



After thirty years of working in the sector, I would have said that I know what a good organization looks like and by good I would have meant an organization that is highly likely to survive, grow, and enact its mission in a dynamic and vibrant way. I would also have said that I know a good Executive Director when I see one and that the two generally come together. The environment now, however, appears to contain variables that we haven't actually seen before, variables that may undermine the sector in significant ways and that certainly make it far more difficult to sort the "good organizations" from the weaker entities, the effective Executive Directors from the less so. As we support and guide leaders of nonprofit organizations from small to large, we have had cause to question what we previously would have said are the most important organizational skills for management and leadership to attain.

So, this is a first attempt to raise some questions and open a dialogue with sector leaders who know us about this very interesting place in which we find ourselves. **Can we at this point identify knowledge and skill that nonprofit leaders should pursue that will enhance survival, growth, and mission enactment? Are those characteristics the same as they have been for the last twenty years as the field of nonprofit management has come into its own? Or are they different? As the environment has turned from positive to negative in much of the sector, how does that change the management and leadership task?** We are going to offer a point of view, with the full understanding that it may be biased or skewed. We have supported through consulting services over 200 nonprofit leaders and provided training to over 1000 nonprofit managers in the last year alone...mostly human service and civic organizations. Our client engagements have spanned 5 US states and 1 Canadian province but that's not everybody, just a small sample, and we have no delusions that it is necessarily representative.

We are going to come at this from two vantage points...first, when we say the environment has turned from largely positive to largely negative, what are we seeing? We will focus on those environmental aspects that appear to us to demand a new way of managing a nonprofit. Second, we will talk about the management and leadership skill sets that we see executives adopting in response. And then we will ask you, our clients, colleagues, and friends, to respond with your own comments and suggestions. As we receive responses, we will continue to refine this effort at model building and report back what we have learned.

## The Environmental Shift

In 2008, when the recession began in earnest, we all thought we were in for a couple of tough years and, as the economy recovered, so the sector would recover and continue to grow as it has for the last two hundred years in both the US and Canada. That isn't what has happened, of course, and we all know that most state economies have gone from bad to worse and large chunks of federal funding are threatened. But what are factors that are impacting how we manage nonprofits that we have not seen before?

- Precipitous and deep reductions in rates of reimbursement for both contracted and fee for service programs funded by government;
- Wholesale redesign of human services at drastically reduced levels of funding;
- Deep distrust of the provider community so that providers are excluded from service redesign discussions;
- An emphasis on solutions that are cheap and expedient with little thought to the impact on the quality of what is offered to consumers;
- Increased demand from consumers for a wide array of supports due to continuing high unemployment;
- The incursion of right wing elements into statehouses and legislatures who appear to detest government and those who depend on it;
- With scarcity has come a reconsideration of compassion and the erosion of the sense of responsibility that society has to care for its most vulnerable members.
- Community foundations and United Ways, backbone funders for human service nonprofits, are tackling their own transformations. Driven by stiff competition for private philanthropic dollars in both the community and in workplaces, there is a growing sentiment that these funders should pay more attention to community conditions and have more effective strategies to change communities for the better. These entities are retooling at a rapid rate and expectations of those they fund are rising as they do so.

Essentially, the sector is facing the worst market scenario in its history with falling prices, rising costs, and rising consumer and funder expectations.

## What Is The Impact On Management And Leadership?

There are already some good lists of possible coping strategies: Fieldstone Alliance's comprehensive list of coping strategies<sup>1</sup> and Jina Paik's "Managing in the New Economic Reality", in the Nonprofit Quarterly<sup>2</sup> both offer lists of good suggestions of tactical things you might do to cope. **What we want to focus on is the skill set required to help your organization enact its mission despite these difficult challenges. Not so much what to do, but what you need to know and know how to do to choose and enact an effective set of coping strategies.** We also wish to insert a caveat that some organizations are doing well because funds are being shifted to areas of high demand, like basic needs. The proportion of "doing well" to "not doing well" is what has shifted.

We suggest that the degree of scarcity is so profound that it actually brings about a fundamental shift in management and leadership orientation. We capture this shift as follows:

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<sup>1</sup> [http://www.fieldstonealliance.org/client/articles/cutback\\_strategies.cfm](http://www.fieldstonealliance.org/client/articles/cutback_strategies.cfm)

<sup>2</sup> <http://www.nonprofitquarterly.org/management/20770-managing-in-the-new-economic-reality.html#.UQVbZfIsuH8>

Stable, positive context Adequate resources	Hostile, negative context Scarcity
From	To
Growth and expansion	Stability or decline
Means orientation: how should we do what we do?	Ends orientation: what should we do?
Focus on our agency	External focus on multiple and often dissimilar agencies
Low to moderate uncertainty	High uncertainty
Moderate to long planning horizon	Short planning horizon for many organization functions

From this analysis, and based on our observation, comes a set of knowledge and skills that appear to help executives craft a coping strategy to adjust to these changes. These are:

### *Collaborative Models*

This is the time for true collaboration and that means increased intentionality and investment of time and energy in managing and intensifying external relationships. Part of this is understanding and knowing the organizational players in your supply chain and knowing your competitors. Understanding the cutting edge of your field and knowing about comprehensive models in your field also helps. Shore up and invest in key stakeholder relationships: despite the many stresses of managing with reduced resources, this is the time to get out of the office and talk with others, deepening relationships where you can. There may be a variety of environmental stimuli that could promote collaboration. These include:

- Two executive directors are friends or respected colleagues who see value in building an organizational relationship;
- Program staff working on a common project see potential for deeper integration;
- An outside entity such as a Mayor or Town Manager asks a group to convene and solve a problem;
- Funders put out an RFP requiring collaboration to contract for what used to be independently awarded contracts;
- There may be general recognition on the part of some industry leaders (perhaps you?) that there is merit to avoiding competition by working together;

- Groups may search for economies of scale and cost savings as a means of enhanced survival;
- One agency may want to accomplish something bigger for which they lack resources so they seek a partner for joint programming;
- Crisis...an urgent need to salvage programs or staff due to unprecedented financial losses.

All of these are opportunities that an Executive Director should know how to respond to, participate in, and assist in bringing to fruition. Knowledge of collaborative models helps as does the skill of working with professional counsel. Preparing the Board of Directors to deal with these eventualities is critical.

### *Know When to Fight: The Role of Advocacy*

As decisions are made at state and municipal levels, often too quickly and often lacking solid information on consequences, organizations must maintain a higher level of vigilance and engagement than ever before. That means that Executive Directors will spend time testifying before legislative committees, attempting to educate policy staff, preparing written responses, and, working with colleagues on shared strategies to avert decisions that may be disastrous for consumers and providers alike. Understanding the regulations and strictures concerning lobbying quickly comes into play. What has also changed is the negativity about the provider role so how these efforts to shape decisions are carried out matters more than ever. The right wing in many states looks upon human service providers as one more set of pigs at the public trough. They interpret advocacy for clients as a smoke screen for self interest on the part of agency management and would wipe out services in a heartbeat if allowed free rein. Creating a groundswell of protest on behalf of a particular program or population is very difficult: these issues are often complex, don't translate well into sound bites, and few groups of human service providers have the financing to mount a significant public awareness campaign. Nevertheless, there is a place for fighting...the skills involved are the judgment of who and how to push and how to craft effective message strategies that simply state the impact of state actions. Some providers, usually in groups, have also resorted to lawsuits to stop truly inane or illegal decisions.

### *Retrenchment Skill: Know When To Fold*

There is also a time when we must recognize that fighting is pointless and we must resign ourselves to an altered reality, at least in the short term. There are really two parts to this: first, is knowing when to stop wasting effort on fighting with decision makers and to design a different future; second, is knowing when your organization has sustained such a devastating blow that it is unlikely to survive. The first implies that you will fight for a time but will, if unsuccessful, accept the inevitable and do what you have to in order to sustain some level of effort (even if far short of previous efforts). This may mean giving up long held contracts, laying off staff, closing facilities, essentially making the decision to shrink. At the same time, this is about reorienting toward other services that may have more relevance or a stronger ability to compete for funds to create the opportunity to grow again.

The second facet of “folding,” is knowing when your organization needs to merge. In our experience, this “knowing” should be based on metrics pertaining to financial sustainability and also on whether the people in the organization have the capacity to save the organization. The latter is a judgment call...a difficult one to make. In our experience, nonprofit leaders wait too long to make this determination, either because they lack the ability to analyze their own metrics or are prone to a kind of blind optimism that something will turn up. What we do know is that it takes time to find a merger partner and to enact a merger. If the choice is dissolution and the scattering of organizational assets, or merger, in which some remnant of tacit knowledge, staff engagement, and strengthening of an allied entity can take place, then merger should be an easy choice. We know it isn’t but would urge that it be considered sooner.

### ***Retrenchment Skill: Know How To Shrink***

Precipitous loss of funds requires your organization to shrink, but how? This skill set includes leading your organization through a process that has the following components:

- What business are we in? Or what businesses in support of our mission can we be in now?
- Exploration of alternative scenarios and construction of different operational designs
- Clear identification of the core of your organization: as defined by essential programs and/or essential competencies.

This requires that you build understanding among key stakeholders of:

- The economics of service delivery at reduced budgetary levels
- The politics of reduced levels of service
- Relationships with other organizations
- Emerging areas of high impact/potential
- The historic mission of the agency

These are difficult discussions to lead as it will necessarily involve engagement with internal stakeholders whose livelihoods are dependent on the outcome. It requires tools and metrics to help stakeholders see the organization and its situation clearly.

### ***Evidence Based Practice***

Evidence based practice is both knowledge and skill. You must be able to enact services at the highest standard in your field. As accountability and competition in the philanthropic world increases, there are major shifts underway that will ratchet up the demand for evidence based programming. The expectation is now, for funders such as Community Foundations and United Way, not just to support key community agency’s operations, or to help individuals who need help, but rather, to make communities healthier places to live, and to prove, through accurate measurement, that this community improvement is actually taking place as a result of philanthropic efforts. This is a far more difficult performance expectation of funders and has major implications for those they fund.

What are these expectations? Providers are expected to shape programming to standards defined by the funder in order to support a community impact strategy defined by the funder

and that standard will be based on evidence based practice in your field. This is a huge shift from when the agency professionals were the experts and drove both the design and delivery of programs. To assist in moving community indicators, providers need to work collaboratively with other entities to align efforts so that they are mutually re-enforcing and synergistic. Beyond programming, program management is asked to help with community engagement and public policy initiatives as well as to support data collection to assess the worth of the strategy through time. They also must commit to making mid-course corrections if the strategy isn't showing sufficient positive results.

### **Maintaining Staff Cohesion: Managing Morale Through Negative Change**

Much has been written about managing people through a process that brings substantial change. Key skills are understanding where you are in the change process and adjusting message strategies as the change journey unfolds. The skill set also includes the use of positive behavior supports to help employees cope with change and the creation of a positive culture that promotes innovation and embraces change, and at times, failure. Careful communication that acknowledges the reality of loss of co-workers, of salary, of benefits, of office space is critical.

### **Passion For Ends, Not Means**

Another key skill or, perhaps, characteristic is the ability to hold the desired end in sight and to commit to it, while maintaining a completely flexible approach and openness to how to get there and to share that attitude with others. For every goal, there should be multiple contingent strategies. This is the time to experiment for when the status quo is most at risk, an organization is at its most malleable. We have watched in awe as clients have tried first one strategy and then another, inventing as they go.

### **Making Tough Decisions**

Again, perhaps a characteristic rather than a skill, we see our colleagues making very difficult decisions...to turn away consumers, lay off staff, close facilities. These decisions often hurt people who have been colleagues of many years. What seems to matter to those on the receiving end of negative news is the rationale for what is happening, e.g. is the decision based on respected values, does it make sense from the perspective of organizational survival, are you taking care of people to the best of your ability?

*So that is our starter list. What have you observed? Are you developing new skills or do you need to behave in different ways because of this context? We are hoping you will become part of a larger conversation...please share your observations and examples by visiting our blog: <http://fiopartners.com/blog> or emailing us at [info@fiopartners.com](mailto:info@fiopartners.com). We will gather together the feedback we receive and continue to fill out this model.*

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