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Published by the Society for Nonprofit Organizations

# NONPROFIT WORLD

Society for Nonprofit Organizations 20th Anniversary 1983-2003

The National Nonprofit Leadership and Management Journal

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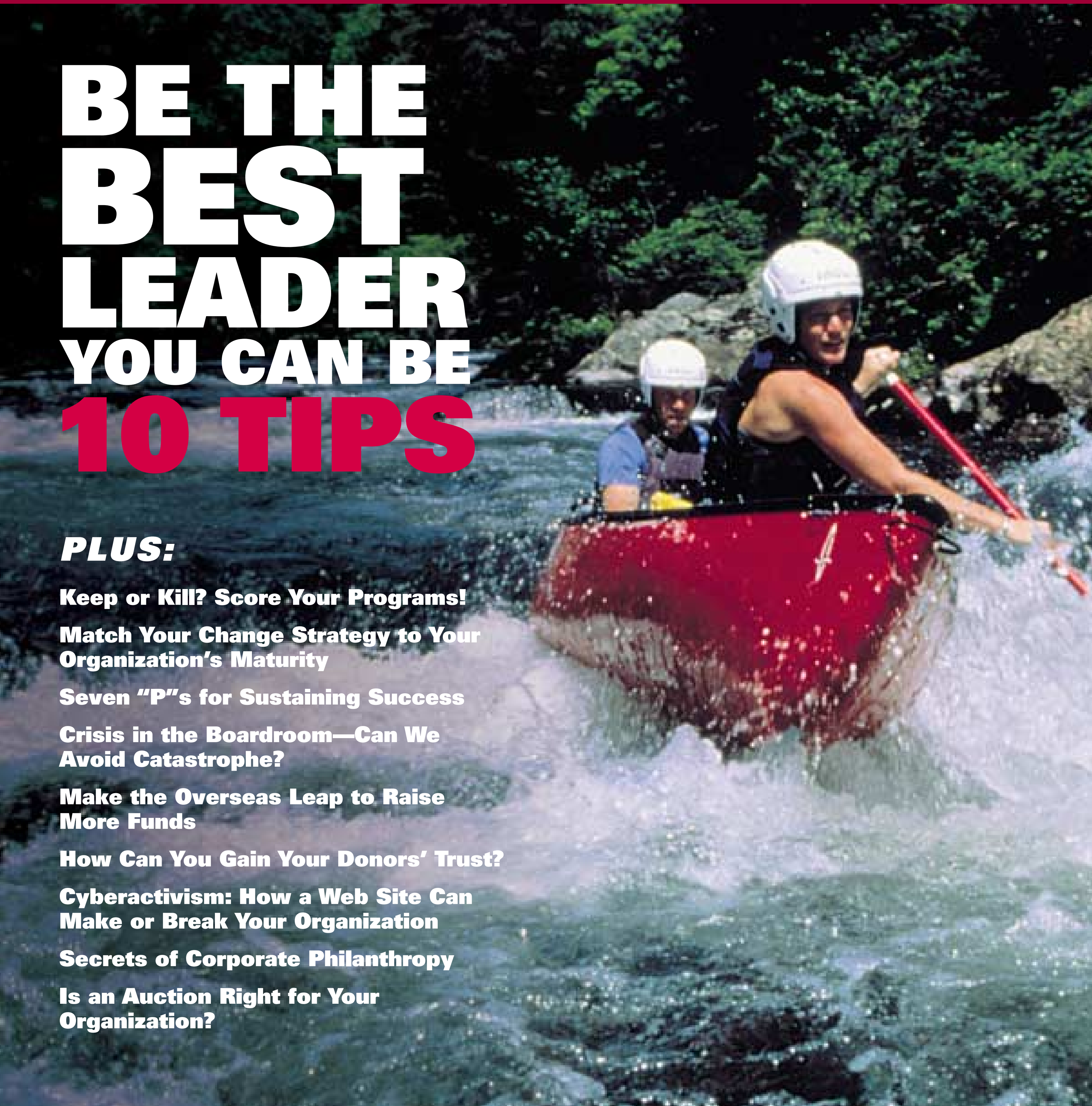

## BE THE BEST LEADER YOU CAN BE
## 10 TIPS

***PLUS:***

# NONPROFIT WORLD

*Editor* Jill Muehrcke

## SOCIETY FOR NONPROFIT ORGANIZATIONS

*President* Katie Burnham Laverty

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*Publisher*
The Society for Nonprofit Organizations


*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

While shooting the rapids, Outward Bound participants discover what they're made of. They learn that leadership is developed by trusting others, working as a team, and turning challenge into opportunity. All must stroke together to win. For keys to developing your own inner leader, see "Thoughts on Leadership in the Nonprofit World" on page 17.

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## articles



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Unsolicited manuscripts and letters to the editor are welcomed. They should be addressed to Jill Muehrcke, Editor, *Nonprofit World*, P.O. Box 45346, Madison, WI 53744-5346 or muehrcke@core.com.


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# EDITOR'S *page*

# Unleash Your Hidden Leader

Leadership isn't a position but a state of mind, as Donna Prestwood and Paul Schumann remind us in the new e-journal *Strategic Creativity* (www.strategic-creativity.org). We all have a leader lurking within us. In today's chaotic, complex world, it's vital to get in touch with that secret source of power.

To do so, you need to harness your intuition, creativity, and versatility (see “Different Thinking Is Not Wrong” on page 32). You must be willing to take risks and make mistakes (see “What a Leader Isn't” on page 32).

*Empowerment won't work without ennoblement.*

At the same time, it's crucial to let go of your ego and become part of the team, as Mary Ann Siegel emphasizes in “Thoughts on Leadership in the Nonprofit World.” She uses the example of Outward Bound to spotlight the importance of moving beyond your comfort zone and leading “with” your teammates. To uncover your true leadership potential, see her 10 tips on page 18.

Another hallmark of the leader is to be open to change (see “Make Change Happen by Avoiding these Mistakes,” page 32). But be sure to tailor your plan to your organization's needs (see “Match Your Change Strategy to Your Organization's Maturity” on page 19).

Also be careful to funnel creativity and change in the right direction. Without focus and strategy, the result can be bedlam. The authors of “Seven Ps for Sustaining Success” (page 21) astutely list “planning” as the first of the seven “P”s, as it is the key to organizational longevity.

They are also wise to choose “people” as their second essential “P.” No organization will survive without the right people and a leader who knows how to motivate and inspire them.

In their e-article, “New Principles of Leadership,” Prestwood and Schumann urge that you “enoble, enable, empower, and encourage others and yourself.” Empowerment won't work without ennoblement and enablement, they point out. Begin by letting go of the negative and looking for a new perspective (see “Diffusing Self-Doubt” on page 31).

You can't embrace the leader within till you know yourself through and through. Assess your fears, skills, and tolerance for change. Find the chains that bind you to your past, and throw them aside. Open your soul to the potential of the unknown, and let your inner leader soar. ■

Jill Muehrcke

Jill Muehrcke
Editor, *Nonprofit World*

www.ababooks.org

# What Every Nonprofit Director and Manager Should Know about Effective Governance for Nonprofits

## Nonprofit Governance Library

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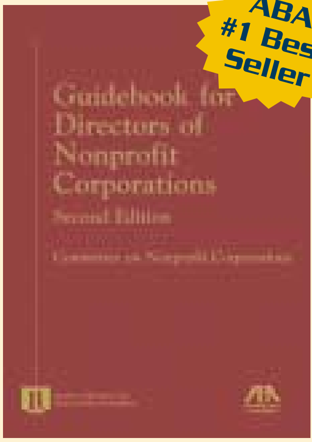
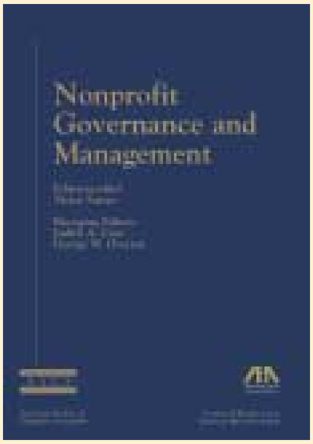



This *Library*, including three publications, *Guidebook for the Directors of Nonprofit Corporations*, *Second Edition*; *Nonprofit Governance and Management*; *Nonprofit Resources: A Companion to Nonprofit Governance*, offers legal guidance on directors' duties, rights, risks and obligations; practical how-to-commentary; sample forms and letters; handy checklists; and pointers for both nonprofit directors and staff. Also, the third title in this *Library* is a reference listing books, handbooks, professional journals, government publications, foundation reports, case and statutory citations, and Internet sites related to nonprofit governance. **The Three publication titles within the *Library* are described as:**

### 1) Guidebook for Directors of Nonprofit Corporations, Second Edition

*By the Committee on Nonprofit Corporations, ABA Section of Business Law*
2002 280 pages 7 x 10 Paperback

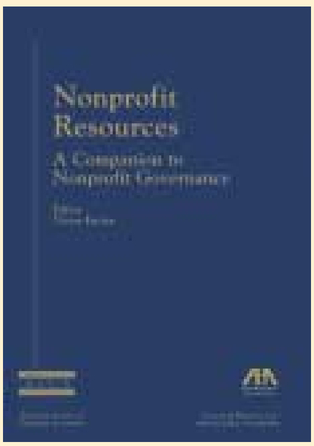
A new edition of the ABA's most popular title, this accessible guidebook is designed for directors and prospective directors of all types of nonprofit corporations. The Guidebook, written in plain-English commentary, addresses general legal principles and corporate governance issues to provide nonprofit directors with a comprehensive understanding of their roles. The new **Second Edition** adds full-length chapters covering today's changed political and legal environment for nonprofits; tax ramifications of profit and joint ventures; employee relationships, laws, and policies; duties of directors in special circumstances such as change-of-control events and bankruptcy.




### 2) Nonprofit Governance and Management

*Edited by Victor Futter, Judith A. Cion and George V. Overton*
2002 744 pages 7 x 10 Paperback

This updated edition of *Nonprofit Governance-The Executive's Guide* expands the scope of its popular predecessor to address issues relevant to both directors and managers of nonprofits. Drawing on the expertise of nonprofit executives, directors, lawyers, and other professionals experienced in organization and management, this new edition offers step-by-step guidelines, sample forms and letters, handy check-lists and pointers to additional resources. Topics include accounting, board and committee operations, grant writing, Internet laws, liability, membership, mission statements, state regulations, and much more.




### 3) Nonprofit Resources: A Companion to Nonprofit Governance

*Edited by Victor Futter*
2002 80 pages 7 x 10 Paperback
A reference containing hundreds of helpful up-to-date listings of books, handbooks, professional journals, government publications, foundation reports, case and statutory cites, and Internet sites.

Each entry includes complete bibliographic details to guide you straight to the information you need. Entries are arranged by topic for quick, convenient look-up. Topical coverage includes accounting, charity, directors, effective boards, fiduciary duties, governance, health care, hospitals, information flow, lobbying, membership associations, nominating committee, orientation, private foundations, records retention, and more!

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# LETTERS *to the editor*

## Gay-Friendly Article Applauded

I really appreciated seeing the article on workplace issues for Gay and Lesbian employees ("Do You Have a Gay-Friendly Organization?") in your magazine's Vol. 21, No. 1 issue. So many publications shy away from this topic. Yet the workplace environment has such a huge impact on the day-to-day lives of Gay employees.

I sent a copy of the article to the United Way here in Detroit. They have just started a diversity group, and creating an accepting atmosphere for Gay and Lesbian employees is one of the first issues they are confronting. I'm sure your article will be a big help to them. Kudos for taking the topic on!

*Dan McDougall, Program Officer*
*City Connect Detroit*
*Detroit, Michigan*
*cityconnectdetroit.org*

## The Perfect Answer

I honestly don't know what I would do without *Nonprofit World.* Every time it arrives, I devour it eagerly, and it always has the perfect answer to a problem I'm wrestling with at the time. It truly is a treasure of valuable information. And the on-line access to past articles is absolutely brilliant–another great way to find the answer to any question I may have.

I was amazed to discover that *Nonprofit World* is celebrating its 20th anniversary this year. I have been managing small nonprofit organizations in the northeast for 12 years and learned about *Nonprofit World* seven years ago. If only I had known about it when I started out in the field! It would have saved me much gnashing of teeth and pulling out of hair.

Thanks, *Nonprofit World*, for being a wonderful resource for so many years.

*T.K. Klein*
*N.C.E.A.*
*Colonia, New Jersey*

## Little Disagreement with Volunteer Article

I enjoyed Susan Ellis's article, "Do Volunteers Deserve the Board's Attention?," in your Vol. 21, No. 1 issue. It was a pleasure to read an article on how to manage volunteers with which I hardly disagreed! There aren't many. I'm still amazed at the consecutive years of waste of volunteer time and talent of which nonprofit managers are capable.

Thank you most kindly, and best wishes with the economy.

*Nick Levinson*
*New York, N.Y.*

## Missing Article?

We recently purchased the *Nonprofit World CD-ROM*, which includes past *Nonprofit World* articles. As I was reading the article "Communicate Your Message with Community Resources" (Vol. 8, No. 1), I realized it is part of a series on "Using Communications Resources to Advantage." The next article in the series, "Nonprofit Communications on a Shoestring: Thriving in the Midst of Crisis" (Vol. 8, No. 2) is described as Part 3. Logic would indicate that these are consecutive articles; however, it seems Part 2 is missing. Could you help me locate Part 2 of this series?

*Zuzanna Szkudlarek*
*The Sustainability Network*
*Toronto, Ontario, Canada*
*info@sustain.web.ca*

*No, there isn't a missing article, although your confusion is understandable. There are actually five articles in the series:*

1. *"Put Your Annual Report on Video," Vol. 7, No. 5*
2. *"Communicate Your Message with Community Resources," Vol. 8, No. 1*
3. *"Nonprofit Communications on a Shoestring," Vol. 8, No. 2*
4. *"PSAs–Free But Not Easy," Vol. 8, No. 3*
5. *"Picture Your Organization on Videotape," Vol. 8, No. 4*

*We're delighted that you find the CD-ROM of articles useful. Another option is to order* Public Relations & Communications, Leadership Series, *in which these articles also appear (www.snpo.org).*

*–Ed.*

### PLEASE GET IN TOUCH

We would love to hear your response to anything in *Nonprofit World*, your comments about any aspect of the nonprofit sector, and your concerns about your daily work. Please get in touch in any of the following ways:

**Drop us a note at:**
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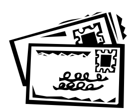
*Nonprofit World*
P.O. Box 46346
Madison, Wisconsin 53744-5346



**E-mail to:**
muehrcke@core.com

Please include your name, address, and phone number. If you'd like your comments to appear anonymously, please let us know. We look forward to hearing from you!

## *Flaws Found in Nonprofit Watchdog Groups*

As donors demand greater accountability from nonprofits on how they use their funds, watchdog groups and nonprofit rating services (charitywatch.org, charitynavigator.org, ministrywatch.com, give.org, guidestar.com, etc.) have sprung up. A new study brings these groups' ratings into doubt.

Standards used by such groups assume that all charities are similar enough in their operating expenses that they can be compared usefully with one set of criteria. But this study ("Research about Fundraising and Administrative Costs," www.coststudy.org) shows that nonprofits' efficiencies vary because of a number of factors, including the organization's size, age, and subsector. The study's findings include the following:

- **Large organizations spend more** on management and general expenses than do small organizations, all other factors being equal.
- **Organizations with primary missions** in arts, education, environment, and health have higher management and general expense than other nonprofits.
- **Older nonprofits** have higher management costs than new nonprofits.
- **Small nonprofits with government funding** have higher management costs.
- **Smaller, older organizations** have higher fundraising costs than larger, newer organizations.
- **Arts and environmental groups** have lower fundraising ratios (ratio of fundraising costs to contributions received) than human-service organizations.
- **Educational groups** have higher fundraising ratios than human-service groups.

Other factors not yet studied may play an even greater role in fundraising and management cost differences. These include: the executive director's role in fundraising, the fundraising staff's experience, fundraising competition in the organization's "micro-niche," the board's involvement in fundraising, and the fundraising tactics used.

The study concludes that the best comparisons are made among organizations that are similar in several ways, including subsector, budget size, and age. The researchers plan to continue examining factors that may affect fundraising cost ratios. In the next phase of their study, they will analyze differences in organizations using direct mail, telephone appeals, special events, and other fundraising vehicles.

## *Where Are Your Missing Workers?*

Unscheduled absences rose to an all-time high last year, a recent survey (www.cch.com) finds. More than two-thirds of these absences were caused by reasons other than illness, including family and personal issues, stress, and entitlement mentality. Organizations with good morale reported fewer absences than those with poor morale. Programs rated most effective at combating unscheduled absenteeism were paid leave banks (also known as paid time off), alternative work arrangements, compressed work weeks, leave for school functions, on-site child care, employee assistance plans, and telecommuting.

## *Board Member Must Pay for Bad Investments*

A board member of a nonprofit organization who also serves as the organization's investment advisor is solely responsible for bad investments, according to a New York appellate court (*Scalp & Blade v. Advest*).

The Scalp & Blade Scholarship Association had employed its board member and his firm to manage its investment portfolio. When the value of the portfolio tanked, the Association sued for $330,000, the difference between the portfolio's value and its hypothetical worth if it had been prudently invested.

The trial court found for the Association, and the advisor sought contributions from his fellow board members to help pay the damages, alleging that they had also breached their fiduciary duty. The court found that the advisor was not entitled to any contribution from the rest of the board.

See "Investment Guidelines" in *Nonprofit World*, Vol. 13, No. 1, and "How to Pick the Right Investments," *Nonprofit World*, Vol. 15, No. 6 (www.snpo.org). Also see *Don Kramer's Nonprofit Issues*, www.nonprofitissues.com.

## Elderly are Legitimate Subjects of Charity

People over 60 are an appropriate charitable class even if they aren't in poor health or financial need, according to the Commonwealth Court of Pennsylvania. The ruling came in regard to a charity that provides low-cost housing to seniors but doesn't screen them for income or health status (*Grace Center Community Living Corp. v. County of Indiana*). Taxing authorities opposed exempting the charity from real estate taxes on the grounds that it didn't benefit a substantial number of "legitimate subjects of charity."

The Court disagreed, allowing the exemption. It held that the elderly are appropriate objects of charity simply because of the "emotional, social, and physical challenges which increase with age" regardless of their health or finances.

## Nonprofits Protest Proposed Postal Ruling

The Alliance of Nonprofit Mailers (www.nonprofitmailers.org) has joined with other nonprofit groups to urge the U.S. Postal Service to alter its proposed rule on cooperative mailings to better protect charities from unscrupulous fundraisers. Under the proposed USPS rule, cooperative mailing rules would be relaxed to allow commercial fundraisers much easier access to mailing at the preferred, nonprofit rates. The result is likely to be a proliferation of one-sided and abusive arrangements between nonprofits and commercial fundraising firms.

The Alliance, along with the Association of Fundraising Professionals, the Direct Marketing Association, and Independent Sector, submitted an alternative ruling to the USPS. Their suggestions would protect nonprofits from abuse by commercial fundraisers by requiring charities and fundraisers to meet the following six criteria in order to qualify for the nonprofit mailing rate:

- **The commercial fundraiser must have no undue influence** over the nonprofit's decision-making process.
- **A written contract** signed by a board member or officer of the nonprofit organization is required.
- **The funds collected must be controlled** by the nonprofit.
- **The donor list must be owned** and controlled by the nonprofit.
- **The fundraiser mustn't retain any ownership rights** to any intellectual property in the fundraising package.
- **If the fundraiser extends credit** to the nonprofit, repayment can't be based on the continued employment of the fundraiser by the nonprofit.



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# Is an Auction Right for Your Organization?

*Here's what to keep in mind.*

BY MICHELLE HOLMAN

More than 100,000 charity auctions occur in the U.S. each year. Organizations from local schools to national nonprofits are using auctions to raise funds and fill the gap left by dwindling funding sources. Is an auction right for your organization? Here are some things to consider.

**Does an auction fit into your fundraising and strategic plans?** Auctions can be great social gatherings and community-building events. If the event is planned and executed well, donors go away feeling positive about your cause and often turn into long-term supporters. Guests enjoy auctions because they receive something tangible in return for their donation. Sponsors appreciate the exposure, and the event can be a valuable team-building activity for your staff, volunteers, and supporters.

But will an auction complement your other fundraising activities? Will your donors be receptive? Are there new audiences you are trying to reach? How can you make your auction different from others in your market? What timeframe is best for holding it? When will competition in the form of other special events be minimal? Consider talking with top donors and other key influencers to gauge their interest in an auction and what would make them attend.

**What's your budget?** While auctions can raise thousands of dollars in just a few hours, there are many costs involved. Expenses include food, beverages, flowers, venue, entertainment, computer management systems, rented equipment, and publication of auction invitations and catalogs. Don't skimp on lighting, a good sound system, and an auctioneer, all of which can make or break an auction. And don't overlook simple things like table decorations, which people love to take home.

To get a handle on your budget, outline auction goals, and estimate all preparation costs. When budgeting, keep in mind that 70% of revenue comes from the live auction portion of the evening (85% of the items' stated value is received by the charity), 20% from the silent auction (50% of the stated value is made), and 10% from "fund-a-cause" (of which 100% benefits the charity). While many things can be donated, there will still be hard costs involved. Use ticket sales and sponsorships to cover these costs. By planning ahead, you can accurately determine how much you'll need to raise through auction revenue to reach your goal.

***Keep in mind that 70% of revenue comes from the live auction portion of the evening.***

**Do you have enough time to plan the event?** Planning should start 11 months ahead to make sure there's enough time to secure a venue, recruit volunteers, procure items, and organize and publicize the event. In addition to recruiting an auction chair and co-chair, it's a good idea to form committees of volunteers to oversee such areas of responsibility as procurement, silent auction, live auction, decorations and set-up, entertainment, invitations, volunteer coordinator, publicity, registration, check out, item pick-up, and clean-up.

Procurement takes time and is an important key. The success of an auction depends on the value and demand for

# CREATIVE FUNDRAISING IDEAS

### Seek Unique Auction Items

The more unique the items you put up for bid, the more money they're likely to reap. Examples of successful auction items include a one-ton dumptruck-load of cow manure and a life-size dog cut from a piece of pine by a chainsaw carver. See www.benefitauction.com.

### Make It Personal

An auction to raise money for families of flight attendants who perished on September 11, 2001, raised over $289,000 in one evening. The silent auction included signed memorabilia and artwork personalized to September 11. The live auction included dates with flight attendants, pilots, firefighters, police officers, and federal agents. Think of ways you can personalize your auction to your cause.

### Try a Silent Auction Emcee

Live auctions always have an auctioneer describing each item up for bid. Try that same approach with a silent auction. Have an emcee with a portable microphone walk among the auction items and describe them. See www.stevensoninc.com.

items up for bid. The best lots are items, experiences, and activities that are not easily purchased, which have greater value and will encourage people to attend the event. When determining procurement items, think about the make-up of prospective attendees, their interests, and a realistic budget range for bidders. School auction? Put kids' artwork or class projects, the latest computer or entertainment systems, a family ski trip, or vacation to Disneyland up for bid. Be creative with your lots! You'd be surprised at the interest in a group father-son baseball outing or a mothers-only social gathering hosted by a well-liked parent. Assign committee members specific categories to target, such as restaurants, hotels, and entertainment. Find out who knows whom, and leverage those relationships.

Make time to talk with people at organizations similar to yours who have run successful auctions. If possible, attend a charity auction seminar, which will offer helpful insights.

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**Do you have the necessary resources?** Determine whether you or a dedicated staff member has the time and energy to plan an auction and coordinate with the auction chair, co-chair, and committee members. You'll also need a team of volunteers on-site to support the event. The night of the event, plan on one volunteer for about every 10 guests. For example, a 250-person event would have six volunteers at registration, four spotters during the live auction, six at item pick-up, and nine for set-up and clean-up. Be upfront with your staff and volunteers on the responsibilities and time commitment involved.

Many larger organizations use event-management software to electronically manage auction event planning and processes—from procurement to bid tracking. Payment-processing technology streamlines auction check-in, virtually eliminates end-of-evening cashier lines, speeds fund transfer, and lowers credit-card processing expenses—meaning you'll have more funds to benefit your organization. ■

*You'd be surprised at the interest in a group father-son baseball outing.*

**Resources**

Alford, Jimmie, *Resource Development Videotape.*

"Going, Going, Gone! How Much Can Charity Bidders Deduct?", *Nonprofit World*, Vol. 19, No. 5.

Major, Mimi, "Taming the Beast: Four Keys to that Special Event," *Nonprofit World*, Vol. 20, No. 4.

Muehrcke, Jill, *Are You Sitting on a Gold Mine? Fundraising Self-Assessment Guide.*

Muehrcke, Jill, ed., *Fundraising and Resource Development*, *Leadership Series.*

These resources are available from the Society's Resource Center, www.snpo.org.

*Michelle Holman is director of sales for AuctionPay, which helps nonprofits meet fundraising goals, cut costs, and improve the guest and volunteer experience with an easy-to-use electronic payment processing solution. An active community volunteer, Holman has more than 10 years' experience in nonprofit fundraising and effective auction operations. For more information, visit www.auctionpay.com.*

# Crisis in the Boardroom—Can We Avoid Catastrophe?

*Only if we make some drastic changes—and fast.*

BY GARY SNYDER

Let's be direct, the nonprofit sector is in crisis! Nonprofit organizations are on the verge of apocalypse. Without some immediate attention, they're going to be DOA—dead on arrival.

## The Past

Nonprofit organizations are society's response to an issue that needs to be addressed. Nonprofits are typically held in high esteem, as evidenced by their tax status and the relatively innocuous regulations under which they're monitored. It's implicit that they will regulate themselves and provide for the public good. In large measure they are working well, but a small and increasing number of nonprofits are poised to spoil everything.

## The Present

The nonprofit sector is massive and far-reaching. More than 1.5 million nonprofits exist in the U.S. with contributions of about $200 billion, representing about 15% of the U.S. Gross Domestic Product (GDP). Thousands of young people will begin their careers by joining the tens of thousands of Americans employed in the nonprofit sector. One to three million board seats are either vacant or turning over. While this creates a severe crisis, it presents a great opportunity to educate those joining the forces of the nonprofit world.

Nonprofit and for-profit boards have rejected the notion that they aren't performing in the best interests of their stakeholders. Yet there's ample evidence—Enron, Global Crossing, Lucent, WorldCom, Waste Management, and others—of corporate boards not fulfilling their fiduciary responsibilities. Nonprofit organizations have had their share of problem agencies, including United Way, Red Cross, the Baptist Foundation, and others whose boards have failed to govern effectively.

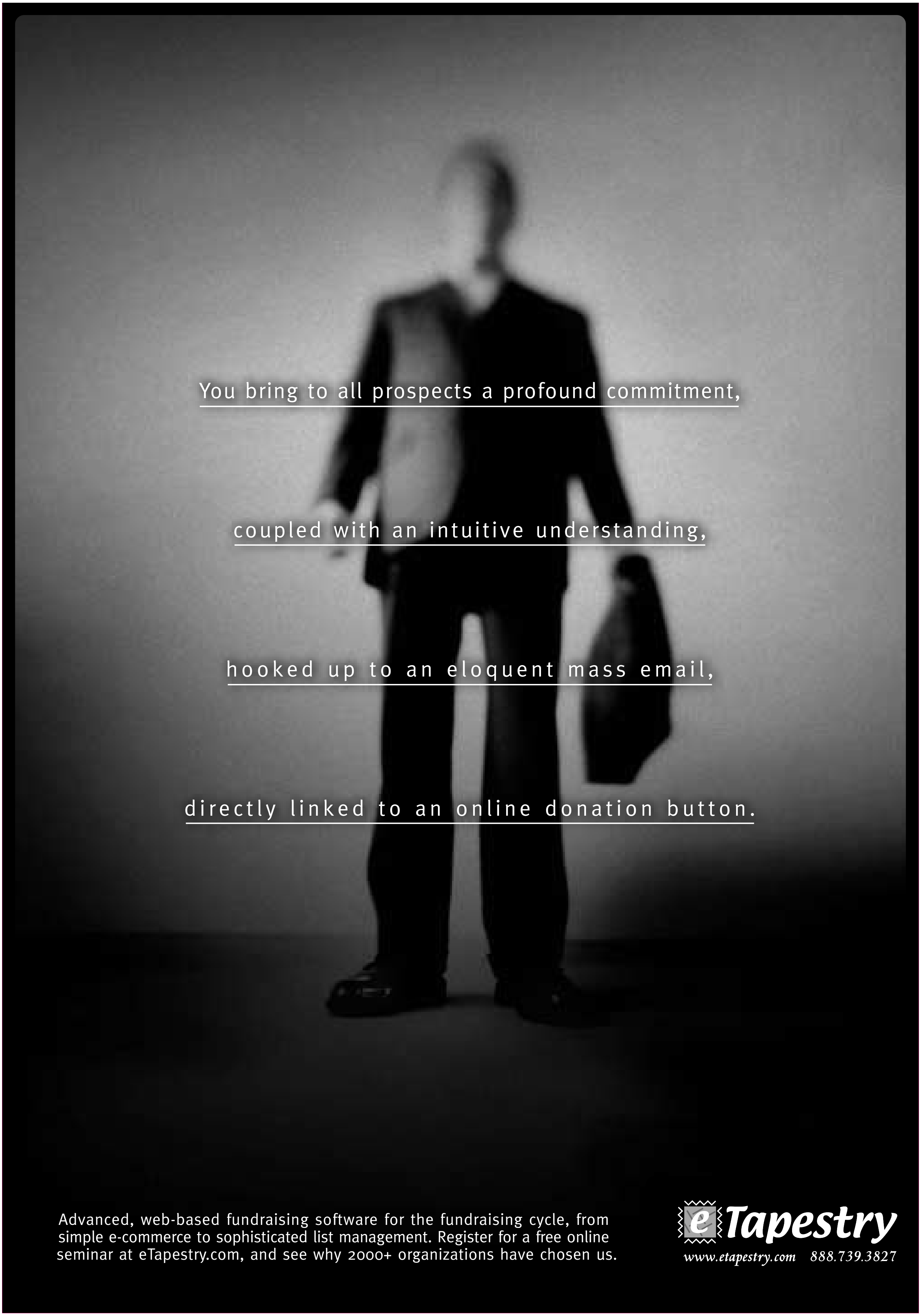
Because nonprofits have been held sacred, we've turned our heads and disregarded the obvious similarities with the corporate world. But there's no reason to believe that nonprofits would manage and govern themselves better than for-profits, except for the greed component in the for-profit sector. Even if nonprofit board members have more pristine motives, they're equally ineffective.

## So What's the Problem?

With hundreds of billions of dollars of donations on the table every year, there's an assumption that management and governance of the nonprofit agencies is flawless. Unfortunately, that's not the case.

People join nonprofit boards because they want to "do good." Virtually

> ***A small and increasing number of nonprofits are poised to spoil everything.***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every member of the board is a volunteer. Therefore, the goal of board meetings is to seek camaraderie and minimize conflict. Bad news isn't welcome, and counterpoints are often considered rude.

Few board members are sufficiently prepared to guide the organization. As a result, the executive staff is in the seat of power and the front line for all decision making. Staff members are exposed to issues before the lay leadership is aware of them. Frequently, the board is kept in darkness about problems brewing. Communication between board and staff typically needs improvement. The board is often caught in a crisis that could have been mitigated by earlier intervention.

> ***Frequently, the board is kept in darkness about problems brewing.***

## And a Solution!

If nonprofits want to keep their tax advantages, they must move quickly to change the way boards operate. Both board and staff must gain the skills needed to govern—those tools that are indispensable to make thoughtful and appropriate decisions. Staff members must support their board to create a symbiotic relationship between the two. The power couple of the future is the board leadership and the executive staff.

The days of the board rubber-stamping staff recommendations must end. It is crucial to develop a culture that fosters accountability by the board at all levels. It's up to the board, not the staff, to recruit new board members. Understanding financial statements is a board mandate, not a casual discussion. Cultivating outside relationships is a leadership activity, not a staff function. Adherence to a focused annual agenda, thoughtfully considered, is an imperative.

## The Result

When a board exercises its authority and staff is used appropriately, organizational failure is minimized. The board will be able to handle bad news, not simply the rosy assumptions that were standard fare from staff in the past. Mechanisms for feedback and controls will feel comfortable. Assessment of board and staff performance will reflect reality rather than perceptions. With those changes in place, regulators and politicians won't need to impose their will on the nonprofit sector, as they are poised to do.

Nonprofit organizations are a vital part of our society. Board business is serious business. So, let's get going and reform it! ■

**Resources**

Brudney, Jeffrey & Vic Murray, "Improving Nonprofit Boards: What Works & What Doesn't?", *Nonprofit World*, Vol. 15, No. 3.

Houle, Cyril, "How Effective Is Your Board? A Rating Scale," *Nonprofit World*, Vol. 8, No. 5.

Muehrcke, Jill, ed., *Board Leadership & Governance, Leadership Series.*

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These resources are available from the Society's Resource Center, www.snpo.org.

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# Keep or Kill? Score Your Programs

*Use this tool to decide which activities to nurture—and which to abandon.*

BY JERR BOSCHEE

Entrepreneurs in the nonprofit sector have encountered a stunning irony.

When they began exploring earned-income strategies during the 1980s and 1990s, they were searching for new sources of revenue to help them maintain and expand their programs. They were dealing with a simple, deadly fact: Traditional sources of revenue—charitable contributions and government subsidies—couldn't keep pace with social needs.

So they set out to find the money they needed to serve more people—only to learn that the first rule of entrepreneurship is contraction. The last thing they expected to wind up with was fewer programs, but that's what happened. The pioneers in the field learned a harsh lesson: It is not possible to be all things to all people.

## THE GOSPEL ACCORDING TO DRUCKER

The concept of "organized abandonment" began to seep into the nonprofit sector in the mid-1980s when management guru Peter Drucker turned his attention to the field and recoiled from what he saw.

> ***The first rule of entrepreneurship is contraction.***

Too many nonprofits were becoming increasingly unwieldy, unable to give their clients the attention they deserved because they no longer had the necessary time or resources. And much of the pain was self-inflicted. Multi-service organizations grew frenetically, adding programs every year, spreading themselves thinner and thinner.

Drucker had some blunt advice: If your products or services aren't number one or number two in the market, kill them. Rather than trying to be all things to all people, concentrate on doing the best possible job in a few, carefully chosen areas.

His advice ran against the grain of the traditional nonprofit mentality, but most nonprofit managers eventually do admit they're trying to serve too many masters, and Drucker's suggestion gives them a lifeline, a way to simultaneously sharpen their organizational focus and expand their impact.

Unfortunately, the process can be painful. It isn't easy to kill programs, especially if they're the pet projects of board members or funders. And there *is* an important caveat: Organized abandonment for nonprofits does *not* mean eliminating a program just because it loses money. If the nonprofit is the best or 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.

At its heart, organized abandonment requires a nonprofit 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. Nonprofit entrepreneurs have discovered that reducing the number of programs they offer has actually enabled them to serve more people and to serve them better—because they've had the time and resources to expand their efforts.

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## THE ORGANIZED ABANDONMENT GRID®

One of the decision-making tools nonprofits have been using for the past decade to decide which programs to eliminate is "The Organized Abandonment Grid"® (see below). This grid enables them *simultaneously* to analyze the social purpose and financial impact of each program they offer—and, ultimately, weigh the programs against one another.

Before they can use the tool effectively, however, nonprofits must decide whether they're pursuing a "sustainability" or "self-sufficiency" model. Sustainability can be achieved through a *combination* of charitable contributions, public sector subsidies, and earned revenue, but self-sufficiency can be achieved only by relying completely on earned revenue. If nonprofits are more interested in sustainability than self-sufficiency, they can factor philanthropic and government support into their calculations of financial impact. If they prefer to concentrate on self-sufficiency, then they should use charitable contributions and government subsidies only as tie-breakers at the end of the process when making final decisions about which programs to expand, maintain, reduce, divest, or eliminate.

The Organized Abandonment Grid® is designed to answer two questions about each product or service the nonprofit offers:

- Regardless of who provides it or whether anybody can pay for it, how many people in the community truly need it—and how critical is their need?
- What are the financial implications? Can the product or service be profitable, or will it result in losses?

Nonprofits use the horizontal axis on the grid (a five-point scale) to answer the "social purpose" question and the vertical axis (a seven-point scale) to answer the "financial impact" question. The intersection of the two scores leads them to a cell with one of five labels, each with a specific set of mandates:

- **Definitely:** These programs *definitely* deserve more resources. They are high on *both* the social purpose and the financial impact scales.
- **Probably:** These programs *probably* deserve more resources. They are high on *either* the social purpose or the financial impact scale.
- **Maybe:** The mix of social purpose and financial impact is inconclusive. The organization *may or may not* want to keep these programs (and the decision may rest in part on the size, strength, and number of competitors).
- **Probably not:** These programs should *probably* be eliminated. Either there is very little or no social purpose, or they *could* cause severe financial damage to the rest of the organization.

### *The Organized Abandonment Grid®*



*Notes: "Profits" and "losses" are for annual operations and include all direct and indirect costs; "profits" are pre-tax and prior to capital re-investment*

| FINANCIAL IMPACT | | | | SOCIAL PURPOSE: CRITICAL 5 | SIGNIFICANT 4 | SOME 3 | MINIMAL 2 | NONE 1 |
|---|---|---|---|---|---|---|---|---|
| | PROFITS | 21% OR MORE | 7 | DEFINITELY | DEFINITELY | DEFINITELY | PROBABLY | MAYBE |
| | PROFITS | 11% - 20% | 6 | DEFINITELY | DEFINITELY | DEFINITELY | MAYBE | MAYBE |
| | PROFITS | 0% - 10% | 5 | DEFINITELY | DEFINITELY | PROBABLY | MAYBE | PROBABLY NOT |
| | LOSSES | 1% - 10% | 4 | PROBABLY | PROBABLY | PROBABLY | PROBABLY NOT | DEFINITELY NOT |
| | LOSSES | 11% - 40% | 3 | PROBABLY | PROBABLY | MAYBE | DEFINITELY NOT | DEFINITELY NOT |
| | LOSSES | 41% - 70% | 2 | MAYBE | MAYBE | PROBABLY NOT | DEFINITELY NOT | DEFINITELY NOT |
| | LOSSES | 71% - 100% | 1 | MAYBE | PROBABLY NOT | DEFINITELY NOT | DEFINITELY NOT | DEFINITELY NOT |

• **Definitely not:** These programs should *definitely* be eliminated. Either there is very little or no social purpose, or they *will* cause severe financial damage to the rest of the organization.

## THE "SOCIAL PURPOSE" SCORE

The first task for a nonprofit's senior management team is to decide where each product or service should be placed on the social purpose continuum:

- Is there a *critical* need? (a score of "5")
- Is there a *significant* need? (a score of "4")
- Is there *some* need? (a score of "3")
- Is there *minimal* need? (a score of "2")
- Is there *no* need? (a score of "1")

Assigning the social purpose score is tougher than most nonprofits expect, and is more an art than a science. It's relatively easy to count the number of people who need a particular product or service, but how does a nonprofit decide whether one is more critical than another?

Decisions of this sort are frequently fueled by the passions of the people involved, and most nonprofits are reluctant to classify anything they do as less than critical. People who work in the sector are driven by a missionary instinct and loathe the idea of turning anybody away. When they see somebody in pain, they try to help. Somebody else is hurting? Start another program. Before too long, the typical nonprofit is stretched beyond its resources and capabilities.

Nonprofits' ingrained tendency to view all their programs as equally important is almost impossible to root out without doing something drastic. So nonprofits need to practice triage: No more than 20 percent of their products and services should be considered "critical," no more than 20 percent "significant," and so on. Nonprofits don't like to take that approach, but most that do discover two things: It's one of the most emotionally wrenching experiences they've ever had—but it's also one of the most liberating, because (often for the first time) they've given themselves permission to be candid.

*Self-sufficiency can be achieved only by relying completely on earned revenue.*

Practicing triage successfully may mean bringing in neutral observers to provide a broader perspective. Some of the most helpful have been men and women who are themselves successful entrepreneurs. Even then, however, there are no hard and fast rules about which products and services should go into which categories. Making the final decisions may require members of a senior management team to compromise with one another, but the overall result is usually a consensus everybody can live with.

## THE "FINANCIAL IMPACT" SCORE

Once the social purpose score has been determined, nonprofits can concentrate on a task that is more time-consuming, if less emotional—assigning a financial impact score to each of their products and services. To do so, the nonprofit must determine the following:

Could the product or service be profitable (on a pre-tax basis)?

- 20% or more? (a score of "7")
- 11% to 20%? ( a score of "6")
- 0% to 10%? (a score of "5")

Or will it result in a loss?

- 1% - 10%? (a score of "4")
- 11% - 40%? (a score of "3")
- 41% to 70%? (a score of "2")
- 71% - 100%? (a score of "1")

Historically, nonprofits trying to determine the financial viability of a product or service have relied mainly on charitable contributions and government subsidies, with earned income a distant third. Nonprofit entrepreneurs have turned that formula on its head. Earned income has become primary, especially because of the pressures impinging on the nonprofit sector today: Operating costs continue to rise, resources from traditional sources are less dependable, the number of nonprofits competing for grants and subsidies has nearly tripled in the past 25 years, and the number of people in need continues to escalate.

Charitable contributions and government subsidy are still welcome, but no longer central. So, to make the financial impact calculation as useful as possible, most nonprofits adopt the self-sufficiency model and concentrate only on earned income. Philanthropic and public sector dollars come into play later, but only as tie-breakers if the intersection of social purpose and financial impact scores is inconclusive.

Assigning the financial impact score for a product or service is based on the interplay of numerous factors: the nonprofit's ability to compete (a combination of critical success factors, environmental forces, and competitive advantage); break-even analysis; and the size and direction of the market. So nonprofits must gather at least five types of information before the score can be assigned:

• **What are the critical success factors?** The factors will be different for each product or service: They might include price, convenience, quality, volume, direct mail, access to referral sources, or many other possibilities. For example, one of the most critical factors for a nonprofit providing non-medical services in their homes for the elderly is the ability to recruit and retain home care aides.

• **What environmental forces will have an impact?** The forces could be positive or negative, and they could emerge from any number of sources (demographic, economic, sociological, technological, regulatory, political). An obvious example has been the impact of managed care on health and human service organizations.

• **Who are the primary competitors—and how strong are they?** Competitors could come from the for-profit, nonprofit, or public sectors. Do any of them have a significant advantage? The best way to find out is to test them against each of the critical success factors and environmental forces.

• **What do the numbers say?** What is the unit cost to deliver a single product or service? What are the fixed and variable costs? How much investment will be necessary to compete effectively? Will it take a year to break even? Two years? Five years? Will profitability ever be possible?

• **What is the size and direction of the market?** How many dollars will be available to pay for the product or service—and from what source(s)? Is the market growing, flat, or declining? Does it really make sense to compete in a dying market? Is it okay to take some additional risks if the market is expanding?

## THE KEY INGREDIENT

Assigning the social purpose and financial impact scores may be time-consuming, but doing so is still the easy part of the organized abandonment process. It's one thing to do research, quite another to act. Organizational courage is frequently in short supply when it comes to making final decisions about what to do with specific products or services.

But if nonprofits can summon the courage, the results can be dramatic: sharpened focus, more people served—and higher levels of sustainability or self-sufficiency. ■

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These resources are available from the Society's Resource Center, 734-451-3582, www.snpo.org.


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# Thoughts on Leadership in the Nonprofit World

Are you living up to your true leadership potential?
Use these questions and tips to release the leader within.

BY MARY ANN SIEGEL

**Leaders are best**
**When people barely know that they exist,**
**Not so good when people obey and acclaim them;**
**Worse when they despise them.**
**"Fail to honor people,**
**They fail to honor you;"**
**But of a good leader, who talks little,**
**When their work is done, their aim fulfilled,**
**The people will all say, "We did this ourselves."**
–Lao Tzu, edited

The above quote, reproduced in the North Carolina Outward Bound School's Book of Readings, has inspired many a tired backpacker on an Outward Bound expedition. Through Outward Bound's rigorous experiential initiatives, students learn that leadership is developed. By learning to trust their ability to solve problems, they develop their skills in both leading and working alongside their team members.

It is while climbing a mountain, shooting the rapids, walking a balance beam, or rappelling off a cliff that Outward Bound participants discover what they're made of. The hallmarks of success in the program are the hallmarks of a leader–the ability to believe in oneself, to trust others, to endure by taking one step at a time, to support others, and never to give up. Outward Bound's motto, from a poem by Tennyson, represents the best of the character of leadership and of volunteerism, so vital to the nonprofit arena, "To Serve, To Strive, and Not to Yield."

The battle to let go of fear, doubt, and ambivalence is an inward and personal one. Each individual must learn to turn a challenge into an opportunity. Individual success becomes even greater when people learn to ask for help while supporting their teammates.

## Develop leadership qualities by accepting an individual challenge.

The qualities of a good leader are the same whether you're in the woods or a nonprofit boardroom. The road can be lonely when you're chairing a campaign, unifying a board, surviving a loss of funding, advocating a new issue to a donor, or recruiting volunteers. Working as a team increases the chance for success. You can meet challenges more easily when you have moral support and a wealth of different ideas.

Good leaders understand the advantage of leading "with" their teammates. They set the example, the tone, and the pace. All must stroke together to win.

But you can't be a strong leader until you focus on and clarify your own goals. You develop and strengthen your leadership skills by deciding what you want and motivating others to follow you.

## Create a vision of the challenge by clarifying goals and objectives.

Whether you're a new board chair, a seasoned board chair with immediate challenges, an executive director, a development director, or a committee chair, you will find your experience tested. Before you start your journey of leadership, you must be crystal clear—to yourself and to your team—about your goals and objectives. Begin by asking yourself these questions:

- **Will you accept the challenge of going for your goals?** Are you prepared to move beyond your comfort zone—to make a sacrifice in your own contributions of time and money and ask others to do the same?

- **Who will you ask to serve on your team?** What strengths do these people have? Do they complement your weaknesses?
- **What are your goals?** How are they prioritized? Have you let yourself think big when making your plans?
- **What are your objectives?** Have you created a long-term and a short-term strategy for achieving your goals? Who will do what?
- **Have you communicated** your goals, objectives, needs, and desires to a wide audience? Have you sold your ideas to a small circle of supporters and asked for input before taking your message to this broader audience?

## Exercise leadership by articulating your vision to others.

If you can answer yes to the above questions, it's time to start your leadership journey.

The stuff you're made of determines how bumpy the journey will be. Character is the foundation of everything you dream, suggest, articulate, and motivate your teammates to do.

Here are 10 leadership tips to make the journey easier:

### 1. Think with integrity.
Everything else flows from this. Because leadership is instilled through action, you must earn people's respect and trust. There are no shortcuts to being honest and honorable.

### 2. Act with integrity.
As John D. Rockefeller, Jr., said in his classic booklet on soliciting gifts, treat others the way you would like to be treated. Be sincere and straightforward. Don't make promises you can't keep. Practice what you teach.

### 3. Communicate and teach.
Convey a vision and mission to your team. Provide workshops for staff, board members, and volunteers. Be sure they have a clear understanding about what to expect, how to carry out their responsibilities, and how to fulfill the organization's mission.

### 4. Listen to—and learn from—each team member.
Whether people want to share an idea or explain why they're unhappy, hear what they have to say. Teach your team members to do the same. It's in your best interests to have as many knowledgeable advocates as possible on your side.

### 5. Surround yourself with good people and good workers.
Delegate clearly and often. Coach and motivate team members by expressing why you have faith in them. Such coaching will empower them to practice new behaviors and exceed goals.

### 6. Appreciate the efforts of others,
including your volunteers, board, staff, and donors. Thank people for their contributions, and make sure they feel valued. Be there for them. Expressing your faith in them will encourage them to carry out new behaviors and to exceed goals.

### 7. Be tenacious.
Follow through in your efforts, and motivate your teammates to do the same.

### 8. Have courage.
Be willing to take risks. Set your sights high.

### 9. Be prepared.
Do your research about your prospective board members, donors, and the public.

### 10. Commit yourself.
Demonstrate your commitment in everything you do. Remember that your attitude affects those around you, and their commitment will flow from yours. The exciting thing about leadership is that examples of courage and victory serve to educate, motivate, and inspire us all. ■

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These resources are available from the Society's Resource Center, www.snpo.org.

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# Match Your Change Strategy to Your Organization's Maturity

*Don't just make a change. First, decide which approach offers the best chance of success.*

BY RON ROSENBERG

As you leave work today, you see a man collapsed on the sidewalk, clutching his chest. Would you…

a. Administer CPR?
b. Perform bypass surgery?
c. Explain how paying better attention to his stress level, exercise program, and dietary habits could have prevented this situation?

The most logical choice is to administer CPR. This person needs immediate intervention to help him survive. The other options are appropriate follow-up activities and may be necessary for a full recovery. But suggesting aerobic exercise to a patient in the middle of a heart attack makes little sense.

Similarly, nonprofit organizations are feeling the pain and stress of shifting to a culture that focuses on quality, customers, and teamwork. Unfortunately, many nonprofits' efforts are disappointing because of a mismatch between their approach to change and their organizations' maturity level. Just as you must gear medical treatment to a patient's condition, you must tailor your change approach to your organization's needs.

> **Suggesting aerobic exercise to a patient in the middle of a heart attack makes little sense.**

## *Five Questions to Determine Your Organization's Maturity*

To determine your organization's maturity level, ask yourself these five questions:

**1. Vision:** Does your organization have a clear view of its long-term goals and a clear understanding of how each employee's job contributes to these goals?

**2. Management Involvement:** Is there clear commitment from the management team in the form of active participation and support of business improvement activities?

**3. Employee Empowerment:** Does the organization's management recognize that line employees' input is critical in identifying problem areas and improvement actions?

**4. Customer Focus:** Is there a clear understanding that every job and every activity performed in the organization must have a definite link to customer satisfaction?

**5. Process Base:** Are there defined, documented processes that allow repeatable success and provide a solid foundation for improvement?

Based on your answers to the five questions, decide which of the following three types of organizations you fit into:

**1. Firefighting:** Like the person collapsed on the sidewalk, the firefighting organization struggles to survive. If fundamental changes aren't made, the organization will be left behind in the dust of its competitors' leadership.

It's not tough to spot the firefighting organization. Employees are frustrated because of changing priorities. There is constant rework to correct preventable problems that have turned into major crises. If there are processes, they're either not understood or not followed, allowing and even encouraging poor quality.

Employees could tell management how to clean up the mess if only someone would listen. But the few who dare to speak up are usually ignored.

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> ***Employees could tell management how to clean up the mess if only someone would listen.***

**2. Emerging:** Having survived the heart attack, the patient can now undergo tests to determine the best course of treatment. Organizations in this phase are operating successfully but haven't yet achieved peak performance. Work groups are launching specific change initiatives and are impatient to move ahead, although the environment doesn't seem quite ready. These groups are unwilling to wait, believing that they will realize both immediate and long-term benefits by taking action now.

**3. Total Commitment:** Having undergone bypass surgery, the patient is on the road to recovery. An organization at the total-commitment level is prepared to make a significant investment in change. It's ready to shift its culture from one of day-to-day reacting to one of proactivity and vision. Sometimes the catalyst for this commitment is new leadership. Sometimes it's a recognition of the successes of the work groups in the emerging phase. Just as often, however, the driver is some sort of "near-death" experience, in which the organization realizes that it must change, or the results could be fatal.

These warning signs include a suddenly eroding market share, key customers threatening to leave, plunging finances, and an exodus of key employees. This kind of shock to the system isn't always bad; the survival of the organization provides a compelling vision around which to base a change in lifestyle.

## *Match Your Organizational Needs with the Right Approach*

The most important point to understand is that all organizations aren't on the same level in the five key areas. Unfortunately, many nonprofits don't recognize this fact and roll out an improvement program based on another organization's successful experience. A better approach is to determine your organization's level of readiness, understand your needs at that level, and tailor your improvement approach to meet those needs, as follows:

**1. Firefighting organizations need to focus on survival.** Without a definite course correction, organizations at this level are headed for serious trouble. They must get a handle on the immediate issues. The goal should be to provide stability and a firm foundation on which to build for future growth. Activities here fall into the general category of problem solving.

**2. Emerging organizations should focus on recovery.** The goal here is to mobilize the organization by encouraging the work groups that have already demonstrated success. Show them how their example can move the entire organization ahead. Help them document their successes by measuring improvements in productivity, effectiveness, and customer satisfaction.

Typically, these groups begin to see tangible benefits quickly. They can easily transform their position from the front of the innovation curve into leaders in the organization.

**3. Total-commitment organizations are ready for the journey** that leads to world-class-level quality and strong customer and employee satisfaction. These organizations have strong foundations in most of the key areas—vision alignment, management involvement, employee empowerment, customer focus, and process base. The need here is for a change in lifestyle. Such a change is achievable because the organization has a clear vision which is effectively deployed throughout the organization. Change efforts should focus on that vision—not on adopting other organizations' best practices.

## *What's Your Condition?*

Offering CPR to a healthy patient is as useless as providing lifestyle counseling to a trauma victim. Both are valid approaches, but it's the patient's condition that determines the correct course of treatment. ■

*Ron Rosenberg, author of* Breaking Out of the Change Trap *and president of QualityTalk, works with organizations to improve their effectiveness. For a free copy of the assessment tool or a free subscription to QualityTalk's "Eight Rings: Ideas for Change" e-mail newsletter, contact QualityTalk, P.O. Box 99451, Raleigh, NC 27624-9451, phone 800-260-0662, fax 919-847-9041, www.qualitytalk.com.*

# Seven Ps for Sustaining Success

## *Are these vital keys in place in your organization?*

BY JOSEPH C. SANTORA AND JAMES C. SARROS

Times are tough for nonprofit organizations. To adapt to environmental changes, your organization must become more engaging and aggressive. You must devise new, innovative strategies. You can do so by implementing these seven Ps:

### 1. Planning

**Understand that planning is the key** to your organization's longevity. Set a direction by responding to these fundamental questions: Where are we now? Where do we want to go? How will we get there?

**View planning** in both the short (less than one year) and long (preferably five years) terms. Assess internal strengths and weaknesses and external threats and opportunities.

**Include all major organizational players** in the planning process.

**Address the often-neglected issue** of succession planning at all organizational levels, starting with the executive director. Such planning will allow for smooth transitions rather than disruption and chaos when people leave the organization.

### 2. People

**Remember** that people are your organization's lifeblood. Create a people-friendly organizational culture with clear values and a focus on diversity and teamwork. Respect differences while building on commonalities.

**Hire a diverse pool** of talented people with the skills to foster growth. Draw new employees from undergraduate and graduate programs that prepare students to pursue careers in the nonprofit sector, or make use of "executive loan" programs, which give business executives a one-year "corporate sabbatical" to work in a nonprofit organization.

**Compensate your workers** with more than money. Give them opportunities to work flexible hours, work at home, job-share, and take courses.

**Provide feedback, recognition, and praise** for people's work. Celebrate every success.

### 3. Proposals

**Take time** to make sure your funding proposals are clear, well-written, and free from jargon. Never submit hastily written proposals to a funding source.

**Be certain** that proposal development flows from your strategic planning process.

**Do research on funders** before submitting proposals. Find a funder whose mission, values, and goals complement those of your organization.

**Gear your proposal** to the funder's needs, not to your organization's needs.

**Put together an internal screening committee** to review completed proposals for quality control.

**Monitor the status** of your proposals at all times.

## 4. Programs

**Make sure your programs fulfill** two purposes: (1) Generate enough income to sustain themselves. (2) Make an impact by addressing a compelling need.

**Connect each program** to your organization's mission and vision.

**Know your market niche,** remembering that you can't solve every social ill. Tackling an area outside your organization's expertise may hinder rather than help recipients of your programs. Work from your strengths, and forget the rest.

**Evaluate** your programs often. Use such measures as service outcomes, staff morale, funding base, and fiscal balance to decide if programs are still feasible. Don't hold on to programs that are no longer relevant and effective.

**Use surveys and focus groups** to gauge people's reactions to your current programs and their need for new programs.

## 5. Partnerships

**Embrace the idea** of collaboration. Funders are more likely to fund proposals that focus on collaboration.

**Look for a partner** whose philosophy and values are compatible with those of your organization.

**When forming** a partnership, be sure trust is present on all levels.

**Create interlocking boards** with your partner—joint appointments of a key staff person to each other's board of directors.

## 6. Politics

**Realize that politics and nonprofits** are inexorably linked. Politics is all about making contacts and forming relationships. Getting to know the right people is the best way to gain the money and power your organization needs. Accept the fact that people are more likely to support organizations whose leaders they know and trust.

**Ask board and staff members** to write down everyone they know who might help support your organization. These contacts may include people on foundations or corporations, in the media or legislature. Then cultivate those relationships.

**Make every attempt** to invite potential supporters to visit your organization and see it in action.

**Don't focus** only on money. People can support your organization in many ways—solving problems, putting in a word with the right people, supplying goods and services.

**Once you've formed a relationship** with a supporter, nurture it in every way. Keep supporters on your mailing list, and ask them to your functions. Let them know how your organization is doing and how their support has helped.

## 7. Publicity

**Promote your organization's accomplishments** in as many different media as possible.

**Build relationships** with media representatives.

**Host** community events.

**Bestow awards** on community activists and businesspeople.

**Invite public figures** and media representatives to your events.

**Appoint influential people** to your board of directors.

**Prepare and distribute** a high-quality annual report.

**Inform the public** about your programs through PR campaigns in local and statewide newspapers. Such promotion is an excellent way to attract funding and build your organization's reputation. Remember that nothing succeeds like success. ■

**Resources**


Lauer, Larry, "Are You Using the Power of Focus Groups?", *Nonprofit World*, Vol. 14, No. 4.

Muehrcke, Jill, "Build a Powerful Staff Team," *Nonprofit World*, Vol. 18, No. 4.

Remley, Dirk, "Relationship Marketing: Guaranteeing the Future," *Nonprofit World*, Vol. 14, No. 5.

Setterberg, Fred & Kary Schulman, "Finessing City Hall: Coalitions, Lobbying, and the Question of Power," *Nonprofit World*, Vol. 6, No. 1.


These resources are available from the Society's Resource Center, www.snpo.org.


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# How Can You Gain Your Donors' Trust?

*A new survey highlights the need to recapture people's confidence. How should you begin?*

BY JEAN HARDY ROBINSON

Nonprofit organizations have a serious problem. Although the vast majority of people in the U.S. support the missions of many nonprofits and interact with these mission-driven organizations almost daily, fewer people *trust* the organizations that are carrying out these important missions.

Leaders in the nonprofit community have long lamented that each well-publicized embezzlement or mismanagement scandal has a chilling effect on the entire sector. Although many defend the sector's standards of ethical behavior, little research has been done to measure the level of trust among the general public.

Now the most recent Metro Survey conducted by the Metro Chicago Information Center (MCIC) makes clear that nonprofits must work harder and more strategically to demonstrate their accountability to donors and non-donors alike. When asked to respond to the statement, "I think most charities are honest," a mere 15% of those in the 6-county area "strongly agree." Another 46% "somewhat agree" for a combined "trust measure" of 61%. Imagine what the responses would have been to a less qualified statement, such as "Almost all charities are honest"!

This disturbingly low level of trust is even weaker for low-income respondents in the same 6-county area: 54% "strongly or somewhat agree" with the honesty statement compared to 69% of high-income respondents. Minority respondents also voice less confidence in nonprofits' honesty than whites: 68% of whites "strongly or somewhat agree" compared with 49% of African-Americans and 56% of Latinos.

The problem isn't that most charities are dishonest but that too many nonprofits are weak in *demonstrating* accountability through open and honest reporting. Financial reports presented to boards aren't always of professional quality, and even these reports are rarely shared beyond the boardroom. This reporting void continues despite the fact that for several years constituents of all types have been demanding more accountability. The questions they ask most often are:

- What are the sources of funds for the organization?
- How much money does the organization spend on fundraising?
- How does the organization use the funds that are donated to it?

> ***A mere 15% "strongly agree" that most charities are honest.***

Far too few organizations routinely share this information even when it would provide strong evidence of their fiscal honesty and excellent financial management. Although Guidestar (www.Guidestar.org) has made the IRS form 990 available on the Internet for thousands of organizations, many more nonprofits have failed to take advantage of this opportunity. Other organizations such as the BBB Wise Giving Alliance (http://Give.org) are using the Internet to support responsible giving. But, again, few nonprofits measure themselves against the standards they provide.

What can your organization do to regain the trust of potential donors and funders? First, perform a quick assessment of your financial reporting—and measure your organization against the highest standards of accountability and stewardship to donors and other stakeholders. Be sure your board and staff agree that the information is accurate and represents the organization honestly. Too often, Development, Programming, and Business Department staff haven't discussed the systems needed to report to donors that restricted funds have been used for designated purposes.

Once you have gathered and discussed this financial information—and made sure everyone in the organization approves and agrees on it—you need to incorporate a fiscal report into your case for external support. Then make this financial information readily available to all stakeholders. Funders and donors expect no less. ■

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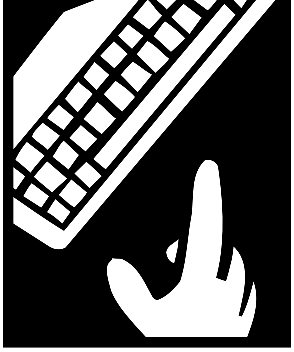

PEOPLE *and technology*

# Cyberactivism: How a Web Site Can Make or Break Your Organization

*Is it worth investing money in your Web site? Here are lessons to help you answer that question.*

BY SCOTT PALEY

With the shrinking of the Internet economy, many nonprofits are reevaluating their Web sites and wondering whether the Internet can really offer a valuable return. The answer is consistent with old-economy business logic: When a project is done right, it yields value to an organization. When a project with the same objectives is done poorly, it yields high cost and little return.

## How Has the Online World Evolved?

In the period from 1995 to 1997, when the Internet was seen mostly as a one-way informational tool, many nonprofits launched inexpensive, high-value Web sites. These sites offered general information about the organization's mission and values, educating people and explaining how they could participate. While not flashy or elegant, the value of these sites was obvious; nonprofits could now make basic information available to the entire wired world with modest expense. Before long, nonprofits began to get donations from people thousands of miles away, who had never come in contact with them before.

By 1998, most major nonprofits had added value to their Web sites by offering some simple ways for people to sign up for membership, make secure credit-card donations, or purchase organizational merchandise such as T-shirts. While development of these options was expensive to organizations on tight budgets, most of these new features provided value as online donations were processed and membership databases built.

The next phase of online evolution found many nonprofits making large expenditures on projects that often offered little or no return. Nonprofits that didn't make such investments considered themselves lucky and became skeptical about investing precious resources in Web development.

Today, these organizations are at a crossroads, trying to decide whether future investments in the Internet are warranted. The answer to this seemingly simple question is—maybe. If the modus operandi will be the freewheeling approach of the past few years, these projects have a low likelihood of success. However, if executed with a coherent strategy and clear objectives, these investments can result in tremendous returns. The following is a set of suggestions generated from successful nonprofit Web projects that have had dramatic results.

***Today, nonprofits are at a crossroads.***

## Lesson 1: Remove Barriers to Participation

The relationship between any organization and its constituents is fragile. Consider TV viewers who see a public service announcement stating that a donation will change a child's life. If they're motivated to donate, they must find a pen to write down the phone number or address. Then they must make a call or fill out an envelope and write a check. All these tasks are barriers to participation.

Removing such barriers is an important task for nonprofits. As a two-way communication medium, the Internet provides exceptional opportunities to decrease barriers to participation.

The Million-Mom March, an organization advocating sensible gun-control laws, used the Internet to motivate and organize over 850,000 people to march on Washington. Its Web site was effective because it made it easy for all types of constituents to interact with the organization. When users came to the site, they were subtly required to identify what type of constituent they were: an interested bystander, marcher, local organizer, individual donor, corporate donor, and so on. Once the user self-identified, all the tools needed by that constituent type were made readily available. Marchers could book a hotel in Washington and sign up for transportation to the march, bystanders could join the organization's mailing list to be kept abreast of the latest developments in the movement, individual donors could make donations with their credit card and add their child's name to the Registry of Protected Children, local organizers could schedule a bus to bring marchers to Washington, regional organizers could download online instructions guiding grassroots organizing.

"The Web site had to capture moms the first time they visited, because they were unlikely to return otherwise," explains Donna Dees Thomases, founder of the Million-Mom March. "To accomplish this, each type of visitor was allowed a tool set that made their engagement with the organization simple, empowering, and compelling. In essence, the Web gave individuals an almost immediate impact and let the Million-Mom March organize in hyperspeed."

## Lesson 2: Bring Your Brand to Life

One of the greatest misconceptions of the 1990s' "new-economy" bubble was that there was a new way of doing business. Nothing could be further from the truth. The old-world business rules that applied offline were equally true online, and they continue to be. These truths are

*The Internet can be the most cost-effective way to build relationships with your constituents.*

especially apt when it comes to communicating your brand—the name, personality, logo, symbols, and values that identify your organization.

Branding is an underused marketing tool among nonprofit organizations. Yet the need to connect on an emotional level makes branding especially critical for nonprofits.

For a Web site to work, it must have an effective brand. Constituents can then have an ongoing two-way dialogue, connecting emotionally with the brand as it grows and evolves.

The American Legacy Foundation's Web site, www.thetruth.com, is an example of a well-branded organization that uses the Web to interact with constituents. The Truth Campaign is dedicated to exposing the truth about tobacco so that people can have all the information necessary before deciding whether to smoke. The mission of The Truth is to alert everyone to the lies and hidden practices of cigarette companies, while giving people the tools to have a voice in change.

Those who use the site have many ways to interact with the foundation, including online polls, Truth-branded e-mail addresses for those who join, the latest Truth news, and galleries that showcase past and present Truth media campaigns. The site features a section called "Info Vault," an easy-to-use reference archive for those researching key points in the fight against the tobacco industry. Another area of the site is the event section, listing Truth events held in major U.S. cities. Visitors to the site can access Truth Tour dates and obtain photos taken of them at Truth Tour events.

The Truth Campaign connects to its constituents by creating an emotive brand and giving them information and tools to take action. All these elements help define the brand and bring it to life.

## Lesson 3: Build a Relationship that Engages Constituents

Nonprofits can learn a lesson from corporations, which, while slashing their investments in other marketing channels, keep funneling dollars into Customer Relationship Management (CRM) tools and one-to-one marketing programs via the Web. They understand that the Internet is the ultimate communication vehicle for developing one-to-one connections with constituents and that they can build durable relationships by engaging people over time.

Offering repeated points of interaction with constituents can be as simple as providing online polls, discussion boards, and personalized content. Over time, these interactions facilitate long-lasting relationships.

People for the Ethical Treatment of Animals' site (www.peta.org) is rich with information and content-related interactive options. The site engages visitors in a myriad of ways, offering such lifestyle tools as free vegetarian starter kits, recipes, guides to vegetarian restaurants, and information on cruelty-free fashion. Visitors to the site can participate in Action Alerts or use PETA's letter-writing guide to send letters to business leaders and members of Congress.

The PETA site has potential to develop a lifetime relationship with concerned citizens. PETA Kids features an interactive calendar with daily activities and a clever guide to help kids decline to participate in school animal-dissection projects. The site features celebrity spokespeople (including Paul McCartney and pop superstar Pink) who appeal to a variety of

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age groups. The depth and intelligence of the PETA site are proof that a new era of long-lasting, one-to-one connectivity has emerged in the nonprofit world.

## Lesson 4: Develop Online Processes to Cut Costs

For most nonprofits, the greatest value of the Internet will continue to be as a tool to communicate with constituents, reducing the need for more costly offline methods. The Internet lets nonprofits develop functional programs and processes at a fraction of the cost. Consider which of the following options, for example, would be more expensive and time-consuming for your organization:

- Soliciting petition signatures door-to-door? Or canvassing for signatures by e-mail?
- Hiring telemarketers to call people? Or hearing from people via online discussion boards, FAQs, and e-mail response technology?
- Sending information through the mail? Or distributing the same content online?
- Hiring workers to do endless data entry? Or having constituents feed the information directly to your database through the Web?

These are just a few of many ways to save money with online processes. Each nonprofit has unique programs that can be streamlined using the Internet.

The Gift of New York wanted to give cultural-events passes to World Trade Center victims' families. When Michael Garrett, executive director, learned that he couldn't access the list of victims' family members (because of privacy issues), he had two options: He could combine publicity and a call center to reach constituents, or he could use the Web to interact with the organization's constituents directly. Because he chose the Web, hundreds of families were able to receive tickets and enjoy the city's cultural offerings, demonstrating that the Internet can replace costly traditional processes with inexpensive online approaches.

## The Web Black Book

The best thing about developing your Web strategy is that help, in the form of a multitude of nonprofit and Web design resources, is just a click away. Contact these sites for the information and guidance every Web project needs:

**Abstractedge.com**
Interactive agency which applies the fundamentals of online activism, grassroots organizing, and cause-based marketing to communication initiatives.

**PassionMarketing.com**
Cause-based offline marketing communications firm.

**Cnet.com**
Compendium of hardware and software listings, reviews, and advice.

**Mvps.org/access**
Advice and free downloads for Access, the most widely used database program.

**Not-for-profit.org**
Multi-purpose resource guide for nonprofits.

## The Web Is Here to Stay

While the Internet has had its fits and starts, the formula for nonprofit Web site success hasn't changed. The key to any nonprofit's success is to engage core constituencies, motivate them to embrace the organization's values, and develop long and meaningful relationships with those people.

Online failures result when strong business planning and discipline aren't at the core of a project. When leveraged intelligently, the Internet can be the most cost-effective way to build relationships with your constituents. An investment in the Internet can yield exceptional returns if you make decisions carefully with the right partners and an effective strategy. ■


**Resources**

Bosc, Joyce, "Brands: They Need to Work Just as Hard as You Do," *Nonprofit World*, Vol. 20, No. 1.

Elges, Mary, "Driving Traffic to Your Web Site," *Nonprofit World*, Vol. 20, No. 6.

Roufa, Mike, "Marketing Your Web Site with Search Engines," *Nonprofit World*, Vol. 17, No. 2.


These resources are available from the Society's Resource Center, www.snpo.org.


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# Make the Overseas Leap to Raise More Funds

*International fundraising can enhance your mission while bringing in more donations. Here's how.*

BY ERICA WAASDORP

Expanding fundraising beyond your borders may seem daunting at first. But if you ask the right questions and develop the right answers, it can be very worthwhile. Here are questions to ask and answers to light your way.

## Why raise funds internationally?

- **International fundraising will broaden your organization's mission** and build awareness while raising more funds.
- **If your organization already has an office abroad,** it makes sense to expand your fundraising there. The infrastructure already exists, and development becomes, in essence, just another department.
- **International fundraising offers growth potential,** especially if your cause hasn't yet penetrated other markets.
- **Your board may like the idea** of being represented in a number of countries.
- **You may attract more local support** by showing you have a reputation for good work elsewhere.

## Are you ready?

- **Make sure your organization is well established at home,** with money to invest over the long term. Acquiring new donors costs money, and it will take time to break even. So, you must be prepared to make a significant investment not just in the first year but for a number of years.
- **Take a look at the exchange rates** and check how your current accounting system is set up to ensure that adding another country to the mix isn't a problem.
- **Be prepared to conduct extensive research** into issues such as how each country has historically responded to fundraising and the nature of the overall economy. While such research can be costly, it's worth every penny—especially if you want to expand into more than one country.
- **Ensure that personnel are available** and that they have the training, experience, and resources needed to make the right decisions.

## What steps should you take?

**1. Pick a target country** in which to start your fundraising efforts. Be able to back up your choice. It's not enough to select a country just because the board wants it.

**2. Visit your target country,** on-line and in person. Read about it. Go to conferences there. Talk to people who live in that country and who have expert knowledge about it.

**3. Check out other organizations** that are active in your target country, especially in your type of cause. If your organization is the fifth cancer charity entering, it's going to be easier to compare, but it may be harder to raise funds. How are other organizations doing? What are they doing? You'd be amazed how

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> *Nonprofit postal rates don't exist in most other countries, so postage cost can be high.*

willing people are to share "war stories" as long as your cause isn't immediately competitive. In fact, sharing information with you may even help their fundraising efforts.

**4. Examine the "giving" culture** in your target country. Do they give small gifts often (as in the Netherlands) or do they give big gifts less often?

**5. Estimate the expenses** of setting up an office in your target country.

**6. Decide how to direct** the fundraising. Will it be handled from U.S. headquarters or from the office in your target country? You need to make this decision before you hire someone to run the office abroad.

**7. Provide plenty of PR support** to establish your organization's name in your chosen country and communicate your message well. The last thing you want is for your organization to get bad press. If that happens, it's virtually impossible to build the name back up, a fact that's even more true when your organization is a foreigner in another country.

**8. Decide what fundraising methods to use** in your target country. Is direct mail an option, or are other approaches better? In some countries, postal service isn't very reliable, so mail doesn't get delivered, and responses don't make it to the organization. Also, nonprofit postal rates don't exist in most countries, so postage cost can be high. Thus, many organizations use door-to-door canvassing and personal contacts rather than direct mail.

**9. Seek legal advice** on how to register your organization. Look for someone who's familiar with regulations and customs in your target country.

**10. Obtain the best tax and accounting advice** available. Use an accounting firm in your target country. Rules for financial reporting are different abroad and are sometimes quite harsh. For instance, some countries have very strict rules on how much money can be spent on fundraising versus program expenses and how many years are allowed as "investment" years before red flags go up and scrutiny of the organization increases. Accountants in your target country will be familiar with these situations. Try to find a firm that's familiar with your organization here and has offices overseas. That will save some education.

**11. Learn how things are done** in your target country, asking the following questions:

- ***What standards*** regulate fundraising in your target country?
- ***What payment types*** and currency are used?
- ***Are you aware of cultural sensitivities*** in your target country? (In Japan, for instance, you shouldn't start a conversation until the Japanese person looks you in the eye.)
- ***If you plan to send direct-mail appeals,*** what are the production, sizing, and personalization options? Will you need more space after translating your direct-mail copy into another language? (For example, German takes up 20% more space than English.) Use someone who can translate and write copy, preferably with a fundraising background so you don't get a translation that's not really a fundraising appeal. If in doubt, have it translated back into English to ensure that it says what you want it to say.
- ***How will you obtain*** your mailing lists? Are list exchanges allowed? In most countries outside the U.S., nonprofit rates for lists are unheard of, so you can expect to pay a lot more for mailing lists. (In Germany, for instance, the average list costs \$350 to \$450 per 1,000. Fortunately, response rates tend to be higher as well.)
- ***On your response devices,*** will you ask people to use postal forms or checks for their donations? Many countries (including Mexico, Germany, the Netherlands, and Italy) use postal forms and deposit monies directly into an organization's so-called giro account, so you need to set up data-transfer arrangements to be able to receive donor information.
- ***How will you handle*** data entry? If the bank takes care of data entry in the case of postal forms, this will save on data entry at the organization.
- ***What are the privacy*** standards? Check with the DMA in your target country.
- ***What amounts*** do fundraisers for other organizations in your target country typically ask for?

> *Rules for financial reporting are different abroad and are sometimes quite harsh.*

> *Assume that* everything *in your target country is different from what you're used to and must be checked.*

**12. Prepare a budget** based on a test and rollout options.

**13. Assume that *everything*** in your target country is different from what you're used to and must be checked.

**14. Get expert advice** from an agency or consultant who knows the pitfalls and opportunities of international fundraising.

**15. Once you've started and donations are coming in,** be sure your local and international offices communicate with each other. Some organizations set up regular meetings between offices to compare notes and learn from each other. Be sure everybody uses and understands the same lingo and jargon within the organization. This is especially important in countries where they've not yet used much direct mail or where they've not built an extensive database. In these cases, they may not be familiar with the extensive jargon of fundraising.

**16. Be patient.** An international effort can't be set up in a few months. Be committed and willing to meet new challenges. And now, let the international fundraising fun begin! ■


**Resources**

Koenig, Bonnie, "Is It Time for You to Go International?", *Nonprofit World*, Vol. 16, No. 3.

Lauer, Larry, "Nonprofits Going Global: Opportunities and Problems from a Communicator's Perspective," *Nonprofit World*, Vol. 13, No. 6.

Vartorella, William, "Test Your Board's Global IQ," *Nonprofit World*, Vol. 17, No. 3.


These publications are available from the Society's Resource Center, www.snpo.org.


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## A Truly Global Presence

The nonprofit sector is a major economic force in the world, as a new study (John Hopkins University's "Global Civil Society At-a-Glance," www.jhu.edu) makes clear. In the 26 countries for which researchers have assembled data, nonprofit organizations account for:

- $1.2 trillion in expenditures
- 31 million full-time equivalent workers, or 6.8% of the nonagricultural workforce, including 19.7 million paid workers and 11.3 million volunteer workers
- six times more paid employees than work in the largest private firm in each of these countries.

The United States doesn't have the largest nonprofit sector in the world, as people often assume. In the Netherlands, Ireland, Belgium, and Israel, nonprofit paid employment is a larger share of total employment than in the U.S.

Nonprofit organizations aren't restricted to any one region. They are present in virtually every part of the world. While the nonprofit sector is larger in developed countries, it is also a significant force in parts of the developing world. The nonprofit sector in the developing world goes well beyond the "NGOs" that have long attracted the bulk of the attention and includes schools, hospitals, and other organizations. In the countries for which information is available, employment in nonprofit organizations is growing three times faster than overall employment.

On average, volunteers account for 2.4% of total nonagricultural labor, or over one-third of nonprofit labor. In Sweden, Norway, and Finland, volunteers account for over half the nonprofit workforce.

Private philanthropy—from individuals, corporations, and foundations—accounts for only 10% of nonprofit income worldwide. Fees and other commercial income make up 51% of all nonprofit revenue. Public sector payments account for 39% of total nonprofit revenue. These revenue patterns vary considerably by regions. In only one region besides the U.S. (Central Europe) is private giving much more than 10% of nonprofit income.

# Corporate Philanthropy Today

*An insider shares secrets every nonprofit should know.*

BY TERRENCE FERNSLER

***Give and Take: A Candid Account of Corporate Philanthropy***

By Reynold Levy. Boston, MA: Harvard Business School Press. Hardcover. 235 pages.

After 12 years as a corporate foundation officer, Reynold Levy understands corporate philanthropy. When he tells us what philanthropy means to corporations, he knows what he's talking about, and his advice is sound.

Don't ask only for money, he urges. Instead, involve the whole corporation. Businesses have many resources besides cash to share. Encourage their employees to volunteer for your organization. Take advantage of in-kind gifts, employee participation in grantmaking, and matching gift programs.

In a discussion of how corporate philanthropy is faring, Levy rebuts arguments that corporations shouldn't be in philanthropy. Corporations realize that they must give back to their markets rather than focus solely on profits, he explains. Thus, they are choosing to be more rounded citizens.

Societal trends are having a big impact on corporate giving, changing its very nature. Levy looks at four key corporate-giving trends:

***Mercifully, Levy has avoided creating another how-to book.***

- Both the nonprofit and corporate sectors are becoming more global.
- The speed of technological change carries profound consequences.
- Technology has empowered the employee.
- Corporate philanthropy is growing fastest in small and medium-sized businesses.

Creative nonprofits will draw upon these trends to solicit corporate funds. They will choose corporations carefully, targeting small businesses in their communities. They will learn all they can about a business before making contact, and they'll make sure that corporate employees participate. They'll also find ways to tap into a corporation's marketing budget.

Mercifully, Levy has avoided creating another how-to book. He takes a hard look at corporate philanthropy from experience and articulately considers its role. It pays for us to listen. ■

*Terrence Fernsler is development director for Columbia-Pacific Resource Conservation and Economic Development District in Montesano, Washington.*

## Charities Could Save $100 Billion, Study Says

A study, "The Nonprofit Sector's $100 Billion Opportunity," insists that the nonprofit sector could generate over $100 billion by changing the way it operates. Authors of the study, who examined 200,000 charities, suggest ways nonprofits could save money, including:

- **Solicit more donations** over the Internet.
- **Seek fewer** but larger grants.
- **Streamline** and restructure the way services are provided.
- **Reduce administrative costs** by pooling resources with groups that have similar missions.

While many nonprofit experts say the study unfairly applies business standards to nonprofits, most concede that the suggestions are worth examining. For more information, see http://fndcenter.org. Also check out www.snpo.org for pertinent *Nonprofit World* articles, such as: "Fundraising on the Internet: 3 Easy Strategies" (Vol. 17, No. 4), "Focusing on Foundation Grants" (Vol. 12, No. 4), "Ideas for Evaluating Your Programs" (Vol. 12, No. 5), and "Pool Resources for Success" (Vol. 16, No. 5).

## Diffusing Self-Doubt

As you move into a new project or position, the voice of self-doubt shouts all the louder. How do you quell the voice? Try this plan:

**Step 1: Write down negative thoughts.** Simply list the doubts that plague your mind as you push into new territory.

**Step 2: Change each negative into a positive statement.** Sometimes your own gut will fight this step, but do it anyway. For example, you can change the statement "I'm way out of my league on this project" to "I have enough proven success to take on this new challenge."

**Step 3: Get perspective.** Assess steps 1 and 2, and decide how to make the positive come true. If, for example, you know you'll have to put in more time at work to take on the challenge, you can find a compromise in your personal life.

—adapted from *Newsday*

## Make Change Happen by Avoiding These Mistakes

Here are the six main reasons change efforts fail:

• **Lack of a clear, compelling vision.** Your organization's vision keeps everyone motivated and moving in the right direction. Translate your vision into actionable and measurable terms to help people understand what's expected of them and provide a way to measure change.

• **Leaders who jeopardize the change effort.** Few things undermine a change initiative faster than a leader behaving in a way that contradicts the vision. It's crucial that the organization's leaders manage the change effort themselves rather than delegating it.

• **Lack of employee support.** People at every level must be committed to making the change happen.

• **Underestimating the time and resources required for change.** To bring about successful change, employees need new skills, which require time to learn, practice, and integrate.

• **Insufficient infrastructure.** Your organization's information, communication, and human resource systems will be taxed during change. If these systems are inadequate, they will hold back progress.

• **Lack of momentum.** Change can be stymied if there are no signs of progress. People need to experience a sense of urgency about changing the status quo. If the initiative doesn't show enough momentum, people will slide back into their own ways.

For more information, see *Collaborative Change: Improving Organizational Performance*, published by Jossey-Bass, 350 Sansome Street, Fifth Floor, San Francisco, California 94104-1342, 415-433-1740.

## Donors Are Giving More Non-Cash Assets

Donors increasingly view giving as a life and estate plan rather than the simple writing of a check, according to Community Foundations of America (www.cfamerica.org). More donors are giving such assets as artwork, real estate, and privately held companies. While such giving often involves complex transactions, a growing number of community foundations have developed the expertise to help people donate such assets.

## What a Leader Isn't

There are a lot of misperceptions about what it takes to be a leader. Reassess these assumptions:

• **Leaders are born that way.** Most of us have the potential to be leaders. We need only learn and develop leadership skills through trial and error. The keys to being a good leader are having the capability to care about others, having a mission, and providing direction to those you lead.

• **Leaders hold high-ranking positions.** Real leadership isn't based on position. It's based on action, performance, ability, and effectiveness–regardless of the position you hold.

• **Leaders are controlling.** Most people gravitate to and follow people they respect. Leaders need not compel others to do as they say. Instead, people follow leaders who have goals they can relate to and personalize.

• **Leaders have more education than most.** Degrees merely mean you have a good education; experience is the best teacher when it comes to leadership. Professional success often comes from years of experience on the frontline, where a person learns how to manage interactions and balance the needs of the mission with those of the individual.

—adapted from *Small Business Journal*

## Different Thinking Is Not Wrong

A new Web-based journal spotlights two keys to nonprofit leadership—creativity and strategy. As the journal (*Strategic Creativity*, www.strategic-creavity.org) notes, creativity is at the root of effective leadership. Creativity means remembering there's always another point of view. Just because others don't see things as we do doesn't make their thinking wrong. As the rate of change accelerates, and old ways no longer work, we need to accept new ideas and become more creative to devise new solutions.

Yet creativity without direction can be wasted energy. That's where strategy comes in, channeling creativity toward productive ends.

The journal makes its point through articles, abstracts, reviews, cartoons, stories, and quotations, such as this one from Harry Emerson Fosdick: "No horse gets anywhere until he is harnessed. No steam or gas drives anything until it is confined. No Niagara is ever turned into light and power until it is tunneled. No life ever grows great until it is focused, dedicated, disciplined."

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