

Nonprofit Turnaround: From Struggle to Success

***Excerpts from Nonprofit Turnaround: A
Guide for Nonprofit Leaders, Consultants &
Funders; 2010***

by Jan Glick

Research Methodology

- National Research Project – first of its kind to investigate nonprofit turnarounds across all nonprofit sectors
- Interviews with 23 turnaround leaders: Interim EDs, Permanent EDs, consultants, funders, others
- Interviewee experience represents over 111 turnarounds, from all-volunteer agencies up to several with budgets over \$10M

What is a Turnaround?

Most common characteristics of serious trouble:

- Obsolete mission
- Extremely weak financial position
- Severe problems with the business model itself or its execution
- Serious problems with people and communications

One of these is a serious problem; 2 or more signify crisis

You Are Not Alone

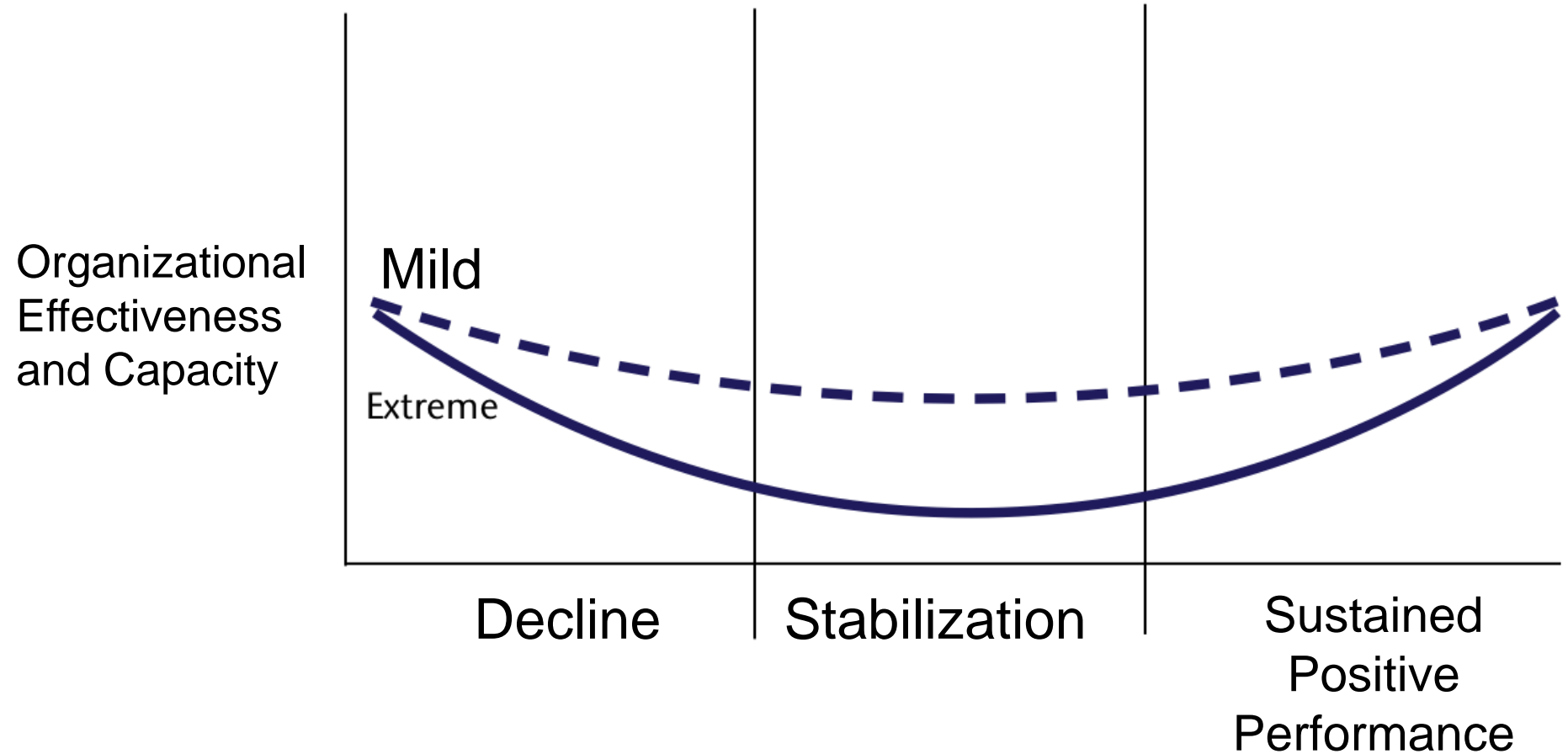
At least 25% of nonprofits face these sorts of problems and most leaders interviewed in 2008 felt the number was higher yet....
And that was prior to the Great Recession!

Here is why.....

Sectoral Factors

- Small scale
- Doing more with less
- Regulatory constraints
- Chronic underinvestment in capacity building and training
- Low executive compensation
- Extreme changes in the financial environment

What is a Turnaround?



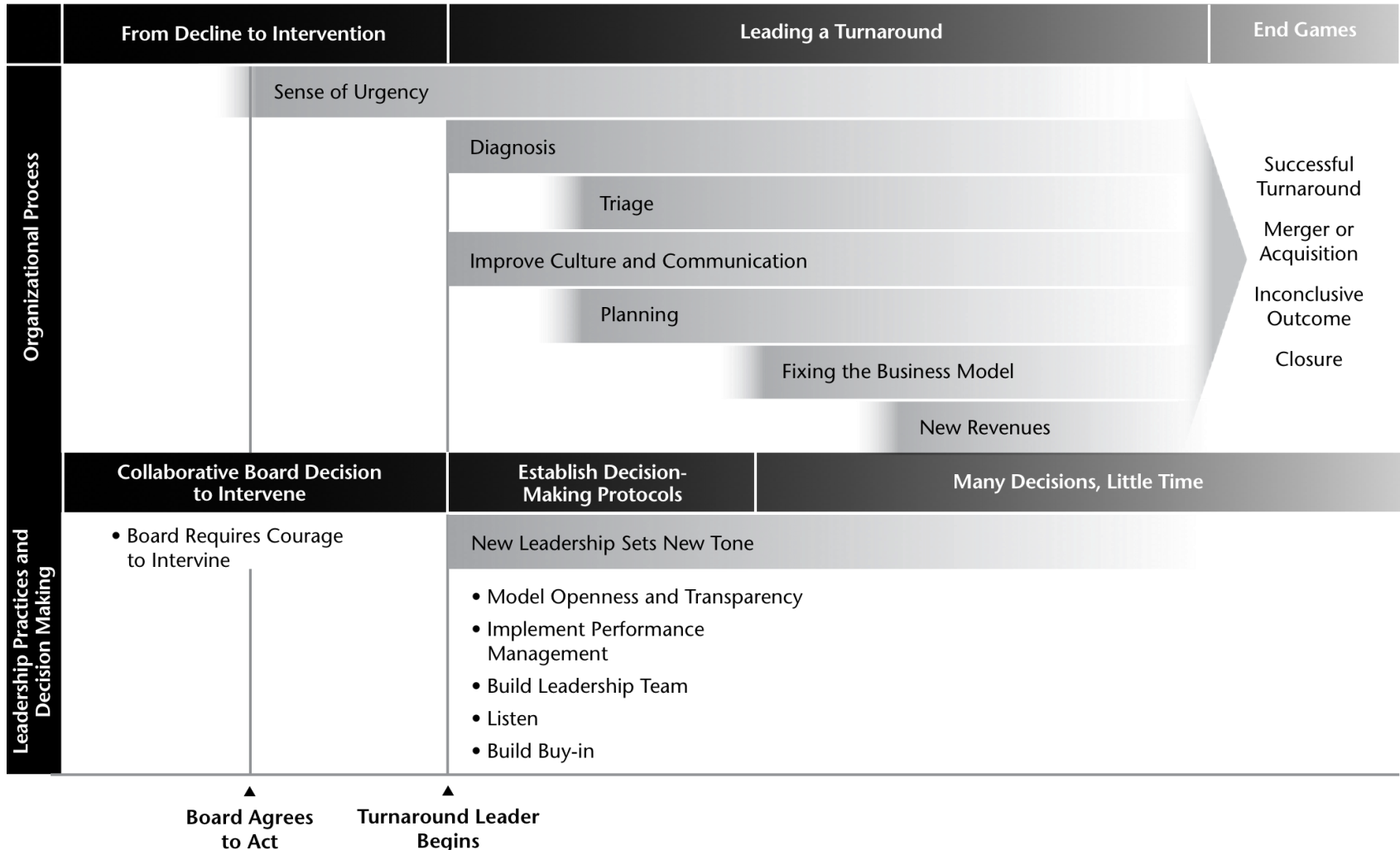
Definition of a Turnaround

Following extreme financial distress and/or operational collapse, the significant and sustained improvement in a nonprofit organization's financial and programmatic performance

Most....

**Nonprofit declines and crises are
caused by factors within
management control**

Anatomy of a Turnaround



It takes courage...

...for the board to recognize the depth
of crisis and initiate a turnaround
process

The Board's Top Priority

When faced with a turnaround situation, after summoning the courage to act, the board's top priority task is to establish the leadership team to guide the effort.

Staff Leadership

- **Find leaders, especially an Executive Director, with relevant turnaround experience**
 - Interim Executive Directors
 - Consultants
 - Permanent EDs – some can be found with turnaround experience, but.....

The Situation Must Be Described In The Search

- If hesitant to fully disclose situation, or that seeking someone with turnaround experience in public, can say:
 - *“Seeking someone who has led significant organizational change processes, including one or more of: organizational restructuring, cost-cutting, and overhaul of internal systems.”*

The Turnaround Process

What to expect and plan for

Diagnosis Processes

- **Success requires a solid situation assessment:** Individual interviews with board and staff required; helps assess culture and communications
- **Accurate assessment of financial position is critical:** Use whatever means are necessary to determine financial position and strength of the organization and each department/program. Financial data must be presented for strategic decision making.

Diagnosis Processes

- **Interim EDs and consultants: Complete enough of assessment in 30 days to allow initial triage steps begin. Permanent executive directors may take somewhat longer.**
- **Assessment builds buy-in from board and staff, brings in new thinking and perspectives from stakeholders, builds teamwork and a culture of reflection.**
- **Assess organizational culture from outset, model open, honest and regular communications with board and staff.**

Initial Triage Steps

- **Once far enough along in assessment, (30 days +/-), be prepared to make initial triage steps, including re-examining the mission, making changes in positioning and/or branding, starting to divest or scale back ineffective programs, terminating ineffective employees and fixing internal systems.**

Improving Culture & Communications

- **Most significant problem in virtually all crises/turnarounds**
- **Strive to establish new culture based on:**
 - Performance management
 - Open, transparent, frequent communications
 - Teamwork

Address Cultural Obstacles

- **Ineffective mindsets:** Can't make a "profit," can't spend on capacity building, all decisions must be consensus
- **Organizational, board/staff conflicts,** issues have been personalized
- **Staff emotionality** regarding rapid assessment and change especially when programs are cut or changed & if staff turns over

What is a Business Model?



Fix Business Model Elements

