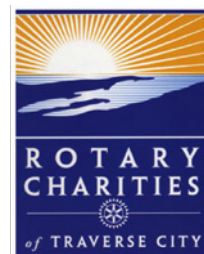


Nonprofit Needs Assessment

For Northwest Lower Michigan
2014



**FRAMEWORK
FOR OUR FUTURE**
A REGIONAL PROSPERITY PLAN
FOR NORTHWEST LOWER MICHIGAN



➔ Nonprofit Needs Assessment: Introduction

Contributing to Prosperity: The Challenges and Opportunities Facing Nonprofit Organizations in Northwest Michigan

Nonprofit organizations are vital drivers of prosperity. They create jobs, have assets, support a stronger workforce through delivery of vital programs and services, and help create the type of region that attracts visitors and retains employees.

Nonprofit organizations have always worked within very challenging environments. The majority address society's most complex issues – preparing our youth for success in an uncertain future, maintaining a safety net for growing numbers of vulnerable families, protecting our natural assets from exploitation – all with the expectation that they will raise adequate resources, keep costs to a minimum, attract and retain competent talent, and produce evidence of community benefit. Survival has never been easy for most nonprofit organizations.

The world continues to change at an ever increasing pace, and the nonprofit sector has not been spared additional challenges. For many nonprofits, public resources

once counted on are dwindling, and nonprofits have been forced to think in radically new ways to support operations and provide services. The leaders the sector has been relying on are retiring in record numbers and the leadership pipeline is not keeping pace. All the while, the community needs nonprofits are addressing are becoming even more complex and intertwined. Working in isolation is no longer an option and the sector is trying to figure out how to bridge wide gaps to effectively coordinate strategies toward common goals.

This rapidly evolving environment is creating new challenges and opportunities for nonprofit organizations. Continuous learning and adaptation has never been more important. In order to get a better understanding of how organizations in the region are experiencing and adapting to these changes, Rotary Charities of Traverse City and its capacity building program, NorthSky Nonprofit Network, collected information from nonprofits in the 10-county region during 2013 and 2014 using a variety of methods:

- An online needs assessment survey (590 participants)
- A nonprofit listening tour (12 participants)

- Focus groups of former Rotary Charities grantees (30 participants)
- Collaboration & Community Action Survey (50 participants)

Also, a review of the existing data and literature on the nonprofit sector was conducted including the following primary sources:

- Economic benefit of Michigan's Nonprofit Sector 2014 (Michigan Nonprofit Association, Council of Michigan Foundations & Public Sector Consultants)
- 2014 State of the Nonprofit Sector (Nonprofit Finance Fund)
- Volunteering in the United States, 2013 (Bureau of Labor Statistics)

Several themes emerged from the data and are presented below along with accompanying opportunities the sector may consider in adapting to these challenges.

The greatest danger in times of turbulence is not the turbulence; it is to act with yesterday's logic.

– Peter Drucker

➔ A Challenge: Nonprofit Organizations Remain Very Under-Resourced

Most organizations report that they do not have the resources to adequately fund the physical and human infrastructure necessary to adequately meet their missions. While this theme is not new, it appears to be relatively unabated since the recession. In late 2013, over 70% of organizations surveyed in the region reported that their biggest challenge was finding funding to meet the demand for services.

Many cited declining public services and grants were putting added pressure on their organization to pick up the slack. Others noted that grants were typically very restricted in their use and did not fund the “true costs” of providing services. Specially, grants that provide support for existing programs, general operating support, and multiple – year support were hard to come by.

There is also the perception that competition for resources is growing the region. Currently, there are about 1,892 501(c)(3) nonprofit organizations in the region (June 2014, National Center for Charitable Statistics). This is an 8% reduction in the number of nonprofits since 2010. However, the density of nonprofits in this region (63 nonprofits per 10,000 people) remains significantly higher (38%) than the state average (National Center for Charitable Statistics, 2014).

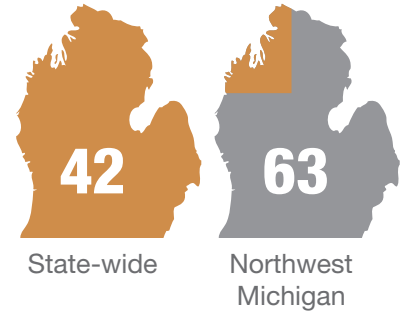
Also, many nonprofits note increased competition from “non traditional” competitors. Traditional roles are being co-opted across sectors. While nonprofits are becoming more entrepreneurial, many businesses are becoming more socially-minded. New entities are entering the landscape which are business in structure, but social impact in purpose (L3C’s and B Corps are two examples). While more agents for positive change will ultimately be good for communities, in the near term it is creating some confusion and new competition for scarce human and fiscal resources.

Despite these resource challenges, nonprofit organizations continue to report doing more, typically with less. In 2013, 66% of organizations reported significantly increasing or improving core services. However, only 28% reported increasing staff and 42% increased volunteers.

An Opportunity: The Sharing Economy

The resource challenges facing nonprofits appear to be growing, but the changing landscape also offers new opportunities that could change the future. It is becoming easier to activate and share human and knowledge capital in new ways to increase organizational capacity, reduce costs and increase social

501 (C)(3) ORGANIZATION DENSITY PER 10,000 PEOPLE



12,000

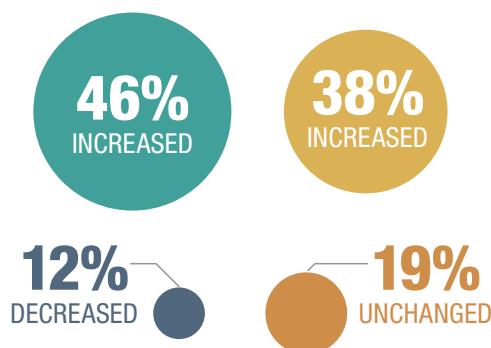
PEOPLE EMPLOYED IN THE **NONPROFIT SECTOR** IN NORTHWEST MICHIGAN

impact. Two concrete examples of this can be borrowed from the emerging “sharing economy” and applied to the way we work as nonprofits: Service Sharing and Peer Learning.

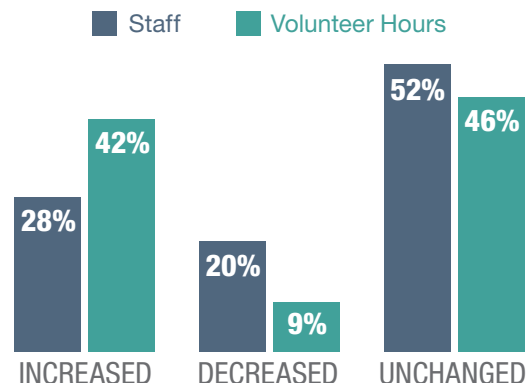
Service Sharing

Back office functions like bookkeeping, database management, human resources, and IT are needed by

CORE PROGRAMS & SERVICES SINCE PRIOR YEAR



PEOPLE POWER SINCE PRIOR YEAR



all organizations. Currently, many back office tasks are completed by staff or volunteers with a high level of sector-specific expertise that could be more effectively used providing services and leadership. Formal service sharing between organizations appears to be a promising strategy that is gaining interest in the nonprofit community. The majority of nonprofits in the region surveyed (52%) believe that creating a “hub” for services that could be shared by nonprofits has the potential to significantly impact the region. For instance, rather than four organizations each recruiting, hiring and employing their own bookkeeper, several organizations could share one position between them, lower the cost for each of them and create new efficiencies of scale. The savings may not be in the staffing costs alone, but also in things like software, hardware and office space. One local example of this idea in action is The Little Collaborative (see inlay).

Peer-to-Peer Learning

Community problems are intricately interconnected, but largely our human resources needed to address those problems are largely locked within individual organizations. Over 12,000 people in the region are employed with a nonprofit organization (more than 10% of the workforce). Each of those 12,000 people has a unique set of skills, experiences and perspectives. Typically, each individual's assets are only made available to their hiring organization. Unlocking even a small percentage of the human capital at organizations to benefit a larger community of organizations could have tremendous impact. Two examples of this idea in practice are learning circles and workplace policies that promote volunteering.

Learning Circles are groups of peers who meet regularly to learn from each other and others around a topic of shared interest. NorthSky Nonprofit Network hosts a Peer Learning Circle for nonprofit Executive Directors that is facilitated by a certified

executive coach. Another example is Northern Michigan Fundraising Professionals, a group of about 70 professional fundraisers from the region that meets to support each other and share resources (see inlay). Not only have these groups resulted in greater capacity for participants who in turn strengthen the organizations they work for, but they have created new partnerships and collaboration between organizations.

Instituting workplace volunteering programs and policies that encourage meaningful community engagement is another easy way to free up human capital for the greater good. Allowing employees to use paid work time to volunteer is a trend that is growing rapidly in the private sector. Formalizing workplace volunteering as an option for nonprofit employees (as well as for profit), has the potential to build organizational capacity, create new partnerships and a more prosperous region.

An Opportunity: Earned Revenue

One way some organizations are becoming more self-sustaining is through creative earned revenue strategies. While most people think of nonprofits as surviving mostly on donations and grants, many nonprofits are also earning revenue while furthering their mission. Fee-for-services or goods from private sources generally makes up about 20 – 70% of nonprofit's revenue mix. Unlike many donations or grants, earned income is unrestricted and can be used to support an organization in any way, including general operations. In order for the income to remain tax exempt, it should be derived from a good or service that also helps further an organization's exempt purpose. A local organization with several revenue generating enterprises, is Goodwill Industries of Northern Michigan (see inlay).



Three small organizations that grew out of the Traverse Bay Poverty Reduction Initiative recently joined forces to more efficiently deliver services. HELPLINK connects individuals with serious needs with the best community resource; FAMILY PARTNERSHIP is a traditional 1 to 1, family to family Mentoring partnership; and AGAPE FINANCIAL makes loans up to \$1,000 to individuals to remove a barrier to employment. Each organization faced similar challenges: finding skilled part-time staff, recruiting and training volunteers, finding and communicating with Neighbors in need, and communicating with the broader community.

Since mid-2014, all three organizations have located on the same site. They share an Executive Director, and their communication materials and websites have been connected. Collective volunteer recruiting and training are also underway. Based on space and staff alone, their total combined cost of operations has been reduced by 33%, leaving more resources to meet Neighbors' needs. Also all three partners are relating to Neighbors and volunteers they share with a new continuity of services. For more information on this shared service model, contact Karen Fulkerson at (231) 946-6278 or littlecollabdir@gmail.com

Northern Michigan Fundraising Professionals — A Peer Affinity Group

Northern Michigan Fundraising Professionals (NMFP) is a free regional affinity group for professional fundraisers, providing peer-to-peer support and resource-sharing. Since convening in 2010, the group has impacted over 70 fundraising staff from over 50 of our region's nonprofits with missions ranging from human services, to education, environmental preservation, the arts, religion and more. NMFP frequently hosts guest speakers from the grant making community, including Rob Collier, President of the Council of Michigan Foundations, executive staff from

Rotary Charities, DTE Energy Foundation, The Les and Anne Biederman Foundation, Oleson Family Foundation, Grand Traverse Regional Community Foundation and many others. The group shares best practices and supports one and other through the stresses and challenges of fundraising. The groups meets about five times per year. To learn more, contact Sherri Fenton at the Traverse Health Clinic, sfenton@traversehcc.org

➔ A Challenge: Nonprofit Leadership is Facing Many Challenges

Inarguably, leadership is one of most important factors driving nonprofit success. Most nonprofit organizations struggle to attract and retain qualified senior level staff and board members. Several factors converging have created what some are calling the nonprofit challenge of this decade: the aging of baby boomer leaders, lack of development opportunities for emerging leaders, a lack of succession planning, a lack of family-sustaining wages and benefits in the sector, growing competition for talent with the private sector, and increasing demands on existing leaders. All of these factors are creating higher turnover and fewer qualified leaders in the pipeline.

In this region, nearly half of nonprofit directors have been in their current position for 5 years or less. This is anticipated to increase in the region as many directors are preparing for their retirement in the next five years. Over the next decade, the Bridgespan Group estimates that the nonprofit sector will need to recruit and develop 2.4 times the number of senior managers currently employed.

Organizations are not effectively preparing for these executive

transitions. Out of 20 core capacities for nonprofits, organizations in the region ranked their abilities in leadership succession planning the lowest, and significantly lower than the second lowest capacity – revenue diversification.

The leadership challenge does not only pertain to staff, but extends to boards as well. In a 2011 regional nonprofit survey, the majority of respondents (53%) rated their organization as mostly ineffective at recruiting and retaining qualified board members. More than half (51%) had at least one vacancy on their board, 183 board seat vacancies in all.

Further complicating the leadership gap, what it means to be an effective leader seems to be a moving target, making it challenging to develop current and future leaders. The expectations of our leaders and organizations are changing. Today, leaders are being asked to produce evidence of their community benefit. The days of being able to report only on what you are doing as an organization (people served, activities completed) are over. Donors, funders, and even staff and volunteers are

49%
OF DIRECTORS HAVE BEEN
IN THEIR CURRENT POSITION
FOR **5 YEARS OR LESS**

183
BOARD SEATS REMAIN
VACANT IN THE REGION

requiring real information about the community change organizations are helping to create. Continuous learning and rapid adaptation have never been more important, but also never more difficult with fewer resources and time available for information gathering, sensemaking, and strategy development.

The landscape in which nonprofits work is also shifting and evolving at a pace we have never seen before. Organizational structures are beginning



Goodwill Northern Michigan uses earned income to keep its programs sustainable. Goodwill's foundational funding comes from its retail store operations. In addition to being its main funding source, the stores represent a retail job training venue - a hand-on classroom, tooling up the local workforce while providing an income opportunity. Goodwill strategically designs programs that have the ability to meet its mission and earn income to cover a portion of operations. Goodwill's Farm to Freezer is a prime example of this model in action. Farm to Freezer supports local farmers by processing local fruits and vegetables for retail and commercial sale outside of the harvest season. The processing provides a commercial kitchen training and work experience for people looking to enter the local food economy and sale of the product funds their training and equipment costs. For more information on Goodwill's earned income strategies, contact Sakura Raftery, Director of Business Enterprises, sakurar@goodwillnmi.org.



From Executive Director, Sarna Salzman

Formed in 1999 to make tangible connections between ecology, education and community design, SEEDS is emerging from our 'start-up' phase and quickly gaining maturity. With this change our leadership capacities also need to evolve - at all levels from the board to the service staff. The timing of Northsky's focus on supporting executive leadership could not have been better for SEEDS. My work with Lucile Chrisman as an executive coach was so beneficial to me that I wanted to share this kind of investment with more of my team. The term 'coach' is so appropriate because SEEDS is now expanding our work with Lucile so that she can help us all work as a team and get 'in the zone'!

to change from more hierarchical, command-and-control type leadership, to more self-organizing, inclusive, emergent and nimble structures. Collectively, the sector is beginning to realizing that effective leadership can come from any individual, at any time. A crucial role of "titled leaders" (executive staff and board) may be to create and support the conditions that enable that to happen.

An Opportunity: Invest in Board & Staff Leadership Development

In times of tight budgets it may seem counter-intuitive to take dollars away from direct services, but it is precisely the time to invest in building the capacity of our leaders to create change. For-profit companies invest billions in leadership development, while most nonprofits still consider it a luxury. The evidence is clear, dozens of studies have confirmed that "strengthening leadership development results in more mission impact, higher revenues, lower costs, and greater stability." (Stanford Social Innovation Review, May 2014) One local example of an organization that has chosen to invest time and resources into leadership development is SEEDS (see below).

There are several resources in the region for boards and staff interested in development (see inlay). A good first step in determining what your board or staff development needs are is a self-assessment. The Bridgespan Group has a free tool, Building Future Leaders Diagnostic Tool, that is part of a larger toolkit available to organizations here: <http://bit.ly/1rYTG6p>.

An Opportunity: Plan for Transition

Planned or not, leadership transitions will happen. Yet, most organizations fail to plan for leadership changes and struggle greatly when they are faced with one. Taking time to thoughtfully consider what it will take to smoothly replace key leaders in an organization will increase the

chances that a nonprofit's mission will continue with minimal interruption during times of transition.

It is typically the board's role to initiate succession planning. It is important to consider both emergency plans as well as timelines and processes for planned transitions, like retirement. It is important to consider all key leadership positions including executive level staff and board members. Effective planning processes will include some future forecasting to determine what kind of skills the organization may need at the time of transition and

creating a plan for cross-training and professional development to build the organization's internal capacity to respond to the transition. Succession planning may also include a plan to ensure the proper policies, procedures and work processes are well documented, and that there is a system for managing institutional knowledge resources, in order to help a new executive on-board.

An Opportunity: Mentoring

With the retirement of the baby boomers, a plethora of talent and experience will be exiting the

workforce. While this is a challenge for the sector, it is also a profound opportunity. Many retirees are still looking for ways to meaningfully contribute to the community and could make excellent mentors to new or emerging nonprofit leaders. This area is drawing retirees from all over the world; tapping into that expertise could have immense impact. The Traverse City Chamber of Commerce operates a mentorship program. More information and an application can be found at: <http://tcchamber.org/mentor/>.

Culture is changing as younger, GenXers, Millennials are coming into leadership positions and bringing skills in rapid innovation and creativity, but boards are older and not as interested in today's fast pace. Big generational problems exist between nonprofit staffs (typically younger) and boards (typically older), creating more turnover among staff. Also, because of low salaries and lack of benefits, the younger generation grows out of the sector when the need for family support, which requires higher income and benefits, outweigh the reasons for going into nonprofit work.

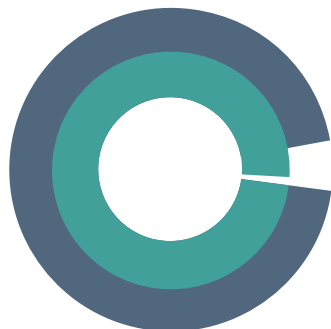
– Listening Tour Interviewee

➔ A Challenge: Social Issues are Complex & Must Be Addressed at the Scale They Exist

The community problems that most nonprofits are trying to impact are intricately connected, yet most nonprofits are working in relative isolation with limited knowledge of what others are doing to impact the same problem. Partnerships certainly exist, and networks and collaborations have been around in this region for decades. However, their purpose is generally not to attack a problem at the scale that it exists in a coordinated, cross-sector manner. This is resulting in change that is isolated, episodic and often temporary. As organizations deepen their evaluation and learning practices, they are becoming more aware of this reality and the limitations of their own individual organization to make lasting change while working in isolation. Nearly all nonprofits reported increasing their level of collaboration last year with at least one other entity (other nonprofit, government, business or network). Even more (99%) want to deepen their connections in the future with others who care about the same issues – 77% with other nonprofits, 66% with units of government, 70% with businesses, and 76% with cross-sector networks working together.

There are many ways to collaborate with other entities, all have value. Paul Born from the Tamarack Institute introduced The Collaboration Continuum to a group of over 70 individuals in the region who are interested in deepening their connections to address the issues they care most about. When these individuals were asked where they felt they were currently working when they were collaborating, on average it was between Communicating and Cooperating (see continuum below). They felt they were sharing information and working on discrete activities. However, the same group on average reported that they would like to be working somewhere between Collaborating and Integrating; where

THE STATE OF NONPROFIT COLLABORATION IN THE REGION



INCREASED COLLABORATION WITH BUSINESSES LAST YEAR

22%

INCREASED COLLABORATION WITH NETWORKS

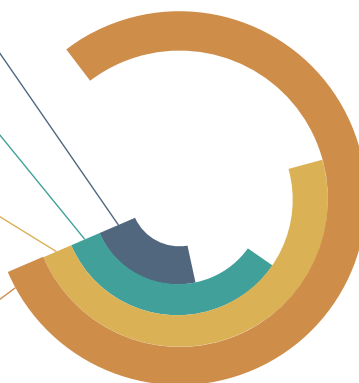
34%

INCREASED COLLABORATION WITH UNITS OF GOVERNMENT

48%

INCREASED COLLABORATION WITH OTHER NONPROFITS

79%



there is a longer-term commitment to shared mission, vision, goals among entities, with programs and funding streams becoming more integrated.

What is standing in the way of organizations more effectively collaborating? Over 400 organizations weighed in and reported 12 significant barriers. In addition to the top three barriers – money, time and turfism – nonprofits also cited a lack of: clear, shared goals; board support; role clarification; leadership; accountability; invitation to participate; trust; backbone support and difficulty communicating across sectors.

Top Barriers to Effective Collaboration

1. Lack of funding for collaborative work

2. Time spent away from own organizations priorities
3. Turfism / competition for resources

An Opportunity: Find Organizations Working to Impact the Same Community Issue

While collaboration is a challenge, it may be an organization's best strategy for deepening mission impact and our region's best opportunity to scale solutions to complex problems. Finding organizations who care about the same issue is always an important step in working effectively as a nonprofit. Nonprofits might consider creating a goal to increase the number of strategic partnerships it is engaged in. The National Center on Charitable Statistics (www.nccs.urban).

org) is the national clearinghouse for information on the nonprofit sector. It is possible to search for organizations in a variety of ways including county and area of focus (e.g. arts, health, etc.) to easily assemble a list of organizations to reach out to.

It could also be beneficial for an organization to participate in an existing network. We have uncommon levels of early-stage collaboration in this region (where information sharing is currently the dominate purpose). There are currently at least 19 active networks in the Grand Traverse region alone addressing everything from Arts & Culture, Energy, and Early Childhood Education to Transportation and Teen Pregnancy Prevention.

An Opportunity: Make Intentional Decisions about Collaboration
Clarifying the purpose of any collaboration early on is one of the most important decisions of any partnership. For organizations to remain committed to working together they must understand the “why” of the work so they can begin to understand what they are getting (their value) and what they can contribute. The purpose of a collaboration can, and does, evolve over time, but it is important to articulate these changes clearly and often to ensure all partners remain engaged. Other key decisions are highlighted below.

Key Decisions for Partnerships & Networks

Adapted from Network Weavers Handbook, June Holley (2012)

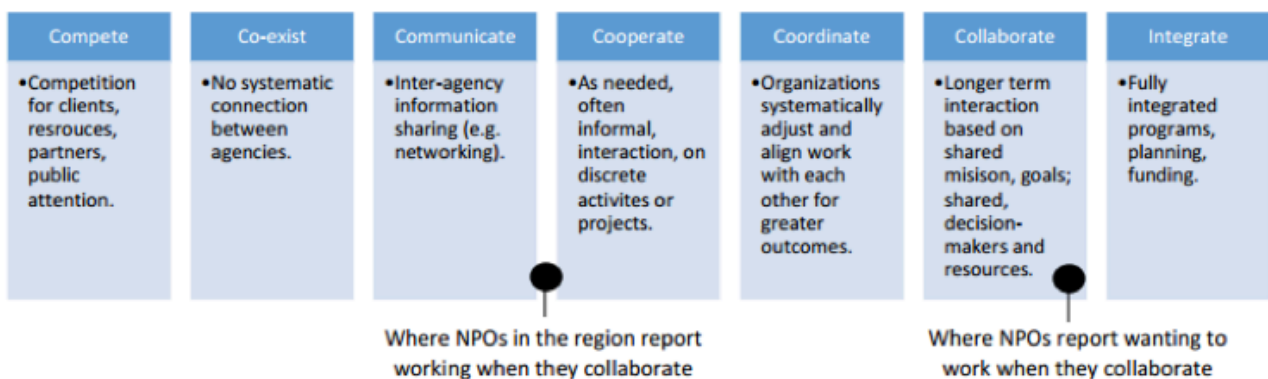
1. What is the purpose of your partnership or network?
2. Why do you think a partnership or network will help you meet your purpose?
3. What principles will guide your work?
4. What do you want to accomplish? How can you meet those goals more effectively together than separately?
5. Who should be involved?
6. What are the roles/responsibilities of each participant?
7. What assets will each participant contribute? Skills? Resources? Connections?
8. How will you build trust?
9. Are there training/development needs of partners?
10. How will decisions be made?
11. How often will you meet?
12. How will conflicts be dealt with?
13. How will performance be evaluated?
14. Will there be a plan, overall strategy?

15. What are the leverage points (places where target action can make a difference now)?
16. How will actions be evaluated?
17. What resources are needed? For what? Where will they come from/how? What can be accomplished without new resources?



Where NPOs Report Working vs. Where NPOs Report Wanting to Work

The Collaboration Continuum



➔ Nonprofit Needs Assessment: Conclusion

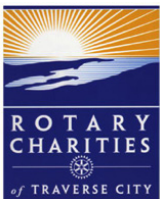
Nonprofit organizations are at the nexus of a rapidly changing environment. The communities they benefit, the tools available to them, the knowledge and ideas surrounding their work, are all evolving at a pace never before encountered. This change is creating new and deepening needs in the sector, but also transformative opportunities to redefine and strengthen the role and work of nonprofits as they contribute to our shared prosperity.

**It is not just what we do but how
and with whom we act and interact
that brings transformation**
– June Holley, *Network Weavers Handbook*

➔ Local Leadership Development Resources



- **Free Online Resource Center:** Resources curated for leaders by professional consultants
- **Professional Development Series:** Over 40 workshops/year at a low cost (most \$15/person)
- **Executive Director Peer Learning Circle:** Directors from the region learning from and with each other facilitated by a certified executive coach
- **One-on-One Leadership Coaching:** Customized, confidential, intensive work with a certified coach (partial scholarships available)
- **Capacity Building Grants:** Up to \$8,000 grants to help strengthen organizations in a variety of ways
- **Board Development & Succession Planning Assistance**



Contact NorthSky Nonprofit Network to connect to one of the 19 active networks in the region.
(231) 929-3934 or jliszewski@rotarycharities.org

For additional data and learning related to nonprofit organizations, contact
Freya Bradford, Rotary Charities and NorthSky Nonprofit Learning Officer
(231) 929-3934 ext. 209 or fbradford@rotarycharities.org



Traverse City Chamber of Commerce: Leadership Grand Traverse, Mentoring Program, and Young Professionals.

Find out more at: www.TCchamber.org or contact: **TraverseCONNECT (231) 947-5075**