

From Fieldstone Alliance consultants Sandy Jacobsen and Alexis Cress

BUILDING ON our recent *Tools* issue, [20 Emergency Funding Sources](#), Fieldstone Alliance consultants [Sandy Jacobsen](#) and [Alexis Cress](#) investigated the *other* side of the finance equation: *reducing expenses*.

Below are ideas for cutting or controlling costs when faced with cutbacks. Not all of these measures are right for your organization. Nonetheless, we hope you can use these suggestions as a starting point for your own brainstorming.

20 Cost Cutting Ideas for Nonprofits

Idea	Considerations	Your First Step
General Advice		
<p>1. Start by understanding the big picture.</p>	<p>If you're facing a financial crisis, first determine the nature and size of the problem. Is this a cash flow or balance sheet issue? Is it temporary or long term? Are you facing a 10% or 40% budget shortfall?</p>	<p>Assemble a crisis management team. This team should be made up of board, staff, your banker, your auditor, and perhaps a representative of the people you serve. Use them to: strategize your reaction to the crisis, run cash flow projections, and create best-case, medium-case, and worst-case scenarios.</p> <p>From the book <i>Nonprofit Stewardship</i> by Peter Brinckerhoff (Chapter 9: Stewardship in Good Times and Bad).</p>
<p>2. Focus on both long-term and short-term actions.</p>	<p>The most common response from managers is to deal with only <i>factual</i>, or short-term actions. This is a mistake. You need to first look at strategic or long-term actions.</p> <p>Here are questions to ask yourself that can keep you focused and help you lead:</p> <ul style="list-style-type: none"> • Am I getting adequate food, rest, exercise, and time with my family? • Am I asking the hard questions? • Do I have all the information I can get? • Am I sharing information widely? • If other staff have to take a 	<ul style="list-style-type: none"> • Use a "stop, step back, and check the long view" process to help avoid knee-jerk responses that use up energy but don't really advance your cause. Ask yourself the questions listed to the left. • Review your "contingency budget." If you don't have a contingency budget, consider creating one. See the Institute for Conservation Leadership's Advice for Managers in Hard Times (see item 7) which includes a sample contingency budget.

	<p>financial cut, am I taking a bigger one?</p> <ul style="list-style-type: none"> • Am I leading optimistically? • Am I putting mission first? • Am I listening to everyone? 	
3. Keep people informed.	<ul style="list-style-type: none"> • Staff will be apprehensive. To manage morale, here are tips for Leading in a Climate of Fear from Community Wealth Ventures. • In times of stress, creating "shared meaning" (where the picture in my head is the same as the picture in your head) is especially important. Here's a helpful process for getting to shared meaning: Communicating Clearly: it's Not What You Say, It's How Others Hear You. 	<p>Develop a communications plan so that board, staff, funders, and others are kept informed.</p> <p>For ideas, review these tips for communicating with stakeholders in a time of crisis from the Nonprofit Risk Management Center.</p>
4. Practice good financial hygiene.	<p>Wise leaders safeguard organizational assets. Make sure your financial controls are in order and be aware of signs of embezzlement or other fraud.</p> <p>See Blue Avocado's article: Nonprofit Embezzlement-More Common And More Preventable Than You Think.</p>	<p>Review your internal controls. These controls are critical and can help you avoid scandals.</p> <p>For guidelines, see:</p> <ul style="list-style-type: none"> • Have You Hugged Your Bookkeeper Lately? • Transparency and accountability resources from the Minnesota Council of Nonprofits.
Purchasing		
5. Seek discounts.	<ul style="list-style-type: none"> • Negotiate with current providers for better prices or terms—especially on the products you use the most. • Get group discounts by combining orders with other organizations. Even simple coordination with companies in the same building can bring better terms or prices. • For free and low cost equipment and furniture, see the Hearts and Minds web site. (Also see ideas 13 and 15.) 	<ul style="list-style-type: none"> • Join a nonprofit association for special membership discounts. If you haven't reviewed your member benefits recently, give them a second look. You may be passing up discounts you already qualify for. • Always ask if there is a nonprofit discount with any purchase. See: Money Saving Tips from the Minnesota Council of Nonprofits for ways to save on banking services, insurance, and more.

<p>6. Seek in-kind contributions and bartering arrangements.</p>	<ul style="list-style-type: none"> • Ask constituents to contribute in-kind, related services. For example, have students provide childcare during adult language classes. • Barter with other nonprofits to conserve cash. For example, trade transportation services for free access to classes for your constituents. 	<ul style="list-style-type: none"> • Brainstorm with your staff about what in-kind resources or bartering it can offer. • Post the list on your web site or on a site such as Craigslist (they have a section just for bartering).
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Cash Flow Management

<p>7. Slow the outflow of payables.</p>	<p>Negotiate payment schedules with your suppliers. Offer smaller but regular payments, or offer to be a consistent, loyal customer.</p>	<p>Call your major suppliers to talk about payment schedules. Don't dodge them if you're having trouble paying the bill. Be proactive and up front.</p> <p>For an example of slowing the outflow of payables see this article from the <i>Nonprofit Quarterly</i>: In Cash There Is Opportunity.</p>
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<p>8. Speed the inflow of accounts receivable.</p>	<ul style="list-style-type: none"> • Keep an eye on your receivables. Contact the slow payers. Be persistent and consistent. • Redesign receivables, requiring a down-payment or prepayment of some portion, especially when you are incurring out-of-pocket expenses. • Invoice promptly. • Offer incentives to pay early (e.g. Net 10 receives a 1% discount) • Write or print on bills "payable upon receipt" or "Net 10 Days." • Charge interest for late payments (e.g. 1% interest charge after 30 days). • Take advantage of Automated Clearing House (ACH) electronic technology. Ask clients to be set up with ACH to speed receipt of cash. 	<p>Contact the following about these opportunities:</p> <ul style="list-style-type: none"> • Your bookkeeper or office manager about invoice procedures. • Your accountant about "incentives" and payment terms. • Your banker about ACH technology to understand if it will help you receive funds more quickly.
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<p>9. Be proactive.</p>	<p>Don't wait for circumstances that force you to act. Tackle your</p>	<p>Review your budget and strategic plan with your board members and</p>
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	<p>expenses and improve your cash management at the first sign of a problem.</p>	<p>staff. This should be an inclusive process.</p> <p>See Two Guiding Principles for Effective Budgeting for more information.</p>
Facilities and Infrastructure		
<p>10. Reduce the cost of your office space.</p>	<ul style="list-style-type: none"> • Can your lease be renegotiated? Don't just assume that what's done is done. Your landlord may rather give you a better deal than try to rent out an empty space in today's real estate environment. • Can you rent out unused or underutilized space such as your conference room? • Can you move to a cheaper space? Can staff work from home? 	<p>Read How to Renegotiate a Lease. Ask your attorney to review the lease. If you can't afford an attorney, LegalCorps may help. Or, meet with professional property managers to consider re-negotiation options for current or different space. Often their services will be paid for by the landlord.</p>
<p>11. Cohabitate.</p>	<p>Share office space with another organization. There are many benefits of co-locating with other nonprofits.</p>	<p>To see if this is a viable option for your organization, read Human Service Agencies Merge Back-Office Functions.</p> <p>Also, see the Nonprofit Centers Network for information on a Multi-Tenant, Nonprofit Center.</p>
<p>12. Reduce building costs.</p>	<ul style="list-style-type: none"> • Share the costs of maintenance activities with others in the same building. • Have a "Project Saturday" where staff volunteers do minor maintenance, office moves, or clean-up. 	<p>Check out Energy Star's article Businesses Can Save Energy this Winter for energy saving tips.</p>
<p>13. Reduce technology costs.</p>	<p>There are many resources available to help nonprofits reduce Information Technology (IT) costs. Some include free software, hardware, and training.</p>	<ul style="list-style-type: none"> • See Techscup.org (the technology place for nonprofits) for IT resources. • Read the blog, Can Open Source Software Save Organizations Money? • Also, see the McKinsey Quarterly article, Managing IT Spending.
<p>14. Reduce marketing costs.</p>	<ul style="list-style-type: none"> • Eliminate, condense, or consolidate newsletters and program brochures. Shift most to electronic delivery. 	<ul style="list-style-type: none"> • For great ideas on how to improve your marketing, go to the Nonprofit Marketing Guide.

	<ul style="list-style-type: none"> • Market only when related to fundraising or when really core to mission. 	<ul style="list-style-type: none"> • Also see 10 Ways for Nonprofits To Cut Costs for helpful suggestions on marketing, fundraising, and other cost saving areas.
15. Reduce capital spending.	Reduce your capital spending by looking for used equipment or donated items, or negotiate lower prices with your suppliers.	See the McKinsey Quarterly article, Freeing Up Cash From Operations .
Staffing		
16. Reduce salary expense.	<p>Cutting staff is often one of the first things organizations do to quickly reduce their expenses. Following are a few options you may not have considered. However, we recommend reading the resources listed to the right first.</p> <ul style="list-style-type: none"> • Ask staff for suggestions. Some may move up retirement plans, prefer to work part-time or on a contract basis, or take an extended unpaid leave. • Temporarily cut wages and defer payment of the balance to a later date. 	<p>If your nonprofit is faced with making job cuts, it is critical to get good counsel, plan the process, and articulate a clear message to all concerned. These steps will not make a layoff easy, but they can minimize damage and maximize the likelihood of a solid recovery.</p> <p>Read: When Layoffs Are Necessary, Nonprofits Need to Be Planful, by William Coy of La Piana Associates.</p> <p>Reducing Your Nonprofit's Risk During Employee Layoffs from the Minnesota Council of Nonprofits.</p> <p>Sustaining Nonprofits During Economic Downturns from the Nonprofit Risk Management Center.</p>
17. Redesign/change job structures.	<ul style="list-style-type: none"> • Encourage employees to office at home and use their own equipment. • Convert to split work shifts, sharing jobs so that each person has at least a part-time position. • Shift from employee to contractor status. • Redesign roles and responsibilities. 	See the McKinsey Quarterly article, Upgrading Talent .
18. Reduce or restructure benefits.	Reduce or restructure benefits, such as vacation and sick leave, medical co-pays, or medical insurance premiums.	<p>If your nonprofit is small, look into joining a health insurance alliance. Many states have offer plans to small businesses. Search online by "health insurance alliance."</p> <p>Also for small groups, get an</p>

		<p><u>overview of options and see how your plan stacks up to others.</u></p> <p>Finally, protect your organization. See: <u>Don't Be a Victim of Unlicensed Insurers</u></p>
19. Reduce or eliminate board expenses.	<ul style="list-style-type: none"> • Ask board not to submit expense reimbursement requests. • Limit or eliminate travel, shifting to conference call meetings. 	See <u>Facing the Financial Crisis: Ten Smart Things Your Board Can Do Now</u> from BoardSource.
Program Services		
20. Analyze the alignment of your programs and services with your mission and financial goals.	<ul style="list-style-type: none"> • Invite senior staff to independently analyze each program, using the cost/mission matrix. • Identify which programs need to be restructured, closed down, or expanded. • Change eligibility of programs, such as to only low income people, or to those able to pay for services. • Sometimes expanding the program is the best option. How a program is delivered and to whom can dramatically change the program's cost structure. 	<p>See the <u>MacMillan Matrix</u>, found at the Institute for Conservation Leadership website, to determine how well your programs "fit" with your organization.</p> <p>Identify a team that has the knowledge needed to analyze the programs and the costs.</p> <p>See these helpful resources: <u>Allocating Indirect Costs to Programs</u> found at the Alliance for Nonprofit Management web site.</p> <p>Rolfe Larson's book <u>Venture Forth!</u> (Pricing Worksheet, pages 98-99).</p> <p>Make sure you aren't hindering your customer service. See <u>Maintaining the Customer Experience</u>.</p>

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