest. Consider, if you don't already have it, a way by which those who wish to donate can donate to you online through your web site.

If you haven't explored social media, such as Facebook and Twitter you should. This is a great way for those who are involved with you to be kept advised of what of interest you're doing. This can also, of course, help you expand your network, particularly if you include information which is of benefit to those who visit, such as information on seminars, new services, special offerings and those sorts of things. You can also put links from your web site to your Facebook and Twitter locations.

If you don't have e-mail addresses for your donors, for your Board members, for your volunteers, and, of course, for your staff, you need them. Although there is a lot of e-mail traffic out there it is still an affordable and effective means by which to communicate. Some Boards even provide in their governing documents that voting can be done by e-mail. This can be very convenient. E-letters, as you've no doubt seen from others, are also popular and can include video messages.

The Right Board Members

When you deliver your message clearly this will also help you to attract Board members. Having the right Board members can make all the difference in whether or not your organization flourishes. It's important to have Board members who have a full understanding of what it means to serve on a non-profit Board. It's also important to have Board members who've been successful in business, who have fund raising experience, who have helpful skill sets and who have the capacity to contribute money to the cause.

There are many good hearted, well intentioned people who would be flattered and willing to serve on a non-profit Board, and may be completely dedicated to

the mission, however, who just really don't have the capacity to be very helpful in that role. It's not easy to say no, or to perhaps even gently nudge someone off of the Board, but if you're going to be successful you simply have to have the right Board members.

Recruiting and screening potential new Board members is an all year job, it's not just a job you should be doing when it's time to fill a vacancy and/or it's time for elections. You should also not just rely on the current Board members to recruit new Board members, to the extent staff can recognize and engage with potential new Board members they should, at least at the executive director level.

Sometimes in their anxiousness to be helpful a Board member may propose someone who isn't right. You should be prepared to question them on the specific attributes of a proposed Board member that they believe will be beneficial to the organization. In fact, you should do your best to be sure there is some sort of written plan for filling Board vacancies, including identification of the type of qualities needed, which may vary depending on who is already on the Board. With this sort of written plan you have a road map for all concerned to get where you need to go, without it, you're lost. Haphazard Board development is not wise and can in fact be very detrimental.

Employees

If you're going to be the best you can be that means all of your employees have to be the best they can be. While times are tough, and you don't want to misplace blame with employees who don't deserve it, be sure you have the right people in the right positions. Just as with Board members, it's perfectly fine if employees have good hearts and the best of intentions, but they also need to be capable and to be quantifiable results driven.

Evaluate your employees carefully and realistically. Don't allow your own kind heart to cloud your objectivity. There are many factors to take into consideration in job performance evaluations, but, ultimately, you need to consider whether or not there is somebody better that could fill the position. While nobody should be put out of a job recklessly, there is a pool of talent available right now which is unprecedented. This is an opportunity to tap into the talent pool and come out of this recession with better talent in place.

Programs

If you have programs, products or services (collectively referred to as "programs") not only should you make sure they are the highest quality possible, with quantifiable means by which to measure the quality, but you should also be sure that the programs, products and services can be sustained. You need to know what it costs to deliver your programs as specifically as possible.

If you have multiple programs you then need to make a decision on whether you can sustain them all or, instead, whether some are more costly than you can afford. Don't let emotional attachment to a long standing program prevent you from making a decision that is right for the financial viability and long term future of your organization.

Similarly, if there are programs which you can add that can be sustained, and maybe even help you improve the bottom line, add them. Even though money may be scarce you may be able to offer a new program relatively inexpensively or even less expensively if you're substituting a new program for an old. Ask what you could be doing that you're not doing and if it makes sense do it.

The farther you go from what you know the more risky that is so unless there is a very good reason to believe you can venture into a much different sort of program and make it work don't do it. Diversification of offerings is what many in the for-profit world are doing to improve their financial condition. If there's not enough demand for what you're doing, or not enough willingness to pay for it, then find something else that may be more coveted. You don't have to abandon your mission when you change direction.

Collaboration

There is a great potential for non-profits to benefit by working together. SNAP is a tremendous resource and you should take full advantage but there is much more that can be done.

There should be open communication between all area non-profits on a regular, if not constant, basis. Some of the topics on which there should be communication are: 1) need or availability of space that can be leased; 2) vendors who have provided a particularly useful service or product or have provided a service or product at a particularly good price; 3) employees needed or who will be leaving and might be hired; 4) fundraising lessons learned; 5) recent changes in law or experiences with law that others might learn from; 6) items that have been contributed and are available to be either donated to others or sold or items that are needed; and 7) cost cutting ideas. There are undoubtedly many others. This could all be done through a secured web site with a modest membership fee.

Similarly, something which continues to seem to gain popularity in the for-profit world is the use of independent contractors rather than employees. The reason is obvious, they're cheaper and employees are usually the biggest expense item. An employee with one non-profit may be able to do the same thing for many without there being any conflict. The employee could become an independent contractor or could remain an employee and the services of the employee could be sold on an independent contractor to other non-profits on an as needed basis. This would allow for the employee to be used more productively and the non-

profit to derive some income. Some examples might be grant writers, human resources directors and IT people although there are surely many others.

Also, if numerous non-profits are using similar services, such as printing, mailing, IT/web site, insurance and accounting then the group could do a joint request for proposals, take bids, and award the business to the one they select. This of course should be commemorated in a contract that sets forth the terms with some specificity and a right to terminate for lack of acceptable performance. The point is that non-profits can band together to use their numbers as clout to obtain more competitive pricing locally. If enough joined together some vendors might simply specialize in non-profits and that would conceivably allow them to deliver a more non-profit oriented product or service.

Non-profits should consider more joint fund raisers. This is done occasionally but not nearly like it could be. There are numerous reasons why this could be a good idea. By combining forces there are more people to share the load in pulling off the event and potentially some synergy through the mix of talent and connections. A bigger event, even splitting the proceeds, if done properly, could result in greater proceeds for all involved than would be realized by doing separate events. Additionally, of course, those who are sponsors, attendees or otherwise contributing would appreciate the fact that there are fewer fundraisers to deal with.

Fundraising

Finally, on the subject of fundraisers generally here are a few thoughts. Fewer better fundraisers are better than more not so good fundraisers.

Be original. Worn out ideas aren't all that appealing to those who give. There was a time some 15-20 years ago or more when scramble golf tournaments weren't that common and golfers really enjoyed the opportunity to play in one. Those days are long gone. There are hundreds of these every year just in our area and often it is a chore to round up the golfers. There are still some very successful scramble golf tournaments but many don't make that much, especially when you factor in all the time they take, and the time and effort would be better spent on something more original.

Provide value if you can. Silent auctions are almost as ubiquitous as scramble gold tournaments. However, they appeal to a much broader audience. Attendees are able to buy something they want at a price that works for them.

They can be over done. Sometimes there are too many items and items that just aren't very exciting (hard to tell that donor no!) but done properly there is still a place for these and they can be very profitable because they offer value to the purchaser. It's the quality of the auction items and the audience available to bid on them that determines whether they'll be profitable. I wonder also if there isn't

a way to do an online silent auction, much like Ebay, that might work well for some organizations.

Live auctions should be relatively short and not too late or you'll lose your audience. You can't keep a big crowd interested too long and ordinarily there is only so much money to be spent at the event and if you have too many auction items you're simply going to drive down the price on individual items. If you have a few great items and the right crowd you'll do well. Depending on the crowd you can maybe have a few more items than might work for an event with fewer dollars in the audience.

Events should be fun. Long sit down banquets aren't usually a lot of fun. Full meals are also expensive and eat into the net. A successful event should ordinarily have a big crowd. It's fun for the crowd to mix and mingle and, as a rule, to dress comfortably. There is a time and place for black tie but today doing black tie doesn't necessarily make the event any more appealing or exclusive.

The high priced raffle ticket raffles are probably not such a good idea right now. The motorcycle raffles appeared to have done well, at least for a while, however, there became quite a few more of them and their success seems to be somewhat unique to them, there haven't been too many others in this area that have worked and it may be an unpleasant surprise to see how hard it can be to sell \$100.00 raffle tickets.

Your network, including your Board, volunteers and past donors, are critical to the success of a fund raiser. If you have a solid broad network you can raise money through an event. One way to build a network is to originate an event that is very unique and fun so that those who are not already with you are drawn simply because of the event. There is a lot of competition on fund raising so you have to stand out.

Conclusion

These are difficult times for non-profits and for-profits alike. It's imperative for non-profits to be the very best they can be to survive. The recession will end and when it does those who survived at their best will thrive.