

# From the Brink of Disaster: Five Steps to a Healthy Organization

Whether or not your organization is in trouble, follow these five steps to be sure you're on track.

By Gary M. Bernstein



It's increasingly common for nonprofit organizations to find themselves on the edge of calamity, with low staff morale, bleak finances, and stale programs. The only cure in such cases is a complete turnaround. Such a recovery depends on taking five key steps (if you're not on the verge of disaster, you can use these steps to assess your organization's health and make needed corrections):

## 1. Get finances under control.

If your organization is in trouble, you likely face poor cash flow, depleted capital reserves, years of accumulated debt, and a fully tapped line of credit. You didn't get into this situation overnight, and you're not going to escape that quickly, either. The board needs to understand that it will be at least three to five years before black ink is seen on the bottom line.

Your priority is to achieve financial stability. Only then can you build back the organization with entrepreneurial pursuits, collaborative efforts, business ventures, and corporate support.

According to Stuart Slatter and David Lovett in *Corporate Recovery* (Beard Books, [www.beardbooks.com](http://www.beardbooks.com)), this initial phase involves "doing things better" rather than "doing better things." Your first tasks should be to cut as many expenses as possible, control overspending, and create a disciplined financial approach.

- **Contact** all vendors, and explain the situation. Ask them to re-bid

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all services or forgive delinquent accounts payable.

- **Arrange** for the executive director, finance director, and treasurer to meet at least weekly until the financial situation is in hand.

- **Review** accounting systems, and change them if necessary.

- **Establish** an audit committee that reports directly to the board.

- **Tighten up** your internal controls. For example, be sure you require multiple signatures on all purchase orders, check requests, and checks signed.

- **Improve** the methods you use to report financial information to board members, staff, donors, and the public.

- **Perform** a critical review of all operations, and purge excess fat and waste.

- **Consider** outsourcing such functions as housekeeping and payroll. According to Slatter and Lovett, "Outsourcing is one way for an organization to achieve a quantum leap in performance improvement."

## 2. Revamp your facilities.

People should receive a positive impression the minute they enter your facilities. Sprucing up your environment will also give employees a morale boost and signal that

you're serious about turning things around. Paying attention to building operations is instrumental to your overall success.

- **Within the first 60 days**, clean your facilities from top to bottom. Invest in fresh paint, new carpet, or whatever else will provide a well-kept, professional look.

- **Arrange** to lease new equipment if necessary.

- **Have an outside expert perform** a complete facility audit. Such a review may result in thousands of dollars in energy savings and resolve safety issues that might lead to costly lawsuits.

- **Make** a clean, welcoming, inviting atmosphere a top priority.

## 3. Be sure you have the right staff, with the right frame of mind.

By the time a turnaround becomes necessary, staff motivation will be low, rumors rampant, and communication poor. You need to confront this situation head-on. You may have to ask some employees to leave, but don't make any serious decisions till you have accurate data.

- **Ask** employees to submit their job responsibilities and daily work schedules. Use this information, along with written job descriptions and your own observations, to evaluate their work performance. Give them feedback about how they're doing.

- **Consider** eliminating or combining certain staff positions. Think about which employees are dispens-

able. Don't make any termination decisions for at least the first few months. But prepare yourself to do so if you decide it's necessary.

- **Engage** all affected people in the change process. Be sure staff members feel they're in the loop and understand what's happening at each stage.

- **Help** employees develop measurable goals. Work with them to connect their goals to your organization's mission and to the changes you want to make.

- **Invite** staff to suggest ways for the organization to improve. Giving them a voice will raise motivation, and you're likely to receive some great ideas, too. Make certain to follow up on their input.

- **As you make changes**, clearly state the new rules so people know what's expected of them.

#### 4. Revitalize your board.

In a troubled organization, the board, like the staff, is likely crippled by weak morale, faulty communication, and unclear expectations. Board members may be confused about their role; for instance, they may be over-involved in day-to-day operations and asleep at the wheel when it comes to finances. Just as with your staff, you need to make open, honest communication a priority while dealing with the fact that some people may have to go.

- **Consider** reshaping the board. Decide whether you need to reduce the board's size, recruit more board members with financial expertise, or make other key changes.

- **Revise** the organization's bylaws and the board's succession plan if necessary.

- **Establish** clear roles for staff and board members so both know exactly what their responsibilities are.

- **Examine** all existing policies, and change as needed.

- **Arrange** for the executive director and board president to meet frequently and work on strengthening their relationship.

- **Be sensitive but firm** in letting

the board know that change is necessary — and that it won't happen immediately. Involve them in creating a short-term plan for change, which will take place over the course of six months or so, as well as a five-year turnaround plan.

Consider outsourcing such functions as housekeeping and payroll.

#### 5. Rebuild trust with the community.

You need to develop trust not only within the organization but with those outside — your donors, funders, stakeholders, and the community at large. Again, openness and candor are the keys.

According to Lou Rubin, managing director of DPrime Consulting ([www.DPrimeConsulting.com](http://www.DPrimeConsulting.com)), "The first issue is, you can't hide. You must acknowledge the problem. People want to forgive, and contrition is an accepted part of our culture. Lying is not."

- **Formulate** a vision the community can buy into.

- **Present** your turnaround plan to your stakeholders.

- **Focus** on bringing a sense of honesty, integrity, and transparency to your organization.

- **Emphasize** to your stakeholders and general community that your organization is a vital part of their world and that it serves many segments of the community in a positive way.

- **Articulate** a clear and concise message to your constituents. You can relay this message through newsletters, community paper, Web site, or whatever media you decide are best.

#### Keep your eye on your mission.

Throughout the change process, use your organization's mission as the compass that directs every decision you make. Keep asking yourself, "What business are we in? What business should we be in?" From a programmatic perspective, for example, ask: Does this pro-

gram advance the organization's mission? Does it make money? If you can't answer yes to at least one of these two questions, take steps to eliminate the program.

As Slatter and Lovett make clear, troubled organizations must direct their resources to the most critical areas. "The key therefore is to rapidly choose the core businesses to focus on."

Your turnaround depends on converting your staff, board, and stakeholders to your side. To do so, you need to keep communicating your core values and mission, clearly and directly, at every turn.

Change is difficult. But your turnaround plan has a good chance of succeeding if you let your mission be your guide. ■

#### Tools for the Turnaround

These *Nonprofit World* articles (available at [www.snpo.org/members](http://www.snpo.org/members)) will provide the background necessary as you assess and improve your organization:

- **25 Ways to Cut Costs** (Vol. 26, No. 2)

- **Is It Time to Rethink Your Board's Structure?** (Vol. 21, No. 6)

- **Building Morale: The Key to Successful Change** (Vol. 13, No. 3)

- **Setting Up a Control System for Your Organization** (Vol. 16, No. 3)

- **The Audit Committee: Why You Need One, How to Form One** (Vol. 6, No. 6)

- **When It's Time for a Turnaround** (Vol. 26, No. 2)

- **Building a Strong Board-Exec Relationship** (Vol. 21, No. 4)

- **The Downsized Workforce** (Vol. 20, No. 3)

- **Board Members Beware! Warning Signs of a Dysfunctional Organization** (Vol. 16, No. 2)

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