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The Perfect Storm For Local Nonprofits

More agencies are merging, consolidating to survive

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While it's no secret that the public and private sectors are hurting during this lingering recession, the struggle is equally tough for nonprofit organizations, many of which confront ever-increasing need for their services but less public and private funding.

The growing trend finds nonprofits fostering new partnerships, consolidating multiple offices, or in the most extreme cases, merging completely with like-minded groups.

"The perfect storm has hit for nonprofits," said David Magnani, executive director of the Massachusetts Nonprofit Network, an advocacy group. "It's the worst of all possible worlds."

Local Shake Up

Locally, there's been a slew of mergers and consolidations in recent weeks, including the Better Business Bureau of Central New England, which centralized offices in Worcester, Dynamy, which was absorbed by YOU (Youth Opportunities Upheld) Inc. and Junior Achievement of Central Massachusetts, which folded on June 30 amid some controversy. JA Worldwide claims the local chapter refused to follow organizational guidelines, but board chairman, Matthew Cote told the Telegram and Gazette that there was pressure to merge with the Boston chapter. He refused to comment further for this story.

In less-confrontational news, Worcester-based YOU Inc., an organization that provides a wide range of services for troubled and at-risk children and families, merged with Dynamy, a 40-year-old program that provides teens and young adults with career and college advice, as well as mentored internships.

Talks of a merger were in the air for more than a year as Dynamy sought out an appropriate organization with which to join forces. With the proverbial belts of nonprofit budgets tightening, Dynamy was struggling with its overhead costs, according to Maurice Boisvert, president and CEO of YOU Inc. The group's revenues had been trending downward — it reported \$1.2 million in the fiscal year that ended June 30, 2008, down from \$1.4 million for the year ended in 2006. But in merging with a larger organization, Boisvert said expenses associated with administrative needs will be absorbed.

“We’re going to provide them with services that are going to support and enhance their ability to reach out to students,” he said.

In return, Boisvert said YOU Inc. benefits from Dynamy’s successful staff and leadership, as well as an increased force of volunteers.

“The collaboration really works for us because we run programs that are very similar to their youth programs,” he said. “There’s a similar audience.”

Specifically, YOU Inc.’s Bruce Wells Scholars Program helps poor children go to college.

“In a time when there is high need, we’re trying to be successful in managing the staffing that we have so we can focus on the services and not the administration,” he said. “All of us are trying to manage budgets on the revenue that we have.”



Moe Boisvert, President and CEO of YOU Inc.

To that end, Magnani said nonprofits are becoming “extraordinarily creative,” and are following two guiding philosophies: one, the organization’s mission comes first, and two, employees need to be retained anyway that they can.

The challenge, he says, is that an organization’s personnel accounts for 80 to 85 percent of nonprofit spending. Finding ways to reduce costs without reducing personnel becomes almost an impossible task.

Nonprofit mergers, he says, are a “radical step,” something that’s usually seen as a “last resort.” Yet, the fact that more and more nonprofits are merging is a scary sign of the times.

“There have been more this year than have ever occurred,” he said.

Still, many are finding ways to stay in business and in doing so, continue to provide services to those who need them. The credit, Magnani says, belongs to the organizations for thinking outside of the box.

“It’s a result of a thoughtful action on the part of the nonprofits, not the environment improving,” he said. “I haven’t seen much evidence of a rebound yet. What I have seen is people learning from one another.”

Working Smarter, Not Harder

For nonprofits that rely on memberships for revenue, like the Better Business Bureau, office mergers and consolidations similar to that of the Dynamy/YOU Inc. partnership are also prevalent, and much for the same reason.

Up until May, the Better Business Bureau had offices in Worcester and in Chicopee, but increasing office expenses and inefficiencies combined with rent payments for two locations ultimately led to the dissolution of the Chicopee office.

“It wasn’t just done as a cost savings measure,” said Nancy Cahalen, president and CEO. “It was done so that we could be organized more efficiently and actually serve our constituents better.”

The Better Business Bureau serves about 1,450 businesses in Central Massachusetts and the relationship between the bureau and those businesses is a symbiotic one. Accredited businesses look to the bureau for assistance and for ways to succeed; the bureau, in return, relies on the continued membership of those successful businesses as a staple of its revenue.

“In order for us to work with them, we have to be creative and think of different ways to help them out and build their business,” Cahalen said. “If those businesses don’t thrive, if they go out of business, that’s a problem for us. We’re in it together.”

In January 2008, the Girl Scouts of Central and Western Mass consolidated three of its offices, putting it ahead of recession pressure to consolidate. Pattie Hallberg, CEO of the local council, believes it positioned the organization to withstand the current recession as strongly as it possibly can.

“The economy is a challenge for everyone and we’re not excluded from that challenge,” she said. “But it does position us so that we are able to hold onto services because we’ve got a larger resource base.”

“We’ve had a lot of support of bringing our organizations together and understanding the value of consolidating your resources,” Hallberg added. “But I haven’t had funders tell me we’re funding because of what you’ve done and what you’ve brought together.”

Nevertheless, there’s a silver lining to be found.

“These kinds of mergers can make an organization so much stronger internally in how they operate and externally in how they serve the community,” Hallberg said.