Nimble Nonprofits

Taking Nothing for Granted
in an Era of Constant Change

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In the fall of 2010, graduate students at the Evans School of Public Affairs at the University of Washington fanned out across the Seattle area to interview leaders of some 37 nonprofit organizations with operations in the Puget Sound region. Their purpose was to determine how those organizations were handling the difficulties caused by the steep economic downturn beginning in 2008. The results of their investigations were summarized in a March 2011 report issued by the Nancy Bell Evans Center on Nonprofits and Philanthropy at the Evans School titled *Resilient Nonprofits: How Western Washington Nonprofits Have Been Coping with the Impact of the Economic Downturn* (hereinafter *Resilient Nonprofits*). *Resilient Nonprofits* is available on the Evans School website at [http://evans.uw.edu/centers-projects/nbec](http://evans.uw.edu/centers-projects/nbec).

In the spring of 2012, a new group of Evans School graduate students undertook a revisit of the organizations originally surveyed in *Resilient Nonprofits*. Their intent was to re-interview approximately two dozen of these entities to determine whether there have been any significant changes in the programmatic goals or financial health of these organizations over the past 18 months.

*Resilient Nonprofits* indicated that a substantial majority of the organizations surveyed in 2010 had been reasonably successful in stabilizing their operations (albeit in some instances at lower levels of activity) and were cautiously optimistic about the future. This year’s surveys found that the cautious optimism expressed by a number of organizations is now tempered by a certain sense of unease, underscored by one executive director who said, “We are not taking anything for granted.” Given the slowness of economic recovery and the constraints in government spending, these organizations are focused on the need for constant reassessment of their strategic alignment in an environment full of unexpected changes and challenges.

Professional staff at these organizations appear to have stopped trying to discern a new normal and have reconciled themselves to the realization that their situation will always be quite dynamic. This year’s interviews revealed a predominant determination to strengthen agility in order to adapt to changing conditions. Virtually all of the organizations interviewed are reasonably stable—a state they work very hard to maintain. Their conditions vary, since some organizations are considerably more dependent than others upon government contracting. But, if any had ever become accustomed to the previous era of regular annual growth, they now realize they can no longer expect to return that sort of prolonged predictable progress in the foreseeable future. This need to be more nimble appears to have been caused by three major factors reported by many of the organizations in the follow-up interviews: increased funding shifts, a need for strategic repositioning, and greater emphasis on partnerships.

The organizations interviewed covered a wide range of nonprofit activities such as education, social welfare, arts, environment, and international development (see Table A), and virtually all of them had professional staff and annual budgets in the hundreds of thousands of dollars or more. About a third of the original organizations had reported unusual circumstances in the 2010 interview process, such as very large multi-year grants for specific projects, and were thus omitted from this year’s group. Since the graduate students chose the two dozen organizations they wished to study from the broader *Resilient Nonprofits* list of organizations interviewed, this report does not constitute a random
sampling of area nonprofits. Therefore, general conclusions about the broader nonprofit sector in Western Washington should not be drawn from this summary.

All participating students in this year’s project were enrolled in Program Development and Strategy for Nonprofit Organizations, taught by Senior Lecturer David S. Harrison, who serves as the interim director of the Nancy Bell Evans Center on Nonprofits and Philanthropy (NBEC) at the Evans School. He was assisted in preparing this report by Paul Ahern, nonprofit consultant, Evans School instructor, and NBEC senior advisor; Chantel Gibson, NBEC research specialist; and Benjamina Menashe, NBEC program assistant.

Funding Shifts Continue to Occur—Often with Increasing Frequency

Resilient Nonprofits stressed the importance of diversifying revenue sources for all nonprofits. This year’s survey certainly underscored that point.

As observed in Resilient Nonprofits, social welfare organizations heavily dependent upon government funding were holding up reasonably well in 2010, thanks to the federal stimulus program and state, county, and local government budgets set before the full depth of the economic downturn had been realized. This year’s interviews showed that many of these government-dependent organizations are facing an uncertain financial future. The same ED who reported “a sense of ‘hold hands, heads down, and we will get through this’” in 2010 now admits that her staff are “still holding hands, and when we look up we get paralyzed by what we see.”

Also, despite the relative recovery of the equity markets that fuel foundation assets, several of the surveyed organizations (with widely varying missions) were expecting decreasing levels of foundation support. This double whammy of decreases in both government and foundation funding forces nonprofits to explore new ways to offset them. Here are some of the actions taken by nonprofits in response to these dynamic funding conditions:

A. Greater Effort to Cultivate Individual Donor Relationships

Most of the surveyed nonprofits reported increased effort to attract individual donations as a way of offsetting losses of government and foundation funding. Individual donations can cover general overhead or unanticipated needs, whereas most government and foundation funding is tied to specific projects. For example, both the Pride Foundation and Bike Works reported taking a more strategic and proactive approach to building relationships with individual donors, and individual contributions continued to increase annually. By the same token, Salish Sea Expeditions is increasing efforts to attract individual donors, as well as raising fees for some of its programs, in response to the pending end of a large grant. Interestingly, Open Arms Perinatal Services reported that its overall individual donor base has not only increased, but even seems more generous in the face of reductions from other funding sources.
Importantly, many of these nonprofits realized that they had to make new investments in order to grow individual donations in a meaningful way. For example, Washington C.A.S.H. hired its first fundraiser in response to decreased federal funding, and Bike Works recruited a full-time development director. Arts Corps strengthened its fundraising efforts with new staff hires in both development and communications, and has utilized the resulting new funding to launch a new Creative Schools Initiative as a way of repositioning itself.

B. Increased Emphasis on Developing New Sources of Income
Efforts to expand income sources come primarily in two forms. First, many nonprofits have instituted or increased membership and other fees. For example, when interviewed, Shunpike was about to introduce a service fee for nonprofits participating in its membership program, citing an opportunity to develop one of its pilot initiatives into a more robust regional program. Social Venture Partners (SVP) created a more affordable junior membership structure, in addition to a new annual impact fund to which members could donate over and above their regular annual dues in order to support SVP’s general operating expenses and increased encouragement of collective impact efforts (embracing collaboration over competition). Open Arms Perinatal Services is considering increasing its income-based patient fees in response to the potential termination of a substantial multi-year grant. As its federal grant from the National Oceanic and Atmospheric Administration draws to a close, Salish Sea Expeditions plans to begin funding one of its core programs on a fee-for-service basis in the fall of 2012. Washington C.A.S.H. also added small charges for its training programs.

Second, investments aimed at realizing higher levels of earned income have increased. For example, IslandWood invested in sales and marketing in order to increase revenue from rental of its facilities for conferences, adult education programs, social events, and the like. VillageReach, uncomfortable with the level of its dependence on foundation funding, is relying more on consulting fees and investment income. El Centro de la Raza increased its earned income by adding new programs (Spanish language and cooking classes) and opening a new paid parking lot. Bike Works took advantage of its positioning as a “thrift store for bikes” to generate even more income from its bike shop sales in this difficult economic environment.

C. Enhanced Use of Volunteers
Many nonprofits also leveraged the volunteer resources available to them as a substitute for lost funding. For example, two-thirds of Open Arms Perinatal Services clients are now served by volunteer doulas. The Mountaineers and El Centro de la Raza are also increasing the use of qualified volunteers not just to provide more services but also to build support in the communities they serve. Arts Corps tripled its use of AmeriCorps volunteers and significantly increased overall volunteer support. Some organizations took the further step of engaging in thoughtful investment to achieve increased levels of volunteer support. For example, New Horizons Ministries hired its first full-time volunteer manager and was consequently able to double its number of qualified volunteers.
The Pace of Strategic Repositioning is Quickening

Resilient Nonprofits found that the economic downturn had caused many area nonprofits to revisit their strategic plans and concentrate on alignment of their programs with their missions. This year’s surveys revealed that focus on strategic alignment has strengthened and, in several cases, led to significant repositioning.

First, it is clear that a high proportion of the nonprofits surveyed have picked up the pace and frequency of strategic reviews. For example, El Centro de la Raza now revisits its five-year strategic plan on an annual basis and believes that it has benefited from greater staff involvement in the planning process. Bike Works has developed an entirely new strategic plan since Resilient Nonprofits. Another social services organization held its first ever board retreat since the first interview in 2010.

More importantly, examples abound of nonprofits that have made significant changes in how they position themselves as a result of updated strategic analysis. Following its planning process, Shunpike revised its basic mission to include the explicit goal of creating productive partnerships in the arts community. New Horizons Ministries eliminated a significant program when its strategic review indicated that the program was not sufficiently aligned with its main mission. New Horizons Ministries also transformed a mentorship program into what is expected to be a more effective longer-term apprenticeship program. The most significant planning review in many years resulted in a major refocusing of efforts at the Mountaineers.

Both El Centro de la Raza and the Pride Foundation decided to devote more resources to policy advocacy efforts in support of their missions and in hopes of affecting broader change for the communities they serve. Social Venture Partners shifted one of its emphases from policy advocacy to new collective impact strategies. Strategic reviews at both Shunpike and the Pride Foundation resulted in decisions to deepen investments in regional operations to enlarge the organizations’ geographic scope.

VillageReach both expanded its geographic scope by seven countries and added information systems and social business to its previous areas of activity. Arts Corps repositioned itself to create a deeper presence and more involvement in a smaller number of schools, while also engaging in more advocacy through the city's educational arts planning process. Across the board, strategic repositioning has been recognized as a necessary focus for nonprofits and, even when bringing about the elimination of select programs or products, it has often resulted in stronger and more mission-centered services.
A Significant Surge in Collaboration among Nonprofits and with Government Agencies

Resilient Nonprofits identified several significant partnerships that appeared to have been encouraged at least in part by the economic downturn. Perhaps the most remarkable insight from the new round of interviews is a virtual explosion of collaborative efforts by nonprofits. This is one area in which there may indeed be a new normal, as it appears that the emphasis on identifying and nurturing meaningful partnerships is here to stay—and in many cases generating more powerful alliances than ever before.

Many nonprofits demonstrated an enthusiastic appreciation of the value of partnerships, while still recognizing possible limitations. This growing attitude was characterized by the new executive director of Consejo Counseling and Referral Service, who stated that one of his first priorities was to get the whole organization, from board to staff, to view other agencies as potential collaborators rather than competitors. Today, Consejo partners with Casa Latina in new ways for the benefit of the Latino communities they both serve.

The growth in partnerships—and in actively seeking out partnerships—was very extensive. Though partnerships vary greatly in their characteristics and level of intensity, at their best they can be a means of improving service delivery and making better use of constrained resources. Here are several such examples:

- Seattle Education Access has gone from having a single partnership with the YWCA in 2010 to nurturing more than 30 successful partnerships throughout the region.
- Likewise, the Mountaineers reported just a handful of affiliations two years ago but has more than 30 today.
- The Pacific Northwest Diabetes Research Institute is developing a joint agreement with Swedish Medical Center to collaborate on research and delivery of services for the benefit of persons with diabetes by drawing on their respective strengths.
- Arts Corps merged with Youth Speaks, which permitted it to absorb that organization’s substantial volunteer base and add it to the existing roster of programs.
- Washington C.A.S.H. now allies with the Washington Department of Rehabilitation to develop employment opportunities for disabled persons.
- Bike Works collaborates with many area organizations such as Seattle Children’s Hospital to spread its message and program access throughout the region.
- CityClub developed a program in cooperation with Seattle Speaks that won a Northwest Emmy.
- Open Arms Perinatal Services has been able to expand its breastfeeding peer support network thanks to a new partnership with the federally funded Women, Infants, and Children (WIC) nutrition program.
- El Centro de la Raza began providing free office space to another nonprofit which was experiencing financial difficulty and simultaneously demonstrated further support for its community.
Conclusion: Cautious and Nimble Nonprofits are Moving Forward

The lower levels of economic growth in our community have placed additional stress on area nonprofits over the 18 months since Resilient Nonprofits. The organizations that exceeded performance expectations are those that possess the highest levels of organizational agility, as demonstrated by their anticipation of funding shifts, opportunistic strategic repositioning, and the fervor with which they pursue meaningful partnerships that advance their core mission.

Even though these interviews reveal continued threats to the health of local nonprofits, there is also reason for cautious optimism. It is encouraging to note the emergence of nonprofit leaders who are resolved to take nothing for granted as they guide their organizations. This approach can influence every element of an organization’s structure and every one of its programs. Ultimately, it promotes the sharpness of focus and the agility that will boost these organizations (and the people they serve) no matter what economic conditions are faced in the future.

Interview Protocol

The interview protocol for this project was drafted by David Harrison and Paul Ahern and modified after review by participating graduate students. Where possible, the graduate student interviewed the executive director of the selected organization. In the remaining instances, the interview was conducted with a key staff member in a position to discuss the organization’s strategies and financial condition. Most commonly, interviews took between 40 minutes and an hour to complete.

The interviews were completed by students in Program Development and Strategy for Nonprofit Organizations, taught by David Harrison. They are:

- Mark Arduini
- Laura Ciotti
- Nikki Comeau
- Michele Del Carlo
- Sonia Duckworth
- Zahra Emrani
- Daniel Evans
- Ismaila Gibba
- Amy Goodloe
- Wesley Henry
- Lisa Humes-Schulz
- Lindsey Jones
- Laura Kay
- Varsha Khanna
- Kelsey Knowles
- Elly Krumwiede
- Lauren Lawson
- Kennedy Leavens
- Catherine Lee
- Karissa Magelsen
- Matt Mazur-Hart
- Patricia Montano
- Jessica Norouzi
- Ann Okpara
- Julie Olden
- Ellen Pepin
- Emilie Powell
- Ashton Rennagarbe
- Megan Rennagarbe
- Jennifer Rohm
- Jennifer Sawchuk
- Crystal Smith
- Angela Steach
- Caleb Stewart
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<th>Nonprofit Organizations Interviewed</th>
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<td><strong>Arts Corps</strong>&lt;br&gt;www.artscorps.org&lt;br&gt;Arts Corps provides arts education opportunities to low- to moderate-income students at community organizations and schools in King County.&lt;br&gt;Reported size: n/a&lt;br&gt;Location: Seattle, WA 98106</td>
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<td><strong>Bike Works</strong>&lt;br&gt;www.bikeworks.org&lt;br&gt;Bike Works builds sustainable communities by educating youth and promoting bicycling. Bike Works also operates a not-for-profit community bike shop that sells affordable recycled bicycles.&lt;br&gt;Reported size: Operating budget of $750,000 (2012), with 12–14 full-time and 15 seasonal/part-time employees&lt;br&gt;Location: Seattle, WA 98118</td>
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<td><strong>CityClub</strong>&lt;br&gt;www.seattlecityclub.org&lt;br&gt;CityClub informs, connects and engages citizens to evaluate complex issues, make sound judgments and contribute to solutions that address issues vital to our region.&lt;br&gt;Reported size: $400,000 operating budget (2012) with 7.5 employees&lt;br&gt;Location: Seattle, WA 98101</td>
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<td><strong>El Centro de la Raza</strong>&lt;br&gt;www.elcentrodelaraza.org&lt;br&gt;As an organization grounded in the Latino community, the mission of El Centro de la Raza is to build unity across all racial and economic sectors, to organize, empower, and defend our most vulnerable and marginalized populations, and to bring justice, dignity, equality, and freedom to all the peoples of the world.&lt;br&gt;Reported size: n/a&lt;br&gt;Location: Seattle, WA 98144</td>
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<td><strong>Mountaineers</strong>&lt;br&gt;www.mountaineers.org&lt;br&gt;The Mountaineers’ mission is to enrich the community by helping people explore, conserve, learn about and enjoy the lands and waters of the Pacific Northwest.&lt;br&gt;Reported size: n/a&lt;br&gt;Location: Seattle, WA 98115</td>
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<td>The mission of Open Arms is to support, educate, respect, honor, and empower women and their families throughout the childbearing year, from pregnancy to birth into early parenting. Reported size: $900,000 operating budget (2012) Location: Seattle, WA 98144</td>
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