

Coping with Cutbacks
Time to be Bold!!

*America's Byways Resource
Center Training*

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Community
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Agenda

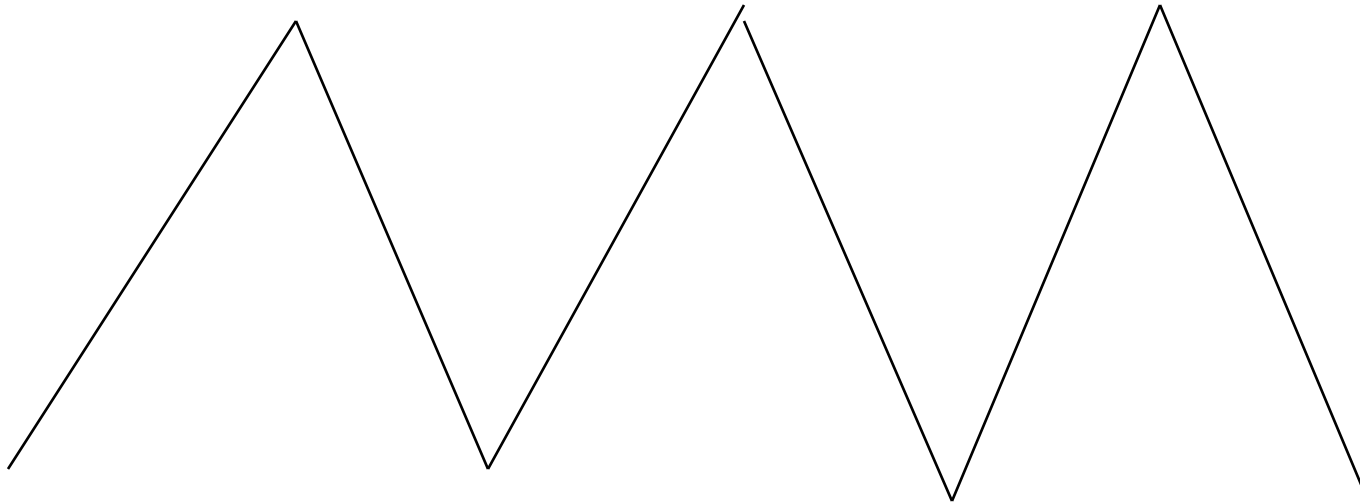
1. Change
2. Process for addressing current environment
3. Financial scenario planning
4. Strategies
5. Tips for financial challenges

Time to Be Bold!

When times are tough:

- Make a Difference
- Demonstrate Relevance
- Implement Change

Dancing Landscapes



$$\text{CHANGE} = (D * V * 1st) > C$$

D = Dissatisfaction with the present situation

V = Vision of how things could be different

1st = First step to bring about the change

>C = less than the perceived cost of staying in the present situation

created by Michael Beer

Strategy Generating Process

1. *Know Yourself* - Where are you now and where are you going in the future
2. *Clarify the problem or opportunity* - Fully understand the scope, magnitude, and implications - scenario planning
3. *Brainstorm strategies* - Generate ideas for addressing the problem or opportunity
4. *Select the viable strategies* - Arrive at the best strategies for the organization

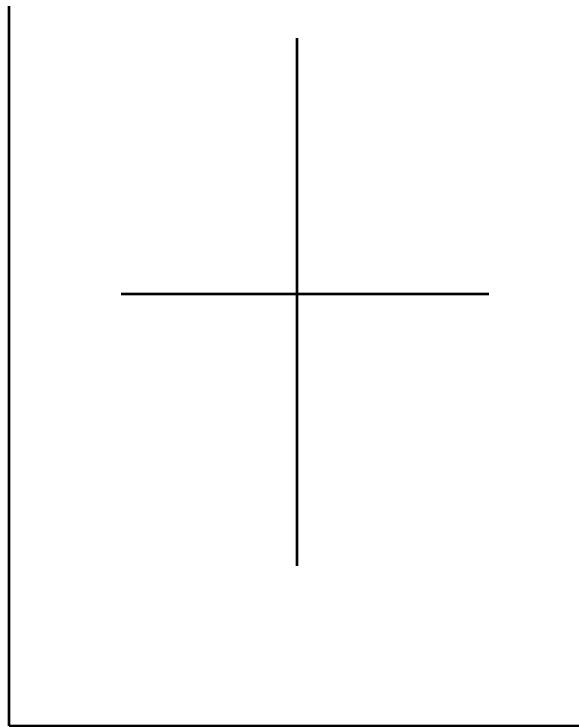
Know Yourself

1. Lifecycle Stage
2. Core Programs
3. The Program Model(s)

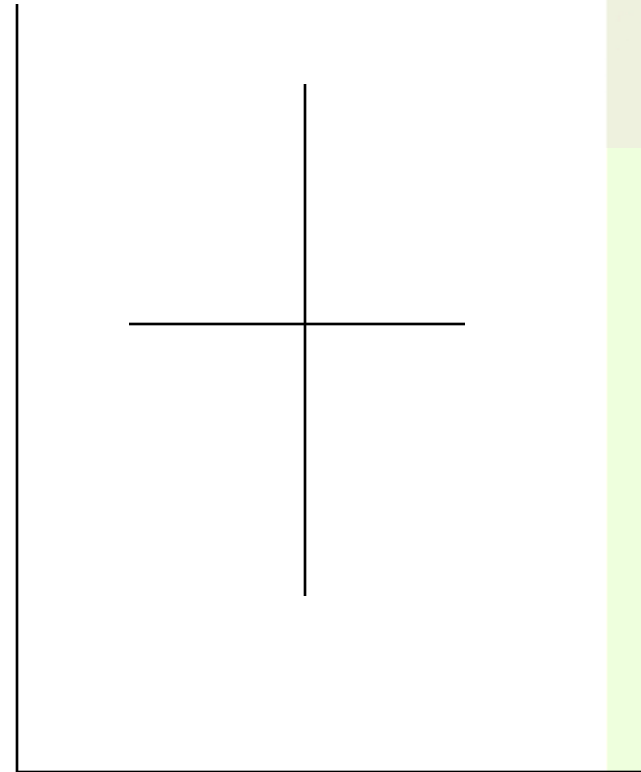
Exercise - Know Yourself

1. Where are you in the organization's lifecycle?
2. What are your core programs?
3. What do you see through analysis?
4. Is this the right model(s)?

Core Program Analysis



Cost



Revenue

Scenario Planning

*Envision several possible financial futures
and have a strategic conversation about
your best responses to each.*

Scenario Planning Process

1. Develop 2-3 possible “real” financial futures
2. Flesh out the implications of these futures on your organization
3. Pick a future that is worse than you think

A Way to Develop Scenarios

1. Identify 4-6 major revenue sources that can vary and are unknown - select a worst case scenario/contingency
2. Flesh out the implications of each on programs and infrastructure and the organization
3. Develop three "real" futures based on these factors and flesh out implications for your "world"

Workbook Exercise - Clarify the Scope of the Problem (Fill in the Chart)

1. Identify the revenue sources and their ranges
2. Identify any restrictions in the use of the funds
3. Identify the impact on programs
4. Identify any indirect impact

Workbook Exercise - Describe the Scenarios

1. Make revenue projections for each scenario
2. Identify implications for programs
3. Identify implications for organization
4. Identify implications for people being served

Who Should Address The Problem?

1. 5-10% - Can be resolved by staff - should not affect programs
2. 10-20% - Will need to involve Board - could lead to loss of programs
3. 25+% - Will need to involve Board - could lead to rethinking programs and structure

Strategies To Consider

1. Stop, Drop, and Roll - Approach to solving a financial cut
2. Shared Services - Administrative and programmatic sharing
3. Engagement Strategies - Present a larger, united approach
4. Strategic Restructuring - Merger/program spin-off

Stop, Drop, and Roll

Divide your problem into thirds and solve it using three strategies:

1. 1/3 fund raise
2. 1/3 make cuts
3. 1/3 shift money

Jerry Cutts

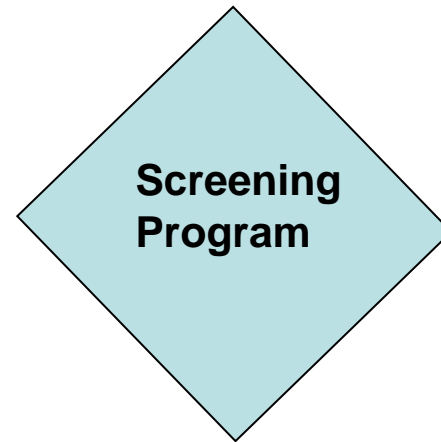
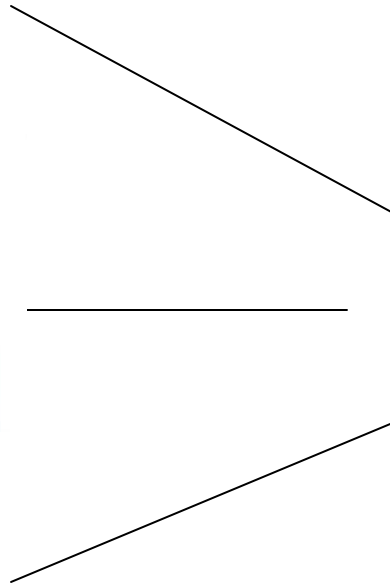
Strategy of Engagement

1. Work in concert with others to create a common vision and share resources necessary to realize that vision
2. Consider partners in all sectors and those outside your mission to address community issues
3. Seek a better blending of the government, nonprofit and for-profit sectors

Arenas of Influence



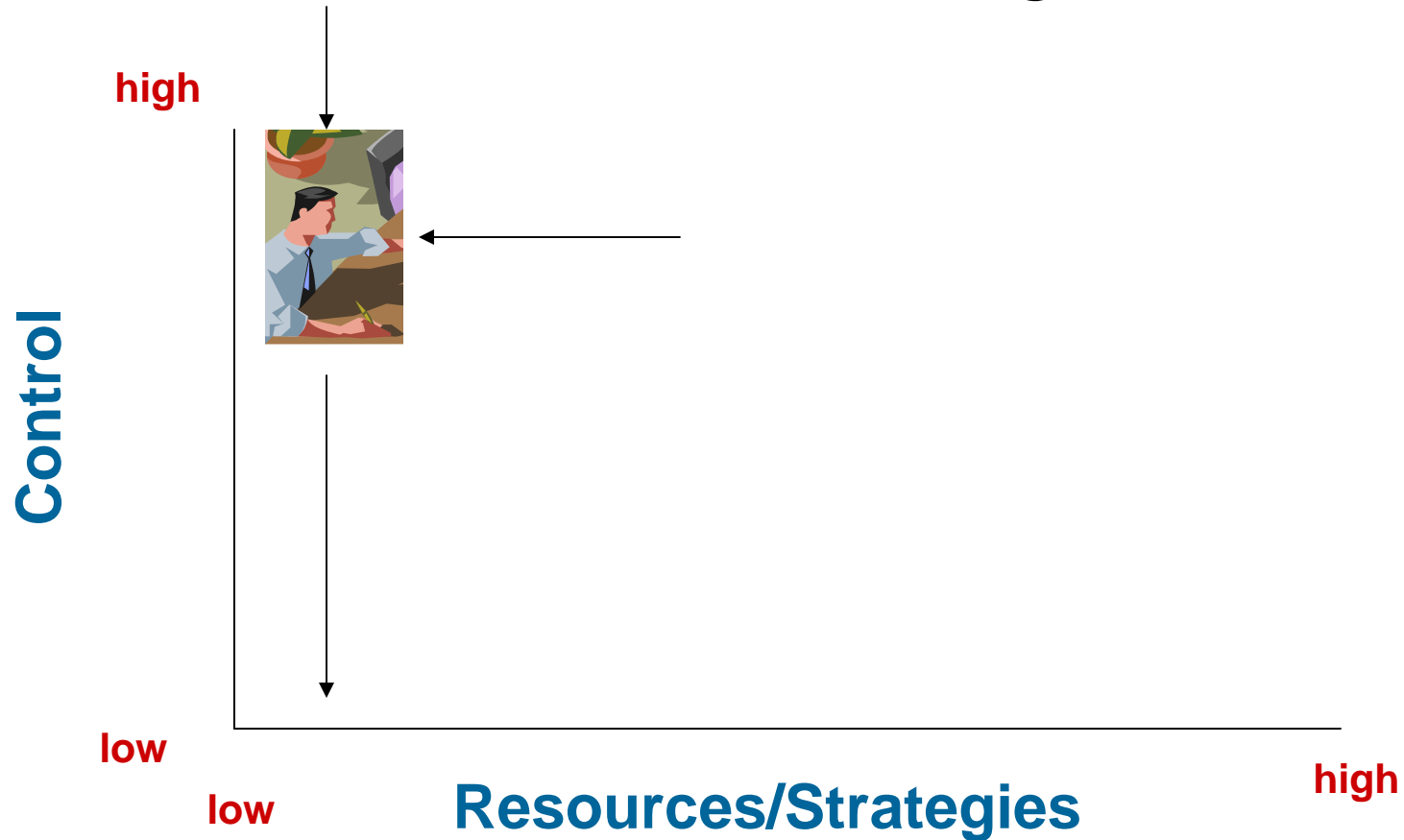
Collaboration



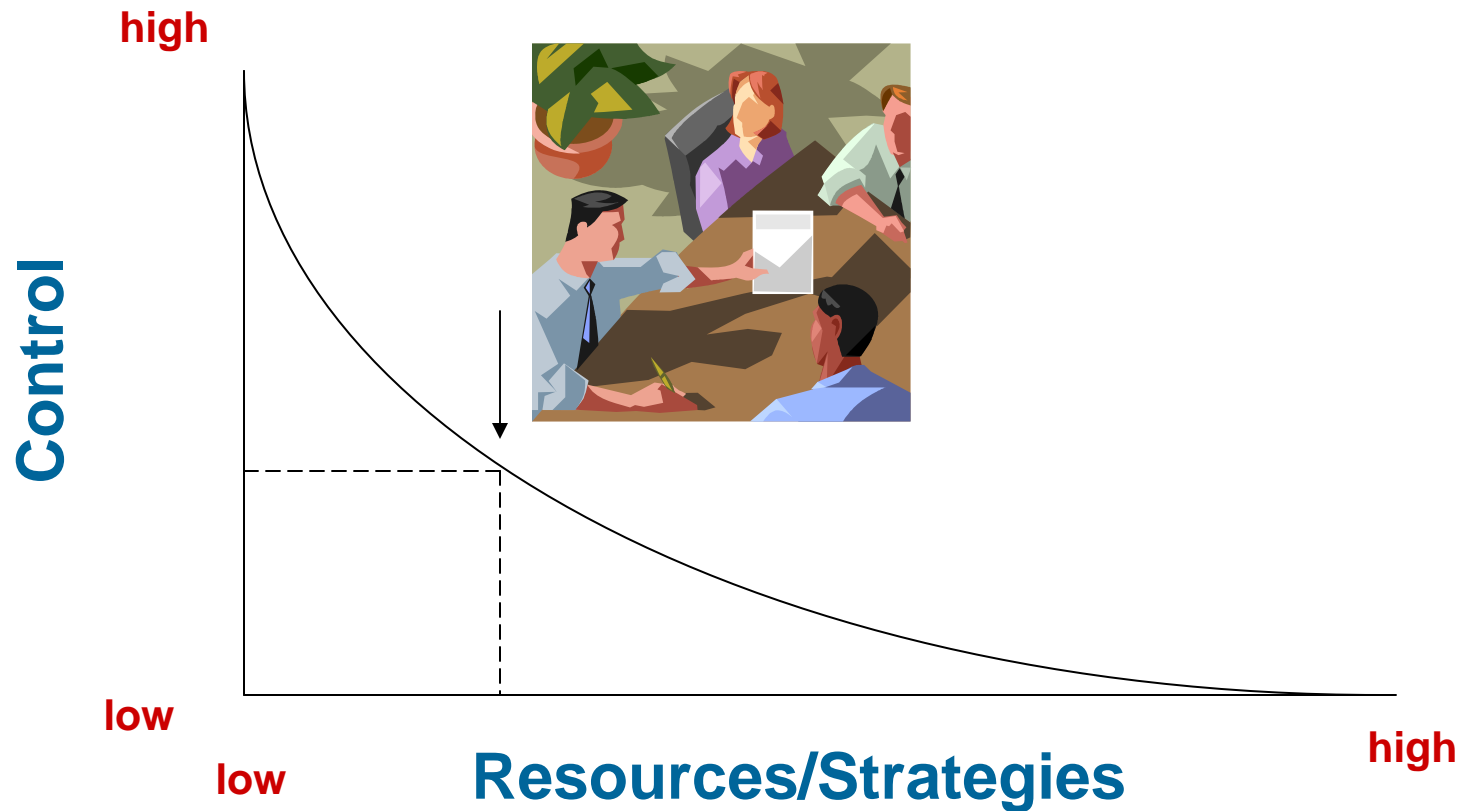
Level of Control vs. Resources/Strategies



Level of Control vs. Resources/Strategies



Level of Control vs. Resources/Strategies



Shared Services

Find a partner(s) to share administrative services with to keep costs down and maintain skills and experience. Examples:

1. Back office services and equipment (administration and finance)
2. Fundraising
3. Data collection, analysis and evaluation

Social Media Technology

- Use Networking Technology to expand reach
- Develop a powerful website - a place where people can do business
- Use different techniques for different audiences

Strategic Restructuring

1. Spin off a program that you cannot operate to another organization
2. Look for a collaboration or merger partner for all or part of your organization
3. Take on another organization's program to gain efficiencies based on scale

Workbook Exercise - Develop Strategies

For each scenario develop one or more strategies to address the revenue shortfall. The strategies should answer the question:
What will we do if these conditions exist?

When You Have to Raise Money

DO

1. Play to your lifecycle stage - one time grants
2. Get the board committed to a fund raising goal/give them the tools to do it
3. Use your networks - bet on board and volunteers
4. Meet with funders whenever possible
5. Special events should be only done with volunteers and/or board members

When You Have to Raise Money

DON'T

1. Expect funding the first time you apply to a foundation
2. Contract out your fund raising
3. Ignore the long term when fund raising
4. Contract with a fundraiser for a percent of funds raised

Tips When You Have to Cut

DO

1. Make a few big cuts vs. lots of small cuts
2. Cut quickly and all at once vs. slowly over time - if you cannot make cuts all at once role out phases
3. Pay attention to funding sources and restrictions in the use of funds
4. Pay attention to implications of cuts on fixed and indirect costs
5. Keep the key people on the board and staff involved in the thinking on cuts
6. Communicate, communicate - stay in the center of communication

When You Have to Cut

Don't

1. Be tempted to borrow money or mortgage your future
2. Get into too much belt tightening - negative perceptions
3. Go against good management and your own policies
4. Lose your "stars" they are hard to replace
5. Discuss possible solutions with people who are not part of decision making

Overhead/Administration Considerations

1. Make sure overhead cuts won't jeopardize your ability to be accountable
2. Review grants for overhead or administration requirements or limits
3. Pay attention to the impact of cuts on the administration's per cent of budget
4. Think about the internal and external messages that are sent