NONPROFIT WORLD

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Purpose

The Society for Nonprofit Organizations is a 501 (c) (3) nonprofit organization. Through *Nonprofit World* and other communications with its members, the Society is dedicated to bringing together those who serve the nonprofit world in order to build a strong network of professionals throughout the country.

This logo symbolizes the goal of the Society, which is to unify diverse segments of the nonprofit world, to draw them together, and to create a dynamic whole without losing their individuality.

on the cover

A unique idea—a camp designed for mothers as well as kids—is helping mend broken bonds. For more on the Rowdy Ridge Gang Camp and ways to turn ideas into successful programs, see "Succeeding with Your Bright Ideas" on page 25.

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EDITOR'S *page*

Are Your Problems Too Small?

When problems seem overwhelming, the solution may be to create bigger problems for yourself. That's one of five keys proposed by futurist Paul Lemberg (see "Five Secrets to High-Speed Change" on page 39).

As Lemberg explains, dealing with one small problem after another keeps you running in place. To create a breakthrough, you need to direct your energies toward a major challenge.

As a first step, ask yourself bigger questions. Instead of wondering, "Can we do it?", ask, "How can we do it?" Rather than "Isn't there a better way?", ask yourself, "What's the best way to turn this idea into reality?"

The most important trait of successful innovators is that they're opportunity-oriented, as Robert Tucker tells us in "Succeeding with Your Bright Ideas" (page 25). They don't just hatch ideas; they run with them, sweeping others up into their commitment to bring their dreams to life.

A powerful example is the Rowdy Ridge Gang Camp, which began as an idea to provide drug rehabilitation camps not just for kids but for their moms. Through the dedication of a handful of leaders, the camp now helps hundreds of shattered families rebuild themselves (see "An Innovative Way to Heal Families" on page 27).

To keep out of ruts, take less traveled roads.

Terrie Temkin (page 8) reminds us of Arthur Guiterman's advice: "Keep out of ruts; a rut is something which if traveled in too much, becomes a ditch." To keep out of ditches, take the less traveled roads. Rather than follow last year's fundraising plan, try some of the ideas in "Fundraising Forum," or find a new problem to tackle. Invite new perspectives, such as those provided in "What's Love Got to Do with It? A Critical Look at American Charity" (page 38), "Entrepreneurial Spirit" (page 15), "Nonprofit Briefs" (page 39), and "Global Thinking" (page 33). Create an environment of change and opportunity in your organization, and nix the "nonprofit culture" (see page 17).

The nonprofit sector doesn't have a great track record when it comes to innovation, as David Wagner charges in his new book (see "Relevant Reviews" on page 38). In Wagner's view, the sector is neither creative nor effective but, rather, is a vehicle for society's elite to perpetuate the status quo. Although his book will stir controversy, it may also inspire the simple questions that could lead to revolutionary change.

When was the last time you told yourself, "There must be a better way"? The minute you had that thought, you challenged your assumptions. In doing so, you took the first of seven steps to successful programs described on page 25. You saw an issue not as "the way things are" but as a problem that, with passion and persistance, you can solve.

Jill Muehrcke
Editor, *Nonprofit World*

six

Six Things to Do Next Monday

Here are a few concrete things you can do right now to begin transforming your organization.

1 **Rethink your attitude toward nonprofit entrepreneurship.** See if you're making any of the mistakes laid out in "Eight Basic Principles for Nonprofit Entrepreneurs" on page 15. Resolve to follow the lessons described here to create a financially empowered organization.

2 **Consider whether you're ready** for changes that are sure to come. See "Five Secrets to High-Speed Change" (page 39) and "Are Your Problems Too Small?" (page 2).

3 **Do one thing differently** in order to challenge your assumptions, change your perspective, and create new possibilities. See "Succeeding with Your Bright Ideas" on page 25 and "Are Your Problems Too Small?" on page 2.

4 **Give careful thought** to whether receiving on-line donations should be a high priority for your organization. See "Should You Join a Fundraising Site?" (page 6), "People and Technology" (page 35), and "Mama Said Never Put All Your Eggs in One Basket" (page 8).

5 **Make a list of services your organization provides,** and ask yourself what activities must take place to provide those services. Plan to follow the steps in "A New Way to Evaluate Your Organization's Performance" (page 28) to see if you're allocating your staff's time to the right activities.

6 **Use the checklists** in "Fundraising Forum" (page 8) to assure a steady income for your organization. ■

Can You Acknowledge Donors Via E-mail?

Are electronic gift receipts legal?

Q: We are a small organization seeking funds. We don't have the time or money to mail acknowledgment letters to all donors. Our question: Can we issue receipts for donations through e-mail? If an e-mail acknowledgment is O.K., can you suggest the form it should take? Thanks very much for your help.

A: You're in luck. A recent law–the Electronic Signatures in Global and National Commerce Act–recognizes the legal validity of electronic transactions. Experts say that this law should cover donor receipts. Without ruling on the subject, the IRS says it would "probably" accept an e-mail receipt and suggests that you include a unique serial number with each e-mail acknowledgment you send.

Assuming that donors aren't receiving any goods or services in exchange for their donation, your receipt might read as follows: "Thank you for your contribution in the amount of $100. We have not provided any goods or services in consideration of your donation. Therefore, your entire contribution is deductible as a charitable contribution for federal income tax purposes. For identification, please use the following receipt number: 123100." ■

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Ensure You Hire Legal Employees in Tight Labor Market

According to a recent report by the Federal Reserve, employers in most regions of the country have more job openings than they can fill with available, qualified workers. The competition for workers has led to a new problem–an increased number of applicants who aren't legally eligible to work in the United States.

The Immigration Reform and Control Act (IRCA) requires employers to verify the eligibility of everyone hired. Follow these tips to ensure your good-faith compliance with the IRCA:

- **Carefully examine the documents presented by newly hired employees.** Look for any alterations or inconsistencies in the documents. Crosscheck all documents to be sure the information matches.
- **Keep copies of all documents for all employees.**
- **Verify the social security numbers of newly hired employees.** To do so, call 800-772-1213 or your local Social Security Administration office.
- **Immediately suspend or discharge an employee** if you suspect fraudulent documentation. It is a violation of the IRCA to continue employing someone if you suspect that the individual isn't eligible to work in the United States.

For more information, see *The Workplace and the Law*, P.O. Box 7616, Elgin, Illinois 60121, 630-377-1554.

IRS Approves On-Line Donor-Advised Fund

The IRS recently approved a charity's proposal to accept gifts to its donor-advised fund over the Internet. The charity, Philanthropic Research, Inc., has established the GuideStar Web site (www.guidestar.org), whose online database contains information on the finances and programs of more than 700,000 nonprofit organizations.

According to the proposal, GuideStar visitors will make gifts to the donor-advised fund, then periodically recommend that these funds be distributed to specific charities. Philanthropic Research, Inc.'s policy would be to follow donors' suggestions, but it would honor recommended gifts only to charities in its database.

The IRS continues to scrutinize donor-advised funds. See "Avoiding the Pitfalls of Donor Designated Giving" (Gammon & Grange Law Offices, 8280 Greensboro Drive, 7th Floor, McLean, Virginia 11102-3807, 703-761-5000, npa@gandglaw.com) and "Will Donor-Advised Funds Revolutionize Philanthropy?", *Nonprofit World*, Vol. 19, No. 2, (6314 Odana Road, Suite 1, Madison, Wisconsin 53719, 608-274-9777, Ext. 221, www.danenet.org/snpo).

What You Don't Know about Cooperative Mailings Can Hurt You

The U.S. Postal Service is aggressively interpreting and enforcing the old "cooperative mailing" rules in ways never before contemplated, according to Geoffrey Peters of Creative Direct Response International in Crofton, Maryland. In one recent case, the USPS ruled that the relationship between a nonprofit and its landlord, a city, gave the city too much control over the nonprofit, thus making its fundraising mailings cooperative. This ruling means that the USPS is inquiring into not only the circumstances surrounding the mailing itself but the entire conduct of the nonprofit. At least one postal official says that a mailing may be considered cooperative if printers or other vendors provide credit to a nonprofit to make the mailing.

Under the statute of limitations, the USPS can go back six years. The difference between the nonprofit rate and the commercial rate charged for joint mailings can amount to millions of dollars for some nonprofits. The only solution to such unfair practices, Peters concludes, may be "legislation that reins in the USPS and limits its inquiries to what is in the envelope." For more information, contact the DMA Nonprofit Federation, 815 Fifteenth Street, N.W., Washington, D.C. 20005.

Should You Join a Fundraising Site?

The many giving Web sites now available give nonprofits with limited budgets a chance to take advantage of the Internet's wide reach. Consider adding to your name to one of these sites **IF:**

- **Doing so enhances** your organization's mission and goals.
- **It doesn't conflict** or interfere with your own fundraising efforts.
- **It won't confuse** your donors.
- **You've compared it** to other giving sites and decided this is the best one for your needs.
- **The "feel" of the site is a good fit** with the nature of your organization.
- **You've asked for a list** of the site's investors and have spoken to those backers to be sure the company is financially stable.
- **You have control** over what the site says about your organization and can make changes to that information when necessary.

If you decide to take advantage of such sites, be sure you have a formal agreement with the Internet-based service provider which seeks to represent your organization or accept donations on your behalf. That agreement should:

1. **Make clear which party is required to register** with regulators.
2. **Specify who has legal control of contributions.** Does the service provider simply act as a conduit, passing on the money, or does it legally control the money and then pass it on to your organization?
3. **Clarify how and when contributions will flow to your organization.** For example, will donations be sent on receipt, weekly, quarterly? Will donations come by check or bank wire transfer? If possible arrange for contributions to be sent as they are received.
4. **Specify whether you will be able to monitor hits** on your account or if the service provider will supply periodic reports.
5. **Require the service provider to assume liability** for making sure that all money intended for your organization is transmitted in a timely and secure way.
6. **Specify whether the service provider is capturing demographic information** or similar data. Note who owns such data and on what terms the owner will make it available to the other party to the agreement. Require the service provider to tell donors and visitors that such information is being collected and give them the option to prevent or restrict such data collection.
7. **Detail all fees** charged against donations to your organization. Require the service provider to disclose to all potential donors if fees will be charged.
8. **Specify which party's privacy policy will control the transaction.** Any privacy policy should address such issues as confidentiality, use of information, secure storage of data, secure transactions, conditions for release of data, opt-out options, and similar matters. This policy should be posted on the Web site.
9. **Require that the service provider prepare regular statements** to confirm your organization's receipt of donations.
10. **Specify how your organization's name and logo** will be used on the Web site and in any related communications and materials.
11. **Clarify who is responsible** for writing, editing, and updating information about your organization on the Web site.
12. **Describe the terms** for "charge-backs" and other requests for refunds from donors.
13. **Explain what happens if the service provider ceases to operate or exist.** The service provider should have procedures to protect your organization and donors in case of this contingency.
14. **Note the degree of liability** the service provider assumes to the organization, the donor, and third parties for information, transaction handling, and losses related to its handling of a donation.
15. **Specify termination provisions your organization may use** if the service provider isn't meeting your needs.
16. **Make clear that the service provider will offer** the following information on the site: the site's purpose, how donors can use the site, the relation between the service provider and your organization, whether the service provider is a for-profit or not-for-profit, whether the donor is entitled to a charitable deduction, and whether deductions are limited based on applicable laws.

Questions to ask before entering into such arrangements include:

- **Is the site a passive facilitator of contributions,** or will it aggressively seek out donations through e-mail and other means?
- **Does the site encourage direct contributions,** or are those who visit the site mainly interested in acquiring products or services and giving a percentage of their purchases to charity (cause-related marketing)?
- **If the service provider charges a transaction fee,** is it reasonable? Is it negotiable? Are fees capped at an agreed-upon level or based on a sliding scale?

For more information, contact the National Society of Fund Raising Executives (NSFRE), 1101 King Street, Suite 700, Alexandria, Virginia 22314, 703-684-0410.

IRS Taxes a Tearoom

Can a tearoom be related to your exempt activity? In a recent Technical Advice Memorandum (200021056), the IRS said "no."

In this case, the 501(c)(3) organization was operated to help deserving women earn their own living by means of their handiwork. The organization operated a consignment shop where these women could sell items they had produced.

In connection with the consignment shop, the organization operated a contiguous gift shop, which sold other, more expensive items, and a tearoom. The organization had been reporting the gift shop and tearoom as unrelated business income (UBIT), but the IRS questioned whether the unrelated activity jeopardized its exempt status. In arguing for exempt status, the organization claimed that the tearoom and gift shop were related, nontaxable income because they drew people to the consignment shop.

The IRS concluded that the tearoom and gift shop were unrelated business activities because they didn't further the organization's exempt purpose. Because the organization carried on a substantial exempt activity, however, it didn't lose its exempt status.

If your organization conducts substantial unrelated activities, you should be careful not to endanger your tax-exempt status. There are ways to structure your operations to protect your organization. For more information, contact Grant Thornton, 800 One Prudential Plaza, 130 E. Randolph Street, Chicago, Illinois 60601.

NetPost Available for Nonprofits

Nonprofits can now electronically transmit documents to the Postal Service, which will print them out, insert them into envelopes with addresses and postage, and deliver them at nonprofit rates. For more information on NetPost MailingOnline, visit www.usps.gov/mailingonline.

Most People Undervalue Donations

A new study finds that taxpayers who donate clothing and household items to charities typically value these items at only 20% of their fair market value–80% less than the IRS allows.

People were surveyed as they donated non-cash items to such charities as the Salvation Army and Goodwill. Over 90% of the 100 respondents undervalued their donations, some by as much as $3,680. One woman who planned to claim $350 for seven bags of clothing was stunned to find they were worth $1,700.

It's not just taxpayers who benefit from deducting gifts at the legal limit. Charities are the real beneficiaries. When people understand the true tax benefit they can gain by donating to charity, they will contribute more, and more often.

Income Dynamics, which commissioned the study, has developed software to help taxpayers value non-cash donations and save tax dollars. For more information, contact Income Dynamics at www.itsdeductible.com or 1-800-976-5358.

Estate Tax Spurs Giving, According to IRS Data

New IRS data show a continuing correlation between the estate tax and philanthropy. The findings:

- Two-thirds of charitable bequests are from estates of $5 million or more. Nearly half (46%) come from the super wealthy with estates of $20 million or more.
- The use of the charitable deduction under the estate tax is directly related to the size of the estate. The percentage of estates claiming charitable deductions increases from 13.3% in smaller estates (under $1 million) to 45.2% in the largest estates ($20 million or more).
- The average size of the amount given to charity increases dramatically as the size of the estate increases. The smaller estates (under $1 million) give, on average, $171,950; the largest estates ($20 million or more) give, on average, $25,873,096.

Under current tax law, estates can give an unlimited amount to charity to reduce estate taxation. IRS data make it clear that the tax is an incentive for giving. For more information, see ombwatcher@ombwatch.org.

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MAMA SAID NEVER PUT ALL YOUR EGGS IN ONE BASKET: Boards, Strategic Thinking, & the Need for Diversified Revenue

Use these checklists to guarantee a steady income for your organization.

BY TERRIE TEMKIN

The poet Arthur Guiterman once said, "Keep out of ruts; a rut is something which if traveled in too much, becomes a ditch." This is especially true when it comes to fundraising.

Your organization can avoid wearing a rut in the road by venturing off the beaten track. The key is to keep your destination clear and your map handy so you can make the best choice from your options. Ready to travel? Let's go.

THE RESPONSIBILITY FOR NAVIGATING

When mapping out your organization's journey, it's imperative to consult both your staff and board. Each group's insight is different yet equally critical. Staff members control the details necessary to drive the organization day to day. Strategic thinking with a long-range perspective is the defining responsibility of boards.

Strategic thinking is fun. It challenges boards to think creatively and envision the "what ifs...." But it requires more than dreaming dreams. All plans have costs that must be covered. As one pop philosopher reminds us: If you want milk, don't set your stool in the middle of the field in the hopes that the cow will back into you. To realize your vision, you must decide how to fund that vision—a process that involves a great deal of strategic thinking.

MAPPING OUT THE TRIP

A board should consider many factors when deciding how best to fund its plan. Here are a few points to keep in mind:

Decide how much money you need—and when you need it. The staff should be able to supply board members with program budgets and timelines geared to objectives previously defined by the board. Board members must be realistic and plan for contingencies as they allocate money and time.

Scrutinize timelines. By helping the board visualize its needs for resources, timelines ensure that the organization doesn't take on more projects than it can handle. Timelines also point out problems, as when the board is relying on funds that can't possibly come in within the desired time frame.

Look at fundraising options. Among them:

Personal contributions
- face-to-face solicitation
- direct mail
- telemarketing
- door-to-door solicitation
- online solicitation
- matching gifts
- planned giving

Grants
- foundation grants
- government grants
- corporate sponsorship

Earned income
- special events
- neighborhood fundraising (for example, bake sales, car washes and garage sales)
- cause-related marketing
- affinity marketing (such as the promotion of credit cards that sport the organization's logo in return for a percentage of the credit card companies' profits)
- joint ventures
- fees for services
- unrelated business

Think Multiple Revenue Streams. The key is to pick several of the above methods to guarantee a steady stream of revenue. Mama always said: Never put all your eggs in one basket; you may drop or lose the basket.

Fundraising techniques go through cycles. For about 15 years

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Dig where the gold is unless you just need the exercise.

special events were hot, hot, hot. Now they are losing their luster. Affinity marketing was all the rage until it seemed as if every nonprofit organization was offering its own credit card and the IRS stepped in to collect unrelated business income tax (UBIT). Fundraising on the Internet appears to be the next major trend. But it may be short-lived if the issue of state-by-state registration can't be worked out. The point is, while revenue prospects can seem rosy if your organization hits a cycle on its upswing, you can lose big if you use a method that's on its downswing–especially if the board was counting too heavily on that source of cash.

You may also lose big if you don't face the fact that your mission's appeal can go in cycles as well. For years, AIDS organizations, overlooked by mainstream funding sources, went begging. Then, suddenly, it seemed that everyone was throwing money in their direction. Today, with new drug treatments helping people with AIDS lead longer, healthier lives, the mission has lost its sense of urgency, and AIDS organizations are once again scrounging for funds.

For these reasons, it's important to develop balanced fund-development programs. A balanced program will show income from each of the three categories noted above—personal contributions, grants, and earned income.

Diversity within each of these categories is also important. An organization that counts on getting 25 percent or more of its income from any one source is crossing into a danger zone. And while the zone may be cautionary yellow at 25 percent, it is definitely red at 33 percent. What would your organization give up if a third of its expected income didn't come in? Many organizations had to face this when, in 1992, the United Way went through a credibility crisis that affected its fundraising ability. They faced it again when the federal government changed its funding process to block grants in the mid 1990s. Organizations that relied heavily on these funding sources found themselves scrambling to stay alive.

One way to encourage diversity is to be sure the board's fundraising plan targets people both inside and outside the organization. Traditionally, many organizations functioned under the belief that the sweat equity board members and volunteers contributed to their organization was sufficient. They looked only outside the organization for cash donations. Today most realize that those closest to the organization have a responsibility to support it financially as well.

Think Strategically about Funding. There's an old saying that applies well to fundraising: Dig where the gold is unless you just need the exercise. As part of deciding where to "dig," boards must evaluate the ***potential*** of each fundraising strategy to meet their needs. While a car wash may bring in enough dollars for a high school band looking to buy a new drum set, it won't bring in enough dollars for a university to fund its endowment. Looking for the gold also means being realistic about whose deep pockets the organization will attempt to tap. A local bank may be extremely philanthropic. But if your organization is a health-related charity and the bank funds the arts, it is a waste of time and effort to approach the bank.

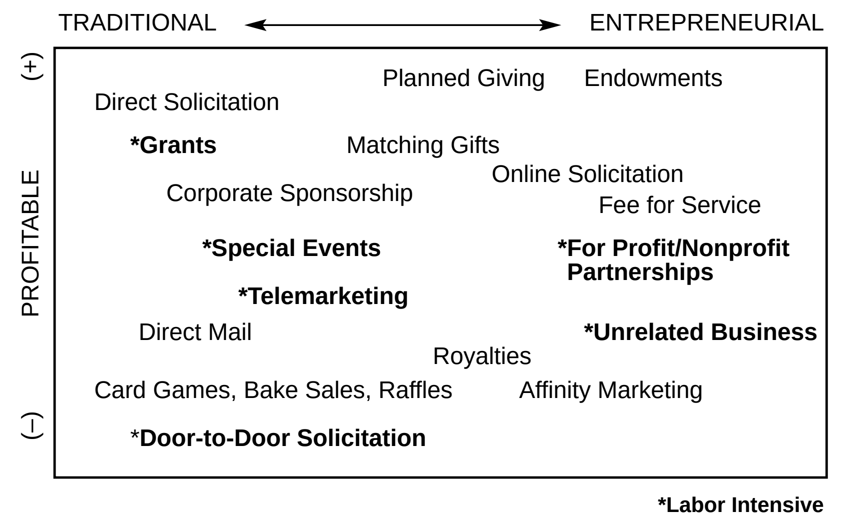
It might be more productive to ask the local gangster who wants to buy respectability to contribute to your cause. Some organizations believe there's no money so dirty that it can't be made clean with the tears of widows and orphans. Is that your organization? Or do you find that idea distasteful? Deciding your ***philosophy*** of fundraising is critical.

Related to philosophy is ***image.*** While you may not be taking money from gangsters, every day your board has to look beyond the dollar signs and decide whether it wants its organization known as the bingo group or the organization that sells burial plots. Development efforts always have a public relations component. The question you must constantly ask is: What kind of an image are we projecting if we go ahead with this idea?

Sensibilities may be ruffled if the avenues pursued aren't ***mission-appropriate.*** Some people were very uncomfortable, for example, when they learned that the founder of Mothers Against Drunk Driving (MADD) accepted money from liquor companies.

This brings us to ***stakeholders' needs and desires.*** How will your contributors, clients, staff, board members, and the public feel if, for instance, your board decides to implement a fee for services that have traditionally been free, or to incorporate affinity marketing into your fundraising mix? You had better feel confident that clients will see the inherent value in your services and be willing to pay or that enough people will view the affinity offering as a benefit and opt to take advantage of it. If people react negatively, they will share their displeasure with the world and your organization's image will suffer. A minimal benchmark against which any development idea should be measured is the commitment level of your board. If the board doesn't back an idea with enthusiasm, it's probably not an idea to implement.

Figure 1. **Fund-Development Options: From Traditional to Entrepreneurial**



Fundraising plans should fit the ***board's worldview.*** Some boards are more comfortable with traditional fundraising methods such as grants, special events, and direct solicitation. Others are motivated only by entrepreneurial approaches—for example, establishing a for-profit business to generate income for the nonprofit (see Figure 1). Because the worldview may shift with any changes in your board roster, this should not be a defining issue. At the same time, board members must be committed to whatever fundraising efforts are undertaken, so their preference should carry some weight.

Whatever fund-development strategy the board selects should make sense for the organization's ***sophistication level.*** The earlier example of a university trying to fund its endowment by holding a car wash is a case in point. The major donors so essential to a university's viability might lose confidence in an administration operating at this rudimentary level. University development offices typically function at the cutting edge.

A related issue is your organization's stage of existence. Organizations have ***life cycles*** just as people do. When an organization is in its infancy, it is consumed with the basics. Capital campaigns and endowment funds are years down the road. As the organization grows to maturity, a permanent home and security become important. In the early years, unless an organization's mission is truly unique and topical, a board's ability to promote a new organization to a for-profit partner is probably limited. Businesses looking for nonprofit partners generally want to associate with a well-recognized organization so as to bask in its reflected goodness.

Another important fundraising issue is the ***availability of sufficient staffing***—paid or volunteer—with the appropriate skills. For example, your organization may need only one or two people to operate a planned giving program, but they must be highly skilled individuals with a great deal of specialized knowledge. For an auction, you need lots of people—to solicit items, put together a catalog, sell tickets, serve as auctioneer, man the checkout counter, arrange for food and entertainment, and encourage sales.

The ***risk*** you assume by choosing a particular fundraising course must be considered, too. Some of the most treasured fundraising techniques are filled with risk. Raffles, for example, are illegal in almost every state (see "References"). You must be aware of where the potential for problems exists. When choosing a fundraising method, look carefully at the following:

- down payments, such as those incurred in special event planning (for example, the organization must cancel the event)
- situations or events that could lead to personal injury or property damage (for example, someone gets food poisoning at the bake sale)
- investment decisions
- maintenance of inventory (for example, storage costs eat up the projected profits from a cookbook)
- reporting and registration requirements (for example, Florida has begun to fine organizations in other states that have not registered with the state of Florida to solicit funds if those organizations receive any money from Florida. This is true *even if there was no effort to solicit in Florida*–say someone stumbled over a Web page, thought the organization was interesting, and decided to send a check).

Figure 2. **Fund-Development Options: Decision Grid**

	DIRECT SOLICITATION	DIRECT MAIL	TELEMARKETING	DOOR-TO-DOOR SOLICITATION	ONLINE SOLICITATION	SPECIAL EVENTS	NEIGHBORHOOD FUND RAISING	FOUNDATION GRANTS	GOVERNMENT GRANTS	CORPORATE SPONSORSHIP	CAUSE-RELATED MARKETING	AFFINITY MARKETING	MATCHING GIFTS	JOINT VENTURES	PLANNED GIVING	FEE FOR SERVICES	UNRELATED BUSINESS
POTENTIAL																	
SOPHISTICATION LEVEL																	
STAGE IN ORGANIZATION'S LIFECYCLE																	
STAKEHOLDER NEEDS AND DESIRES																	
BOARD'S WORLD VIEW																	
STAKEHOLDER SENSIBILITIES																	
IMAGE																	
AVAILABILITY OF SUFFICIENT STAFFING																	
RISK																	
TAX LIABILITY																	
COST																	
COMPETITION																	

> *"Nonprofit" is a tax code, not a goal!*

- the reputations of for-profit partners
- potential backlash from organization members who resent a particular course of action
- constraints imposed by funding agencies (for example, reporting requirements that demand administrative oversight not paid for by the grant)
- unexpected tax liability
- government sanctions, including the loss of 501(c)(3) status

Nonprofits often overlook the potential for ***tax liability***. Yet several fundraising options, such as the sale of goods and services not directly related to the organization's mission, are taxable. Many organization stakeholders recoil from the idea of paying taxes, but nonprofits raise a lot of money pursuing unrelated business income. The key, once again, is to think strategically about the benefits versus the costs.

Unfortunately, ***cost*** is one more factor that's often overlooked. Remember: Sometimes money just costs too much. The most blatant example is the board that opts for a special event because it wants to avoid direct solicitation. Board members invest much time and money to raise a couple thousand dollars. And they still have to solicit. Soliciting for ticket sales, underwriting, and giveaways is more time-consuming than asking for a major gift, and the potential for return is less. The lesson is to make no decision about fundraising without first looking at total costs. Even nonprofits have to make a profit: "Nonprofit" is a tax code, not a goal!

Finally, with just under 1.5 million nonprofit organizations in this country–a figure that grows by approximately 40,000 a year–you must consider your ***competition.*** What are others in the community doing to raise money? How can you ensure that your organization wins its share of the market?

Your board must talk about the above issues, always framing its responses in relation to the organization's mission. Its conclusions should be written down. Some of the conclusions, such as the degree of risk the organization is comfortable in assuming, should probably be codified as policy. Then, the board should ask how well each fundraising technique stacks up when measured against its conclusions.

One easy way for your board to visualize the comparisons is to create a grid with decisions about issues on the vertical axis and fund-development options on the horizontal axis (see Figure 2). If the board puts a check mark in any box where the fundraising method meets the set standard, a quick look at the completed grid will show which methods are most appropriate.

Think Contingencies. No matter how realistic your budget, you're likely to find yourself short in some area sometime during the year. Unfortunately, you face a risk whenever your plans depend on others, including corporate sponsors or joint venture partners, who may decide to put their money elsewhere or who suddenly file bankruptcy. Therefore, it is critical that your board plan for contingencies, with back-up fundraising ideas beyond those specified in the original plan.

THE JOURNEY

So, the board has identified your organization's destination, unfolded the map, and talked about where everyone wants to go and why. The pros and cons of certain stops over others have been debated. The costs have been discussed and the options narrowed to those that are both affordable and appealing. You are ready to pull out of the drive.

As with any other journey, the planning you have done should make for a memorable trip. Just a few final hints:

Share the driving. It will increase the pleasure for everyone as work teams coalesce, friendships emerge, and people feel they are truly helping the organization make an impact on the community.

Seek adventure. There is no reason to follow last year's fundraising plan. The less traveled roads will not only keep you out of the ditches, but also provide you with some of your best board experiences—as long as you always keep sight of your destination. ■

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An award-winning speaker and engaging group facilitator, Terrie Temkin, Ph.D. (NonProfit Management Solutions, Inc., P.O. Box 7536, Hollywood, Florida 33081, terriet@nonprofitmgtsolutions.com) brings 25 years of nonprofit management and adult education experience to her work as a consultant specializing in board, staff, and organizational development. She is a contributor to Secrets of Successful Fundraising, *from which this article is adapted (see "References.")*

New Regs Unravel Intermediate Sanctions Snares

The IRS has clarified some of nonprofits' most troubling concerns about the Intermediate Sanctions Law. Here are the basics.

BY SARAH J. SCHMIDT

Intermediate Sanctions—the 1996 law that gives the IRS penalties to use against insiders who benefit personally from their positions at charitable organizations—rose to the forefront again recently when the IRS issued new temporary regulations explaining certain enforcement and interpretation issues. Nonprofit executives now have greater clarity in how to avoid personal liability and penalty taxes on any "excess benefits" they receive. The main issues addressed by the new regulations are highlighted below.

Who's Subject to Penalties?

Intermediate sanctions apply to "disqualified persons" who receive "excess benefits" from the exempt organizations they serve.[1] Disqualified persons are in a position to influence the organization's affairs. They may be managers, officers, directors, employees, or others in an influential position within the organization. A disqualified person may even be a volunteer or employee of an exempt or non-exempt subsidiary organization.

However, the new regs explain, the mere title of "officer, director, or trustee" doesn't necessarily produce a disqualified person. Whether people are "disqualified" depends on their power within the organization. For example, the regs define someone with the typical power of a treasurer or chief financial officer as a disqualified person, but not necessarily someone with only authority to sign drafts or authorize electronic funds transfers.

The regs also offer additional factors that the IRS will use to determine whether someone has substantial influence in an organization, such as the following:

- Did they found the organization?
- Do they share authority to control or determine a substantial portion of the organization's capital expenditures, operating budget, or compensation for employees?
- Do they manage a discrete segment or activity of the organization that represents a substantial portion of the organization's activities, assets, income, or expenses?
- Do they own a controlling interest (measured by vote or value) in a corporation, partnership, or trust that is disqualified?

Who's *Not* Subject to Penalties?

In response to the Seventh Circuit Court of Appeals ruling in *United Cancer Council v. Commissioner*, the new regulations provide an exception that many are calling "a first bite at the apple."[2] Better described as an "initial contract exception," the provision says that Intermediate Sanctions won't apply to "any fixed payment made to a person pursuant to an initial contract, regardless of whether the payment would otherwise constitute an excess-benefit transaction."

An initial contract is one between an exempt organization and someone who was not a disqualified person immediately before entering into the contract. In other words, if a fundraiser enters a first-time contract with an exempt organization (as occurred in the *United Cancer Council* case), the fundraiser won't be subject to Intermediate Sanctions *even if* the benefits the fundraiser receives might otherwise be considered excessive under an Intermediate Sanctions test.

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Naturally, the regs also apply certain limitations to this exception. The amount of the fixed payment can't be subject to any one person's direction, for example. A fixed payment would also not include amounts paid under a reimbursement arrangement where any one person exercises discretion regarding the amount of expenses incurred or reimbursed.

What Are the Penalties?

Disqualified persons who violate the excess-benefit prohibitions are subject to a number of stiff penalties, from a 25% tax on the value of the excess benefit received, up to a whopping 200% tax if they don't correct the transaction within a specified period. These taxes are imposed on the individuals, not the organization, but the organization may still be subject to the loss of its exempt status if the IRS elects to pursue that route.[3]

The new regs say that a disqualified person must repay the exempt organization in cash or cash equivalents to avoid this 200% penalty, and the repayment must include interest from the time the excess benefit occurred to the time of repayment. The regs make clear that the IRS prefers cash repayment, but one provision in the regs permits the disqualified person and the exempt organization to enter an agreement regarding the return of property. Any such agreement must, however, permit the organization to "always refuse the return of that property as payment, and require instead that the disqualified person make a payment in cash (or cash equivalents) of the full correction amount."

If returning the property results in less repayment than what is necessary to correct the full amount of the excess benefit, then the disqualified person must make an additional cash payment to the organization to satisfy the difference. (Conversely, if the payment made by returning the property exceeds the correction amount, the organization may pay the difference to the disqualified person.) If the exempt organization no longer exists at the time repayment must be made, then the disqualified person should pay the correction amount to another exempt organization–an organization that's in no way related to the disqualified person.

What Don't the Regs Do?

The new regs don't address revenue-sharing transactions, although many practitioners had hoped the regs would resolve the question of how such transactions stack up under Intermediate Sanctions. That question will have to wait for future clarification, possibly in the form of additional IRS regulations.

Speaking at a meeting of the American Bar Association, Susan Brown, a Department of Treasury attorney, said, "We're comfortable that subjecting revenue-sharing transactions to the general fair market value standard will reach most if not all improper transactions. Right now, we don't see a need for a second level of tests when the compensation is revenue-based."[4]

The regs also fail to address questions regarding donor-advised funds. Instead, the IRS has requested comments about "potential issues raised by applying the fair market value standard of section 4958 to distributions from a donor-advised fund to (or for the use of) the donor or advisor." This, too, presumably awaits future regulations.

What's Next?

The temporary regulations may have disappointed some in the nonprofit community because of their silence on several troublesome issues. But in other respects, the regs bring welcome relief from uncertainty over many aspects of Intermediate Sanctions.

Although the regulations are considered temporary, with a life span of only three years, they are binding in the same manner as final regulations during that period. They will most likely be revised and reissued as final regulations at some point during their temporary period. This means nonprofit executives and managers should become familiar with the regulations and consult legal counsel for advice on how to avoid any resulting liabilities. ■

Footnotes

[1]"Excess benefits" are defined as benefits provided by an exempt organization directly or indirectly, to or for the use of any disqualified person, if the value of the economic benefits exceeds the value of consideration (including the performance of services) that the organization receives for providing such benefits.

[2]*United Cancer Council v. Commissioner*, 165 F. 3rd 1173 (7th Cir. 1999), 109 T.C. 326 (1997).

[3]See Fram & Spaull in "Selected Resources."

[4]Brown's comments came during a presentation she and other IRS and Treasury officials made at the January, 2001, meeting of the Exempt Organizations Committee of the American Bar Association Section of Taxation, held in Scottsdale, Ariz. She is quoted in *The Exempt Organization Tax Review*, Feb., 2001, p. 151.

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Eight Basic Principles for Nonprofit Entrepreneurs

These lessons from the pioneers in the field could save you many heartaches.

BY JERR BOSCHEE

After hovering around the edges of the nonprofit sector for years, social entrepreneurship has moved into the mainstream. Venture philanthropists, traditional grantmakers, boards of directors, nonprofit entrepreneurs, consultants, and academics are all rushing to the table—many without the tools they need.

They can find those tools by turning to the experiences of the pioneers in the field—nonprofit veterans who've been quietly making mistakes and learning from them for decades. Here are eight basic principles that have emerged from those travails as articles of faith:

1 *Earned* income is paramount.

The nonprofit sector has traditionally been driven by a reliance on philanthropy, voluntarism, and government subsidy. Earned income has been viewed as something extra.

Social entrepreneurs have turned that formula on its head: On the revenue side, earned income has become the *primary* goal. Philanthropy, voluntarism, and government subsidy are welcome, but not central.

This is a tectonic shift, and not well understood or accepted by many in the sector, for two reasons.

> *Innovation can take a nonprofit only so far.*

First, they fail to perceive the difference between "innovation" (doing something new) and "entrepreneurship" (doing something that makes money). "Social entrepreneurship" becomes a convenient label for almost any new approach that has a social outcome. But it's one thing to design, develop, and implement a new program—and quite another to sustain it *without depending on philanthropy and government subsidy.*

And that leads to the second problem. Those who confuse innovation and entrepreneurship are also prone to forget the most important difference between *earned* revenue and *donated* revenue. One can lead to sustainability and self-determination. The other cannot.

Innovation is a precious resource, and it served as the primary engine of nonprofit growth through the 1970s and 1980s. But innovation can take a nonprofit only so far. Without self-generated revenue, nonprofits will remain forever dependent on the kindness of strangers—and that's a risk social entrepreneurs are unwilling to take. They're passionately committed to their mission, but they're just as passionately committed to becoming financially self-sufficient—*in order to do more mission!* And as traditional sources of funding became less available during the 1980s and 1990s, more and more nonprofits discovered the importance of paying their own way—and became genuine social entrepreneurs.

2 Be a player or don't play at all.

Peter Drucker began preaching a new gospel to nonprofits in the early 1990s that has helped social entrepreneurs sharpen their organizational focus and expand their impact.

When Jack Welch took over as CEO at General Electric in 1981, he asked Drucker to tell him the *single* most important thing he could do to improve the company. Drucker's answer was simple: If your products or services are not number one or number two in the market, kill them. In other words, *stop trying to be all things to all people.* Since then,

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Stop trying to be all things to all people.

Drucker has repeatedly urged nonprofits to do the same. He calls it "organized abandonment."

Drucker's advice runs against the grain of the traditional nonprofit mentality, but most nonprofit executives *will* admit that they're spread too thin, that they're trying to do too many things for too many people, and that they're therefore unable to give *any* of their clients the attention they deserve. Organized abandonment gives them a way out of the morass.

The process can be agonizing. It isn't easy to kill programs, especially if they're beloved by board members or funders. And there *is* an important caveat: Being a social entrepreneur does *not* mean eliminating a program just because it loses money. If a nonprofit is the best or the only provider of a program that's critically needed, it has an obligation to continue the program—and a managerial challenge to find other sources of revenue to cover the cost.

Fundamentally, organized abandonment relies on a nonprofit's ability to be honest with itself—exceedingly difficult for *any* organization, nonprofit or otherwise. But the results have been worth it, and the ultimate winners have been the clients. Social entrepreneurs have discovered that reducing the number of programs they offer actually enables them to serve more people—because they have the time and resources to expand their efforts.

3 Starting a business venture is *not* the only path to success.

Many nonprofit board members and executives are daunted by the prospect of social entrepreneurship because they think it means starting a business venture, something few know how to do.

But creating a business isn't the only way to be successful as a social entrepreneur. In fact, the most fertile ground for most nonprofits is something called "earned income strategies," which have nothing to do with starting a business venture.

The two approaches differ substantially in terms of purpose, expectations, and structure:

Earned income strategies: Experience has shown that almost every nonprofit has opportunities for earned income lying fallow within its existing programs. The opportunities may be tiny or they may be huge, but exploiting them can have a significant cumulative impact. By turning inward and searching for pockets of opportunities, nonprofits can register impressive gains, often raising their percentage of revenue from earned income by as much as 15% within one to three years.

Business ventures: Once a nonprofit has gained experience with earned income strategies, it may want to consider launching a formal business venture—but the goals would be much more ambitious and the strategy completely different. The *only* reason for a nonprofit to start a business venture is to exploit a specific opportunity for significant growth and profitability—a substantial difference from earned income strategies, which are designed primarily to cover more of a program's costs, without any real expectation of making a profit or even reaching a break-even point.

The pioneers in the field have also discovered that the chances for success will be dramatically increased if the organization creates a "skunkworks"—a completely separate entity insulated as much as possible from the day-to-day operations of the parent organization. That means having a separate board, separate staff, separate compensation policies, and as much independence as possible.

4 Unrelated business activities are dangerous.

Most nonprofit entrepreneurs have discontinued the attempt to mount businesses unrelated to their mission. Twice (in the late 1970s and mid-1980s), nonprofits chased the chimera of a cash cow—the apocryphal unrelated business venture that would operate almost as a perpetual motion machine, without much need for supervision, churning out floods of cash to fund the nonprofit's mission.

Those nonprofits learned a painful lesson: Attempting to start an unrelated business venture means they were hit with a double whammy. They were trying to start a business (which they probably didn't know how to do), and they were trying to start it in an arena they knew nothing about! At least by eliminating the second aspect, they could improve their odds.

The business ventures being started by nonprofits today are therefore emerging directly from their core competencies and basic strengths—from their missions, the programs they have already perfected, and the assets they have developed in the process. This also avoids trouble with the IRS, since their ventures are mission-related and no threat to their tax-exempt status.

Instead of unrelated businesses, nonprofits have been concentrating on two types of ventures:

Affirmative businesses. John DuRand of Minnesota Diversified Industries (MDI) invented the concept of an "affirmative business" in the early 1970s, and it has since become the most common form of social enterprise. Unlike a sheltered workshop, an affirmative business is created specifically to provide *permanent* jobs, *competitive* wages, *The greatest danger is under-capitalization.*

career opportunities, and even ownership for people who are disadvantaged, whether it be mentally, physically, economically, or educationally. Employees have included people who are developmentally disabled, chronically mentally ill, recovering substance abusers, former convicts, visually impaired, physically challenged, members of inner-city minority groups, and others. Over the years, DuRand took MDI from an initial investment of $100 and seven employees to a $68 million business employing more than 600 people who were developmentally disabled. Recently, dozens of other nonprofits have followed his example.

Mission-driven product or service businesses. Many nonprofits have started businesses that deliver mission-driven products or services directly to clients, although payment may come from a third party such as a government agency or entitlement program or from a private insurance company. Unlike affirmative businesses, few of these businesses actually employ the people they serve. Examples include assistive devices for people who are physically challenged, personal care services to help elderly people at home, interactive instructional programs for potential high school dropouts, seminars for couples contemplating divorce, hospice care for terminally ill patients, and many, many others.

5 Be patient–and don't run out of money.

Social entrepreneurs are notorious for underestimating the amount of time and money they'll need to reach their goals. According to an MIT study, significant revenue for most companies doesn't begin to flow until the *seventh* year of existence. And by the sixth year, the nature of the business has typically changed completely.

In addition, social entrepreneurs are as exposed to the vagaries of the market as any other business, and that means the greatest danger is under-capitalization. Profitability is no protection: The crucial element is cash flow. More than one profitable company has failed because it didn't have the money it needed at the time it was needed.

The rubric here is simple: Nonprofits must *invest* in their business ventures. If they cling to a *cost* mentality, their chances for success are minimal.

6 Recognize the differences between innovators, entrepreneurs, and professional managers.

Perhaps the most important lesson learned by the pioneers in the field has been one that strikes to the very heart of their self-perceptions. So often, nonprofits discover (too late) that their entrepreneurial efforts are doomed because they're being led by people with the wrong skills.

Regardless of whether a nonprofit is attempting to engage in a variety of earned income strategies or is trying to launch a business venture, it's important to understand the differences between three types of leaders.

Innovators, entrepreneurs, and professional managers are all needed in the evolution of a program or an organization, but at different times. Rarely does an individual possess more than one of the three skills.

Innovators are the dreamers. They create the prototypes, work out the kinks—and then get bored, anxious to return to what they do best, which is inventing more prototypes. Entrepreneurs are the builders. They turn prototypes into going concerns, then *they* get bored. And that's when the professional manager arrives to secure the future. They are the trustees, the ones who install the systems and other parts of the infrastructure that make sure the going concern keeps going.

Unfortunately, in the nonprofit sector, often because resources are scarce, organizations try to shoehorn people into positions where they don't fit, and many of the problems nonprofits have when they begin adopting entrepreneurial strategies arise from having an innovator trying to do an entrepreneur's job or a professional manager trying to be an innovator, and so on.

7 The "nonprofit" culture gets in the way.

What is a "culture"? In the nonprofit world, it is usually a collection of unspoken compacts that tell us who we are, who we serve, why we serve them, and how. We rarely pause long enough to examine the tenets of our cultures, but new employees absorb them almost by osmosis. Within weeks of their arrival, they understand what it is about *this* organization that makes it different from *that* organization.

But culture eats change for breakfast, and any nonprofit that hopes to become entrepreneurial, regardless of whether it's starting a business venture or pursuing earned income opportunities within its programs, must undergo a radical set of changes. Here are five of the most important ones:

Be willing to take risks. There is a myth that entrepreneurs love to take risks. Not true. But they *will take* risks. That's part of what makes them entrepreneurs. Unfortunately, there's no more risk-averse entity than a nonprofit board of directors. To a degree, this is as it should be: The board is the steward of scarce resources. Too often, however, the

> *There are a lot of wannabe social entrepreneurs.*

result is a mentality that shies away from anything new until success can be guaranteed, and nothing is more antithetical to entrepreneurship. Nonprofit entrepreneurs enter the game knowing that three-quarters of what they try will fail, but they have the personal and institutional courage to make mistakes, learn from the experience, and start all over again. As Ben Cohen, the founder of Ben & Jerry's, is fond of saying, "To stumble is not to fall. It's just a way of moving ahead more quickly!"

Make tough choices about staff members. Some of a nonprofit's longest-serving, most loyal staffers won't understand the principles of entrepreneurship, or won't agree with them, or won't have the skills to live in an entrepreneurial world; compassionate out-placement is the only solution for both them and the organization.

Relinquish control. Too many layers of approval weigh down an organization's ability to move quickly–a hallmark of entrepreneurship, where opportunities appear on the radar screen for an instant and then blink out of existence. Changing a nonprofit's culture means eliminating some of those layers.

Emphasize market pull. Changing its culture also means aggressively adopting the type of "customer focus" mentality that eludes most traditional nonprofits. Regardless of their protestations to the contrary, nonprofit planners still begin too often with the needs of their own organization, not with the people they serve.

Price more aggressively. For-profit service companies build a 50% gross profit margin into their pricing strategies in order to have a 3-5% net profit margin at the end of the year—their definition of success. Nonprofits, however, are usually gleeful if they can cover their direct costs, a reaction that bars them forever from achieving any significant progress financially. If nonprofits are going to be serious about financial self-sufficiency, they *must* adopt more aggressive pricing policies. Doing so may be difficult in the short run, but, over time, it's the only sure way to be certain all of the organization's direct and indirect costs are covered.

8 Remember the Noah Principle.

The final lesson learned by the pioneers in the field has been the importance of making a commitment. There are a lot of wannabe social entrepreneurs in the world, who talk and plan and talk and plan and talk and plan—but never *do* anything! The courage to act is in distressingly short supply.

True, there aren't any guarantees—except for one. If you always do what you've always done, you'll always get what you've already got. As Wayne Gretzky, the Hall of Fame hockey player, has often pointed out, "I always missed a hundred per cent of the shots I never took."

So the pioneers have learned to live by the Noah Principle: No more prizes for predicting rain.

You only get a prize if you build an ark. ■

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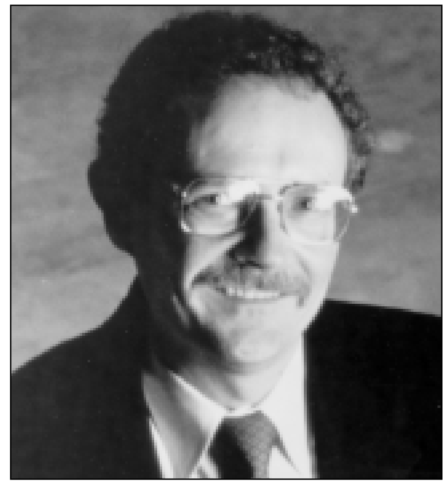

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Succeeding with Your Bright Ideas

Use these seven techniques to bring your good ideas to life.

BY ROBERT B. TUCKER

Most articles on creativity discuss how to come up with better ideas. But that's only part of the process. Success means bringing your ideas alive. To do so, apply these seven techniques:

1 Assault Your Assumptions

Think about the last time you ran across a situation that was so frustrating, so in need of improvement, that you found yourself muttering, "There's got to be a better way." The minute you had that thought, you assaulted your assumptions. You saw the issue in a new light. You redefined it as a "problem" rather than "the way things are."

Assumptions are biases about the "way we do it" in this organization, this industry, this profession, this sector. When you tackle your assumptions, you begin the process that leads to innovation. This flash of impatience with the status quo leads you to challenge not only your own assumptions but those of others as well.

Next time you're faced with options you don't like, ask the parties involved, "What can you think of that might be better?" Then pause and wait for them to rise to the challenge. The first assumption to assault is that people won't be creative if you give them the chance.

2 Pursue The Possibilities

The most important trait of successful innovators is that they're opportunity-oriented. They don't just hatch ideas; they run with them. They understand the critical role of timing in selling their ventures. They consider obstacles and setbacks as part of the journey.

Remember, ideas are a dime a dozen. Unless you pursue them with passion, that's all they are: ideas.

3 Track The Trends

One universal characteristic among change-masters is that they're voracious readers. Rinaldo Brutoco, co-founder with his wife Shanna of Red Rose Gallery,

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The Innovator's Creed

Until one is committed, there is hesitancy, the chance to draw back, always ineffectiveness. But the moment one definitely commits, providence moves too. All sorts of things occur to assist that would never otherwise have occurred. Whatever you can do or dream you can, begin it. Boldness has genius, power and magic in it. Begin it now.

—Johann Wolfgang von Goethe

If the rate of change inside an organization is less than the rate of change outside, the end is in sight.

—Jack Welch, chair of GE Corporation

a successful catalog company in Burlingame, California, "reads everything from the Wall Street Journal to matchbook covers looking for ideas, looking to learn, looking for what people are going to want next, for what's happening."

Innovators also have a knack for gleaning insights from people. Akio Morita, founder of Sony Corporation, wanted to design products that would sell in the United States. So he moved his family to New York in the 1960s to develop a deeper understanding of the American consumer. It would have been easy to socialize with other Japanese expatriates in the U.S. Instead, Morita and his family reached out to make new friends among the natives. Result: Sony America became a phenomenal success, introducing one successful product after another.

Feed your mind on different points of view, talk to people from different walks of life, and look for patterns of change in your conversations and travels. If you're a Republican, hang out with Democrats. If you're a young person, walk a mile in the shoes of an octogenarian. Invite that family from Bombay to dinner. Doing so will increase your ability to come up with ideas that are in step with the times.

4 Fortify Your Idea Factory

Innovators are super-conscious of how they invite ideas into their lives and what they do with those ideas. They inspect and fortify their idea factories the way accomplished golfers work to improve their drive, chipping, and putting.

Your idea factory is manifested in your to-do list, the goals you've written out, the plans you're currently implementing. Fortifying your idea factory involves cultivating simple habits: paying attention to when you get your best ideas, making the effort to "download" your ideas onto paper or tape recorder, and knowing what to do when you get creatively stuck. The more you notice what works best for you, the more ideas you'll be able to pursue.

5 Go With Your Gut

Entrepreneurs often talk about how they "went with their intuition" when everyone thought they were crazy. Everybody told Bill McGowan he was nuts to compete with AT&T. And everybody thought Ted Turner was whacko when he started CNN. Dr. Jonas Salk, who developed a way to prevent polio using a then-controversial live vaccine, said that intuition was his partner. He described how, after tedious experiments seeking a way to immunize against polio, he woke up one morning with an intuitive leap that led him to the solution that saved millions of lives.

Doug Greene, chair of New Hope Communications, a consortium of health-and-fitness magazines based in Boulder, Colorado, once said, "If I don't feel good in my stomach about a decision, I don't care if the numbers say we're going to make a billion dollars. That's how important intuition is to me. It's an actual feeling either way. When it doesn't feel good, it's just like a stomachache or a nervous stomach. and when a decision feels right, it's like a great meal."

When you innovate, you're doing something that's never been done before. There are no step-by-step recipes. But going with your gut can become a kind of sixth sense that can help you read people's intentions, detect trouble spots, think of novel solutions to problems, and alert you when something's not working. The only time intuition won't work is when you tune it out.

6 Face The Feedback

People who make ideas come alive are eager for advice and constructive criticism. They're constantly polling customers and potential customers (and everyone else) to understand how their ideas can be improved.

As a struggling young designer working at Macy's, Liz Claiborne would follow women into fitting rooms, asking what they liked and didn't like and why. She discovered that women wanted "more feminine, more expressive attire for the workplace." Responding to this insight led to Liz Claiborne, Inc, one of the fastest-growing apparel manufacturers in history.

Innovation-minded people harvest more ideas because they ask for them. In their eagerness to succeed, they develop the ego-strength to face the feedback, and they use it to guide their decisions and avoid false assumptions and blind spots.

7
Build The Buy-In

Ideas, no matter how compelling, don't sell themselves. Innovators learn to persuade others, to gain trust, to keep the momentum going. They win cooperation from key players–the boss and the board, lenders and vendors, citizens and colleagues. They articulate the benefits of their idea to an often indifferent and hostile world, sweeping others up with their enthusiasm and commitment, and orchestrating them to do what's necessary to turn a dream into reality. ■

Robert B. Tucker is the author of Customer Service for the New Millennium *and is a frequent speaker on innovation strategies. He can be reached at 800-239-6681 or www.innovationresource.com.*

An Innovative Way to Heal Families

It was a great idea—a camp not just for kids but for their moms. Together, these families, shattered by drug addiction and domestic violence, would rebuild their lives.

Like all good ideas, the Rowdy Ridge Gang Camp took time and dedication to develop. Begun in 1994 with just two summer sessions and 60 campers, it has grown to eight one-week sessions and over 500 campers. It was founded by the Scott Newman Center, whose original mission was to develop innovative drug prevention programs.

The Rowdy Ridge Gang Camp does more than help moms recover from drug addiction and domestic violence. It builds healthy family relationships. Moms and kids share activities that teach self-expression and teamwork, challenging their perceptions of what they can do. They learn to appreciate each other, express themselves, and solve problems together.

The Camp has become a reality through the passion and perseverance of the Center's leaders. Their success came from their commitment to the Camp's life-changing potential and their willingness to act. They took a wonderful idea and made sure it happened. Because they were willing to marshal resources, take action, and get feedback, they created possibility where none existed before.

For more information, contact the Scott Newman Center, 6255 W. Sunset Boulevard, Suite 714, Los Angeles, California 90028, 800-783-6396, www.scottnewmancenter.org.

A NEW WAY TO EVALUATE YOUR ORGANIZATION'S PERFORMANCE:

Measure Your Use of Time

How do staff members use their time? The answer holds the key to your organization's success, as a new technique reveals.

BY WILLIAM D. STOUT

Chances are you've had to evaluate your organization's performance. How did you do it? Did you turn to your organization's financial statements and point to the amount applied to your mission—"We spend 90 cents of every dollar to perform our mission, so we must be efficient"? Or did you use outcome measures—"Two-thirds of the people completing our program got jobs—an excellent outcome"?

Both these measures have problems. The fact that you spend 90 cents on the dollar on your mission doesn't mean you spend it on the right things. Outcome measures are difficult to quantify. And both measures are externally oriented. That is, they're aimed at providing outsiders, such as donors, with information on organizational performance. Neither is particularly helpful in managing a nonprofit organization.

Nonprofit managers need a single, quantifiable, and verifiable measure of efficiency and effectiveness. This article suggests such a measure, time.

Time is the great equalizer. Rich or poor, young or old, educated or not, you get 24 hours a day. How you and your staff use that time determines how successfully you manage your organization.

Applying this method will help you see whether you're allocating your staff's time to the right activities and outcomes. If you're serving 100 clients a month, is that good? Could you do better? Could you use time more efficiently to better achieve your mission? Examining your use of time will provide a wealth of insights into how your organization is performing and how you can improve your results.

A LESSON FROM ACCOUNTING

Over the past several years, managerial accounting has undergone a sea change. Traditional cost accounting has been under fire from many sides.

One important aspect of managerial accounting is the *allocation* of costs. The method used to allocate depreciation on a building, or the costs of maintaining machinery, can have a great effect on the reported cost, and therefore the profit, of a particular product or service. You base decisions on those reported costs and profits, so the methodology of allocating costs may determine whether you continue or discontinue a product.

Proponents of a new methodology of cost allocation have cited *misallocation* of costs as a significant problem. That new methodology is referred to as Activity-Based Costing or ABC.

ABC offers a different perspective on the allocation of costs. The underlying concept of ABC is that products don't "cause" costs; activities do. Traditional cost accounting focuses on an "equitable" allocation of costs to products. In some cases, however, "equitable" isn't accurate. Another problem with traditional cost accounting is that some costs are recognized as "general" expenses and not related to specific products. Figure 1 illustrates these shortcomings.

ABC tackles these problems by allocating costs first to the activities that generate them, and then to the products that use the activities. In case 1 (see Figure 1), the activity is setting up the machine. The cost of setting up the machine is directly related to the amount of time consumed in the set-up. Under ABC, the activity is allocated to products based on usage of that activity, and

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Figure 1. Two Cost Allocation Examples

Case 1 Sample Company produces two products (A and B), both of which are processed on a particular machine. The machine must be adjusted before working on product A and product B. Due to the nature of the machine, setting it up to produce product B takes twice as long as the set-up for product A. Sample Company allocates the costs of setting up the machine by dividing the total cost of the set-up time by the number of products produced. As a result, products A and B are allocated the same amount of cost for setting up the machine. The total cost of product A is overstated and the total cost of product B is understated.

Case 2 Sample Company produces a product for sale to both commercial and government customers. The product cost is relatively low and the profit margin is high. The price to both commercial and government customers is the same. However, sales to the government require additional paperwork, the cost of which is included in "selling, general and administrative" expenses on Sample Company's income statement. The product manager receives a bonus every year and is delighted with sales to both customers. Sample Company is losing its shirt on sales to the government.

product B is charged a greater share of set-up costs. In case 2, the activity is selling the finished product. Under ABC, paperwork is identified as a separate activity and allocated to the sale of products to government customers. That particular product line would be identified as unprofitable.

Some writers have proposed applying the techniques of ABC to nonprofit organizations—but using traditional dollars-and-cents measures (see Lambert and Whitworth in "References"). Since nonprofits aren't profit-oriented, however, such financial measures may not reveal much. This article shows how you can link ABC techniques with a measure that's critical to your organization's success—time and how you use it.

EIGHT STEPS TO ABTM

In examining your organization's use of time, the techniques of ABC are useful. The evaluation process described here is referred to as Activity-Based Time Management or ABTM. With ABTM, your goal is to relate time resources "spent" by the organization to achieve a desired outcome. There are eight steps to applying ABTM:

Step 1: Identify Services to Be Evaluated.

First, ask yourself: What services (or in some cases products) does your organization provide? The services identified may be relatively broad or very specific. Using an adoption agency as an example, one service might be "placing a child in an adoptive home." Or the services might be more specific: (a) identify potential adoptive families, (b) provide training for those families, and (c) place a child for adoption with each family. To be effective, the evaluation should include activities more specific than the organization's mission statement. Ultimately, the usefulness of this tool will be in comparing alternative uses of time. (See Figure 2.)

Step 2: Pinpoint Key Activities.

Next, ask: What activities must take place to provide those services? For example, key activities for the adoption agency might include the following:

- Screen telephone calls.
- Assign caller to social worker.
- Mail literature to prospective adoptive family.
- Prepare monthly statistics on calls.
- Follow up on status of families.

These activities represent just one aspect of a hypothetical organization. In a real setting, the number of activities could be much greater. Of course, there is no required level of detail. In implementing ABTM, you may choose a higher-level view of what constitutes an activity. You could define placing a child in an adoptive family as a single activity, for example. More detail doesn't necessarily result in better information, but too little detail will weaken the information when you evaluate it.

Another concern in identifying activities is that they may (and probably will) overlap. That is, certain activities may be common to more than one service or product. In a multi-service nonprofit, the activity of screening phone calls might serve several service activities.

Step 3: Identify Time Drivers.

A time driver measures the time devoted to an activity. Take the activity of screening phone calls. The simplest time driver is the number of calls received. More calls translate to more time spent. The idea is to specify some measurable event that explains the relationship between an activity and the amount of time devoted to it.

If an activity doesn't have a time driver, examine it carefully. It may be part of some other activity, or perhaps you've incorrectly specified the activity and need to rethink it. Every activity must have some measure that specifies the time devoted to it.

Step 4: Determine Activity Drivers.

Just as time drivers relate activities to time, activity drivers relate activities to outcomes. The goal of

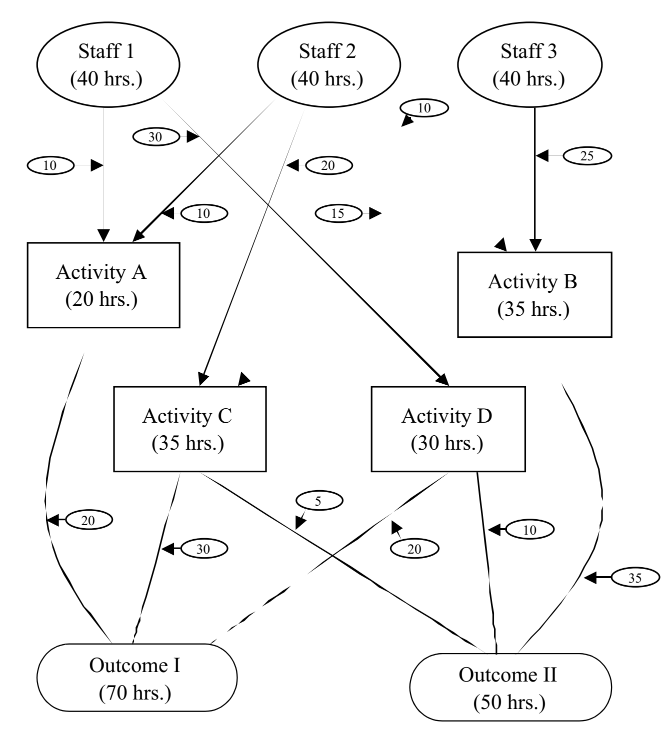

Figure 2. Analysis of Time Resources of Three Staff Individuals

this step is to relate time spent creating services to clients receiving those services.

Say, for instance, that the desired outcome is to have a caller attend an information meeting. Suppose that one of every five calls results in a client attending an information meeting. The activity driver is the number of calls divided by five.

If you've identified activities that don't relate to your outcomes, perhaps you're overlooking an outcome. Or perhaps the activity no longer has relevance, in which case it may be time to eliminate it.

Step 5: Specify Time Resources.

Next, ask yourself: How much time do you, as an organization, have available? In answering this question, you'll have to make some decisions:

- Should you include only the time resources of paid staff? Or should you also include volunteers? A strong case can be made to include volunteers who work regular hours and are an integral part of the organization. For example, if volunteers staff an information desk during normal business hours, these resources may appropriately be included in evaluating the use of the organization's resources. Occasional volunteer assistance may be appropriately excluded. This is a judgment that must be made on a case-by-case basis.
- Should you include uncompensated overtime as well as paid time? Many nonprofit workers are on the job well beyond the eight-hour day. This uncompensated time may be a valuable resource to the organization. Without the additional time spent by paid staff, services would not be provided or additional staff would need to be hired. Although including uncompensated time may be a touchy issue, it is likely appropriate for most organizations.
- Over what period should you measure time? For most organizations, time fluctuates, perhaps week-to-week or perhaps on a larger cycle. You may wish to select a "typical" month, some sort of natural cycle (perhaps clients are served over a three-month period), or a calendar or fiscal year.

Once you resolve these issues, determine the total number of hours available to the organization. Segmenting hours (such as keeping management separate from other staff) is not recommended.

Step 6: Allocate Hours to Activities.

Now comes the fun! For the next two steps you may wish to use a spreadsheet package such as Microsoft's Excel. Or, if your organization isn't too complex, you may just use pencil and paper.

For this step, you'll take the information you gathered in step 3 (time devoted to the activity) and step 5 (total hours available) and apply it to one of the key activities you pinpointed in step 2.

For example, consider the activity of screening phone calls. One approach is to count the number of calls processed over some time period and divide that into the number of hours available. Unfortunately, such an approach may miss idle time, during which people are waiting for calls. A better approach is to ask someone to observe the activity and record the time spent.

(Keep in mind that idle time isn't necessarily bad. It may be necessary to have some down time in order to provide service over 10 hours each day and to meet peak demand at various times. From an evaluation standpoint, however, it's important to identify idle time.)

Next, multiply each time driver by the number of hours per unit of activity. Then compare hours allocated with total hours available to the organization.

If more hours are allocated than are available, you may be missing uncompensated time, or perhaps the association of time with the time drivers is too generous. For example, you might initially allocate half an hour to each screening call. If multiplying the number of calls by one-half hour adds up to more time than the staff has available, one of two problems (or a combination) may exist. Perhaps the individuals who screen calls are working through their lunch breaks and taking calls nine hours a day, instead of the expected eight hours. Or perhaps they stay until 6:00 p.m. two or three nights each week, instead of leaving on time. Alternatively, it may be that half an hour per call is unrealistic: Perhaps the call screeners process three or more calls per hour.

If the number of hours allocated is well below the number of hours available, you may have problems opposite those described above. Employees may be using the unallocated time on other activities, or they may have idle time you haven't identified.

After you've performed this step for one activity, do the same thing for the other key activities you've identified.

Step 7: Associate Hours with Outcomes.

For this step, you'll apply the information you gathered in step 4, in which you related activities to outcomes. Say, for example, that by reviewing records and interviewing staff you learn that a client attends an information meeting in one of five cases. You can now allocate the activity (screening calls) with the outcome (an information meeting). And since you've already allocated hours to the activity, you can allocate hours to the outcome. If each call consumes half an hour of staff time, and five calls must be processed to bring in one family, then 2½ hours of staff time are devoted to each family who attends an information meeting. Of course, other activities must take place for that family to participate in a meeting, and the time associated with those activities will be added to the 2½ hours of staff time identified.

Step 8: Assess Results.

The final step is for managers and board members to evaluate the information generated from this process. The information will be useful in determining whether the organization's resources are being used most effectively. Most organizations will identify several outcomes. Reviewing how time is allocated to those outcomes will help in making important decisions about the organization's focus and future needs.

LESSONS LEARNED

Applying ABTM will reveal whether you're allocating staff time to your organization's most important outcomes. For example, Figure 2 shows that of 120 hours of available staff time, 70 hours are devoted to a single outcome. Perhaps too much time is devoted to Outcome I, which is of lesser importance to the organization's success. Or, perhaps volunteer assistance is available to take over staff responsibilities for that outcome, freeing up staff time for Outcome II.

ABTM will also help you evaluate time spent on specific activities. Perhaps Activity B, for example, is consuming too much staff time and needs to be automated to free additional resources.

ABTM will provide a new perspective on resource use and a tool to maximize your organization's success. Its most important benefit is a better understanding of how you use—and how you can capitalize on—the scarce and precious resource of time. ■

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*Starred publications are available through the Society's Resource Center, 608-274-9777.

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Donors' Rights Should Be Global Priority

Recent research and fundraising standards from Great Britain hold powerful lessons for us all.

BY TOBY BUTLER

The Institute of Charity Fundraising Managers (ICFM) recently published the UK's first donors' rights charter. While it might not be the Magna Carta for charities, it does lay down some ground rules for what the public can expect from fundraising practice.

Essentially, the charter states that fundraisers must be honest and transparent, give the donation to the cause, respect privacy, and listen to the donor's wishes. If donors have complaints, they should expect a speedy response from the charity.

According to ICFM head of policy and standards, Andrew Watt, the charter has been well received by a sector that needs to foster public confidence. "There has been a huge shift in the last couple of years as the sector has recognized the need for greater accountability," he says.

Focus group research by the National Council for Voluntary Organizations (NCVO) has shown two major strands of public discontent: frustration with the number of charities competing with each other and the number of intrusive or repetitive fundraising asks.

Competition, it seems, is at the heart of the frustration. A huge mailing can be cost effective but, by definition, it cannot be highly targeted. The result is often a response rate of 1 to 3%–tens of thousands of new donors, but what is the effect on the 98% of people who are now habitually throwing pictures of emaciated children in the bin?

Amnesty International, for example, sent out a very powerful mock summons to existing supporters, suggesting their court appearance could lead to execution. Nearly 100,000 mail shots were sent out, and between two and three hundred complaints were received, mostly from older donors who were shocked or offended. Although in fundraising terms, the response was "quite good," it seems Amnesty will be carefully considering any similar campaigns in the future. Personal letters of apology were sent to all those who complained. "It is unlikely we would go with that formula again. It's upsetting to us to upset supporters," says Neil Durkin, a spokesperson at Amnesty International UK.

Not all nonprofit leaders agree, however. Suzanne Heaney, head of communications at the charity Barnardo's, worked on a recent newspaper ad campaign which included depictions of babies injecting heroin. According to Heaney, shocking campaigns work because they make a point clearly. "Advertising is all about

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Avoid Communication Headaches Across Borders

Prevent problems when communicating with people from other countries with this prescription:

- **Prefer simple to complex** structures. For example, say "believes" rather than "is of the opinion that." Say "show" rather than "provide an indication of." But avoid nicknames, such as "ad" for advertisement or "reg" for regulation, which may baffle people from other countries.
- **Keep in mind** how the slang of other nations puzzles you, and avoid newly minted terms that dictionaries have yet to list. *Examples:* "alpha geek," "prairie dogging."
- **Think about** the literal translation of American expressions. For instance, a German firm assumed that "talk turkey" meant they had to reply in Turkish–and they did.

Source: Priscilla Richardson, trainer and speaker, as noted in *Communication Briefings*, 1101 King Street, Alexandria, Virginia 22314.

getting people to understand what you do–this can take a tough visual because there is no better way of doing it. Ineffective ads lead people to confusion," she says.

The Charity Commission warns that charities should be wary of alienating the very people they are hoping to attract. "Charities, individually and collectively, rely on public support," says a spokesperson. "A charity's reputation is a valuable asset, and trustees should be sensitive to public opinion and ensure that any advertising campaign is in the best interests of the charity."

Another area of concern has been the explosion in face-to-face donor recruitment on the street. Richard Radcliffe, chair of legacy specialist Smee and Ford, describes this, along with telephone marketing, as "in-your-face" fundraising. He accepts that direct techniques, when used well, can be very effective. Greenpeace, for example, has had a great deal of success using this method to recruit younger donors. But he is worried that powerful techniques can do very serious damage—not least to long-term giving.

According to Radcliffe, even committed nonprofit supporters can turn against their charity if they are approached in the wrong way. "I have come across cases of legacies being removed from wills as a result of a bad experience," he says.

Radcliffe is also concerned that in-your-face fundraisers can lack passion for the cause. "I have a strong belief that fundraising should be from the heart, and be joyful. Not all face-to-face marketing is heart-led," he says.

The face-to-face approach to donor recruitment was highlighted on the BBC's consumer affairs program, "Watchdog," recently. The program interviewed people who said they did not like being approached on the street. It also revealed that some charities, such as Barnardo's, Oxfam, and Scope, pay fundraising agencies for each new donor recruited on their behalf. If the public mistakenly believed all the money they give goes to the charity and assumed that the fundraiser is an enthusiastic volunteer, "Watchdog" woke them up with a bump.

If recruiters are following the ICFM code of practice in their work, they should make it explicit that they are being paid and how they are being paid. Yet that's not going to be easy without explaining the economics of relationship fundraising.

The hope is that voluntary codes will be enough to restore public confidence in the nonprofit sector. The fear is that if codes of practice aren't tough enough or aren't followed, ever more shocking advertising campaigns and marketing techniques will lead to more than scepticism. The public might feel they are being coerced.

As Radcliffe puts it, "If we are not careful, we will get donor anger rather than donor fatigue. That would be a disaster." ■

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Toby Butler is a writer for NCVO News, *the magazine of the National Council for Voluntary Organizations (NCVO), the "voice of the voluntary sector" in the United Kingdom (Regent's Wharf, 8 All Saints Street, London N1 9RL, ncvo@ncvo-vol.org.com), from which this article is adapted. The donors' rights charter is available from the UK's Institute of Charity Fundraising Managers. E-mail enquiries@icfm.co.uk. Web site: www.icfm.org.uk.*

Charitableway Gives Up on Online Giving

Why did this leader in charitable online giving fail? Does its demise hold lessons for the future?

BY GORDON FELLER

Charitableway, at one time a leading firm in online philanthropy, has called it quits. The question remains: Why did a high-profile company that raised $43 million from investors and processed $36 million in workplace-giving donations fail? According to Charitableway's founder Pete Mountanos, the two-year old, San Carlos, California-based firm overestimated the size of the e-philanthropy market, and couldn't develop a business model that accommodated the demands of both its corporate clients and its United Way partners.

Charitableway initially created an online charity mall that let visitors contribute to charities directly or by making online purchases. But after finding that charities weren't prepared to manage data about online donors, the company last fall shifted its strategy and introduced its workplace-giving product. Charitableway signed up 12 companies to handle its workplace campaigns. More than 90 percent of the donations that Charitableway processed involved partnerships between its corporate clients and United Way affiliates.

Tom Reis, who tracks e-philanthropy for the W.K. Kellogg Foundation in Battle Creek, Michigan, says Charitableway's demise could signal that the bottom line for the online-charity business may be more about contributions to society than high returns. "It may be pointing to the reality that while there is opportunity in the e-philanthropy hills, it may not be the golden, high-return on investment that the venture capital community or even the business community in general wants," he says.

What is the full scope of the opportunity for application service providers (ASPs) in charitable-donation processing?[1] Employers of all kinds want to better serve their employees, in part because they put a premium on retaining good workers. Approximately $4 billion was donated through company-supported workplace-giving campaigns last year—and the matching part of the program creates a substantial pool of goodwill toward the employer. Giving at the office is a popular alternative for many individuals. Providing potential donors with online access to charities opens up opportunities for service providers.

Helping companies streamline workplace giving may be a viable notion in a thriving economy, but working directly with corporations as Charitableway did may not be the right strategy in a slow economy. That's the take on Charitableway's problem from Vinay Bhagat, founder and CEO at Convio, a company that provides relationship management software to nonprofit organizations themselves. "If you are IBM, what are you going to spend your money on—sales force automation software or tools to enhance workplace giving?", asks Bhagat. An online donation system may be 25th on the priority list for a for-profit business. But when you deal with the nonprofits themselves, a Web-based system is number 1 or 2 on the list, said Bhagat.[2]

He may be on to something. On March 27, Convio announced that it had secured $12 million in a second round of funding through Granite Ventures and Adobe Ventures. Convio customers include the Planned Parenthood Federation of America (PPFA), the 12th largest nonprofit in the U.S. Convio reports that PPFA raised $500,000 in the last four months using the Convio Relationship Management System.

Is Convio's success representative of more opportunities for ASPs in the online-giving sector, despite Charitableway's failure? Ted Hart, president and CEO of the

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Philanthropy Foundation explains, "Online giving will continue to grow as the Internet becomes more prevalent in our marketplace. However, we have learned that launching a Web site and asking for money is not a guaranteed strategy for success."

Hart notes several statistical trends that will propel online giving. In the next 50 years, economists project the largest inter-generational transfer of wealth ever in the U.S., estimated at between $6 and $25 trillion. Meanwhile, more and more people are hooking up to the Internet. Over half (56%) of American adults now have Internet access, according to a recent poll by the Pew Internet Project (www.pewtrusts.com).

While there may be profits for ASPs in the nonprofit sector, Charitableway will not be around to prosper from them. Mountanos says he will liquidate the company in six to eight months after training clients and their charitable partners to process their campaigns using smaller systems. "Investors want to make sure we do the right thing by the charities," he says. "And by doing it now, we can return capital to the investors."

Mountanos is not completely discouraged. He says he will continue to be involved in e-philanthropy. "I think there are still good propositions in this space and there is always money for a good business proposition," he says. "In light of what it takes to grow, and the size of various markets within the big philanthropy market, a more appropriate structure is smaller and slower." ■

Footnotes

[1]For more on how nonprofits can partner with ASPs, see Gordon Feller in "Selected References."

[2]See "How to Stake Out Your Claim in Cyberspace" and other articles by J.P. Frenza in *Nonprofit World* (www.danenet.org/snpo).

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Social Services or Social Justice?

Is charity just a poor substitute for justice?

BY TERRENCE FERNSLER

What's Love Got to Do With It? A Critical Look at American Charity
By David Wagner. 210 pages. Hardcover. NY: The New Press.

Does charity exist as a substitute for social justice? That's what David Wagner postulates in this audacious and thought-provoking book.

Powerful people don't want justice, he says, because it would disrupt power relationships. So they use charity as an institutional way of assuaging guilt while keeping the status quo. Charity is cheaper than justice. It involves no income redistribution. Therefore, it is less politically risky.

Charity's success isn't based on empirical evidence of real effectiveness, Wagner says. Charity thrives because it offers heroic opportunities. However, charity signifies inequality.

Acting "charitable" and thinking we know best for others often means maltreating and oppressing them, Wagner asserts. He uses examples of organizations that punished Native Americans and the needy in the nineteenth century in the name of helping them. Attitudes haven't changed much. The poor house has been replaced by homeless shelters, group homes, and jails; the forced work of the work house is now workfare; and the war against almsgiving is now a war on welfare.

Charity is more symbolism than accomplishment, according to Wagner. Most organizations deliver advice, consolation, rehabilitation, and education rather than food, shelter, and other tangible goods. This stance fits better into the moralistic guidance of our forebears and competes less with the capitalist market. It offers a non-threatening alternative to socialism or equity.

Charity is cheaper than justice.

Social service doesn't really benefit the needy, he charges. Instead, it tends to individualize problems, dividing classes and communities. As nonprofits become increasingly used by the middle class, they sap services from the poor. In fact, nonprofits often serve the interests of the well-off rather than intended beneficiaries. The sector as a whole, he maintains, is not a vehicle for change.

Love is associated with charity work, but why, Wagner asks, can't it be associated with social justice leaders like Cesar Chavez or Malcolm X, who loved their people enough to work for social justice? Why can't we honor social diversity and help people simply by asking them what will work for them?

There may be parts missing from Wagner's argument and questions unanswered, but he raises valid issues. His book forces us to look at our organizations' reasons for existing. It challenges us to evaluate our effectiveness.

Wagner's views will be much criticized and debated, but the ensuing discussion can only enrich us. His book is revolutionary because he is trying to alter our thinking about what we truly value. It will certainly afflict the comfortable. ■

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Global Trends Offer Insights

New directions revealed in *Next: Trends for the Near Future* (Overlook Press, www.brandfutures.com) include the following:

- There will be an increased "glocal" (global + local) focus. Balancing the global and local will help people break the world into manageable chunks. (We may not be able to deal with the implications of the Single European Currency, but we can create a budget for our local Scout troop.)
- As the world continues to undergo rapid change, heightened anxiety will lead to calls for a return to yesteryear.
- Geography will be less important than shared beliefs.
- Expect a neo-Luddite movement, led by those who would rid schools of new technologies and return to more traditional means of learning.
- Those in the U.S. who feel that "globalization" is actually "Americanization," will have a rude awakening as they discover that we're living in the final days of America's era of cultural hegemony.

Five Secrets to High-Speed Change

1. **Have bigger problems.** Small challenges never lead to big success.
2. **Ask good questions.** Ask "How can we?" instead of "Is it possible?"
3. **Make your work into a game.** Games have players, teams, rules, and fun.
4. **Have faith.** Breakthroughs are often the result of action at the margin of reasonableness.
5. **Forget time management.** You can't manage time; you can only choose what you do with it.

See *Faster than the Speed of Change* by Paul Lemberg, Akiba Press. For more tips, visit www.lemberg.com.

Jumpstart Your Board Meetings

Nonprofit board members spend an average of only 60 hours a year governing their organizations, according to a survey by the National Center for Nonprofit Boards (NCNB). Thus, it's critical to put meeting time to good use. Conducting efficient board meetings is the objective of "The Board Meeting Rescue Kit," a hands-on tool created by NCNB. For more information, contact NCNB, www.ncnb.org, 800-883-6262.

Foundation Giving Up Over 18%, Following 20% Jump in 1999

"The sky did not fall on foundations during 2000," says Sara Engelhardt, president of the Foundation Center (http://fdncenter.org). "Foundations have grown so rapidly since the mid-1990s that not even a volatile stock market and slowing economy could keep them from posting record growth in grant dollars." In addition, because many foundations have a substantial asset base, "they are better able to weather short-term economic downturns without cutting contributions. Giving by individuals and corporations is typically much more sensitive to economic fluctuations."

In a year that saw unbounded confidence in the nation's economy turn to increasing uncertainty, U.S. grantmaking foundations raised their contributions to nonprofit organizations a record $4.3 billion, according to the Foundation Center. Foundations gave an estimated $27.6 billion in 2000, up 18.4%. Overall, giving has doubled since 1996.

Free Toolkit Measures Volunteering

A new resource provides information on conducting surveys to assess national, regional, and local volunteer levels. *Measuring Volunteering: A Practical Toolkit* is available free online at www.IndependentSector.org.

Use Storyboarding to Nurture Creative Thinking

Like many ingenious concepts, storyboarding takes a simple idea and uses it in a unique way to help organizations solve complex problems. Walt Disney conceived storyboarding as a way to keep track of the thousands of drawings necessary to achieve animation. Pinning the drawings in sequence on the wall clarified the project.

From its genesis in animation, the technique has spread to many other areas. Organizations now use storyboarding to conceptualize their mission statements, develop best practices, investigate the root causes of barriers, and create team solutions. Any process can be mapped out in this way. All that's needed is a team of people, a facilitator, a stack of index cards, and a wall on which to display the storyboard. After the team identifies the problem to be solved, team members jot their thoughts on the index cards, one idea per card. The facilitator then reads each card aloud, invites discussion, and clusters the cards by topic on the board.

No other planning technique is so flexible and effective. When ideas are displayed where they can be read by everyone and moved about as seen fit, the confusion that stymies breakthrough ideas is dissipated. The interplay of meaningful communication also has a way of binding people together. Here are some tips to get you started:

- Describe storyboarding to all employees, and urge them to use the technique to visualize their goals, barriers, problems, solutions, and plans.
- Be sure that the facilitator lets the participants, as much as possible, run the session. The facilitator's role is to bring everyone into the discussion with stimulating questions and to provide positive feedback.
- Avoid criticism during storyboarding, no matter how off-the-wall a suggestion may seem. Let ideas flow to their logical conclusion.
- Use storyboarding in planning sessions to develop timelines and assignments.
- Promote storyboarding as a way to formalize communication and enhance the cohesiveness of teams.
- Provide teams with areas to storyboard and the flexibility to leave the boards visible for as long as needed.
- Invite your clients, board members, funders, and other stakeholders to participate in storyboarding sessions to gain their feedback and input.
- Encourage the use of storyboarding in meetings involving sensitive topics.

For details on the storyboarding method, see *The Disney Way*, by Bill Capodagli & Lynn Jackson, published by McGraw-Hill, 11 West 19th Street, New York, N.Y. 10011 (or contact your local bookstore).

How Caring Are We? New Index Compares States

According to a new "State of Caring Index," there has been a 5.1% increase in social and economic well-being in the past 10 years. The index uses data on charitable giving, civic engagement, safety, education, health, volunteerism, the environment, and 25 other factors to show how well states meet residents' needs. Minnesota ranks first, New Mexico last. The index is available at www.unitedway.org/stateofcaring.

Project Spotlights African-American Giving

African-American contributions tend to be in response to short-term needs, according to Robin Williams Wood of Associated Black Charities (www.abc-md.org). "What we're trying to do is to focus that giving to take a longer view." The result is a partnership with the Association of Baltimore Area Grantmakers (www.rag.org/abag) to expand African-American giving beyond the church (the traditional recipient of black giving) and promote strategic giving methods.

Churches: More than a Place to Worship

Churches provide many services beyond religion, according to "America's Religious Congregations: Measuring their Contribution to Society" (www.IndependentSector.org). Their most frequent contributions are human services (92%), health (90%), and international programs (74%). These services primarily focus on basic human needs such as food and shelter. Nearly two-thirds of congregations provide outreach programs to underprivileged populations. The 353,000 religious congregations in the United States represent nearly one-fourth of all nonprofits.