

Summary of Findings

Building the Nonprofit Sector: Statewide Convenings on Future Trends

Hawai'i Community Foundation

June 2014



community | works

Planning
Facilitation & Training
Nonprofit Management

Convening Design

The Hawai'i Community Foundation (HCF), sponsored seven convenings statewide in May 2014 to discuss the current trends affecting the nonprofit sector and needs for future capacity building. Attendees represented a statewide cross-section of nonprofit organizational leaders in arts and culture, community development, education, environment, health, and human services, as well as representatives of funding organizations and consultants serving the nonprofit sector. A total of seven meetings were convened on Hawai'i (1), Kaua'i (1), Maui (1), and O'ahu (4 - 2 groups of nonprofit leaders, 1 funders' group, and 1 consultants' group).

Each convening was facilitated by Lily Bloom Domingo of CommUnity Works, a consulting firm, and included a brief presentation on *Building the Sector White Paper*, three rounds of small group discussions, and a large group debrief. Participants were given an "In My Opinion..." handout inviting them to share their personal opinion on the topics discussed.

Using information generated from the convenings, an on-line survey was developed to collect board level feedback on trends impacting the sector. The survey was then distributed via nonprofit leaders to their board members. Results from this survey will be analyzed and included in this report in July 2014.

Data Analysis

Analysis of the data generated from the "In My Opinion..." handout makes up the majority of this report. The data has been analyzed for overarching themes, as well as the unique perspectives among the four islands, funders and consultants.

Trends in the Nonprofit Sector in Hawai'i

Participants in the seven convenings identified the following **trends** as having significant impact on nonprofit organizations in Hawai'i in the next 3-5 years:

1. **The nonprofit sector is experiencing a sea change in the current funding environment.** Traditional sources of government funding are ending or changing, with no expectation they will return. Support for administrative or overhead costs, while never high, is now rapidly evaporating, both from institutional funders as well as individual donors. Lastly, the character of donors is changing as older donors who tend to be committed to organizations are giving way to younger donors who are more cause-oriented, focused on immediate results and a personal connection. They tend to be less "loyal" to an organization and cannot be counted on for consistent donations. Finally, many nonprofits are being asked to articulate strategies for financial sustainability at the same time as their traditional avenues of financial support are shifting dramatically.

2. **Simultaneously, the nonprofit sector is being asked to report on the results of their programs and services with the expectation that they will deliver both short- and long-term outcomes and be able to meet more stringent regulations.** Most nonprofit organizations embrace the concept that their work should result in positive community impact. However, they express ambivalence about the unfunded expenses incurred to implement tracking and reporting systems, and the unrealistic expectations of funders that nonprofits document long-term outcomes in an environment of funding one year at a time. The real and sometimes steep costs associated with more rigorous and long-term data collection are rarely funded by public or private funders.
3. **In response to changes in the funding environment, many nonprofits recognize the need to better understand their current business model and explore alternatives that will help them to continue delivering mission-aligned, quality services.** These alternatives range from plans to expand fundraising efforts to the development of revenue-generating services and new lines of business. However, most nonprofit leaders have not been trained in business development practices and are struggling to grow new skills and ways of understanding their financial models and options.
4. **Many nonprofits are experiencing significant increases in client/constituent needs and a widening gap between “the haves” and “the have nots”.** Although the general economy is improving, the nonprofit sector is on the frontlines of growing disparity between the poor and wealthy in Hawai‘i. The challenges of access to adequate housing, good nutrition, quality healthcare, quality education and so forth are growing and nonprofit resources are being stretched. Many nonprofits also report seeing increasingly acute needs as more people move deeper into poverty. This growing trend requires more comprehensive solutions than have traditionally been available.
5. **The Funder and Consultant groups, and some of the Nonprofit Leaders, felt that one of the challenges affecting the sector is the need for nonprofits to reconnect with the community they serve.** This observation was made more strongly by the Funder and Consultant groups, but it was also noted by some of the nonprofit leaders. There is a concern that some nonprofits act primarily as government contractors rather than as responsive, engaged community partners. Related to this was a perception that large organizations have lost the ability to work effectively with grass roots communities, and that they should consider partnering or working through smaller organizations that are truly community-based, and have the potential to be more effective.
6. **Many nonprofit organizations feel undervalued for their contributions to civil society; they express deep concern that the nonprofit sector is increasingly perceived as “constantly begging” and “failing to fix the problems” for which they have been given public money and donor support.** They do not feel there is a strong, respected voice speaking on behalf of all of the contributions that the sector is making to support community well-being.

7. **Leadership at every level has to recognize the changing environment and prepare to respond.** This is seen as particularly true for executive directors and board members whose responsibility it is to navigate these sea changes. In addition, the challenge of replacing long-serving, seasoned executive directors with younger leaders is fraught with both opportunities – fresh perspective, new skills and networks, lots of energy – and challenges – different work ethics, loss of networks and collaborative relationships, and inexperience.
8. **The sector needs to increase its capacity to communicate effectively with their constituents and the community as a whole.** The ability to tell compelling stories through a variety of traditional and contemporary means is essential to connecting with donors and influencing public perceptions about the value of the nonprofit sector.

Types of Assistance to Remain Vital and Relevant

Many participants are thinking about *ways to respond* to these trends or have plans underway to respond. When asked about the types of assistance that would be most beneficial as they work to address trends and take action participants identified:

1. **Need for Leadership Development and Training**, including training for board members on roles and responsibilities, succession planning for older executives, and leadership development for younger and/or newer executives and board members.
2. **Understanding the Organization's Business Model and Alternatives** is seen as an essential precursor to addressing long-term financial stability. As government funding has declined many nonprofits are considering revenue-generating lines of business, but most do not have sufficient background in developing or managing these types of business models, nor do they have access to sufficient start-up capital.
3. **Address Human Capital Issues**, many nonprofits identified the need to improve their capacity to *develop and retain staff*, especially in the current tight labor market, as well as *recruiting and managing volunteers* – both of these were seen as critical to delivering quality services and having a wider reach.
4. **Expand and Improve Communications** to effectively communicate the value of a nonprofit's work and to reach a wider range of audiences using a variety of methods, both traditional and contemporary.
5. Related to this was the need to **Educate Others on the Value of the Nonprofit Sector**. At a time when the sector seems to be increasingly viewed with skepticism nearly all nonprofits saw the need for respected voices to articulate the sector's value to civil society and make the case for sustained support of the sector.

6. **Support to Identify and Track Program Results.** Documenting and understanding program outcomes is key to improving services and communicating impact to funders; however, most funding sources won't pay for the development or acquisition of the systems or training needed to report on long-term outcomes.
7. **Support Technology Capacity** in the sector to find and evaluate system alternatives that can improve service delivery, capital to acquire both hardware and software, and support for staff training to optimize available technology.

Other types of important responses identified by the participants included:

- **Encourage Collaboration** including sharing ideas and best practices for collective problem solving approaches across many organizations and/or sectors, and
- **Provide More Research on Emerging Nonprofit Issues**, nonprofits need help interpreting the changes taking place in their operating environments.

Next Steps

HCF will use the information gathered from these convenings, findings from the board survey and other data about the nonprofit sector to determine the best way for the Foundation to support the strengthening of the sector. We expect to be able to share next steps in Fall 2014.