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From this week's Opinion

## Like business, non-profits must adapt to survive

By: Stephen Cole March 16, 2009

As families across the Chicago area cope with the snowballing effects of the biggest economic crisis since the Great Depression, many are turning to charitable organizations for assistance.

But as families tighten their belts to weather the economic storm, non-profit organizations face significant challenges. Demographic trends indicate intensifying needs in our region: 14% growth in the number of people living in poverty; 84% increase in the number of working-poor families; limited access to affordable housing, and need migrating to the suburbs, straining organizations' mission reach.

It is ironic that when charitable organizations are most needed, many struggle to raise funds to maintain service levels, let alone increase them to match demand. The Philanthropic Giving Index, akin to the Consumer Confidence Index, indicates current trends and future expectations in American philanthropic giving. From June to December 2008, that index fell 27%, the largest single drop since the PGI came into existence in 1998. Before that, the worst drop was in 2001 — 9%. The outlook isn't pretty, but we must deal with the reality.

Couple these facts with the swinging pendulum of the economy and less predictable funding sources, and the question becomes, "How do we adapt our service models?"

Innovation is no longer as important as collaboration. No one organization can solve all problems. Smart organizations focus on what they do best and work with others to better serve communities. This means looking at strategic partnerships to complement core competencies, pooling resources to leverage economies of scale and, ultimately, maintaining a mission presence.

We simply have to become more savvy and realize that running non-profits like a business isn't a bad thing. Making ourselves accountable to our donors, much in the same way corporations must be accountable to shareholders, will lead to greater operations sophistication. Those that don't adopt this philosophy because it's not how non-profits have typically operated may not be around much longer. In this industry, you have to have a strong heart tied to a powerful brain. One should not function without the other.

My colleagues in the non-profit world know we must take certain steps to succeed, such as diversifying revenue streams because we can't over-rely on any single source. Focus on measurable outcomes. Demonstrate how funds are spent and how they impact the lives of people they serve. Recognize that donors are investors who appropriate their funds strategically, and treat them as such.

During trying times, non-profits need to remain strategic, smart, flexible and creative to respond to changing circumstances and stay true to their missions. It can be done. It must be done. And if it's not, legions of needy people will be left behind.

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