

Survival of Nonprofit Organizations During Times  
of Economic Recession in the State of Delaware

by

Tylisha N. Johnson

A dissertation submitted to the faculty of  
Wilmington University in partial fulfillment  
of the requirements for the degree of  
Doctor of Business Administration

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I certify that I have read this dissertation and that in my opinion it meets the academic and professional standards required by Wilmington University as a dissertation for the degree of Doctor of Business Administration.

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## Dedication

This dissertation is dedicated to my two children: Kayla Maria Jones and Mervin Leon Marcellus Jones, III. I dedicate my dissertation to my beautiful and intelligent daughter Kayla that she aspires to even higher heights in her education and professional development. This dedication is also in memory and honor of my son, Mervin Jones, III (1999-2011), who even in his 9 month battle with Leukemia kept the faith and kept fighting with a positive attitude. My children's faith and perseverance gave me the inspiration I needed to finish this race.

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## Abstract

It is no secret that countless small and large businesses, government agencies, nonprofit organizations, and the nation as a whole have been impacted by the economic recession of 2007-09. The purpose of this study was to draw on the experiences of nonprofit organizations that have survived or even thrived during the economic recession of 2007-09, to arm nonprofit leaders with strategies to help prepare and guide their organization through the next economic downturn. Building on past research, this study gives new consideration to identifying the differences in the responses between small-medium and large nonprofits to the changes in individual donations and funding as a result of an economic recession. How the responses of the organizations who just survived the recession compared to those that experienced growth and thrived during the recession was also considered. The research methodology that was used for the study was an emergent mixed methods design of quantitative and qualitative research, with a cross-sectional analysis method. The overall analysis of the data collected from surveys of 40 nonprofit organizations, 8 nonprofit executives interviews and a field expert interview yielded results that suggests belt-tightening, fundraising, entrepreneurial, and opportunities were used and perceived as having a degree of success by small-medium, large organizations, surviving and thriving organizations. This study has implications for social change by providing small-medium nonprofits with a framework that may provide sustainability and growth strategies during times of economic recession.

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## CHAPTER 1

### INTRODUCTION

It is no secret that countless small and large businesses, government agencies, non-profit organizations (NPOs), and the nation as a whole have been impacted by the economic recession of 2007-09. The history of the business cycle indicates that there are more economic recessions to come. The economic recession of 2007-09 significantly impacted nonprofit organizations. According to a study conducted by Johns Hopkins Institute for Policy Studies, 83% of the organizations surveyed reported some degree of fiscal stress during 2008-09 (Salamon, Geller, & Spence, 2009). Consequently, this is a disturbing issue because the nonprofit sector has filled in the gaps and supported the quality of life in the communities to include education, health, youth and senior citizen services, help to the needy, cultural activities, and natural resource preservation, among others (KBT & Associates, 2009). Neither the duration nor extent of the business cycle is predictable nor do they follow a pattern (Stevenson & Wolfers, 2011). Therefore, to prepare for the inevitable recessionary periods, it is imperative that non-profit organizations become more resilient, and not just survive economic downturns, but also seek opportunities for growth and sustainability.

This study is focused on the impact of the recession of 2007-09 on the nonprofit organizations in the State of Delaware. The economic recession of 2007-09 has been justifiably called the “Great Recession” (Joon Yoon, 2011) as “markets plummeted, jobs disappeared, incomes withered; human need soared; and the nonprofits to whom desperate people turn for help were overwhelmed with demand, just as giving dried up and governments, facing their own deficits, cut back services and funding” (KBT & Associates, 2012, p.3). Like many other states, the State of Delaware was faced with great need and not enough resources (KBT & Associates,

2009). Comparable to the impact of the 2007-09 recessionary period on the rest of the nation, between 2008-10, Delaware's nonprofits operating in the "red" rose from 38% to 53%. "In 2010, though correct balance had been restored, the margins remained tight enough to have the sector considered at risk" (KBT & Associates, 2012, p.25). There was also a decline in giving from Delaware funders, granting 18% fewer dollars in 2010 than in 2007 and a decrease in individual giving by 12% (KBT & Associates, 2012). Based on data from 2009, Delaware nonprofits experienced declines in revenue: 45% of local government agencies, 70% of state government agencies, and 19% of federal government agencies. It was also found that revenue from the following sources declined: individual donations: 43%; private foundations: 39%; corporate donations: 42%; and investment income: 83% (Boris, de Leon, Roeger, & Nikolova, 2010). These declines in revenue do not bode well for Delaware, specifically because of the significant changes in the demographics. Two demographic groups, the elderly and minority residents, are growing rapidly, presenting more challenges since these groups normally have higher needs for social services (KBT & Associates, 2012).

Nonprofit organizations are very important to the everyday lives of the residents in the State of Delaware. "If you live in Delaware, you benefit from the services of a nonprofit every day, whether you realize or not" (Grundner, 2013, para. 7). Chris Grundner, President of Delaware Alliance for Nonprofit Advancement (DANA), expressed his concern on who would meet the needs of the community if it were not for Delaware nonprofits (Grundner, 2013). Mr. Grundner stated that there would be "no food pantries for the families hit hard by the economy, there would be "nobody to help you find shelter after a hurricane destroys your house and "no one to talk to or to guide you when a loved one is diagnosed with cancer" (Grundner, 2013, para. 1). The State of Delaware "...is a place that needs a strong philanthropic sector to partner with



government and the for-profit sector to serve, engage and sustain its citizens” (KBT & Associates, 2009, p.3). Ultimately, the real test of the impact of the current recession on the nonprofit sector is not the consequences for the organizations, but the consequences for those they serve (Salamon, et al., 2009). The recession has resulted in the following changes in giving for the 2007-09 recessionary period: “individual giving...was -5.7 percent; corporate giving...was -4.3 percent; grant-making by independent, community, and operating foundations...was -7.2 percent; and foundation grant-making...a two-year change of -3.9 percent” (The Center on Philanthropy, 2010, p. 17). Despite the fiscal stress organizations faced, only 27% of the responding organizations reported a decline in the number of people they served during 2007-09 recessionary period, and 73% retained or increased the number of people served, according to a study conducted by Salamon, et al., (2009). All of the nonprofits reported having the ability to maintain or increase their service level, with exception of arts and culture organization, which were extremely affected by the 2007-09 economic recession (Salamon, et al., 2009). “In short, despite the recession and the resulting fiscal pressures they faced, U.S. nonprofits largely maintained their financial footing and maintained or expanded their activities, serving more people, and particularly more vulnerable people” (Salamon, et al., 2009, p.12). Likewise, Sheets, Marcus, and Migliaccio (2009) found that in spite of the impact of the economic downturn, foundations are responding to health and human services organizations, “...which are a crucial safety net for vulnerable populations” (p.82). According to a study conducted by the Foundation Center (2009) found that 14% launched special initiatives or made other direct responses to the economic downturn such as: maintaining support; engaging stakeholders, flexible funding, and reexamination of grant processes (as cited by Sheets, et al., 2009).

### Statement of the Problem

Nonprofit organizations (small-medium and large) must be prepared to respond to the impact of a recession that could result in the decline in revenue sources. According to the John Hopkins study on the impact of the 2007-09 economic recession, "...losses were particularly widespread from individual contributions (losses for 53% of organizations), corporate contributions (losses for 44% of organizations), and foundation support (losses for 42% of the organizations)" (Salamon et al., 2009, pp. 5; 12). The post-recession assessment conducted by KBT and Associates (2012) found that, the "Great Recession" exacted a heavy toll on every segment of the philanthropic sector of Delaware, beginning in 2008. The study revealed that the assets of Delaware's primary grant makers fell by 25% resulting in a drop of 23% in their grant making; and as individuals' incomes declined, so did the amount of their charitable contributions. Therefore, "...nonprofits, impacted by the drop in both foundation and individual giving, found it increasingly difficult to maintain financial balance, with almost half operating in the red (expenses exceeding revenues)" (KBT & Associates, 2012, p. 5).

Disruption to business cycles, as a result of recession, can cause a chaotic business environment (Huu & Kock, 2011). The performance of individual businesses, industries, and entire economic sectors, can be affected severely by recessions (Domowitz, Hubbard, & Peterson, 1988; Gabisch & Lorenz, 1987; Zarnowitz, 1985) (as cited in Srinivasan, Rangaswamy, & Lilien, 2005). In a chaotic environment, systems are sensitive to initial conditions and "...can cause dramatic changes, namely the *butterfly effect*" (Huu & Kock, 2011, p. 32). "If the firms are in key industries, their changes can create significant impacts and chaos for the whole economic system, like the *butterfly effect*" (Huu & Kock, 2011, p. 33). As a result of the interaction of firms within the same industry and with other institution actors such as the

government, financial institutions and customers, any changes that one firm makes could lead to a *domino effect* on other firms, industries or institutional actors within that environment (Huu & Kock, 2011).

Principally, the *butterfly effect* would apply to the state of the nonprofit sector of Delaware during an economic recession. The various firms (nonprofit organizations) and institutional actors (individual donors and funders) are all impacted by the chaotic environment created by an economic recession. For example, the decline in grant-making of Delaware's primary grant-makers presents a problem for Delaware's highly imbalanced nonprofit sector. In 2010, 43 of the 1,127 (4%) brought in 67% of all nonprofit revenues (KBT & Associates, 2012). It is expected that this disparity could result in the *butterfly effect* within the nonprofit sector of Delaware. A decrease in funding could have a greater impact on the small-medium organizations, since the bulk of the nonprofit revenue is brought in by large organizations. Twombly (2003) correctly predicted that small organizations would be more likely to close than larger organizations, because of a recession. The research problem that presents itself is, due to the disparity in funding between small-medium nonprofit organizations and large nonprofit organizations; it is expected that their responses to the economic recession of 2007-09 would differ.

### **Significance of the Study**

According to Jiang, Koller, and Williams (2009), "In an ideal world, every company would enter a recession led by a team of grizzled executives who could draw on their experiences of past downturns to guide it through the current one" (p. 87). This may not be the "ideal world"; however, it is the purpose of this study to draw on the experiences of nonprofit organizations that have survived or even thrived during times of recession, to arm nonprofit leaders with a model to help guide their organization through the crisis. The main objective is to

survive the difficult times of recession, and identify possible opportunities for growth (Li, Segarra Roca, & Papaoikonomou, 2011). Nonprofits must position themselves to take advantage of their strengths and distinctiveness and turn their challenges into opportunities, to survive and thrive during a recession (Brussalis, 2009). In order for nonprofits to ensure their survival, they must address economic and sustainability challenges, which will ultimately change the way they do business (Mesch, 2010 ).

There is a significant amount of research exploring the nonprofit sector that includes topics relating to sustainability, environmental influences (internal and external), and various management and marketing practices. Building on the research conducted by Farwell (2012) on King County's nonprofit sector, suggestion is made for future studies to “explore and compare the different coping mechanisms organizations use in light of funding changes and analyze their outcomes” (p.42). Therefore, this study will give new consideration to identifying the differences in the responses between small-medium and large nonprofit organizations to the changes in individual donations and funding as a result of an economic recession. How the responses of the organizations who just survived the recession compared to those that experienced growth during the recession will also be considered. The chaos theory model developed by Huu and Kock (2011), will be applied as a framework for the coping, growth and sustainability strategies used by the “surviving” and “thriving” organizations to endure an economic recession.

This study has implications for social change by providing small-medium nonprofits with a framework that may provide sustainability and growth strategies during times of economic recession. The nonprofit sector has filled the gap, as the government has reduced basic human services, by providing people with the care needed for survival and longevity. Consequently,

society can continue to depend on the nonprofit sector to support and improve the lives of those in need (Hardy, 2012).

### **Research Questions and Hypotheses**

The key research questions that need to be answered are:

- 1) How have nonprofit organizations responded to changes in individual donations and funding during the 2007-09 recessionary period in the State of Delaware?

H1: The nonprofit organizations responded to changes with belt-tightening strategies, intensified fundraising, and entrepreneurial expansions.

- 2) What were the perceived outcomes of the responses to the changes in individual donations and funding during the 2007-09 recessionary period?

H2: The majority (over 50%) of the organizations responded with positive perceptions to the change and the organizations were able to survive the recession.

- 3) How did the small-medium nonprofit organizations compare to the large organizations in their response to changes in individual donations and funding during the 2007-09 recessionary period in the State of Delaware?

H3: A greater number of large organizations (50%) will respond with a perceived degree of success to the recession as compared to the small-medium organizations.

- 4) How did the surviving (less than 5.8% revenue growth) nonprofit organizations compare to the thriving (more than 5.9 % revenue growth) nonprofit organizations in their response to changes in individual donations and funding during the 2007-09 recessionary period in the State of Delaware?

H4: Thriving organizations had a greater percentage (50%) of organizations that perceived a degree of success as compared to their surviving counterparts.

This study seeks to reveal how Delaware nonprofit organizations have responded to changes during recessionary periods. Additionally, a comparison will be made of the responses of the small-medium organizations to the large organizations to ascertain the similarities and differences. These findings combined with prior research conducted by Salamon et.al. (2009) and KBT and Associates (2009; 2012) will be analyzed to identify commonalities in tactics and strategies employed by small-medium organizations that maintained financial stability or increased their revenue during the 2007-09 recessionary period. Future considerations for this study will seek to provide small-medium nonprofits with a “Survival Guide for Recessionary Periods”.

### **Limitations of Study**

The influences that the researcher cannot control as a part of the research design are referred to as the limitations of the study. The following limitations must be considered as a part of this study:

1. The study will be conducted in the State of Delaware, and may not be representative of the conditions in other states or countries.
2. The study analyzes data collected from members of two organizations who service other nonprofit organizations in the State of Delaware, convenience sample of interviewees, and one field expert.

### **Delimitations of Study**

The boundaries established by the researcher are defined as delimitations and must be noted as a part of the study for the purposes of generalization. Accordingly, the following delimitations are considered:

1. A variety of nonprofit organizations, all of which have been deemed as having 501(c) (3) IRS status, will be included in the study. All categories of nonprofit organizations will be included in this study.
2. Primary focus of the study is on the impact of the economic recession of 2007-09, and the conditions may not be representative of all economic recessions.
3. The impact of the changes in the political regime will not be taken into consideration, although this is a factor that impacts the nonprofit sector.

### **Assumptions**

The following assumptions are considered as a part of the research study:

1. The economic issues that have affected the United States economy have affected the nonprofit sector in the State of Delaware.
2. It is assumed that sustainability and growth strategies are needed to aid small-medium organizations survive economic recessions, based on the financial issues affecting nonprofits in the State of Delaware.
3. The responses to the changes in individual donations and funding during the time of economic recession will differ between small-medium organizations and large organizations.

### **Operationalization of Terms**

In an effort to bring clarity to the research questions, the following terms are defined:

“response”, “belt-tightening strategies”, “entrepreneurial expansions”, “small-medium” nonprofit organizations, “large” nonprofit organizations, “surviving” nonprofit organizations, “thriving” nonprofit organizations and “success”.

1. **Response:** “How did the nonprofit organizations ‘react’ to the changes (e.g., “belt-tightening”, intensified fundraising, entrepreneurial strategies, etc.)?”.

2. **Belt-tightening strategies:** are defined as cutting administrative costs, creating or expanding collaborative relationships with other nonprofit organizations, postponing new hires, and paring down programs, according to Salamon, et al., (2009).
3. **Entrepreneurial expansions:** are defined as follows: improve or expand marketing, develop new giving vehicles, introduce or expand internet funding, start for-profit subsidiary, start or increase facility rental program, accelerate new technology development, and share staff with other organizations, according to Salamon, et al., (2009).
4. **Opportunities:** are defined as follows: merged with another agency, created strategic partnerships with other agencies, used previously established relationships for new purposes, received one-time grants, utilize highly skilled volunteers, and raised prices or fees, according to Dolch (2009).
5. **Fundraising strategies:** are defined as follows: expanded individual fundraising; expanded efforts to seek local, state, federal funding; and pursued new individual, foundation, and corporate support, according to Salamon, et al., (2009).
6. **Small-medium:** organizations will be defined using the precedent established by Costilow (2012) identification of “large” nonprofit organizations as those with annual budget in excess of \$1,000,001. Therefore, “small-medium” nonprofit organizations will be identified as those with annual assets less than \$1,000,000.
7. **Surviving nonprofit organizations:** will be identified as those organizations that experienced less than 5.8% growth in total operating revenue.
8. **Thriving nonprofit organizations:** will be identified as those organizations that experienced more than 5.9% growth in total operating revenue. The threshold of



5.9% growth is being used based on the research conducted by Salamon, et al., (2009), the data collected showed a percentage change in revenue from 2007 to 2008 in revenue of 5.9%,

...this finding is consistent with the results...following the post 9/11 recession. That survey revealed a nonprofit revenue growth of 5.5 percent between fiscal year 2002 and 2003, which is roughly equivalent to the increase reported in the current survey between 2007 and 2008. (Salamon, et al., 2009, p. 14)

9. **Success:** in this study and on the survey is defined as the perceived degree or extent the organization met their desired goal(s).

## **Background**

### **Nonprofit Organizations: U.S. Overview**

The nonprofit sector is a major contributor to the United States economy. According to The Nonprofit Almanac 2012 (as cited in Blackwood, Roeger, & Pettijohn, 2012), in the United States (as of 2010), there were 2.3 million nonprofit organizations operating (estimated 1.6 million registered with the IRS), up 24% from 2000 and contributed \$804.8 billion (5.5% of the gross domestic product (GDP)). In the United States, communities rely on three sectors to engage and sustain their citizens: the government sector, for-profit sector, and the philanthropic sector (the nonprofit organizations and the individual donors and funders that support them).

The nonprofit sector has filled in the gaps and supported the quality of life in the communities to include education, health, youth and senior citizen services, help to the needy, cultural activities, and natural resource preservation, among others (KBT & Associates, 2009). Besides providing services for the "...racially, ethnically, and/or religiously diverse population groups, nonprofits have been viewed as responding to the needs of distressed segments of the population, who,

because of insufficient financial or social resources, cannot make effective use of market or government services” (Gronbjerg, K.A., 2001, p.687).

### **Nonprofit Organizations: Delaware Overview**

As of 2010, Delaware reported 1,127 nonprofits to the Internal Revenue Service. Nonprofits in Delaware range from large organizations such as, hospitals and universities that serve and employ tens of thousands of people to small “mom-and-pop” organizations with a few volunteers that serve their local communities. Collectively, they are a strong economic force, generating \$5.3 billion in revenues with \$7.4 billion in assets in 2010, and employing more tens of thousands of people (14 percent of the jobs in the state). Delaware’s nonprofit landscape is similar to most communities where human service organizations are the largest group at 20.4% of the total nonprofits. Arts and culture and general education (excluding higher education) are the second and third largest sectors, each at 13% of the total nonprofits. According to the Urban Institute, nationally, general education ranks as the second largest category, which is also similar to Delaware’s nonprofit landscape (KBT & Associates, 2012).

There is a significant imbalance in the distribution of nonprofit revenue in the State of Delaware. Of the 1,127 nonprofits in Delaware, 43 organizations (4%) brought in 67% of the all nonprofit revenues in 2010 (KBT & Associates, 2012). According to KBT and Associates (2012), “...the imbalance...highlights another issue: the potential gap between community expectations and nonprofit capacity” (p.24). The nonprofit infrastructure must be established and have adequate investment for the smaller organizations to have transformative impact on their communities (KBT & Associates, 2012).

According to KBT and Associates (2012), there are four primary sources of revenue for nonprofit organizations:

- Gifts: contributions from individuals, combined giving campaigns, foundations and corporate funders.
- Government support: funding, whether from local, state or federal sources, awarded to nonprofits.
- Program Service Revenue: revenue earned for the provision of goods and services that is directly related to the organization's mission.
- Other revenue: Primarily, but not exclusively, investment income. (p. 29)

Outpacing giving by foundations and corporate giving program, individual donations represent the bulk in giving in Delaware. However, when compared to the neighboring states and the nation as a whole, Delaware's individual giving is not as robust. It is reported that there are hundreds of charitable foundations that make Delaware its legal home, but make no substantial investments to nonprofits in Delaware. There are eight major funders based in Delaware who awarded the lion's share of foundation grants to organizations based in Delaware "...and another 15 funders who awarded smaller grants to Delaware-based nonprofits" (KBT & Associates, 2010, p. 18). Members of the Delaware Grantmakers Association indicated that their primary focus areas are as follows (in order of preference): "general human services; human services particularly for children and youth; community and economic development; and health" (KBT & Associates, 2010, p. 20). "While anecdotal evidence suggests corporate funders play a major role in supporting Delaware's philanthropic sector, there is limited state-level data on corporate giving readily available" (KBT & Associates, 2010, p. 20). However, according to the Delaware Grantmakers Association survey, it was reported that collectively, Bank of America, DuPont, JP Morgan Chase and M&T Bank, estimate they give between \$16 million and \$29 million to Delaware nonprofits annually (KBT & Associates, 2010).

There is a considerable variation in the mix of revenue sources for the three largest groups in Delaware: 1) human service organizations: 37% program service, 32% government support, 28% gifts, and 3% other revenue; 2) arts and culture organizations: 32% gifts, 29% program service, 20% government support, and 19% other revenue; and 3) general education organizations: 50% program service revenue, 21% government support, 17% gifts, and 12% other revenue (Appendix A) (KBT & Associates, 2012).

### **Summary**

Chapter 1 provides an overview of this research, the statement of the problem, and its significance to practice and research. Literature identifies the nonprofit sector as vital to the overall sustainability of the quality of life in communities across the nation and their survival of economic recession as imperative. Nonprofit organizations must be armed with strategies that will not only aid them in surviving economic recessions, but thriving in spite of economic downturn.

The history of nonprofit organizations' responses to economic recessions is examined in Chapter 2 and presents scholarly points of view on various theories and strategies used to cope with economic downturns. Chapter 3 presents the design of the research and the methodology used in this study. The statistical analysis of the data is presented in Chapter 4. Finally, a discussion is provided in Chapter 5 of the data findings, implications of the study and recommendations for future research.

## CHAPTER 2

### REVIEW OF THE LITERATURE

There is a significant amount of research exploring the nonprofit sector that includes topics relating sustainability, environmental influences (internal and external), and various management and marketing practices. The purpose of this study is to uncover whether significant differences exist between small-medium and large nonprofit organizations in their responses to the changes in individual donations and funding as a result of the economic recession of 2007-09. In efforts to answer this question, the researcher conducted a literature search using EBSCOhost search engine, accessed through Wilmington University Library. The following databases were accessed to find full-text peer-reviewed articles: a) Academic Search Premier, b) Business Source Complete, c) Eric, and f) Pro Quest for Dissertations and Thesis. This literature review will be focusing primarily on the following topics: impact of the economic recession of 2007-09, responses to the changes in individual donations and funding, and strategies for survival of nonprofit organizations during economic recessions. Therefore, various combinations of the following key words were used for the search criteria: “nonprofit organizations”, “impact”, “economic recession”, “economic downturn”, “survival strategies”, and “coping”. There are many factors to be considered for this study; however volunteerism and political factors are excluded. Volunteerism and political factors are excluded from this study due to the difficulty in measuring the impact of these factors. The fundamental assumption is that not all organizations are affected to the same extent by the economic downturn, nor do they experience it in the same way (Li, Segarra Roca, & Papaoikonomou, 2011).

Most research examines the nonprofit sector in a given region, based on size (number of nonprofits) and scope (number of different types of services) (Ben Ner & Van Hoomison, 1992;

Corbin, 1999; Stater, 2010) (as cited in Farwell, 2012). The variables of size, scope, and stability of a given area in the nonprofit sector are dependent upon external and internal factors. There is substantial interrelation between external and internal factors and the categorization of the factors is not strictly exclusive (Farwell, 2012). External factors are defined as the environment in which the organization operates. Community resources, population size and diversity, and service demand, are all considered to be external factors (Ben Ner & Van Hoomison, 1992; Corbin, 1999; Stater, 2010)” (as cited in Farwell, 2012). These influences, in theory, apply to all organizations in a sector or region (Farwell, 2012). On the other hand, internal factors such as age, service type, financial measures, and size describe the basic characteristics of organizations within a sector (Twombly, 2003). This study primarily examines how the external factors (changes in community resources) affects the internal factors (changes in financial measures and organization size), the organizations’ responses to the interrelation between the two, as well as the perceived outcome of the responses.

### **Impact of Recessions**

#### **Overall Economic Impact**

Gervasi and Miller (1992) conducted a study that examined the history of economic recessions beginning with the early 1970s through 1992 and found that the United States continued to be in an economic crisis beyond 1992, with slow economic growth, low profits, falling investments and a falling standard of living. According to the findings and the proposed definition of an economic crisis by Gervasi and Miller (1992), the United States continued in an economic crisis from 1970-1992. As a result of the long-term economic crisis, Gervasi and Miller (1992), proposed a new definition of “crisis” when the following three conditions are met during a disruption of the economic system: 1) "normal" production, employment and incomes

are disrupted; 2) majority of the population's lives are affected; and 3) for a continuously long period of time economic conditions deteriorate for the majority of the population. However, according to a study that mapped the decline and recovery across various sectors, by Jiang, Koller, and Williams (2009), there were periods of recovery from 1970 to 1992 after each recessionary period (1973-75; 1980-82; and 1990-91), which is indicative of the peaks and troughs of the business cycle. Although the analyses of the general trends from one recession to the next could not provide definitive parallels due to size, geographical reach, or origins, there were many similar patterns. The following trends and patterns were found: similar beginnings: began with falling sales and falling earnings before interest, taxes, and amortization (EBITA) and in the consumer discretionary sector; variable magnitude: the most resilient sectors were health care and consumer staples; the speed of decline and recovery: "...sectors contracted more quickly than they recovered...similarities in share price performance: share prices tend to decline before...a recession starts" (Jiang et al., 2009, para.4). Jiang's et al. (2009) found that, "The consumer discretionary sector, which is sensitive to economic decline, has led in all of the past four recessions...leading the current downturn, having posted the sector's largest post-2001 drop in EBITA"... and the second largest drop was in the consumer staples sector (para.10). The identification of these patterns can help organizations be more proactive in their operational and financial decision-making.

The economic recession of 2007-09 has been called the "Great Recession", with devastating effects on income and employment (Joon Yoon, 2011) "and is considered to be the most severe business contraction in the United States since the Great Depression (National Bureau of Economic Research (NBER) (2010); Tefft, (2011)" (as cited in Sweeney & Knudsen, 2013). The real GDP growth rate, in 2008, was -2.8% (poorest since 1948) and the quarterly

unemployment rate ranged from 8.2 to 10.0% in 2009 (second worst since the 1981–82 recession). In the fourth quarter of 2009, the growth rate rose to a hopeful 5.0%, but by the third quarter of 2009 slowed to 2.0% (Joon Yoon, 2011). Small businesses experienced a deep impact on employment, attributing the job loss mostly to poor sales. Large businesses were affected also, but to a lesser degree (Sahin, 2011).

According to Reed and Bridgeland (2009), as a result of the recession, there has been reduction in funding for nonprofits, including government, corporations, and individual donations as foundations faced unprecedented levels of demand (as cited in Sheets, Marcus, & Migliaccio, 2009; Sweeney & Knudsen, 2013). Nonprofits, whose sustainability and mission success depend solely on individuals and businesses' philanthropy, fall victim to the recession as donations decline. The recession has proven to be a very difficult time for more than 1.2 million nonprofit organizations; with the U.S. employment rate around 10% and the stock market far away from its prerecession level (Kielbasa, Zgut, & Peterson, 2010).

Moreover, for the 2009 fiscal year, forty-four states and the District of Columbia reported budget shortfalls, due to the economic downturn (as cited in Sheets, et al., 2009; Smith, 2010). The economic activity of the State of Delaware was significantly impacted, with a decrease in the coincident index (statistic used to measure the economic activity at the state level) of -11.7%, from 2008 to 2010. Compared to the job cuts in the tri-state area (includes Pennsylvania and New Jersey), Delaware's were proportionally more drastic with job losses amounting to 7.8% (34,400) (Tilley, Wurtzel, & Risser, 2013). Based on data from 2009, Delaware nonprofits experienced declines in revenue: 45% of local government agencies, 70% of state government agencies, and 19% of federal government agencies. It was also found that revenue from the



following sources declined: individual donations: 43%; private foundations: 39%; corporate donations: 42%; and investment income: 83% (Boris, et al., 2010).

### **Individual Donors**

The level of generosity is greatly dependent upon the external environment and financial markets. Personal income is also a key factor that affects household giving in the United States (Gittell & Tebaldi, 2006; Tuckman & Chang, 1991). According to Gittell and Tebaldi (2006), average giving per tax filer in a state increases by approximately 8% when there is an average personal income increase of 10%. However, during times of economic uncertainty “people tend to limit their charitable contributions in efforts to protect their own livelihoods (Guidestar, 2010)” (as cited by Gray, 2012, p.4; Tuckman & Chang, 1991). Studies show that many households have been decreasing their costs on everything from entertainment to groceries, from vacation to utilities, to save money (Kielbasa, et al., 2010). According to Hrywna (2009), “overall giving by individuals, which constitutes three-quarters of all giving, has also declined \$6.4 billion, a 2-percent drop, which is the largest recorded” (as cited in Sheets, et.al, 2009). Salamon (2002) found that behind fees for services, donations are the second major source of funding in some industries (as cited in Carroll & Stater, 2009). Unfortunately, nonprofit organizations are highly reliant upon the donations of others for their survival, which can recede and increase over time (Gray, 2012). However, according to a three-year longitudinal study conducted by Gassman, Dolch, Kinnel, Krick, Shaffer, and Strom (2012a), there was an increase in individual contributions during all three years. According to Andrews (2009), “It is during such uncertain economic times that those who are highly-reliant upon the services provided by nonprofit organizations need assistance the most” (as cited in Gray, 2012, p. 4).

### **Corporate Funders**

The bottom lines of many corporations have been impacted by the recession with falling sales in both the consumer discretionary and consumer staples sectors (Urriolagoitia & Vernis, 2012). As a result, CEOs and top managers are responding to the recession by trimming costs wherever possible (Carroll & Stater, 2009), there is a struggle to contain costs, credit is tight and the outlook remains uncertain (Cogman, Dobbs, & Giordano, 2009) (as cited in Urriolagoitia & Vernis 2012). According to Saiia et al. (2003), before discretionary expenditures such as corporate philanthropy can be made, a business must meet its financial obligations and maintain its competitive position in the market (as cited in Urriolagoitia & Vernis 2012). “Following this line of argument, many experts claim that the crisis may herald a dramatic and irreversible decline in corporate philanthropy” (Urriolagoitia & Vernis, 2012, p.763). For example, the impact on human service nonprofits is evident based on a study conducted by the Urban Institute (data from 2009), that indicated 59% of nonprofits nationwide experienced declines received from corporate donations. Conversely, according to one respondent in a study conducted by Farwell (2012), “...questioned whether major funders recognized the continued need to support safety net organizations, writing that, “Funders have turned away from funding basic needs, saying that either the recession is over or they’re supporting some other sector.” (p. 35) However, according to Brewster (2008), despite worsening economic conditions and slowdown in earnings, large U.S. corporations gave more to charity than expected (as cited in Urriolagoitia & Vernis, 2012). For instance, some companies will continue to invest despite financial challenges, due to the integration of philanthropy and community service programs into their strategic operations. By contrast, charitable spending is likely to be cut back when the firm’s profit drop and philanthropy is marginal to core business (Urriolagoitia & Vernis, 2012).

### **Government Funders**

Banjo and Kalita (2010) stated that the nonprofit sector has been “Hit by a drop in donations and government funding in the wake of a deep recession, nonprofits are...undergoing a painful restructuring, including mergers, acquisitions, collaborations, cutbacks and closings” (para. 5). Boris, de Leon, Roeger, and Nikolova (2010), reported that 49% of local government agencies, 56% of state government agencies, and 31% of federal government agencies, experienced declines in revenue, as a result of the recession of 2007-09. The decline in revenue has led to a decline in government funding for nonprofit organizations. Specifically, as a result of grounded theory research which employed 36 semi-structured interviews of various community service organizations (CSOs), Gibbons (2012) found that the organizations most heavily impacted by the budget crisis were those most reliant on state and federal funds. This trend could continue to be perpetuated as a result of the Budget Control Act of 2011 where over \$2 trillion in federal spending will be cut over the next 10 years, which will have a huge impact “...on state and local government budgets that have already been heavily strained by the recession—and the nonprofits that all three levels of government fund to deliver human services” (Stid & Shah, 2012, p.3). Conversely, the organizations that sustained the least impact and damage were those with other streams of income (e.g. corporate funding) outside of funding from government agencies (Gibbons, 2012). In light of nonprofits continued dependency on government funding for their operations, “larger organizations that are already staffed to maintain these current funding streams are at a definite advantage over smaller nonprofits that have never secured government funding, especially during a time when some state funding institutions are at or near insolvency” (Besel, Williams, & Klak, 2011, p.58). According to research conducted by Besel et al. (2011), many of the organizations studied have been able to sustain and develop a diversified funding base, overall the agencies still primarily depend on

government funds for long-term financial sustainability. Nevertheless, for long term financial sustainability, Besel et al. (2011) found that increased levels of community-based charity are necessary.

### **Strategies for Surviving Recessions**

In light of the declines in government funding and philanthropic giving, best practice strategies on sustaining nonprofits are well-timed and essential to avoid reductions in community-based services (Besel et al., 2011). It is necessary for nonprofits to develop a strategy to respond to the declines. There is a large amount of literature that recommends strategies and tactics, based on various theoretical frameworks, for businesses to use to survive and thrive during times of economic uncertainty (Never, 2011; Carroll & Stater, 2009; Brussalis, 2009; Huu & Kock, 2011, Curry, Rodin & Carlson, 2012, Farwell, 2012).

“Organizational and environmental characteristics are major determinants of a firm’s strategic behavior, its resource deployment, and its performance (e.g., Conant, Mokwa, & Varadarajan, 1990; Menon, Bharadwaj, Adidam, & Edison 1999)” (as cited in Srinivasana, et al. 2005). How a firm responds to the recession depends on their perception of their control over the situation and the resultant outcome. According to Srinivasana, et al. (2005), the organizations that invest during the recession, for example building marketing assets, are those that perceive they have control over the circumstances and the results. On the other hand, the organizations that respond by conserving resources are those that see the recession as a threat and perceive a lack of control over the circumstances and the outcome (Srinivasana, et al., 2005).

During economic recession nonprofit leadership face both changing demands from funding resources and highly dynamic *resource niche*. A *resource niche* is defined as “...a Darwinian organizational struggle of the fittest where access to a pool of resources...determines

whether a population of organization will survive” (Never, 2011, p.992). As funders change their priorities or the amount of resources available, organizations dependent on that source of funding will cease to exist or will have to change their strategy to survive (Never, 2011).

For example, a niche may be a particular grant program from the Department of Human Services that is specifically for voluntary and community organizations. Any changes to the funding of that grant program due to the economic recession would force the affected organizations to change their survival tactics (Never, 2011).

The *resource niche* factor can be balanced by implementing the strategy of revenue diversification. Carroll and Stater (2009) investigated whether revenue diversification led to greater stability for nonprofit organizations, by analyzing data retrieved from IRS 990 forms for 501c3 organizations grossing over \$25,000 in revenue. An econometric model that measures the impact of diversification on revenue volatility was used in this study. The following variables reached a statistical significance at the 95% confidence level in exhibiting statistically significant influence over nonprofit revenue volatility over time: total expenses, revenue diversification, retained earnings, and fund balance. Carroll and Stater (2009), found that “diversified revenue portfolios have lower levels of revenue volatility over time, which implies that diversification is a viable strategy for organizational stability” (p.962). Through revenue diversification, specifically balancing the dependence on earned income, investments and contributions, nonprofits can reduce their revenue volatility (Carroll & Stater, 2009). It was also found that larger nonprofits and organizations with greater growth potential experience greater stability and reduced volatility, as a result of increasing total expenses and fund balance (Carroll & Stater, 2009). For example, according to Froelich (1999), nonprofit organizations that rely heavily on donations could be at more risk from resource dependency (as cited in Carroll & Stater, 2009).

Resource dependency could contribute increased levels of financial instability due to dwindling donor markets and increased competition for donations. Suggesting diversification of revenue may be particularly useful for nonprofits that rely mainly on donations (Carroll & Stater, 2009).

Brussalis (2009) suggests that during tough times when nonprofits are faced with declining revenue streams, strained capacity and increased demand for services, a six-step dynamic planning process should be implemented. According to Brussalis (2009),

Successfully delivering on a mission requires an understanding of today's needs and projecting what the needs will be in the future. The comprehensive six-step process includes: 1) assess market needs and trends; 2) assess organizational capacity; 3) develop strategy; 4) implement; 5) evaluate; and 6) continuous improvement (Brussalis, 2009).

These six steps "...will position an organization to mitigate tough markets and optimize opportunities in good times. (p.1)

The suggested four-step process model, based on the chaos theory, that firms can take to deal with chaotic environments caused by an economic crisis (Huu & Kock, 2011), is comparable to the six-step dynamic planning process recommended by Brussalis (2009). A processing model to cope with an economic downturn was developed following a qualitative study, where 25 small-medium enterprise (SMEs) leaders in Vietnam were interviewed to identify their reactions and strategies used for survival during the financial crisis of 2008 (Huu & Kock, 2011). Huu and Kock (2011) found that during the crisis the surviving SMEs had the following common responses:

- They *expected chaos* and were *ready for changes*.
- They *quickly changed their focused businesses*.
- They *reorganized* their firms' *structure*.

- They *changed focused strategies* from production focus to marketing focus.
- They became *more flexible* in terms of pricing, delivery and payment collection.
- They *cut costs*.
- They *made innovative moves* by establishing strategic alliances with other firms and also with their competitors. (p. 39)

The processing model, proposed by Huu and Kock (2011), for firms to cope with chaos includes the following four steps: 1) diagnose; 2) action; 3) learning; and 4) growth, which is comparable to the three-phase strategic planning process proposed by Brussalis (2009). The comprehensive strategic planning process developed by Brussalis (2009) “includes three phases: situational analysis, strategy development, and strategy implementation” (p.2). The first two steps in the dynamic planning model of assessment of market trends and organizational capacity are included in the situational analysis phase of the strategic planning process, and the diagnose step of the chaos processing model (Brussalis, 2009; Huu & Kock, 2011). “Strategy implementation sets the stage for the next three steps in the dynamic planning process - implementation, evaluation, and continuous improvement” (Brussalis, 2009, p. 2). The action step of the chaos processing model is similar to the develop strategy and strategy implementation phase, which includes analysis, planning, implementation of tactical plans (Huu & Kock, 2011; Brussalis, 2009). Step five, evaluation, is like the learning stage of the chaos processing model; both use retrospective analysis to learn from their actions and their strategies to make modifications as necessary (Brussalis, 2009; Huu & Kock, 2011). The growth stage of the chaos processing model is the same as the continuous improvement stage of the dynamic planning model, which includes continuous improvement of services and strategies to maintain and increase relevance in a changing economy (Huu & Kock, 2011; Brussalis, 2009).

While Brussalis (2009) and Huu and Kock (2011), suggested strategic planning and process models as strategies for surviving an economic downturn, Hardy (2012) suggests long-range planning and fiscal stewardship for survivability. In this study long-range planning was defined as, “a roadmap for understanding and coping with change within a corporation and preparing for unforeseen events that would affect the corporation (Porter, 2008)” (Hardy, 2012, p.6). Hardy (2012) interviewed different nonprofit leaders, in different sectors to investigate the success of long-range planning and fiscal stewardship in the sustainability of nonprofit organizations. There were three main areas of significance and importance that surfaced as a result of the study: 1) 75% of the leaders made the point of the need to articulate the long-range plan and of those that did not the organization was in a financial struggle; 2) in long-range planning and fiscal stewardship it is key to have measurements or a matrix to gauge progress; and 3) flexibility is a necessary ability to have to remain successful in unstable economic climate (Hardy, 2012).

### **Surviving Organizations' Strategies**

There is a plethora of research that discusses the various strategies that can be used to cope with an economic downturn (Gibbons, 2012; Kennedy, 2009; Sweeney & Knudsen, 2013; Kielbasa et al., 2010; Gray, 2012). However, strategies that are most commonly discussed are those involving funding and belt-tightening strategies. Many nonprofit organizations, such as United Way, managed to sustain their operations by using their line of credit and while others increased their line of business credit or private loans (Gibbons, 2012). Boris, et al. (2010) found that the most common tactics used by human service organizations for surviving the recession (based on 2009 data) was to freeze or reduce employee salaries (50%), draw on reserves (39%), and reduce the number of employees (38%). Community service organizations utilized similar



tactics such as, “layoffs, reducing or stabilizing operations instead of growing them, postponing creditors’ payments, extending business credit and private loans” (Gibbons, 2012, p. 96).

Likewise, according to a survey of 1000 members in 2009, the Evangelical Council for Financial Accountability found that, “41% had frozen or delayed salary increases; 38% had frozen or reduced hiring; and 53% had cut travel and conference expenses” (Kennedy, 2009, p. 24).

While lying off employees is a common tactic, Kielbasa, et al. (2010), contends it is not the best resolution, because it decreases future opportunities and many nonprofits that laid off employees at the beginning of the recession still had problems covering costs and had to be closed. On the other hand, instead of lying off employees, respondents of a survey conducted in 2012 by the Des Moines Community Foundation suggested hiring additional staff members to support donor cultivation, develop collaborations and partnerships with other nonprofits, incentivize fundraising, share resources with other nonprofits and invest in improved technology (Community Foundation of Greater Des Moines, 2012). According to Salamon, et al. (2010), other cost-cutting tactics used were: cutting administrative expenses, creating collaborative relationships with other organizations, and putting more work on volunteers (as cited in Kielbasa et al., 2010). Furthermore, as a result of a study conducted by Gibbons (2012), the following strategies were recommended for surviving economic downturns: those organizations that diversified their funding streams fared much better than those who relied solely upon state and federal funds; “...build savings or access to rotating business credit;... be creative with resources (market the problem, engage community awareness, seek nonmonetary resources, etc.), ...not to run the CSOs too “lean”. A lean organization has little to cut in a crisis” (Gibbons, 2012, p.98).

Sweeney and Knudsen’s (2013) study on the effects of the Great Recession on community-based mental health organizations revealed that organizations primarily established

collaborative partnerships and used various business tactics as adaptive strategies. The analyses of survey data collected from 368 organizations indicated that 77% of the organizations established collaborate partnerships with private, public, and non-profit sectors entities and 54% of the organizations used business tactics such as, introduce a new line of business, close a satellite office, provide administrative functions to other organizations, and offer peer support/consumer operated services, etc. (Sweeney & Knudsen, 2013). It was also found that the urban and large organizations used more externally directed strategies, such as business expansions, because of greater access to available resources (Mays et al., 2006), which provides an advantage in taking necessary risks to develop external strategies (as cited in Sweeney & Knudsen, 2013). On the other hand, rural and mid-sized organizations chose internally directed strategies, such as downsizing operations and satellite office closures (Sweeney & Knudsen, 2013).

As a result of the recession many organizations chose to increase their fundraising abilities. Salamon et al. (2010) found that more than half of all nonprofit organizations established or increased their fundraising abilities, marketing efforts, and advocacy, aiming their efforts toward individuals, governments and foundations (as cited in Kielbasa et al., 2010). The nonprofits studied also reported using other strategies such as: "...stick with existing donors, find your motivation, be innovative, be creative, invest in development, identify, research and cultivate volunteer leadership and major donors" (as cited in Kielbasa, et al., 2010, p.705). Curry et al. (2012) surveyed 1,000 Christian institutions of higher education including a sample of leaders from the Council of Christian Colleges and Universities across the U.S. in various major categories ranging from gospel rescue missions to higher education institutions to identify best practices in the times of economic difficulty. And likewise, survey respondents whose

revenue increased, identified “clearer communication and a stronger case for support were credit with driving improved results....More personal contact was often cited for fundraising events, giving clubs, and corporate practices” (Curry et al., 2012, pp. 244-245). Furthermore, to stay on track in a recession, Kielbasa et al. (2010) recommended investing in new fundraising methods through direct mails, webpages and various ways to educate donors. As a result of their research, Kielbasa et al. (2010) concluded that in order to survive an economic recession, nonprofits should put more effort into refining their functionality, plan ahead by increasing the development of new programs, extraordinary fundraising events and groundbreaking solutions.

Demand for social services that nonprofits provide have increased significantly at a time when funding sources have decreased (Farwell, 2012). Findings from a study conducted by Farwell (2012), indicated of the 66 respondents, “...84% of all respondents and 94% of all emergency service providers reported an increase in service demand...however, 100% of all food organizations reported an increase in demand for services...” (p. 30). Despite the increase in service demand, how the organizations responded to the recession generally prevented negative impacts to client access to services. Results from the survey indicated that regardless of decreased funding nonprofit were able to meet the increased demand for services. Many of the survey respondents reported using the following tactics to prevent decreasing services provided: cut staff support, implemented furlough days, increased staff hours worked without compensation, cut benefits, and relied heavily on remarkable volunteers (Farwell, 2012). Contrary to the findings of the Farwell study, Gassman et al., (2012a) found in a study conducted over a three year time frame of 142, 129, and 139 organizations in 2009, 2010, and 2011, respectively, that ability to meet an increased demand in service has decreased consistently every year.

A merger is another strategy considered to be a viable option when nonprofit organizations experience increased demand for services, decline in funding and increased competition for scarce financial resources (Gray, 2012). In order to remain in existence, many nonprofit organizations have needed to take this business-minded action to ensure their long-term survival (Cortez et al., 2009, Andrews, 2009) (as cited by Gray, 2012). Gray (2012) collected data from 385 nonprofit organizations of which 193 merged and 192 did not merge between 2001 and 2011 time period. During times of economic downturn funders have called on nonprofit organizations to increase efficiency by alleviating duplication of services (Cortez, Foster, & Milway, 2009), specifically for smaller nonprofits to partner with other organizations in an attempt to join duplicate programs and fortify financial standing (Inspiration Corporation, 2006) (as cited by Gray, 2012). Gray (2012) surveyed 884 Illinois nonprofit representatives to determine merger success by uncovering the differences between merged and non-merged organizations using the factors of number of clients served and changes in overall funding. There were no significant differences found in relation to funding and clients served. However, there was significant difference found in relation to organizational age, finding that older organizations (10 years and older) experience greater funding delays than the younger organizations during economic downturns (Gray, 2012). As a result, Gray concluded, according to the research finding, that younger nonprofit organizations should consider foregoing mergers during economic recessions, because it would not be beneficial to their organizations (Gray 2012).

### **Thriving Organizations' Strategies**

“There appears to be consensus that entrepreneurial activity increases when environmental uncertainty is high, and the effect of this uncertainty on entrepreneurship varies

across industries and may vary across countries (Yusuf, 2002)” (as cited in Mason, 2006, p.251; Srinivasana et al., 2005). Mesch (2010) predicts that, in 2020, nonprofits will need to rely less on public money and place a greater emphasis on entrepreneurial ventures and social marketing. According to Muzyka, De Koning, and Churchill (1995), entrepreneurship is “...identifying opportunities and giving them economic value” (as cited in Mason, 2006, p.251). Mason (2006) used a case study approach to study a small company operating in the packaging industry in South Africa to illustrate the suitability of an entrepreneurial orientation for a chaotic or turbulent environment. The small, yet very successful company used Lumpkin and Dess’ (1996) principles of an entrepreneurial orientation: innovation, pro-activeness, autonomy, risk-taking; however lacking in competitive aggressiveness (Mason, 2006). “Kjellman et al., (1996) found that firms that were successful through hard times were those focused on innovation, creating new products for the future” (as cited in Huu & Kock, 2011, p.35). Smith (2010) found that nonprofits have thrived as a result of an environments created by trends of increased demand for expanded services, greater market orientation, and policy devolution. Likewise, an entrepreneurial focus was found to be successful in a study conducted by Srinivasana et al. (2005).

Entrepreneurial focus strategies also include proactive marketing strategies. The results of a survey of 154 senior marketing executives from a broad range of firms covering four primary industry groups: engineering, computers, telecommunications and light manufacturing, in a study conducted by Srinivasana et al. (2005), revealed that some firms respond to a recession by adopting proactive marketing strategies. Srinivasa et al. (2005) found that organizations that have a proactive response to recessions achieve superior business performance. Organizations who engage in proactive marketing during a recession are those with a strategic emphasis on

marketing, an entrepreneurial culture and slack resources. According to Srinivasana et al. (2005) it is beneficial for firms to launch a proactive marketing strategy during an economic downturn if they have the necessary resources and capabilities. Furthermore, Gassman et al. (2012b), studied six nonprofit organizations by conducting interviews and developing case studies to analyze how nonprofit organizations responded to the Great Recession in the area of social entrepreneurship. Based on the findings of the study, all six of the organizations engaged in social entrepreneurship through innovatively starting new programs, proactively merging with another organization, and risk taking in expanding services (Gassman et al., 2012b).

According to Gassman et al., (2012b) nonprofit organizations saw growth and opportunities created as a result of the economic downturn of 2007-09. In 2010, 64% of the respondents indicated they capitalized on the opportunities presented as a result of the recession. Of those respondents, 28% responded they had received one-time grants due to the recession, while approximately 22% took advantage of the opportunities in each of the following categories: strategic partnerships, utilizing previous relationships for new purposes, and utilizing highly skilled volunteers. Only 7% of the organizations merged with another agency.

In a study conducted by Curry et al., (2012), analysis revealed that higher performance had been achieved by an increased emphasis on relationship building, which included face-to-face meetings with donors. Curry et al. (2012), also found that thriving organizations were those who developed more effective and integrated communications and public relations strategies. The new strategies were more mission-focused with a focus on cross-marketing, which ensured all communication channels such as media relations, advertising and direct mail all told the same story (Curry et al., 2012).

### Summary

Gassman et al., (2012a) conducted a longitudinal study over a three year time period of 142, 129, and 139 organizations in 2009, 2010, and 2011, respectively, in six cities across the nation. As in the current study, Gassman et al., (2012a) conducted a study to understand nonprofits ability to survive and possibly thrive during the times of economic recession. According to Gassman et al., (2012a), a number of patterns were found in longitudinal study. The impact of the Great Recession is still prevalent in nonprofit organizations across the country. The following are significant findings of the study: while the demand for services increased the ability to meet the demand decreased every year, individual contributions increased and corporate donations, government grants (most significant impact) and investment income decreased; largest percentage of hiring freezes reported for 2009, but decreased every year following; increase in salary freezes reported every year; increase in the percentage of organizations reporting a reduction in service delivery and programming in 2011; and each year there was an increase in the percentage of organizations who reported decreasing benefits. In spite of the yearly decrease in the ability to meet the increased demand, about 50 percent of the nonprofit organizations responded positively to needs of the community (Gassman, 2012c).

According to a study conducted by Costliow (2012), using the same data as the Gassman et al. (2012a) study, compared the actions taken to survive the economic downturn by the budget size of the organization. There were significant associations found in the actions related to personnel: medium and large organizations responded both with more frequency than small organizations, however medium organizations took action more frequently than large organizations in cutting salaries and wages. Significant associations were also found in the actions taken related to benefits and service delivery (Costliow, 2012). The findings of this

study helps to provide a foundation of information that will be used to compare the results of the current study.

In conclusion, the literature review identified suggested theoretical models, tactics, and strategies that have been used by nonprofit organizations during the time of economic recessions. However, there were no comparative studies found that identified the perception of the success of the various strategies used, comparison of the responses based on organization size, and comparisons of responses based on whether organizations survived or thrived during the recession of 2007-09. As the researcher reviewed the literature, various instruments were considered, but did not completely answer the research questions in this study. Therefore, the researcher modified a version of the UNT Survey of Economic Impact on Nonprofit Organizations developed at the University of North Texas by Dolch (2009) (Gassman et al., 2012a), to answer the research questions in the current study.



## CHAPTER 3

### METHODOLOGY

The purpose of this study is to uncover whether significant differences exist between small-medium and large nonprofit organizations in their responses to the changes in individual donations and funding as a result of the economic recession of 2007-09. This study primarily examines how the external factors (changes in community resources) affects the internal factors (changes in financial measures and organization size), the organizations' responses to the interrelation between the two, as well as the perceived outcome of the responses.

The foundation of this study was based upon Farwell's (2012) study on the impact of the 2007-09 recession on King County's human service nonprofit organizations. Farwell (2012) suggested a focus for future studies to "explore and compare the different coping mechanisms organizations use in light of funding changes and analyze their outcomes" (p.42). Therefore, this study gave new consideration to identifying the differences in the responses between small-medium and large nonprofit organizations to the changes in individual donations and funding as a result of an economic recession. Another consideration for this study is how the responses of the organizations who just survived the recession compared to those that experienced growth during the recession.

The following research questions are answered in this study to assess how Delaware nonprofit organizations responded to the changes in individual donations and funding as a result of the 2007-09 recession; the perceived outcome of the responses to the changes; the differences in the responses between small-medium and large nonprofit organizations; and how the surviving organizations compared to the thriving organizations in their responses.

1. How have nonprofit organizations responded to changes in individual donations and funding during the 2007-09 recessionary period in the State of Delaware?

Hypothesis 1 examines how nonprofit organizations responded to the changes in individual donations and funding.

H1: The nonprofit organizations responded to changes with belt-tightening strategies, intensified fundraising, and entrepreneurial expansions.

2. What were the perceived outcomes of the responses to the changes in individual donations and funding during the 2007-09 recessionary period?

Hypothesis 2 measures the percentage of the organizations that responded positively to the changes and survived the recession based on the perceived outcomes of the responses.

H2: The majority (over 50%) of the organizations responded positively to the changes and the organizations were able to survive the recession.

3. How did the small-medium nonprofit organizations compare to the large organizations in their response to changes in individual donations and funding during the 2007-09 recessionary period in the State of Delaware?

Hypothesis 3 compares the small-medium nonprofit organizations to the large organizations in their response to the changes in individual donations and funding.

H3: A greater number of large organizations (60%) will respond with a perceived degree of success to the recession as compared to the small-medium organizations.

4. How did the surviving (less than 5.8% revenue growth) nonprofit organizations compare to the thriving (more than 5.9% revenue growth) nonprofit organizations in their response to changes in individual donations and funding during the 2007-09 recessionary period in the State of Delaware?

Hypothesis 4 compares the surviving organizations to the thriving organizations in their response to the changes in individual donations and funding.

H4: Thriving organizations had a greater percentage (60%) of organizations that perceived a degree of success as compared to their surviving counterparts.

#### **Location of Study**

As of 2010, Delaware reported 1,127 nonprofits to the Internal Revenue Service. Delaware nonprofits range from large organizations such as, hospitals and universities that serve and employ tens of thousands of people to small “mom-and-pop” organizations with a few volunteers that serve their local communities. Collectively, they are a strong economic force, generating \$5.3 billion in revenues with \$7.4 billion in assets in 2010, and employing more tens of thousands of people (14% of the jobs in the state) (KBT & Associates, 2012).

#### **The Participants**

The sample of the nonprofit organizations was derived from two organizations who service Delaware nonprofit organizations: Delaware Alliance for Nonprofit Advancement (DANA) and United Way of Delaware (UWD). The two organizations were used as a convenience sample. The sample of the organizations enlisted from DANA was derived from a database of 269 (n=269) Delaware Alliance for Nonprofit Advancement (DANA) members. Of the 269 members, 221 are located in New Castle County, 27 in Kent County, 19 in Sussex County, and 2 are Out-of-State (Delaware Alliance for Nonprofit Advancement, 2013). The actual number of surveys distributed by DANA was 205 due to the duplication of constituents between DANA and UWD. UWD database consists of 111 (n=111) partner agencies, 89 are located in New Castle County, 10 in Kent County, 11 in Sussex County, 1 located in Virginia (not included) (United Way of Delaware, 2013). In addition to the surveys, eight nonprofit executive directors and a field expert were interviewed. The eight nonprofit directors and field expert were used as a convenience sample.

#### **Research Design**

The research methodology that was used for the study was an emergent mixed methods design of quantitative and qualitative research, with a cross-sectional analysis method. The cross-sectional design was used for this study since there were no plans by the researcher to follow up or repeat data collection. “Because the cross-sectional design entails collecting data at and concerning one point of time, all analysis relies on differences in the sample at that point of time” (de Vaus, 2001, p. 171). The design allowed for the identification of the differences between small-medium and large nonprofit organizations in their responses to the changes that occurred as a result economic recession of 2007-09.

The emergent mixed method design is “where the use of mixed methods arises due to issues that develop during the process of conducting research...and a second approach (quantitative or qualitative) is added after the study is underway because one method is found to be inadequate” (Creswell & Plano Clark, 2011, p.54). Specifically, for the current study the survey response rate was low (n=40), therefore interviews were conducted to help support the findings of the research. The specific mixed method design that was used was the explanatory design (also called a qualitative follow-up approach) where the researcher starts with quantitative methodology and follows up with a qualitative phase to explain the initial quantitative results in more depth (Creswell & Plano Clark, 2011).

### **Internal and External Validity**

Internal validity is the accuracy of the conclusions drawn from the research and is critical to the quality of the findings. All research designs are faced with threats to internal validity. There are two main sources of problems for internal validity using a cross-sectional design: establishing cause without a time dimension; and at the level of meaning (de Vaus, 2001). “Problems at the level of cause are, of course, an issue with any design but cross-sectional

designs are particularly prone to problems at this level” (de Vaus, 2001, p.177). It was not certain whether the differences were due to a causal link between the variables, therefore the extraneous and confounding variables could have influenced the final results.

Extraneous variables are when two variables are correlated without being causally related which may be due to the two factors being outcomes of a third variable (extraneous variable). However, finding that two variables are correlated does mean that a causal explanation is possible (de Vaus, 2001). Extraneous variables in this study includes any event or situation that could have influenced the actions of the nonprofit organizations, such as changes in laws, political governance, state of emergency situations, or any other external occurrences that may impact actions taken. These variables were beyond the scope of the study, but are worthy of further exploration.

Confounding variables are factors that vary together to make it difficult to identify their unique effects (de Vaus, 2001). The confounding variables in this study include leadership styles and leadership perceptions about the recession’s effects and their organization’s ability to moderate these effects. The various leadership styles of the leaders of the nonprofit organizations may have affected how they responded to the impact of the economic downturn. Also, the organizations’ leadership’s perception of the economic downturn and the capacity to manage the consequences may have affected how they responded, to include: perceived instability, perceived predictability, perceived sustainability, perceived hostility and the perceived controllability (Sweeney & Knudsen, 2013). These variables were worth noting; however, were not included in the scope of the research.

External validity refers to the generalizability of the study conducted with a wider population that the sample is meant to represent (de Vaus, 2001). The findings may be applied

to nonprofit organizations in other states. Nonprofit organizations in other states may greatly benefit from the information and strategies available in the research. Nonprofit organizations are critical to helping the government meet the needs of the citizens in every state.

To aid in establishing validity methodological triangulation was used. According to Guion, Diehl, and McDonald (2011), if the conclusions from each of the various quantitative and/or qualitative methods are the same then validity is established. In the current study results from the surveys (quantitative), a field expert (qualitative), and nonprofit executive interviews (qualitative) were used to triangulate the study. The generalizability of the study was supported by conducting surveys, interviewing a field expert, and interviewing eight nonprofit executive directors.

## **Research Instruments**

### **Survey**

The assessment was partially adopted and modified from an instrument designed to assess the economic impact of the “Great Recession” on nonprofits and used in a study entitled, “A Three Year Study of the Nonprofit Sector’s Response to the Economic Challenges in Six Cities Across the Nation” (Gassman, et al., 2012a). The validity of the survey instrument has been demonstrated through several test-studies prior to its utilization and has been utilized to collect results in two previous studies. Additionally, the participants within the studies have not been specifically selected by the researcher; rather, the participants randomly selected themselves to participate in six different cities, which further established validity (Costilow, 2012). The survey was administered in six cities spanning the United States during the fall of 2009, with subsequent data collected in 2010 and 2011 (Gassman, et al., 2012a). The data from 2009, 2010 and 2011 were compiled into one document using SPSS 22 and analyzed by using

frequencies to screen the data for extreme or incorrect scores and determine general themes using descriptive statistics and geographical area response rates. The administration of the survey in six cities within different states supports the external validity of the generalizability of the study (Gassman, et al., 2012a).

The proper protocol was followed in order to model, modify and administer the survey. The researcher obtained permission from Dr. Norman Dolch, the author of the “UNT Survey of Economic Impact on Nonprofit Organizations” developed in 2009 at the University of North Texas (N. Dolch, personal communication, December 9, 2013).

The “UNT Survey of Economic Impact on Nonprofit Organizations” instrument has been modified to include a total of 21 questions. Modifications included strategy questions (Questions 19, 20, and 21) that were developed using information found in a study entitled, “Impact of the 2007-09 Economic Recession on Nonprofit Organizations” conducted by Salamon, et al., (2009). The survey instrument required approximately 20-25 minutes to complete and contained the following dimensions as listed below in Table 1.

Table 1

*Survey Instrument*

Section	Description	Number of Items
I.	Organization General Information	9
II.	Economic Downturn Impact and Actions Taken	7
III.	Strategies	5

Section I of the survey contains demographic information about the nonprofit organization and requests information on 9 items (Questions 1-9) that measure independent variables relative to the size of the organization and their strategic plan.

Section II of the instrument contains seven questions and statements designed to capture information regarding the impact of the economic downturn and actions taken by the nonprofit organization. The participant was instructed to indicate on a 5-point Likert-type scale (Questions 10, 11, 13, 14, and 15) the organization's level of impact of the economic downturn for a variety of revenue sources. On a 5-point Likert-type scale (Question 13) participants were instructed to indicate the percentage of revenue that comprises the funding for the organization. Question 12 is an open-ended question that asked if the organizations cut wages, and if so, by what percentage. Also, included in this section (Question 16) the participant is asked to indicate if the organization experienced revenue growth during the time of the economic recession.

Section III comprises four major categories of strategies commonly used by various organizations to cope in times of economic hardship. The participant was instructed to indicate on a 5-point Likert-type scale (Questions 18, 19, 20 and 21) the perceived degree of success for each type of strategy and if the strategy was in effect prior to 2007 and/or after 2009. The Likert-type scale questions included an "Other" category that allowed the participant to enter a response not listed.

### **Interviews**

An unstructured interview was conducted with a nonprofit field expert to strengthen validity and gain further understanding of the Delaware nonprofit sector. The research questions and survey data were used to guide the discussion (Appendix B). The field expert interview data gathered was used to help construct the interview questions for the nonprofit executives and provide further insight into the best-practices during a recession for nonprofits in Delaware.

The interview questions for the nonprofit executives were created to obtain additional information that was not obtained from the surveys. The interview questions were constructed



by combining data from the field expert interview and the survey responses. Appendix C displays the 13 semi-structured interview questions asked of the eight interview participants. Questions 1 through 3 were designed to capture demographic information, to include the size of the organization based on annual budget, and revenue growth. Questions 4 through 6 were asked to determine the impact of the recession of 2007-09 on the organization and their perception of the impact on smaller organizations. The last set of questions (7 through 13) were asked to determine the response to the initial effects of the recession, the strategies employed as result, the perceived success and advice for nonprofits for future economic downturns.

### **Data Collection**

An online survey instrument, Survey Monkey, (Appendix D) was used and distributed via email to the constituents of DANA and UWD all located in the State of Delaware. Survey participants were invited to participate in the online survey via an email that was distributed by both DANA and UWD. The consent to take the survey was given through the willingness to continue to the survey after reading the explanation of the study in the email invitation that was sent. The invitation email was sent the third week of March 2014. The participants followed the survey link to a Survey Monkey questionnaire, which took 15-20 minutes to complete the 21 questions. The researcher then compiled and analyzed the data collected.

The field expert and nonprofit executive's interviews were recorded using a conference call manager system. The field expert interview lasted for one hour and the executive interviews took an average of 15-20 minutes to complete. The interviews were transcribed by the researcher from the playback of the conference call recording.

### **Data Analysis Rationale**

Descriptive and non-parametric statistics were used to examine the how the external factors (changes in community resources) affects the internal factors (changes in financial measures and organization size), the organizations' responses to the interrelation between the two, as well as the perceived outcome of the responses, and whether significant differences exist between small-medium and large nonprofit organizations in their responses to the impact of the economic recession of 2007-09.

### **Variables for Analysis**

The independent variables (i.e. type of organization, annual assets, impact of changes, etc.) were identified in various ways: dichotomous, categorical, and on 5- and 7-point Likert scales. The dependent variables (i.e. impact of recession, actions taken, fundraising strategies, etc.) were also identified in a variety of ways: dichotomous, continuous, and 5-point Likert scales. The data was analyzed to determine if any relationships existed between the independent variables and the dependent variables. The complete lists of independent and dependent variables, as well as a code sheet are provided in Appendix E.

### **Statistical Procedures**

There were various statistical methods applied in the final analysis using SPSS 22 version for Windows. A series of statistical techniques such as descriptive statistics, frequencies, cross-tabulations, and Kruskal-Wallis H nonparametric tests were conducted to test the hypotheses.

RQ1: How have nonprofit organizations responded to changes in individual donations and funding during the 2007-09 recessionary period in the State of Delaware?

Test(s): Frequencies were used to determine if differences exist between the types of nonprofit organizations in how they responded to the economic recession.

RQ2: What were the perceived outcomes of the responses to the changes in individual donations and funding during the 2007-09 recessionary period?

Test(s): Frequencies used to determine if differences exist between the types of nonprofit organizations in the perceived outcomes of their responses to the economic recession.

RQ3: How did the small-medium nonprofit organizations compare to the large organizations in their response to changes in individual donations and funding during the 2007-09 recessionary period in the State of Delaware?

Test(s): Cross-tabulations were used to determine if differences exist between the nonprofit organizations according to size (small-medium or large) in how they responded to the economic recession. Kruskal-Wallis H test (non-parametric alternative to the one-way ANOVA) was used to determine whether there were any statistically significant differences between the organizations' size and how they responded to the economic recession.

RQ4: How did the surviving (less than 5.8% revenue growth) nonprofit organizations compare to the thriving (more than 5.9% revenue growth) nonprofit organizations in their response to changes in individual donations and funding during the 2007-09 recessionary period in the State of Delaware?

Test(s): Cross-tabulations were used to determine if differences exist between the nonprofit organizations who survived and those who thrived in how they responded to the economic recession. Kruskal-Wallis H test (non-parametric alternative to the one-way ANOVA) was used to determine whether there were any statistically significant differences between the organizations that survived and organizations that thrived and how they responded to the economic recession.

## **Pilot Study**

A pilot study was administered prior to the distribution of the final survey. An estimated sample population of 5% of the actual study was recruited during the spring of 2014 to pre-test the survey instrument. The researcher asked for feedback from the nonprofit executives regarding their interpretation, comprehension and clarity of the questions. The wording used in the scale for questions 18-21 was slightly modified as a result of the feedback received from “used prior...” and “continuing use after...” to “in effect prior” and “in effect after”. Additionally, two questions were removed from the survey because official permissions were not received from the author after multiple attempts made by the researcher. The data from the each one of the surveys was coded and entered into SPSS by the researcher. The survey instrument coding description sheet is included in Appendix E.

The pilot data was analyzed using a series of the following statistical methods to include: cumulative percentages, frequency distributions, cross-tabulations and descriptive statistics. The survey does not lend itself to reliability testing due to the singular nature of the questions. Reliability will be established through repeated use over time.

## **Interviews**

The codebook was developed for the nonprofit executive directors’ interviews using steps for developing a codebook as recommended by (DeCuir-Gunby, Marshall, and McCulloch (2011). Codes were developed from existing researching concepts (theory-driven) and raw data (data-driven) (DeCuir-Gunby, et al., 2011). Coding was completed based on the transcripts from the conference call recordings. There was a substitution code used for all participants and the master code list stored separately. The following steps as outlined by DeCuir-Gunby, et al., (2011) were taken: 1) “...theory-driven codes: review and revise codes within context of data;

and 2) ...data-driven codes: identify subsample themes, compare themes across subsamples, and create codes” (p. 142).

The statements or concepts made by each participant were the unit of data used for coding. To determine reliability, the coding was completed with two raters (one of which was the researcher and the other a colleague) and Cohen’s kappa coefficient was calculated. According to DeCuir-Gunby et al. (2011), Cohen’s kappa coefficient (to be used with two raters) is the third most popular approaches to calculating reliability. Cohen’s kappa is used “...to determine the consistency in ranking items or classifying items into mutually exclusive categories and...calculated by determining the amount of actual agreement divided by the amount of agreement expected by chance; and are scored between 0 and 1” (DeCuir-Gunby et al., 2011, p. 149). The operationalized definition of each variable (Appendix F) was provided to educate the raters. The transcribed data was provided in a Microsoft Word document along with the directions. A Microsoft Excel sheet was provided with columns for each interviewee rated and rows listing the primary category themes (belt-tightening, fundraising, entrepreneurship, and opportunities). The directives were to place a ‘1’ in the corresponding cell that matched the category theme and the interviewees’ statement(s).

Cohen’s Kappa (Table 2) was calculated to determine the reliability for the executive directors’ interviews. Inter-observer agreement or agreement between two observers is reported as a kappa statistic. Cohen’s Kappa is based on how much agreement is actually present compared to the amount of agreement that would be expected by chance alone (Viera & Garrett, 2005). According to Viera and Garrett (2005), the following commonly cited ranges are used to interpret the Cohen’s kappa: “...fair agreement: 0.21 - 0.40; moderate agreement: 0.41 – 0.60; and substantial agreement: 0.61 – 0.80...” (p. 362). As a result of the low Kappa of .250, which

is considered “fair agreement” the coding of “opportunities” was specifically reviewed. After the review it was discovered that there were several errors in coding where the coder did not identify the key words provided in the keywords list. Belt-tightening and entrepreneurial strategies agreement was categorized in the “moderate” range, and fundraising strategies in the “substantial agreement” category.

Table 2

*Reliability for Nonprofit Executive Directors’ Interviews between Coders*

Strategies	Kappa
Belt-tightening	.591
Fundraising	.672
Entrepreneurial	.581
Opportunities	.250

### Summary

Research design and methodology for this study was presented in this chapter. The pilot survey data was screened using various statistical methods to examine variables to include cumulative percentages and frequency distributions. The interviews that were conducted provided a way to further validate the study through methodological triangulation. Both the quantitative and qualitative approach provided the data needed to determine the impact of the 2007-09 economic recession and the strategies used by Delaware nonprofits.

## CHAPTER 4

### RESULTS

The goal of this study was to determine whether significant differences existed between small-medium and large nonprofit organizations in their responses to the changes in individual donations and funding as a result of the economic recession of 2007-09. This research also uncovers how some Delaware nonprofits responded to the impact of the recession and the perceived outcome of those responses. The foundation of this research study was designed based on research conducted by Salamon et al. (2009), Farwell (2012), and Gassman et al. (2012a). The current study was guided by the following research questions:

1. How have nonprofit organizations responded to changes in individual donations and funding during the 2007-09 recessionary period in the State of Delaware?
2. What were the perceived outcomes of the responses to the changes in individual donations and funding during the 2007-09 recessionary period?
3. How did the small-medium nonprofit organizations compare to the large organizations in their response to changes in individual donations and funding during the 2007-09 recessionary period in the State of Delaware?
4. How did the surviving (less than 5.8% revenue growth) nonprofit organizations compare to the thriving (more than 5.9% revenue growth) nonprofit organizations in their response to changes in individual donations and funding during the 2007-09 recessionary period in the State of Delaware?

This chapter presents data that was collected from constituents of Delaware Alliance for Nonprofit Advancement (DANA) and United Way of Delaware (UWD). The data that is presented has been compiled using the response data from the modified “UNT Survey of Economic Impact on Nonprofit Organizations” instrument. All 306 nonprofit organizations were

emailed the survey from their respective member organization, either DANA or UWD. A reminder email was sent a week later along with the survey link to UWD members and a reminder was posted on the Facebook page of DANA members. The controls were set permitting the participants to take the survey one time only. The profile of descriptive data to demographics such as organization type, position type, organization size, and location is followed by frequencies and chi-square analysis statistical methods.

### **Assessment of Demographics**

Table 3 depicts the participant demographics calculated used descriptive statistics. The survey participants hold a variety of positions such as: Executive Director (57.5%), other positions (20%), President (17.5 %), Vice President (2.5%) and Board Member (2.5%). The nonprofit organizations (n = 40) from this study represented the three counties in the State of Delaware: 7.5 percent in Kent County, 80 percent in New Castle County, and 12.5% in Sussex County. Forty-five percent of the organizations have been in existence for less than 25 years, 27.5% between 26 and 50 years, 20% between 76 and 150 years, and 2.5% between 176 and 200 years. The majority of the organizations (80%) have between 1 and 150 full-time staff members and 15 percent do not have any full-time staff members. Most of the organizations (87.5%) have between 1 and 150 part-time staff members and 7.5% do not employ any part-time staff members. There were various types of organizations that responded to the survey such as: Health and Human Services (30%), Education (15%), Housing and Development (12.5%), as well as many other types found in Table 3. The location and type of organization demographics of the participants are consistent with the overall nonprofit demographics for the State of Delaware (KBT & Associates, 2012). The nonprofits were classified into two groups according to the size of the organization based on their annual budget: small-medium organizations (n =



18) 45% were classified as under \$1,000,000 and large organizations (n = 21) 52.5% were classified as \$1,000,001 or more and one respondent skipped the question. There were 32 nonprofit organizations that have a strategic plan and seven that are operating without a strategic plan. Approximately half of the organizations reported that less than 20% of their annual revenue is comprised of foundation and individual contributions and investment income.

Unfortunately, the low response rate of 40 participants limited the type of statistical analysis that could have been conducted. Therefore, a nonprofit field expert and eight nonprofit executive directors were interviewed to add insight to the findings of the survey and obtain additional information that was not obtained from the survey responses. The eight directors represented nonprofit organizations categorized as follows:

Table 3

*Descriptive Statistics: Survey Participant Demographics*

Independent Variables	Condition	N = 40	%
Position Type			
	President	7	17.5
	Vice President	1	2.5
	Board Member	1	2.5
	Executive Director	23	57.5
	Other	8	20.0
Location			
	New Castle County	32	80.0
	Sussex County	5	12.5
	Kent County	3	7.5
Years in Existence			
	1-25	18	45.0
	26-50	11	27.5
	51-75	2	5.0
	76-100	3	7.5

	101-125	2	5.0
	126-150	3	7.5
	176-200	1	2.5
<hr/>			
Number of Staff Members Full-Time			
	None	6	15.0
	1-150	32	80.0
	151-300	1	2.5
	751-900	1	2.5
<hr/>			
Number of Staff Members Part-Time			
	None	3	7.5
	1-150	35	87.5
	151-300	1	2.5
	751-900	1	2.5
<hr/>			
Organization Type			
	Health, Human Services	12	30.0
	Education	6	15.0
	Housing and Development	5	12.5
	Other	5	12.5
	Mental Health, Crisis Intervention	3	7.5
	Arts, Culture, Humanities	2	5.0
	Employment	2	5.0
	Environment	1	5.0
	Animals	1	2.5
	Philanthropic Intermediary And Volunteerism		
	Promotion	1	2.5
	Youth Development	1	2.5
<hr/>			
Strategic Plan			
	Yes		32
	No		7
	Don't Know		1
<hr/>			

*Organization size based on annual budget*

<u>Independent Variables</u>	<u>Condition</u>	<u>Frequency</u>
Organization Size		

Large	21
Small-Medium	18

Note. Large organization  $\geq$  \$1,000,001. Small-Medium  $\leq$  \$1,000,000

### *Funding Sources: Percentage of Annual Revenue*

Source	Frequency
Commercial activity (social enterprise)	
Less than 20%	13
21-40%	1
N/A	17
Corporations	
Less than 20%	17
21-40%	7
41-60%	1
81% or greater	1
N/A	5
Fees for services	
Less than 20%	17
21-40%	5
61-80%	2
N/A	7
Foundations	
Less than 20%	21
21-40%	5
41-60%	2
N/A	3
Government grants (federal, state, and local)	
Less than 20%	11
21-40%	5
41-60%	2
61-80%	6
81% or greater	3
N/A	4
Individual contributions	
Less than 20%	20
21-40%	5
41-60%	1
61-80%	1
81% or greater	1
N/A	3
Investment Income	
Less than 20%	21
N/A	10

Membership fees

Less than 20%	7
21-40%	1
41-60%	1
N/A	22

*Descriptive Statistics: Interview Participant Demographics*

Independent Variables	Condition	N = 8	%
<u>Organization Type</u>			
	Health, Human Services	4	50.0
	Arts, Culture, Humanities	2	25.0
	Education	2	25.0
<u>Years in Existence</u>			
	1-25	4	50.0
	26-50	2	25.0
	51-75	1	12.5
	126-150	1	12.5

*Interviews: Organization size based on annual budget*

Independent Variables	Condition	Frequency
<u>Organization Size</u>		
	Large	5
	Small-Medium	3

*Note.* Large organization  $\geq$  \$1,000,001. Small-Medium  $\leq$  \$1,000,000

### Hypothesis Testing

A series of descriptive statistics were conducted to answer the following research question and hypothesis. Frequencies were used to tabulate the results to test for Hypothesis 1 (H1). The results appear in Figure 1, Figure 2, Figure 3 and Figure 4. The interview data from a nonprofit field expert was transcribed to gain deeper understanding on how the Delaware nonprofit organizations responded to the changes in individual donations and funding. Interview

data from eight nonprofit executives was also transcribed, coded and analyzed to add insight to the results of the surveys.

### **Research Question One**

1. How have nonprofit organizations responded to changes in individual donations and funding during the 2007-09 recessionary period in the State of Delaware?

Hypothesis 1 examines how nonprofit organizations responded to the changes in individual donations and funding.

H1: The nonprofit organizations responded to changes with belt-tightening strategies, intensified fundraising, entrepreneurial strategies and capitalized on opportunities.

Results: The survey respondents used belt-tightening strategies, intensified fundraising, entrepreneurial strategies and capitalized on opportunities in response to the changes in individual donations and funding during the 2007-09 recessionary period. Therefore, the null hypothesis is rejected.

The strategies that were used by more than 50% of the respondents were as follows: 1) cut administrative/overhead costs; 2) expanded individual fundraising; 3) expanded efforts to seek local funding; 4) pursued new corporate support; 5) pursued new individual donor support; 6) pursued new foundation support; and 7) improved or expanded marketing efforts.

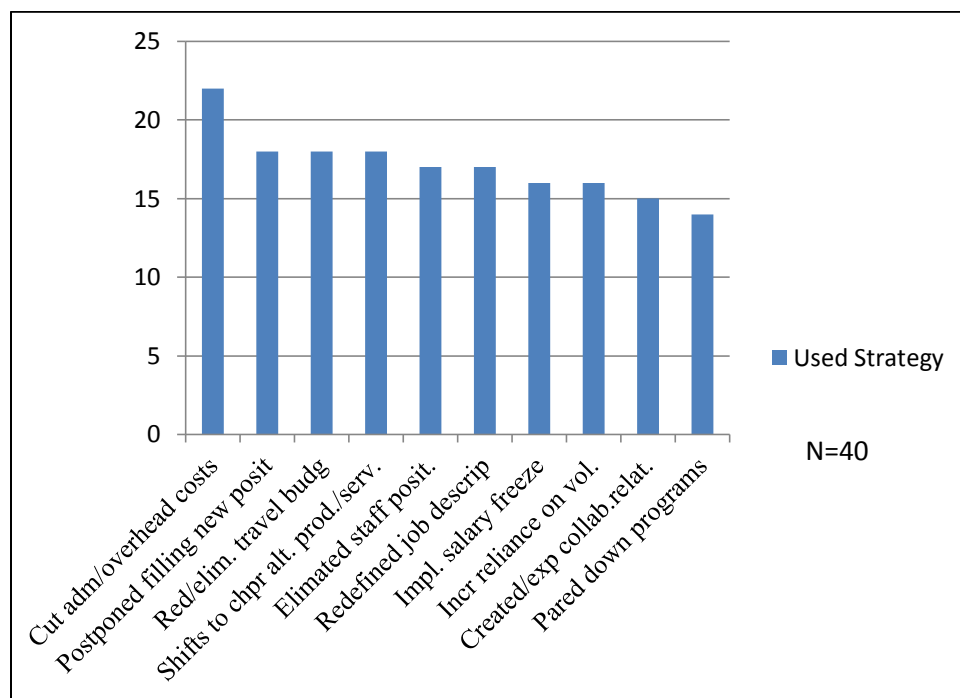


Figure 1. Belt-tightening strategies.

Figure 1 presents the frequencies for 10 belt-tightening strategies. The data illustrates that all of the belt-tightening strategies were used. The following five belt-tightening strategies were used by the greatest number of the responding organizations: “cut administrative/overhead costs” (22), “postponed filling new positions” (18), “reduced/eliminated travel budget for staff” (18), “implemented a salary freeze” (18), and “redefined job descriptions” (17). The strategy that was used by the fewest number of organizations was “shifts to cheaper alternative products/services” (14). Likewise, 62.5% of the interviewees used belt-tightening strategies such as cutting administrative/overhead costs, postponed hiring, redefined job descriptions, as well as cut staff in response to the initial effects of the recession. The John Hopkins study (Salamon et al., 2009), reported that cutting administrative and overhead costs was used by the greatest number of nonprofit organizations (56%), which is consistent with the current study. One interviewee stated, “We had to do more with less, I think that is the mantra in the not-for-profit

world.” The interview data from the field expert also corroborated the findings that cutting administrative cost is the most widely used and is fine to use in the long-term. However, added that strategies such as salary freezes and postponing filling new positions are not sustainable long term.

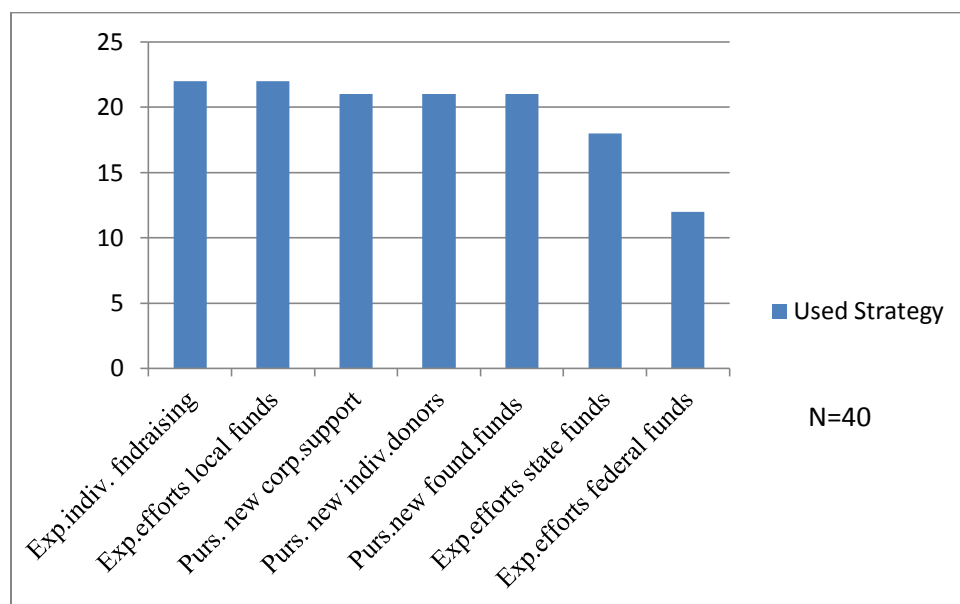


Figure 2. Fundraising strategies.

Figure 2 presents the frequencies for seven fundraising strategies. The data illustrates that all of the fundraising strategies were used. The following five fundraising strategies were used by the greatest number of the responding organizations: “expanded individual fundraising” (22), “expanded efforts to seek local funding” (22), “pursued new corporate support” (21), “pursued new individual donor support” (21) and “pursued new foundation support” (21). The strategy that was used by the fewest number of organizations was “expanded efforts to seek federal funding” (12). The John Hopkins study (Salamon et al., 2009) reported that the efforts to expand individual fundraising and efforts to seek local funding were the top fundraising strategies used to cope with the economic downturn of 2007-2009, which is consistent with findings of the current study. Surprisingly, only 25% of the interviewees responded to the initial effects of the

recession with fundraising strategies, compared to 55% of the survey respondents. Some of the organizations responded by adding new fundraisers in efforts to solicit additional funds. The nonprofit expert stated that best practices are to diversify funding by looking for more funding sources (e.g. corporate and government entities).

Table 4 is a comparison of the means was conducted using an Independent Samples T-test, testing the difference between the younger nonprofits in business for 25 years or less and the business with more experience (26 years or more). There was a statistical difference in the “expanded individual fundraising” strategy between younger nonprofits and older nonprofits, younger nonprofits used the strategy more than older nonprofits,  $p = 0.014$ .

Table 4

*Comparison of means: Older vs. Younger Nonprofits*

Expanded individual fundraising				
Years	N	$\mu$	SD	SEM
Less than 25 years	19	2.68	2.849	.654
26 years or older	21	2.62	1.910	.417

Table 5 shows that there was a statistical difference in the “pursued new individual support” strategy between older nonprofits and younger nonprofits, younger nonprofits used the strategy more than older nonprofits,  $p = 0.038$ .



Table 5

*Comparison of Means: Older vs. Younger Nonprofits*

Pursued new individual support				
Years	N	$\mu$	SD	SEM
Less than 25 years	19	2.37	2.773	.636
26 years or older	21	2.86	2.220	.484

Pursuing and expanding individual fundraising support tested with a statistical difference between the younger and older nonprofits, with the younger nonprofits using the strategies more than the older nonprofits. This disparity could indicate that the younger nonprofit are still trying to increase their individual donor base, while the older nonprofits may have exhausted their methods to expand their individual fundraising. Younger nonprofits are new to the market and have the liberty to both expand individual fundraising and pursue new individual support.

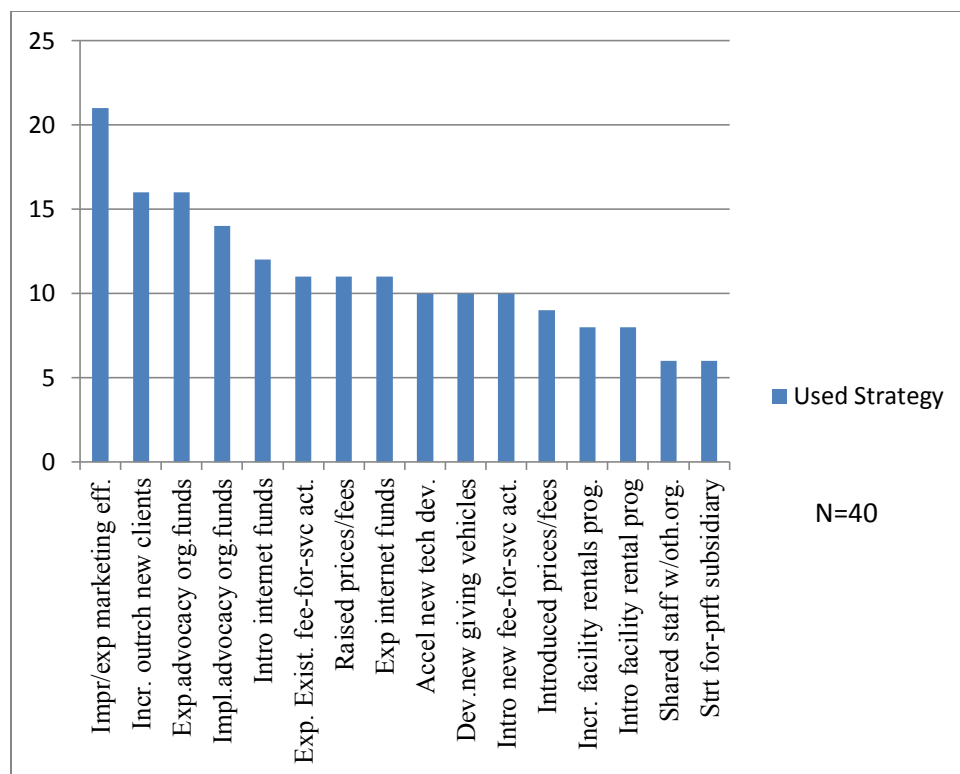


Figure 3. Entrepreneurial strategies.

Figure 3 presents the frequencies for 16 entrepreneurial strategies. The data illustrates that all of the entrepreneurial strategies were used. The following five entrepreneurial strategies were used by the greatest number of the responding organizations: improved/expanded marketing efforts (21), increased outreach to new clients/customers/patrons (16), expanded advocacy (16), implemented advocacy for organizational funding (14), and introduced internet funding (12). The strategies that were used by the fewest number of organizations were “shared staff with other organizations” (6) and “started for-profit subsidiary” (6). Entrepreneurial strategies were used by 37.5% of the interview participants in their initial response to the recession, some of the strategies included: changing their marketing efforts, expanding planned giving campaigns, and strengthening and expanding advocacy programs.

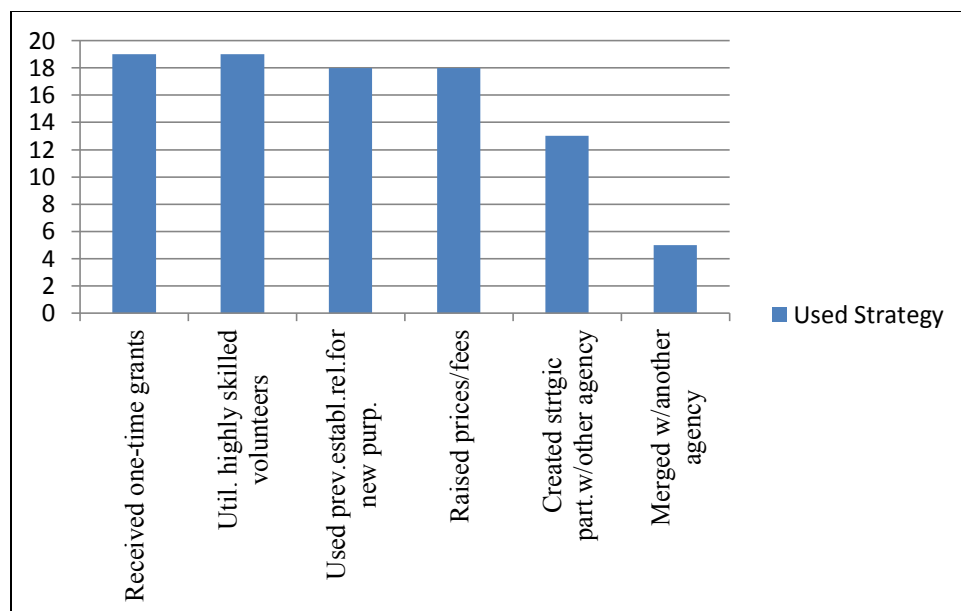


Figure 4. Opportunities capitalized upon.

Figure 4 presents the frequencies for six opportunities capitalized upon. The data illustrates that all of the opportunities were capitalized upon. The following five opportunities were used by the greatest number of the responding organizations: received one-time grants (19), utilized highly skilled volunteers (19), used previously established relationships for new purposes (18), raised prices/fees (14), and created strategic partnerships with other agencies (13). The strategy that was used by the fewest number of organizations was “merged with another agency” (5). These findings are consistent with those of Gassman et al., (2012b). Fifty-percent of the interviewees capitalized on opportunities such as one-time grants, utilizing highly skilled volunteers, and using previously established relationships for new purposes, which is comparable to 48% of the survey respondents. One-time grants are good, but only get you over the “hump”. Organizations should continue utilizing highly skilled volunteers no matter what, according to the field expert.

## Research Question Two

A series of descriptive statistics were conducted to answer the following research question and hypothesis. Frequencies were used to tabulate the results to test for Hypothesis 2 (H2). The results appear in Figure 5. The interview data from a nonprofit field expert was transcribed to gain deeper understanding on the perceived outcomes of the responses to the changes in individual donations and funding. Interview data from eight nonprofit executives was also transcribed, coded and analyzed to add insight to the results of the surveys.

2. What were the perceived outcomes of the responses to the changes in individual donations and funding during the 2007-09 recessionary period?

Hypothesis 2 measures the percentage of the organizations that responded positively to the changes and survived the recession based on the perceived outcomes of the responses.

H2: The majority of the strategies (50% or more) that are listed on the survey were perceived by at least 50% of the respondents as successful strategies used during the recession of 2007-09.

Results: The results show that 56% of the strategies listed on the survey were perceived by at least 50% of the respondents as successful strategies used during the recession of 2007-09. Therefore, the null hypothesis was rejected.

Figure 5 illustrates that 50% or more of the respondents perceived 22 out of 39 strategies as successful. The top five strategies deemed as successful by the respondents are postponed filling new positions, used previously established relationship for new purposes, cut administrative and overhead costs, shift to cheaper alternative products and services, and created strategic partnership with other agencies. It is important to note that “postponed filling new positions” was perceived by the 83% of survey respondents as “successful”. However, the field expert stated that although it is inherent to the nonprofit culture, it is not a way to attract and keep top

talent and it is not sustainable long term. Fifty-percent of the interviewees stated they operate their organizations with a “lean” budget. However, Gibbons (2012), does not recommend cutting costs and operating too lean, because there is little to cut in the time of crisis. The bottom five strategies deemed as having the least amount of success by the respondents are raised prices and fees, introduced facility rental program, introduced new fee-for-service activity, and started for-profit subsidiary, and introduced prices and fees.

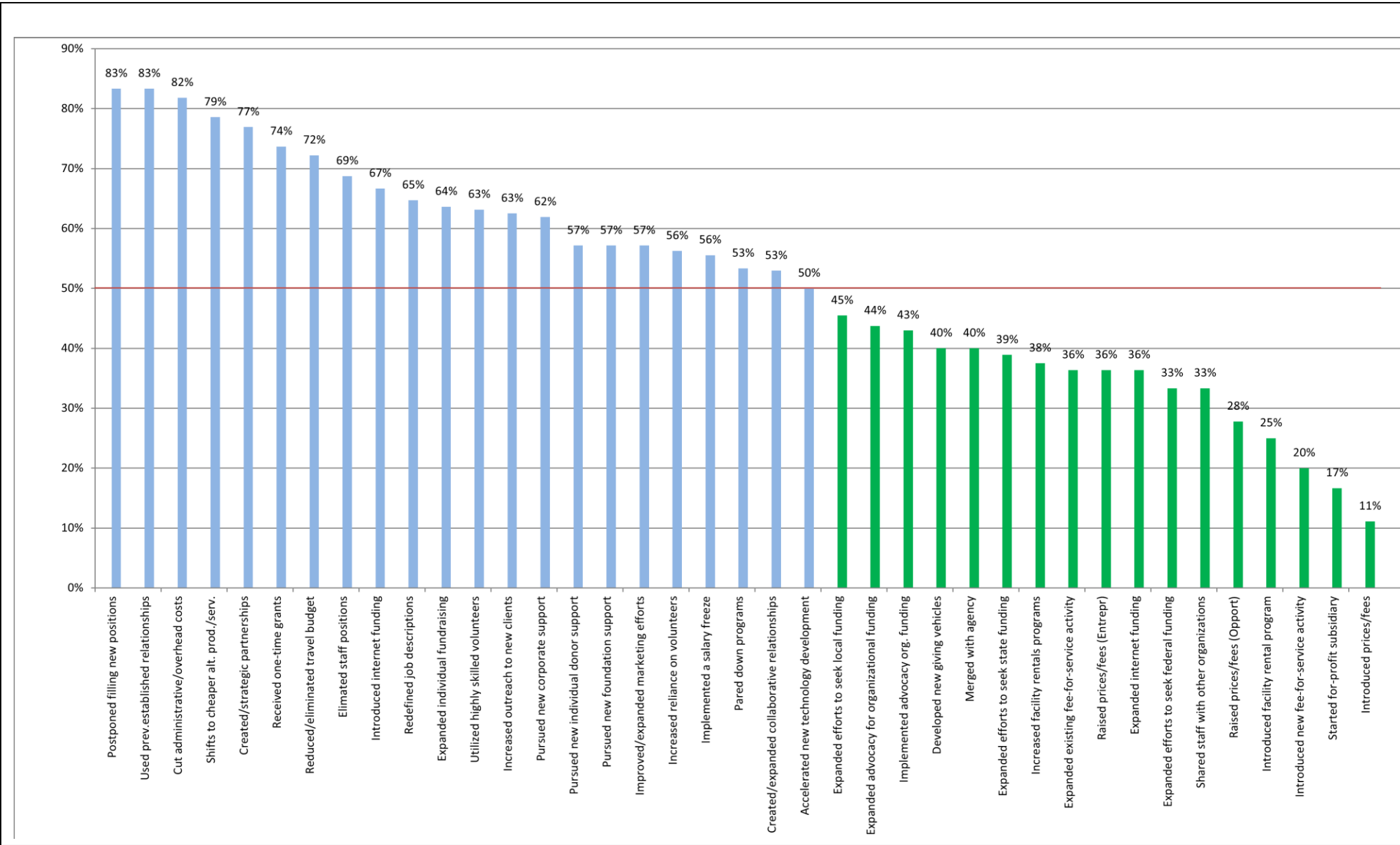


Figure 5. Strategies perceived as successful.

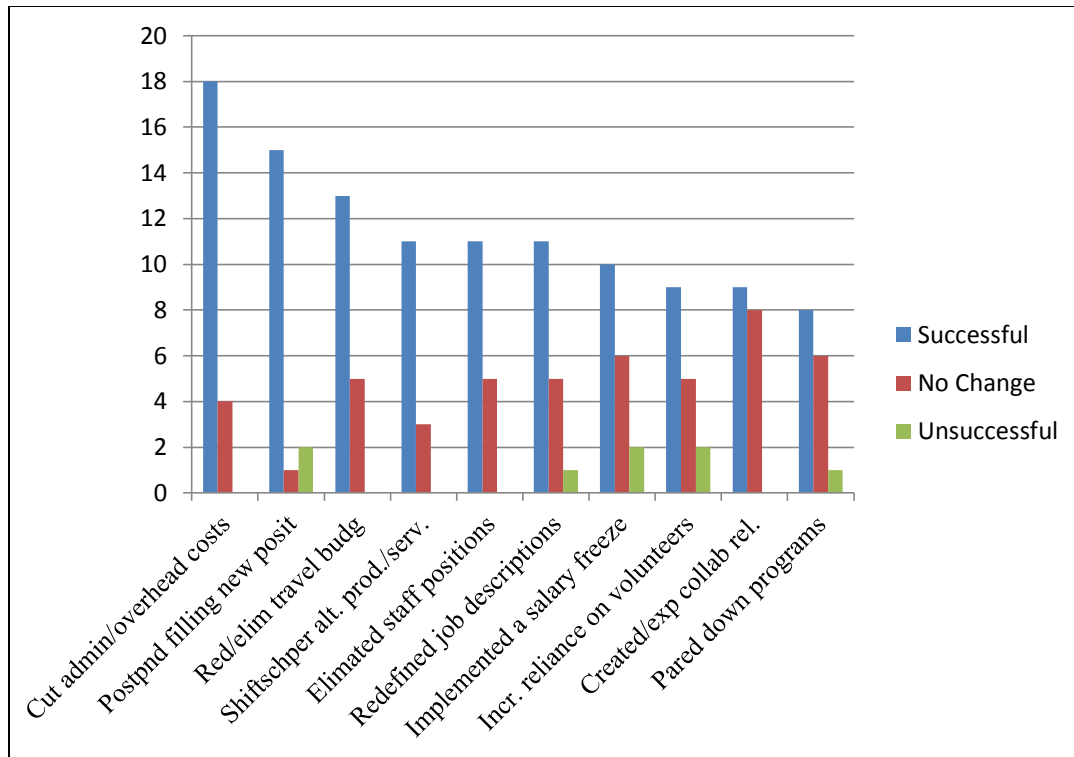


Figure 6. Belt-tightening strategies and perceived degree of success.

Figure 6 presents the frequencies for 10 belt-tightening strategies, grouped by perceived degree of success. The data illustrates that all of the belt-tightening strategies have been perceived as having a degree of success. Over 50% of the organizations responded as having a perceived degree of success to 8 out of the 10 belt-tightening strategies. The following belt-tightening strategies were perceived as successful by the greatest number of the responding organizations: “cut administrative/overhead costs” (18), “postponed filling new positions” (15), and “reduced/eliminated travel budget for staff” (13). The strategy that was perceived by greatest number of organizations as resulting in “no change” (6) and unsuccessful (2) was “implemented a salary freeze” and “created/expanded collaborative relationships with other nonprofits” reporting as “no change”. Interestingly enough, there were six organizations reporting “no change” for “paring down programs”, which should result in some change since you are reducing

the number of services or expenses for programs. Thirty-seven percent of the interviewees responded that belt-tightening strategies such as, reallocating resources, cutting expenses and postponing new hires were the most meaningful of the strategies used to cope with the economic downturn.

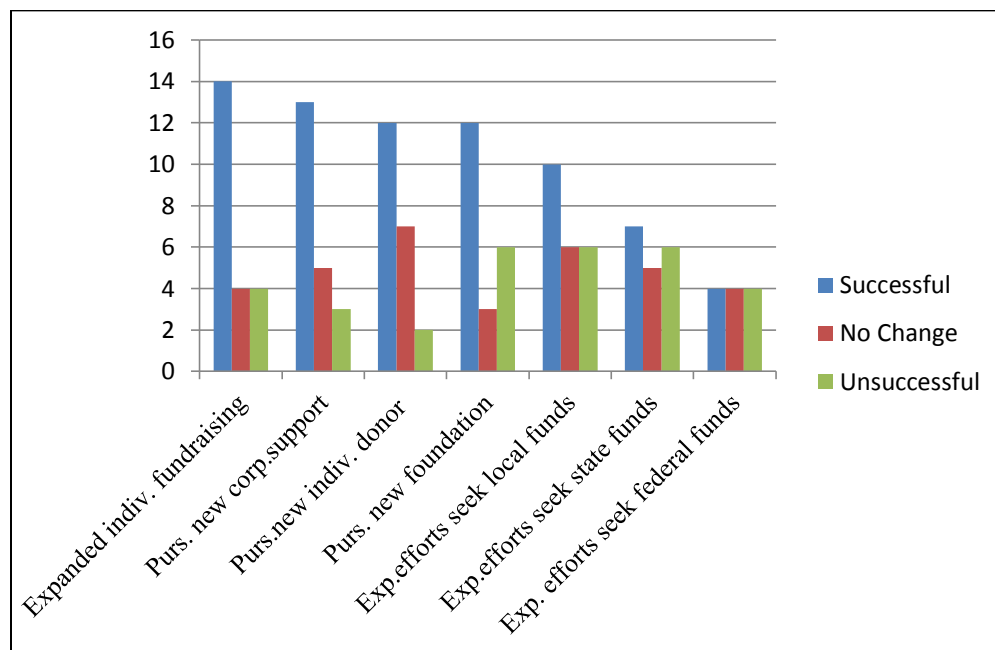


Figure 7. Fundraising strategies and perceived degree of success.

Figure 7 presents the frequencies for seven fundraising strategies, grouped by perceived degree of success. The data illustrates that all of the fundraising strategies have been perceived as having a degree of success. Over 50% of the organizations responded as having a perceived degree of success to 2 out of the 7 fundraising strategies. The following fundraising strategies were perceived as successful by the greatest number of the responding organizations: “expanded individual fundraising” (14), “pursued new corporate” (13), “pursued new individual donor support” (12), pursued new foundation support (12). The strategy that was perceived by greatest number of organizations as resulting in “no change” (6) and unsuccessful (6) was “expanded efforts to seek local funding”. Organizations that expanded their efforts to raise local and state



funds had greatest number report “no change” and “unsuccessful” (combined), which could make reference to the impact of the recession and the capacity of local and state budgets to meet the needs of the request for nonprofit funding. Also reflective of the condition of the economy and consistent with the survey data, 25% of the interviewees found fundraising strategies to be the most meaningful, such as reaching out to new donors and other efforts to increase their funds.

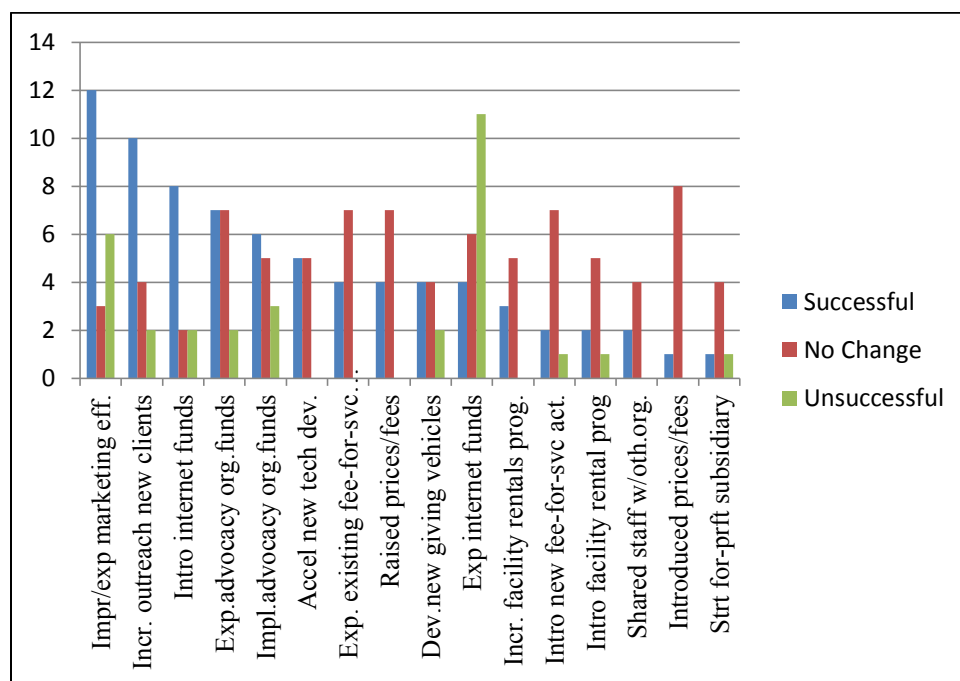


Figure 8. Entrepreneurial strategies and perceived degree of success.

Figure 8 presents the frequencies for 16 entrepreneurial strategies, grouped by perceived degree of success. The data illustrates that all of the entrepreneurial strategies have been perceived as having a degree of success. Over 50% of the organizations responded as having a perceived degree of success to 2 out of the 16 entrepreneurial strategies. The following entrepreneurial strategies were perceived as successful by the greatest number of the responding organizations: “improved/expanded marketing efforts” (12), “increased outreach to new clients/customers/patrons” (10), “introduced internet funding (8). Seventeen organizations total

reported the expansion of internet funding as “no change” and “unsuccessful”, which is surprising as many businesses use the convenience of technology to increase their bottom lines. Expanding marketing efforts and advocacy programs were the entrepreneurial strategies reported as being the most meaningful strategies. The field expert felt that expansion of existing fee-for-service would have been more successful, because your clients are already accustomed to paying for the service and would continue to pay. However, does not suggest introducing a new fee-for-service during a recessionary period.

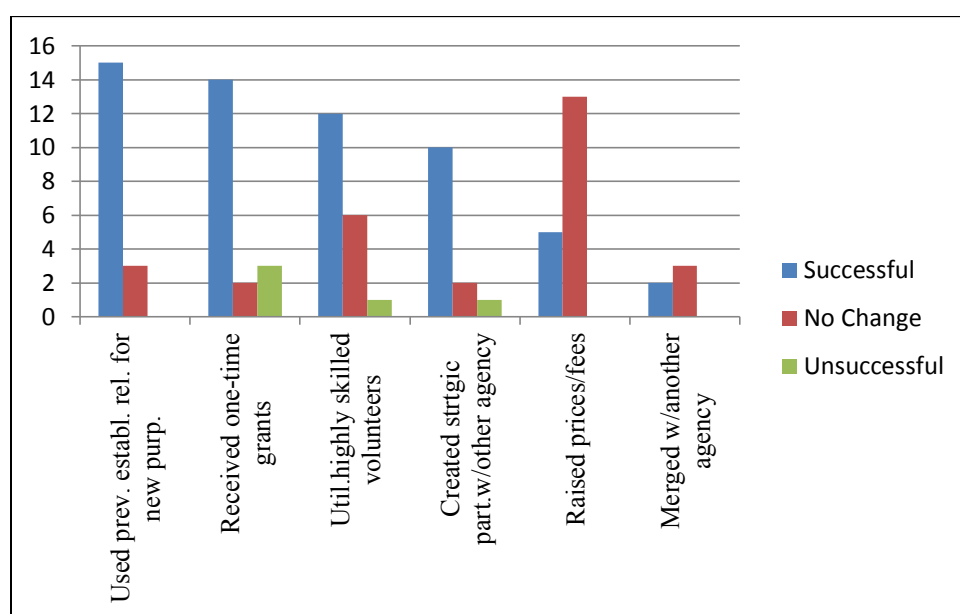


Figure 9. Opportunities capitalized upon and perceived degree of success.

Figure 9 presents the frequencies for six opportunities capitalized upon, grouped by perceived degree of success. The data illustrates that all of the opportunities have been perceived as having a degree of success. The following opportunities were perceived as successful by the greatest number of the responding organizations: “used previously established relationships for new purposes” (15), “received one-time grants” (14), and “utilized highly skilled volunteers” (12). Over 50% of the organizations responded as having a perceived degree of success to 4 out

of the 6 entrepreneurial strategies. The strategies that were perceived by the greatest number of organizations as resulting in “no change” (13) was “raised prices/fees”, and “utilized highly skilled volunteers” as causing no change (6) and unsuccessful (1). The interviewees stated that creating strategic partnerships and using a professional and strong volunteer base were the most successful opportunities they took advantage of during the recession. According to the field expert, over the past 5 to 10 years there has been more openness to collaborations and partnerships in the nonprofit community, which can make a big difference in the long-term if they can be done well.

### **Research Question Three**

Cross-tabulations were used to tabulate the results to test for Hypothesis 3 (H3). The researcher conducted chi-square tests, but was unable to successfully calculate significant results due to the low response rate. The Kruskal-Wallis H non-parametric test was conducted; however no results yielded a significance level of less than .05 ( $< .05$ ). The results of the cross-tabulations of the independent variable of the annual budget and the dependent variables of belt-tightening strategies, fundraising strategies, entrepreneurial strategies and opportunities capitalized upon appear in Table 6, Table 7, Table 8 and Table 9, respectively. The perceived degree of success is indicated for each strategy and grouped by annual budget size. The organization size was based on the amount of the reported annual budget with large organizations categorized as reporting budgets greater than or equal to \$1,000,001 and small-medium organizations categorized as reporting budgets less than or equal to \$1,000,000. The interview data from a nonprofit field expert was transcribed to gain deeper understanding on how the small-medium nonprofits compared to the large organizations in their responses to the

changes in individual donations and funding. Interview data from eight nonprofit executives was also transcribed, coded and analyzed to add insight to the results of the surveys.

3. How did the small-medium nonprofit organizations compare to the large organizations in their response to changes in individual donations and funding during the 2007-09 recessionary period in the State of Delaware?

Hypothesis 3 compares the small-medium nonprofit organizations to the large organizations in their response to the changes in individual donations and funding.

H3: A greater number of large organizations will respond with a perceived degree of success for 50% of the strategies as compared to the small-medium organizations.

Results: The results show that a greater number of large organizations perceived 79% the strategies listed on the survey as “successful” strategies used during the recession of 2007-09. Therefore, the null hypothesis was rejected.

Table 6

*Belt-tightening Strategies and Perceived Degree of Success by Annual Budget Size*

Strategy/Degree of Success	Size of Nonprofit	
	<u>Small-Medium</u>	<u>Large</u>
Cut administrative/ overhead costs		
Successful	6	12
No Change	4	0
Unsuccessful	0	0
Postponed filling new positions		
Successful	6	9
No Change	1	0
Unsuccessful	0	2

Reduced/eliminated travel budget for staff		
Successful	5	8
No Change	2	3
Unsuccessful	0	0
Shifts to cheaper alternative products/services		
Successful	4	7
No Change	2	1
Unsuccessful	0	0
Eliminated staff positions		
Successful	4	7
No Change	3	2
Unsuccessful	0	0
Redefined job descriptions		
Successful	3	8
No Change	2	3
Unsuccessful	1	0
Implemented a salary freeze		
Successful	4	6
No Change	3	3
Unsuccessful	1	1
Increased reliance on volunteers		
Successful	5	4
No Change	3	2
Unsuccessful	0	2
Created/expanded collaborative relationships with other nonprofits		
Successful	3	6
No Change	5	3
Unsuccessful	0	0
Pared down programs		
Successful	3	5
No Change	4	2
Unsuccessful	0	1

*Note.* Large organization  $\geq$  \$1,000,001. Small-Medium  $\leq$  \$1,000,000

Table 6 presents the frequencies for 10 belt-tightening strategies indicating perceived degree of success and grouped by annual budget size. The data illustrates that all of the belt-tightening strategies have been perceived as having a degree of success. A greater number of large organizations responded with a perceived degree of success on 9 out of the 10 belt-tightening strategies when compared to the small-medium organizations. A greater number of small-medium organizations perceived “increased reliance on volunteers” strategy successful than the large organizations. An equal number of both small-medium and large organizations reported that “implementing salary freezes” either resulted in “no change” (3) and “unsuccessful” (1), which could mean that regardless of the size of the organization, salary freezes may not be best choice. The top two that were reported by both the greatest number of small-medium organizations and large organizations as successful was: “cut administrative/overhead costs” and “postponed filling new positions”, which could mean that regardless of the size of the organizations, these two strategies may be the best choice. However, the field expert noted that salary freezes and postponing filling new positions are not going to be sustainable long-term, because of “staff burnout” ultimately you will not be able to attract and keep top talent.

Table 7

*Fundraising Strategies and Perceived Degree of Success by Annual Budget Size*

Strategy/Degree of Success	Size of Nonprofit	
	<u>Small-Medium</u>	<u>Large</u>
Expanded individual fundraising		
Successful	4	10
No Change	1	3
Unsuccessful	4	0
Pursued new corporate support		
Successful	4	9
No Change	2	3
Unsuccessful	3	0
Pursued new individual donor support		
Successful	4	8
No Change	2	5
Unsuccessful	2	0
Pursued new foundation support		
Successful	4	8
No Change	1	2
Unsuccessful	4	2
Expanded efforts to seek local funding		
Successful	2	8
No Change	3	3
Unsuccessful	5	1
Expanded efforts to seek state funding		
Successful	1	6
No Change	3	2
Unsuccessful	5	1
Expanded efforts to seek		

federal funding		
Successful	0	4
No Change	2	2
Unsuccessful	3	1

*Note.* Large organization  $\geq$  \$1,000,001. Small-Medium  $\leq$  \$1,000,000

Table 7 presents the frequencies for seven fundraising strategies indicating perceived degree of success and grouped by annual budget size. The data illustrates that all of the fundraising strategies have been perceived as having a degree of success. A greater number of large organizations responded with a perceived degree of success on all of the fundraising strategies when compared to the small-medium organizations. A greater number of small-medium organizations reported having the least amount of success with expanding efforts for local and state funding than large organizations. On the other hand, a greater number of large organizations reported having the least amount of success with pursuing new individual donor support when compared to small-medium organizations.

Table 8

*Entrepreneurial Strategies and Perceived Degree of Success by Annual Budget Size*

Strategy/Degree of Success	Size of Nonprofit	
	<u>Small-Medium</u>	<u>Large</u>
Improved/expanded Marketing efforts		
Successful	5	7
No Change	1	2
Unsuccessful	4	2
Increased outreach to new Clients/customers/patrons		
Successful	5	5
No Change	1	3
Unsuccessful	1	1
Introduced internet funding		



Successful	4	4
No Change	0	2
Unsuccessful	1	1
Expanded advocacy for organizational funding		
Successful	2	5
No Change	2	5
Unsuccessful	2	0
Implemented advocacy for organizational funding		
Successful	0	6
No Change	3	2
Unsuccessful	3	0
Accelerated new technology development		
Successful	1	4
No Change	2	3
Unsuccessful	0	0
Expanded existing fee-for-service activity		
Successful	2	2
No Change	3	4
Unsuccessful	0	0
Raised prices/fees		
Successful	2	2
No Change	3	4
Unsuccessful	0	0
Developed new giving vehicles		
Successful	2	2
No Change	1	3
Unsuccessful	1	1
Expanded internet funding		
Successful	1	3
No Change	3	3
Unsuccessful	0	1
Increased facility rentals programs		

Successful	0	3
No Change	2	3
Unsuccessful	0	0
Introduced new fee-for-service activity		
Successful	0	2
No Change	3	4
Unsuccessful	0	1
Introduced facility rental program		
Successful	1	1
No Change	3	2
Unsuccessful	1	0
Shared staff with other organizations		
Successful	1	1
No Change	2	2
Unsuccessful	0	0
Introduced prices/fees		
Successful	1	0
No Change	3	5
Unsuccessful	0	0
Started for-profit subsidiary		
Successful	1	0
No Change	2	2
Unsuccessful	0	1

*Note.* Large organization  $\geq$  \$1,000,001. Small-Medium  $\leq$  \$1,000,000

Table 8 presents the frequencies for 16 entrepreneurial strategies indicating perceived degree of success and grouped by annual budget size. The data illustrates that all of the entrepreneurial strategies have been perceived as having a degree of success. Large organizations responded with a perceived degree of success on 7 out of the 16 entrepreneurial strategies when compared to the small-medium organizations. There were seven strategies reported as successful by an equal number of both small-medium and large organizations. A

greater number of small-medium organizations perceived “introduced prices/fees” and “started for-profit subsidiary” successful than large organizations who reported not having any success with these strategies. Large organizations reported the least amount of success with five organizations experiencing “no change” when they expanded advocacy for organizational funding. Interestingly, no small-medium organizations reported having any success when they implemented advocacy for organizational funding; however, two small-medium organizations experienced success when they expanded advocacy for organizational funding. A greater number of both small-medium and large organizations reported having success with improving and expanding their marketing efforts. There were more large organizations that reported success with their marketing efforts than small-medium organizations, which could be due to a larger line item for marketing campaigns.

Table 9

*Opportunities Capitalized Upon and Perceived Degree of Success by Annual Budget Size*

Strategy/Degree of Success	Size of Nonprofit	
	<u>Small-Medium</u>	<u>Large</u>
Used previously established relationships for new purposes		
Successful	5	10
No Change	3	0
Unsuccessful	0	0
Received one-time grants		
Successful	7	7
No Change	2	0
Unsuccessful	1	2
Utilized highly skilled volunteers		
Successful	6	6
No Change	4	2

Unsuccessful	0	1
Created strategic partnerships with other agencies		
Successful	2	8
No Change	2	0
Unsuccessful	1	0
Raised prices/fees		
Successful	2	3
No Change	9	4
Unsuccessful	0	0
Merged with another Agency		
Successful	2	0
No Change	3	0
Unsuccessful	0	0

*Note.* Large organization  $\geq$  \$1,000,001. Small-Medium  $\leq$  \$1,000,000

Table 9 presents the frequencies for six opportunities that were capitalized upon, grouped by annual budget size. The data illustrates that all of the opportunities have been perceived as having a degree of success. Large organizations responded with a perceived degree of success on 3 out of the 6 opportunities when compared to the small-medium organizations. A greater number of small-medium organizations perceived “merging with another agency” successful than large organizations who did not use this strategy. An equal number of both small-medium and large organizations reported “received one-time grants” and “utilized highly-skilled volunteers” as successful strategies, which could mean that regardless of the size of the organization, these opportunities may be the best choice to try and capitalize on. According to the field expert, utilizing highly skilled volunteers, such as a volunteer accountant would have a larger impact on the bottom line of a smaller organization than on a larger organization that would have the resources to hire an accountant. Large organizations benefited from using both previously established relationships for new purposes and establishing strategic partnerships with

other agencies. Both small-medium and large organizations did not experience any change when they raised prices and fees, which could mean that regardless of the size of the organizations, this opportunity may not be the best choice to try and capitalize on.

The interviewees were asked if they thought smaller organizations were more heavily impacted than larger organizations and the reason why or why not. Seventy-five percent of the interviewees responded, “Yes” they thought smaller organizations were more heavily impacted than the larger organizations. Although there were many reasons given, the most consistent responses were: limited resources as a result of decrease in grants and obtaining grants, no diversity in funding, and reliance on individual donors. There were other interviewees responded that it is “all relative” and “not about size”, but more based on the mission and goals of the organizations and connections within the political and corporate arenas.

#### **Research Question Four**

Cross-tabulations were used to tabulate the results to test for Hypothesis 4 (H4). The results of the cross-tabulations of the independent variable of the annual budget and the dependent variables of belt-tightening strategies, fundraising strategies, entrepreneurial strategies and opportunities capitalized upon and of the Kruskal-Wallis H nonparametric test appear in Table 10, Table 11, Table 12 and Table 13, respectively. A Kruskal-Wallis H test was run to determine if there were statistically significant differences in the degree of success between the surviving and thriving organizations. The Kruskal-Wallis H test performs pairwise comparisons that further identify the specific groups that yielded a statistically significant result within the groups. The perceived degree of success is indicated for each strategy and grouped by the percent of revenue growth. The organizations were categorized as “surviving” or “thriving” based on the percentage of revenue with surviving organizations categorized as reporting a

revenue growth less than or equal to 5.8% and thriving organizations categorized as reporting revenue growth as equal to or more than 5.9%. The interview data from a nonprofit field expert was transcribed to gain deeper understanding on how the surviving nonprofits compared to the thriving organizations in their responses to the changes in individual donations and funding. Interview data from eight nonprofit executives was also transcribed, coded and analyzed to add insight to the results of the surveys.

4. How did the surviving (less than 5.8% revenue growth) nonprofit organizations compare to the thriving (more than 5.9% revenue growth) nonprofit organizations in their response to changes in individual donations and funding during the 2007-09 recessionary period in the State of Delaware?

Hypothesis 4 compares the surviving organizations to the thriving organizations in their response to the changes in individual donations and funding.

H4: Thriving organizations had a greater percentage (50%) of organizations that perceived a degree of success as compared to their surviving counterparts.

Results: Sixty percent of thriving organizations perceived a degree of success for 61% of the strategies as compared to their surviving counterparts. Therefore, the null hypothesis is rejected.

Table 10

*Belt-tightening Strategies and Perceived Degree of Success by Revenue Growth*

Strategy/Degree of Success	Revenue Growth			Sig. .000*
	<u>Surviving</u>	<u>Thriving</u>	<u>Same/No Change</u>	
Cut administrative/				

overhead costs				
Successful	10	3	5	
No Change	0	1	3	
Unsuccessful	0	0	0	
Postponed filling new positions				.000*
Successful	8	2	5	
No Change	0	0	1	
Unsuccessful	1	1	0	
Reduced/eliminated travel budget for staff				.001*
Successful	7	2	4	
No Change	3	1	1	
Unsuccessful	0	0	0	
Shifts to cheaper alternative products/services				.001*
Successful	7	1	3	
No Change	1	1	1	
Unsuccessful	0	0	0	
Eliminated staff positions				.001*
Successful	8	1	2	
No Change	2	1	2	
Unsuccessful	0	0	0	
Redefined job descriptions				.000*
Successful	7	2	2	
No Change	2	0	3	
Unsuccessful	0	0	1	
Implemented a salary freeze				.000*
Successful	6	2	2	
No Change	3	0	3	
Unsuccessful	1	0	1	
Increased reliance on volunteers				.001*
Successful	3	3	3	
No Change	3	0	2	
Unsuccessful	2	0	0	
Created/expanded				

collaborative relationships with other nonprofits				.000*
Successful	5	3	1	
No Change	3	2	3	
Unsuccessful	0	0	0	
Pared down programs				.000*
Successful	4	2	2	
No Change	2	1	3	
Unsuccessful	1	0	0	

*Note.* Thriving  $\geq$  5.9% revenue growth. Surviving  $\leq$  5.8% revenue growth.

\*The significance level is .05

Table 10 presents cross-tabulation results for 10 belt-tightening strategies, grouped by organizations that survived during the recession and organizations that thrived during the recession. The results of the cross-tabulations revealed that greater number of surviving organizations responded with a perceived degree of success on 9 out of the 10 belt-tightening strategies when compared to the thriving organizations. There are an equal number of organizations classified as surviving, thriving and those that experienced no revenue growth when increasing reliance on volunteers. The greatest number of organizations for surviving and thriving organizations reported cutting administrative and overhead costs as successful, which could mean you have a better chance at survival or even thriving during a recession if you implement this strategy. This finding is also consistent with the with the interview data, field expert statements, as well as the John Hopkins study (Salamon et al., 2009). A Kruskal-Wallis H test was run to determine if there were statistically significant differences in the degree of success between the surviving and thriving organizations, which included a post-hoc pairwise comparisons that further identified the specific groups that yielded a statistically significant result within the groups. Statistical significance was accepted at the  $p < .05$  level. The pairwise comparison showed the belt-tightening strategy of “created/expanded collaborative relationships with other nonprofits” as showing statistical significance between those organizations that



reported “same to no change” ( $p = .009$ ) and surviving organizations ( $p = .000$ ). The statistical significance could mean that creating or expanding collaborative relationships with other nonprofits may lead to more efficiency and capacity in operations, thus leading to greater stability and revenue growth. This finding is consistent with the statements from the field expert regarding long-term sustainability of nonprofit organizations who find themselves in financial trouble during economic downturns. All other pairwise comparisons showed statistical differences between all three revenue growth categories (e.g. surviving, thriving, and “same to no change”), however did not show any statistical differences within any of the groups.

Table 11

*Fundraising Strategies and Perceived Degree of Success by Revenue Growth*

Strategy/Degree of Success	Revenue Growth			Sig.
	<u>Surviving</u>	<u>Thriving</u>	<u>Same/No Change</u>	
Expanded individual fundraising				.000*
Successful	5	4	5	
No Change	3	1	0	
Unsuccessful	1	0	3	
Pursued new corporate support				.001*
Successful	6	4	3	
No Change	3	1	1	
Unsuccessful	1	0	2	
Pursued new individual donor support				.000*
Successful	4	4	4	
No Change	4	1	2	
Unsuccessful	1	0	1	
Pursued new foundation				.000*

support				
Successful	6	5	1	
No Change	2	0	1	
Unsuccessful	2	0	4	
Expanded efforts to seek local funding				.000*
Successful	4	2	4	
No Change	4	0	2	
Unsuccessful	2	2	2	
Expanded efforts to seek state funding				.001*
Successful	4	1	2	
No Change	2	1	2	
Unsuccessful	3	1	2	
Expanded efforts to seek federal funding				.001*
Successful	6	4	3	
No Change	3	1	1	
Unsuccessful	1	0	2	

*Note.* Thriving  $\geq$  5.9% revenue growth. Surviving  $\leq$  5.8% revenue growth.

*\*The significance level is .05*

Table 11 presents cross tabulation results for seven fundraising strategies, grouped by organizations that survived during the recession and organizations that thrived during the recession. The cross-tabulations revealed that a greater number of both the surviving and thriving organizations reported having success with the pursuit of new corporate and foundation support and expansion of efforts to seek federal funding. The implementation of these fundraising strategies may lead to not just survival, but also greater revenue growth. On the other hand, a greater number of organizations reported no growth in their revenue after expanding their fundraising efforts targeting individual donors. A Kruskal-Wallis H test was run to determine if there were statistically significant differences in the degree of success between the surviving and thriving organizations, which included a post-hoc pairwise comparisons that further identified the specific groups that yielded a statistically significant result within the groups. Statistical

significance was accepted at the  $p < .05$  level. All pairwise comparisons for each entrepreneurial strategy showed statistical differences between all three revenue growth categories (e.g. surviving, thriving, and “same to no change”), however did not show any statistical differences within any of the groups.

Table 12

*Entrepreneurial Strategies and Perceived Degree of Success by Revenue Growth*

Strategy/Degree of Success	Revenue Growth			Sig.
	<u>Surviving</u>	<u>Thriving</u>	<u>Same/No Change</u>	
Improved/expanded marketing efforts				.001*
Successful	3	4	5	
No Change	2	0	1	
Unsuccessful	4	1	1	
Increased outreach to new clients/customers/patrons				.001*
Successful	4	4	2	
No Change	4	0	0	
Unsuccessful	1	0	1	
Introduced internet funding				.001*
Successful	3	3	2	
No Change	1	1	0	
Unsuccessful	2	0	0	
Expanded advocacy for organizational funding				.001*
Successful	4	3	0	
No Change	5	1	1	
Unsuccessful	1	0	1	
Implemented advocacy for organizational funding				.001*
Successful	4	1	1	
No Change	3	1	1	
Unsuccessful	1	0	2	
Accelerated new technology				.001*

development				
Successful	4	0	1	
No Change	4	1	0	
Unsuccessful	0	0	0	
Expanded existing fee-for-service activity				.000*
Successful	3	1	0	
No Change	5	2	0	
Unsuccessful	0	0	0	
Raised prices/fees				.001*
Successful	0	3	1	
No Change	6	1	0	
Unsuccessful	0	0	0	
Developed new giving vehicles				.000*
Successful	2	1	1	
No Change	3	1	0	
Unsuccessful	0	0	2	
Expanded internet funding				.001*
Successful	2	1	1	
No Change	4	2	0	
Unsuccessful	0	0	1	
Increased facility rentals programs				.000*
Successful	2	1	0	
No Change	4	1	0	
Unsuccessful	0	0	0	
Introduced new fee-for-service activity				.000*
Successful	1	1	0	
No Change	5	2	0	
Unsuccessful	1	0	0	
Introduced facility rental program				.000*
Successful	1	0	1	
No Change	3	2	0	
Unsuccessful	0	0	1	
Shared staff with other				.000*

organizations				
Successful	2	0	0	
No Change	3	1	0	
Unsuccessful	0	0	0	
Introduced prices/fees				.001*
Successful	1	0	0	
No Change	6	2	0	
Unsuccessful	0	0	0	
Started for-profit subsidiary				.000*
Successful	1	0	0	
No Change	3	1	0	
Unsuccessful	1	0	0	

Note. Thriving  $\geq$  5.9% revenue growth. Surviving  $\leq$  5.8% revenue growth.

\*The significance level is .05

Table 12 presents cross tabulation results for 16 entrepreneurial strategies, grouped by organizations that survived during the recession and organizations that thrived during the recession. The cross-tabulations revealed that a greater number of thriving organizations reported having success with the improvement and expansion of marketing efforts. The implementation of this entrepreneurial strategy may lead to not just survival, but also greater revenue growth. On the other hand, a greater number of organizations reported no growth in their revenue after expanding their fundraising efforts targeting individual donors. A Kruskal-Wallis H test was run to determine if there were statistically significant differences in the degree of success between the surviving and thriving organizations, which included a post-hoc pairwise comparisons that further identified the specific groups that yielded a statistically significant result within the groups. Statistical significance was accepted at the  $p < .05$  level. All pairwise comparisons for each entrepreneurial strategy showed statistical differences between all three revenue growth categories (e.g. surviving, thriving, and “same to no change”), however did not show any statistical differences within any of the groups.

Table 13

*Opportunities Capitalized upon and Perceived Degree of Success by Revenue Growth*

Strategy/Degree of Success	Revenue Growth			Sig.
	<u>Surviving</u>	<u>Thriving</u>	<u>Same/No Change</u>	
Used previously established relationships for new purposes				.000*
Successful	8	4	3	
No Change	1	1	1	
Unsuccessful	0	0	0	
Received one-time grants				.000*
Successful	7	4	3	
No Change	0	1	1	
Unsuccessful	1	0	2	
Utilized highly skilled volunteers				.000*
Successful	2	6	4	
No Change	2	0	4	
Unsuccessful	1	0	0	
Created strategic partnerships with other agencies				.001*
Successful	8	2	0	
No Change	0	1	1	
Unsuccessful	0	0	1	
Raised prices/fees				.001*
Successful	1	3	1	
No Change	7	2	4	
Unsuccessful	0	0	0	
Merged with another Agency				.000*
Successful	0	0	2	
No Change	1	1	1	
Unsuccessful	0	0	0	

Note. Thriving  $\geq$  5.9% revenue growth. Surviving  $\leq$  5.8% revenue growth.

\*The significance level is .05

Table 13 presents cross tabulation results for six opportunities capitalized upon, grouped by organizations that survived during the recession and organizations that thrived during the recession. The cross-tabulations revealed that a greater number of thriving organizations reported having success with utilizing highly-skilled volunteers. The implementation of this strategy may lead to not just survival, but also greater revenue growth. A Kruskal-Wallis H test was run to determine if there were statistically significant differences in the degree of success between the surviving and thriving organizations, which included a post-hoc pairwise comparisons that further identified the specific groups that yielded a statistically significant result within the groups. Statistical significance was accepted at the  $p < .05$  level. The pairwise comparison showed the opportunity of “utilized highly skilled volunteers” as showing statistical significance between those organizations that reported as “thriving” ( $p = .020$ ) and surviving organizations ( $p = .000$ ). All other pairwise comparisons for each opportunity showed statistical differences between all three revenue growth categories (e.g. surviving, thriving, and “same to no change”), however did not show any statistical differences within any of the groups.

### Additional Findings

Table 14

#### *Impact of Recession by Revenue Growth*

	Recession Impact		Revenue Growth	
	<u>Surviving</u>	<u>Thriving</u>	<u>Same/No Change</u>	
Minimal	5	4	6	
<u>Significant</u>	7	3	6	

*Note.* Thriving  $\geq 5.9\%$  revenue growth. Surviving  $\leq 5.8\%$  revenue growth.

Table 14 presents cross-tabulation results for the responding organizations' overall impact of the economic recession of 2007-09, grouped by revenue growth and classified under surviving, thriving, or same to no change. It is important to note that there were a greater number of surviving organizations that reported a significant impact than those that reported a minimal impact, which is contrary to what one would think. Also, there were a greater number of thriving organizations that reported minimal impact, which is to be expected. However, unexpectedly there are an equal number of organizations that both reported a minimal and significant impact and same to no change in their revenue growth.

Table 15

*Impact of Recession by Organization Size*

Recession Impact	Organization Size	
	<u>Small-Medium</u>	<u>Large</u>
Minimal	8	7
Significant	8	8

*Note.* Large organization  $\geq$  \$1,000,001. Small-Medium  $\leq$  \$1,000,000

Table 15 presents cross-tabulation results for the responding organizations' overall impact of the economic recession of 2007-09, grouped by organization size. The first observation to note that an equal number of both small-medium and large organizations were significantly impacted by the recession. However, a greater number of small-medium organizations reported a minimal impact compared to the large organizations. Also, noteworthy is an equal number of small-medium organizations reported both minimal and significant impact from the recession. These findings may reveal that regardless of the size of the organization, the impact of a recession could be experienced at similar levels of impact, which is consistent with the viewpoint of 38% of the interviewees.



Table 16

*Actions by Impact of Recession*

Types of Actions	Impact of Recession	
	<u>Minimal</u>	<u>Significant</u>
Reduce other non-service delivery expense		
Action Taken	8	10
No Action Taken	5	3
Reduce training or professional development		
Action Taken	7	10
No Action Taken	8	5
Suspended Raises		
Action Taken	5	11
No Action Taken	9	4
Cut memberships to other organizations		
Action Taken	6	9
No Action Taken	8	6
Cut travel expenses		
Action Taken	6	8
No Action Taken	7	7
Reduce or eliminate programming		
Action Taken	5	8
No Action Taken	9	8
Change current service providers		
Action Taken	4	7
No Action Taken	5	5
Lay off employees		
Action Taken	3	8
No Action Taken	8	6
Reduce employee hours		
Action Taken	3	6
No Action Taken	10	9

Increase health premiums		
Action Taken	2	6
No Action Taken	6	8
Hiring Freeze		
Action Taken	1	7
No Action Taken	9	6
Defer or decrease employee benefits		
Action Taken	3	5
No Action Taken	6	8
Cut salaries or wages		
Action Taken	1	6
No Action Taken	11	9
Reduce direct service delivery to clients		
Action Taken	3	3
No Action Taken	10	12
Decrease portion of pension paid by organization		
Action Taken	0	4
No Action Taken	8	5
Reduce rent or lease through location		
Action Taken	0	4
No Action Taken	10	8
Reduce hours of operation		
Action Taken	1	0
No Action Taken	11	15
Reduce volunteer training Services		
Action Taken	2	4
No Action Taken	10	8

Table 16 presents cross-tabulation results for the responding organizations' actions they took in response to the economic recession of 2007-09, grouped by the level of impact:

minimally or significantly. A greater number of organizations that reported a significant level of impact used 16 out of 18 types of actions than those that reported minimal impact. An equal number of both minimally and significantly impacted organizations reported reducing direct service delivery to clients. Also, only one minimally impacted organization reported reducing hours of operation and the other reported no action taken. Reduction of staff training and suspending increases were both ranked in the top four actions taken as a result of the recession in the current study, as well as the study conducted by Gassman et al. (2012a).

### **Summary**

This chapter presented quantitative analysis to examine the how Delaware nonprofit organizations responded to changes in individual donations and funding during the economic recession of 2007-09. This study examined four research questions and associated hypotheses to examine what strategies nonprofits used in response to the recession, the perceived degree of success of the strategies used, how small-medium organizations responded as compared to large organizations, and how surviving organizations responded as compared to those organizations that thrived. Frequency, cross-tabulation, and Kruskal-Wallis H tests were conducted to answer the research questions.

In conclusion, the data collected from the survey provided meaningful answers to how the participants responded to the economic recession of 2007-09. The data illustrates the following strategies were used by the greatest number of organizations in response to the economic recession: belt-tightening strategy: cut administrative/overhead costs, fundraising strategy: expanded individual fundraising, entrepreneurial strategy: improved/expanded marketing efforts, and opportunities capitalized upon: received one-time grants, and utilized highly skilled volunteers. The following strategies were used by the fewest number of

organizations in response to the recession: belt-tightening strategy: shifts to cheaper alternative products/services, fundraising strategy: expanded efforts to seek federal funding, entrepreneurial strategy: shared staff with other organizations, and opportunities capitalized upon: merged with another agency.

The perceived degree of success of the strategies used was also gleaned from the data. Over 50% of the organizations responded as having a perceived degree of success for strategies in the following categories: 60% of belt-tightening strategies, 20% of the fundraising strategies, 13% of the entrepreneurial strategies, and 67% of the opportunities capitalized upon. The following strategies were perceived as successful by the greatest number of responding organizations: belt-tightening strategy: cut administrative/overhead costs, fundraising strategy: expanded individual fundraising, entrepreneurial strategy: improved/expanded marketing efforts, and opportunities capitalized upon: used previously established relationships for new purposes. The following strategies were perceived as unsuccessful or causing no change by the greatest number of responding organizations: belt-tightening strategies: implemented a salary freeze and created/expanded collaborative relationships with other nonprofits, fundraising strategy: expanded efforts to seek local funding, entrepreneurial strategy: expanded internet funding and opportunities capitalized upon: raised prices/fees.

Overall, small-medium and large organizations responded with a perceived degree of success. However, comparatively a greater number of large organizations were more successful with the belt-tightening strategies and the fundraising strategies than the small-medium organizations. The data further illustrated that an equal number of both small-medium and large organizations reported 7 out of the 16 entrepreneurial strategies as successful. Also, a greater number of large organization reported success with their marketing efforts than small-medium

organizations, which could be due to a larger annual budget. Small-medium and large organizations responded with a perceived degree of success on half of the opportunities (3 out of 6).

Comparatively, statistical differences ( $p < .05$ ) exist between the surviving and the thriving organizations for all of the strategies. All comparisons for the fundraising strategies and entrepreneurial strategies showed statistical differences between all three revenue growth categories (e.g. surviving, thriving, and “same to no change”), however did not show any statistical differences within any of the groups. On the other hand, statistical differences were found within the group for the belt-tightening strategy of creating and expanding collaborative relationship with other nonprofits between those organizations that reported same to no change in their revenue growth and surviving organizations. Additionally, statistical differences were found within the group of opportunities for utilizing highly skilled volunteers between those organizations that reported as surviving and thriving.

Chapter 5 presents a discussion of the findings of how Delaware nonprofits responded to the economic recession of 2007-09, the implications for practice, and recommendations for future research.

## CHAPTER 5

### DISCUSSION, CONCLUSIONS AND IMPLICATIONS

This chapter presents a discussion of the findings on how Delaware nonprofit organizations responded to the impact of the economic recession of 2007-09 and the perceived outcome of those responses. The results of this research add to the common body of knowledge for nonprofit organizations. The nonprofit sector has helped the government provide support to and improve the lives of those in need. Therefore, it is imperative that nonprofit organizations become more resilient, and not just survive economic downturns, but also seek opportunities for growth and sustainability. The economic recession of 2007-09 was justifiably called the “Great Recession” (Joon Yoon, 2011) as the Delaware nonprofits whose expenses exceeded their revenue increased significantly (KBT & Associates, 2012). For example, more than half of the respondents in the current study reported significant impact of the recession.

It was the purpose of this study to draw on the experiences of nonprofit organizations that have survived or even thrived during times of recession and to arm the nonprofit leaders with strategies to help guide them through the next economic downturn. Additionally, this study gives new consideration to identifying the differences between small-medium and large nonprofit organizations in their response to the changes in individual donations and funding. The responses of the organizations who just survived the recession as compared to those that thrived during the recession were also considered.

By using an emergent mixed methods design of quantitative and qualitative research, with a cross-sectional analysis method, this study focused on the following research questions:

1. How have nonprofit organizations responded to changes in individual donations and funding during the 2007-09 recessionary period in the State of Delaware?

2. What were the perceived outcomes of the responses to the changes in individual donations and funding during the 2007-09 recessionary period?
3. How did the small-medium nonprofit organizations compare to the large organizations in their response to changes in individual donations and funding during the 2007-09 recessionary period in the State of Delaware?
4. How did the surviving (less than 5.8% revenue growth) nonprofit organizations compare to the thriving (more than 5.9% revenue growth) nonprofit organizations in their response to changes in individual donations and funding during the 2007-09 recessionary period in the State of Delaware?

This research analyzed data collected from 40 survey participants, interviews of a nonprofit field expert and eight nonprofit executive directors to add insight to the findings of the survey. The overall analysis of the responses of the nonprofit organizations to the economic recession of 2007-09 yielded results that suggested that all of the strategies were used and perceived as having a degree of success by small-medium and large organizations and surviving and thriving organizations. The findings conclude that a greater number of large organizations reported using the belt-tightening, fundraising, and opportunity strategies than the small-medium organizations. The comparative analysis of the surviving and thriving organizations illustrated significant differences between the groups for each type of strategy. Outlined in this chapter is a discussion of the findings, the hypotheses, conclusions, limitations of the study, practical implications and recommendations for future research.

## **Conclusions**

### **Research Question One**

The economic recession of 2007-09 had a severe impact on individual donations and funding for many nonprofits in Delaware. The goal of the first research question was to discover how the nonprofit organizations responded to those changes in individual donations and funding. The findings for this research was consistent with that of previous research for the most frequently used strategies used during economic recessions. The organizations in this study responded with belt-tightening strategies, fundraising strategies, and entrepreneurial strategies and capitalized on various opportunities (Gassman et al., 2012a; Hsu & Kock, 2011; Kennedy, 2009; Kielbasa, et al., 2010; Salamon, et al., 2009). As indicated by the study participants, the belt-tightening strategy most widely used was cutting administrative and overhead costs, which is consistent with the research findings of other authors who also studied the recession of 2007-09 (Gassman et al., 2012a; Hsu & Kock, 2011; Kennedy, 2009; Kielbasa, et al., 2010; Salamon, et al., 2009). This comes as no surprise since the average household across the country had the same reaction. According to the field expert cutting costs is a sustainable “best practice” long term for nonprofit organizations. As in the studies conducted by Curry et al. (2012) and Salamon et al. (2009), fundraising targeting individual donors was most frequently used among the respondents. One nonprofit director stated that they changed the language of their fundraising appeals, for example: “our kids cannot wait until the economy gets better” and “while the economy may be tough our kids and families still really need the support”. The nonprofit director also stated that they ask people to make a gift even if it was a small gift, because adding it all together did make a difference for the organization. Additionally, more than half of the respondents improved and expanded their marketing efforts, which should be strategically planned and implemented (Salamon et al., 2009). The greatest number of responding organizations capitalized on opportunities to receive one-time grants and utilize highly skilled



volunteers (Kielbasa et al., 2010; Farwell, 2012). Receiving one-time grants is good; however it is a short-term solution. Nonprofit organizations should seek ongoing use of highly skilled volunteers to operate effectively and efficiently. From these findings, a conclusion was drawn which indicates that nonprofit leaders identify these strategies as “initial response” strategies at the onset of economic recessions. However, these findings did not mean they were perceived as “successful” strategies; therefore further investigation was required to determine what strategies were perceived as “best practices” for nonprofits during an economic recession.

### **Research Question Two**

Although the study found that all of the strategies were used to help cope with the economic downturn, it was necessary to identify those strategies that were perceived as “successful”. The perceived outcomes of the strategies used during the recession were addressed by the second research question. More than half of the respondents perceived 56% of the strategies listed on the survey as “successful”. The results of the current study were very similar to the finding of the John Hopkins (Salamon et al., 2009) study that indicated more than half of the respondents perceived the following fundraising and belt-tightening strategies as “successful”: expanded individual fundraising, cut administrative and overhead costs, and pursued new foundation and corporate support. Sweeney and Knudsen’s (2013) and Huu and Kock’s (2011) studies also mirror the current findings that creating strategic partnerships and using previously established relationships for new purposes are perceived as a successful strategies. Most interviewees identified a combination of fundraising, belt-tightening, strategic partnerships, and utilizing highly skilled as the most meaningful. Based on these findings, a conclusion can be drawn that a combination of the aforementioned strategies should be considered as “best practices” in response to an economic recession.

### Research Question Three

The small-medium and large nonprofit organizations in the current study equally reported the impact of the economic downturn of 2007-09 as significant. However, the responses to the recession were different. Research question three compared the responses to the recession of small-medium nonprofit organizations to large nonprofit organizations. The current study found that a greater number of large organizations used and reported success with internally directed strategies, such as cutting administrative expenses and redefining job descriptions, than small-medium organizations. More small-medium organizations reported success with externally directed strategies, such as mergers and starting a for-profit subsidiary, than larger organizations. On the other hand, the research of Sweeney & Knudsen (2013) found rural and medium-sized organizations used internally directed strategies more than urban and large organizations that focused on externally directed strategies, such as business expansions. According to Cortez et al. (2009), during the times of economic downturn, funders have called on nonprofits to merge (specifically smaller nonprofits) to increase efficiency by joining duplicate programs to fortify financial standing. Likewise, merging is a strategy that the field expert encourages nonprofits to do as a strategy to proactively prepare for an economic downturn if the organization is not in a financially viable condition. Overall, a greater number of large organizations reported success with fundraising strategies in the current study, which points back to the disparity in nonprofit funding in the State of Delaware, since the bulk of the nonprofit revenue is brought in by large organizations (KBT & Associates, 2012). A conclusion can be drawn, that since small-medium organizations have more limited funding or leaner budgets than large organizations they may not be able to sustain themselves in the long-term using primarily internally directed strategies. Therefore, capitalizing on opportunities to merge with other organizations or starting a for-profit

subsidiarity could lead to long-term sustainability and success for small-medium nonprofit organizations. The findings of Salamon et al. (2009) supports this conclusion, that although fewer organizations capitalized on opportunities like starting a for-profit subsidiary "...those that did were more likely than all organizations to report "successful" or "very successful" financial performance". (p.19) Large organizations should continue to employ internally directed and fundraising strategies.

#### **Research Question Four**

Many nonprofit organizations focus on survival and sustainability during economic recessions, but may not look for and take advantage of opportunities for thriving and growth. How the surviving organizations compared to the thriving organizations in their responses to the recessionary period of 2007-09 was addressed in research question four. Overall, a review of the literature revealed that those organizations that focused on the traditional belt-tightening strategies and fundraising strategies "survived" the recession, while those that were entrepreneurially focused and capitalized on opportunities "thrived" (Dolch, 2009; Gassman, et al., 2012b; Mason, 2006; Salamon, et al., 2009; Smith, 2010; Srinivasana, et al., 2005; Yusuf, 2002). The findings of the current study are consistent with previous literature. Conversely, a greater number of "surviving" organizations reported success on all belt-tightening and fundraising strategies compared to "thriving" organizations. However, a greater number of "thriving" organizations reported success on entrepreneurial strategies, such as "improving and expanding marketing efforts" and "raising prices and fees". Also, a greater number of "thriving" organizations reported success on capitalizing on opportunities, such as "utilizing highly skilled volunteers". Based on these findings, a conclusion can be drawn that if a nonprofit organization

wants to not only “survive”, but “thrive” during a recession, they should implement entrepreneurial strategies and capitalize on opportunities.

### **Summary**

The findings of this research study generated a framework that will provide small-medium nonprofits with strategies for sustainability and growth during the times of economic recession. The factor that is most intriguing is the finding that the traditional belt-tightening strategies and fundraising strategies continue to be the most widely used strategies for coping with economic downturns, although research shows that entrepreneurial strategies and capitalizing on opportunities have proven to be the most successful. This raises a range of questions about the willingness of nonprofit organizations to take risks, to take advantage of opportunities that are presented at the time economic downturn and create new businesses, new strategic partnerships or develop new giving vehicles. There are a broad range of factors that may contribute to their reluctance. Consequently, it may be difficult to understand why some nonprofits do not associate the continuous pattern of mere survival during economic recession to their unwillingness to employ new and innovative strategies in order to grow and thrive during economic recessions.

While previous studies make an argument for specific types of strategies, such as belt-tightening, fundraising, entrepreneurial or innovative opportunities to “survive” or “thrive” during an economic downturn, it does not appear that the solution can be isolated as a single construct or “the best practice”. In fact, it can be argued that certain strategies, when strategically combined, can serve as a “set of best practices”.

The findings of this study contribute information to the growth and sustainability efforts of the nonprofit sector. Paralleling previous studies, the findings support various economic

downturn coping strategy theories and models. This study offers insight on the most widely used and successful economic downturn coping strategies and provides nonprofit organizations with a framework to proactively prepare for future economic downturns. Based on this research, nonprofit organizations can develop an effective plan that will provide sustainability and stimulate growth during the time of economic downturn.

### **Limitations**

This research study imposed the following limitations:

1. The study was conducted in the State of Delaware, and may not be representative of the conditions in other states or countries.
2. The study analyzed data collected from members of two organizations who service other nonprofit organizations in the State of Delaware, a convenience sample of interviewees, and one field expert interview.
3. Low survey response rate. Of the 316 nonprofit organizations that were surveyed, unfortunately only 40 organizations responded to the survey. The low response rate limited the researcher in the type of statistical tests that were employed. As a result of the low survey response rate, the researcher interviewed a field expert and eight nonprofit directors to gain further insight and to establish validity from multiple perspectives. The location and type of organization demographics of the survey and interview participants are consistent with the overall nonprofit demographics for the State of Delaware (KBT & Associates, 2012). Although the response rate is low, this provides a representative sample for the location and type of nonprofit organizations, thus providing a deeper insight to the impact of the recession and response to the recession of 2007-09.

4. The degree of success of the strategies that were employed by the nonprofit organizations during the recession of 2007-09 was based on the perception of the respondents.
5. A low Kappa of .250 in the coding of “opportunities” (“fair agreement”) was specifically reviewed. After the review it was discovered that there were several errors in coding where the coder did not identify the key words provided in the keywords list.

### **Implications for Application**

Using the framework designs of Brussalis’ (2009) and Huu and Kock’s (2011) processing models as foundational framework and including the toolbox of strategies found to be the most “successful” strategies used during an economic downturn, the following processing model is offered:

<b>STAGE</b>	<b>ACTION</b>	<b>STRATEGIES</b>
<b>PRE-CRISIS</b>	<b>DEVELOP STRATEGY (Assessment and Planning)</b>	<p style="text-align: center;"><b>SITUATIONAL ANALYSIS</b></p> <ol style="list-style-type: none"> <li>1. Assess client needs and trends</li> <li>2. Identify “resource niche” (e.g. competition for resources)</li> <li>3. Assess organizational capacity (financial infrastructure, human and capital resources, etc.)</li> <li>4. Create strategic partnerships</li> <li>5. Identify and secure highly-skilled volunteers</li> <li>6. Identify new opportunities for revenue diversification</li> <li>7. Develop tactical plan (specific, measurable, achievable and time-sensitive goals)</li> <li>8. Develop a plan to redefine job descriptions</li> </ol>
<b>DURING CRISIS</b>	<b>IMPLEMENT STRATEGY</b>	<p style="text-align: center;"><b>IMPLEMENTATION</b></p> <ol style="list-style-type: none"> <li>1. Redefine job descriptions</li> <li>2. Implement salary freeze</li> <li>3. Increase reliance on highly-skilled volunteers</li> <li>4. Pursue new foundation support</li> <li>5. Increase outreach to clients/customers/patrons</li> <li>6. Use previously established relationships for new purposes</li> </ol>

		<ul style="list-style-type: none"> <li>7. Receive one-time grants</li> <li>8. Cut administrative and overhead costs</li> <li>9. Increase marketing efforts</li> <li>10. Pare down programs as needed</li> <li>11. Post-pone filling new positions</li> <li>12. Make innovative moves</li> </ul>
<b>POST-CRISIS</b>	<b>EVALUATION AND CONTINUOUS IMPROVEMENT</b>	<p style="text-align: center;"><b><u>RETROSPECTIVE ANALYSIS:</u></b> <b><u>EVALUATION &amp; CONTINUOUS IMPROVEMENT</u></b></p> <ul style="list-style-type: none"> <li>1. Improve and expand marketing efforts as needed</li> <li>2. Expand collaborative relationships</li> <li>3. Invest in new for-profit subsidiarity</li> </ul>

### Recommendations for Future Research

As a result of this study, the following recommendations are offered for future research.

These recommendations can offer additional insight into the “best practices” to survive and thrive during an economic downturn.

1. Conduct a study to compare a group of nonprofit organizations’ impact, responses and outcomes of two selected economic recessionary time periods.

2. Conduct a field experiment at the on-set of an economic downturn; provide two demographically similar nonprofit organizations with two different combinations of strategies and at the end of the downturn compare the outcomes.

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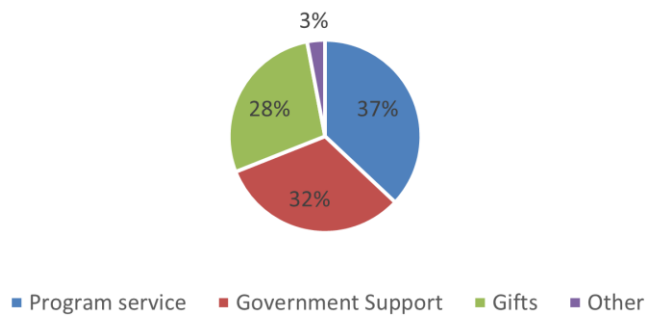
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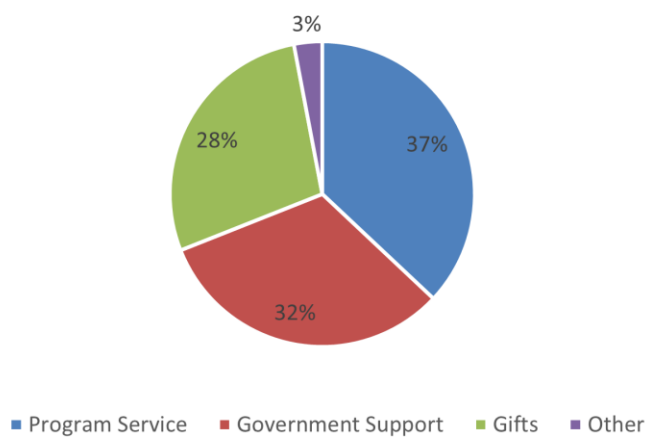
## Appendices

## Appendix A

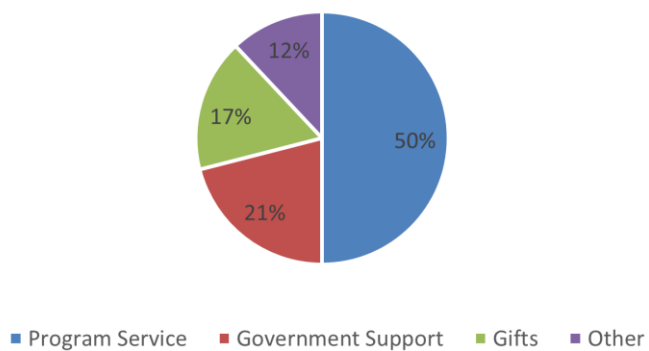
Human Services Percentage of Revenue



Arts &amp; Culture Percentage of Revenue



General Education Percentage of Revenue





## Appendix B

Field Expert Interview: Outline for Discussion:

1. Your opinion on organizations who survived/thrived and reasons why.
2. Are the top strategies that were identified typically/historically employed strategies or do you find them specific to a recession?
3. Are they "go-to" strategies for the industry?
4. Looking into the future – do you think the identified strategies will still be best strategies – why or why not?
5. What would you want to know that the data didn't allow me to find?
6. Any other suggestions/comments

## Appendix C

### Interview Guide

Narrative: Hello, thank you for taking the time to speak with me today. My name is Tylisha Johnson and I am a doctoral candidate at Wilmington University. Please be aware that I am recording this interview, but this recording will not be released to the public. May I have your name, title and how long you have been with the organization? Your responses will be kept confidential, and all reporting will be done in aggregate. I have surveyed other nonprofit organizations in the State of Delaware to uncover the impact of the economic recession of 2007-09 and how they responded to the changes in individual donations and funding as a result of the economic downturn. I would like to ask you a few questions to gain further insight and provide the nonprofit community with a resource of strategies that have been employed and perceived as successful during an economic downturn. There should be minimal risk to you for participating, and the results will be used to help nonprofit organizations better manage such economic crises in the future.

1. Tell me about your organization.

Question Purpose: Demographic Information (e.g. mission/type, years in existence, etc.)

2. Is your annual budget greater than or less than \$1,000,000?

Question Purpose: To determine size of organization based on the annual budget (e.g. less than \$1,000,000 = small-medium organization; greater than \$1,000,000 = large organization)

3. Did you experience revenue growth of more than 5.8 percent during the recession of 2007-09?

Question Purpose: To determine whether the organization survived or thrived during the recession (e.g. 5.8 percent or less = survive; 5.9 percent or more = thrived)

4. Overall, describe how the recession of 2007-09 impacted your organization.

Question Purpose: To determine whether the impact of the recession was considered to be minimal or significant.

5. Do you feel you are still playing catch up from the recession?

Question Purpose: To determine whether the impact of the recession continues to have an effect today.

6. Do you think smaller organizations were more heavily impacted and why or why not?

Question Purpose: To determine the perception of nonprofit leaders concerning the level of impact of the recession on smaller organizations.

7. Tell me about how your organization responded to the initial effects of the recession.

Question Purpose: To determine the actions (tactics) employed as a result of the recession.

8. Tell me about the strategies you employed as a result of the economic downturn and do you think they helped you meet your desired goal?

Question Purpose: To determine how the organizations responded (what strategies were employed) and the perceived success.

9. What do you wish you had done differently?

Question Purpose: To determine how the organizations responded (what strategies were employed) and the perceived success.

10. What other strategies would you have employed?

Question Purpose: To determine how the organizations responded (what strategies were employed) and the perceived success.

11. What strategy do you think was the most meaningful?

Question Purpose: To determine how the organizations responded (what strategies were employed) and the perceived success.

12. Tell me about some strategies you have implemented or plan to implement to cope with future economic downturns.

Question Purpose: To determine how the organizations responded (what strategies were employed) and the perceived success.

## Appendix D

### Introduction in Body of Email

Survey: Nonprofit Organizations Response to Economic Recession of 2007-2009

Greetings,

Many individuals, families, for-profit and nonprofit organizations have asked the question: "How can we be better prepared for economic recessions?" Your participation in the attached survey will help to answer this question, provide a broader insight into the impact of the economic recession of 2007-2009 on the nonprofit organizations in the State of Delaware, and add to the overall body of knowledge on "best practices" for nonprofits in times of economic downturn. The purpose of this study is to uncover whether significant differences exist between small-medium and large nonprofit organizations in their responses to the changes in individual donations and funding as a result of the economic recession of 2007-09. This study primarily examines how the external factors (changes in community resources) affects the internal factors (changes in financial measures and organization size), the organizations' responses to the interrelation between the two, as well as the perceived outcome of the responses.

This survey is designed to be completed by the executive director or top management office (or designee) in nonprofit organizations. The research study is being conducted by Tylisha N. Johnson, doctoral candidate at Wilmington University in New Castle, DE. The information collected from this survey will be used in research regarding comparisons of how small-medium and large nonprofits responded to the changes in individual donations and funding as a result of the economic recession of 2007-09. The survey will take approximately 15-22 minutes to complete. All responses are anonymous and confidential and no information as to your organization's identity is requested or documented. All participants in this survey are completely voluntary and you may stop answering the survey at any point without penalty. All participants

must be 18 years or older to participate. Risks to participation in this survey are minimal, as there are no foreseeable risks.

As a way to say thank you for taking the survey, you have the opportunity to attend a workshop facilitated by a nonprofit expert titled, "Building your House with Bricks: How nonprofits can create marketing structures that the Big Bad Wolf economy cannot blow down". There is a comment box at the end of the survey to provide your email address if you are interested in attending the workshop.

Simply click on the link below, or cut and paste the entire URL into your browser to access the survey:

<https://www.surveymonkey.com/s/DENPOresearch>

Thank you in advance for your timely response by *April 14, 2014*, as your input is very important for the advancement of nonprofit research.

If you have questions regarding the content of the survey feel free to contact Tylisha Johnson at [tjone64734@wildcats.wilmu.edu](mailto:tjone64734@wildcats.wilmu.edu) or Dr. W. Daniel Young at [w.daniel.young@wilmu.edu](mailto:w.daniel.young@wilmu.edu).

Sincerely,

Tylisha N. Johnson

Doctoral Candidate, DBA

Wilmington University

## Section I. Organization General Information

For Section I, please type-in or check your response(s).

Q1. What is your position in the organization?	<input type="radio"/> President <input type="radio"/> Vice President <input type="radio"/> Board <input type="radio"/> Executive Director <input type="radio"/> Associate Director <input type="radio"/> Finance <input type="radio"/> Pastor <input type="radio"/> Other _____
Q2. What is the zip code of your organization's main address in Delaware?	_____
Q3. How long has the organization been in existence?	___ (Years)
Q4. How many paid full-time staff members does your organization have?	_____
Q5. How many part-time staff members does your organization have?	_____
Q6. Which of the following best describes the mission of your organization? Please select one.	<input type="checkbox"/> Animals (1) <input type="checkbox"/> Arts, Culture, Humanities (2) <input type="checkbox"/> Education (3) <input type="checkbox"/> Employment (4) <input type="checkbox"/> Environment (5) <input type="checkbox"/> Food Bank (6) <input type="checkbox"/> Health, Human Services (7)

- Housing and Development (8)
- Legal, Civil Rights (9)
- Mental Health, Crisis Intervention (10)
- Philanthropic Intermediary and Volunteerism Promotion (11)
- Physical Health, Disease Related (12)
- Religious (13)
- Sports (14)
- Youth Development (15)
- Other (please specify) (16) \_\_\_\_\_

Q7. What is the size of the organization's total annual assets (please check one)

Annual Assets in excess of \$750,000	
Annual Assets is less than \$749,999	

Q8. What is your current annual operating budget?

- Under \$50,000 (1)
- \$50,001-\$100,000 (2)
- \$100,001-\$250,000 (3)
- \$250,001-\$500,000 (4)
- \$500,001-\$1,000,000 (5)
- \$1,000,000-\$3,000,000 (6)
- \$3,000,001-\$5,000,000 (7)
- \$5,000,001 or more (8)

Q9. Is the organization operating with a current strategic plan?

Yes \_\_\_ No \_\_\_ Don't Know \_\_\_\_\_

(Additional Demographic information for comparison purposes between small-med and large nonprofits and surviving and thriving)



## Section II. Economic Downturn Impact and Actions Taken

For Section II, please type-in or check your response(s).

Q10. Please rate the overall impact of the 2007-09 recession on your organization:	Minimal	Some	Considerable	Significant	None	Don't Know
Impact was:	1	2	3	4	5	DK
Select One:						

Q11. Please indicate the types of actions your organization has taken as a result of the economic downturn.

	No action taken (1)	Considering taking action (2)	Already taking action (3)	Don't know (4)	N/A (5)
Change current service providers (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cut memberships to other organizations (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cut salaries or wages (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cut travel expenses (4)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Decrease portion of pension paid by organization (5)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Defer or decrease employee benefits (6)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Hiring freeze (7)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Increase health premiums (8)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lay off employees (9)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reduce direct service delivery to clients (10)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reduce employee hours (11)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reduce hours of operation (12)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reduce or eliminate programming (13)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reduce other non-service delivery expense (14)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reduce rent or lease through location (15)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Reduce training or professional development (16)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reduce volunteer training services (17)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Suspense raises (18)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other actions taken (but not listed – please specify): _____	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q12. If you indicated your organization has cut employee salaries or wages, by what percentage were they cut? \_\_\_\_\_.

Q13. Please indicate the percentage of annual revenue that comprises the listed sources of funding for your organization.

	Less than 20% (1)	21-40% (2)	41-60% (3)	61-80% (4)	81 or greater (5)
Commercial activity (social enterprise) (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Corporations (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fees for services (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Foundations (4)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Government grants (federal, state, and local) (5)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Individual	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

contributions (6)					
Investment income (7)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Membership fees (8)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other(please specify)(9) _____	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q14. Please rate the change of your organization's financial status in the following areas, since the start of the economic downturn.

	Significant decrease (1)	Decrease (2)	About the same/no change (3)	Increase (4)	Significant increase (5)	Don't know (6)	N/A (7)
Commercial activity (social enterprise) (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Corporations (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fees for service (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Foundations (4)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Government grants (federal, state and local) (5)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Individual contributions (6)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Investment income (7)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Membership fees (8)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Please list and specify impact (per scale above) other (9) _____	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q15. Please rate the impact the changes indicated in Q14 have had on your organization.

	Little impact (1)	Moderate impact (2)	About the same/no change (3)	Great impact (4)	Significant impact (5)	Don't know (6)	N/A (7)
Commercial activity (social enterprise) (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Corporations (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>



Fees for services (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Foundations (4)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Government grants (federal, state and local) (5)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Individual contributions (6)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Investment income (7)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Membership fees (8)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other(please specify (9) _____	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q16. Indicate the organizations overall revenue growth 2007-2009.	Make One Selection
The organization experienced revenue growth of 5.8% or less 2007-2009 (1% - 5.8%). (1)	
The organization experienced revenue growth of 5.9% or more 2007-2009 (5.9% or more). (2)	
The organization revenue was about the same to no change 2007-2009 (0.99% or less). (3)	

Q17. Has your organization been able to capitalize on opportunities presented in light of the economic downturn?

- Yes (1)
- No (2)

Please Note: In Section III, the term “success” is used. The term “success” in this survey is defined as the perceived degree or extent you met your desired goal(s).

Section III.A. Strategies "Opportunities"								
Use of Strategy: 2007-2009 Q18. Indicate perceived degree of success for each strategy. Select all that apply for each strategy.								
If your organization has been able to capitalize on opportunities presented in light of the economic downturn, please check the opportunities your organization has capitalized on while indicating the degree of success:	Very Unsuccessful (VU)	Unsuccessful (US)	No Change (NC)	Successful (S)	Very Successful (VS)	Did Not Use Strategy (NA)	In Effect Prior to 2007 (UP)	In Effect After 2009 (CU)
The organization:	1	2	3	4	5	NA	UP	CU
Merged with another agency								
Created strategic partnerships with other agencies								
Used previously established relationships for new purposes								
Received one-time grants								
Utilized highly skilled volunteers								
Raised prices/fees								
Other opportunity capitalized upon (but not listed - please specify)_____								

Section III.B. Strategies  
“Belt-tightening”

Use of Strategy: 2007-2009

Q19. Indicate perceived degree of success for each strategy. Select all that apply for each strategy.

Strategy	Very Unsuccessful (VU)	Unsuccessful (US)	No Change (NC)	Successful (S)	Very Successful (VS)	Did Not Use Strategy (NA)	In Effect Prior to 2007 (UP)	In Effect After 2009 (CU)
The organization:	1	2	3	4	5	NA	UP	CU
Cut administrative/overhead costs (1)								
Created/expanded collaborative relationships with other nonprofits (2)								
Postponed filling new positions								
Reduced/eliminated travel budget for staff (3)								
Pared down programs								
Shifts to cheaper alternative products/services (4)								
Eliminated staff positions (5)								
Redefined job descriptions (6)								
Implemented a salary freeze (7)								
Increased reliance on volunteers (8)								
Other “belt-tightening” strategy used (but not listed – please specify): (9) _____								

Section III.C. Strategies “Fundraising”								
Use of Strategy: 2007-2009 Q20. Indicate perceived degree of success for each strategy. Select all that apply for each strategy.								
Strategy	Very Unsuccessful (VU)	Unsuccessful (US)	No Change (NC)	Successful (S)	Very Successful (VS)	Did Not Use Strategy (NA)	In Effect Prior to 2007 (UP)	In Effect After 2009 (CU)
The organization:	1	2	3	4	5	NA	UP	CU
Expanded individual fundraising								
Expanded efforts to seek local funding								
Expanded efforts to seek state funding								
Expanded efforts to seek federal funding								
Pursued new individual donor support								
Pursued new foundation support								
Pursued new corporate support								
Other fundraising strategy used (but not listed – please specify): _____								

Section III.D. Strategies “Entrepreneurial”								
Use of Strategy: 2007-2009 Q21. Indicate perceived degree of success for each strategy. Select all that apply for each strategy.								
Strategy	Very Unsucce ss -ful (VU)	Unsucc ess-ful (US)	No Change (NC)	Success ful (S)	Very Successful (VS)	Did Not Use Strategy (NA)	In Effect Prior to 2007 (UP)	In Effect After 2009 (CU)
The organization:	1	2	3	4	5	NA	UP	CU
Improved/expanded marketing efforts								
Implemented advocacy for organizational funding								
Expanded advocacy for organizational funding								
Expanded existing fee-for-service activity								
Introduced prices/fees								
Raised prices/fees								
Increased outreach to new clients/customers/patrons								
Introduced new fee-for-service activity								
Introduced facility rental								

programs								
Increased facility rental programs								
Developed new giving vehicles								
Introduced internet funding								
Expanded internet funding								
Started for-profit subsidiarity								
Started facility rental program								
Increased facility rental program								
Accelerated new technology development								
Shared staff with other organizations								
Other entrepreneurial strategy used (but not listed – please specify): _____								

## Appendix E

## Survey Instrument Description Code Sheet

Question	Variable Name	Variable Label Description	Measure	Values
1.	Posit	Position in Organization	Nominal	1=President; 2=Vice President; 3=Board; 4=Executive Director; 5=Associate Director; 6=Finance; 7=Pastor
2.	Zip	Zip Code	Nominal	Zip Code
3.	Years	Number of Years in Existence	Interval	Years
4.	Full	Number of Full-time Staff	Interval	Number
5.	Part	Number of Part-time Staff	Interval	Number
6.	Orgtype	Type of Organization	Nominal	1=Animals; 2=Arts, Culture, Humanities; 3=Education; 4=Employment; 5=Environment; 6=Food Bank; 7=Health, Human Services; 8=Housing and Development; 9=Legal, Civil Rights; 10=Mental Health, Crisis Intervention; 11=Philanthropic Intermediary and Volunteerism Promotion; 12=Physical Health, Disease Related; 13=Religious; 14=Sports; 15=Youth Development; 16=Other
7.	Assets	Annual Assets	Dichotomous	1=Annual Assets in excess of \$750,000; 2=Annual Assets is less than \$749,999
8.	Annbudg	Annual Budget	Ordinal	1=Under \$50,000; 2=\$50,001-\$100,000; 3=\$100,001-\$250,000;



				4=\$250,001-\$500,000; 5=\$500,001-\$1,000,000; 6=\$1,000,001-\$3,000,000; 7=3,000,001-\$5,000,000; 8=5,000,001 or more
9.	Plan	Strategic Plan	Nominal	1=Yes; 2=No; 3=Don't know
10.	Recimpct	Impact of Recession	Ordinal	1=Minimal; 2=Some; 3=Considerable; 4=Significant; 5=None; 6=Don't know
11.	Action	Actions Taken	Ordinal	1=No Action Taken; 2=Considering Taking Action; 3=Already Taking Action; 4=Don't know; 5=N/A
12.	Cutwags	Cut Wages	Interval	Percentage
13.	Fundperc	Sources of Funding %	Ordinal	1=Less Than 20%; 2=21-40%; 3=41-60%; 4=61-80%; 5=81% or Greater
14.	Chgfin	Change of Financial Status	Ordinal	1=Significant Decrease; 2=Decrease; 3=About the Same/No Change; 4=Increase; 5=Significant Increase; 6=Don't know; 7=N/A
15.	Chgimp	Impact of Changes	Ordinal	1=Little Impact; 2=Moderate Impact; 3=About the Same/No Change; 4=Great Impact; 5=Significant Impact; 6=Don't know; 7=N/A
16.	Revgr1	Revenue Growth	Ordinal	1=Revenue Growth of 5.8% or less 2007-09; 2=Revenue Growth of 5.9% or more 2007-09; Same to No Change 2007-09
17.	Capopp	Capitalize on Opportunities	Nominal	1=Yes; 2=No
18.	Oppstr	Opportunities	Ordinal	1=Very Unsuccessful;

		Strategies		2=Unsuccessful; 3=No Change; 4=Successful; 5=Very Successful; 6=Did Not Use Strategy; 7=In effect prior to 2007; 8=In effect after 2009
19.	Beltstr	Belt-Tightening Strategies	Ordinal	1=Very Unsuccessful; 2=Unsuccessful; 3=No Change; 4=Successful; 5=Very Successful; 6=Did Not Use Strategy; 7=In effect prior to 2007; 8=In effect after 2009
20.	Fundstr	Fundraising Strategies	Ordinal	1=Very Unsuccessful; 2=Unsuccessful; 3=No Change; 4=Successful; 5=Very Successful; 6=Did Not Use Strategy; 7=In effect prior to 2007; 8=In effect after 2009
21.	Entstr	Entrepreneurial Strategies	Ordinal	1=Very Unsuccessful; 2=Unsuccessful; 3=No Change; 4=Successful; 5=Very Successful; 6=Did Not Use Strategy; 7=In effect prior to 2007; 8=In effect after 2009

## Appendix F

### Definitions of Variables

1. Belt-tightening strategies: are defined as cutting administrative costs, creating or expanding collaborative relationships with other nonprofit organizations, postponing new hires, and paring down programs, according to Salamon, et al., (2009).
2. Entrepreneurial expansions: are defined as follows: improve or expand marketing, develop new giving vehicles, introduce or expand internet funding, start for-profit subsidiary, start or increase facility rental program, accelerate new technology development, and share staff with other organizations, according to Salamon, et al., (2009).
3. Opportunities: are defined as follows: merged with another agency, created strategic partnerships with other agencies, used previously established relationships for new purposes, received one-time grants, utilize highly skilled volunteers, and raised prices or fees, according to Dolch (2009).
4. Fundraising strategies: are defined as follows: expanded individual fundraising; expanded efforts to seek local, state, federal funding; and pursued new individual, foundation, and corporate support, according to Salamon, et al., (2009).