



# RIGHT ON TARGET



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### Nonprofits Still Struggle to Meet Demand for Services

Many nonprofits continue to face economic challenges as demand for their services increases. A survey by the Nonprofit Finance Fund (NFF) reports the following results:

- 85% of nonprofits experienced an increase in the demand for services in 2011. (This is on top of years of increased demand: 77% of nonprofits experienced an increase in demand in 2010; 71% experienced an increase in 2009; and 73% experienced an increase in 2008.)
- 88% expect an increase in demand for services in 2012.
- 57% have three months or less cash-on-hand.
- 87% said their financial outlook won't get any better in 2012.

"Nonprofits are adapting to continued economic pressure in all sorts of creative and substantive ways, but for many, these are stopgap measures that won't make up for the bigger forces at play: decreasing government support, the unwillingness of some private foundations to evolve funding practices, and a lack of necessary support from some boards," says Antony Bugg-Levine, CEO of Nonprofit Finance Fund. "We must rethink the way we fund solutions to our most pressing social problems."

**"We must make systemic changes to the way we address social problems."**

There were bright spots as nonprofits dug deep to serve constituents and maintain employment:

- 55% of survey respondents added or expanded programs or services.
- 52% increased the number of people served.
- 50% hired for new positions.
- While 23% of respondents cut staff in 2011, just 10% expect to do so in 2012.

"We are reducing services and changing our business model to compensate for the decline in government funding—but changing business models requires resources, and organizational time and money are in short supply as we focus on the people we serve," says Darryl Evey, Executive Director of Family Assistance Program, a California-based organization that provides services to victims of domestic violence and their children.

"Nonprofits are an engine of the economy—providing critical services to people in need and providing employment to millions of Americans," says Kerry Sullivan, President of the Bank of America Charitable Foundation. "The changing funding landscape requires greater collaboration between government, private foundations and nonprofits in order to ensure that critical services remain in place and that the nonprofit sector remains a vibrant contributor to our country's economic health."

The survey underlines the need for a more open conversation among funders, boards, and nonprofits:

- Just 1 out of 5 nonprofits feels comfortable talking with their funders about cash flow concerns.
- Only 6% feel comfortable talking with funders about debt.
- 73% say their boards don't do enough to leverage their relationships to support fundraising.
- 38% report that their boards aren't able to sufficiently understand and communicate their expense drivers.

More than 4,500 respondents at nonprofits across the country shared details of how they are adapting their organizations and finances to current economic conditions in the new survey. Full survey results are available at: <http://nonprofitfinancefund.org/2012Survey>. □



### Networking for Introverts

Almost all guides for networking are written for extroverts—people who enjoy a room full of bustling strangers, mingling and yakking away. Networking, however, helps anyone achieve their highest potential, because we all rely on one another. As Devora Zack explains in *Networking for People Who Hate Networking: A Field Guide for Introverts, the Overwhelmed, and the Underconnected* (Berrett-Koehler Publishers (www.bkconnection.com)), networking is “the art of building and sustaining connections for shared positive outcomes.”

People with different personalities need to network in different ways. Following advice never intended for them leads introverts to have an aversion to networking because such advice teaches them they’re not good at it. Zack offers different methods of networking using the strengths of people who don’t enjoy the crowded, noisy rooms of networking events.

Zack defines extroverts as verbal, expansive, and social. These are characteristics that blend perfectly into traditional networking events. Introverts, on the other hand, tend to reflect, focus, and be self-reliant. Zack explains how to use those qualities to pause, process, and pace yourself in order to network better. She explores various situations, such as conferences, a job search, business meetings, and even networking events, to explain ways for introverts to use their skills in each situation.

Each of us should consider our strengths and determine what we want from networking. Extroverts do well in group discussion, multitasking, and interaction. They’re good at promoting projects and people, enjoying others in conversation, and creating excitement for new ideas. Introverts excel at delving deeply into an issue, having one-on-one discussions, reflecting on experience, focusing attention on others, listening, and following up. These are complementary skills and all useful. Some “centroverts” are able to utilize most of these skills, but most people are more comfortable with one style or the other. Whatever you’re best at will be useful in networking. This book will help you determine which skills you already possess and how to use those skills to improve your networking. □

—reviewed by Terrence Fernsler

### Why More Nonprofits Are Getting Bigger

A recent Bridgespan Group study (www.bridgespan.org) found that the number of U.S. nonprofits with annual revenues of \$50 million or more has increased dramatically over the last decade. How did these organizations break through? Bridgespan’s Peter Kim and Jeffrey Bradach share four themes that provide insight into what has shaped—and will continue to shape—nonprofit growth during the first half of this century:

**1. Single-Engine Growth.** Nonprofits that grow big concentrate their funding efforts rather than diversify them. In contrast to conventional wisdom, the really big organizations raised the bulk of their money from a single type of funding, such as corporations or the government. In fact, more than 90 percent of the \$50 million-plus group relied on a dominant funding source to drive growth.

The insight here is that small and midsized nonprofits seeking to grow can benefit from identifying a primary funding source early in their life cycle, which can be aligned with their program model. This will lead to investment in a funding strategy—for example, building deep expertise in government grantmaking processes—that can better attract the resources needed to fuel programmatic growth. It is a strategy that also avoids spreading resources thinly across a variety of funding opportunities.

**2. Heavyweight Stability.** Government funding through grants and fees continued to drive the growth of most of the really big organizations in the study, with corporate in-kind donations following behind. These dynamics may change in the next five years, as the potential for long-term retrenchment by government at all level signals serious trouble for nonprofits dependent on federal, state, and local funds.

**3. Magnet Fields.** Certain fields have attracted increasing amounts of funding. About half the organizations in the study fell within one of three program areas—international (including global development), health care, and human services—although these three areas comprise only about a quarter of the nonprofit sector. With uncertainty about the scale of future government funding, however, it is hard to know how the largest nonprofits in these areas—particularly in human services—will fare in the years ahead.

**4. Big Bettor Philanthropy.** Of the 201 nonprofits at \$50 million-plus, only a handful had foundations as their dominant funding source. But foundation funding did play a pivotal role in turning small and midsized nonprofits into large ones in the first decade of the 2000s. Some of these organizations grew through support from philanthropists willing to invest heavily at an early stage of their development. This group includes education nonprofits KIPP (Knowledge Is Power Program) and Teach for America. Today the funding models for KIPP and Teach for America are no longer anchored in philanthropy, but the investments of foundations and individual philanthropists have played a critical role in helping both organizations achieve their current scale and impact. Over the next 10 years, big-betting philanthropists are likely to play a significant role in determining which social enterprises continue to flourish and which new ones grow to scale. Philanthropists cannot make up the gap in government funding, but their philanthropic dollars may play an outsized role in determining who withers and who grows. □



### Increasing Funders' Impact through Advocacy

Foundations can play a vital role in influencing public policy. In fact, if a foundation believes it has a higher responsibility to the public and those it serves, it ought to include public policy advocacy as one of its strategies. Such an approach can lead to far greater use of its resources than granting money for programs.

The problem is that many foundation leaders equate influencing public policy with lobbying. Lobbying means trying to influence specific legislation. Private foundations may risk their tax-exempt status by lobbying, but they can make grants that involve other forms of public policy activity, such as nonpartisan voter participation projects. They can even make some grants, with certain restrictions, that involve lobbying. Community foundations can delve even deeper into advocacy and make grants specifically for lobbying. They can carry out any public policy activities that non-foundation charities can, including lobbying (again with certain limitations).

*Power in Policy: A Funder's Guide to Advocacy & Civic Participation* details, in plain English, what foundations can and can't do. Edited by David F. Arons and published by Fieldstone Alliance (available for a discounted price at [www.snpo.org/discounts/books.php](http://www.snpo.org/discounts/books.php)), this 317-page paperback documents, through numerous examples, how foundations have dramatically increased their accomplishments through public policy activity. The book's authors, mostly foundation practitioners, clarify how foundations can strengthen the environment needed for more successful philanthropy by building public policy into their operations. As they demonstrate, participation in public decision making is not only possible for foundations, it is often critical to achieve mission-related goals. □

—reviewed by Terrence Fernsler

### Church Giving Survey Shows Upward Trend

Churches suffered from plummeting donations after the recession began in 2008. But in the past year, a majority of congregations experienced giving increases because of a better economy, higher attendance, and more church teaching on giving. The State of the Plate Survey ([www.stateoftheplate.info](http://www.stateoftheplate.info)) reveals that 51% of churches saw giving increase in 2011, up from 43% in 2010 and 36% in 2009.

Trends in 2011 included higher budgets, which brought more church spending on staff salaries, missions, facilities, and benevolence. Trends also included greater attention to fiscal transparency and board governance and a rise in electronic giving through technological tools, such as cell phone applications and automatic bank withdrawals. The survey was completed by 1,360 churches of varying types from all regions of the country. □

### New Bill Would Encourage Gifts of Inventory

A bill up for consideration in the U.S. House of Representatives would allow thousands of small businesses to take advantage of IRC Section 170(e)(3), which provides a tax benefit for donating excess inventory. Till now, this benefit has been available only to large corporations. Passage of H.R. 2592, the Charitable Contribution and Parity Enhancement Act, sponsored by Rep. Aaron Schock, R-Ill., would mean that small businesses, representing over two thirds of all American businesses, would be able to realize an up to twice-cost federal tax deduction on donations of excess inventory. For more information about H.R. 2592, visit <http://pvox.co/AFDMzV>. □

### Nonprofits Embrace Social Media

Nonprofits' investment in social media continues to grow, notes the "Nonprofit Social Network Benchmark Report" ([www.nonprofitsocialnetworksurvey.com](http://www.nonprofitsocialnetworksurvey.com)), unveiled at the recent Nonprofit Technology Conference (NTC). Key findings:

- Nonprofit Facebook communities grew by 30%, and Twitter by 81%, compared with 2011.
- Google+ is struggling to gain momentum, and Pinterest has popped up as the top newcomer.
- Respondents' budgets and staffing for social networks continue to cautiously climb.

Blackbaud, Inc., in collaboration with the Nonprofit Technology Network (NTEN) and Common Knowledge, surveyed 3,500 nonprofits to provide an extensive look at how nonprofits are using social media, highlight key trends, and provide insights for the year ahead.

"We are beginning to see organizations value social media as not only an engagement channel, but also an acquisition channel that can lead to fundraising," said Frank Barry, Blackbaud's Internet strategy manager. "That isn't to say that some organizations aren't raising significant amounts of money from their social networks, but ultimate value comes from a multi-channel approach, not just someone liking your page or following you."

The top three factors for success on social networks, the study report concludes:

**A strategy.** Take the time to develop a vision and strategy for your social networking program.

**A priority.** Make sure your executive team makes social networking a priority for your organization.

**Staff.** Create a new position or dedicate existing staff to focus on social networking. □



### Why Organizational Change Is So Hard

When organizations fail to change, it's the leader who's usually blamed. More likely, however, it's the organization's culture that stymies innovation. If organizations have immature cultures, their change efforts are doomed.

Immature organizations are marked by avoidance behavior. They typically move from crisis to crisis (frequently creating their own crises), because they only know how to manage against impending threats. Reaching maturity means moving away from crisis management to being driven by issue resolution, then becoming task-driven and results-oriented, to finally setting goals so that planning and metrics can be used.

*Why Organizations Struggle So Hard to Improve So Little: Overcoming Organizational Immaturity* (by Martin Klubeck, Michael Langthorne, and Donald Padgett, published by ABC-CLIO, www.abc-clio.com) describes how organizations can develop cultures of learning, which will help them become more mature. Those eager to improve become role models, creating pockets of maturity which spread to other parts of the organization. Although it's a slow process, with patience and passion it can happen, and it's well worth the striving. ❑

—reviewed by Terrence Fernsler



### Learning to Fail

You can't succeed until you learn to fail. Defeat is life's greatest teacher. Practice with these lessons from *Celebrating Failure* by Ralph Heath (Career Press, www.careerpress.com):

If you don't make mistakes, you're not working on hard enough problems. — F. Wilezek

- **Establish a policy of evaluating successes and failures.** Help everyone in the organization think about how to leverage each success and failure to move to the next level.
- **Make it clear that failures will be celebrated.** Hold meetings in which everyone talks about their mistakes and what can be learned from them.
- **Hire for attitude.** What people know is less important than what they're made of. Look for resilience, persistence, a can-do attitude, and the ability to take risks and welcome defeats as learning tools.
- **Keep an optimistic attitude.** Look for the positive elements in every situation, and help others do the same.
- **Raise your sights.** Rather than aim at a mark you can't miss, set your sights on bigger, riskier goals.
- **Expect some pain.** When you push yourself to fail, you'll get hurt sometimes, but the rewards will be bigger in the end.

When you cannot make up your mind between two evenly balanced courses of action, choose the bolder. — W.J. Slim

- **Release the stress of failure.** Give your body physical outlets so the mental tension will flow out.
- **Take responsibility.** Acknowledge mistakes and problems promptly, and never shift the blame.
- **Keep a file, notebook, or computer diary** called "Celebrating Failure." Capture all the lessons learned from bad decisions and wrong paths taken. Tell these stories often to yourself and others.
- **Invite feedback and critical input.** Constructive criticism helps you fail smarter.
- **Don't mistake change for failure.** Change is transformation. Failure is lack of success. Change is certain. Failure is not. Are you avoiding change because you fear you could fail? ❑

### Key Ingredients for Leaders

*Leading in Turbulent Times* by Kevin Kelly & Gary Hayes (Berrett-Koehler Publishers, www.bkcpnnection.com) highlights the following leadership keys:

- **Expect to be misunderstood.** Not everyone thinks like you. If they did, they wouldn't need you as their leader. Communication requires patience and the willingness to repeat important messages many times, in many ways.
- **To stand up to the challenges of the future,** every leader needs passion and a big vision.
- **Never stop learning.** You will fail as a leader if you think you have no more areas in which to improve. Work constantly to better yourself and your organization.
- **Always see the glass as half full.** Believe in the future. Optimism and a positive attitude are critical. ❑



### How to Cultivate Greatness in Yourself

*The Genius in All of Us* by David Shenk (published by Doubleday) has far-reaching implications for anyone who wants to fulfill a dream. As he explains, intelligence and IQ scores can be improved, and few adults come near their true potential. The key to greatness is to learn to discipline yourself, delay gratification, and focus on your goal—all of which are skills you can learn. Here are some tools:

- **Persevere.** The greatest lesson from ultra-achievers isn't how easily things come to them but how persistent and resilient they are.
- **Find your motivation.** You have to want it so badly you'll never give up, so badly that you'll sacrifice time, sleep, and money, so badly that you'll actually revel in failure so that you can learn from it.
- **Be your toughest critic.** The way to achieve greatness is through deliberate practice, which requires never being satisfied with your current ability. It requires constant self-critique and an enormous daily commitment to being better. But, more than that, it requires a resolve to aim beyond your capability, to dust yourself off and try harder each time you fail, and to glue yourself to "the gritty process of getting better," as Shenk puts it.
- **Identify your limitations—and then ignore them.** To be great, you need to look beyond your shortcomings and what may look like immovable obstacles, believing you can grow, change, and triumph.
- **Have heroes.** Heroes inspire not just by their great work but by their humble beginnings, hard work, and the dogged patience that leads to achievement. ❑

### Top Tips for Thriving in a Bumpy Economy

A lot of people these days are worried about the future. Bad news? In some ways, yes. But for those with the right approach, there's increased hope and opportunity. Here are a few coaching tips and tactics that can help you if you need a boost.

**Work harder.** When people are feeling the pinch, it takes more persuasion to gain their support. Research shows that it takes as many as 10 "touches" to get someone to take action. So ask more often. Use stronger arguments. Go back to your people repeatedly.

**Narrow your focus.** You've got to free yourself from distractions. Prune outlying ventures and offshoots that aren't part of your core vision. Spend all your energy on strengthening your core services.

**Do more marketing.** Many organizations "budget" for marketing, which only makes sense if you think of it as a cost. Instead, if you see marketing as a revenue generator, you should be willing to be spend some defined fraction of that revenue to acquire yet more revenue. In tough times, you may want to increase the amount you spend on marketing, as it's especially important to get the word out to people.

**Make it easier for people to do business with you.** Welcome people with open arms. Stay open longer. Provide better service. Keep asking people what they want, and then give it to them.

It takes as many as 10 "touches" to get someone to take action.

**Clarify your value proposition.** Prove to people how they'll benefit from investing in your organization. Spell it out; show them exactly how they'll benefit. Use case studies, testimonials, examples, demonstrations.

**Reactivate your old supporters.** Get back in touch. Call, mail, e-mail. Remind them of the good relationship you used to have, and bring them back into the fold.

**Cut unnecessary spending.** No one ever cost-cut their way to greatness, but now's a good time to review your expenses and cut some of the fat. The fat, not the meat. Don't cut effective programs—expand them. Don't slash your workforce, only the non-performers. Ask, "What's the return on this expenditure?" If you can't say clearly, get rid of it.

**Improve your internal systems.** If you plan to dominate your niche, strong systems are critical. Logistics and process control will make you unbeatable. Strengthen your systems so that they're efficient, consistent, and scalable.

**Topgrade your staff.** Review your team. Clear out employees who don't make the top grade, and replace them with strong performers. Write compelling want ads, and screen applicants for clear values and top results. And only settle for the best. ❑

—by Paul Lemberg ([www.lemberg.com](http://www.lemberg.com)), president of Quantum Growth Coaching (<http://www.quantumgrowthcoachingfranchise.com>)



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