

# **Consultants' Roundtable**

## **Dealing with the Economic Meltdown**

**Convened by CoreStrategies for Nonprofits, Inc.**

November 17, 2008

Duration: 1:10:24

### **Participants**

- Todd Baker
- Steve Bowman
- Nathan Garber
- Gail Meltzer
- Stephen Nill
- Robyn Perlman
- Terrie Temkin

**Stephen Nill:** This is Stephen Nill, a member of the CharityChannel professional community and this is CharityRadio. CharityRadio is an audio feature of CharityChannel, focusing on interviews and roundtable discussions with the leading thinkers and leaders of the nonprofit or NGO sector.

This segment of CharityRadio was the brainchild and a creation of CoreStrategies for Nonprofits, Inc. as part of a series of high level discussions on topics of strong interest to busy nonprofit sector professionals. CoreStrategies for Nonprofits is an international consulting firm that provides highly individualized and results-oriented counsel to nonprofit organizations. The CoreStrategies team, all with decades of experience, helps organizations interweave good board governance, planning, strategic thinking, productive fund development, innovative public relations, and targeted community affairs around each organization's values and vision. Find out more about CoreStrategies by going to [www.corestrategies4nonprofits.com](http://www.corestrategies4nonprofits.com).

The following roundtable discussion took place on November 17<sup>th</sup>, 2008 between the following colleagues: Dr Terrie Temkin, Robyn Perlman, Gail Meltzer, Todd Baker, Nathan Garber, Steve Bowman and myself – Stephen Nill. You can learn more about each of the participants by reading their bios on this website. And now let's join the roundtable discussion; here's Dr Terrie Temkin.

**Terrie Temkin:** I am a founding principal of CoreStrategies for Nonprofits and I am very pleased, along with my partners Gail Meltzer and Robyn Perlman, to welcome everyone today.

This is a phenomenal group of consultants from all over the world and we're very excited to bring everyone together to talk about the economic downturn. Clearly, since we're all of "a certain age," this isn't the first time many of us have experienced a downturn and the effect that that has on nonprofits. Historically we know that donations rarely suffer as much as we might expect and that, like with stocks, the best thing an organization can do is to continue doing what it's been doing. However, we probably would all agree that this crisis is worse than any other in our lifetimes because of the breadth of sectors involved and the worldwide impact. So it's very valuable to get everyone's input in terms of what you've been seeing so that we can give some ideas to those who listen to this recording.

CoreStrategies is really very excited to pull together some of the best minds we know. I want to welcome Todd Baker, Nathan Garber, Steve Nill and Steve Bowman. Of course my partners and I will kind of chirp in as we go. I also want to indicate that we have some information from Hildy Gottlieb and from Penelope Burk who were not able to join us today but who did send in some information that they wanted people to be able to consider.

Penelope, who does a lot of research out of Canada with both the Canadian and the American markets, is doing a national survey of donors that's going to launch in mid-January, where she's actually asking donors about their intentions for 2009: why they will sustain support to some organizations but maybe not to others, and how much they intend to give in comparison to the last two years. She thinks it will take about a month to compile this data but she is looking forward to publishing the findings in

February, and I think that will give us some very clear indicators of what is really happening out there. Until that point I am going to rely on all of you for the anecdotal information that you can provide along with your solutions for the issues at hand.

At this point I am going to open it up for discussion and I look forward to a great roundtable here.

The first question that we really wanted to look at is, “What you feel are the five most important things that you think nonprofits should be doing before the end of the year?” And if you can just identify yourself before answering so that we know who to credit on the tape and on the transcript – that would be great. Also, please feel free to kind of jump in; if we are too orderly this is just going to be a listing and I would like to see this as a really good conversation between great minds.

**Stephen Nill:** My list of five was a good exercise in sort of pulling together a number of thoughts and advice I've actually been giving out to nonprofits since the financial crisis first struck.

Ironically the thing at the top of my list is ‘don’t panic,’ and yet that’s sort of the thing that I did myself. I’m not running a nonprofit these days but I am certainly connected with a lot of them through CharityChannel and otherwise. When the meltdown occurred my immediate reaction was wow, this seems like a very rapidly developing serious recession, if not more than a recession, and what is the impact going to be on charitable giving? I mean those thoughts flashed through my mind and I am really sure they flashed through everybody’s mind on this call – it’s just natural. Coincidentally, I was on a trip to Capitol Hill and when I was there I was able to speak to a number of members of Congress and also witness the hearings that were taking place prior to the US Government’s decision to – depending on how you look at it – “bail out the financial services industry” or “stabilize the economy.” I was able to address my concerns with some of the members of Congress that, in all of this, very little if any consideration was being given to the nonprofit sector. So I was able to actually do a fair amount of advocating for our sector when I was there, but I was imbued with a sense of concern. But over time I regained my perspective – time helps – and so my number one advice is don’t panic.

In fact if you look at the numbers, charitable giving is one of the most remarkably resilient components of philanthropy in North America – speaking from the US statistics which I'm familiar with. I used to serve on the board of the AAFRC Trust for Philanthropy which puts out the *Giving USA Report*. Their name has changed now, but it's the same report. Since 1971, in the eight years in which there were recessions, the rate of change in giving – adjusted for inflation – averaged a drop of 1.1%. So in the worst years – the years of recession – overall charitable giving dropped on average only 1.1%, whereas in the years of no recession the average rate of change is an increase of 3.8% adjusted for inflation. Keep in mind that we've just come off of a number of years where investment portfolios of foundations and private individuals have outstripped the rate of inflation; it's only been in the last few months that we've had this financial crisis visiting us. Even in the worst years, even including right after the 2001 9/11 attack when we were hit with both a recession and with an attack on the US, charitable giving remained remarkably consistent. And, in years after a recession, giving rebounds to former levels within just a year or two.

Speaking of both individual giving and foundation and corporate giving, if you just focus in on foundation grants, foundations tend to give based on a rolling average over, say, two to five years. So depending on how long and how deep this particular recession is, there may be very little real change in giving patterns of charitable foundations. And, to the extent there are changes, they are going to be fairly gradual in terms of their impact. So there is no real reason to panic; it certainly has their (the foundations') attention. We need to address it, hence the reason for this call and for others that you have in mind Terrie, but in my view – although it's not really business as usual – we don't need to run around with our hands in the air thinking the sky is going to fall.

I'll go through the rest of my points really quickly because I want to hear what the others on the call have to say.

**Robyn Perlman:** I want to ask you a question in this regard and I come off of this more from a public relations perspective...

Everybody... well, all the figures that I've been taught through Gail and Terrie and others like them, is that most of the giving is through individuals.

**Stephen Nill:** That's true; three-fourths of all giving in the US and I believe in Canada – Nathan, you'll have to be our expert on the Canadian Third Sector – comes from private individuals with around 21% coming from charitable foundations and corporate foundations.

**Robyn Perlman:** So, how do you calibrate the public feeling about, or the feelings from the charity and nonprofits, that they're getting most of the funds from individuals? Do these figures mesh with the information you just gave us about charitable giving through foundations and grants and things like that? And, how do you therefore change the perception that the organization and potential donors have?

**Stephen Nill:** Well, as Terrie mentioned and I'll speak only for myself, I'm not as young as I used to be and I've been through a few of these recessions myself going back to the early seventies. Each time we go through this we have the same concern and hand-wringing in the nonprofit world. "Oh my, our private giving is going to drop precipitously; we may not be able to survive; we're going to have to curtail programs." I've heard it before and I've joined in it. To be really honest, in my consulting days years ago, I made it a pretty good part of my practice to bolster fund development operations armed largely with the mantra that we have to redouble our efforts during this down time. But when you look at the actual numbers, in the worst recessions we've had we've only dropped a little over 1%, so...

**Robyn Perlman:** For the total scope of giving...

**Stephen Nill:** Pardon me?

**Robyn Perlman:** For the total scope.

**Stephen Nill:** The total scope of giving. Now, there are variations among segments. For example right after 9/11 some segments in philanthropy – for example higher education – declined faster than other sectors – for example healthcare and the arts. So you can get some segment-specific differences, but those differences are fractions of a percent. They really don't amount to much on a big scale.

**Robyn Perlman:** So it becomes, “How do you make the nonprofits embrace and feel confident with this information?” and “How do you make the donors feel confident with this information?”

**Stephen Nill:** I think that gets into some of my other recommendations – one of them in particular – and this is the communications plan. I think this is a good opportunity to re-examine not only what we’re communicating, which is vitally important, but also what kind of granularity are we using to communicate. Coming from a fund development background myself I would recommend that we not treat our constituents and the public as a monolith; that we look at our support out there and we figure out which segments are likely to be doing the heavy lifting on a go-forward basis in terms of fund development. And we tailor our messaging and message delivery to those segments that are most likely to give us the greatest support. That’s just a little, tiny taste of what I recommend organizations do in their communications plan. Obviously a communications plan is a pretty large-scope thing but if you want to focus on sustaining the organization then a granular approach is called for, and often I don’t see that. What I see is the shotgun approach and I think nonprofit organizations – and too many of them – are missing the main opportunity for approaching their largest perspective donors.

**Robyn Perlman:** Well, I have to say that I totally concur. There is no real communications plan; there is no real strategy to dialogue with the various constituents and to really engage them. I tell people they all speak a different language so you have to engage them in a different language.

**Stephen Nill:** Terrific and your field is communications; is that right?

**Robyn Perlman:** Communications, right. So I see this all the time. They try to address their entire constituent base as one rather than segmenting it and creating the dialogue that really engages particular segments. And, as you so astutely mentioned, at this point in time they really have to engage the segments that are doing the heavy-lifting and maybe the other segments who are more impacted by the economic situation, communicating to the organization as a whole that they still have the capacity to maintain the reoccurring revenues because there may be a shift of responsibility right now.

**Stephen Nill:** That makes great sense. To answer your question – and you’ve answered it as well as I did, if not better – how do you address the concerns of your supporters? I think hand-wringing and messaging is dangerous; “give to us because we’re in a downturn now,” “our giving is down,” “the sky is falling.” I think in the short term that gets everybody’s attention. But, I also think it tends to erode confidence in the organization in the long haul because, if I’m considering making a gift, I’m worried that an organization might be mismanaged if it’s this vulnerable to an economic recession, which after all for one reason or another always comes. Economic recessions are just part of the economy, and this one – we’re not sure where the bottom is – nevertheless is a recession and not dissimilar in many other respects to ones in prior years. I think it might be dangerous and I would advise giving some long thought to framing a message as, “Come bail us out because the economy so bad, we’re really relying on you now for your donation.”

On the other hand, I think you don’t want to go too far the other way and say it’s business as usual, and not even give a nod to the realities. I think finding a balanced middle ground is the right message to convey and keep it positive. “The organization’s doing great work; it’s meeting an important need; it has successes.” Talk about those. Those things have always worked even in good times. I think they work even more in bad times. People are looking for reassurance that things are really going to be okay and in a strange psychological twist, I think a donor is more likely to give to an organization that conveys a sense of confidence and resoluteness and caliber and quality than one that conveys a sense of panic – “We’re going to go under if we don’t get you to give us this money, etcetera, etcetera.” I’ve been talking enough here, Steve Bowman, what are your thoughts:

**Steven Bowman:** The five most important things nonprofits should be doing before the end of the year... The first one is to look at everything that they had assumed they got right, which is no longer working for them, to look at other ways that they might undertake whatever that is. In plain English that means if they thought they got it right just by going out and seeking certain types of funders and now they’re no longer available, then what else should they be doing that is going to increase their sustainability even when the market improves. For everything they’ve assumed they got right in the past that is no longer working for them, to actually sit down and identify what those things are and say, “Okay, what is it that we can be

doing, even in a good economic environment that would challenge the assumption that we thought we got this right?" The first thing would be to look to see what they'd assumed they got right, which is no longer working for them, and then look to see what else they could be doing. Case in point, many nonprofit organizations rely on philanthropic funding. It's not right or wrong, it's just what they do. This is a great time for them to say, "We still want to receive philanthropic funding, but what else is possible?" The key question for all nonprofits right now is what else is possible? "We've got philanthropic funding, now can we introduce some user pay services? Can we introduce some product services? Can we introduce things that we do so well that we can turn them into things that other organizations might be willing to pay money for?" Every single nonprofit has that capacity to do that. This is a great opportunity, great wake-up call for all those organizations out there that spend a lot of their time trying to raise funds. Continue to raise funds, but continue to ask what else is possible.

If you have an organization that looks after disadvantaged youth and they're reliant very much on philanthropic funding, grant funding, funding from various organizations to undertake their programs, then this is a fabulous time for them to say, "Okay so what is it that we do so well that we actually get funding for this? Given that we do this so well, how can we turn this into another product or service that is actually going to generate revenue for us? And, if we're very good at disadvantaged youth services, and we do it really well and we know we do it really well because we keep getting funding for it, then maybe we can work with the university and have some of their film people come out and spend a week in the life of our service, video-taping what it is that we do and the way we as an agency go about doing it. Then we can provide that in a short succinct one hour video, which we then provide as training to government departments and other organizations which then they're willing to pay for."

On top of that, we could also possibly even get a grant or sponsorship to develop it. All of a sudden, that which we're really good at doing, which is our programs, we've actually developed into a new product suite, which is not dependant on grant or philanthropic funding. That's just an example of where organizations can look at what they've taken for granted and look to see what else is possible here.

Of course, the best time to do this is when you don't need to. (But) even now, if organizations feel they're under the gun and they're just not getting the sort of dollars that they need to, this is probably something that they need to start looking at in the next six months. That's number one.

The second key thing would be for them to really have a clear understanding of where their thinking is coming from. Is it coming from a prosperity point of view – that, “There is plenty out there, it's just different to what we thought it was? There's an abundance of funding out there. What do we need to change to get access to that funding? More donors are there, they just don't know about us. What do we need to change so that they do know about us? There has never been a greater need for our programs or our services. Here are all the good stories that go around it. I wonder who would be interested in partnering with us?” All these types of questions would be the first thing that I'd encourage the board to look at, rather than going into the scarcity mindset, which is “Our funding is decreasing, we're in real deep trouble, we need to increase our funding.”

I encourage boards to look at this as “what else can we be doing”? It's all out there. We just haven't been looking in the right sorts of places. Who else is going to be interested in working with us in this area? It won't be what you thought. It won't be the traditional ones. It won't be what you've always considered to be the only way of raising money. The second thing, therefore, would be a board conversation about do we choose to look at this as a problem or do we choose to look at this as an opportunity. Do we choose to look at this as sending a negative message about how poor we are or do we choose to look at this as a way of getting access to even further funders and donors we didn't even know existed? That would be the second thing, the board conversation.

The third thing I would do is get all of the organization involved in this, and have conversations with staff and key stakeholders about the innovative options that are available that we haven't otherwise considered. This is where you start getting a lot of innovation coming in. Ask staff and key stakeholders not from the point of view of, “We're stuffed (in deep, deep trouble), we have no money, what are we going to do to stop the liquidators from coming in and closing us down?” That's not the conversation we want to have. The conversation you do want to have is, “Okay, so this situation has created a whole new ballpark for us. What are the other options that we've got available that will enable us to innovate,

create and grow in ways that we haven't otherwise considered possible?" Particularly if you do that with strategic partners – with the people that we've got alliances with, with funding bodies – you come from that point of view then you start getting into the creative mode rather than the lock down scarcity mode of "it's a really tough market out there and we're stuffed." That would be the third thing I'd do.

The fourth thing between now and the end of the year would be to look at a progressive line of; if our funding falls below X amount, then what is it that we're going to do. Let's figure it out now before it actually happens. You're actually setting some trigger points for what it is that you need to do if in the short term you haven't been able to access the required funding. Work out what you're going to do now rather than when you don't have the funding. The fourth thing I'd be doing is looking at trigger points. If our funding or our income falls below this level then here's what we're going to do. Not here's what we have to do; here's what we are going to do. If it falls below this level, this is what we're going to do. If it falls below this next level, this further is what we're going to do. If it falls below this other level, this is what we're going to do.

You actually have a trigger point plan in place before those situations occur and you give this to all staff so they know (the plan). Potentially you might give it to funding bodies as well. What you're doing is you're actually planning in advance for what might happen so, rather than running around when it happens, saying "Oh my heavens, the sky has fallen in, this has happened. What are you going to do?" you actually do know what it is you're going to do. Again, that would be a conversation I have with senior staff and the board. Once it's been agreed upon, then I would share it with the staff generally and the key stakeholders of the organization, if relevant. That would be the fourth thing.

The fifth thing would be (to realize that) their ability or their willingness to survive and to thrive as an organization is all going to come down to how they see the situation. The organizations that think positively, that are looking for alternatives, that are looking for ways of creating even more value in what they're doing, that are looking for new partners in areas they hadn't otherwise considered, that are widening out their scope of revenue streams to include philanthropy and grants, yes, but also to include sponsorships, strategic alliances, development of services and products for pay will be successful. The opportunities out there are huge, if they're

willing to look at things from a different point of view. That would be the fifth thing.

**Nathan Garber:** When I got the list (of questions) I had a look at it and at the very top of my list too, was, “don’t panic,” just like Steve’s. I think people have to remember, certainly both in the social services and health services and art fields that people are needing more of their services. There is a constituency there that will provide support for them.

My second point was to focus on mission, and really go back and review what you’re about and why you exist. Partly that is because I do also believe that regardless of the environment, resources will flow to the organizations that, as Steve said, they’re confident. But, I’d go beyond “confident” to “innovative” and “effective” and “can demonstrate positive outcomes of their work.”

My third point is to seek collaboration with others who share your vision, and I think that’s because it’s consistent with the note that Hildy Gottlieb sent (in preparation for this call stating) that situations like this require a community response. People have to come together to see the benefits of focusing on the whole pie and not only your portion of the pie.

The fourth important thing I think nonprofits should be doing is taking a look carefully at their sources of support. Where is their revenue coming from? Canada is different than the United States. I believe people while generous don’t donate in the same amounts as they do in the United States. That’s partly because a lot more services are supported by government funding here, so there hasn’t been the kind of expectation of individual giving that has developed in the United States. The culture of fund raising that’s developed in the United States hasn’t developed to the same extent here. This is a message that has been very hard for nonprofits to get and it relates to some of the other questions later on.

**Robyn Perlman:** It’s a shift because nonprofits are used to asking rather than creating revenue through a business.

**Nathan Garber:** There has been all of this promotion in the last while for what people are calling social enterprises.

**Stephen Nill:** But there's a lot of interest in that, I think everywhere, but I don't know really where it's going and how far back it has developed.

**Gail Meltzer:** I wanted to jump in specifically to piggy-back on Nathan's comments and ideas, specifically with you being a "governance person..." Do you think this is an opportune time for organizations that have, for a number of reasons, not really dealt with whatever dysfunction they are experiencing with their boards? As you know nonprofits all have some sort of dysfunctional issues with boards, but to take advantage of this opportunity, somehow staff and boards to partner together to deal with those issues and strengthen the board, because without this kind of a crisis they may not have the opportunity to push that issue.

**Terrie Temkin:** Before we get into that, are there any other thoughts on the five most important things, anything we haven't covered, that somebody would like to jump in and throw out...?

**Robyn Perlman:** I'd like to say one thing; they should get online and look at Todd Baker's internet site.

**Terrie Temkin:** Todd, do you want to give us that site address one more time please?

**Todd Baker:** Sure; that domain name is [www.orgmarketing.com](http://www.orgmarketing.com). I'd like to just add a few things if that's okay – maybe more on the practical sense. Is that alright?

**Stephen Nill:** Todd, ever since you taught the very first CharityUniversity class ever, you've always had my ear.

**Todd Baker:** Thanks Stephen, (I) appreciate that. We've been counseling several groups. It seems like charities that are mostly dependent upon many small gifts, such as food banks, rescue missions, Salvation Army etcetera, they're struggling pretty miserably right now and it's unfortunate. Many, I've heard, are finding giving off by 50%.

We're seeing this trend of donors, not to insult anybody, but donors that typically give in low amounts – I would say under \$50 at any particular time. Maybe with the cut-backs they're giving, but instead of giving two gifts to the charity, they're only giving one, or they've completely just

stopped giving altogether. There seems to be a lot more fear in the low value donors and so we're really recommending not investing a lot of additional focus at this time with those donors.

The donors that are giving are those we would consider to be either mid-range to major donors. They are making up the slack even without special messaging; I think they just intuitively know. We are allocating special messaging in certain situations, letting the donors know that the fact that organizations are hurting is not necessarily due to mismanagement. You don't have to build too strong a case because of the economy and general lack of confidence. It's more about confidence in that there's a fear factor within the economy and therefore it's targeting people to be afraid to do anything – to donate, to spend money and so forth. That's just to remind the donor that we're really not, we shouldn't be living in a state of fear and that we've got to have confidence. You're really asking that donor at an unprecedented time, to really stand with the organization.

I would agree with what people have said about you don't want to come off like you've mismanaged the situation – and you only have one opportunity to do one of these shortfall strategies; I would say every three or four years at most – but you have to let them know what's going on. In many cases, such as food banks and the (Salvation) Army and rescue missions, the cry for their services has increased, while the donations have gone down. That's really the story you tell, that it's not necessarily that we mismanage the situations; that more people need our services and giving has gone down and there is that dramatic gap that we need to make up somehow.

On a practical sense, what I'm telling people, if anybody would listen, is that I would pull off your top 100 donors and look at their year-to-date giving in 2008 compared to last year. You might be able to find a handful of donors, maybe 15–25 donors that you know right off the top, that have decreased their giving or have yet to give at 2007 levels. This is a prime opportunity to contact them personally – whether you go and see them, which would be an ideal situation, or write them a personal note of some kind – and explain the situation, asking them to stand with you.

This is one practical thing you can do and if giving levels are off so much, you really do need to look at the expense side, because many of these organizations generate 50–75% of their total revenue in the last quarter of

a calendar year. So if the giving doesn't come before December 31<sup>st</sup> it's not going to come; and so you really need to take a hard look at expenditures and programs and elsewhere, to make sure that you can make it through to your fiscal year-end. I think that's something we need to be talking about.

I would agree that overall giving is still less than 1% of the gross revenue in this country; that means basically people are spending money on other than donations, so there is still a great opportunity for people to give more. There are organizations that are really hurting right now and so we need to help them kind of look at a short term focus. I would concur that diversifying revenue in the long term makes sense.

**Terrie Temkin:** Thank you; anything else that somebody would love to put in about the five most important things, otherwise we'll go to some...

**Stephen Nill:** This is Steve Nill. I have a couple, although they can maybe fit under mistakes, because if you don't take my advice you're making a mistake right!

**Robyn Perlman:** Is that Steve?

**Stephen Nill:** Who else would it be? Kind of moxie, right? Actually, I'm a pretty humble guy, I'm just kidding here.

When I knew I was going to be having this roundtable call, and I really appreciate the opportunity to get all of this together to talk these things through – I've learned a lot already – I asked around. I found that a lot of consultants are saying that they're being contacted by more organizations since the economic turmoil, but being retained by fewer of them. I thought that was interesting. I'm not quite sure what to draw from that, but I know that the tendency in uncertain times is to pull back in terms of your budget on things that maybe you shouldn't be pulling back on. I mentioned professional advice consultants and I also mean attorneys and accountants. If you need that help you should get it, because otherwise you're just creating problems that will cost you much more down the road.

I also have noticed that training, the budget for attending conferences, travel, lodging and those kinds of things; those are often the first to go. These days there are online training opportunities available. I mentioned

one briefly – CharityUniversity – and there are many others – [snpo.org](http://snpo.org) is a good one. Certainly most of the professional associations in our sector offer some kind of online training through phone or through webinars, such as AFP, AHP and so on. If you're going to cut back on attending conferences, then at least increase the budget for online training. But don't pull back on training; your staff is your number one resource. That's what's going to get you through good times and bad. What drives your organization forward is the expertise that you have aboard on your staff. I think organizations often fail to reflect as they pull back budgets on things they think are luxuries and not necessities. If they include in that group continuing education they're making a big mistake. So, there you go!

**Terrie Temkin:** I agree; that's really important.

**Stephen Nill:** The rest of it can wait for other points, but I thought that would be an important ... in my top five that's what I'm seeing. I will report that the CharityUniversity program is seeing an increase in registrations. I haven't talked to my colleagues who have other online training programs, but I'll put some money down that they're all experiencing an increase in online training registrations during this period and I think it's because of the economy.

**Gail Meltzer:** I totally agree and I think it's very important psychologically, because it shows that the organization is looking towards its future. It's investing, as you say, in its greatest asset its staff. And, it's making a very distinct statement that we have a future; we're moving ahead; we're continuing to learn; we're continuing to do; and we're continuing to invest in ourselves.

**Stephen Nill:** It's important for morale, for the human spirit. You raised a great point, these are intangible benefits that I hadn't been focusing on, but now that you mention it, they are terribly important. Very good point.

**Terrie Temkin:** What about some of the mistakes? We have touched on some of them as Steve said.

Others we see often certainly include, "Let's just take away the budget for our campaigns." "Let's cut our development director – that person costs us a lot of money and we doubt we've really gotten our money's worth." It doesn't matter that the person's been there only three months and can't

possibly be making their salary back yet! But what other mistakes have you been seeing that nonprofits are making right now?

**Todd Baker:** One of the things that I recently wrote about is that 20 to 30 years ago, donors were asking, “How much money do you spend on overhead?” That was one of the first things that they would ask. Today, they’re not asking that. They’re asking today, “What’s the impact of your organization? How many lives are you saving or changing or transforming?” It doesn’t matter if you’re an animal cause, you’re still affecting humans and that’s actually the primary selling point. My point is that we’ve got to stop talking about how little we spend and focus on how much we do, because that’s what today’s donor wants to be involved in. They want to be part of the solution. They want to know that they are making a difference through the vast numbers of people that they’re saving and changing. Because, that’s really where we find the meaning and purpose in life – in the validation that we are actually making a difference as a human; to know and be reported back to that, “Yes your gift did make a difference in this life and, by the way, when we asked you for money two months ago for that project.... We’re reporting that back now in our newsletter and we can celebrate it together, because this is how many lives were impacted.” I really think that a lot of nonprofits are still talking about how little they spend and thinking that that’s the number one motivating factor for donors and it really isn’t anymore.

**Nathan Garber:** Excellent point; Penelope Burke would agree with you on that too.

**Gail Meltzer:** I was just going to jump in with something Penelope told me on the call that we had right before our call. We had very few minutes, but she said she definitely wanted to talk about what she feels is the number one mistake that nonprofits are making right now and it’s back to what we were saying before about communicating. The mistake is not to communicate; she said that nonprofits must reassure donors about steps they are taking in response to the economic downturn to do exactly what Todd is saying, to reinforce what their mission is and the lives that they’re changing, the lives that they’re saving. She made reference to research she has done in the last few years, which was in her donors transferred fund raising book, where she confirmed that donors will continue to be supportive of an organization, no matter if they make mistakes, no matter the economic downturn, no matter the challenges, if the organization communicates

clearly and honestly with them about what's going on, what the status is, what they're doing to address it and what they're continuing to accomplish. The other thing she said, which I found very interesting, is that she is now travelling a lot around the country. She is speaking at a lot of National Philanthropy Day events and she said what she's hearing is a lot of development professionals coming up to her and saying, "I can't convince my CEO that we need to be communicating with our donors and that we need to continue to let them know how they can help us." She said that these people are telling her that CEOs are saying, "No we don't want to, we have to wait. This is a bad time in the economy. We don't want to approach our donors now, we need to leave them alone." That really shocked me. She's seeing it from people all over the country that the stumbling block is the CEO not presenting the communication that needs to happen.

**Robyn Perlman:** Then what is the disconnect between how the CEO feels as the driving force in the organization and how the board and the staff feel? Nathan can you address that?

**Nathan Garber:** First of all I don't know where the pressure is coming from in the organization. I hear what Penelope is saying and what Todd is saying. I don't know whether it's felt all that widely – that people understand that communication is necessary – even though it seems obvious and very clear. What I noticed in the past and what I think is happening here is that a lot of executive directors and CEOs are just getting very defensive about trying to protect what they have. It makes them unwilling to communicate, either with others in the sector in order to try to build community strategies to deal with these things, or with their own people. They're at their wit's end. They don't know what to do and they are just backing into holes.

**Stephen Nill:** You took me aback a little bit, because I didn't understand the scenario that's being painted. We've got a CEO who doesn't appreciate the need for communication, but it's a lower level staff member who does. It's dawned on me, and listening to Nathan as I was thinking about this, the scenario you described is a weak CEO and a strong staff member. If you have a strong CEO, somebody who really understands her/his responsibilities as a CEO – whatever we call them in the CEO role, executive director, whatever – they will be communicating because they know that their support depends on it. We were asking about mistakes. I think it's a terrible mistake to not communicate well and I really

appreciated Todd's comments in that regard as well. He hit it on the money – no pun intended.

**Gail Meltzer:** Before we leave this topic, I want to just bring in another thing that Penelope said that I think is relevant here. She said in terms of communication, that nonprofits really need to be very focused on telling donors about what their bottom line is right now; what the organization will continue to do no matter what. We have people to feed; we have people to clothe; we have people to take care of. No matter what, we need to still do that, even though the demand is so high and the income is challenged right now. It's very important that the mission continues to be the focus of the communication.

**Nathan Garber:** I think that's another way of saying my concern too, that we get CEOs who are focused on the organization and not the mission of the organization; and they think it's about protecting their territory in a time of diminished resources, rather than fulfilling their mission.

**Terrie Temkin:** Good point; thanks Nathan.

**Stephen Nill:** Steve Bowman, I'm curious what your thoughts are about key mistakes.

**Steve Bowman:** Trying to do exactly the same as they've always done and expecting a different result from it, which is the definition of insanity. The biggest mistake I see nonprofits at the moment doing is thinking that they've got to go out and get more money from the same sources they've always gotten it from. The second biggest mistake would be to buy into the lie of scarcity, which is saying that there's not enough out there, because everyone says there's not. It's getting harder to get it and there's nothing I can do about it. Buying into that line means that they'll stop any sort of creation or innovation and that's going to have a distinct impact on their services and their organization, which is just not good enough. That will be the second biggest mistake.

**Terrie Temkin:** What changes, if any, do you recommend nonprofits have to make in how the board's business is done in the coming year?

**Steve Bowman:** Two key things. Three, probably three key things... I preface this by saying they should be doing this anyway, but this is a great

way for them to get really focused. I know that many nonprofits don't function from these spaces, so this is a great way to get really focused on it. First one would be to look at where they can diversify their revenue streams so it's not all reliant on one source of income; and to do that so that it's directly mission-related – it's not just raising money for the sake of raising money. Any board that has allowed its organization to be totally reliant on grant funding has not been doing its job as a board – ouch!

Second thing would be to have a really good look at all the risks that the organization faces and really have a good understanding of the key risks – of which finance is only one of them – and look to see how they're going to manage those risks over the next 12 months. In every one of those risks there is a commercial opportunity they've not been willing to see. If they manage that risk really well and they do a great job, which most of them do, then what are the other products and services they can create from managing that risk, that they can actually then turn into a commercial product or a service where there's a funding stream attached to it? Maybe let's not use the word commercial. There's a service or an activity or a product that we have developed directly from our mission-related services, that are directly related to us managing our risks that we do really well, that then becomes another service and/or product that a whole new market would be willing to access.

That would be the second thing I'd encourage the board to look at. Look at the risks, but the risks from the point of view of strategic advantage rather than from minimization, because there are revenue streams associated with all of those risks – positive revenue streams.

The third thing - and this is primarily aimed at the chair of the board - is to ensure that the board functions from strategic inquiry and questioning rather than panic and fear. If they function from panic and fear, then that's what they'll get. If they function from opportunity and possibilities, then that's what they'll get.

**Robyn Perlman:** I would like to ask a question in conjunction with that. How do you all feel regarding where individual board members might be right now in their own personal circumstances? What if they don't have the same time, passion, interest and financial capability to be involved with the organization at the same level because of what is going on? How does the organization make that shift with the individual?

**Terrie Temkin:** I have a personal bias about this anyway, and that goes back to whether you expect your board to be fundraisers or you expect your board to be strategic thinkers. I think that our board members must give at a level that is a significant gift for them. If the times are tougher, that may be a little less than they had hoped to give prior to this time. If in fact you believe that your board needs to be giving at a very specific level, and that's been made very clear to them, that's a very different kind of scenario. Maybe it's time that somebody can do something else for the organization, other than sitting on the board. I'd prefer to see the board as strategic thinkers, because I think they can find the work-arounds to make up for the money that is lost from what's expected from the board members who can no longer give because their own personal means are somewhat impacted. But again, it depends on how the obligation to the board – the financial obligation – has been spelled out.

**Nathan Garber:** It may be different in Canada, I don't know, because very few of the organizations that I have worked with for the last ten years have really any expectation of financial commitment from their board members. It's not the norm for the organizations that I've worked with, which are mostly in the under-\$5 million category and a lot of them are \$1 million budgets or less. They have generally been unwilling to look at this issue, even though what they've seen is declining government grants in the past. I don't know that they're going to be any more open to this just because of the economic situation – any more open to making a significant financial contribution. Maybe I'm looking at a different sector than other people, but that's basically what I see.

They're not very strategic either.

**Terrie Temkin:** Well that's a whole another story. Australia would be similar to your situation. In England, if you sit on a board, you expect to get paid! Forget making a donation. Clearly there are some cultural differences based on the countries that we're dealing with.

**Nathan Garber:** The problem here, for me, has been that they are all whining and complaining that they're not getting enough government money any more. But when it comes to saying how then do you want to deal with this, they don't want to become fundraisers and they don't want to do fundraising and they don't want to give any significant amounts. In terms

of what I think they should do, I think they have to start asking these hard questions. Whether they are willing to or not, I don't know. I think there are many board members who will just leave the board rather than face the fact that their organization is going to decline or disappear because of the board. They're neither being very strategic about their thinking, nor about their financial practices.

**Robyn Perlman:** What I have found talking to some very large donors is that right now, at this second in time, they have a tremendous shift in the oversight of their own assets. They have not the passion or interest – not that they don't normally have the passion or interest – for the particulars of certain boards that they're sitting on right now. They're just kind of, "I have to take care of my home base first and I need a deep breath before I can turn my attention back to the organization." I think if that's happening here, that's probably happening all over the country. How does an organization allow a donor to take a deep breath while keeping them engaged?

**Terrie Temkin:** It does go back to what your expectations are of the donor. If your expectations are to be engaged to be strategic, etcetera, that's a very different expectation than being an ATM.

**Robyn Perlman:** I'm just talking about right for this moment in time, not that there are certain protocols that the organization expects because you're participating on the board. I'm saying September, October, November, December. Right now.

**Gail Meltzer:** This goes back to something that Todd said, where you sit down and have conversations with your top donors. I think anybody – particularly someone serving on a board – who generally makes a certain level of gift that's pretty significant, somebody from the organization – whether it's the CEO or another board member, or the president of the board or perhaps the development officer – needs to sit down with that donor and have a very heartfelt conversation acknowledging the pressures on the donor to stabilize whatever it is that's going on in their private world. Also organizations should get a sense from donors how they (donors) want to contribute or meet their charitable obligations going forward, allowing them to fulfill whatever commitments were made in a manner that preserves their dignity. Repeating what we were talking about before, you can't just not discuss things that are happening within

this context. It's just not going to go away. If a donor made a \$100,000 pledge that was to be paid before the end of the year and that pledge hasn't been paid by the end of the year, rather than ignore the situation, the nonprofit should contact the donor and discuss how the donor can comfortably fulfill that commitment given the new circumstances. Above all, of course, the organization must never embarrass the donor or create a situation where the donor doesn't want to communicate with the nonprofit out of discomfort.

**Robyn Perlman:** I would assume that a lot of CEOs or development directors do not feel perhaps they have the stature to engage a very important donor in that fashion. I'm wondering if there was a certain technique or certain examples of how they could feel comfortable engaging that donor in that kind of conversation in a proactive way?

**Gail Meltzer:** That's where I think consultants can be very helpful; in fact that's what we're going to be doing tomorrow with our clients. Most people don't know how to approach these conversations. While it's not a once in a lifetime – because as we've all said, we've been through this, but we've never been through anything like this – this is not generally in the purview of what CEOs or board chairs have to do. Like anything else they can certainly use coaching and training. But, I think it's a very real issue, like you say Robyn, right now for many people. It goes along with communicating with both a number of people and communicating one-on-one. It has to be done in a sensitive manner that reinforces the donor's interest in helping the organization fulfill its very vital mission.

**Robyn Perlman:** Steve, is the CharityChannel addressing this issue?

**Stephen Nill:** Yes, in a broader sense by facilitating ongoing conversation among colleagues. This is a microcosm, our call today, of what CharityChannel is. I think it's providing a critical pathway for those of us who are in the trenches to compare notes, to talk, to teach others about the challenges that this economic situation is bringing forward, and to work out what the best practices are in any one of the various disciplines that comprise a nonprofit organization. In a more specific sense, the discussion about this economic downturn has definitely been front and center on many of the discussion forums online. Also a great deal is taking place offline among colleagues who have somehow gotten together on CharityChannel. I look at it as a pretty important part of the solution.

And, as a matter of fact, I mentioned earlier that we need to resist the temptation to pull back on our budget to attend conferences and go to educational sessions of various kinds. I won't go back over that, but certainly short of that, it's very important to plug in to what your colleagues are doing, what they're thinking, what they're recommending and what their challenges are on a day-to-day basis. That's what a professional community such as CharityChannel can accomplish for us.

**Terrie Temkin:** We are over the hour, we can have the conversation for as long as we choose to continue it, but I would like to at least have everybody take a shot at one other question and then open it up to any last thoughts that we can get on this topic before our time totally runs out for everyone. That is, how do we suggest organizations best communicate with the general public? We talked about that organizations have to communicate. How important this is. However, we've talked primarily about communicating with their donors, their own board members and their staff. How can they communicate to the general public? I'm going to link that with the last question, which is what do we think the factors are that are going to make the difference between the organizations that really survive and thrive and those that don't make it? Is that partially a communication aspect, or is there something else?

**Todd Baker:** I do think those questions are linked, and I would also say that there's not a one-size-fits-all answer. Those are big questions. I do believe, and have always believed, that the organizations that are successful have two things in common. They are perceived in many ways – in many peoples' minds – to lead their category and so they've created some mind share around what I call a charitable category. For example, when I say 'disaster relief,' often people will say they think of the Red Cross. Understanding what your category is and then how to position your organization to be top of mind – to be top two or three – is key. If you look at successful nonprofit brands, today many of them are top of mind.

The other is the way to become top of mind is to be consistent in your messaging. Stephen, you might recall when we did the CharityChannel conference, my opening session was talking about trucks versus kids, and how the nonprofits like to focus on what they do, their coordination, the management, the distribution; when donors give based on the impact of what they do. We need to focus on what happens when the organization and the donor come together; that's really their brand promise. It's not

about driving food, or a food bank. It's actually about feeding a hungry person or family. I think that the charities that understand their category and positioning and then also provide a clear, consistent message over many years are going to be the ones that are going to be relevant in peoples' minds and will be standing at the end.

**Stephen Nill:** Well said.

**Gail Meltzer:** Very well said.

**Terrie Temkin:** Any other thoughts?

**Steve Bowman:** I would suggest that they let the public know that they are looking at different ways of how they can deliver against their mission. Looking at this as a great opportunity, because society also looks at the nonprofit sector for hope and that's not going to happen if that nonprofit is going out there with negative messages. The interesting thing here is – this is a bit of an aside – those organizations that will immediately come back and say, “Yes, it is tough. We don't have money and we are under threat,” well they're absolutely right on all accounts, because that's how they're choosing to see it.

**Stephen Nill:** I just think that what we're really talking about here are practices that should really be part of the fabric of any well-run nonprofit organization in good times. What makes it terribly important for us and why we're all here talking about it is that we're in very uncertain economic times, in that there's a lot of concern out there for good reason. If you really boil down the things that we talked about today, I would say that everything we talked about are things that we've probably all been advising our colleagues and our clients and so forth to be doing, probably for decades in most of our cases.

Why people are listening is, people tend to listen during the tougher times, because they need to. From my perspective – again, having weathered several of these recessions now in the sector and having observed them from a higher perch than some, just because of the kind of work I do, I tend to talk to lots and lots of nonprofit professionals – I'm not terribly concerned. It's definitely a different kind of recession than we've encountered before and some are comparing it to what may become a true depression. I don't know. But, in any case, applying the practices –

the right practices if you will, or the “best” practices – that we should have been doing all along, this is what we ought to be about. It’s a great time to reassess. The theme of your getting us together, Terrie, was for us to all talk about things that we ought to be thinking about before the end of the year, which really helps to get it. I appreciate the approach that you’ve taken in this call and asking these questions. I don’t think we should feel like there’s a sense of urgency, but if it’s convenient to use this as a springboard to make sure people are doing what they should be doing, then why not, right?

**Robyn Perlman:** Absolutely.

**Terrie Temkin:** Any last thoughts?

**Robyn Perlman:** Well I have one thought in relation to what you just said; it’s great to see people when they’re hungry. If this is an opportunity for us to feed a nonprofit information because they’re really so hungry to get some information, it’s a great opportunity to re-engage them on sound, basic strategy.

**Stephen Nill:** I agree; I think there are basic strategies, and the organizations that have been following these good practices all along, they are going to be in a good position to survive and make it. It’s the ones who have not that are going to be in trouble. Maybe under crisis they will be open to learning.

**Terrie Temkin:** On that note, let me again thank everyone for your participation today. I think we covered a lot of ground. Hopefully many people will find this helpful.