

SURVIVAL OF THE NONPROFIT ORGANIZATION IN AN ECONOMIC CRISIS

By

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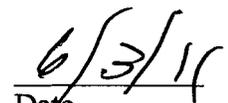
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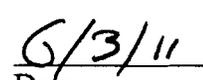
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Date

## **DEDICATION**

The achievement of this important milestone is dedicated to my parents,

Mr. Juan C. Turner and Mrs. Santos A. Turner

I am thankful for their steadfast faith in God and demonstration of His love to me.

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## **Executive Summary**

The national and local economic crisis remains a serious concern to society. With one of the highest budget deficits nationwide, California Governor Edmund Gerald Brown, Jr. (Jerry Brown) is taking drastic budget saving measures. Numerous budget allocations for State agencies have been reduced. In turn, the Department of Developmental Services (DDS), the agency who provides services to developmentally disabled persons, as mandated by the Lanterman Act, has changed policy priorities. These changes have occurred despite the increase case loads and costs to purchase services for their clients.

As the government becomes more restrictive on government assistance, the demands on nonprofit human service organizations, such as California Nonprofit Organization (CNO), have increased. Nonprofit organizations are acknowledging the reality that they can no longer rely on government funding. However, in seeking non-governmental funds, they have found that individuals, corporations, or foundations have reduced or stopped giving.

In these challenging economic times, CNO is in survival mode and operating more like the private sector regarding transparency and accountability. They are engaging in organizational change and making new policy decisions to improve overall performance and help minimize the risk of further economic crisis. The overall study of this matter determined that the following policy alternatives should help CNO mitigate the problem:

1. Develop a strategic plan
2. Develop fund a development and marketing plan
3. Collaborate with a compatible nonprofit organization.

## **Chapter 1: Introduction, Purpose, and Significance of Study**

### **Background of the Problem**

The economy is slowly on the road to recovery, but many states like California remain in an economic crisis. Governor Jerry Brown is responsible for managing the affairs of the State of California, including the State budget. In managing states, “budgeting is the single most important decision-making process in public institutions”; “It specifies the ways and means of providing public programs and services; it establishes cost of programs and the criteria by which these programs are evaluated for efficiency and effectiveness; it ensures that the programs will be reviewed or evaluated at least once during the budget cycle” (Shafitz, Russell, & Borick, 2003 p. 436). Laws and regulations are in place to dictate what organization, bureau, agency, or department will administer a program and manage the allocated funds.

The State budget was balanced during 1998-99; however, one year later, General Fund revenues increased by 23 percent. This was the result of a stock market and dot-com boom, which increased stock option and capital gains income. The surge in revenues resulted in new spending commitments. When these revenues declined, instead of reducing underlying program commitments, the State relied on one-time measures, such as borrowing. This created the structural deficit. Although there was revenue growth again during 2005-06, the revenue was used to repay loans. During 2009, revenues continued to decline by approximately \$15.1 billion (14.7 percent) and spending continued to increase by \$1.5 billion (1.5 percent) (Governor’s Budget 2009-10). During 2010-11, the budget deficit grew to 19.9 billion (Governor’s Budget 2010-11). Governor Brown’s Proposed Budget Summary for 2011-12, reflects a budget deficit of \$25 billion.

The partnership between government and nonprofit organization is essential to society. The Nonprofit Quarterly reports that the impact of the downturn on nonprofits has a couple of determining factors that make the economic environment more dangerous: 1) the State's budget and 2) the level of unemployment (The Nonprofit Quarterly, 2009). For 2009, California's State budget deficit ranked the highest in the United States at approximately \$20 billion and its 2009 unemployment was rated at a record high of 12.2 percent. As indicated above, currently the budget deficit is at \$25 billion and unemployment rate has remained steady and as of March 2011, is currently 12.0 percent (Employment Development Department, 2010). Governor Brown reports that additional budget cuts will be necessary in order to ensure that the State will have adequate resources to meet its obligations. Numerous State agencies will be subjected to additional budget reductions, including the Department of Developmental Services (DDS). DDS is the agency that is mandated under the 1969 Lanterman Developmental Disabilities Act (Lanterman Act) to provide adults and children with developmental disabilities rights to services and support that they need to live independently.

### **History of the Law**

Prior to 1969, services for persons with developmental disabilities were basically provided in State-operated institutions. In 1969, the Lanterman Act, named after Assemblyperson Frank D. Lanterman was introduced and became part of the California Welfare and Institutions Code (WIC), Section 4500-4905. The Lanterman Act section 4501 states, "The State of California accepts a responsibility for persons with developmental disabilities and an obligation to them which it must discharge. Affecting hundreds of thousands of children and adults directly, and having an important impact on the lives of their families, neighbors and whole communities, developmental disabilities present social, medical, economic and legal

problems of extreme importance.” The purpose of the law is to prevent or minimize the number of developmentally disabled people living in institutions and removed from their family and community, and enable people with developmental disabilities to have the same type of lives as people of the same age without disabilities, and to lead more independent and productive lives in their communities. The term developmental disability refers “to a severe and chronic disability that is attributable to a mental or physical impairment that begins before an individual reaches adulthood. These disabilities include mental retardation, cerebral palsy, epilepsy, autism, and disabling conditions closely related to mental retardation or requiring similar treatment.” (Golden Gate Regional Center, n.d.). Under this law, the State is legally responsible to provide care for the developmentally disabled persons in California.

### **Department of Developmental Services**

The State of California Department of Developmental Services (DDS) has oversight over this program. Currently, the DDS serves approximately 246,000 persons who are developmentally disabled in the communities and 1,979 individuals in State operated facilities. They perform this responsibility by contracting out with the 21 Regional Centers (RCs) throughout California. The RCs duties include performing intake and assessment for diagnosis and eligibility determination, individualized planning and coordination of services, advocacy, and family support, quality assurance, and technical assistance and training to its service providers. During 2009-10 DDS suffered a budget reduction of approximately \$334 million in general fund, and in 2010-11 an additional 200 million. Also, payments for community services were cut by 3 percent in 2009-10 and 4.25 percent in 2010-11. Governor Brown’s Budget Summary for 2011-12 reflects that the proposed funding for DDS is \$4.5 billion (\$2.4 billion General Fund). This includes a reduction in \$750 million to their general funds and continues

the community service provider payment reductions of 4.25 percent (Department of Developmental Services, 2011). These impacts trickled down to Department of Developmental Services (DDS) service providers throughout California. For the purpose of this study, one such service provider will be referred to as California Nonprofit Organization (CNO). “Budget deficits not only drive cuts to nonprofit service providers but also affect the availability of government-delivered services” (Cohen & McCambridge, 2010).

Overall, the threat of State funding remains a serious issue to nonprofit organizations. CNO and other nonprofit organizations will be forced to explore alternative funding to meet growing demands and improve their financial growth and stability. A starting point is to educate the stakeholders of the current state of affairs and the scope and severity of the problem. After that point, common elements needed in creating change for an organization are executive support, commitment, communication, and urgency. Brainstorming of innovative ideas is necessary in seeking alternative strategies of intervention to mitigate the problem. Once alternatives are identified, evaluated, and selected, organizations should develop strategic plans that include a vision, plan, incentives, performance management, and assignment of accountability.

### **Statement of the Problem**

CNO, a DDS service provider who provides programs and services for developmentally disabled adults and children, operates primarily on funding from the State of California. Due to the State’s current budget deficit and forecast, this organization can no longer rely on these funds. Lack of funding will seriously affect many disabled adults and children who rely on this organization to provide essential educational, employment, and social needs. CNO should take

proactive steps to survive organizationally during this economic crisis, mitigate the problem, and ensure financial growth and stability.

### **Methods and Procedures of the Study**

The policy analysis approach follows the “Eightfold Path to More Effective Problem Solving” recommended by author Eugene Bardach. This includes: 1) Define the problem, 2) Assemble evidence, 3) Construct alternatives, 4) Select the criteria, 5) Project outcomes, 6) Confront the trade-offs, 7) Decide, and 8) Tell the story (Bardach, 2009). My research focuses on analyzing the California State budget deficit and its impact on the State of California Department of Developmental Services (DDS), and nonprofit organizations. Particular attention is given to a California Nonprofit Organization (CNO). A review of data will help me gain a better understanding of CNO’s organizational foundation, its mission, its budget, the Lanterman Act, and alternatives that can help mitigate the problem. The process includes

- Review literature
- Review State budget allocations for DDS, Regional Centers (RC), and CNO
- Research and analyze demographic and economic information
- Research current law and proposed law relating to developmentally disabled persons program and services
- Research marketing and fundraising strategies for nonprofit organizations

Confidential and ethical considerations were followed according to approval from California State University, Bakersfield, IRB (Appendix A). Based on the analysis of the aforementioned, the following discusses the findings and policy recommendations.

**Importance of the Study**

The importance of the study serves as practical value to California Nonprofit Organization (CNO) and other nonprofit organizations. As California continues to face economic hardships, nonprofit organizations can no longer depend primarily on State funding. The results of the study provide nonprofit organizations with information necessary to bring about organizational change and help identify alternatives to improve performance. If CNO and other similar providers remain status quo, they will remain vulnerable. Generally, when something affects a large group of people, it becomes a government problem. Therefore, this study is of importance to the public at large.

## **Chapter 2: Statement of the Problem**

### **Definition of the Problem**

Over the years, there have been different approaches to dealing with persons with disabilities including the Traditional Model, Medical Model, and Social Model Thinking Approach. The Traditional Model Approach was used prior to the 18th century. This dealt with persons with disabilities as if they were demonic, under the spell of witchcraft, or accepted as people being punished by God. After the 18th century came the Medical Model Thinking approach (The History of Attitudes, 2007).

The Medical Model Thinking approach involved a more scientific understanding of causes for many impairments and disabilities. Within this approach came the confidence that medical science could cure disabled persons. Notwithstanding this, disabled persons were viewed as a problem and many that could not be cured were sent away to institutions or isolated at home where only their basic needs were met. Those that remain among the non-disabled just “had to adapt”. This disability movement viewed the difficulties disabled persons experienced as the barriers that disabled them and kept them from having a chance to enjoy life. This included school, work, transportation, housing, and other leisure activities. These views were reinforced in society through books, film, media, comics, art, and language. Instead of helping the perception of disabled persons, the Medical Model Thinking approach to some extent continued the non-disabled person’s perception of disabled persons’ worth and value to society (The History of Attitudes, 2007).

The Social Model Thinking approach looks at persons with disabilities differently: all disabled adults and children have the right to belong and be valued in society. This approach concentrates on strengths of the disabled person and focuses on the causes to that create physical impairments. Some causes are wars, hunger, and lack of clean water, child abuse and other.

This approach is about changing the attitudes and prejudice towards people with disabilities.

This model is current and has been accepted by the World Health Organization (The History of Attitudes, 2007). The following demonstrates the comparison of attitudes between medical and social thinking approach.

### **MEDICAL MODEL THINKING**

### **SOCIAL MODEL THINKING**

Child is faulty	Child is valued
Diagnosis	Strengths and needs defined by self and others
Labeling	Identify barriers and develop solutions
Impairment becomes focus of attention	Outcome –based program designed
Assessment, monitoring, program of therapy imposed	Resources are made available to ordinary services
Segregation and alternative services	Training for parents and professionals
Ordinary needs put on hold	Relationships nurtured
Re-entry if normal enough or permanent seclusion	Diversity welcomed, child is included
Society remains unchanged	Society evolves

(Adapted from Micheline Mason 1994, R. Risser, 2000)

It is through the increasing awareness of human rights, successful lawsuits, and development of laws that protect persons with disabilities in employment, housing and public accommodations that have helped change societal attitudes. California Nonprofit Organization (CNO) also contributes to this cause in that they offer programs and services to help developmental disabled persons become independent and integrate into their communities. For instances, CNO offer recreational centers that provide activities such as reading, math, music, and cooking; financial literacy programs that enable a person to pursue an education, purchase a home, or start a business; and, treatment for adolescent and adults with alcohol or drug abuse

problems, affecting their physical, psychological, social, or occupational functioning (California Nonprofit Organization, 2011).

The problem remains that the downturn in the economy continues to impact nonprofit organizations on a national, State, and local level. “The reports from the Center on Budget and Policy Priorities and the National Conference of State Legislatures tell us that almost every state faces distressing budget deficit levels. Some are more significantly more than others” (Cohen et al., 2010). Generally, when states are faced with budget deficits, they respond by cutting expenditures and raising taxes. States make cuts to counties and cities revenues which create additional cuts at local levels. Also, stressed state budgets affect nonprofits including, “Late state payment of contracts, or delays in signing contract for work that is ongoing in prompt-pay states, creates additional administrative burdens for nonprofits already stretched thin and forces nonprofits to act as unwilling lines of credit for the state” (Cohen et al., 2010).

For California, not all legislators agree about raising taxes; therefore, it is likely that critical social programs typically used and serviced by nonprofits will continue to be impacted. As Governor Brown reshapes the State’s priorities to deal with the budget deficit, Department of Developmental Services (DDS) follows suit. For example, the DDS will pursue the following system proposals:

- Pursue additional federal funds for treatment services for individuals living in the Porterville Developmental Center
- Continue the 4.25 percent reduction to regional centers and service providers
- Continue the Proposition 10 funding which represents \$50 million in reimbursement funding

- Maximize federal funds associated with Medicaid Home and Community-Based Services Waiver, and associated with Intermediate Care Facilities
- Set parameters on the use of State monies for expenditures of regional centers and providers which in turn will allow for increased accountability and transparency
- Establish statewide service standards for use when purchasing services for consumers and families (Department of Developmental Services, 2011).

Department of Developmental Services (DDS) is also seeking a new approach to meeting its mandate of assisting developmentally disabled citizens establishing parity with citizens without disabilities. Recent statutory changes to the California Welfare and Institutions Code require programs that focus on placing disabled persons in employment settings versus the traditional recreational setting. The focus is deinstitutionalizing persons with disabilities and closing down institutions. With the aforementioned changes, it is anticipated that DDS will have significant savings to the General Fund (Department of Developmental Services, 2011).

The effects of State budget constraints vary from organization to organization. The Aspen Institute's "Fiscal Crisis in the States: Impact on Nonprofit Organizations and the People They Serve" report reflects nonprofits have taken an average of 15 to 30 percent cut a year during the last two years (Egan, 2011, p. 2). A Guidestar online survey taken in June 2009 wherein 2,279 usable responses showed that among nonprofits 54 percent reported a reduction in the services their organization provided, 44 percent froze staff salaries, 35 percent reduced their budget, 33 percent instituted hiring freeze, and 29 percent laid off employees (McLean & Brouwer, 2010).

The State of California Department of Finance "P-2 short-term Statewide Population Projections 1995-2015" report reflects that the population in California is expected to increase by

approximately 6.56 percent (considers births, deaths, and net migration). DDS 2011-12 Budget Highlights reflects that the number of persons with developmental disabilities in the communities served by the regional centers is also expected to increase in the year 2011-12 from 246,000 to more than 250,000 (DDS Budget Highlights, 2011). Additionally, the costs of purchasing services for their clients have increased. “Between 1997 and 2007, the cumulative growth rate for purchase of services (POS) dollar in the regional center system was approximately 246 percent while the community caseloads grew by just under 60 percent. Adjusted for change in the California Consumer Price Index (CA CPI) the POS increase was approximately 156 percent” (Sustaining the Entitlement, 2010). In Kern County, the estimated population is 807,407. Of this, 129,624 represent persons with disabilities (U. S. Census Bureau, 2011). This accumulated information supports that the need for services for persons with developmental disabilities remains essential to California.

In the face of this economic crisis, reports also reflect an increased demand for nonprofit organization services. A United Way case study conducted revealed an increase in demand for services. In part, it reported

- A 68 percent increase in number of calls for help with items such as food, shelter or clothing
- An number of contacts from homeless families doubled in 2008 receiving 10,000 to 15,000 more calls each month in comparison to the contacts received in 2007
- A backlog in securing food stamps and other benefits to homeless families (The Quiet Crisis, 2009).

“In California, local nonprofits are witnessing the worst-ever crisis of homelessness and a lack of food and shelter due to the increase unemployment rate and wave of home foreclosure” (The

Quiet Crisis, 2009). A Guidestar 2010 study about how charitable organization performed during January through May of 2010 revealed that of approximately 7014 responses, about 40 percent reported declines in contributions and 60 percent showed an increase in demand for services (McLean & Brouwer, 2010).

As federal and State funds decline, nonprofit organizations are unable to meet these increased demands. As they search for non-government funds, the reality is that the economic crisis has affected many others and giving as a whole has decreased. A 2009 report titled *The Quiet Crisis: The Impact of the Economic Downturn on the Nonprofit Sector* reflects “For more than 1 million nonprofits in this country, the biggest donations come from government, corporations, foundations, and the ultra-wealthy. Already, research shows that the numbers of donors fell a median of 3.8 percent in the first half of 2008, compared to a year earlier” (The Quiet Crisis, 2009). “Also, during this time, nonprofit revenues declined a median of 2.4 percent” (The Quiet Crisis, 2009).

With continued budget reductions and increase in the disability population and service demands, the conduct of business as usual by California Nonprofit Organization and many other nonprofit organizations is no longer a viable option. Nonprofit organizations are seeking best practices for organizational change to deal with the impacts of the economic crisis. Organizational change is planned and managed processes which help organizations move from their current state to a desired future state; ultimately, to help minimize the risk of further economic crisis. It allows for organizations to assess their current status, align existing resources to their missions, improve employee performance and services to customers, provide a mechanism to anticipate changes and respond to these efficiently, and lower the risk associated with change. In implementing organizational change, “Leaders are encouraged to consider the

specifics of their individual organization's situation in some detail when reflecting on possible financial impacts of their organizational designs" (Skipper, 2009). Three important areas of concentration should include mission, people, and operations. Mission is the reason for the organization's existence, people's actions cause the organization's mission to be realized, and operations are what will get the work done (Skipper, 2009). Organizational change will vary from organization to organization. The type and extent of change depends on the organizational structure, central concepts, leadership, and leadership challenges (Bolman & Deal, 1997).

### **Major Stakeholders**

Major stakeholders are State and local city and county government, the Department of Developmental Services (DDS), local Kern Regional Center (KRC), California Nonprofit Organization (CNO), Kern County service providers, developmentally disabled clients and their families, citizens of Kern County, policy advisors, and disability advocacy groups. It is important for political stakeholders to work with the target population and service providers to develop strategies that will get the most effective support for their programs. All stakeholders should remain connected to promote and enhance the Lanterman Act, including legislative changes that will guarantee specific amount of funding. At the local level, service providers and disability advocacy groups should continue to speak out to the community about the concerns and impacts of having a disability. It is through this education that societal attitudes towards persons with disabilities take a positive change and support is gained.

### **Goals and Objectives**

1. Develop a strategic plan
2. Develop a fund development and marketing plan
3. Collaborate with other nonprofit organizations or business

4. Recruit volunteers.

### **Measure of Effectiveness**

Evaluation criteria are important to making policy decisions. Bardach states that selecting the criteria is all about “value judgments” (Bardach, 2009, p. 26). Based on this particular policy analysis, the criteria chosen are efficiency, effectiveness, feasibility, equality, legality, and spillovers. The efficiency criterion will consider the cost effectiveness and net benefits. The effectiveness of the policy alternatives is dependent on whether the developmentally disabled persons will continue to receive adequate levels of service. Feasibility determines whether the alternative is doable. Equality criteria evaluate whether burdens or benefits are being shifted and the fairness of the shift. The legal criterion will weigh the alternative to determine whether it complies with legal mandates. The impact of spillovers will be taken into consideration when choosing an alternative. When considering spillovers, the alternative or solution should outweigh the expected or unexpected counter effects on others. Essential to the application of evaluation criteria is whether the projected outcome will solve or mitigate the policy problem.

### **Potential Solutions**

1. Remain status quo
2. Immediately assign or hire a consultant to develop a strategic plan for the years 2011 through 2015
3. Immediately assign the organization’s marketing consultant to develop a fund development and marketing plan for the years 2011 through 2015 that includes marketing the organization, increase the number of annual fundraising events and applications made for federal grants (for example, through [www.grants.gov](http://www.grants.gov)),

foundation grants (for example, through [www.foundationcenter.org](http://www.foundationcenter.org)) or private sector and corporate grants

4. Within the next 24 months, network and establish collaboration with one nonprofit organization that has common social interest
5. Immediately begin to recruit and train volunteers.

### **Chapter 3: Policy Alternatives**

*“Values always decay over time.  
Societies that keep values alive do so not by escaping the process of decay  
but by powerful processes of regeneration.”  
John W. Gardner*

Although there is no specific date known for the end of this economic crisis, trends, impact studies, and forecasts help organizations plan. What processes of regeneration should California Nonprofit Organization (CNO) and other nonprofit organizations take to keep their values alive and manage their operations during this economic crisis? Articles reviewed discuss what processes or action steps nonprofit organizations are taking to survive the economic challenges.

#### **Description of Alternatives**

##### **Status Quo**

Through the mandate under the Lanterman Act, the Department of Developmental Services (DDS) and as a selective Kern County vendor, CNO is guaranteed State funds each year. Over the past five years, CNO’s operating budget has been cut. The 2010-11 operating budget is \$8 million. The impacts of budget cuts for 2009 included a loss of about \$600,000 in annual revenue, cuts to the social recreation programs, and layoffs of nine people. The closure of the recreation program affected approximately 80 clients. During 2009, CNO faced a budget reduction of 3 percent, and in 2010 an additional 1.25 percent for a total reduction of 4.25 percent. The budget reductions for 2010 were absorbed by the organization with no impact to additional positions, programs, or services. The 4.25 percent is scheduled to continue through 2012. By remaining status quo, CNO can continue to provide services to the developmentally disabled community of Kern County. However, the policy question for management is whether

the level of service they can provide adequately meets the needs of their clients, families, and local communities.

### **Transparency, Communication, and Strategic Plan**

With the diminishing financial resources, ...“donors now require not-for-profits to provide financial accountability, transparency, managerial efficiency and an appearance of strategic aggressiveness similar to their counterparts in the for-profit industry” (Bezjian, Holmstrom, & Kipley, [2009] p. 1). Considering the need for financial resources, a new paradigm exists in that nonprofit organizations are operating more like the private sector regarding organizational legitimacy to receive current and future support from donors. In addition, until recently, nonprofit managers “considered themselves exempt from commercial influences and shareholder demands for profit maximization” (Bezjian, et al., [2009], p. 2). This too is changing. Strong managers are critical to the success of an organization including being competent, visionary, risk-taker, problem solver, and of an entrepreneurial nature.

Organizations are embracing modern technology to help them become more efficient. With a decrease in financial resources, nonprofit organizations are reassessing their organizations and becoming more mission focused. They are focused on survival. The shift in managerial methodologies for nonprofits are “...difficult given that most not-for-profit managers lack vision and experience to dealing with economic turbulence...” (Bezjian, et al., [2009], p. 3). Generally, nonprofits focus on short-term financial gains versus long-term success strategies. “Extant literature from successful industry leaders makes a compelling case for the clear and explicit vision and mission state of the organization, ‘strategic clarity’”(Bezjian, et al., [2009], p. 3). It is important for nonprofits to demonstrate legitimacy through their leadership, organizational vision and mission, and through social tangible profits. This helps receive support from donors

and enhance organizational legitimacy. Therefore, through proper strategic planning an organization can help mitigate problems.

A survey conducted by The Bridgespan Group collected information from nonprofits of what action or steps were taken to manage their organizations during difficult economic times. They discovered that many are reinforcing the organization's values and redefining or clarifying their mission. They are protecting their core programs and services and doing without the less critical activities. Many are developing strategic plans so that they act quickly and not reflexively. These plans include managing cost more aggressively, staying close to key funders, consolidating programs, and cutting expenditures (Bridgespan, 2008).

Traditional steps taken by nonprofits to manage tough economic times are raise funds, reduce costs, and retract services. "Very few consider options such as modifying their mission, collaborating with others, or advocating for public policy" (Post, n.d). These options work better and are long-term. The purpose of clarifying an organization's mission is to assess the direction for the future. Strategic planning allows for stakeholders to identify the problems, identify the organization's strengths, weaknesses, threats, and opportunities (known as a SWOT analysis), establish criteria for success, and identify viable strategies.

"Organizations that want to survive, prosper, and do good and important work must respond to the challenges the world presents. Their response may be to do what they have always done, only better, but they may also need to shift their focus and strategies." (Bryson, 2004, p. 4). "Many authors argue that strategic planning can produce a number of benefits for organizations (for example, Nutt and Backoff, 1992; Barry, 1997; Nutt, 2002)." (Bryson, 2004, p. 11). Benefits of strategic planning include strategic conversation among key stakeholders, improved decision making, enhanced organizational effectiveness, enhanced effectiveness of

broader societal systems, and directly benefit the people involved. Although a well-planned strategic plan can provide these types of benefits, there is no guarantee that it will. Also, strategic planning is not always recommended. For example, reasons may include that the organization may need to remedy a cash flow crunch or fill a key leadership position before they undertake a strategic plan. Additionally, the cost of a strategic plan or time that it takes to complete may outweigh the benefits, or for a small organization, they may prefer to rely on intuition and vision of their leader (Bryson, 2004).

“Strategic planning has become a good approach for nonprofit success. Helmig, Jergers, and Lapsley (2004) argued that although strategic planning has been found to be an effective method to help nonprofits succeed, it can be challenging. Not all organizations see strategic planning as the best way to plan for success, because it can be hard to establish their mission and purposes and have the opportunity to show their dedication to improve the overall quality of life for society as a whole” (Franklin, 2011, p. 29).

The primary goal of a strategic plan is to improve the organizations overall performance. Research about the relationship between strategic planning and nonprofit organization performance found that strategic planning is the critical part of strategic management which helps organization to prepare effectively to become a high performance organization, regardless of whether the organization is for profit or nonprofit (Franklin, 2011).

### **Development of an Integrated Plan of Fundraising and Marketing**

“Nonprofit institutions that do well used to think they didn’t need marketing” (Drucker, 2009, p. 53). Drucker explains that an organization needs to market its service, which is a matter of doing research and knowing its market. “You have to know what to sell, to whom to sell, and when to sell” (Drucker, p. 54). Similar to a strategic plan, a fundraising and marketing plan

focuses on the organization's mission and should focus only those things that the organization is competent of doing. It should be an organization's first basic strategy task. The marketing consultant should assume responsibility to know the customers. The purpose of the strategy to raise money is to allow the organization to fill its mission "without subordinating that mission to fundraising" (Drucker, 2009, p. 56). Because of this, nonprofits have changed the reference from fundraising to fund development. The difference is the idea of "begging" for money versus building a constituency to support the organization. This concept appeals to a person's heart, not their head, educates the donor about the organization, and establishes long-term donor relationships. In turn, this approach improves financial performance.

Author Mal Warwick (2009) discusses how nonprofit organizations must be proactive and develop an integrated plan of fundraising and marketing to help financial performance.

Warwick recommends the following nine steps:

1. Reassess fundraising, marketing, and communications
2. Strengthen your case by giving
3. Stick with what works
4. Cut costs with a scalpel, not an ax
5. Fish where the big fish are
6. Be attentive to your donors
7. Do due diligence
8. Step up your efforts online
9. Break down the silos.

"Accountability mechanisms and systems are essential to management practices"  
(Warwick, 2009, p. 1). Through this process, organizations can maintain a high degree of

efficiency and effectiveness. By demonstrating to donors that there remains an urgent need for particular services and programs and the proactive steps the organization is taking to increase effectiveness and efficiency can support future donations. Maintaining a balance between what has been successfully working for the organization versus being creative and trying new things during challenging times can be risky. Moreover, if it has worked in the past, the economic downturn does not justify throwing it out or changing it. It is recommended that one stick to what works, be cautious, and cut cost (Warwick, 2009).

During economic times, nonprofit organizations can find easy ways to cut cost; it is important for them to “recognize that fundraising requires both continuing investment and ongoing care” (Warwick, 2009, p. 1). In fundraising, it is best and most cost effective to seek money in larger portions than small as dictated by the “Pareto Principle”. The Pareto Principle “teaches us that a relatively small number of more generous donors account for the lion’s share of the new philanthropic revenue our organizations receive” (Warwick, 2009, p. 1).

Being attentive to donors is another important step. A 2008 study conducted by the Center on Philanthropy at Indiana University for Bank of America showed that “no longer feeling connected to the organization” was the number one reason donors stopped giving (Warwick, 2009, p. 2). Also, one should know their donor by performing the “Do Due Diligence” step. In other words, nonprofit organizations should research their donors before they ask them for support.

Modern technology has changed the face of fundraising. Nonprofits should step up their efforts to raise funds online. This mechanism has helped raise billions of dollars. Although not the save-all solution to fundraising, it serves other purposes such as attracting younger donors

and allowing interactive participation by constituents. Lastly, the development of an integrated program of fundraising and marketing is recommended to help increase revenue.

“Organizations wishing to remain in business have to remain solvent, with enough revenue on hand to meet short-term demands and enough capital available to meet future requirements” (Skipper, 2009). Skipper recommends a financial design that embraces the themes of mission, people, and operations. When the problem involves finances, it will be important to revisit the organization’s mission to ensure that it is aligned with what the organization is actually doing. Reducing or cutting services or programs that are not mission oriented will result in saving resources. In some cases, a mission maybe changed or tailored in order to keep an organization operating.

An evaluation of people and the number of people required for the organization to produce its goods and services is essential to organizational management. People are costly in that human resources involve hiring, training and compensation. As stated by Admiral Hyman Rickover, “Organization doesn’t really accomplish anything. Plans don’t accomplish anything either. Theories of management don’t much matter. Endeavors succeed or fail because of the people involved” (Skipper, 2009).

Organizations cannot get the work done without offices, leases, utilities, equipment, communications systems or other operating resources. Issues surrounding operating costs should be evaluated as a means of increasing revenue or decreasing liabilities. Organizations need strategic financial designs to respond to financial crisis (Skipper, 2009).

### **Collaborate with Other Nonprofit Organizations or Business Corporations#**

The Bridgespan Group study also identified in their study that the nonprofit organizations are collaborating with other nonprofits to be more effective (National Council of Nonprofits,

2009). A 2009 John's Hopkins University Listening Post Project report identified a variety of strategies that nonprofit organizations are taking to deal with the impacts caused by the economic downturn. Collaborative relationships with other nonprofits are found on the top of the list.

These strategies include the following:

- Cutting administrative costs (56%)
- Expanding marketing efforts (48%)
- Creating or expanding collaborative relationships with other non-profits (47%)
- Implementing or expanding advocacy for organizational funding (45%)
- Postponing new hires (41%)
- Reducing/eliminating travel budgets for staff (39%)
- Reducing programs and services (39%)
- Relying on volunteers more (33%)
- Eliminating staff positions (34%)
- Implementing a salary freeze (33%)
- Delaying maintenance projects (28%)
- Delaying or abandoning expansion or relocation plans (27%)
- Drawing on reserves or endowment to maintain current operations (25%)
- Setting aside plans to purchase or use new technologies (19%) (National Council of Nonprofits, 2009).

Author James E. Austin discusses how “nonprofit organizations are becoming increasingly aware of the need to diversify their resource base as well as the importance of expanding their partnerships to include the private sector” (Austin, 2000). Building alliances where the parties have a common mission can be a win-win situation, in that they share resources

and become a team and more powerful. A description of important strategic collaboration guidelines are referred to as Austin's 7 C's: connection, clarity, congruence, creation of value, communication, continuous learning, and commitment.

Readings by Lynne Toupin, Executive Director of the HR Council for the Voluntary and Non-profit Sector explain the trends seen in nonprofit organizations in dealing with economic uncertainty. One trend is collaborating with other nonprofit organizations and sharing resources such as office space, employees, and training tools (Toupin, 2009). Collaboration maximizes efficiencies among organizations.

The impact study conducted by The Community Foundation for Greater New Haven revealed that 41 percent of 950 nonprofits that responded were collaborating with another nonprofit to provide programs as a means to help them manage their operations (The Community Foundation, 2009, p. 24). Similar results were found by the Center for Nonprofits in their 2010 study. They found that out of the 326 nonprofit organizations that responded, 47 percent reported developing collaborations with other nonprofits as well as government and private businesses. Shared resources include transportation, development and sharing of software programs, and social service events.

As nonprofits are seeking ways to maximize their resources, much discussion is taking place about collaborations with other nonprofit organizations. However, collaborations are not risk free. Nonprofits considering collaboration should carefully weigh the benefits and the possible consequences. Factors that should be considered are compatibility, tax exemption issues, financial liability, legal mandates, third party consent, governing documents, and operational issues. If the benefits outweigh the risk, consideration should then be given to the type of collaborative efforts, which include contract, acquisitions of assets, one organization

acquiring control over the other, and merger. Each type should also be carefully study as each has advantages and disadvantages. For example, in collaboration by contract, the parties maintain their separate corporate existences; but, the disadvantage is that each assumes each other's liability (Selinger, 2011).

### **Recruit Volunteers**

The Quiet Crisis: Impact of the Economic Downturn on the Nonprofit Sector study references an American Association of Retired Persons (AARP) report that reflects that the persons in position to volunteer are the 77 million baby boomers. These persons are reported to be the “longest-lived, best educated, wealthiest, and most highly skilled generation in our history and represent enormous productive capacity to meet needs throughout the country” (The Quiet Crisis, 2009). This study further showed that in 2007, 60.8 million Americans (26.2 percent) of the adult population gave 8.1 billion hours of volunteer services which translated into \$158 billion in salary savings (The Quiet Crisis, 2009).

In 2008, at the Service Nation Presidential Forum in New York City, both President Barack Obama and John McCain called out for national community service. Also, in 2008, the late Senator Edward Kennedy and Orrin Hatch through legislation asked for 175,000 more Americans to volunteer a year of service to help address the nations challenges to education, healthcare, poverty, and other vital needs. This legislation was signed by President Obama in 2009. This legislation establishes tax incentives for employers. Through this legislation, the hope is to increase the total number of national service participants to 250,000 each year. The “Serve America Act”, in part, sets up a “Volunteer Generation Fund’ to assist nonprofit organizations recruits and retain volunteers (The Quiet Crisis, 2009).

Using volunteers is a “new trend more nonprofits are adopting to cope with the current financial crisis and consequent staff shortages they face” (Todd, 2010, p. 1). “According to Independent Sector, more than 26 percent of Americans gave 8.1 billion hours of volunteer service worth \$169 billion in 2009. This is a staggering financial asset for the nonprofit sector” (Todd, 2010, p. 1). Many nonprofits are using volunteers with diverse skills such as technology, managerial skills, marketing, and fundraising. Todd cites an example wherein the March of Dimes Foundation used a volunteer (77 years of age) with 13 years of financial experience at General Electric Company and 28 years at J.P. Morgan. This individual performed strategic planning, marketing, information technology, training, and research. David Eisner, former head of the Corporation for National and Community Service (the federal government's national volunteer aid program for nonprofits), suggests “volunteers can do high-level jobs for nonprofits if nonprofits are willing to develop a volunteer management infrastructure to support their efforts” (Todd, 2010, p. 1).

### **Comparison of Future Consequences**

The State budget forecast reflects that the budget crisis will continue to be unresolved for 2011-2012 and beyond. On the other hand, the Lanterman Act defines a basic right for services for the developmentally disabled person and a corresponding basic obligation by the State to provide these services. By selecting the status quo, the target population will continue to be served. The question is: To what degree? As in the past, remaining in the status quo would likely continue to impact the types of programs and services offered to the target population. This shifts the burden back to the disabled individual or their families and the community.

Strategic planning has various advantages including helping organizations remain focused, influencing behaviors, demonstrating effectiveness of services and programs, fostering

innovation and growth, improving organizational behavior performance, and assuring financial stability. Without strategic planning, nonprofit organizations will have a smaller competitive advantage and suffer negative effects such as limited program effectiveness and loss of community and donor support.

Nonprofits have become more aggressive when it comes to marketing. Possessing a fundraising and marketing plan and a qualified marketing consultant who oversees community financial support and aggressively seeks non-State funds, including individual, corporate, and foundation grants, will increase funding. This individual should continuously market the organization to gain diverse community support. It is very important for a nonprofit organization to bring attention to their organization's mission and achievements. There are different means of doing this such as establishing a Web site, Facebook, twitter account or print periodic articles in the local newspaper. This will raise interest and support and donations. The consultant should increase the number of fundraising events throughout the year and aggressively apply for grants. The increase funds outcome will help mitigate the State budget cuts and allow for an adequate level of service and programs. Thought must be given to whether organizations are operationally and technologically set-up to implement enhanced marketing techniques. If not, equipment and computer training cost should be taken into consideration to determine whether the initial investment outweighs the long-term benefits.

For many nonprofit organization that are closing their doors, collaboration with other nonprofit organizations or business corporations can help keep them operating. There are many benefits from this alternative. With the government cutbacks in human services, nonprofit organizations are in high demand and a vital part of local communities. Collaboration makes for a smarter and stronger organization. For instance, for California Nonprofit Organization (CNO)

who does not possess a vocational training program, could try to partner with a local Kern County agency such as Bakersfield Association for Retarded Citizens Industries, Inc. (BARC). BARC serves the same or similar target population and provides clients with vocational training. Their economic impact report reflects that they are able to employ approximately 500 clients in a range of businesses, either at their facility or in other local Kern County businesses. In the comparison to every dollar spent by BARC for their client and employee wages and salaries resulted in additional income of \$7.18 in the Bakersfield economy. Based on actual effects since 2000 and forecast through 2007, BARC predicts that the total economic impact on Kern County will exceed \$125 million over the next five years (Bakersfield Association for Retarded, 2011). Collaboration with others would benefit the community at large.

Traditionally, there have been separate roles between government, private businesses and nonprofits. However, this tradition is being refined as the economic resources have become scarce. For example, the government was considered the primary actor in meeting the needs of society, business were the suppliers, and nonprofits were complementary. Due to the economy, this has changed and these actors are establishing new interactive forms of collaboration. "...[I]t is important to discover the power of the alliances or cooperation agreements as a mechanism to increase efficiency of the production of goods and services of interest to all the agents involved, so that a new kind of relationship is created, different to the classic business philanthropy in the sense of donations, or to the continued acting of the various agents in an isolated or individual manner" (Luna, 1999, p. 8). Factors that strengthen alliances include a community of objectives, active participation in the overall implementation, equal participation from the parties, and each actor making a positive contribution by the way of resources such as management, technical aspects, and finances (Luna, 1999, p. 8).

Although collaborating with other nonprofit organizations or business corporations could produce positive outcomes, this alternative could also be challenging and could create risk. The risk depends on the extent and type of collaboration. If collaboration is as simple as sharing office space, equipment, or employee skills, the benefits would likely outweigh the risks. The organizations remain independent of each other and do not assume each other's liability as in a full merger. A fully integrated merger could disrupt the operations of the organization and increase liability. It "can be expensive and most organizations will need professional assistance to do it right" (Selinger, 2011, p. 7).

The alternative to recruit and invest in volunteers would result in salary savings. For the purpose of conducting business, currently California Nonprofit Organization (CNO) has no volunteers. An alternative is to recruit their clients that have the ability to learn a skill to perform on-site work. The CNO can also recruit volunteers from the families of the clients, local disability advocacy groups, students from local community colleges, and general public. If volunteers cannot work with clients, these volunteers could perform jobs where they do not interact with clients such as janitorial, receptionist, cook, grant writer, or bookkeeper. This is a cost saving measure that would allow these savings to be directed towards services for their clients. The grant writer volunteer would likely generate additional revenue.

However, the investment into the training of a volunteer who then decides to stop working may negate the salary savings. Volunteers may not necessarily be the best qualified candidate for the job. Should less qualified staff be exchanged for efficiency? Although the salary savings are measurable, this aspect of it is difficult. In many cases, developmentally disabled clients cannot effectively communicate concerns to evaluate the quality of service. In addition, consideration must be given to legal mandates. Does the law allow for volunteers to

work with the target population? There may be certain qualifications required of volunteers such as fingerprinting, medical examinations, or specific certificates or credentials. Does the cost for any required testing outweigh the benefits? By carefully assessing all the risk, California Nonprofit Organization (CNO) management must ensure that any policy decisions they make maintains a sufficient and equitable level of service for their clients and is consistent with legal mandates.

### **Spillovers and Externalities**

If CNO or other nonprofit organizations continues to lose State funds and do not find non-State related funds to operate at full capacity, program, and services may be further suspended or eliminated. The loss of funds will further affect many disabled adults and children by reducing services. Limitations on services may result in higher levels of need among the disabled community. Many developmentally adults and children require 24-hour daycare. If daycare programs are eliminated, the families of developmentally disabled persons may have to stop working to provide this care, in turn reducing their income and abilities to maintain a certain standard of living and increase unemployment rates. Many may return to State-operated nursing facilities causing a higher expense to taxpayers (Chavez, 2011).

Developing a marketing plan will help maintain a level of non-State generated funds in turn allowing for a standard of programs and services to be offered to the target population. If an organization can maintain a diverse revenue stream, it is less of a burden or expense to the clients and their families and to taxpayers. The outcome are positive in that it would likely increase monies and help mitigate the problem.

Regarding donation of time by volunteers, this is also very valuable to nonprofit organizations and results in economic benefit to the target population and society. Also, fund

development is people development. “Both when you talk to donors and when you talk to volunteers. You are building a constituency. You’re building understanding, you’re building support. You’re building satisfaction, human satisfaction in the process” (Drucker, 2005, p. 97).

### **Constraints and Political Feasibility**

A major constraint is the lingering budget crisis. Although the recession is reported to have ended in 2009, the recovery has been slow and discouraging. The California Legislative Analyst Office fiscal forecast report reflects that the budget deficit will remain around \$20 billion through 2014-15. As referenced above, the case study conducted by the United Way reflects that a direct result of the budget crisis is the demand for services that nonprofits provide has increased. The New Jersey Non-Profits 2010 survey also revealed that for New Jersey, the demand for services in 2009 increased by 64 percent and was most often cited in human service, education, and health organizations (The New Jersey, 2010). It may not be feasible for nonprofits serve more people with less monetary resources.

An integrated fundraising and marketing strategic plan, along with a marketing consultant’s efforts should result in generating non-State funds; the reality is that many foundations have cut back the grants. The Quiet Crisis report reflects that in 2007, foundations set records for giving of \$5.4 billion of which the Bill and Melinda Gates gave more than half. However, the Gates Foundation announced that it was cutting back and would not be able to meet the anticipated \$3.2 billion in grant donations. The William and Flora Hewlett Foundation announced a 7 percent cut in grant donations. The GuideStar report reflects that during the first five months of 2010, the nonprofits surveyed continued to see declines in contributions. According to Giving USA report, in 2009 Americans donated \$307.75 billion to charity;

however, this was a 3.2 percent decline from the 2.4 decline seen in 2008 (The Quiet Crisis, 2009).

Political feasibility may impede the collaboration of certain nonprofit organizations in that they may not have consistent bases for tax exemption. For those nonprofit organizations that receive government funds, these funds come with restrictions. These restrictions or lack of consent from a third party may prevent collaboration.

Although using volunteers has economic benefits, it too has limitations or constraints. A 2007 study conducted by the American Association of Retired Persons (AARP), showed that of 19.1 million adults, nearly one-third, failed to continue their commitments (The Quiet Crisis, 2009). Many nonprofit organizations do not have the time to invest in short-term volunteers. Other possible constraints are finding qualified people or for those nonprofits that receive government funds, these funds may preclude them from using volunteers due to third party confidentiality issues or other.

## **Chapter 4: Alternative Selection**

### **Criteria for Recommending Alternatives**

Evaluation criteria for judging policy decisions assist in weighing policy options and keeping policy analysis objective and focused (Kraft & Furlong, 2004). The criteria that best fits this policy area include efficiency, effectiveness, feasibility, equality, legality, and spillovers. The efficiency criterion considers the cost-effectiveness and benefit-cost. The effectiveness criterion is applied to determine the likelihood of reaching the policy objectives and how well it will work. The feasibility criteria will determine if the policy alternative is doable. Equality criteria will evaluate the fairness; specifically, whether burdens or benefits are being shifted. The legal criterion will determine whether the alternative complies with legal mandates. An assessment of the impact of spillovers will be considered when choosing an alternative. Ultimately, the alternative or solution should outweigh any negative counter effects on others, further the mission of the organization and public interest, and solve or mitigate the policy problem.

Generally, when a problem deals with impacts as a result of the economy, the efficiency criteria is involved. The Lanterman Act mandates that funds be allocated for assisting the developmentally disabled. Therefore, California Nonprofit Organization (CNO) will continue to receive State funds. However, historically, reduction in State funds results in programs cancelations and layoffs. This is what occurred at CNO. Budget history and forecast does not support significant budget performance improvement for California. Therefore, if business continues as usual and no organizational change is made, CNO will not adequately meet the needs of the target population. Additional layoffs of employees will have spillovers in that there will be an increased cost to taxpayers as these individuals apply for unemployment benefits or

other government assistance. As reported by the United Way (The Quiet Crisis, 2009), as people lose their jobs, demands on nonprofit organizations for basic needs increase. Basically, this alternative shifts responsibilities and cost to clients and their families, churches, other human service organizations, and the local community and begs the question as to whether this is equitable. With this alternative, it appears that California Nonprofit Organization (CNO) is serving the State of California and not the target population. So long as CNO programs and services meet legal requirements under the Lanterman Act, this alternative meets the legal criterion. Overall, this alternative does not help increase non-State related revenue or ensure financial growth. Instead, this alternative would increase inequity in that persons with developmental disabilities would have difficulty in accessing resources that help them meet daily needs.

Strategic planning allows for an excellent forum for communication between all key stakeholders. Through this communication strategic thinking, acting, and learning of its overall organization occurs. This allows for improved decision making and enhanced organizational responsiveness, accountability, and performance. Therefore, strategic planning will likely meet both the efficiency and effectiveness criteria. A strategic plan can be developed by an outside consultant or, to make it less costly and feasible, an in-house qualified person.

Although current CNO fundraising and marketing efforts exist, these efforts represent 2% of their CNO's current operating budget. There is room for improvement and enhanced fundraising and marketing techniques. The CNO marketing consultant could easily begin to organize and schedule a few more fundraising events and research and apply for more grants. As far as manpower to help organize fund raisers, community volunteers commonly help. In applying for grants, CNO could recruit a volunteer or seek student grant writing interns from

local community colleges. California Nonprofit Organization (CNO) should explore online giving as well. Although this idea is feasible, if CNO is not technologically set-up to implement electronic donations, there may be a start-up cost for computer equipment and training. On the other hand, the expense for computers and training will be a long-term investment and in terms of cost, maybe a better decision. This alternative meets the majority of criteria listed above.

Collaboration with another nonprofit organization that already provides vocational training to their clients is consistent with social trends dealing with developmentally disabled persons. Many developmentally disabled adults and children have medical conditions that will not qualify them to participate in a vocational training program. However, for those that do qualify, the benefit is that they learn job skills, and if employed, earn income. Another benefit is to the State as these individuals become employed in their communities, they contribute to the State tax fund. Once they gain job skills, they may become business entrepreneurs and home owners. This will increase revenue to the State in the form of business and property taxes. The criterion of efficiency in having a vocational training program is further supported by a Bakersfield Association for Retarded Citizens Industries, Inc. (BARC) report. The report reflects that BARC's vocational training program provides significant benefits to the community (Bakersfield Association for Retarded, 2011). It meets the equality criteria in that a vocational program allows an avenue for the target population to integrate into the community. This alternative meets the legality criteria in that it meets new legal mandates and political trends. It also makes CNO more competitive as a service provider. Although this alternative has benefits, it may not be feasible in that it requires proper planning and organization, time to identify and begin negotiations with a comparable organization, may require the hiring of professional

consultant or legal services, and may require approval from third parties such as the Department of Developmental Services (DDS).

The alternative to recruit volunteers can represent significant saving to organizations, which on its face, meets the efficiency criteria. However, consideration should be given to the investment of training time and the length of service given by the volunteer. Many may suddenly decide to stop working after a short period and without notice. This may negate the investment of time and salary savings. Also, volunteers working with developmentally disabled clients may be required to meet certain requirements such as fingerprinting or pass specific medical examinations. These types of test have associated cost. In this case, although recruiting volunteers is a feasible alternative; the efficiency criterion may outweigh feasibility.

#### **Determination of Preferred Alternatives by Application of Criteria**

The preferred short-term alternatives by application of criteria is to develop and implement a strategic and fund development and marketing plans. A long-term alternative is to collaborate with a compatible nonprofit organization that already provides for vocational training to their clients. These alternatives are preferred because they embody the mission of the organization and the outcomes will help meet policy objectives and goals. It will improve organizational performance including community and donor support, financial stability, competitiveness. It will also meet social and political trends. The short-term alternatives bring immediate performance and financial benefits. The alternative to collaborate with another nonprofit organization requires a more thorough research and preparation process; therefore, is recommended as a long-term alternative. Both short and long-term alternatives help mitigate the problem while maintaining a balance on any counter effects.

## **Outline of Implementation Strategy**

### **Short-Term Alternative-Strategic and Fund Development and Marketing Plan**

California Nonprofit Organization (CNO) will assign a current staff member(s), if necessary, hire a qualified individual(s), to develop, implement, and monitor these plans. A key responsibility for this person is to ensure that these plans are consistent with the Lanterman Act, Department of Developmental Service (DDS) and Regional Center policy and procedures. In developing the strategic plan the following action steps will be taken:

- Meet with all key stakeholders and agree on strategic planning process
- Review and understand all legal and organizational mandates
- Clarify mission, vision, and value statement
- Conduct an internal and external analysis (SWOT)
- Identify the issues facing the organization
- Develop strategies to manage the identified issues
- Identify goals and objectives
- Develop monitoring tools
- Adopt the plan (Bryson, 2004).

The fund development and marketing plan should also involve key stakeholders in the process. The plan should consist of the following key elements:

- Identification of target donors
- Marketing strategies and tactics
- Identify goals and objectives
- Develop monitoring tools
- Adopt the plan.

This plan should include a strategy for increasing advocacy and public involvement, organization visibility, funds from the annual events, number of events, and application for grants. Also, develop other giving methods with the use of modern technology. The future of online electronic giving provides an avenue for nonprofits to increase their revenues and gain donor support. Examples of online giving include Pay Simple, First Giving, Donor Perfect Fundraising Software, Give Stream, Click and Pledge and Echo Donations. The plan should include strategies to diversifying revenue. In developing both plans, key stakeholders should provide continuous support including involving board members to donate and solicit donors.

Essential to both plans is continuous communication between key stakeholder, management, and employees. When objectives and goals are met, recognition, rewards, or celebrations should occur to keep people inspired and motivated. Publicizing the organizations achievements to local communities via radio, television, or newspaper should also occur.

### **Long-term Alternative-Collaboration with Another Nonprofit Organization**

Collaboration will require significant planning and organization. The first step is assigning a staff member(s) or, if necessary, hires a qualified individual(s) to conduct research for a compatible nonprofit organization. The study should consider the following elements:

- Organization with similar social purpose
- Leaders with passion
- Clarity by parties of purpose for partial or full collaboration
- Alignment with missions, strategies, and values
- High performance
- Mutual benefits
- Financial worth and organizational portfolio

- Good communications
- Resources that support continued learning
- Commitment to long-term strategies (Austin, 2000).

Once a collaboration agreement is made, California Nonprofit Organization (CNO) will assign a staff member(s) or, if necessary, hire a qualified individual(s) to develop, implement, and monitor the program. In developing the program, the following action steps will be taken:

- Collaborate with regional centers to develop criteria for client referral
- Develop criteria for placing clients in this program
- Identify the potential types of vocational training that will be offered based on the client's developmental disability
- Solicit and identify government and private businesses who will serve as placement sites
- Develop monitoring tools
- Begin services with selective and limited client and employer participants and incrementally improve and expand program.

### **Provisions for Monitoring and Evaluation#**

Monitoring and evaluation of the selected alternatives is a key step in the policy analysis process in that it will ensure it achieves its goals and objectives. For a strategic plan to be effective, an individual or team of people should be assigned to ensure that specific tasks are conducted and specific objectives or target dates are being met. Task and target dates can be track using a calendar or other tickler system. Meetings should be regularly schedule to facilitate continuous communication of progress or obstacles.

For enhancing fund development and marketing techniques, this will involve monitoring the development and use of a variety of marketing techniques. Collection of quantitative and qualitative data will be analyzed. Computerized systems for tracking data can be used. Measures of success can be determined by the revenue generated for each year by category (i.e. grants, fundraising events) and from the ability to sustain or expand services. To ensure successful implementation of the strategic and fund development and marketing plan, the task managers should ensure that appropriate resources and support services are always in place. Also, for accountability and appropriate follow-up, monthly progress reports should be provided to the key stakeholders.

To monitor and evaluate the collaborative vocational program, it will be necessary for the Program Manager to track the number of participants, clients, and business placement sites. Oversight will include weekly visits to the job placement sites to observe clients. Also, collection of periodic supervisor job performance evaluations will be expected. Measure of effectiveness can be determined by input and outputs: number of participants, number of skills learned by the participant, and number of participants who secured employment after going through the program. Surveys can be used to assist in gathering this information.

### **Limitations or Unanticipated Consequences**

There is extensive research on nonprofit management and organizational change; however, the scope of the study is limited. Limitations include the researcher's skill, findings from limited readings, and time constraints. In addition, there are different organizational theories and models that should be study to determine which is best for the organization. Organization change is not without human factors such as leadership style and resistance to change that also require careful consideration.

In developing strategic plans, a key element is consensus between key stakeholders and depending on the organization, this may not exist. Key stakeholders need to be engaged in strategic planning. This is important to the process and success of the plan. “But the process will work well only when enough key decision makers and planners support it and use it with common sense and sensitivity to the particulars of their situation (Bryson, 2004). Even when strategic plans are developed, if it is not effectively implemented, it is useless.

A limitation that may preclude collaboration with another nonprofit organization is legal mandates and governmental “red tape”. In addition, there may be a lack of employer participants for the vocational program or a willingness to allow placement of developmentally disabled persons.

## **Chapter 5: Summary, Conclusion, and Recommendations**

### **Summary**

This study concluded that the economic crisis will linger for years. California Governor Brown will continue to take cost saving measures that will impact the funding to State agencies. The Department of Developmental Services (DDS) and service providers such as California Nonprofit Organization (CNO) will make policy priority changes to adjust to the funding levels. This will likely continue to affect developmentally disabled clients in that programs and services will be limited.

Due to the economic and population growth forecast and expected increase in clients for DDS and cost to purchase services for them, there remains a need for a healthy functioning relationship between government and nonprofit organizations. However, as government cuts human services, many more people are seeking their basic needs from nonprofit organizations. This has raised a question of whether the State's responsibility is being unfairly shifted. Although giving help is the heart of nonprofit organizations, without government funds, it is becoming increasingly challenging for them.

Nonprofit organizations that primarily rely on State funds are aggressively seeking non-governmental funds. However, they have found that giving by individual, corporation, and foundation has decreased. Traditional strategies (layoffs and cuts to programs) have been implemented to deal with the impacts of the economic crisis. Although these strategies are effective, it is not enough. Many nonprofits organization are seeking operational methods used in the private sector. They are becoming increasingly aware of the importance of organizational legitimacy, transparency, and accountability and how this positions them to receive current and future support from donors. They are engaging in organizational change.

## Conclusion

The results of the study reinforced the significance of the Lanterman Act and the importance of government and nonprofit organization relationships. It was interesting to learn how nonprofit organizations are shifting to private sector organization theories and, that these shift, can help them survive these economic challenges.

Organizational change includes strategic planning which helps bring clarity to an organization's mission, vision, and values. "Even though the nonprofit sector is not driven by profit like the for-profit sector, funders and stakeholder still want to see strategic plans on how nonprofits are going to maintain a competitive advantage and adequate resources to succeed" (Franklin, 2011). Strategic plans help nonprofit organizations manage change.

The study also reinforced the need for nonprofit organizations to concentrate more on fund development versus fundraising. Fund development focuses on the larger donations and long-term donor relationships versus small donations and short-term donor relationships. Strategic and fund development and marketing plans allow for nonprofits to show legitimacy, transparency, and accountability and help generate desired results.

Many organizations are collaborating with another organization who share similar mission. It allows for shared skills, knowledge, expenses, and benefits. Collaboration, partial or full-merger, can also improve an organization's financial circumstances and efficiency and effectiveness of programs.

In conclusion, the study resulted in the development of policy alternatives that should help improve performance, achieve desired outcomes, remain competitive, meet the needs of the target population, demonstrate accountability to key stakeholders, and mitigate the problem.

## Recommendations

### Short-term:

1. Develop strategic plan to assist in addressing the impacts of the economic crisis and improve management, performance, and accountability.
2. Develop fund development and marketing plan to assist in establishing long-term donor and community support, increase non-governmental funds, and maintain financial stability.

### Long-term:

1. Collaborate with a compatible nonprofit organization to provide a vocational training program for clients to increase efficient in delivery of service, gain resources, strengthen advocacy for target population, and gain benefit of established programs.

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## Appendix A



# CSU Bakersfield

Academic Affairs

Office of the Grants, Research, and Sponsored Programs (GRaSP)

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## Institutional Review Board for Human Subjects Research

**Anne Duran, Ph.D.**  
Department of Psychology  
Scientific Concerns

**Roseanna McCleary, Ph.D.**  
Masters of Social Work  
Scientific Concerns

**Thomas Blommers, Ph.D.**  
Department of Modern Languages  
Nonscientific/Humanistic Concerns

**Lily Alvarez, B.A.**  
Kern County Mental Health  
Community Issues/Concerns

**Grant Herndon**  
Schools Legal Service  
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**Tommy W. Tunson, J.D.**  
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**Paul Newberry, Ph.D.**  
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Religious Studies  
Nonscientific/Humanistic Concerns  
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**Yeunjo Lee, Ph.D.**  
Department of Special Education  
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**Steve Suter, Ph.D.**  
Department of Psychology  
Research Ethics Review Coordinator  
and IRB/HSR Secretary

**Date:** 06 April 2011

**To:** Mary L. Bonilla, Public Policy & Administration Student

**cc:** Paul Newberry, IRB Chair  
R. Steven Daniels, Public Policy & Administration

**From:** Steve Suter, Research Ethics Review Coordinator

### Subject: Protocol 11-65: Not Human Subjects Research

Thank you for bringing your protocol, "**Survival of a Nonprofit Organization in a Economic Crisis**" to the attention of the IRB/HSR. On the form "*Is My Project Human Subjects Research?*" you indicated the following:

I want to interview, survey, systematically observe, or collect other data from human subjects, for example, students in the educational setting. **NO**

I want to access data about specific persons that have already been collected by others [such as test scores or demographic information]. Those data can be linked to specific persons [regardless of whether I will link data and persons in my research or reveal anyone's identities]. **NO**

Given this, your proposed project will not constitute human subjects research. Therefore, it does not fall within the purview of the CSUB IRB/HSR. Good luck with your project.

If you have any questions, or there are any changes that might bring these activities within the purview of the IRB/HSR, please notify me immediately at 654-2373. Thank you.

Steve Suter, University Research Ethics Review Coordinator