FOR THE PHILANTHROPIST

From Start-Up To Strong

The Journey to Nonprofit Sustainability

BY REBECCA RODRIGUEZ

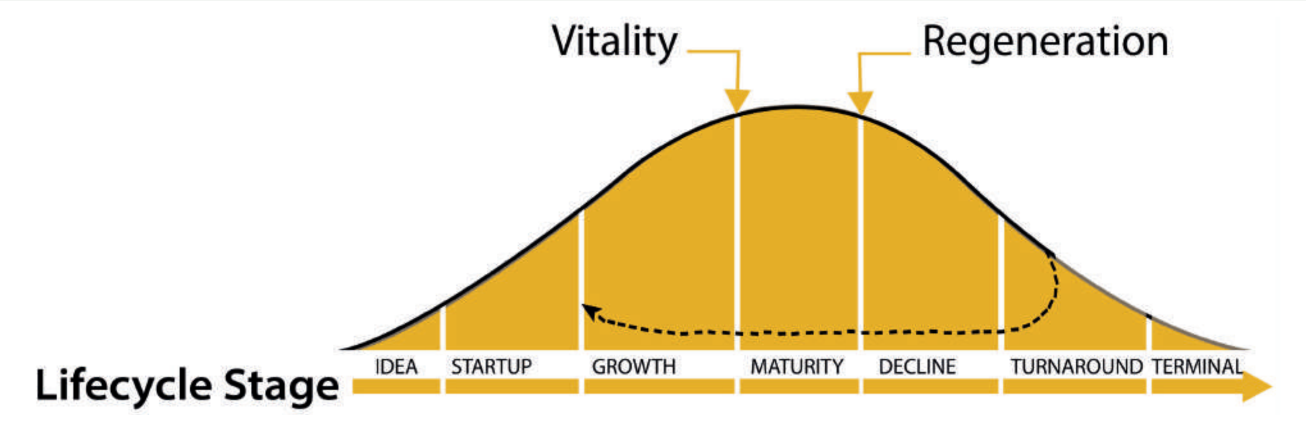
Introduction

Running a nonprofit or any business for that matter is not for the faint of heart. It takes a lot of effort to say the least.

Somehow the element of trying to do good for the community can make staying stuck in startup mode all the more difficult and frustrating. Don't lose heart - there is so much to be said for persistence.

Whether you are a one person shop or with an established team the following tips done with consistency and just a bit more focus will eventually give way to breakthrough when you least expect it.

Keep in mind that every business goes through cycles. Life goes in cycles. Waves ebb and flow. Seasons come and go again and again. Nonprofit organizations are no different. Depending on who you talk to - the number of life cycles that businesses go through varies. One Harvard professor claims there are just two business life cycles - exploration and exploitation. The Internal Revenue Service attributes five life cycles to a nonprofit. A book written by Dr. Susan Kenney Stevens called Nonprofit Lifecycles, identifies seven life cycles of a nonprofit organization. (Fig 1)



(Fig 1)

To keep this message simple, we are going to focus on two life cycles, **Start-Up and Growth**.

Having worked in the social sector for over twenty years and as a certified Nonprofit Life Cycle Consultant and author of *The Nonprofit Workbook, Tips & Best Practices for Start-Ups Serving the Greater Common Good*, I need and want to see the needle move positively to organizations becoming sustainable and at the very least hitting the $50k year revenue baseline the IRS has established. With that, I am going to assume that if you downloaded this PDF that the organization you represent is in Start-Up mode. A general assumption of that is your organization:

- Provides program(s) / service(s) to the community
- There is a leader at the helm
- A Board of Directors exists
- There is revenue coming in - probably six figures, ...maybe not
- The organization would probably pass the Public Support Test if the IRS decided to do an audit

A diagnosis of this organization in Start-Up mode is:

- Dedication takes precedence over quality and protocols
- Staff are generalists and wear multiple hats
- Board Members may have a personal connection to the founder
- Energy is high but systems and processes are lacking

Let's take a look at the first set of bullet points and break each down to maximize resources and improve these identified areas.

Program Services to the Community

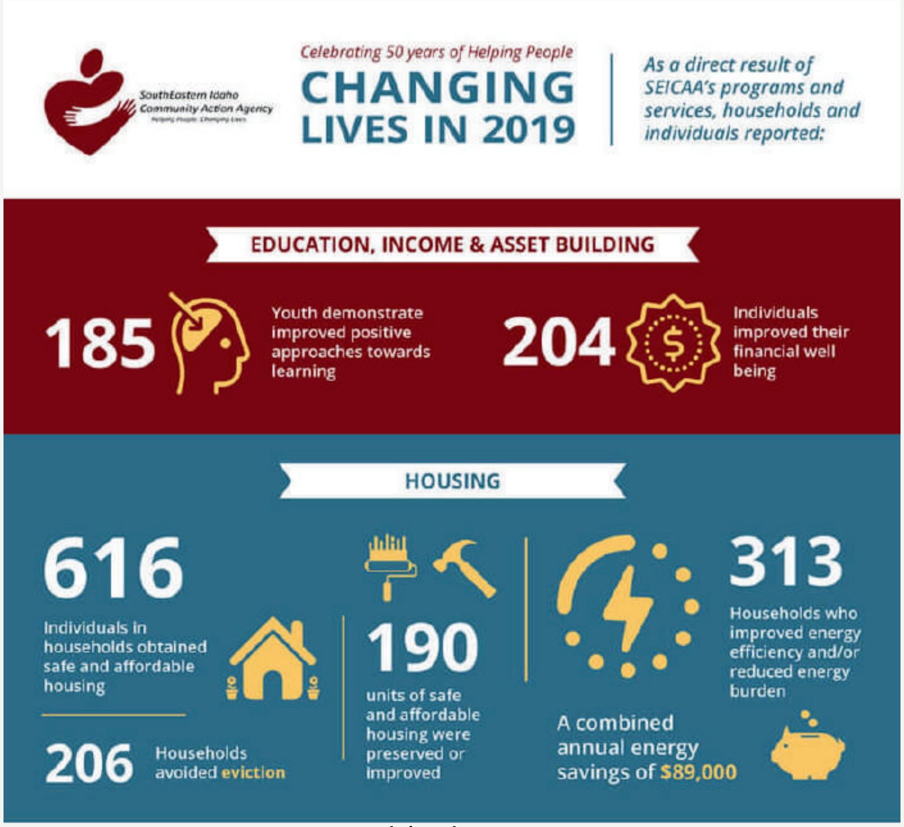
Whether you offer one program or more, you must be able to measure what matters to prove your social value to the public. Anecdotal information is fine, but it isn't enough. Not in our culture where algorithms and data abound with a few clicks. You need hard core data to make wise decisions especially, if you are stewarding donor dollars and exempt from taxes. If you are not collecting and distilling data already, start now.

What change are you hoping to affect because of your organization's programmatic efforts? Behavior? Knowledge? Awareness? Skills? Status? Attitude?

Whatever change you are effecting you must set a baseline. This information is gathered at an intake - when a person comes into your organization to access services the first time. Don’t complicate this initial step. More important than demographic information, ask questions as it relates to the change your program hopes to affect. Do your best to keep the intake less than 10 questions and if at all possible electronic.

At the end of the program you must have an exit interview or survey with the exact same questions as your intake. Depending on the length of the program, you may have an interim check in with your client too. Either way, this is an opportunity to verify, qualify and prove that your program is in fact facilitating positive change in people’s lives. In the small chance the data collected shows no change is happening or even worse, the person or their situation is digressing, then these are clear signs that your program may need to be adjusted.

When looking at the data, learn to communicate what it is showing. Communicate those results using bullet points, a score card, or an infographic. This information can and should be communicated at a town hall meeting, a board meeting, in face to face conversations with your staff, volunteers, supporters, on your website, as a direct mail piece.*(Fig 2)* You get the idea. Combining data with the anecdotal story is the best scenario, but more important is the data.



(Fig 2)

Master the art of communicating the positive social change your organization provides. If you can learn to translate this data to how many dollars are being saved in a community as a result of services your organization provides, all the better.

Excellent programs are the nexus of a healthy, vibrant organization.

The Leader at the Helm

Is this you?Are you steering this ship? How is that going? Are you overwhelmed, stressed and not able to step back and enjoy the ride??? Or on the contrary, do you wake up each day owning it - making it the best day EVER?

There is a great quote by Zig Ziglar that states, “ You don’t build a business, you build [up] people, then people build the business. “

Whether you are the Executive Director, the founder or one of the founders leading the charge, then you must pace yourself for the long-haul. Be aware, conscious of what you are good at, the areas of flow where you enthusiastically take on tasks and seemingly, effortlessly get things done. And stay there. Delegate everything else. If you can be disciplined enough to allow others to own the myriad of moving pieces and let those go, the culture, the environment, all the work that has to get done will get done exactly as it is supposed to. And your life, this journey of running the business will get easier. Get to a place where you work on the business and not necessarily in the business. There is a big difference. Create a healthy work life balance and just as important a healthy work culture so people want to work long-term or volunteer at your organization.

Something we don’t talk about a lot is that life has a way of showing us as we journey along our professional paths that not all are suited to lead in or function optimally in a given role. This also includes in any given cycle of a business. The skill set needed for a start-up is different from an organization in maturity. Some people just don’t have the personality, much less the skill set of starting a business or taking it from the start-up stage into the growth stage. If reading this makes you think, but I NEED THIS JOB whether it be for the money or because it fills a need for your identity you have a few options. Three of those are:

1. You and the Board consider a co-leader situation. Having two p/t executive directors is getting to be more common. This really is a win/win if each of the executive directors has complementary skill sets, can set clear expectations and keep egos at bay.
2. You let the Board know how you are feeling, what you are thinking and start grooming someone from within the organization or start looking for a replacement. This is best if this can be done over several months or even up to one year to ensure a smooth transition.
3. You continue in the role you are in knowing that it is not the best circumstance and do the best to make it work for the constituency which the organization serves.

If you are a founder and just read the above statement, you may have experienced panic as the mere thought of letting go "your baby" is not on the table much less ever going to happen. This perspective is certainly not in alignment with the greater common good philosophy of what a nonprofit organization is all about. Here is a blog post that offers a balanced perspective if you find yourself in this situation https://www.501c3.org/what-is-nonprofit-founders-syndrome/ .

A fascinating website, https://www.16personalities.com/ provides many leadership questionnaires that give insight into what type of leadership role one is best suited for. Check it out.

Again, leadership, in this case the Executive Director (ED) sets the pace, the culture of the organization. A best practice is the ED is being evaluated by the Board of Directors annually and receiving key feedback that aligns with organizational goals. In a perfect world 360 degree performance reviews are given for all staff and at a minimum the leader at the helm.

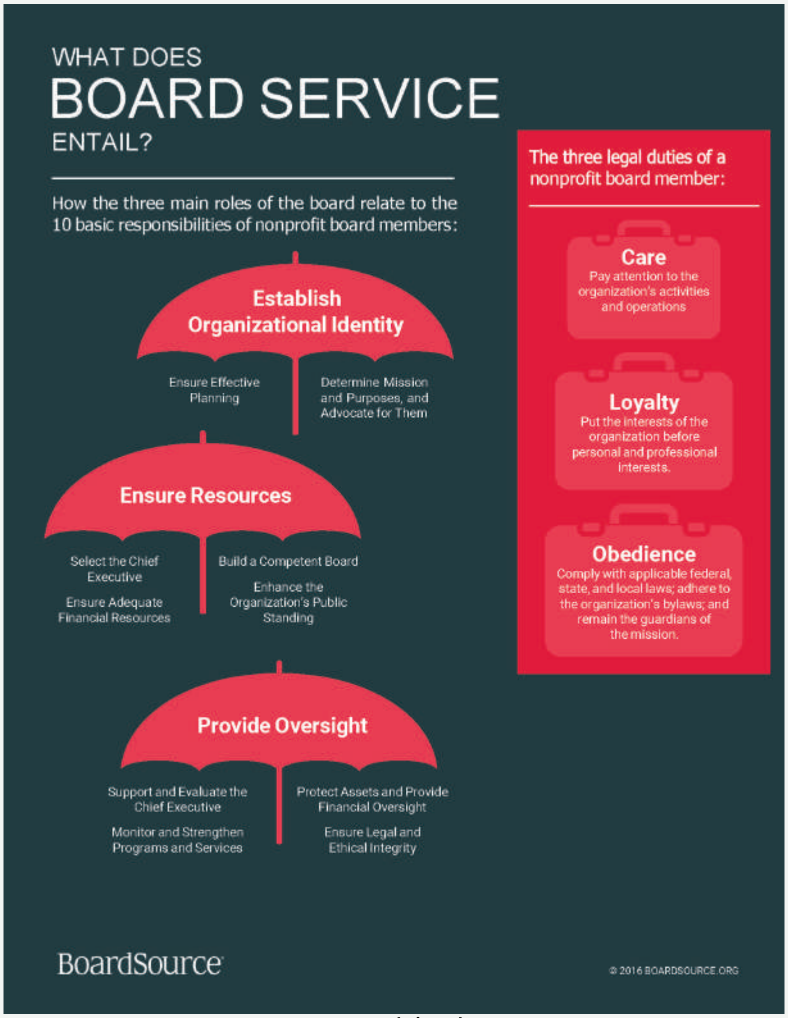
Solid, authentic, capable leadership is a must have for organizations in growth mode.

Governance

As far back as the colonization of our country, a group of people, usually of significant means, have formed governance structures for entities that served the greater common good. Historically, these people of wealth and influence were part of long lines of succession and through various rocky and chaotic periods of our country's history these governance structures have become more representative of those they serve and commonplace among the masses.

Nowadays, a board at minimum usually comprises three people and can escalate up to double digits depending on the size of the organization. To qualify for tax-exemption through the IRS, three members is the minimum. For idea and start-up stage organizations it is common that founders choose friends or workplace colleagues as the initial board only to give more thought once operations are in full swing of what skill sets are needed to advance the mission. Ideally, from the outset there is a designated timeline and plan in place to replace the friends and families with better suited people to include the community which you serve as it relates to governance.

Board members must know and be trained about their role and responsibilities. As ambassadors in the community for an organization with a mission, it is imperative that boards realize the severity and what is at stake and what they are getting themselves into. (Fig 3)
They must be willing to give time, treasure and talent to ensure the sustainability of the organization and the success of the community they serve.



(Fig 3)

- Does your board know and own their role and responsibilities?
- Does your board set annual goals for itself and self-evaluate annually?
- Does your board evaluate the performance of the Executive Director annually and provide feedback and support?

The above questions are best practices that every great organization has in place.

Term-limits must be clearly defined in the bylaws and adhered to.

There are many board trainings, consultants who specialize in this area and associations dedicated to educating, training and supporting governance structures. Two of these entities are www.boardsource.org and www.sociocracyforall.org. The line item in an organization's operating budget for professional development should include training for Board Members.

An Executive Director can count on spending up to 20% of their time to work with their board. This work can include board meetings, trainings, guest speakers and even retreats to name a few.

Getting the Board of Directors to a place of strength and savvy is a must do in the growth stage.

The Business Model - Generating Revenue

Just as on a micro, personal level a person wants as many income streams coming in, an organization, on a macro level does too.

How many revenue streams does your organization have? Is your business adding one new revenue stream every year or at the very least every 2-3 years? It must. You must.

Look at all the ways you generate revenue and make sure you are maximizing each one to the hilt. Many nonprofits have the traditional business model relying mostly on donations from individuals. If this is your business model, your annual campaign is your bread and butter as it relates to donations. Treat it like a program because it is. If your services meet a community need that has federal funding opportunities then contracts may be your largest revenue stream. If this is your business model then make sure you are expert in compliance, building budgets and reporting.

If grants make up a percentage of your revenues, is your grant calendar in optimal shape?

Avoid dependent relationships on any one funder.

Are you stewarding donors passionately?

Development staff typically and unfortunately turn over frequently in our sector. Keep this team happy and get to a point where the staff, with clearly established and known systems and processes, work like a well-oiled machine. Cross-train them. Hire a fundraising consultant every few years to assess your systems, and your fundraising plan which ideally is a rolling three to five year plan. Set reasonable, achievable yet stretch goals and educate your Board on how to “approve” the yearly budget of which your fundraising team has a role to play in achieving. When setting your budget - especially the revenue generating line items, look at the ecosystem of your demographic area, get your development team on board by asking for their input. Again, make wise decisions based on data.

An organization in growth mode learns to leverage all types of revenue and finds that balance of stretch, yet attainable goals.

Your Community

Does your community know you exist? Do they love you? Is your organization a bright light in the space you are in?

We are in the business of changing lives.... for the better.

One of my favorite marketing books by K. Roberts called *LoveMarks: The Future Beyond Brands,* challenges all businesses how one should approach marketing.

Being loved by your community means you communicate frequently in ways that are accessible. There are other forms of getting the word out about your organization other than social media. Host an annual town hall or a quarterly open house. Host an event where asking for money is not on the agenda! Pick up the phone and call a donor. Write them a handwritten note.

The broader your base of supporters (whether financial, or volunteer) the better. In fact, the IRS has a public support test applicable to organizations in business at least six years that they must pass. Your accountant is well aware of this regulation. If you are not aware of this - talk with your accountant who specializes in working with nonprofits.

Steward your community with love and attention. Remind them about your services, that you exist and the positive difference your programs are making in the world.

Collaborate regularly with other organizations, gov't entities and even for-profit businesses. Be the organization that is easy to do business with, easy to volunteer for and easy to donate to.

Become a Lovemark!

Brand	***Lovemark***
Information	*Relationship*
Recognised by consumers	*Loved by people*
Generic	*Personal*
Presents a narrative	*Creates a Love Story*
The promise of quality	*The touch of Sensuality*
Symbolic	*Iconic*
Defined	*Infused*
Statement	*Story*
Defined attributes	*Wrapped in Mystery*
Values	*Spirit*
Professional	*Passionately creative*
Advertising agency	*Ideas company*

About

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Strategist/ Outcome Master/ Implementation Wizard

Rebecca has served and worked in the social sector for more than 20 years. Working with nonprofit leaders to ensure program and organizational effectiveness she works with staff to get them to a place of sustainability.

With a fundraising background, Rebecca became interested in how to get an organization to a place of sustainability beyond raising more money. Whether it is at the programmatic or organizational level, she will come alongside to support and strengthen the business model, governance, systems & processes, and programs.

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