

## TOOLKIT

# Strategies for Organizational Survival

by David Rogers  
Trainer/Organizer  
Western States Center

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**O**ptimism is scarce these days. A combination of factors makes it difficult for many progressive non-profits to keep their doors open, let alone move their political agenda forward.

The current federal administration threatens many of our policy victories of the past 30 years. Economic recession and the ailing stock market are taking a huge bite out of foundation charitable giving. A post-9/11 backlash has communities scared to speak up in the face of repression. Many are struggling to maintain organizational focus while participating in the anti-war activism demanded by the moment. These are new times with difficult challenges.

How do we keep our organizations alive in these tough times? How should organizations respond when faced with diminished resources? In order to maintain organizational strength, you may need to adjust your approaches to budgeting, financial management, and program development. Here are some ideas.

### Taking Stock

This is a good time to do a quick analysis of what you are doing, why are you doing it, and how well your work is accomplishing your goals. With changing political and economic times, you may realize that different program strategies are required to realize your mission. Rather than just reduce your programs when resources are tight, it might be more effective to reorganize them.

### Contingency Plans

Crisis management rarely results in good decision-making and can be avoided by developing contingency plans. As you are developing your budget for next year, be conservative. Figure out what the worst case scenario might be for fundraising and develop a second budget and set of program plans for that scenario. If you might have to cut your budget by 25% in the middle of the year, ask staff before the year begins to discuss how they would move their work forward under such conditions. With a contingency plan, if the worst case scenario arrives, the necessary strategic thinking

will have already been done and you'll be less likely to make rash decisions.

### Develop Strong Financial Practices Now

It is impossible to stay ahead of the curve and predict a potential financial crisis if you don't have strong financial management systems in place. It is not a good sign if you only have one or two people who understand and are paying attention to your financial reports. Take the time to ensure that board members read and understand financial reports and budgets. A better sense of the finances might even inspire people to engage more fully in fundraising.

Your budget should accurately project what your organization is likely to spend *and* reflect how much money you can raise. Don't pass a budget without a corresponding fundraising plan. Income projections should be detailed, realistic, even slightly conservative. Revenue line items that use general categories like "major donors, unions, or events" should have corresponding plans that detail how much money from each category will be raised, and from whom.

Cash flow projections—knowing when money will be available—are key to having a full picture of the financial health of your organization. If you are in a financial crisis, understanding whether it is a cash flow problem or a long-term lack of incoming money is crucial to figuring out potential options. If you are experiencing a cash flow problem, perhaps you can acquire a line of credit to get you through the lean months.

### Face the Music

The biggest mistake organizations can make is not asking the hard questions—in other words, being in a state of denial. If you are in a pattern of operating on a month-to-month basis not knowing how you will be able to pay your bills, it is time to make some cuts. Often times, being decisive and making difficult cuts early can actually prevent more severe problems from occurring later on. Deciding to make significant budget cuts can have a stabilizing effect.

## Downsizing your Budget

- **Look for changes that don't affect your mission.** Identify resource-intensive projects that can be cut temporarily without significantly curtailing your prioritized program goals. Often cutting one issue of a publication, an annual event, or a conference can make a significant impact on your budget, while not requiring major shifts in program implementation.
- **Take advantage of attrition.** If you know that a staff person is leaving, don't rehire. If there are pieces of work that need to be staffed, it might make more sense to hire someone to work as a consultant on those projects. Consultants mean less liability for the organization than employees. In a period of economic uncertainty, it is more responsible to have renewable short-term contracts than to hire a new employee, especially if a layoff is within the realm of possibility.
- **Take programs off life-support.** If there is a project that is moving slowly or receives little member interest, consider dropping it. It is better to do a few things effectively than have several program areas limp along for lack of sufficiently focused support. Reducing is good; eliminating may be better.
- **Do cost-containment research.** Before entering the budgeting process, do vendor reviews and cost comparisons to identify potential savings without needing to cut line items. Are there businesses that can provide services cheaper than your current contracts? Could you make due with a smaller, less expensive office space? Are there ally organizations that might share office space and equipment with you? Is it cheaper for your staff to rent cars than to reimburse mileage?



## If Layoffs Are Likely

This is a situation no organization likes to be in. At the same time, layoffs should not be avoided at all cost. Sometimes hard decisions and significant cuts are exactly what may be needed if the organization is going to survive.

Be clear and explicit about the decision making process. Balance organizational needs and attention to the impact a layoff is likely to have on someone's livelihood. Using a division of roles in the organization between staff and board is helpful in this situation. Develop a process for staff to provide ideas and input, but keep the decision in the hands of those with less direct self-interest who can balance all critical factors.

Be open with information regarding the financial status of the organization. Having an organizational culture of secrecy about dire financial information will most likely raise tensions internally, create an atmosphere of mistrust, and prevent people from working to identify potential solutions.

Board, staff, leaders, and key allies should be involved in developing strategies to address a financial crisis.

Together, they should agree on a plan for when and how to share information externally.

Work reduction needs to go hand in hand with layoffs. You cannot expect fewer staff to take on the same organizational workload. Therefore, any decision to make layoffs needs to be informed with strategic decisions about how best to restructure your work.

## Consider Mergers

Pooling resources and merging certain operations with another organization can generate a more efficient economy of scale. Other benefits include increasing political influence, creating a greater range of services under coordinated control, and more strategic fundraising. But most potential benefits to mergers are mid- to long-term gains and not short-term. Explore merger opportunities ahead of the curve and not when you're in a crisis.

## USEFUL ORGANIZATIONAL RESOURCES

*Healthy Nonprofits: Conserving Scarce Resources through Effective Internal Controls*  
[www.nonprofitrisk.org](http://www.nonprofitrisk.org)

*Saving Money in Nonprofit Organizations: More than 100 Money-Saving Ideas, Tips and Strategies for Reducing Expenses Without Cutting Your Budget* by Gregory J. Dabel

*The Nonprofit Mergers Workbook: The Leaders Guide to Considering, Negotiating and Executing a Merger*  
[www.wilder.org](http://www.wilder.org)

"Surviving Tough Times", in the Winter 2002 issue of *TACS NEWS: The Newsletter of Nonprofit Management Information* [www.tacs.org](http://www.tacs.org)

For an online goldmine of information, visit the *Organizational Change Library* of the Management Assistance Program for Nonprofits [www.managementhelp.org](http://www.managementhelp.org)

For more on strategic restructuring, visit *Strategic Solutions: a project of La Piana Associates* [www.lapiana.org](http://www.lapiana.org)

## FOR FISCAL MANAGERS

*The Budget Building Book for Nonprofits: A Step by Step Guide for Managers and Boards* by Murray Dropkin & Bill LaTouche

*The Cash Flow Management Book for Nonprofits* by Murry Dropkin & Allyson Hayden