

# Effort focuses on 'new reality' for non-profits

## United Way locally launches an initiative aimed at sustainability

By NATE DOUGHERTY

Since the days of George Eastman, Rochester has been known as a charitable community, supporting an array of non-profit groups from human services to the arts. But the city's population has shrunk, jobs are gone and state coffers no longer provide reliable income for these groups, said Peter Carpino, president of the United Way of Greater Rochester Inc.

The broad support of the past is no longer sustainable, he said, and the sooner non-profit leaders understand that, the better will be their chance of adapting to it.

To help non-profit groups face this new reality and give them tools for sharing services and arranging consolidations, United Way has established the Non-Profit Sustainability Initiative. The group includes 12 sponsors across the non-profit realm that will meet with other non-profit boards and managers and help them gain access to resources such as quality control specialists from the for-profit world.

The impetus for the consortium was the economic downturn and its effect on non-profits locally, Carpino said. Over the last four years, annual giving to the United Way has dropped \$7.5 million and the state also has cut its contributions to non-profit organizations. In addition, foundation assets fell to \$533 billion from \$682 billion between 2007 and 2008.

Combined with a drop in individual



The impetus for the consortium was the economic downturn and its effect on non-profits locally, United Way president Peter Carpino says.

File photo by Kimberly McKinzie

giving to groups, these factors have created what Carpino calls a perfect storm for non-profits.

For years United Way has assisted agencies looking to consolidate services or merge, establishing the Synergy Fund in 2008 to support these discussions and to help defray legal and operational costs involved. Since the fund's inception, more than \$350,000 has been committed to projects.

Over the course of discussions this year with Colin Garwood, executive director of LDA Life and Learning Services and president of the Council of Agency Executives, Carpino and the United Way began to shape a broad effort to improve the effectiveness of non-profit organizations dealing with diminished resources.

Garwood said that since its formation nearly 12 years ago, the members of the Council of Agency Executives—which represents the leadership of the majority of human service providers in the area—have talked about the need to do more with less. That is more important now than at any other time during his 30 years in human services, he said.

"We understand there's diminishing resources and that it's tougher and tougher to lead agencies, the regulatory requirements are increasing and the audit expectations are strong," Garwood said. "We've got to start sharing best practices and be as effective as we can be."

Council members discussed what would be needed to sustain the initiative—chiefly more awareness among non-profit leaders

of the need for greater efficiency.

"There are varying degrees of understanding of what the current reality is," Carpino said. "There was a notion of how do we create community dialogue and greater awareness among agencies."

The push to educate non-profit leaders comes at a time of expected turnover, Carpino said, citing a 2006 study showing that within five years nearly three-quarters of all non-profit executives were expected to retire.

The expected turnover makes it critical that groups become more willing to talk about sharing financial services or running joint programs, said Maria Cristalli, the chief strategy and quality officer for the Hillside Family of Agencies and a board member of the Greater Rochester Quality Council.

"The next generation of leaders will hopefully be taking over at the same time the five-year mark hits for this initiative," she said. "The ability for them to see strategically and have those competencies built into the organization, to think about partnerships and acquisitions, will be very important as leadership teams evolve over the next couple of years."

The consortium also will revive a program of the quality council that connected local business leaders with non-profit organizations to promote quality improvements. And the consortium will seek funders to support the sustainability initiatives, simplifying their processes and demands to make reducing administrative costs easier, Carpino said.

### The task at hand

The consortium's members represent

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some of the area's largest non-profit organizations and are what Carpino calls "the thought leaders" of the sector locally. Their participation gives the initiative broader support than if the United Way were working on its own, he said.

"This level of involvement shows how important the work is," he said.

Consortium members include the Rochester Business Alliance Inc., Center for Governmental Research Inc., SUNY College at Brockport and Rochester Area Community Foundation. Members are divided into groups working on different parts of the effort: community awareness, training and development, process improvement, technical assistance and funders' requirements.

Members are asked to attend at least two meetings a month to assess progress and offer advice on how to advance the initiative. United Way has committed to five years of funding for it, Carpino said.

The United Way's portion of funding will come from the already established \$350,000 Synergy Fund, and Carpino said he is seeking other sources of funding as well. He is also working on a system to evaluate the success of the initiative, looking beyond the number of mergers or shared service projects to examine the full impact on the community.

"The true measure is will we be able to look at those organizations that have gone through this and see if there has been cost savings, an improvement in service delivery, or if there has been a real or perceived impact on the community," he said.

The United Way is developing a Web-based method for organizations to share success stories and talk with other service providers.

"It's incumbent upon us to recognize that we're not going to get everything right the first time," Carpino said. "There will be bumps in the road. It's a learning process, but I think now we can agree that we have the collective will to make this work.

"Some people will still throw up their hands at the slightest bump and say it's a barrier as to why this won't work. While I respect the opinions, it's time to move beyond the simple excuses and say, 'Are we making forward movement or not?'"

## Selling the idea

If the goal is to make shared service discussions among non-profit agencies the norm rather than the exception, Carpino sees the consortium as the chief initiator of the conversations. He has met with boards to talk about the initiative, its goals and the tenets of sustainability.

But he acknowledges that the idea is still new to many people and that some board members negatively associate the idea of shared services with a more drastic outcome—mergers.

In his presentations, Carpino explains that the initiative is not an attempt to force mergers or to apply a cookie-cutter approach to consolidations.

"Every organization's circumstances will be different," he said. "There is really a sense that this isn't a top-down approach but that it has to come from the organizations themselves. It's the notion of providing agencies with the tools and resources they need so wherever they are in the process they can begin to make some progress."

He has developed his approach with the help of a *Stanford Social Innovation Review* article in which David La Piana, a non-profit consultant, says helping the non-profit sector thrive will take a large arsenal of tools, with mergers as only one option. La Piana uses a "partnership matrix" to outline different levels of integration.

Carpino said groups in this area should work on simple collaboration before moving on to projects such as joint programming.

"If folks see this as only being about mergers, as opposed to helping organizations in their quest to do business differently, then we cut ourselves short," he said.

## Mergers

Even as Carpino warns boards away from the idea that the initiative is about mergers and nothing more, however, he is quick to note that the United Way has had success in helping organizations arrange partnerships during the past few years.

Last year it facilitated three mergers, including one between AIDS Rochester and AIDS Community Health Services. The United Way is working with 11 more organizations on projects that could result in five mergers, he said.

The success stories offer proof of opportunities to reduce costs without mergers. The United Way helped four legal services organizations to co-locate in what is now the Hon. Michael A. Telesca Center for Justice downtown. That produced administrative cost savings because of shared services.

"You have four agencies doing something as simple as sharing a common reception area and a common receptionist," Carpino said. "That's huge. I think as organizations begin to hear this, hopefully the boards will see and think about maybe consolidating their own financial operations."

Doug Sauer, CEO of the Albany-based New York Council of Non-Profits, said openly discussing service consolidation would have been taboo a decade ago, but the recession has made it a hot topic. He traveled to Binghamton last week to talk with officials from 80 non-profits about ways to build their capacity and maintain their core programs as funding declines.

"When we did this 10 years ago, you saw maybe three or four people come and they wanted to hide so people didn't know they were there," said Sauer, whose organization is part of the consortium. "Now people are more receptive. They want to talk about these ideas and bring them back to their boards."

As large organizations such as the Girl Scouts and YMCA consolidate several smaller local branches, that builds momentum behind the idea and brings it more into the mainstream, he said.

If some groups and board members remain hesitant about shared services, Sauer said, that is healthy.

"It's a bit like the dating analogy," he said. "You may like this person, but do you want to make a commitment, change your name and start sharing a credit card? There's always hesitancy, and there should be."

"Some of these processes are very legally involved and include the attorney general and court approval. They need to make sure it's best for the constituency and for the community."

As more non-profit leaders face up to the new reality, Carpino said, the discussions that the initiative is intended to foster will no longer need prompting.

"Like it or not, the conclusion we came to is that this community no longer has the capacity to support all the things it has in the past," Carpino said. "If we can get that realization over the course of five years and seize it as an opportunity, I think we will all be stronger as a result."

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