From the CEO’s Desk – Quarter 4 (Oct. – Dec.) 2013

As a part of the Caster Center’s State of Nonprofit Quarterly Index, CEOs of Trend Reporter organizations are given the opportunity to report on emerging trends in the nonprofit sector. The purpose of this component is twofold. First, it provides a regular platform for nonprofit leaders to share first-hand observations in an expedient fashion and with a collective voice. Second, the qualitative information shared in this component provides context for the quantitative data presented in the overall Index. Selected quotes are provided and identification is noted when permission was given by the respondent.

During Quarter 4 (October – December) 2013, 46 San Diego nonprofit CEOs participated in the survey. They observed and reported on a number of economic trends, which were consolidated into the following four main themes (in order of prevalence):

1. Funding and Financial Challenges
2. Evaluation and Reporting
3. Government and Politics
4. Organizational Development, Staffing, & Leadership
5. Other Noteworthy Themes

Overall, the cautious optimism expressed by Trend Reporters in Quarter 3 continued to persevere in Quarter 4. “We’ve seen a growing effort at cross-sectoral collaboration; nonprofits, businesses and government entities [are] working together to achieve common goals.”

Trend #1: Funding and Financial Challenges
Consistent with every prior Index report issued by the Caster Center, the most commonly discussed theme among Trend Reporters this quarter was funding and financial challenges. However, the tone of the discussion has changed slightly. As the economy evens out, nonprofit leaders appear to be cautiously optimistic. As Jose L. Cruz of the San Diego Council on Literacy wrote, “the consensus in our circle is that things are getting better, that the economy is strong, running on all cylinders. This is increasing confidence.” Trend Reporters also mentioned increased capital expenditures, such as investment in facilities, and a renewed focus on building reserves and endowment.
Of course, not all Trend Reporters shared the optimism of their peers. A few talked about reduction in membership and the struggle to engage corporate and foundation support. One Trend Reporter noted that “there also seems to be smaller organizations tackling problems; some of these efforts are duplicative of larger organizational efforts, which can be distracting and fragmenting of the donor base.”

Several Trend Reporters commented that funders of all types are increasingly being drawn to local needs, negatively affecting the fundraising activities of San Diego’s many internationally-focused nonprofits. For example, Randal Schober of SurfAid International reported that “the recent elections have again ensured a very introspective view of ‘need’. The few local international NGOs continue to struggle to obtain awareness and funding.”

**Trend #2: Evaluation and Reporting**
Consistent with last quarter, Trend Reporters this quarter talked about an increasing focus on evaluating and reporting programmatic outcomes. One Trend Reporter wrote, “I continue to see a demand for developing systems to maintain outcomes and evaluations of programs and services of organizations to establish the actual impact both in social and economic perspectives.” Much of this appears to be driven either by specific requests from funders or by a desire to quantify and communicate the organization’s value proposition.

Evaluation, of course, costs money and can also be a labor-intensive activity. More donors require evaluation than actually fund it. Several Trend Reporters discussed the budgetary impact of evaluation activities as being almost entirely “at the nonprofit’s cost.” This was true for foundations as well as government funders. One Trend Reporter described what he saw as “continued increase in oversight and monitoring by government funders, which is driving up administrative costs.”

**Trend #3: Government and Politics**
Trend Reporters discussed a myriad of concerns related to government funding and government regulation. In regards to the funding, the tone was generally positive. While one Trend Reporter indicated that he was, “always worried about budget cuts from government agencies,” others expressed a bit more hope than in past quarters. For example, it was noted that “the passing of the federal budget without another sequestration or government shut-down bodes well for those of us in the sector that receive federal funding.” One Trend Reporter contended that government funding was significantly better when he explained that “most government entities are reporting that revenue and allocations that support a lot of our human service programs are status quo or are greater than expected, so some public funders are looking at their standby list of projects they want to support or return to supporting. There has been a similar trend in some corporate funders.”
There was some concern about the actual activities engaged in by government; one Trend Reporter observed that “the local governments are taking roles that have generally been accomplished by the nonprofit sector.”

Trend Reporters did express concern over the growing number of regulations from the government, including health insurance, worker’s compensation and utilities, all of which impact nonprofits’ administrative costs. There was concern that “the increasing regulatory environment and the costs associated with those changing requirements may impose additional costs.”

**Trend #4: Organizational Development, Staffing and Leadership**

Less frequently discussed was an overarching focus on organizational development, staffing, and leadership issues. While a number of Trend Reporters are engaging in internal development initiatives, one Trend Reporter in particular noted their organization was going so far as to engage in a “re-envisioning [of] overall operations.” Trend Reporters also discussed the ways in which an increasing focus on collaboration has encouraged nonprofits to streamline efficiently. “Collaboration continues to be a trend, but as it becomes necessary to viability for many organizations, they are examining how to maximize the time and effort spent in partnerships.”

Leadership issues were discussed in terms of both internal and external experiences. One Trend Reporter noted that it is “increasingly more difficult to find good Board and professional talent.” Several Trend Reporters conveyed that San Diego has experienced a number of nonprofit executive transitions. In particular, Trend Reporters noted “changes in leadership at the CEO level in many of San Diego’s nonprofits [including] The United Way, SAY, The San Diego Foundation, etc.”

**Other Noteworthy Trends**

Collaboration continues to be one of the core strategies employed by nonprofits. As discussed in previous reports, collaboration in San Diego seems to be driven both by a desire to improve programs and a demand from funders. One Trend Reporter noted increased interest in collaboration by the business sector, writing, “Collaboration remains key! Nonprofits are striving to work closely together. Additionally, the business world is striving to support nonprofits in meaningful ways. The business sector wants to be a committed partner to the nonprofit world.” Another Trend Reporter suggested a different angle to collaboration, noting there is “less focus on economic impact and more on the generative nature of collaboration.” This, of course, is more difficult to quantify.

Tamara Fleck-Myers of Casa de Amparo discussed what she perceived as a positive shift in both philosophy and funding. “In my small section of the nonprofit sector (social services for children and families) we are seeing a change in the way we work with children and families.”
The culture is shifting to understand that past trauma has dramatic and lasting effects that must be addressed in a more comprehensive and inclusive manner. This approach requires providers, funders and county representatives to have strong collaborations and ongoing dialogue. I believe this is reflective of a healthier system overall.”

There was also some hope that increased media attention would improve the general perception of nonprofits. One Trend Reporter had observed “increased coverage in the news regarding the importance and impact of nonprofits. Hopefully this will lead to increased understanding among the general public about the role that nonprofits play in our economy.”

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While the themes presented here are not comprehensive or definitive by any means, this report does illustrate the types of issues nonprofit leaders in San Diego are facing and surmounting every day. A longitudinal perspective on these issues will be presented at the 2nd annual State of Nonprofits Summit in June, 2014.