


THE BIG RESET: GUIDANCE FOR NONPROFITS

by Mario Morino

BRUTAL TRUTHS

America has never needed more from civil society. That's because our country is being rocked by a health pandemic, an age-old racism pandemic, economic upheaval, sweeping cuts in safety net programs, an existential climate crisis, and the increasing political vitriol that's killing efforts to address these daunting challenges. I sometimes feel like we're in the midst of the 1918 flu pandemic, the Burning of Black Wall Street, the Civil Rights/Vietnam era, and the Great Recession all at the same time!

These crises cry out for a strong, thriving civil society. But civil society is in crisis too. Many parts of our helping-and-healing sector have been hit in the solar plexus by COVID-19 and its economic fallout. According to [The Washington Post](#), "The twin crises of pandemic and recession are straining the region's philanthropies and could force as many as a third of nonprofits to close or merge before the economy recovers." And Candid's **Jacob Harold** [writes](#), "It is not unusual for nonprofits to close their doors. The pandemic may add thousands of organizations to that turnover."

If the virus continues to surge and the restart of the economy sputters into late fall or winter, the next 12 to 18 months may well be the most trying time for our sector in my memory (and since I'm 77, that's a long time 😊). These are the realities we face:

- The demand for many core nonprofit services will skyrocket.
- The supply of funding for nonprofit services will come under heavy pressure, largely as a result of multibillion-dollar shortfalls at the state and local level.

There's another brutal truth that threatens to obscure the severity of these realities: Affluent families like mine are already benefiting from an [economic recovery](#), while most low-wage workers and small businesses are still struggling (and will for the foreseeable future). My social and professional networks give me an opportunity to see both affluence and affliction, but most who are in fortunate bubbles will have difficulty grasping the enormity of what nonprofits and their clients are facing right now. I don't mean to cast stones. It's just that most people who have lucrative careers, who can do their jobs from the safety or comfort of their homes, and who don't spend time in neighborhoods with soaring unemployment don't see affliction with their own eyes. It's just hard to fully empathize with leaders who don't know how they're going to make ends meet for their organizations or those they serve.



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OUR SUGGESTIONS

As we try our best to face these enormous challenges, I encourage nonprofits and their boards to heed the pragmatic advice of the Greek philosopher Epictetus: “It’s not what happens to you, but how you react to it that matters.” I hope the following suggestions, based on great advice I’ve received over the years, will help you react quickly, effectively, and in ways that put the welfare of the people you serve front and center.

1. FACE THE BRUTAL REALITIES.

Recognize what we’re facing is very real and will be with us for some time. It’s important for you and your team to come to grips with the fact that the damage around your organization may get worse. Drive this point home with your board and senior team. Make it clear to your staff as well, but don’t send everyone to the “top of the cage” with worry. Instead, ask them to be part of the solution.

Ask the hardest questions of all: Is our organization still essential? If our community has to decide which nonprofits are essential, how does ours fare? If we have to cut back, what programs and services must continue? SeaChange’s publication [Tough Times Call for Tough Action](#) offers an excellent framework for exploring these issues.

2. ELEVATE PURPOSE TO GIVE HOPE.

Given our concurrent crises, it’s easy to fall prey to gloom and doom. Help your organization see a sliver of light. Revisit your purpose—the mission you’ve dedicated your life to advancing. Remind your troops that you’re in this together and how important their work is at this moment. You’ll see an outstanding example in this [CBS News profile](#), in which Montefiore Hospital’s healthcare workers say that being on the frontlines during a health emergency is their calling and saving lives is their reward. How can you come together around this same connection to purpose in your work? And how can you best maintain your organizational culture and develop people at a time when you probably have much less in-person interaction than usual?

3. RALLY YOUR BOARD, MANAGEMENT, AND STAFF.

Remember, you can’t overcommunicate. Most of all, be upfront, honest, and transparent. It’s at tense times like these when people are most attuned to their leaders’ words and actions. If you aren’t forthright, they’ll see right through you. If you’re panicked, you’ll send everyone scurrying away with concern. If you’re calm and respectfully direct, they’ll listen and won’t be unnecessarily rattled. If you’re making cuts to costs and personnel, lead by example. When I was a software company executive and had to make cuts, I turned down my annual bonus; my conscience wouldn’t allow me to take it when people



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were losing their jobs. As soon as you can, be specific on the status of jobs, compensation, etc. Make sure the most valuable members of the board, management, and key staff are onboard with you. At some point, you may have to lock in your core team, with those who aren't buying in needing to depart. This long, difficult journey will be less painful and more doable if your key players are all rowing in the same direction.

4. FOCUS ON THE 'HERE AND NOW.'

In the midst of these intersecting crises, focus on the “here and now.” Move as quickly as possible—and don't make the perfect the enemy of the good!—to maximize the chance that your organization can survive and come out reasonably whole. Make sure you have the unrestricted cash to keep the doors open for at least three to six months. Once this short-term runway is assured, think through how your organization will manage through the subsequent year. The uncertainty of this moment suggests that you should take steps to make your organization nimbler, quicker, leaner, more adaptive, more resilient, and, of course, sustainable.

We recommend prioritizing the risks to your organization. If you remember the TV series *M*A*S*H* (1972-1983), consider playing the role of Hawkeye (without the snark). As a new batch of soldiers was carried into Hawkeye's field hospital, he did a quick scan to judge the severity of each person's injuries, which to take on, how, and in what order.

To give you a relatively quick way to prioritize the risks to your organization, we've built this basic triage [tool](#) specifically for nonprofits, borrowing concepts that healthcare organizations typically use in medical triage. You can download and tailor to reflect your critical issues.

5. 'SHOW ME THE MONEY.'

No one has to remind nonprofit leaders and their boards of funding's preeminent role. Quickly and smartly check in with each of your primary funding sources to make sure your relationships are secure and their commitments are still solid. Have your foundation funders signed the call to action sparked by the Ford Foundation (“[Philanthropy's Commitment during COVID-19](#)”)? Be creative, patient, and respectful with your funders. The more you engage them as problem solvers (not just wallets), the better your chance of continued, accelerated, or even increased funding.

For government agencies, find out if their appropriated funding is secure. Has it been hit, and what are the chances for the funding to continue, as cutbacks at state and municipal levels are already happening across the nation?



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6. MAP OUT A BLUNTLY REALISTIC CASH-FLOW PROJECTION.

Update your cash-flow projections frequently and, whenever you can, refine them. While you need P&Ls and balance sheets, they're not that helpful for managing the crisis. Instead, it's critical to have a projected cash flow for at least a year out. Map your available cash balances as well as cash reserves that could be used for projected shortfalls and minimize negative impacts on your organization and those you serve. It will help you avoid financial surprises, focus on where funding is needed to cover operational shortfalls, and give you one of the essential baselines for planning efforts and consideration of other options. This [article](#) does a very good job of discussing cash-flow mapping and offers other helpful insights from the vantage point of a CFO who has weathered prior crises.

7. DO PLAN—JUST FOCUS HARD ON THE NEXT 12-18 MONTHS.

Even if we see a vaccine for COVID by the end of the year, it could be well into 2021 before it's available for broad distribution. (To see the scope of effort required, look at the National Governors Association's [plan](#) for mass distribution.) So focus your plans on this critical near-term period, and put aside the three- and five-year plans. With all the uncertainties we face right now, long-term plans aren't worth the digital bits in which they're encoded. Your focus should be on rapid learning and adaptation.

As organizations assess and respond to the obvious financial hits and changes in the demand for services, every organization will have to face two new questions.

First, what else do you need to do to address COVID? What has the pandemic taught us? What other changes do you need to make to your physical facilities? What else do you need to do to reduce the risks for those you serve and your staff? Cleveland Clinic offers helpful [guides](#) for general industries, educators, faith leaders, healthcare providers, hotels, manufacturers, retailers, and restaurants.

Second, how are you responding to the call for racial equity? The COVID crisis has revealed the fundamental inequities that we have created over centuries. "[A CEO Blueprint for Racial Equity](#)" presents a thoughtful roadmap, and "[5 Powerful Ways to Take REAL Action on DEI \(Diversity, Equity & Inclusion\)](#)" gives specific actions to help you drive progress.

You may also want to engage in scenario planning to augment your core planning processes and provide ways to think about plans for contingencies that may arise over the next 12-18 months. I'd start with Monitor Institute's "[COVID-19 scenario planning for nonprofit and philanthropic organizations](#)" and The Bridgespan Group's "[Making Sense of Uncertainty: Nonprofit Scenario Planning in the COVID-19 Pandemic](#)."



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8. ADVOCATE FOR YOUR ORGANIZATION AND THE PEOPLE YOU SERVE.

You can't afford to sit on the sidelines when governments are making critical decisions that affect your ability to advance your mission. Some public policies, such as making PPP loans available, can greatly enhance your work. Other policies, such as cuts to unemployment programs, will ultimately send even more people to nonprofits for help. Connect to your [state association of nonprofits](#) to stay informed about when your voice is needed. As the National Council of Nonprofits underscores, "[The Power Is Yours](#)"—so use it to protect and advance your mission.

9. CONSIDER RESTRUCTURING OR CONSOLIDATING.

Although this is a hot-button topic, I encourage all financially struggling nonprofits to take a good look at the range of programs and services they offer and consider scaling back to the most essential and/or those achieving the best results. Likewise, considering consolidation of office or work sites may make sense in response to changes in programs and services, increased virtual work and outreach, or the cost of implementing COVID protections. If time allows, do a gap analysis on your programs and services to see how you might reduce overlap, make programs more effective, and improve case management.

Look for ways to work to gain tangible, functional benefits by collaborating with other nonprofits (e.g., colocation, shared back-office services, common tech platforms and support, volunteer recruiting, and even specific ways for interfaces and handoffs of programs and services across two nonprofits). We highly recommend the [Lodestar Foundation](#) and its great examples of collaborations, including groups that have received its Exceptional Grants.

At some point, you might convene (or ask someone else to convene) possible actors to discuss where and how consolidations might support your mission. Make it exploratory for all involved, but be sure to come away with a list of the organizations it might make sense to partner with, as the acquirer or the acquiree. To learn more, check out "[Building Capacity for Sustained Collaboration](#)" from the Sustained Collaboration Network.

10. SEIZE OPPORTUNITIES FROM VIRTUAL ENGAGEMENT.

It's a challenge to transition to virtual operations, but making the change opens new possibilities (e.g., improved operations and management, broader fundraising outreach, staff being able to work more remotely, and improved programs and services delivery).

The move to virtual/digital services was already well underway, but COVID rapidly accelerated its adoption, especially in healthcare. For example, [the daily volume of virtual-care visits](#) at the Cleveland Clinic rocketed from 5,000 in March to more than 200,000 in



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April. “One thing I’ve learned is we can actually pivot and shift and change things a lot quicker than we thought we could when the need arises,” **Dr. Kevin Hopkins** [explained](#).

Many nonprofits are already using virtual technologies to their advantage. Televisits and virtual connections work for big and small nonprofits. TechSoup’s [report](#) on nonprofit tech trends for “the fateful year 2020” moved from prediction to reality in less than three months. Parents as Teachers [scaled their home visits](#) via interactive video conferencing. Virtual Visit Friends helped isolated [seniors stay connected](#). CCS Fundraising is helping nonprofits use virtual tours to [engage donors](#). Points of Light introduced [virtual volunteer opportunities](#).

Consider having a person lead this virtual/digital transformation and/or partner with other nonprofits to share such a resource. This person would focus on making digital work more effective and exploring how new tools can be applied to help improve operations and outreach. A critical role for this person is ensuring the use of high-reliability platforms and the implementation of necessary security measures to protect an organization’s assets, staff, and users’ privacy.

11. INNOVATE TO ADAPT AND RESPOND.

I’m a firm believer that “necessity is the mother of invention.” Over the past five months, we’ve seen leaders and their organizations adapt rapidly, because they had to. This [article](#) by **Dr. Lisa Yerian** and **Dr. John Toussaint** gives insights into how continuous improvement can be key in crisis response and how healthcare workers came up with innovative ways to solve problems in a pinch.

When you brainstorm about adaptations, you might benefit from a [design-thinking](#) approach (as long as you do it quickly, even in real time). Reach out to those you serve and other stakeholders as well. If you’re not already doing so, short surveys let you obtain relevant feedback from those you serve. And then consider implementing a structured way to collect and use constituent feedback for all aspects of organizational and program management and delivery. To this end, consider subscribing to [Listen4Good Online+](#), which provides services, tools, and programs to help organizations develop their own feedback loops.

12. IMAGINE THE UNTHINKABLE.

At the end of March, I brought our family office team together to review our backup plans in case one of us came down with COVID. We already had well-laid-out plans for one person to take on the role of another, if necessary. Then I threw a monkey wrench into all this fine backup planning when I asked what we would do if both team members got seriously sick at the same time. We changed processes, simplified certain actions, added



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authorizations for check signing and funds transfer, built in new checks and balances, and so forth. This might sound ridiculous, but who would have imagined hospitals wouldn't have enough personal protective equipment (PPE) for nurses? Or that hospitals wouldn't have enough ICU beds? Or that schools would move completely to virtual sessions, leaving many poor students with no way to access lessons? Or that disinfectant wipes, paper towels, and toilet paper would be prized consumer finds? What are your unthinkables? And how well prepared are you if they become your reality?

CONCLUSION

I grew up in an immigrant family of blue-collar workers in Ohio and coal miners in Pennsylvania. If you were from our part of town and of our ethnicity, the ladder of upward mobility wasn't quite as safe or sturdy as the ladder for "better" families from the communities where my mom cleaned houses. But at least we had a chance to find opportunity. The American Dream felt legit.

Today I feel fearful—more so than I did at any time during the Sputnik years of my childhood or the fateful years of 1965-1973, when riots broke out in our cities, Dr. King was assassinated, students were massacred at Kent State (one of my alma maters), and friends were fighting in an unjust war.

I'm also hopeful that we can combat the intersecting crises we face—if we're smart enough to stabilize and then strengthen America's civil society. In the [words](#) of respected colleague **Stanley Litow**, a professor at Duke and Columbia Universities, "No sector of the economy is more vital to achieving equality and social justice, or more deserving of support, than nonprofit agencies that are directly responsible for ensuring the social safety net doesn't completely shred."

Note: A list of the articles referenced and/or used in developing this paper can be found [here](#).

You can access all of The Big Reset resources at <https://leapofreason.org/the-big-reset-home>.



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