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## NONPROFIT NOTEBOOK

# Creativity, Openness Vital For Nonprofits

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**N**onprofit organizations must make three key changes to survive the economic downturn:

- Be open to change;
- Become more transparent and
- Think creatively especially when it comes to diversifying their funding sources.

That's the conclusion of nonprofit experts who came together for a seminar at Bay Path College in Longmeadow, Mass., on June 18.

"Business in terms of running a nonprofit is truly unique," said Rima Dael, assistant professor of nonprofit management and philanthropy at the Graduate School at Bay Path College and one of the event's keynote speakers. "In a for-profit, you answer to stockholders. You can't just choose programs if they're not going to make money. In nonprofits, you're faced often with running a program that doesn't make money because (it) needs to meet the needs of the community."

Dael says the challenge for nonprofits has many components. Although the national economy is slowly recovering, she says nonprofits lag behind the rest of the economy anywhere from one to three years. They also depend heavily on federal and state contracts as well as donor giving, all of which continue to shrink in dollar amounts, she says.

"If social service agency funding gets cut by 50 percent, for example, how quickly can this organization adapt and find other sources of income to replace the lost revenue stream? Some organizations have been able to do that and some haven't," Dael said. "If an organization can adapt to whatever shifts come (its) way, it's more likely for (it) to survive economic downturn." Dael also notes nonprofits are in "leadership transition,"



PHOTO COURTESY/ BAY PATH COLLEGE

Heather Gowdy, co-author of La Piana Consulting's Convergence Report, discusses the convergence of trends reshaping the social sector at Bay Path College's annual Hot Topics in Philanthropy breakfast June 18.

meaning just before the economy hit rock bottom, research was already showing that boomers and founding directors were retiring from the nonprofit sector.

"Besides being unique for all of the above, we're managed by volunteer boards for the most part. They're our neighbors, teachers, postal workers, all of us in the community are on these boards giving their various professional and volunteer paths. Those volunteer board members may not always receive the best training on how to be the best trustees for the nonprofit. It's incredible to think about, we're the only sector purely managed by volunteers," she said.

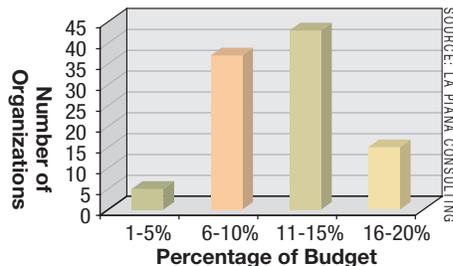
Dael believes "the best anecdote" to confronting these issues is industry-wide education.

Heather Gowdy, senior manager at La Piana Consulting, says she has had accelerated interest over the past six months in breakout sessions to discuss her consulting group's nonprofit research.

Gowdy says one positive outcome of the challenge facing nonprofits will be more transparency. Nonprofits, she said, are used to putting out success stories and "shiny annual reports." Now, Gowdy says, they are realizing the importance of telling the truth, capturing the ups and downs of what really happened within their

organization and letting people get involved in their stories, whether it's through volunteers or social media. ■

### Administrative and General Expenses as a Percentage of Total Budget



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