

# Members of the Connect America retreat offer nonprofits **93 practical cost saving ideas** for coping with a difficult economic climate.

Prepared for Connect America/Points of Light Foundation by

**Grant Thornton** 

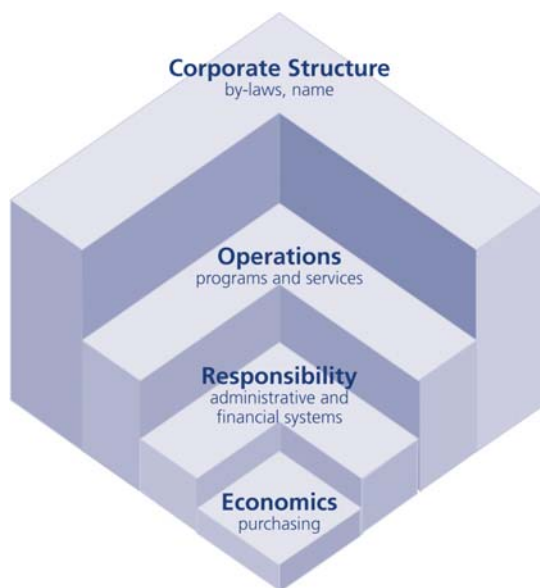
*The content of this document was developed during a special planning retreat convened by Connect America/Points of Light Foundation and facilitated by a nonprofit management consulting team from the accounting and consulting firm of Grant Thornton in early March 2004. It is the hope of Connect America/Points of Light Foundation and Grant Thornton that readers will find suggestions for coping with a difficult economic climate. Even a single idea that saves scarce resources will help strengthen America's voluntary sector.*

## **Grant Thornton's C.O.R.E. Continuum helps determine ways that nonprofit organizations can use resources wisely.**

The C.O.R.E. model illustrates the four levels of administrative and financial activity in a nonprofit organization:

- 1. Corporate**  
(governance)
- 2. Operations**  
(programs & services)
- 3. Responsibility**  
(back office systems)
- 4. Economics**  
(purchasing)

Nonprofits can look to all four of these areas for cost-saving opportunities.



### **Economic**

Economic activities change the purchasing decisions made by the nonprofit agencies. These are among the easiest and fastest cost-saving measures to undertake.

### **Examine Vendor Relations**

1. Renegotiate vendors and contracts
2. Find cheaper vendors
3. Eliminate use of travel agents by buying online
4. Authorize multi-year contracts at a favorable rate
5. Consider outsourcing
6. Consider in-sourcing

### **Increase In-Kind Donations**

7. Seek in-kind donations, services, supplies, corporate sponsorships
8. Ask funders to donate products in addition to funds (insurance, office supplies, etc.)

### **Seek Out Purchasing Incentives**

9. Use credit card bonus programs
10. Purchase merchandise online
11. Use tax-exempt status to get discounts and save money on purchasing
12. Take advantage of government programs (e.g. bulk mail)

### **Economic Collaboration**

13. Participate in joint purchasing (e.g. insurance, materials, supplies)
14. Share costs with other organizations to leverage collective buying power
15. Barter with other organizations for quid pro quo services and resources
16. Form a "buying cooperative"

## Responsibility Distribution

Responsibility Distribution refers to all administrative and financial systems that support the work of the organization. These kinds of systems are a fixed cost of providing services, yet they have no direct benefit to program recipients. Therefore, any initiatives that offer a more efficient way of managing fixed costs will help lower administrative cost rates and free up resources for services.

## Cut Overhead Spending

17. Reduce meetings or replace them with cost effective phone/web conferencing
18. Limit conference calls
19. Reduce the amount of travel
20. Lower travel reimbursement rates
21. Reduce organizational perks
22. Encourage telecommuting
23. Reduce communications costs through digital technology
24. Cut back/set limits on resources/materials
25. Increase electronic communications in order to reduce or eliminate print publications
26. Distribute publications and materials electronically
27. Reduce or eliminate multiple subscriptions, memberships
28. Cut back on public relations/marketing

## Increase Fundraising

29. Increase fundraising budget/fundraising staff
30. Seek capital donations
31. Increase restricted revenue

## Use Volunteers

32. Replace employees with volunteers
33. Examine volunteer structure/volunteer manager
34. Seek pro bono vendors, consultants, and professional services

## Reduce Property, Plant & Equipment Expense

35. Purchase real estate vs. rent
36. Reduce office space (use space more efficiently)
37. Move headquarters to less expensive office space

38. Postpone technology upgrades
39. Sell assets

## Streamline Operations

40. Reduce/consolidate functions
41. Standardize "back room" services
42. Use I.T. (prevention vs. paying after trouble starts)
43. Reorganize to allow employees to work from home
44. Combine like functions into one department

## Reward Cost Savings

45. Encourage competitive cost cutting
46. Offer staff incentives to cut costs

## Responsibility Collaboration

47. Share costs, staff, space, equipment, professional services
48. Share office space
49. Share capital expenses

## Operations

Operations relate to the mission of the organization. Cost-saving techniques seek synergies, efficiencies and service integration in programs and services. Typically, 70-80% of nonprofit expenses relate to staff, so it is difficult to avoid salary and benefits when deep cuts are necessary.

## Boost Program Revenue

50. Increase fee-for-service prices

## Streamline Programs

51. Combine programs
52. Focus on market niche
53. Streamline services

## Reduce Salary Costs

54. Restructure roles within the organization
55. Cross-train staff
56. Encourage job sharing
57. Combine staff positions
58. Pay fewer employees more money
59. Offer flexible work schedules and share offices
60. Offer time off in lieu of salary
61. Use quota-based compensation
62. Freeze or postpone hiring

63. Reduce staff/layoffs
64. Give temporary furloughs
65. Reduce number of hours staff work
66. Halt executive pay, senior staff don't draw salary
67. Freeze salaries
68. Restructure compensation
69. Renegotiate contracts
70. Convert full-time to part-time
71. Use interns/work-study students
72. Outsource program staff

## Reduce Benefits and Non-salary

73. Offer staff recruitment bonuses
74. Put a ceiling on awards/benefits for senior management
75. Restructure benefits package
76. Reduce health insurance coverage
77. Increase employee share of benefits costs
78. Switch to a cafeteria benefits plan
79. Reduce perks (use stricter guidelines)
80. Consolidate professional training, reduce offerings
81. Boost morale with low cost staff recognition/rewards

## Reduce Services

82. Close office for a day (restructure work schedule)
83. Reduce services
84. Consolidate program sites
85. Close programs or services
86. Manage risks (e.g. cut high-cost high-risk services)

## Operations Collaboration

87. Share services costs
88. Share staff

## Corporate

Corporate activities refer to the cost and structure of governance. Cost saving opportunities relate to national/affiliate relations or board leadership. Collaboration on the corporate level implies a merger between two or more nonprofits that choose to work together on all four levels: Corporate, Operations, Resources, and Economic level.

## Corporate Collaboration

89. Seek economics of scale, leverage national buying power to offer local benefits
90. Collaborate in all areas/resources
91. Mergers (with affiliates and external)
92. Join/form not-for-profit intermediaries
93. Collaborate with other organizations to share costs

## Conclusion

Many nonprofits find themselves unable to absorb revenue reductions and are forced to pass on cuts to their staff, services and governance. It is important to acknowledge that cost saving measures taken today may prevent deeper cuts in the future.

We hope that the ideas shared in this document help nonprofit leaders think in a comprehensive way about cost saving opportunities and make well thought-out decisions that preserve the financial health of the organization.



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