

Olszak's Nonprofit Connections

Welcome from Lisa Olszak

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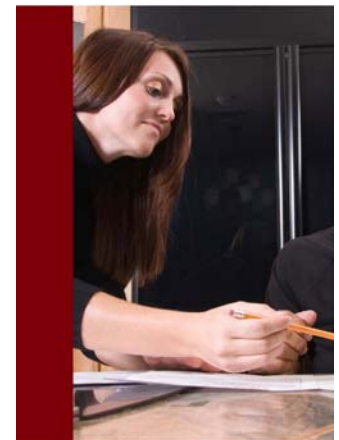
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Olszak News Rack

The Elephant in the Room: Nonprofit Decline and Dissolution

I think we all admit that it is one of the most difficult times nonprofits have seen since the 1980s. While some organizations are holding their own, we are acutely aware the current economic crisis contains additional threats in the form of government cuts and market instability. While many organizations are finding effective ways to manage and in some cases grow, others may be considering the option of dissolution. [Click here to read more](#)

July 2010



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Through a partnership with IdeaEncore Network, Olszak Management Consulting's Social Enterprise Digital Library is getting a technology upgrade. [Click here to read more](#)



WELCOME FROM LISA OLSZAK

This newsletter is a little different from past editions. Rather than focus on a specific client, I've decided to focus on a specific topic – nonprofit decline and dissolution. I did not take our usual approach of highlighting a client, because although we have guided dissolutions, it is a highly sensitive process in which I feel an

obligation to ensure that the client of focus (i.e., the organization's former leaders) has a strong comfort level with what I am writing. Due to lack of time and the complexities of gaining consensus in such circumstances, I will keep my comments focused more on the signs and causes of an organization that may be a candidate for dissolution.

Although every newsletter is a form of self-promotion, in previous editions I have avoided any direct or heavy promotion of Olszak's or other firms' services. In this newsletter, I veer from that a bit by announcing our Nonprofit Restructuring and Turnaround services along with the services of Olszak's partners who are listed as a side banner

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AGORA GROUP At the Agora Group, we have the experience, relationships and devotion to help YOU make informed decisions when it comes to individual health insurance and small business choices. The Agora Group provides benefit programs for Pennsylvania and TriState area customers. Our carriers include Highmark, HealthAmerica, and Assurant among many others.



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OLSZAK NEWS RACK

The Elephant in the Room: Nonprofit Decline and Dissolution

I think we all admit that it is one of the most difficult times nonprofits have seen since the 1980s. While some organizations are holding their own, we are acutely aware the current economic crisis contains additional threats in the form of government cuts and market instability. While many organizations are finding effective ways to manage and in some cases grow, others may be considering the option of dissolution.

Having recently completed the process of dissolving the Social Innovation Accelerator in addition to working with a handful of organizations investigating alternative organizational structures (from partnerships, affiliations and mergers to dissolution), the complexity and emotion around such decisions has filled my thoughts. That said, I wondered what I could learn from looking back at how organizations managed to get through the economic crisis of the 1980s. A trip to the Foundation Center at the Carnegie Library in Oakland yielded some interested reading. Of the many resources I discovered, two made their way to the top of a heavy stack of books. The first, *Nonprofit Decline and Dissolution Project Report: Going Out of Business - Why, When & How To Do It Gracefully* was published in 1987 by the Amherst H. Wilder Foundation. This report thoughtfully acknowledges the dissonance produced by board and staff asking, "Can we and should we continue to exist?" Through interviews with 17 organizations and a literature review, the authors identified warning signs, causes, alternatives and dealing with stakeholders in the dissolution process.

The authors identified six warning signs and noted that while one or more of these may occur in an organization that manages to survive and thrive, these indicators were present as patterns of issues, incidences and circumstances just prior to a decision to dissolve.

Warning Signs

- Loss of all or a significant portion of support
- "Chasing dollars" syndrome
- Sudden and dramatic expansion of service
- Falling behind on financial obligations
- Consistently unable to meet service and financial projections
- Departure of key board and staff

The authors also noted that while it was not possible to develop a litmus test for organizational viability, there were five causes that appeared repeatedly in organizations that dissolved. They also noted that these causes don't need to signify the beginning of the end, but should be recognized as warning signs of trouble.

Causes

- Lack of clarity and consensus about the organization's mission
- Bad planning
- Insufficient cash reserves
- Isolation and bad reputation
- Failure to abide by legal requirements or regulations

The alternatives to dissolution are practical and full of common sense. In troubling times, it is reassuring to recognize that tried and true reality-based operational plans, leadership and good communication remain stalwarts to making and implementing difficult decisions.



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Rodgers is a full-service insurance brokerage with the capability to strengthen any organization by offering individualized risk management programs as well as alternate Unemployment Tax funding.

[Click here](#) for our partners' contact information.

Alternatives

- Develop a 6-12 month operating plan with specific goals and benchmarks including staffing, financing, cash flow and service projections
- With board and staff input, develop a set of criteria to assess the soundness of the plan
- Convene an ad hoc committee of board members whose job it is to examine issues, develop criteria, construct plans and make recommendations for the board to consider
- Communicate with staff. Communicate with funders. Communicate with the board
- Implement managed cutbacks

The second publication, *The 5 Life Stages of Nonprofit Organizations*, by Judith Sharken Simon (also published by the Amherst H. Wilder Foundation – 2001) does not consider dissolution as one of the life stages. It does, however, discuss how to know if you are heading toward decline and dissolution. Sharken Simon admits that no matter what stage an organization is in, it can be well or ill and catalogues signs of “illness” in Governance, Staff Leadership, Financing, Administrative Systems, Staffing, Products and Services and Marketing. With specific examples of issues that may arise in each of the five stages, Sharken Simon offers opportunities to acknowledge and address these issues. The publication, as a whole, provides a model for organizations to identify characteristics and issues common within each stage of development, believing that organizational awareness is healthy and creates choice about evolution, progress and sustainability. For those who are not familiar with the five stages, they are:

- Imagine and Inspire – Vision or Idea Stage
- Found and Frame – Official Nonprofit Start-Up Phase
- Ground and Grow – Ground Activities and Growing the Business
- Produce and Sustain – Production is at its Peak
- Review and Renew – Reinvention

Sharken Simon notes that “...the bright side of knowing that you are on a path of decline is the hope for significant turnaround in the problem areas, or in the case of too many problem areas, a graceful dissolution and the chance to move on to new endeavors.” (p. 41)

Both publications offer indicators of difficulty and suggest practical approaches to moving ahead including the engagement of a third party in providing coaching and objectivity in helping leadership make difficult decisions. While it may be difficult to lead gracefully in times of great stress, by recognizing and valuing those who utilize the organization’s programs and services; staff and board who dedicate their time, energy and passion; and stakeholders (funders, investors and vendors/creditors) who have a vested interest in the organization’s status, the organization’s leaders can move ahead with integrity and dignity.

Announcing Olszak Management Consulting’s Nonprofit Restructuring and Turnaround Services

Olszak Management Consulting provides [Nonprofit Restructuring and Turnaround Services](#) aimed at helping our clients anticipate, evaluate and successfully resolve urgent and high-impact challenges such as organizational insolvency, temporary cash flow impairments, operational mismanagement, unplanned key person turnover or obsolete mission that forces a complete restructuring or liquidation.

Without a doubt, the economic realities of the next few years will include financial and operational restructuring. Decreases and reallocations in government and private funds are forcing nonprofits to thoroughly reassess their program and administrative model. More often than not, doing more with less is not enough to address the immense pressures they face. By the same token, evaluating new opportunities in such a volatile environment can be overwhelming to even the most capable board and staff. Today’s environment demands financial and operational flexibility to address weaknesses or to create the ability to react to inevitable challenges and opportunities created in times of economic downturn. By evaluating the difference between risk and opportunity, we work closely with our clients to react appropriately to each.

Our model delivers responsive service and insights with a high degree of focus and confidence through a two step approach: 1) Conducting an assessment of the organization’s capacity, leadership and resources to identify a turnaround leadership team and develop the strategy and 2) Implementing the turnaround strategy, under the direction of the leadership team.

During each engagement, as interim director or key consultant, Lisa Olszak works closely with a leadership team to build stability and confidence. In undertaking the plan, Lisa engages constituents as needed and focuses on building consensus, managing expectations and controlling the process through an unbiased results-oriented approach.

Our Core Services Include:

- Cash Management & Liquidity Generation
- Interim & Crisis Management
- Vendor and Lender Negotiations & Debt Restructuring
- Nonprofit Turnaround & Restructuring
- Sustainability Planning

Please visit our website for more information: <http://www.olszak.com/nonprofitrestructuring/nprestructuring.aspx>



CHECK OUT OLSZAK'S NEW AND IMPROVED SOCIAL ENTERPRISE DIGITAL LIBRARY

Through a partnership with IdeaEncore Network, [Olszak Management Consulting's Social Enterprise Digital Library](#) is getting a technology upgrade. [IdeaEncore](#) is an online marketplace for sharing ready-to-use tools, presentations, course outlines, templates, and project plans within and between nonprofit organizations. The Olszak Digital Library is now a collection we manage with the IdeaEncore resource sharing platform. The system is designed to provide incentives for sharing and a range of intellectual property protections for shared materials. While access to all of Olszak's resources are free, nonprofit organizations will find many other outstanding resources that will help save them time and money by avoiding reinventing the wheel. Nonprofits are also encouraged to use, share, or sell their own practice materials on IdeaEncore or use the technology as their library backbone. It will be less expensive (revenue sharing with IdeaEncore may even result in profits instead of ongoing maintenance expenses), more robust, and can result in more information being shared among your membership than an in-house knowledge sharing system.

You may browse the Olszak Social Enterprise Digital Library without signing in, but to click-through or download resources, a quick and free registration is required. If you choose to upload your own free resources, there is no charge. If you choose to sell resources through IdeaEncore, a transaction fee (15-30% with \$5 minimum) will be deducted from the sales price and you will be sent a check for the balance.

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