



What is Nonprofit Turn Around Consulting?

www.nonprofit-consultants.org

By Michael Daily, Executive Director of Executive Service Corps

Turn Around Consulting is an effort to determine if a nonprofit, in danger of going out of business, can be saved and put on a path to recovery. In the most of the cases that I am familiar with, this requires a comprehensive solution, not just an adjustment in one area.

With a credible threat of shutting down, all options need to be on the table. This would include reorganizing, restructuring, downsizing, laying off staff, and mergers or collaborations that may have been rejected in the past. It can also include expanding profitable programs, finding new sources of revenue, and increasing fees.

If the organization survives, it is by adopting a multifaceted solution that inevitably involves forgetting “sacred cows”, and adopting new ways.

The initial steps in a turnaround are as follows:

Step 1 – Understand the cash position and the cash flow – what is the urgency - how long do we have before we run out of money?

Step 2 – Is the mission compelling in the context of the current economic climate? Will stakeholders rally in support?

Step 3 – Is there a commitment from the staff and/or the board? Turnarounds take an inordinate commitment and herculean energy from someone – is that someone there?

Step 4 – What are the organization’s resources? What is every resource that the organization has including tangibles such as underutilized real estate or low cost leases and intangibles including its reputation, network of stakeholders, and the influence of board members?

Step 5 – What is the financial model? What drives revenue and what drives expenses? How are they related?

Step 6 – Can we design a new financial model that works? No matter how compelling the mission, we need a financial component of the business model that works!

Step 7 – Can we make a credible plan to get from here to there? If the first six steps are done well this may take some pushing and shoving, but it will be the easy part. If the results of the first 6 steps are not successful, then it is time to plan as graceful an Exit Strategy as is allowed by the circumstances.



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Step 1 usually imposes timing constraints that means these steps must be done quickly, often on an emergency basis. The process has been likened to changing the tires on a moving automobile.

The art of the process is in examining the resources and financial model from every possible angle. It often involves cutting costs while raising fees. It may involve jettisoning or modifying programs previously thought of as essential. It might be necessary to spend some precious cash to expand a profitable program while cutting back or eliminating another program. It might require merging a program into another agency. It requires doing whatever it takes to find an overall business model that works and is sustainable.

Two parting concepts are important. The driving passion that makes this work is providing services to the constituents. What are your core competencies – things that you do better than anyone else and how do they meet the needs of your clients or constituents?

Remember there are two situations where you have maximum negotiating power. The first is if you do not need the other party. The second is if you are desperate! With a turnaround you are desperate. We were able find financial relief from a funder that kept a nonprofit afloat through the last economic slowdown. There were two key elements of this success. The first was doing our homework. The second was a credible threat that we would go out of business leaving our clients to seek significantly more expensive and less effective services.

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