

Weather the Perfect Storm Roundtable

February 18, 2009



Discussion Outline

- What in heaven's name is going on in the world?
- How on earth do we deal with it?
 - Seven Strategies for weathering the storm
- Brief case study: CIS Network
- Is there any silver lining?

What in heaven's name is going on in the world?

- Deep Recession
 - Scope and depth not seen since the 30s
 - Financial sector fundamentally under siege
 - Global implications
- Non profit sector's paradoxical situation
 - Increased competition for fewer resources
 - Increased demand for services

Unprecedented challenges require
unprecedented leadership actions

How on earth do we deal with it?

- No easy answers, but history is a good predictor of future behavior.
- Requires core leadership skills: individual and organizational
- Refer to “Managing in Tough Times: Seven Steps”
 - The Bridgespan Group (www.bridgespan.org)

Step One: Act quickly, but not reflexively, and plan contingencies

- Manage costs aggressively:
 - Cut “nice-to-haves”
 - Delay new initiatives
 - Develop contingency plans
- ↓
- Understanding your business model is critical.

Step Two: Protect the Core

- Allocate discretionary financial and human resources to achieve sustained and strategic results.
- Ensure organizational infrastructure is appropriate to support strategic results.

Step Three: Identify the people who matter most and keep that group strong

- Talent makes the difference is tough times.
- This applies to network operations as well.
- Fundamental question: Who are the best staff/affiliates and how do you know?
 - Be willing to protect “A players” with layoffs

Step Four: Stay very close to your key funders (income stream)

- Funders have to make tough choices, too
- Be their core staff; deliver strategic results for them
- Negotiate terms aligned with current circumstances → deliver strategic results

Step Five: Shape up your organization

Crisis is a great motivator to make tough choices

- Merge programs/positions
- Have in/out conversation with affiliates
- Recalibrate pace of growth/quality initiatives
- Make strategic hires (e.g. CFO or COO)
- Streamline management decision making

Step Six: Involve Your Board

- Fiduciary responsibilities: critical policy makers
- Strategy formulation: experience and support
- Resource development: guidance in managing business model

Step Seven: Communicate openly and often

- Transparency is crucial
- Remain enthusiastic and mission focused
- Be willing to absorb the hardship by helping out when things are tough (rolling up sleeves)

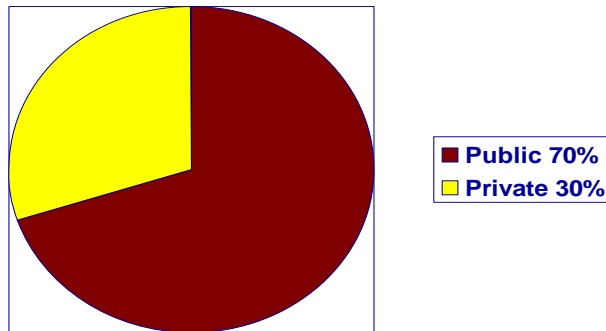
Brief case study:

Communities In Schools

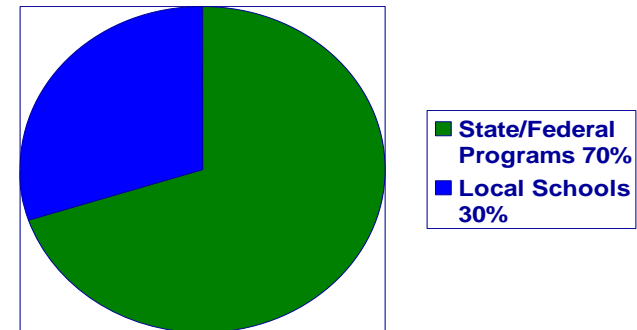
- Organizational Goal: Significantly reduce the number of dropouts
- Organizational Profile:
 - Largest dropout prevention network in America
 - Provides integrated student services
 - Federation of nearly 200 independent affiliates
 - 14 state offices
 - 1.2 million K-12 students
 - 185,000 parents/guardians
 - 50,000 volunteers
 - 3,200 public schools

Financial Model of the CIS Network

- \$225 million operation; largely funded by the public sector



- Breakdown of public support for CIS network



CIS Sustainability Strategy

- Private Investment for network:
 - \$50 million Impact Fund for network
 - \$100 million endowment to support national office operations
- Public Investment for network:
 - Need to create multiple stable streams of public capital for integrated student services
 - CIS' sustainability is linked to a policy strategy
 - Public education is a \$500 billion business annually; private investments total ~ \$1.5 to \$2.5 billion annually

Decreased Public Support Due to Economic Crisis

- \$40 billion state budget shortfall closed in '08
- \$30 billion additional state shortfall facing '09
- \$63 billion state shortfall projected for '10*
- \$350 billion project state shortfall from 2009 through through 2011**

Impact of Economic Crisis on State Education and School District Budgets

- Thirty-four states have enacted/proposed spending reductions (K-16)*
- Complicated mechanisms for cutbacks and eliminations (increase class size, shorter school year, teacher layoffs, hiring freezes, cuts in extracurricular activities)

Key Policy Opportunities for Integrated Student Services

Federal Stimulus for Education*: \$789 billion

- \$10 billion under Title I: help close achievement gap and help underserved students
- \$11.5 billion under IDEA: improved education outcomes for disabled children

Key Policy Opportunities for Integrated Student Service

\$54 billion State Fiscal Stabilization Fund including school construction

Incentive grants for Governors: 50 percent must be for education in four areas:

- \$650 million Innovation Fund: funds partnerships between a nonprofit organization and a local education agency that make significant progress in closing the achievement gap

Key policy opportunities for Integrated Student Services

Keeping Parents and Communities Engaged
(Keeping PACE) Act

The Graduates Act

Graduation Promise Act

Strategic Actions

- Allocate government relations staff and resources to support stimulus opportunity
- Build grassroots network to support short-term and long-term policy strategy
- Engage board to get to policy-maker support
- Engage network in building capacity to access the increased public dollars

Is There Any Silver Lining?

- Determine core business
- Align resource allocation to core business
- Prepare for competition: a healthy dynamic for the nonprofit sector