

**SUSTAINING ROCHESTER'S NON-PROFIT HUMAN SERVICE SYSTEM
IN A TIME OF DECLINING RESOURCES
A UNITED WAY WHITE PAPER**

*In Monroe County, NY, there's one non-profit agency for every 200 residents.¹
New York State is facing a projected \$27.5 billion deficit over the next three years.
United Way raised 11 percent less this year than last -- \$3.5 million.
Local foundations' grant making will be reduced one-third to one-half this year.
Nationally, foundation assets declined from \$682 billion in 2007 to \$533 billion in 2008.²*

A June 2008 report from The Boston Foundation, *Passion and Purpose – Raising the Fiscal Fitness Bar for Massachusetts Nonprofits*, highlighted three fundamental threats to non-profit financial health: too many non-profits; too few resources; and too little focus on future services and sustainability.³

Citing the rapid increase in the number of nonprofits, in contrast to the sector's overall slow revenue growth and rising expenses, the Foundation questioned whether the sector can support the proliferation of small non-profits and whether non-profits can sustain their public purpose responsibility in the current financial climate.

Given today's economic realities, Rochester's human service agencies and the organizations that fund them must re-examine how business is done. Likewise, our community must begin to come to grips with the possibility that some mission-based programs may need to close if more efficient and cost-effective ways of service delivery cannot be found.

The sustainability of the local human service sector will depend on the willingness of service providers and their volunteer boards of directors to acknowledge current realities and recognize that their organizations and the delivery system as a whole will require more than a "business-as-usual" approach. As The Boston Foundation notes, "well thought-out restructuring strategies that range from back office support collaborations to mergers... are clearly required."⁴

Indeed, donors and community leaders increasingly are calling for greater efficiency, less duplication in service delivery, and more measurable results. Current conditions are ripe for non-profits to explore restructuring more intentionally; to assess what is the right level of competition (given that too much competition can lead to duplication of service); and to recognize that this community no longer has the capacity or willingness to support all that it has supported in the past. The sense of urgency for change has never been greater.

That's why United Way, in collaboration with a consortium of local partners, has committed to take a leadership role in ensuring system sustainability. At the heart of the restructuring will be program consolidations or eliminations and strategic collaborations -- up to and including

¹ The National Center for Charitable Statistics (http://nccsdataweb.urban.org/tablewiz/tw_bmf.php) indicates that there were 3,434 registered nonprofit organizations in Monroe County as of April 2009. The Census Bureau population estimate for the county as of July 1, 2008 is 732,762 (<http://www.census.gov/popest/counties/tables/CO-EST2008-01-36.xls>); dividing the latter number by the former yields 213 persons for every 1 registered nonprofit.

² Lawrence, S. & Mukai, R. (2009). *Foundation Growth and Giving Estimates: Current Outlook*. 2009 Edition. Foundation Center

³ Keating, E.K., Pradhan, G., and DeNatale, D. (2008). *Passion and Purpose: Raising the Fiscal Bar for Massachusetts Nonprofits (Executive Summary)*. The Boston Foundation.

⁴ Ibid.

mergers -- that can result in stronger financials, greater efficiencies, better economies of scale and, most importantly, measurably improved outcomes for the community.

Over the next 36 to 48 months, the “Non-profit Sustainability Consortium” will focus on five interrelated drivers of system sustainability: 1) community awareness; 2) governance and management development; 3) process improvement and streamlining; 4) technical assistance; and 5) the requirements imposed by funders.

Community Awareness. The National Center for Nonprofit Boards notes that “local convener organizations” like United Way can play an important role in educating nonprofit leadership about restructuring issues and options.⁵ Currently, there is significant variation in the degree to which staff and volunteers perceive that change is required. While non-profits often recognize and acknowledge the need for restructuring, too many regard it as something that other agencies, rather than themselves, should do. Others often are unaware of organizations with similar missions or service delivery, thus missing opportunities to collaborate or consolidate. Still other agencies simply are so mission-driven that they cannot conceive of a time when financial support for their mission could disappear. Clearly there is both a need and an opportunity to increase awareness on the part of service providers and their boards.

Beginning in September 2009, United Way, in partnership with organizations like the Council of Agency Executives and the Center for Community Engagement, will host educational forums to increase providers’ understanding of the current realities. United Way also will meet with the boards or executive committees of United Way-funded agencies, members of the Council of Agency Executives, and other interested service providers. Our objective will be to inspire volunteers and staff alike to objectively assess the organizations for which they have governance and leadership responsibility and determine where changes can and should be made.

Governance and management development. The need for competent and effective non-profit governance and management will be more important than ever, given the findings of a 2006 national study which showed that, within the next five years, 75 percent of non-profit agency executives plan to retire, thus creating a leadership void.⁶ Although the current economic downturn has caused a re-thinking of retirement timetables, the basic problem remains.

In order to develop the competency of both future volunteer and staff leaders, it is critical that non-profits become more aware of and have access to affordable local training and development opportunities. Toward this end, United Way is creating a scholarship fund to enable human service agencies to take advantage of the leadership training offered by the Center for Community Engagement and Non-profit Works, among others.

Process improvement and streamlining. United Way is proposing that capacity be increased for the non-profit continuous improvement initiative spearheaded by the Rochester Quality Council more than a decade ago. In order to increase the ability to respond to requests for process improvements, we are exploring the possibility of recruiting a cadre of retired or unemployed continuous improvement “black belts” who would be willing to facilitate process improvement and organizational streamlining on a contract basis.

⁵ La Piana, D. (1998). Beyond collaboration: strategic restructuring of nonprofit organizations (Revised ed.). NCNB Funder Briefing. The James Irvine Foundation and National Center for Nonprofit Boards.

⁶ Cortez, A., Foster, W. and Milway, K.S. (2009) Nonprofit M & A: More than a tool for tough times. The Bridgespan Group, Inc.

Beyond process improvements, we also will help agencies identify areas of duplication through the facilitated use of organizational self-assessment tools like the McMillan Matrix, which maps services currently offered and identifies where overlaps with other providers may exist. Also available to non-profit agencies are the volunteer services of SCORE, a program of the U.S. Small Business Administration that uses retirees (several of whom are recently retired non-profit agency executives) as well as currently employed executives to help non-profits improve organizational efficiency.

Technical assistance. It has been suggested that grantors can help facilitate more non-profit mergers by financially supporting the due diligence process and post-merger integration. It's also recommended that intermediaries be used to help non-profits explore merger options safely and receive support in decision making.⁷

Toward that end, United Way will continue to cover the costs of providing technical assistance to organizations interested in exploring possible affiliations. The technical assistance will be offered by the New York Council of Non-Profits, which has successfully played the intermediary role and has a proven track record in managing consolidations, affiliations, and mergers. Agencies that complete a merger will be eligible to receive an additional grant from the United Way's Synergy Fund to assist with post-merger integration efforts.

Beyond technical assistance, grants and/or no-interest loans also will be available from United Way and the Rochester Business Alliance for clusters of organizations that serve similar populations and agree to consolidate back room operations or streamline programs in order to measurably reduce operating costs on a sustainable basis.

Funders' requirements. As part of its commitment to the non-profit sustainability initiative, United Way is committing to reduce the administrative burdens it places on agencies that receive funding. Program evaluation is one example. At the request of private and public funders, human service providers often collect volumes of data, either on paper or in varied, de-centralized electronic data systems. Collecting and analyzing this data is time-consuming for the agency and, in the end, may not be particularly useful for evaluation and program improvement.

That's why, for a select group of agencies providing early childhood services, United Way will begin piloting in August 2009 the use of COMET. COMET is a web-based, user-friendly data base developed for non-profit organizations and schools which allows for the collection, centralized storage, analysis and reporting of qualitative, quantitative, process, and outcome data. COMET will help agencies collect, analyze, and present information about program participants and their families; provide immediate, real-time feedback; conduct simple assessments; reduce time spent on administrative tasks (e.g. entering information more than once and hunting for "lost" information); and allow easy access to information.

In addition to tracking program performance, the information gathered through COMET will be used by United Way to assess the effectiveness of its funding strategies, thus ensuring increased efficiency and overall program and system improvement. United Way will cover the costs of COMET for the pilot initiative and, depending on the results, may consider covering the costs of this tool for other programs receiving United Way funding in the future.

⁷ La Piana, D. (1998). Beyond collaboration: strategic restructuring of nonprofit organizations (Revised ed.). NCNB Funder Briefing. The James Irvine Foundation and National Center for Nonprofit Boards.

Finally, United Way will closely examine its current application and reporting requirements with the intent of streamlining its own processes and will be asking other foundations to do the same.

In closing... Believing that these key drivers are all interrelated and essential to the success of a sustainability initiative, United Way and the Non-profit Sustainability Consortium are prepared to assume the leadership role and the responsibility for helping ensure the viability of Rochester's human service delivery system.

Non-profit volunteer and staff leaders must recognize that our community cannot afford to provide the same level of financial support for human services as it has in the past. We must strive to reach consensus on what are essential services, garner support for those services, and then seek the most cost-efficient approach to service delivery.

In addition, funders must do more than simply provide grants to worthwhile programs. We must begin to work more collaboratively and intentionally to identify and select a community condition that could be measurably improved by pooling a portion of our collective financial resources; help curtail the creation of new non-profits during this time of declining revenue; and seek to maximize the return on the charitable contributions that have been entrusted to us.

Although the discussions of these issues will not be easy, they are both critical and necessary. Dialogue alone, however, is insufficient.

We must have the will to transcend organizational self-interests, to focus on those we serve, and to act decisively today to ensure a more effective and efficient service delivery system tomorrow.

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