

Book Review:

Nonprofit Finance for Hard Times *by Susan U. Raymond, Ph.D.*

Reviewed by John W. Jacobsen

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The recent recession has been traumatic for many museums and museum service firms, but we must recognize that even this deep recession is part of a cycle, and that there always will be up times and down times in the economy. It is important to anticipate these changes, analyze which revenue sectors are changing and why, and look for those waves that are growing. While all components of the economy are related, sectors move and react differently, allowing clever nonprofits to plan strategies in advance.

During the Great Recession, the smart museums and firms found and targeted the few still-strong or growing funding sources (family staycations, new museums in the Middle East, STEM learning, New Market tax credits, federal agency grants, etc.), but other organizations had to downsize or close. Perhaps museum capital investment is turning back up now. We'll see. Early indications are that the money is different in this new economy, and again, we need to find the current waves of funding sources, and learn how to ride them. And we need to do this well in good and hard times.

Susan U. Raymond, Ph.D., is the author of *Nonprofit Finance for Hard Times*, which lays out many of the key funding strategies we will need. Dr. Raymond is Executive Vice President for Research, Evaluation, and Strategic Planning for Changing Our World, Inc., and she has developed and worked on nonprofit and private foundation development across the United States, Eastern Europe, the Middle East, and Asia.

The first chapters of this short book (189 pages) put nonprofits in the context of

their role in the economy, describe the core philosophy of philanthropy, and lay out definitions. The second set of chapters analyzes emerging trends and innovations in support strategies. These set the stage for Raymond's principal contributions in the later chapters, which develop strategies for anticipating and taking advantage of complexity and change in the economic landscape. By providing frameworks, and giving us real-world case studies of these abstract principles, Raymond suggests system approaches to revenue, principles to apply during implementation, and a sequence of "strategies for complexity" that could inform museums or museum-related businesses about what capacity building is needed for the different kinds of funding in her "analytic framework."

I found two of her big ideas particularly useful for museum work:

- Philanthropy is not really about money; philanthropy is about engaging with the community. Raymond says:

It is commitment to community that is the critical characteristic of philanthropy, not the money that changes hands. Dollars themselves are only a shadow of a deeper reality. Where individual passion and leadership flow in a civil society, engagement will follow. And where engagement is to be found, philanthropy will flower (p. 12).

- Nonprofits are not "victims" of the economy, but very much a part of it. If we choose, we can be masters of our own fate once we can see the rising and falling revenues and adapt.

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What are the museum implications of this new relationship?

**A New Relationship with Funders:
Community Oriented and Collaborative**

The new paradigm for philanthropy, in Raymond's view, is based on observations of practice that differ from traditional views of philanthropy. She sees that donor loyalty is now more to problems, and less to institutions, and that investment is seeking solutions to those problems. The new paradigm thinks in terms of social investment, and looks for metrics to measure return on social investment.

Raymond finds that "in many areas of endeavor, resources will not flow without conditions; philanthropists will no longer simply write checks; information will be expected and even demanded; strategies for philanthropic sustainability will be required" (p. 109). For instance, corporations now choose their philanthropy so that it aligns with corporate strategy, and foundations lay out the kinds of social issues they wish to address and how. Perhaps because of this systematic problem-solving approach, ideas that have scale, and that talk about significant impact are more appealing, which segues to the need for partnership in implementing programs that address social problems at a significant scale.

Raymond observes:

There is increasing interest among traditional foundations in finding ways to collaborate in their work, and thereby incentivize nonprofits to collaborate. The recognition that extremely complex problems require a critical mass of resources, which is beyond the capacity of most

foundations, has led to innovations in foundation co-funding (p. 65).

Together, these aspects of the new paradigm for philanthropy result in a much more complex landscape with deeper donor relationships, more players, and wider audiences for greater impact.

**Analyzing Our Economic Environment
and Following the Money Flows**

My second interest in Raymond's work lies in her approach to analyzing funding sectors, or following the money flows. Raymond gives us several indicators that are useful to track, but cautions that each of us needs to learn how to read our specific economy. For instance, foundation philanthropy declines about one year after a significant market decline. Unemployment rates and individual giving generally correlate, and so, increases in unemployment can be an early warning that individual giving will shortly decline.

One of the significant shifts happening in philanthropy is the move by many sources of funding toward a more market-driven model. Raymond quotes AOL founder Steve Case (2006): "There's no logical reason why the private sector and the social sector should operate on separate levels, where one is about making money and the other about serving society. I believe we can and should be integrating these missions" (p.73). I infer that projects that have both earned and support revenue components, like underwriting a traveling exhibition, fit better in this market-driven model.

It is important to know the specifics of your ecosystem's particular economic crisis and to monitor them. Raymond gives us nine steps to prevent organizational

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(continued from page 93)

References:

Case, S. (2006). *The future of Foundations: Blending business and philanthropy*. Speech given to the Family Foundations Conference, Honolulu, Hawaii, January 30, 2006.

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crisis when one or more funding streams decline:

Expect hard times; Project the future as a base for diversification strategy; Build a strong youth base; Place revenue diversity within a business model; Diversify revenue; Inventory and adjust skills; Be cautious about government funding; Look for collaborative opportunities now; [and] Constantly take the pulse of change (pp. 166-172).

In case we didn't follow these, she gives us six steps to cure organizational crisis when it happens: "Move quickly; Engagement first, last, and always; Engage and expand the Board; Communicate, communicate, communicate; Look for near-term collaboration; [and] Position for the climb out" (pp. 172-174).

Yes, they all take work, analytic skills, and even rarer, the time to absorb the research and contemplate the museum's future. Raymond cautions: "Unless responsibility for pulse-taking is clearly established and accountability for proffering the results to programs and management is clearly set, it will regularly fall to the bottom of everyone's 'to do' list" (p. 172). We need to invest in an evidence culture.

Combining Raymond's Ideas to Survive in Hard Times

I am particularly interested in these two of Raymond's ideas because they can come together for agile museums and service firms. The first idea—collaborate with funders to address community issues—requires social skills, openness to others' ideas, partnership and accountability mechanisms, and the humility and honesty needed for genuine relationships. Not every museum and firm has this open culture. The survivors will.

The second idea—follow the shifting revenues and adapt—is about monitoring funding streams of your own business model and of your whole professional field: What revenue sectors are growing and declining? Revenue trend statistics can direct your attention, but it takes genuine relationships with those funders to understand why that sector is growing. What emerging social problems are they seeking to address?

Here's a museum response that integrates the two ideas: "How interesting! Your cause is in line with our purposes, and we, along with some of our colleagues, have just the right resources to address those social problems. Let's work together to figure out partners and plan the project. Do you have friends who want to join our larger effort?"

I found this very readable book a useful overview of nonprofit finance in both bad and good times. It is full of data and important reminders to anyone developing museum projects that expect some degree of philanthropic funding. Raymond's book is critical for those pursuing more sophisticated funding from granting agencies or from social investors seeking to engage with others to address problems in our shared societal commons.

The big lesson for planning any museum capital project is to design the *relationship* rather than the *product*, and make sure that the process has ample opportunity to engage active and growing funding sources in real relationships to achieve shared goals. The product or service will emerge from that relationship. It is not about building a museum or designing an exhibition. It is not about the allegiance to your museum and its good works. It is now about the engagement of people and resources to solve problems together in measurable ways. ✨