

Mission-Based Management In Difficult Financial Times

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*Long Island Center for Nonprofit
Leadership*
June 3, 2009

Your Presenter

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 - The Material in this session comes from Peter's book "Nonprofit Stewardship" published by the Fieldstone Alliance

Our Agenda...

- Some organizational warning signs.
- Starting Questions in a Crisis
- Strategic Issues
- Tactical Responses
- A Decision Tree

Now, let's look at some warning signs

- Organizations exhibit warning signs of trouble. This list will help you take stock of your organization and see if there are things you can do to prevent problems.
- And, as always, prevention is cheaper than cure!

Signs of trouble...

- No financial information being reported.
- Excessive staff turnover.
- Excessive board turnover -- or lack of quorums.
- No new programs or methods of mission provision.
- No regular or repeated asking.
- No budget – one that is ignored – or one that is amended each month.

More signs of trouble...

- No continuing education for board or staff.
- Out-of-date personnel, financial, or other policies.
- Little sharing of internal information among board and staff.
- No strategic plan.
- A break-even pattern or consistent financial losses.

Last signs of trouble....

- Too much debt.
- *No* staff or board turnover.
- Inadequate marketing materials, including the website.
- Poor use of technology.

What do we do in times of financial distress? How do we lead effectively?

- Starting Questions
- Strategic Responses – longer term, larger picture
- Tactical Responses -- shorter term, day-to-day.
- Leadership Checklist

Starting Questions...

- How bad is the shortfall?
- What is the cause of the shortfall?
 - Donations, major contractor, systemic.
- Is the shortfall long-term or short-term?
- Is organizational viability at risk?
- Are services at risk?
- Are legal responsibilities/contractual obligations at risk?

Strategic Responses

- Review the mission and values statement —what does it say about priorities?
- Review the strategic plan — what does it say about priority services?
- Review the marketing plan --- what markets are most important?
- Talk to peer organizations --- are there group responses that are appropriate?
- Talk to state trade associations --- what are other organizations doing?
- Is there a need for long-term, strategic restructuring?

Tactical Responses

- Run weekly cash flow projections.
- Develop a small group of board and staff to deal with the crisis. Include your banker? And accountant?
- Inform staff and board early and often—weekly or daily updates.
 - Communications is CRITICAL.
 - Be open and available for questions.
 - The rumor mill is your worst enemy.
- Review contractual obligations.

Tactical Responses-continued

- Check state labor laws, union contracts for layoff/cutback limitations.
- Inform vendors of possible late bill payments.
- Inform creditors.
- Develop best case, middle case, worst case scenarios. Share this with a board-staff crisis team.
- Can everyone take some pain to avoid layoffs? Remember that lower-wage people may not have the ability to take a 10% or even 1% cut, and that minimum wage is minimum wage.

Tactical Responses-page three

- If layoffs are necessary, do them carefully, in complete accord with state regulation, union contracts, and best HR practices.
 - Sooner is nearly always better with layoffs.
- ***Communicate, communicate, communicate:***
 - with staff, volunteers, service recipients, community members, funders, vendors, and creditors. Prepare for media inquiry.

Leadership checklist...

- Am I asking the hard questions?
- Do I have the information I need?
- Am I sharing information widely?
- If other staff have to take a financial hit, am I taking a bigger one?
- Am I leading optimistically?
- Am I putting mission first?
- Am I listening to everyone?
- Am I taking care of the leader?

How Stewards Make Decisions

- First, look at all expenditures as investments in mission.
- Second, how much mission do you get out of this investment? How much money?
- A high mission outcome *may* allow for a low financial outcome.
- A low mission outcome mandates that you make money.

Stewardship Decision Tree

- This decision tree only works if you consider decisions carefully, and as a group.
- If any answer is “NO”, you should re-evaluate and start over.

Decision tree – part one.

1. Does this action support our mission?

Does it increase the amount of mission?

Does it improve service quality?

Does it strengthen the organization?

Can we measure the outcome?



2. Does this action keep up focused on our priorities?

Is it specifically included in our strategic plan?

Does it involve a current core competence?

Does it develop a new core competence?



Decision Tree – part two

3 Do we have adequate information to decide?

Service impact?

Financial impact?

Staff and administrative impact?

Legal impact?



4. Have we applied appropriate business analyses?

Feasibility study and/or business plan?

Cash Impact?

Budgetary impact?

Impact on Quality?



Decision Tree – part three

5. Have we consulted appropriately with these stakeholders?

Board?

Staff?

Funders?

Service Recipients?

Community?

Consultants?

If the answer is “YES” to all of these, then moving ahead is a possibility.

There will always be extenuating circumstances, but this guide will help you stay on the stewardship track.

Plan now for future troubles

- Have a strategic plan. What are your priorities? Who are your key markets?
- Have more cash reserves. 90 days is pretty much a minimum. Cash gives you time to think.
- If you have an endowment, or other restricted funds, make sure you know the limitations on their use.

Holding on to your core values

- Difficult times put inordinate stress on our ability to stay true to our mission and values.
- Remember, the first rule of nonprofits, and the second....keep the first one first!

Some great resources

- FIVE books you should read...
 - *Good to Great* – by Jim Collins
 - *Leading Without Power* – by Max DePree
 - *Developing the Leaders Around You* – by John Maxwell.
 - *Who Really Cares?*, by Arthur Brooks
 - *The Servant Leader* – by James Autry

Thanks for having me!

- Remember to e-mail with any questions.