

Help your nonprofit weather economic storms

When the U.S. economy is weak, nonprofit organizations tend to get nervous — and rightly so. Charities fear that patrons will tighten their belts, donations will dry up and attendance rates at fundraising events will plummet. Associations worry that members will reconsider paying their annual dues and skip conferences. Unfortunately, you can't control the economy, but you can control how you react to it.

Cut back, don't eliminate

Now is the time to look closely at your fundraising events and programs to determine what's actually working and is, therefore, worthy of continued investment. You also need to consider what's less effective and can be trimmed.

For example, you don't have to organize a black-tie gala or hire an expensive keynote speaker just because you've always done it that way. Those buying the tickets or paying the registration fees are likely to appreciate your efforts to scale back, because chances are their budgets are tighter, too. Just be careful to avoid the appearance of offering a "no frills" event with an "all the frills" price tag.

You may also want to tone down the frequency of your fundraising appeals or scale back your outreach to less-responsive audiences. Look for places where you can make small adjustments to minimize costs, without making wholesale cutbacks. It's essential, for example, to remain in frequent contact with large donors and others who regularly give money and time to your nonprofit. When you cut back in the wrong places, it may take years to recover your momentum. (See the sidebar "Revisiting the lessons of 2001".)

Review budgets, reconsider expenses

It's also an ideal time to trim your operating budget by reviewing each line item and questioning how each expense furthers your organization's goals. This, of course, can be a difficult exercise if your nonprofit has a lean budget to start with, so you may need to get creative. Determine, for example, if your suppliers are willing to negotiate for lower prices to keep your business. The unsteady economy may be pinching them, too, making them more amenable to restructuring fees or payment terms.

It's also wise to put off major investments for the time being. Can you make do in your current location and avoid the expense and downtime of moving to a new office? Do you have to hire new employees right now? Perform a cost-benefit analysis of any new major investment to be certain that it can still provide the necessary long-term benefit even if your income streams take a hit in the short term.

Layoffs are probably the last thing you want to consider. Keep in mind that your employees are likely concerned about their job security and the future of the organization. Don't keep them in the dark. Be open about your current situation and how you plan to navigate financial obstacles. Invite them to be part of the solution so that everyone in the organization feels like an economic storm is something you can weather together.

Highlight value

If your donors, members and other stakeholders don't have a clear sense of what you're doing for them and the community you serve, don't wait another minute to communicate your mission and other key messages. You can do this by making sure all your materials include simple and succinct information about your organization and its goals. Also, share your results toward those goals and quantify their benefits.

Solid data is particularly important when you're a charity trying to retain or attract corporate donations or a professional association that relies on dues paid by members' employers. Companies in belt-tightening mode tend to focus their dollars on organizations with a direct link to their work and that can provide a demonstrated value.

Don't wait for the economy to pick up

The worst thing you can do when the economy takes a tumble is sit back and wait for it to right itself. Being proactive is much smarter. It helps protect you from financial stress should the worst-case economic scenario become reality and it puts you ahead of the game even if it doesn't. c