

How to Prepare Your Nonprofit for a Recession



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Economists surveyed by Bloomberg in August put the [likelihood of a U.S. recession](#) within the next year at almost 50%.

The economists also increased their inflation estimates for each quarter in 2023. That's worrisome news for nonprofits walloped by the rising cost of supplies and for donors who may have to cut their spending.

Data like this brings anxious moments in nonprofit executive meetings and boardrooms around the country. Nonprofits regularly experience mounting service demands and tight budgets, and that intensified during the pandemic. Still, the possibility that things might get tougher smarts. The good news is nonprofits can use a variety of strategies to prepare for whatever economic risks lie ahead—recession or not. Here are some ways to get started.

Do some scenario planning.

Sketch out a couple of difficult economic scenarios and gather your team to brainstorm some high-level ideas for how your organization could meet these threats. [Scenario planning](#) can help teams identify a path forward when threats feel chaotic or overwhelming. Those skills pay dividends even if the specific risks you discussed don't arise.

Take a hard look at your organization's finances and priorities.

Traditionally, experts advise nonprofits facing a possible recession to tighten budgets, pay down debt, and shift more money into reserves. Many nonprofits may need to make some of those moves. But don't just look at your balance sheet; consider how your organization can best meet its mission in a moment marked by income inequality. Could you invest in your community or your team for the tough times ahead — pay out more money to grantees and shore up staff salaries that place employees below a living wage?

Consider creating a [business continuity plan](#) & crisis communications plan.

If your organization doesn't have these resources, now is a great time to change that. These plans will prove valuable if a sudden economic shock impacts operations and requires your organization to share news of program cuts with your supporters or the public.

Focus your donor outreach on demonstrating value to existing donors.

When donors cut spending, they tend to decrease the number of organizations they support, Nicole Engdahl of the National Park Foundation recently [told the Chronicle of Philanthropy](#). It takes more time, effort, and money to acquire a new donor than to retain an existing one.

Communicate.

Don't wait for your board to ask how your management team will prepare for a potential recession. Tell them now. Give your staff an overview of how the organization is preparing for a possible recession, too. Your communication could allay employees' fears, bolster trust, and stop rumors.

Focus on your staff.

To navigate a prolonged economic downturn, you need a top-notch team. Lay the groundwork to strengthen recruiting and retention—even if you can't hire or do salary increases now. If you haven't done a [compensation review](#) to ensure your pay is as fair and equitable as possible, start there. Survey your employees to learn what they need from your organization. Employees from underrepresented minority groups or early-career workers may need additional employer support, Una Osili, associate dean for research and international programs at the Lilly Family School of Philanthropy, said on an August 23 webinar hosted by *The NonProfit Times*. One area of common ground: many workers across generations [prize flexibility](#) in scheduling and working conditions.

Explore whether you should merge or partner with other organizations.

"I think there's great opportunity for us to look at partnership opportunities in operational efficiencies ... That whole model around [operational shared services](#) is going to grow in time," said Suzanne McCormick of YMCA of the USA on *The NonProfit Times* webinar. Discussions about mergers or partnerships can be thorny, and they'll meet resistance in some boardrooms. But with income inequality at record highs and demand for nonprofit services spiking, boards should ask tough questions about how best to share resources to meet community needs.

It takes a lot for a team to prepare for a potential downturn. What if your nonprofit's leadership does all this and recession doesn't come? If you invest time now to plan, strategize, and have tough conversations, you can better navigate whatever the economy brings. And the skills and strategies you build for economic resilience will help your organization face society's other big challenges, like racial and social injustice and climate change.

Rachel Sams is a Consultant and Staff Writer at the Nonprofit Risk Management Center. She spent the Great Recession as a business journalist, exploring why big and small organizations survived, thrived, or struggled. She would love to hear how your organization navigates tough economic times. Reach her at 505.456.4045 or rachel@nonprofitrisk.org.