



Economic Outlook Survey

Executive Summary

The Recession's Impact on Christian Nonprofit Organizations



Research conducted by

J. DAVID SCHMIDT & ASSOCIATES

June, 2009

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NATIONAL “ECONOMIC OUTLOOK SURVEY” EXPLORES ECONOMY’S IMPACT ON CHRISTIAN NONPROFITS

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Christian Nonprofit Leaders See a “New Normal” Ahead for the Economy

Fresh/new research among Christian charity leaders reveals two diverse findings:

- The global economic downturn has forced many Christian nonprofits to curtail their work and take similar actions as their for-profit counterparts.
- The majority of leaders find their faith in God is serving them well in these difficult economic times.

This national Economic Outlook Survey of nearly 1,000 Christian nonprofits was conducted in April of 2009 by J. David Schmidt & Associates (JDS&A) of Wheaton, Illinois (www.wiseplanning.net) in partnership with Christian Leadership Alliance, San Clemente, California (www.ChristianLeadershipAlliance.org).

The findings represent 250 responding organizations from a broad spectrum of Christian parachurch and church organizations, including camps and conference centers, denominational offices, mission and outreach agencies, publishers, professional service firms, social service organizations, associations, colleges/universities, Christian schools, broadcast ministries, and churches.

The survey captured the opinions of senior leadership—one leader per organization. Nearly half (46%) of respondents were CEOs, Executive Directors, or other leaders at the helm. Another 30% function at the Vice President or “C” level (CFO, COO, etc.). Ten percent more are directors.

Respondents were largely baby-boomers (72% age 45-63), and one in five were under 45 years of age.

The Christian organizations in the survey employed from fewer than 10 to more than 500 people. The typical responding organization had between 31 and 50 full-time employees. Annual budget sizes ran the gamut:

- 22%** of the organizations have annual budgets under \$1 million
- 52%** of the responding organizations have annual budgets of \$1 million to just under \$10 million
- 26%** have budgets of at least \$10 million—9% have budgets of \$30 million or more

If there was a vulnerable segment, it would appear to be those organizations with budgets under \$1 million. Slightly more than others, their responses showed greater likelihood of decline in donations.

“This economic survey shows the notable impact that this economic downturn is having on Christian nonprofit organizations,” said Frank Lofaro, CLA president and CEO. “The revenues of charitable organizations have been adversely impacted by this economic downturn, but in this survey we have found that these organizations have taken significant steps to adjust to the new reality and plan effectively for the future.”

When asked how big an impact the current financial downturn is having on their organizations, a classic bell-shaped curve emerged. About 31% of the respondents indicated that it was having a low impact on their organization. On the other hand, 21% indicated it had a high impact. The balance of respondents, 48%, fell in the middle, indicating the impact was somewhere between low and high—clearly, they are feeling it.

Revenue Below Plan in First Quarter of '09 for 48% of the Organizations

For a sizeable number of charities and churches surveyed, ministry and service since January 1, 2009 has had its challenges. **Compared to one year ago:**

- 40%** of the organizations said they had less cash on hand
- 48%** said donations were down
- 51%** said their reserves were down
- 73%** of the organizations with investments said their portfolio and endowments were down

With charities so dependent on donated income, recent history is perhaps more disconcerting:

Nearly half (48%) of the responding organizations said income was **below** what they had planned for the first quarter of 2009. Median drop in donations for organizations experiencing donations below plan was 15%.

As a counterpoint, a smaller number, 18% of the organizations, said they were **above** plan for the first quarter of this year. Median amount above plan was just under 12%.

Christian Nonprofits Forced to Make Similar Choices as For-Profit Counterparts

When given a list of 21 different ways their organization could have responded to the economic downturn, eight responses rose to the surface. In rank order:

- 52%** reduced travel
- 44%** froze any raises
- 43%** cut their overall budget for 2009/this fiscal year (*median cut was 10%*)
- 36%** instituted a hiring freeze
- 29%** reduced or eliminated training expenses for 2009
- 28%** froze infrastructure expenses (facility, IT upgrades, etc.)
- 28%** reduced full-time staff
- 27%** reduced, eliminated or delayed outside counsel/consulting expense

Interestingly, 20% said they are relying to a greater extent on volunteers as a way to offset the economic downturn; 5% sold securities or hard assets, and 11% said they were largely unaffected and had made no changes in their operations.

And how confident are respondents in their response actions? Fully 83% agreed they have a very high level of confidence in decisions their organizations have made to offset the negative impact of the economic downturn.

While credit markets were in turmoil worldwide in recent months, most Christian nonprofits seem somewhat less impacted by this. Less than one-fifth (17%) said their organization had attempted to restructure debt or a loan in the past six months, 10% had tapped their lines of credit beyond normal use, and 15% said their borrowing pattern year-to-date roughly matches their pattern last year at this time. It would seem the majority of the organizations represented in the survey utilized other means to cope with declining revenues—including putting major initiatives on hold.

“The capacity of Christian charities and churches to continue to provide services and execute their mission, in the face of such fierce economic headwinds, says something about their tenacity and depth of spiritual capacity,” said consultant David Schmidt, whose agency conducted the research.

Leaders, Staff and Board Play Unique Roles in Recession Response

The heavy lifting in deciding how to respond to the recession appears to have occurred in the executive suites. Executive staff were the decision champions, driving the organizational response in the majority of the organizations. Half (51%) said their Board reviewed leadership’s recommendations and accepted them, while 23% said their Board worked with leadership and together they came up with a recession response plan. Only 16% said their Board was not very involved. (The rest gave other responses or were not sure how to answer.)

Perhaps what separates the Christian charity and church world from most for-profit organizations is how staff/employees have been engaged in a recession response plan. Eighty-six percent of the respondents said that they asked staff/employees to pray. Six out of ten (59%) asked staff to brainstorm cost-cutting ways, and 48% said they engaged staff in strategic thinking and decision making. Nearly one-third (31%) said they asked staff to make voluntary adjustments.

Recession Slows Mission Progress for Some

The data would suggest again that a bell-shaped curve exists in terms of the recession’s impact on advancing organizational purposes:

- 39%** said they put no initiatives on hold or the question wasn’t applicable
- 32%** said they were forced to freeze hiring any new staff personnel for a new initiative
- 17%** put on hold purchasing IT software/hardware
- 16%** put a hold on training initiatives
- 14%** paused in launching a construction project

Respondents were asked if there was one **decision or action** their organization made in the past that had served them well. The most common response?

“Building cash reserves.”

And the most often stated **advice** they would give to younger leaders coming up through the system?

“Live within your means.” And ... “Trust God, not yourself.”

Leaders Not Discouraged

What about the recession’s impact on morale in recent months? Morale seems to be the highest among executive staff, the Board, and volunteers. Three-quarters or more of the respondents perceive morale to be relatively upbeat among these segments. If there was any hint of dampened morale, it would appear to be among office staff, where 35% of the respondents perceive morale among this group to be less than upbeat; only 9%, however, characterized morale as “discouraged” among office staff. Donor morale was perceived similarly, with 60% describing their donors as upbeat, 30% as neither upbeat nor discouraged, and 10% as discouraged.

Christian Charity Leaders See a “New Normal” Ahead for the Economy

Leaders were given six different scenarios for the economic road ahead. Interestingly:

31% held the opinion that we are in a typical recession and we’ll be out of it in a year or so, returning to “normal” economic growth.

3% felt like the economy was in a rebounding phase and that “normal” would return within months or sooner.

But the central tendency in the responses was a more challenging view:

32% said this recession is unique and has caused permanent economic damage that is taking us into an era of undefined “new normal.”

27% said we are in a deep and long-sustained recession that will last years before returning to “normal” economic growth.

8% see global decline, with a decade or more of economic malaise, negligible or no economic growth, and a long climb back to “normal.”

Taking these three groups together, approximately two-thirds of the respondents foresee a long and challenging road ahead.

Stewardship of assets—be they financial, human or other—is a high value among most Christian nonprofits. Yet, 58% indicated that their organization has learned some difficult stewardship lessons that would serve them well in the future. Four out of ten (43%) said the downturn was forcing them to face issues they should have faced long ago. About 12% said they believed their organization had been living beyond its means and they were now facing the consequences.

More Cost Cutting Ahead if Economic Road Gets Rough

If things get worse in the coming year, how will respondents react? Seventy-two percent indicated that they would conduct another round of cost cuts. Can we expect more appeals from charities? Yes--35% of the respondents said they would increase the frequency and urgency of appeals to donors if the economy grows worse.

And what if things become better and the economy picks up at a quicker rate than anticipated? First and foremost, mission-advancing initiatives will get the funding.

41% said they would reinstate funds they'd cut for program and mission.

32% said they would reinstate higher salary levels and benefits.

28% would unfreeze funds for training.

A little over one-fourth would unfreeze funds for travel and new hires as well.

Christian Faith Provides Encouragement during Economic Downturn

While the tactical responses to the economic crisis look familiar to anyone in business, underpinning them was evidence of a deep faith in God among respondents. When asked what carried them through the difficulties, respondents—by a wide margin—said it was a dimension of their faith. In fact, 82% said it was their belief in an aspect of God's character that brought them encouragement, stamina, and strength.

What dimension of God's character did they cite most often? God's faithfulness to the promises made in the Bible. Fully 64% said a passage from the Bible came to mind in recent months that encouraged them. Just over one-third (36%) said a hymn or Christian song or a phrase from one gave them encouragement. (*Great is Thy Faithfulness* was the most frequently cited hymn.)

“If there was one theme that kept coming through in respondent comments,” said Schmidt, “it is that Christian charity and church leaders have a strong sense of a larger story. They seem less rattled and remain confident in God’s provision and care, despite being stress-tested by their circumstances.”

Best Practices to Share

Respondents shared a range of best practices or actions they have taken in light of this situation. Common themes that they would recommend to others include the following:

1. Place a high priority on prayer.
2. Keep more cash in reserves.
3. Communicate effectively and openly with staff, stakeholders, and donors. Keep them informed; be honest and transparent.
4. Engage staff and your team in brainstorming solutions and strategies.
5. Seek wise counsel.
6. Don’t be afraid to make hard decisions; make tough choices and don’t delay them.
7. Budget conservatively.
8. Stay focused on your mission.
9. Think outside the box. Be open to innovation—see what you can do smarter, more efficiently, and with greater impact.
10. Develop a long-range strategy, and plan for contingencies.

END

A full copy of the research report (sent as a PDF download) is available after June 29, 2009 for \$39.95 (or \$19.95 for members of Christian Leadership Alliance). You may purchase the report online at: <http://www.christianleadershipalliance.org/store/downloads/cla034.html>

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We encourage those who purchase this report to share it with others on their leadership team.

ABOUT J. DAVID SCHMIDT & ASSOCIATES

J. David Schmidt & Associates (JDS&A) is a professional service firm focusing primarily on the nonprofit sector. We offer research and discovery services, strategic thinking and planning, organizational development expertise, and knowledge management services to organizations.

By providing *customized* professional services, we insure alignment between our clients and those they serve. Teams who work on our projects collectively bring multiple decades of experience to our clients. Over the years, we have had the privilege of conducting targeted research, leading strategic thinking, facilitating start-ups, fostering innovation, and developing knowledge management systems for Christian nonprofits of all sizes.

This survey is a direct expression of one of our core competencies, as well as one of our key values:

Providing relevant, useful facts to help leaders make better decisions.

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ABOUT CHRISTIAN LEADERSHIP ALLIANCE

Christian Leadership Alliance (CLA) is an association that serves more than 8,000 members working in more than 4,500 organizations worldwide. CLA is the nation's leading resource for enhancing the organizational effectiveness of Christian nonprofit organizations. CLA is headquartered in San Clemente, CA.

In our information-saturated age, a multitude of leadership books and management seminars exists. Sorting through this deluge of data is the job of CLA. For executives of organizations and churches, CLA is the one place to go to *learn what to know*. CLA provides conferences, summits, workshops, Webinars, articles, and much more in the areas of governance, leadership, management, and resource development for Christian nonprofit organizations. CLA represents a wide array of Christian organizations, ranging in size from multi-million dollar charitable organizations to small, local rescue missions. Because of its connection to these ministries, CLA is able to keep the pulse on the key issues affecting the Christian nonprofit world, such as the current economic downturn.



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