

When It's Time for a Turnaround

Follow these steps to transform your organization and ensure a successful future



By Robert D. Katz

Recent times have proven difficult for nonprofit organizations. With contributions down and scrutiny (from board members, contributors, members of the community, politicians) greater than ever before, many nonprofits must face the reality that they have to function more effectively. Operating strategically to generate cash is more critical than ever. That's why more and more nonprofits are asking turnaround firms for financial and management advice, as for-profit firms have done for many years.

What are some of the key issues that nonprofits need to consider? This article takes a look at the more prominent ones.

Start Thinking Out of the Box

Many once-successful, now-struggling organizations have facilities that have become tired, board members who have become complacent, and services that have become bland. Often, these organizations have been devoid of creative

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The solution is to start thinking in different terms. Executives and their boards must do a better job of marketing themselves, generating positive cash flow, and analyzing the repercussions of their expenditures.

If you want to revitalize your organization, you must first restore morale and instill confidence, which typically means doing some or all of the following:

- **Reinvigorate your board.**
- **Renegotiate and extend** your loan agreements to give you time to implement a turnaround plan.
- **Hire** new executives and other key personnel.

- **Develop and implement** profitable programming and operations.
- **Negotiate the sale** of excess assets to generate additional cash flow.
- **Renegotiate agreements** with trade suppliers.
- **Work with the board** to develop capital expenditure plans.

Solidify the Board's Commitment

During difficult times, board members are your best resource. Don't overlook their potential contributions, both financial and operational. You need not only their money but the benefit of the entrepreneurial spirit that made many of them successful.

Let board members know what's needed, how long it will be needed, and when the payback will begin. Give them a reason to support the cause; usually they will.

In a classic example of board members stepping up to the plate, one organization experienced a summer cash flow problem. The

CEO told the board members, "You've given generously of your time and financial support, which we appreciate. We know that most of you make your donations at year end to take advantage of tax benefits, but we could use additional support now." The executive explained how much money was needed, how it would be used, and what the organization was doing to insure that the problem wouldn't happen again. Several follow-up meetings were held with individual board members who wanted a better understanding of the situation. The result: Most of the board members moved up their annual contributions to bridge the seasonal need.

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When things are tough, it's critical that board members commit their time and energy. If you don't have enough dedicated people on the board, now's the time to find them.

When dealing with turnaround situations, some board members may want to maintain a low profile. They may have a hard time making tough decisions, such as laying off employees, shutting facilities, or reducing programming.

Yet it's crucial that they come to grips with the issues. If they aren't willing to confront the need for drastic measures and commit themselves to the turnaround, most likely they'll need to be replaced (see Weisman in "Resources").

People Make the Difference

Some people feel that nonprofit organizations need to settle for less than the best and most capable employees because they can't compensate as well as the for-profit

world. Not only is this untrue, but it's an unacceptable attitude. Nonprofits must strive for excellence and expect nothing else. It's important to find people who are the best at what they do. This search for excellence will eventually permeate the organization (see Tobias in "Resources").

The executive director of one successful nonprofit rarely calls in when he travels on business or vacation. His secret, he says, is to hire excellent people, empower them to succeed, and give them the resources, responsibility, and authority to do so. "If the staff can't hold down the fort for a few days while I'm away," he explains, "then I've failed the organization as a leader and I'll need to find that out sooner rather than later, before it really gets tough." Truer words were never spoken.

Coordinate Publicity

Managing communications is vital to your turnaround. Whether the news is good or bad, chances are the local media will find out. Ignoring the media can become one of your worst nightmares. If you don't give reporters your view of the facts, they'll interpret things their way, and you probably won't like the results. Being proactive instead of reactive is always worth it in the long run (see Lauer in "Resources").

Improve Donor Relations

Empowering your donors is critical. Their contributions go way beyond money. Donors can also provide judgment, networking, business savvy, and vision. To make use of all they have to offer, build solid relationships with them and encourage their involvement.

Manage Your Facilities and Programming

Spotless, well-kept facilities and dynamic programming make a difference. Nothing will make as good or quick an impression as pristine venues and first-rate, new programs. Sparkling facilities and exciting offerings give people a sense of pride and a reason to support the organization. On the other hand,

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dingy, dirty facilities and third-tier programming turn people off. Nobody likes to be associated with second class.

Know Where You're Going

The key factor that separates success from failure is the ability to answer these questions:

- **Where** are you going?
- **How** are you getting there?
- **Who** can help you get there, and how can you partner with them?
- **Can** you overcome obstacles by planning for the worst and implementing for the best?

Turning an organization around doesn't happen by chance. Many nonprofits need to begin by taking a hard look at themselves. That's the best way to cope with the changing environment and prepare a foundation for future success. ■

Resources

Lauer, Larry, "When Reality Becomes Image: Dealing with the Media," *Nonprofit World*, Vol. 12, No. 5.

Tobias, Lester, "Selecting for Excellence: How to Hire the Best," *Nonprofit World*, Vol. 8, No. 2.

Weisman, Carol, "How Can You Eliminate Dead Weight on the Board?," *Nonprofit World*, Vol. 16, No. 5.

These resources are available at www.snpo.org/members.

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