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## Nonprofits offer for-profits lessons on making it through the recession

Kansas City Business Journal - by [Rob Roberts](#) Staff Writer

**The Child Protection Center of Kansas City** did something some businesses might consider unusual after threats of deep state budget cuts in 2005 prompted the center to begin transforming itself from a court-financed program into a stand-alone nonprofit.

It began saving money.

"We had about two years before the transition," Executive Director Julie Donelon said, "and so we were able to build up a little bit of savings to help us through times when we might not get a grant we are counting on."

Granted, businesses can't rely on the government grants, private donations and volunteer labor that help sustain nonprofits. But Donelon and other local nonprofit leaders said for-profits could learn a thing or two from nonprofits about how to weather rough patches like the current recession.

Donelon said her agency's habit of saving money plus some admittedly generous donations are allowing it to move from a cramped 2,000-square-foot space at 3100 Main St. to 4,550 square feet of newly furnished space at 3101 Broadway.

There, in the **Broadway Summit** building, the agency will spend tens of thousands to create a treehouse-like lobby and other comforting surroundings for the young abuse victims who will undergo forensic interviews and evaluations.

John Green, a broker with **Zimmer Real Estate Services Inc.** who represented the nonprofit, said its offer to cover the "upwards of \$100 a foot" in tenant-improvement costs gave the center the leverage to negotiate a lease that will save it substantially in the long run.

"It starts out at \$11.30 a foot, with 30-cent bumps for seven years," Green said.

### Consolidate and outsource

Matt Meyer, CEO of the **American Red Cross of Greater Kansas City**, said one way the nonprofit is looking to cut costs is by consolidating services.

"We're providing telephone support for some of our services through a single chapter, which is providing that service on behalf of 30 or 40 chapters," Meyer said. "We have more than 700 Red Cross chapters, and we're also planning to reduce significantly the number of chapters that are doing their own accounting. And fewer chapters doing their own accounting will mean fewer chapters that need an audit."

Laura McKnight, CEO of the **Greater Kansas City Community Foundation**, said many of the local nonprofits supported by the organization's donors save money by outsourcing accounting and other back-office functions to **Support Kansas City Inc.** in Mission.

Support Kansas City limits its clientele to the nonprofit world. But it has plenty of for-profit counterparts, McKnight said, citing **CBIZ Benefits & Insurance Services Inc.** as one example.

Donelon said that outsourcing accounting functions to Support Kansas City is "much more cost effective" than adding staff to her 10-employee agency.

As such a small organization, the Child Protection Center doesn't have internal consolidation opportunities, Donelon said. However, she is beginning to investigate opportunities to cut costs by consolidating purchases for services such as printing with other nonprofits — something that businesses might be able to do with for-profit buying partners.

### Small savings add up

With 35 full-time staff and a 2009 budget of \$5 million, Meyer's local Red Cross chapter is larger than many local nonprofits. But given the slowing contributions that will whack \$200,000 from the chapter's budget for fiscal year 2010, Meyer and his staff have been pinching every penny they can.

"We're requiring individuals to use company vehicles for any required travel to reduce the mileage we're paying," Meyer said, "and we're

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encouraging carpooling to meetings and conferences.”

The chapter also has begun urging employees not to print or copy information, such as e-mails, that are stored electronically. It uses **Costco** instead of caterers when possible. And it is reviewing every vendor contract with an eye toward reducing its cost.

“About 30 minutes ago, we had a discussion about the extent to which we could do our own cleaning versus what part we still need to contract out,” Meyer said. “I’m not sure we have any expertise in floor buffing, and we may lose productivity if people are vacuuming their own offices during times when they could be generating new revenue. But we could certainly pull our own trash and drop it in the Dumpster on the way out to the parking lot.”

Hilda Fuentes, CEO of **Samuel U. Rodgers Health Center**, said the six-location safety-net program also is reviewing every contract for potential savings and has centralized all supply purchases.

“We have an authorized supply list, and anything outside of that does not get purchased,” Fuentes said. “So we have no pink sticky notes; they’re yellow. And everyone uses those ugly green hanging files that all of us hate, myself included. I would much prefer purple or yellow. But the savings might translate to 5 or 10 cents per folder, and when you multiply that by 200 employees, there’s a big difference.”

#### **Focus on mission**

Fuentes said she sweats the small stuff because of the big picture.

“We haven’t needed, nor would we consider, reducing our services because of the service industry we are in, which is health care,” she said.

When the local Red Cross chapter was forced to reduce its paid staff in July, it also maintained a focus on its core mission, Meyer said.

“In other words, the cuts were made in programs that we had developed over the years that were outside of our primary mission, which is disaster education, preparedness and response, and then health and safety training,” Meyer said.

Businesses would do well to maintain a similar focus on their core mission during tough times, their nonprofit counterparts suggested. But the nonprofit sources were divided on the question of whether a strong sense of mission can help motivate for-profit employees when salaries must be cut or frozen.

“Our staff is not paid what they could make in the private sector,” Donelon said. “They get into this field because of their passion for what they’re doing.”

That means Donelon is able to keep employees happy through nonmonetary rewards, such as flexible hours, recognition and ice cream outings.

“I’m not sure that would work in the for-profit world,” Donelon said.

But the Community Foundation’s McKnight said private businesses can motivate employees by maintaining strong charitable giving programs.

“Sometimes, employees are willing to work for a little less money if they feel the company is doing such a good job of being a good community partner,” she said.

#### **Editor's note**

The *Kansas City Business Journal* is redirecting the Growth Strategies section to help companies and entrepreneurs navigate the tempestuous economy. Survival Strategies will explore how businesses approach the downturn, from simply holding steady to capitalizing on weakened competition to positioning themselves for better days ahead.

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