# Axelson Reviews Axelson Reviews Axelson Reviews Axelson Reviews Review

CONNECTING LEADERS. TRANSFORMING COMMUNITIES. FALL 2011

## How can we move from surviving to thriving?

These have been a difficult few years for the nonprofit sector, to put it mildly.

But despite recession-fueled challenges reductions in government funding, late grant and contract payments, precipitous drops in



charitable contributions, and so on—many nonprofits have thrived.

We recognized three of these organizations at our Symposium in May, presenting the Alford-Axelson Award for Nonprofit Managerial Excellence to Children's Home + Aid (in the large organization category) and Lincoln Park Community Shelter

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The Axelson Interview

# Three award-winning organizations share tips for weathering the tough times

The following organizations—each a recipient of the Alford-Axelson Award for Nonprofit Managerial Excellence—have thrived through challenging times. Here their leaders describe a few practices that have helped their groups weather economic storms.

it ultimately has helped us remain a strong, viable organization.

2) In 2001 we determined that we could double our **fundraising revenue** within five years—but only if we expanded our board (and implemented a "give and get" requirement); invested in our

branding and marketing efforts; and strengthened our internal systems and focused on individual giving. So we did just that. We obtained a capacity-building grant, got down to work, and by 2008 were increasing gift



## Children's Home + Aid

www.childrenshomeandaid.org

- Has protected, educated, and counseled children and families in need since 1883
- Helps more than 40,000 Illinois residents overcome poverty, abuse, and neglect each year
- Tripled fundraising revenue and increased budget from \$36 million to \$52 million over the last 10 years

## Nancy Ronquillo, President and CEO:

1) If one of our programs is consistently and significantly in the red, we place it on a "watch list" that we review monthly. If the program doesn't break even within a pre-established time frame, we redesign it, transition it to another agency or close it. This fiscal discipline is tough, and it has required us to educate program managers about budget management, but

revenue by 20 percent per year. It was well worth the effort—when the economy tanked, we held steady while other NPOs saw revenues drop by a third.

3) Great **public/private partnerships** have equipped us to complete two capital campaigns and build two new buildings. Cultivating relationships with local public officials has taken years. They haven't always reaped immediate payoffs, but they've been incredibly valuable in the long run as elected officials have learned that we (like other nonprofits) are a huge asset to the communities we serve.

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## THE AXELSON CENTER FOR NONPROFIT MANAGEMENT

at North Park University in Chicago

## Tips for weathering the tough times (continued from page 1)



#### **Timeline Theatre**

www.timelinetheatre.com

- Presents plays inspired by history that address contemporary social and political issues
- Explores history and theatre with hundreds of students in five Chicago public schools through the Living History Education Program
- Doubled the number of subscribers in four years
- Received 43 Jeff Awards; named 2010
   Company of the Year by The Wall Street

   Journal; won the 2009 Richard Goodman
   Strategic Planning Award

## PJ Powers, Artistic Director, and Elizabeth Auman, Managing Director:

- 1) We look to our **strategic plan** to guide our decisions every day—and we've done so from day one. Before we staged our first production in 1998, we spent about a year getting our house in order—developing the strategic plan as well as a mission statement, personnel policies, and so on. Since we involved everyone in the process—staff, artists, board members—everyone feels connected to the mission even now.
- 2) We strive to act like the type of **organization we aspire to be**, rather than the organization we are. So even when we were working with a \$300,000 budget, we tried to behave like a \$1-million theater. But that doesn't mean we live beyond our means; our strategic plan helps us decide when to make capital investments and

when to wait. But we're constantly pushing to raise more money and sell more tickets, and we've been in the black for 14 years, operating with a cash reserve. So while economic crises are scary, we know they won't destroy us.

3) We cultivate a diverse pool of individual donors and foundations. We work hard to speak to them constantly, but the real reason for their loyalty lies in their understanding of

our **mission** on a gut level—they've seen it in action. If a patron attends two of our performances but never reads a word of our literature, we're confident that they can nevertheless describe our mission pretty accurately.

#### Girls in the Game

www.girlsinthegame.org

- Has provided and promoted sports and fitness opportunities, nutrition and health education, and leadership development to
- enhance the overall health and well-being of girls since 1995
- Serves 3,000 girls in Chicagoland annually, and hundreds more statewide through the help of other youth-serving agencies that are certified to lead Girls in the Game curricula at their own sites
- Has grown budget from \$200,000 to \$1.5 million

## Amy Skeen, President/CEO:

1) We partner with Loyola University to conduct **ongoing research** on our programs and our curricula, which is aligned to state and national standards. Year after year, the findings demonstrate our significant positive impact on girls' attitude, knowledge, and behavior. The research helps us fine-tune our programs and builds our credibility with schools and funders.

2) In 2000 we made a strategic decision to **diversify our funding base**, which had been largely secured through grant and foundation dollars. We grew our individual giving pool and added events, sponsorships, cause marketing, and fee-for-service into the mix.

We also began operating as if we were in a recession ... even before we were in one. Last year 10 percent of our budget came from in-kind gifts. You'd be hard pressed to find any "fluff" spending here: Our offices are housed in a park district building, I share an office with four other staff members, we don't have air conditioning. More than 83 percent of all dollars go directly to our programs—far above the recommended 65 percent. "Walking the walk" like this helps us build strong community allies, lets our donors know they're investing their money wisely, and ensures a healthy bottom line.

3) When I became the president/CEO, I didn't want to **reinvent the wheel**. So I sought the advice of great CEOs and EDs at other organizations.

They encouraged me to look outside



my immediate circle to fill any gaps in the organization and in my own skill set. Our research partnership with Loyola is a perfect example of this. We knew our programs worked, but on our own we could never conduct the level of research and evaluation we needed.

There's a way to get everyone involved; part of my job is finding the right fits.

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## Make it last: How to make your nonprofit fiscally sustainable



Steven H. Abbey is a senior vice president at Fifth Third Bank and specializes in nonprofit financial management.

In these financially challenging times, the

sustainability of nonprofit organizations is being threatened on many fronts, including reduced charitable giving and government support, and unpredictable investment returns.

Costs, mostly attributed to staffing, continue to rise while resources are constrained.

A key feature of wellmanaged NPOs is a regular commitment at the board level to review financial information with an eye toward future trends (with a special focus on how they impact financial sustainability). This review should stimulate regular discussions of the organization's assets, liabilities, resources, and the costs of delivering the mission, both now and in the future. In fairness, not all board and staff members

understand the finer points of finance. As a result, tackling these issues requires finding common language and relatable concepts that everyone can comprehend.

How do you know if your NPO is financially healthy? The basic starting place is really the endpoint—what are your outcomes and goals? Are you successfully achieving your mission? First, your organization needs to define "success." Once you do that, you and your board can prioritize resource allocation based on that definition. All financial decisions should be made in terms of the Return on Resources—in other words, how they contribute to your mission attainment.

Efficiency and Risk: Your next exercise

can be distilled into smaller parts, dealing with efficiency and risk. For example, by adding a program manager, can more clients be served? Will these clients have better, more reliable outcomes? Or can the current office staff handle the increased volume? By expanding your reach, do you create or enhance your chances for other funding or sponsorship?

The best NPOs continually take steps to ensure future financial viability so they can continue to fulfill their missions for decades is desired; any less indicates a working capital need.

(b) The ratio of unrestricted, unpledged cash and marketable investments to all funded debt-over 100 percent desired; at least over 50 percent if you are paying down your term debt from operations.

(c) The ratio of unrestricted, unpledged cash and marketable investments to annual expenses—over 50 percent is desired—this is your safety net to withstand unexpected interruptions.



## Revenue Diversity:

Many nonprofits suffer from an overreliance on a single source of funding, whether it be a single donor, grant, or government support. You should strive to generate revenue not only from gifts and grants but also earned income (possible avenues include seminars, consulting, manufacturing, etc). Ideally, your organization's largest funding source should be less than one third of total revenue. Raising money from private sources, especially on a fee-for-service basis, is a key indicator of the value of your mission to the general public.

Efficiency: In most cases, program expenses should exceed 70 percent of revenue. Donors want to know their contributions are being applied directly to program services, not overhead or other ancillary expenses. Well-managed organizations build systems and staff models that are scalable, meaning more program beneficiaries can be served and more outcomes can be achieved with limited increases in overhead. One way to accomplish this goal is to maximize the use of donated

Flexibility: Having flexibility in your expenses is the key to managing through difficult times. Try to identify what expenses are controllable (salaries, travel) and which

liabilities. Calculate your liquidity using the following:

enough cash will be available to meet

to come. Is yours one of them? Below

are some basic measurements of financial

health that support sustainable missions.

Read on to see how many apply to your

**Liquidity:** The recent financial crisis

was driven by a lack of liquidity. Businesses

cash to meet their immediate liabilities. All

did not have, or could not get, sufficient

organizations need to constantly ensure

organization.

(a) The ratio between liquid assets (convertible to cash within 30 days) to current liabilities-greater than 100 percent goods and services as well as volunteers.

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## **Succession planning made easy**



Mary Morten is president of Morten Group, a consulting firm specializing in social change through skills development, public policy, and advocacy. A member

of the Axelson Center faculty, Mary will be facilitating a workshop on succession planning on October 26, 2011. For more information visit www.northpark.edu/axelson/workshops.

Succession planning can be an uncomfortable subject, one that's tempting to push aside until later ... and later ... and later. But this is one project that shouldn't wait. Here are a few tips to help you get started.

#### Get your board on board.

If you're a new ED, succession planning can and should be a natural part of your conversations with the board about infrastructure activities that support the organization. If you're looking for a nonthreatening way to broach the topic, consider arranging for a board member to open the discussion, perhaps as part of a larger conversation about board development and organizational assessment.

Of course, if you're already well established in your role, opening the succession conversation will inevitably set off warning bells. In this case, you will need to broach the topic armed with resources that show succession planning as a critical best practice for nonprofit organizations

(this article might help, but there are many others available online).

## Hope for the best; plan for the worst.

Every organization needs an emergency succession plan with nuts and bolts information like bank account numbers, legal adviser contact information, and so on. You never know when an accident or opportunity might lead to a sudden, unexpected leadership gap. Good emergency plan templates are available online.

After you complete this document, keep one copy under lock and key in the office and a second with a board member. Tell your staff where they can find the plan in the event of an emergency.

#### Start at home.

Keep your internal talent pipeline flowing—and boost retention while you're at it—by providing staff with plenty of development opportunities. Give them the chance to interact with board members, and to attend local conferences, workshops, and professional luncheons. These opportunities can cost little or nothing, but can be invaluable to staffers who want to learn how they might move up the ladder.

Also consider asking staff members to shadow their colleagues and train as one another's back-ups. During this exercise, note how well they interact and learn from each other. Chances are good that some will rise to the top and prompt you eventually to open advancement conversations with them.

## How can we move from surviving to thriving?

(continued from page 1)

(in the small category). We also presented the Excellent Emerging Organization Award to Urban Initiatives.

Often, when the subject of these awards comes up, I'm asked what sets winning organizations apart. Although there is no "magic bullet" when it comes to managerial excellence, the answers to several questions often help us distinguish great organizations from good ones:

- Does the organization have an up-todate succession plan?
- Does the nonprofit engage key stakeholders in innovative ways?
- Does the group regularly develop and update its strategic plan?
- How financially literate is the organization's board?

Management guru Peter Drucker once wrote, "Management is doing things right; leadership is doing the right things." His research—and that of countless others—has demonstrated that we cannot lead effectively unless sound management practices are in place. By speaking with a few Alford-Axelson Award winners for this issue's lead story, we hope to uncover creative ways to continue your organization's journey from good to great.

Pier C. Rogers, Ph.D. Director, The Axelson Center

#### **About the Axelson Review**

The *Axelson Review* is published quarterly by the Axelson Center for Nonprofit Management at North Park University, which serves the educational needs of nonprofit professionals through degrees and certificate programs, on-site trainings, and an annual symposium series that addresses the contemporary issues and challenges confronting nonprofit organizations.

For comments or feedback regarding the content of the *Axelson Review*, please email cbeall@northpark.edu or call (773) 244-5747. To subscribe, please email your contact information (name, organization name, address, email) to axelson@northpark.edu. Include in the subject line "Axelson Review Subscription." Please notify us if you would like to be removed from the list, or if you are receiving multiple copies.



## Nonprofit Chicago blog

Visit the Axelson Center blog, *Nonprofit Chicago*, www.chicagonow.com/nonprofit-chicago, for great resources and educational articles.

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## How to make your nonprofit fiscally sustainable (continued from page 3)

are not (rent or debt payments, health insurance). When resources or client volumes shrink, the organization needs to know what expenses it can reduce to remain viable.

Cash Flow: This is the lifeblood of most NPOs. It is defined as reliable, recurring cash revenues less the expected cash costs of delivering services. The costs are much easier to forecast than the revenues, especially now, when the amount and timing of donations and government payments are uncertain. The key is to avoid structural deficits—when costs rise faster than revenues over time. When you receive money for a new program, make sure the associated expenses are controllable. Then, if the revenue stream shrinks, you can control the expenses without adversely affecting other programs. Also, organizations that reliably produce cash flow may be able to leverage that asset by borrowing money that will enable them to expand their reach, gain scale,



or improve outcomes.

The best NPOs have all or most of the characteristics of a sustainable mission mentioned above. One additional strategy is to ensure you have an ongoing relationship with a banker. So, if the board authorizes borrowing money, you have someone you already know and trust. When you meet with your banker, be prepared to discuss

the reason for borrowing, the benefits you expect to obtain for your mission, and the various ways you can repay the debt.

A final tip, you will want to avoid non-amortizing, long-term floating-rate loans—which may look affordable now, but could end up costing your organization more in the future. Rates may rise, and the value of the asset financed may fall, but the debt always needs to be paid.

To make sure your mission continues, you and your board should constantly evaluate the financial health of your organization. When in doubt, consult with financial professionals like your banker and accountant—they should be your financial partners and can help you weather tough economic times such as we face today. By being disciplined and vigilant about your organization's financial health, your NPO can better expand its outcomes and withstand the economic challenges that lie ahead.

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## FOR NONPROFIT PROFESSIONALS AND VOLUNTEERS CONNECTING LEADERS. TRANSFORMING COMMUNITIES. FALL 2011

Wednesday, October 19, 2011 | 9 a.m.-4 p.m.

**Part I: Effective Staff Supervision** Part II: Managing and Developing Individuals in the High Performance Organization

(Lunch provided for those attending all day.)

Wednesday, October 26, 2011 | 9 A.M.-12 P.M. **Succession Planning and Leadership Development: Mining your Organization's Talent** 

Wednesday, November 2, 2011 | 9 a.m.-12 p.m. **Program Evaluation for Greater Impact** 

Thursday, November 10, 2011 | 9 a.m.-12 p.m.

**Becoming a Dynamic Volunteer Program-Helping Volunteers Move from Do-Gooders** to Stakeholders

Wednesday, November 16, 2011 | 9 a.m.- 12 p.m. "What If" Financial Planning

Tuesday, November 29, 2011 | 9 a.m.-12 p.m. **Strategies to Build a Better Board** 

Thursday, December 1, 2011 | 9 a.m.-12 p.m. Social Media 201: Developing a Social Media **Plan That Works for Everyone** 

Wednesday, December 7, 2011 | 9 a.m.-4 p.m. **Strategies for Developing Self-Generated Income** 

2011-2012 Webinar Series

Wednesday, October 12, 2011 | 12-1 p.m. (CST)

**Creating a Culture of Success** 

Wednesday, November 9, 2011 | 12-1 p.m. (cst) Who's Steering This Ship Anyway?

Wednesday, December 14, 2011 | 12-1 p.m. (CST) My Boss Is the Board!

Wednesday, January II, 2012 | 12-1 p.m. (cst)

**Program Evaluation Tools** 

Wednesday, February 8, 2012 | 12-1 p.m. (cst) Living in a Glass House

Wednesday, March 14, 2012 | 12-1 p.m. (cst)

**Fundraising from the Top** 

WEDNESDAY, APRIL II, 2012 | 6-8 P.M. (CST) **Aspiring CEO Networking Social**