Creating a Case for Sustainability

BY SALLY J. PATTERSON

If there is one word that is top-of-mind in the nonprofit sector now, it is sustainability. With the economic downturn, foundations are reducing their percentage of giving and reassessing whether to give grantees support for basic operating expenses. Individual donors are reducing the number of causes they support, decreasing the size of their gifts and seeking additional indicators to help them evaluate current giving and assess where to focus future funding. Nonprofits, faced with these realities—lower contributions, unfunded operating costs and other stresses—are struggling to demonstrate their financial savvy by generating sustainability plans. This is a critical step to ensure their survival, but you do yourself a tremendous disservice if you think about sustainability solely in terms of fiscal solvency.

Sustainability means more than having a comprehensive financial plan. Sustainability means that an organization has all the essential elements to survive and that it has taken steps to ensure its long-term viability. While a solid financial footing is important, it is equally important for an organization to have a clear mission and vision, strong leadership, established programs and services, and effective management and communications systems. In fact, if these elements are in place, an organization is much more likely to survive during an economic downturn.

Clear Mission and Vision

A mission-directed organization uses its vision and mission as guideposts by which success is determined. It communicates its mission through its actions and it bases its decisions on its values. Such an approach is critical in preventing programs chasing dollars and other short-term fixes when funding cycles are down. Furthermore, clarity of vision and mission attracts like-minded givers and demonstrates a sense of confidence and purpose that draws community attention.

Strong Leadership

Donors also will be assessing leadership at a nonprofit organization. It is crucial that the board be fully engaged and supportive of the organization. The executive director should reach out to the board members and invite their participation with the tough decisions regarding organizational priorities and donor outreach. Board members should be engaged to convey consistent messages to their network of contacts in the

For more management skills, visit www.afpnet.org. Search: Education and Career Development community, letting people know that the nonprofit is being well managed, promising updates on a regular basis and inviting feedback to convey to the chief executive and staff. They can offer to reach out to reassure donors or key stakeholders and talk with community partners to explore alternative solutions to meet community needs.

Solid Financial Footing

Sound financial practices are the foundation for stability and certainly must be addressed as part of a sustainability plan. The organization should review its revenue base and work toward having diverse funding sources, so that it is not too dependent on any single funding source. Senior management and the board should explore new resources and consider new public or private partnerships, joint efforts for key projects essential to the organization's mission. The nonprofit should ensure that it has retained good relationships with its funders—relationships based on mutual respect, transparency and integrity.

Established Programs and Services

In a time of increasing competition for scarce resources, a nonprofit that can demonstrate that its vision and mission respond to current community needs will prevail. A nonprofit should reconsider the needs of its constituents and assess whether others in the community are also responding to these same needs. Have needs shifted as a result of economic uncertainty, and have priorities shifted as well? How can a nonprofit demonstrate its responsiveness to these changes?

The board can play a crucial role in reassuring donors, community partners and other key stakeholders that the organization is being prudent with its resources, postponing second-tier priorities and focusing on essential programs and services. A mission-driven and client-centered approach will greatly reassure donors that the nonprofit has its priorities in order during difficult times. Now is the time for considering new approaches, consolidation or sharing essential elements of the work. Perhaps new partnerships and collaborations within the service community will allow work to continue instead of being cancelled.

Partnerships and Collaborations

In the current economic environment, it is almost impossible for one organization to do it all alone. The most effective organizations are pooling their resources with others for the common good of the community. Effective partnering can reduce duplication of effort and extend outreach to those

Checklist for Sustainability

CLEAR VISION

___ Does the organization have a clear mission, guided by a clear set of values and embraced by all?
___ Does the organization have a shared vision of where it is headed set down in a strategic plan?
___ Does the organization have a clear sense of what differentiates it from others that provide similar programs and services?

STRONG LEADERSHIP

___ Is the board fully engaged and supportive of the organization?
___ Is the board representative of all stakeholders served by the organization?
___ Does the organization have a strong executive director and senior leadership team?
___ Do members of the leadership team embrace the same principles for managing the current economic situation?

SOLID FINANCIAL FOOTING

___ Does the organization have diverse funding sources?
___ Is the organization not overly dependent on a single funding source?
___ Has the organization explored alternative funding sources?
___ Does the organization have good relationships with its funders based on mutual respect, integrity and transparency?

ESSENTIAL PROGRAMS AND SERVICES

___ Are current programs and services based on the strengths of the organization?
___ Are current programs and services the most important for meeting the needs of clients and constituents?
___ Has the organization considered partnering or sharing responsibility for existing programs and services with partner organizations?

PARTNERSHIPS AND COLLABORATIONS

___ Has the organization identified key partners that share its mission and vision?
___ Does the organization work closely with other nonprofits to expand its capacity and gain access to resources that are not available within the organization?
___ Has the organization developed a plan of action for collaborations that stresses the mutual benefits of working together and defines specific roles and responsibilities?

COMMUNICATIONS

___ Does the organization have a communications plan for keeping all of its stakeholders informed during these tough economic times?
___ Is the organization striving for an open discussion and transparency to build trust with its key stakeholders?
___ Has the organization involved the board and other community partners in its communication outreach?
___ Have feedback mechanisms been instituted to ensure that the dialogue is a two-way communication with those who are invested in the organization?

most in need. It also can provide new opportunities for addressing common issues and concerns, bringing innovative approaches and solutions. These new collaborations can build a heightened appreciation for the unique skills and resources of others—recognizing their strengths and capitalizing on pooled efforts.

Communications

This is a time for more frequent and nontraditional communications with key stakeholders. In difficult times, transparency is critical for retaining trust. The board and senior leadership should consider whether to engage key stakeholders in a candid discussion about an organization's changing circumstances and signal the decisions they anticipate making to deal with new challenges and issues. If the organization has a clear strategic plan, it can demonstrate the impact of its programs and services, as well as the benefits accrued to its client populations. Demonstrating accountability to funders and other stakeholders can give the nonprofit a competitive edge when others are forced to cut programs or reconsider whether to continue certain lines of service.

The current economic downturn is not likely to have a short duration. Routine communications and outreach will be essential to maintaining sound relationships with donors and stakeholders. Immediate responses when more bad news or promising breakthroughs occur, as well as routine updates as the seasons move forward, need to be woven into the organization's other communications efforts. Never has the need for transparency and ongoing contact been more crucial.

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Perceived Benefit: How Alumni Donations Vary With Child Age

BY RUSSELL N. JAMES III, J.D., PH.D.

Do alumni donors expect reciprocity in admissions decisions? Does this expectation influence giving, even when the university makes no such promises? Professor Jonathan Meer of Stanford University and Harvey Rosen of Princeton University investigated these questions. They examined 24 years of donor information from a selected university, with the records including 487,913 "donor years" from 32,488 alumni.

Findings showed that, as an alumni donor's oldest child aged, the probability of making a gift gradually increased. However, among those alumni donors whose children would later apply to the university, the likelihood of giving increased dramatically from the time a child was age 14 until age 18. Conversely, among those whose children did not later apply to the university, the likelihood of giving gradually declined during the same age range. This suggests that some alumni parents were making gifts with an eye toward their child's application. This pattern existed even without any promises of reciprocity from the university.

What happened to these donors after the admission decision was made? If the child was not accepted, the likelihood of donating plummeted, falling far below that of those alumni whose children of the same age had not applied. This dramatic drop was essentially permanent. Indeed, the likelihood of giving for these alumni continued to fall in future years.

For those whose children were accepted, the likelihood of donating remained high immediately after acceptance, but then gradually fell each year afterwards. In addition, the gifts made after acceptance were much more likely to be directed gifts. For example, while those whose children were accepted were only 3.4 percentage points more likely to make a directed gift when a child was age 17, they were 16.5 percentage points more likely to make a directed gift when a child was 21. This tendency to make directed gifts diminished after a child was past typical college age. While post-acceptance giving would not influence an admissions decision, directed giving could go to those specific programs that would benefit an attending child. Thus, one form of reciprocity may be substituted for another.

These same trends also occurred when measuring the total amount of giving, rather than just the likelihood of giving. Similarly, these same trends occurred when examining a donor's youngest child instead of the oldest child. In fact, the drop in giving likelihood was even stronger following a rejection of the youngest child. (This perhaps relates to the absence of any possible reciprocity from future acceptance decisions.)

Taken together, the study suggests that alumni donors act as though they do expect reciprocity in admissions, even when the university makes no such promises. Although donors give for many reasons other than self-interest, there does appear to be some consideration for reciprocity in these donor patterns. Such a perceived admissions benefit could enhance giving, but it is risky. If the university later violates the donor's expectation, giving falls much more than that of those who never had a child apply.

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