

Are You Consorting with Bulls or Bears?

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Recent media coverage speaks to the challenges nonprofit organizations face in the current economy. The loss in value of endowments, decreased fundraising (in some cases), and lower earned income (ticket sales, memberships, tuition), among other issues, have created a perfect storm of financial distress for some nonprofits.

While little of the media coverage has been positive, there is an underlying presumption that philanthropy has declined precipitously and that this is the most significant reason behind the struggles of some nonprofit organizations. Yet, the actual experiences of nonprofit leaders and board members say otherwise.

JGA's informal polling of clients and peers indicates that December 31 results in annual giving were either equal to the previous year or down by single digit amounts. At the same time, nearly all organizations reported a decrease in the number of donors, some by as much as 20 percent. Fewer individuals appear to have given more money, especially at year-end.

Like Wall Street, the nonprofit world seems to be populated today with mixture of "bulls and bears." The bulls are using the economic times in a variety of creative ways:

- Many are revisiting much of what they do in light of core values and mission, trimming programs and projects that fall outside of their basic mission while holding strong to what is most important. Applying the "mission test" can be a sobering, but liberating exercise.
- The most aggressive bulls are refusing to lie down and accept defeat on the fundraising side. They are in "battle ready" mode devising plans for how to successfully negotiate the remainder of the donor year, to stay close to their strongest supporters, and to solidify the core base of their support. They recognize that while it may be difficult to attract new donors, more personal calls, a few new creative ideas, and positive messaging to their best supporters are a must. Strong boards are also stepping up and leading by example, challenging other major supporters to follow suit.
- The bulls are perfecting very clear and direct communication strategies about how the organization is meeting the challenges of the day and why their mission, services, and programs are important. They are positioning themselves both for today and for when times are better by letting their supporters know, in detail, what they are doing. Those that are doing this well are not only sharing details about cost-cutting, but also telling a compelling story of how they are keeping their programs strong through efficiency and strategic realignment of resources.

- The bulls are continuing to invest in the revenue-generating sides of their operations. They are funding their development programs (especially major gift officers), filling program vacancies when necessary, and, yes, continuing to invest in outside counsel as strategic partners in success.

There are a few bears out there too:

- Some bear organizations are cutting budgets to the bone (some out of absolute necessity) and widely announcing the painful reductions in staffing and programming. This presents a tricky balance between cutting enough to be fiscally responsible while not inadvertently cutting the brand value of the organization. Supporters want to know your organization is responding in a fiscally prudent manner, but they will likely be alarmed if you plan to abandon core services and programs. This is also not the time to downsize the development operation. An investment mentality is far more prudent, though perhaps not politically popular within the organization.
- Some organizations have also assumed that donors don't want to hear from them right now. "Let's not bother our closest supporters, as we will just irritate them and lose their support." In reality, however, the sky does not appear to be falling in philanthropy, and early indications are that your closest supporters are actually giving more in some cases rather than less. Don't confuse "bothering" your closest supporters with strong, ongoing stewardship.

What to make of all this? Recent experience seems to be telling us that 1) many organizations are not experiencing a precipitous decline in philanthropy, 2) some donors are actually increasing their support in response to good stewardship by organizations, 3) organizations that have adopted a "fighting" mentality are simply not accepting decline as an option, and 4) those that are sending the appropriate messages to their supporters are getting positive responses.

Clearly, as an organization, you must respect the individual circumstances of each donor. But also recognize that most donors support you because they believe in what you stand for and what you do. Be bullish on your organization, and you may be surprised how your donors will react.