Perspective

Amid a Wave of Nonprofit Closures, A Look at Four Areas that Demand Attention

By SHERRY MAGILL

In the last 12 months, Jacksonville's nonprofit community has experienced what must be an unprecedented number of nonprofit closures and mergers. Community Connections, serving at risk women and children – out of business. JCCI, conducting community research and building civic will – out of business. The Bridge of Northeast Florida, a youth-serving nonprofit – merged with Boys and Girls Clubs of Northeast Florida. These are just a few examples.

These organizations were not shaky startups. These nonprofits had been working in the community for 30, 40 and more than 100 years.

In addition to these well-publicized changes are a host of less widely-known instances of established nonprofits struggling to survive. Their leaders come to funders such as the Jessie Ball duPont Fund seeking financial support and professional help. We hear their stories, and we know their difficulties. And all too often, we sit with our fellow funders in the community and ask, "What is happening here?"

Having seen and heard so many of these stories in the past 12 months, and knowing what we do about the state of the nonprofit sector, I think there are four answers to that question.

Not Just a Leader; The *Right* Leader

There is a lot of talk about leadership transition in nonprofit circles today, but most of it is about the *process* of transition and not very often about the personalities in transition.

Leadership is about people, and great leaders are people with unique characteristics. As we go through the natural generational change of nonprofit CEOs some great leaders have retired – Pat Hannan at Community Connections, Davy Parrish at The Bridge and, recently, Susan Main at the Early Learning Coalition.

These and others like them led with passion and commitment. They were not mechanics or bureaucrats; they ate, slept and breathed their work. They brought an entrepreneurial, highly focused energy to their programs, their management and their fundraising. They understood challenges, and they knew how to partner with others.

Leaders such as these are hard to replace. Boards may sometimes feel rushed to find a successor but they do the community, the organization and themselves a disservice when they hire an inexperienced or inappropriate leader.

While we never expect newer and younger leaders to have all the wisdom of those they follow, we should expect that once hired, new leaders will benefit from boards that invest in developing and deepening their talents. Board leadership must stay engaged: hire a coach; remain deeply connected; always be available to the new CEO. Funders would much rather help an organization extend a search to get the right CEO or invest in the new CEO's development than be asked to bail out the organization after a hasty or inappropriate hire goes bad.

It is challenging work to lead and manage a business – but that's what nonprofit leaders are called upon to do day in and day out.

Board Involvement in Times of Leadership Transition

A downside of a strong CEO can be the complacent board. A deeply experienced CEO has the business well in hand, and the board may not be called upon to do much. Newly-appointed board members may not appreciate the full scope of duties that they may someday be called upon to perform.

When the seasoned CEO departs and the board continues business as usual with a much-less experienced CEO -- not understanding that this is exactly the time to make sure the new CEO has everything he or she needs – things can easily turn south.

I recently asked a board chair, whose organization had essentially gone broke, how the board allowed that to happen. Didn't they get reports? Didn't they ask questions about finances? "We believed what we were told," the chair said. Shame on the board.

While board members should not work as adversaries to the CEO, they must ask helpful questions about financial stability, especially stability over time. Having a one-shot understanding of an organization's finances – its grants, its individual gifts, its government contracts – isn't adequate. Understanding finances is an on-going, basic board responsibility. Sadly, too many board members are much more interested in the program work than in the financial stability of an organization. They do not help CEOs, particularly new CEOS, if they are unwilling to deeply understand an organization's financial position, and they cannot wait to seek this understanding until a seasoned CEO announces his or her departure, or worse, after that person departs.

A Highly-Competitive Fundraising Environment

The CEO's job is to run the business. In the for-profit world that means product development and selling goods and services. In the nonprofit world, it means raising the money. Too many nonprofit CEOs – and their boards -- seem naïve about contemporary fundraising challenges, and the dramatic changes since the 2008 economic collapse.

At the Jessie Ball duPont Fund, we actively monitor individual giving in the communities where we work. We have seen a hollowing-out of steady middle-class donors across multiple communities.

Our research shows that Northeast Florida lost 28,600 individual donors between 2006 and 2014. Adjusted for inflation, contributions are down 5%, or about $48 million. Most of this loss happened during the Great Recession but, despite the extraordinary generosity of many high-wealth donors, community giving simply hasn't rebounded.

Fundraising is harder than ever, yet it is the No. 1 task of the board and CEO. It doesn't matter how great the program is, if an organization can't pay staff, pay rent or buy materials, it will go out of business.

The Required Adaptive Capacity

Sometimes the landscape just shifts. Funders change course. Government defunds and changes policy. Technology makes certain services obsolete. Demographic shifts reduce demand. In today's world, nonprofit CEOs (like for-profit CEOs) must pay constant attention (see The *Right* Leader), keeping the enterprise nimble enough to respond to external changes.

Unfortunately, these changes often are difficult to understand, especially when the change unfolds gradually over a period of years. We cannot afford to think that what we have always done we will always do, or what donors have historically funded they will always fund, or what government policy exists today will exist tomorrow. Leaders of community organizations must anticipate change, helping their constituents and donors understand change and position their nonprofits for success in an uncertain future.

At the Jessie Ball duPont Fund, we do not believe that every nonprofit must survive or that adapting to changing circumstances is not overdue in some instances. But we do not like to see people in communities lose services and opportunities because nonprofit leadership fell short.

It is challenging work to lead and manage a business – but that's what nonprofit leaders are called upon to do day in and day out. This is a tall order, especially in a time of sweeping demographic and technological change.

It is incumbent upon the rest of us – board members, donors, and policy makers alike – to understand the challenges our nonprofits face and make sure that we do no harm as they work to make our community a healthier, better place.

Sherry Magill is president of the Jessie Ball duPont Fund.