



State of the Nonprofit Sector in 2010

February 2010

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EXECUTIVE SUMMARY

The Nonprofit Leadership Center of Tampa Bay (NLCTB) is interested in determining how the nonprofit sector is faring in 2010 in the face of the recent and ongoing difficult economic challenges. After all, our communities depend on a healthy nonprofit sector to provide the support and services that the for-profit sector is unwilling or unable to provide.

The study undertaken by NLCTB tells us that, overall, those that work or serve in nonprofit organizations in Tampa Bay feel optimistic for the future of their organizations in 2010. Organizations have learned lessons that make them stronger and more capable to operate in an environment that offers fewer resources and more demands.

Based on the study results, NLCTB learned that the adaptations made by organizations trended in the following areas: 1) All possible nonessential expenses were reduced 2) Strategic planning, vision, board engagement and the cultivation of relationships became more critical than ever 3) Marketing efforts, including social media, were increased 4) Nonprofits returned to the core of their mission and began divesting programs that strayed from the core 5) Strategic alliances with other nonprofit organizations were sought voluntarily 6) There was an attitude adjustment to more focus and a sober perspective with cautious optimism for the future.

Despite the overall attitude of cautious optimism, nonprofit organizations continue to worry about more funding cuts and the inability to retain key staff. Nonprofit leaders who participated in this study noted the breadth of commitment demonstrated by their staff and board to maintain service levels while eliminating resources. It is notable that participants feel that these adaptations have given them more skills and they are more prepared than ever to succeed.

INTRODUCTION

The following research and analysis was conducted by the Nonprofit Leadership Center of Tampa Bay. The Nonprofit Leadership Center of Tampa Bay wants to know what nonprofits from the Tampa Bay area are thinking about regarding the business of the nonprofit sector in 2010. Based on an article in the *St. Petersburg Times*, all states are hurting, especially Florida (Varian, 2010).

Nonprofit Leadership Center of Tampa Bay Background

The Nonprofit Leadership Center of Tampa Bay (NLCTB) is a management support organization (MSO) serving Hillsborough, Pinellas, Polk, Pasco, and Hernando counties. Its role is to teach nonprofits the skills needed to have impact, adaptability and sustainability. NLCTB offers educational programs, customized training, and a comprehensive array of resources (Nonprofit Leadership Center of Tampa Bay, 2007).

The Nonprofit Leadership Center of Tampa Bay, inc. (formerly known as the Management Assistance Program, Inc.) was created in 1996 by a consortium of community funding agencies in order meet an identified community need in the area of building the capacity of nonprofit organizations. NLCTB is a 501(c)(3) organization which is supported through grants, individual and corporate support, and program fees. It is governed by a board of directors of community leaders who assist in determining the policies and direction of the organization (Nonprofit Leadership Center of Tampa Bay, 2007).

As a regional asset, NLCTB provides training programs in all aspects of effective and sustainable nonprofit operations. NLCTB also connects the nonprofit sector to extensive resources, as well as connecting the sector to each other through networking opportunities, round table discussions, and vendors serving nonprofit organizations.

With over 12,000 nonprofit organizations in the Tampa Bay area, NLCTB works to support the health and overall operating efficiency of the nonprofit business segment of the community which contributes millions of dollars in community services to the local economy and way of life (Nonprofit Leadership Center of Tampa Bay, 2007).

As NLCTB helps to build the capacity of the nonprofit sector, it is strongly believed that an educated nonprofit workforce and leadership is the best avenue of success for building a strong nonprofit. Peter C. Brinckerhoff states that one of the most important characteristics of a successful nonprofit is “a strong well-educated staff...Any effective nonprofit needs staff who are advocates for the mission, who manage from the bottom up, and who are constantly trained and training. There is no investment more necessary or more neglected than staff education and training” (Brinckerhoff, 2009).

INTERNAL RESEARCH

Pre-Qualitative Research

Overview: The research conducted by the Nonprofit Leadership Center of Tampa Bay deals mainly with attitudes. The research team used a group interview to gain more insight into the participant's feelings and reactions to the current state of the nonprofit sector. Group interviews allow participants to gain different insights and explore their feelings about the research topic. It allows for open participation and an open flow of ideas.

Information gathered during initial interview. On February 3, 2010, Grace Armstrong, CEO of NLCTB, conducted an interview with members from the nonprofit community in the Tampa Bay area. During the interview, Ms. Armstrong informed the participants of the purpose of the research NLCTB was conducting and some questions that would help her with determining the state of the nonprofit sector.

Procedure: NLCTB's board member acted as a facilitator for the group interview. At the group interview, an NLCTB staff member was present to take notes so that the participants and the facilitator could avoid distractions. The group interview was conducted in a neutral setting. The group interview lasted for an hour and a half. Participants included fourteen nonprofit leaders throughout the Tampa Bay area. The following were the questions offered for discussion:

- What changes or adaptations have you made in response to the economic climate?
- What lessons did you learn in 2009 about the business of running your organization that will help you operate more successfully in the future?

- What should nonprofits be doing now to insure viability in the future? What are the keys to being a successful nonprofit in these times?
- If you could say anything at all to a group of funders that might help your organization and other organizations, what would that be?
- What worries you most regarding your organization or the nonprofit sector in 2010?
- Overall, are you optimistic for your organization or the nonprofit sector in 2010?

Questions were asked in this order. Probing questions were asked to gain more insight. Each respondent was thanked for their participation.

Findings: Significant findings from this meeting include:

- Communication at all levels is critical (including between funders, between funders and nonprofits, and among nonprofits)
- Nonprofits must focus on their missions and stop chasing non-mission focused money
- Organizations must have vision and strategic planning and thinking
- Nonprofit workforces are at risk due to unrealistic demands

- Expected outcomes must be relevant and under the organization's control to accomplish (e.g. no one entity can “end hunger”)
- Funding sources must be honest with nonprofits; they must be more flexible
- The power of relationships is critical to ongoing success
- Voluntary, not forced, collaboration is valued and necessary
- Board engagement is a valuable outcome of challenging conditions
- There are continued concerns about ongoing cuts in funding or lower reimbursement rates

RESEARCH METHOD

The research team conducted a quantitative and qualitative study with exploratory intent. A computer-administered survey was used to obtain information from respondents. This type of survey was preferred because of its speed and its versatility of receiving responses as well as a high incident rate and the real-time capture of data. This method allowed for a large number of respondents from the target population to complete the survey in a short period of time using a web site called “Survey Monkey”. Moreover, the responses were error-free since the web survey would not allow any respondent to skip questions or to be affected by the interviewer.

Study Intent

The exploratory survey method was used to measure the opinions of individuals in the nonprofit sector about the state of the sector in 2010. First, the research team evaluated the individual’s perceptions on how their organization handled change in 2009 and then their proposed changes and optimism for 2010.

Data Collection

The research team used a list of e-mails, provided by the NLCTB database, of all current participants of its programs. An authorized email was sent to all individuals containing a link to the www.surveymonkey.com survey. After the research team received enough responses for data analysis, the survey was closed and the results were collected in a web database which was later exported for analysis.

Sample

The targeted population of the study was all individuals who were currently in NLCTB's database. A nonprobability sample design was implemented and an e-mail list was used as the sampling frame that included 5,639 e-mail addresses of currently listed participants. However, only 2,445 e-mail addresses were valid. The total surveys gathered were 155. Four opted out and 33 of the surveys were discarded because the participants had responded to less than 50% of the questions, so a total of 118 surveys were used for the analysis.

ANALYSIS/IMPLICATIONS

The nonprofit sector is no different than the for-profit sector when it comes to facing economic challenges. The strategies implemented by nonprofits to adapt to current conditions were similar to that which any business would employ. Reducing expenses is the avenue of first resort. Based on the results of the survey, seventy-five percent (75%) of respondents reduced every possible expense as an initial strategy. As savvy businesses, nonprofit organizations then followed by beginning to plan more strategically for the future, as noted by 74% of the respondents.

The risk posed to the nonprofit sector in Tampa Bay as a result of dramatic reduction in expenses and having “to do much more with lots less” is staff burnout and the loss of key staff. Thirty four percent (36%) of respondents cut staff in 2009. This does not include other reductions in expenses that affect staff such as reduced hours, furlough days, and cuts in pay. These actions threaten to weaken the sector’s ability to serve the community.

Positive results of actions taken as a result of current economic conditions relate to funder/nonprofit relationships. Nonprofit organizations report more open and honest dialogue with funding sources. Funders, particularly foundations, are being asked to provide funding for operations (as opposed to funding restricted to specific programs), multi-year commitments for funding to allow for better planning, more streamlined application processes, and realistic outcomes. Foundations are listening but it must be underscored that foundations have also undergone reductions due to significant investment losses. The result of these times will be more frequent communication between funder and those funded and more flexibility in the funding relationship.

Another positive result, and a potentially long lasting one, is the seriousness with which nonprofits are focusing on mission. It was notable that respondents consistently stated the importance of sharp focus on the organization's core competency and core business. Nonprofits predominantly will stay with their mission and reduce the frequency with which they chase money that distracts them from the reason they exist. That may make for smaller, but stronger organizations. Another result of avoiding non-core service lines is the opportunity for genuine collaboration and alliances between organizations in order to fill service gaps for clients.

Forty-nine percent (49%) of respondents indicated that they increased marketing efforts in the last two years in response to the current economic climate. This finding coupled with sold out classes in social media courses offered by NLCTB lead us to believe that social media has a role to play in the nonprofit sector (as further evidenced by the overwhelming response to efforts in Haiti). Because these social media marketing efforts require time but very little outlay of cash, this is one area nonprofits can use to move their organizations forward.

Finally, the boards of nonprofit organizations have had to become more engaged because of the significant decisions they have been asked to make. As boards become more engaged their level of involvement and knowledge increases, which makes for a stronger nonprofit sector overall.

CONCLUSION

It is difficult to resist referring to the old Timex slogan “takes a lickin’ and keeps on tickin’” when referring to the nonprofit sector in Tampa Bay. Seventy percent (70%) of respondents express optimism for the future. They have learned to plan more strategically and operate more efficiently. Their focus is sharpened and their relationships are more open and honest. Paying attention to staff retention and satisfaction is critical. The organizations that have come through the last 18 months of challenges are well positioned to serve the community while continuing to seek innovative strategies, relevant partnerships, and sustainable funding.