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# Nonprofit World

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*NONPROFIT WORLD* is the official magazine of the Society for Nonprofits.

## Determining the Value of Your Collaborations

### INSIDE:

- Ten Ways to Improve Your Fundraising by Next Week
- Want to Hire Top Talent? Create an Irresistible Culture
- Is Your Investment Committee Doing Its Job?
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- Can You Create an App (Or Something Better) for That?
- Remember Your Brand when You Market with Social Media
- For-Profit Thinking = Nonprofit Success
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# A Metaphor Is Worth a Million Words

Sometimes success is all about finding the right metaphor. Steve Rothschild underscores this truth in his book *The Non Nonprofit*, in which he describes a nonprofit called RISE! that he founded. (You'll find his book reviewed on page 24.) He wanted funders to understand that RISE! didn't want to help people get just any job: The goal was to help them get and keep a job with health benefits and a salary of \$20,000 or more. Yet he couldn't seem to get that message across.

The light finally went on when he started using a baseball metaphor. (Yes, sports metaphors are some of the most effective.)

He explained that the goal was as many home runs as possible. Some clients were triple hitters, finding jobs that paid \$18,000. Double hitters improved their income by 25%, and single hitters went from unemployment to employment. But RISE! wanted home runs. It could increase the number of triples, doubles, and singles by relaxing its standards, but then there would be fewer clients hitting home runs and getting jobs they could live on.

The metaphor did the trick. It conveyed something that innumerable conversations and even graphs and tables hadn't been able to do.

Finding the right metaphor means thinking of communication challenges from the perspective of your listeners. What will resonate with *them*? It means being learning driven (see "Questions to Help Your Organization Become Learning Driven" on page 24).

You can use metaphors to tell stories, illuminating your world by re-casting the allegories of who you – and those around you – are. For instance, you can view people as coordinators rather than managers, as partners rather than subordinates, and as a team rather than a workforce (turn to "The Power of *We*" on page 25).

Ask your employees to help you find catchy metaphors. Not only will they have fun doing so, but they'll come up with images that are truly memorable for them, as "Craft a Story that Inspires" (page 26) relates.

Another metaphor that conveys a pivotal concept is "your inner robot," which forms the basis for Barry Borgerson's book *The Auto-Self*. He tells us how he decided to confront his road rage but found it hard to break the habit. That's when he began picturing an inner robot to represent the mental processes that drive our automatic behaviors.

To overcome his compulsion, he learned to replace his irrational thoughts ("That driver is trespassing on my territory!") with rational ones ("Safety is more important than avenging someone else's inconsiderate behavior").

After months of giving himself such messages, he was able to reprogram his inner robot. But it was, he discovered, an unfair fight. The deck is always stacked against breaking our habits because our inner robot creates discomfort that tends to overpower our desire for new behavior.

“Recognizing the existence of this unfair fight is essential.”



Recognizing the existence of this unfair fight and learning to conquer it is essential if you're to achieve success. Like any war, it's an ongoing series of battles that requires sustained attention.

To win those battles, it helps to have a guide. "Going to War with Your Inner Robot" (page 26) and "Why Talent Is Overrated" (page 28) reinforce the importance of having a coach in the form of a friend, colleague, or family member to help you reprogram your troubling automatic behaviors, spur improvement, and achieve positive change.

Support by a trusted guide can prevent you from sliding down the slippery slope of faltering resolve. That's how you'll win the war with the robot within you and become the change you want to see in the world.

Jill Muehrcke  
Jill@NonprofitWorld.org

## Five Things to Do Next Monday

Here are some concrete things you can do right away to improve your organization.

1. **Plan a thankathon for your current donors** ("How Do I Thank Thee? Let Me Count the Ways," page 9).
2. **Ask yourself whether you have a dynamic, motivating culture of enthusiasm and productivity.** If you'd like to make your culture more appealing, begin implementing the ideas on pages 14-15.
3. **Take a hard look at your budget** to be certain you're following all the essential keys to success (page 16).
4. **Ask board members to answer the risk questions on page 11** at an upcoming board meeting.
5. **If your organization is collaborating with others,** decide – with the board's input – whether those collaborations are worth the time and money you're investing in them (page 12).

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

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**NONPROFIT WORLD** is the official magazine of the Society for Nonprofits.

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Collaborating with other organizations can be one of your best efficiencies. But not all collaborations are created equal. It's your board members' responsibility to be sure you're getting enough value from your collaborations. They'll find a way to do so on page 12.

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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 44173, Madison, WI 53744-4173 or [muehrcke@charter.net](mailto:muehrcke@charter.net) or [Jill@NonprofitWorld.org](mailto:Jill@NonprofitWorld.org).

# What Can You Do with a Renegade Employee? What's the board's responsibility when an employee takes unfair advantage of an organization?

**Q** As a board member at a nonprofit organization, I'm concerned about one of our organization's employees. Our organization has retained this employee (a facilities caretaker) for more than a decade. He has developed close friendships with several organizational leaders as well as some benefactors of the organization. Because of these friendships, he has dictated to us what he will and won't do. He doesn't always appear at the prescribed times to execute his job. Occasionally he sends a replacement (such as a friend, relative, or even a child) to perform his duties without obtaining approval by the organization.

In addition, the employee has periodically refused to supply documentation for reimbursable expenses. He has billed excessive hours for events that fall outside the scope of his duties. Yet the organization has continued to pay his salary plus the additional hours for fear of upsetting one or more benefactors. The organization has also continued to provide the employee with a paid residence (and related utilities). Incidentally, the employee has full-time employment with another employer as well as our organization.

Can you give me some advice I can take to the rest of the board? Several of us want to change this situation but don't know how to proceed or how to prevent such situations from occurring in the future.

**A** Clearly, the board can't allow this situation to continue. The caretaker's actions are placing your organization in great legal peril. You and the others on your board have the fiduciary duty to control such risks.

Your organization is paying the caretaker for duties executed by third parties who have no contract with you and aren't insured by your organization. The legal ramifications of this situation are broad. Your organization is obligated, for all your employees, to issue W-2s, pay related taxes and fees, and provide workers' compensation coverage. Therefore, your employee can't legally subcontract his job to another person or substitute someone else to execute his duties.

Considering how long this situation has festered, termination is most likely the best option. First, however, be sure you have documentation showing that you've spoken with the employee and asked him to change his behavior. You must be able to prove that you've made the employee aware of the problem and given him a chance to fix it. This documentation will help you avoid a wrongful termination suit. Such lawsuits have become increasingly common and can devastate an organization.

The next step is to meet with your lawyer to go over your case for termination. Be sure your case is legally solid before you proceed.

Next, work with your organization's leadership team to create a termination plan. To gain agreement, stress the fact that the caretaker will be treated fairly and with compassion throughout the termination process.

But be firm in moving forward. Make it clear to everyone on the board that nothing less than the organization's survival is in jeopardy if you don't act. If necessary, bring in an outside advisor to help you reach consensus. Ask your United Way, your affiliated or parent organizations, and your professional associations for assistance. Use your conflict-management skills, and ask the aid of others with such skills, to help negotiate a termination agreement.

Give board members copies of this article as well as the articles noted in "Don't Let Your Board Risk Your Future" on page 5. After giving them time for reading and reflection, get together to discuss the guidelines in these articles and create a plan for moving ahead to strengthen your board and resolve this dangerous issue before your organization faces severe liability.

Take care to explain the situation to members of the community and your organization's stakeholders, including the benefactors who have formed friendships with the caretaker. They, too, need to understand that the caretaker's employment is risking your organization's survival and can't be tolerated but that his termination will be as humane and kind as possible, preserving his dignity and your organization's integrity.

As your next step, you may need to remove some members from the board. It's imperative that all members be engaged and take their responsibilities seriously. Otherwise, there can be major legal consequences. It appears from what you say that some members are apathetic and disinclined to act even in the face of a crisis.

And, finally, take steps to change your organization's culture to one of transparency, integrity, and responsibility. Be sure your board is adhering to the following precepts for a principled, well-structured, and legally sound organization:

**Maintain internal controls** for the organization. Use these controls to assure that financial reports are accurate, that the potential for employee fraud is minimal, and that your organization is complying with the law. Staff members should monitor adherence to internal controls and report any deviations to the board. Board members should confront such problems immediately.

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**Assure that external auditors** perform a financial audit of your organization every year.

**Establish written human resource policies.** These policies should spell out requirements such as the following:

- Every employee should have a detailed job description with a set pay scale and prescribed duties.
- Supervisors should hold periodic performance reviews with employees. If work isn't satisfactory, supervisors should note this in the employee's file and provide the employee with a plan for improvement. All discussions about unsatisfactory work should be carefully documented. Employees should sign the written summaries of such discussions to make it clear that they understand what they need to do to improve.
- Clarify monetary restrictions. For example: Workers must document all their expenses and stay within defined limits. They must submit detailed receipts and invoices for any reimbursable expenses.
- Have clear-cut procedures for hiring and termination.


**Monitor the budget report** on a monthly or quarterly basis, comparing actual expenses to the budget. The board owns the budget and should expect these updates from the staff.

**Document meetings** in as much detail as possible.

**Create conflict of interest policies** for the staff and board. Take care that everyone understands and follows these policies.

**Oversee the work of the CEO.** Cultivate a strong relationship between the CEO and board.

**Be sure all board members understand their fiduciary duties.** Anyone responsible for governance is obligated to exercise due diligence. If you, as a board member, don't act to correct a problem, you must be on record as having objected to the organization's conduct, or you can be held liable.

**Before every decision, ask: "How will this look in court before a judge?"** Most courts will hold you as a board member responsible for the organization's governance. You could be held personally liable if your actions don't comply with governance standards. 

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## Don't Let Your Board Risk Your Future

Many resources are available to solve problems that may be putting your organization at risk. To get started, see articles in the "Law," "Board," and "Personnel" categories at [www.NonprofitWorld.org/members](http://www.NonprofitWorld.org/members), including:

**What Is the Board's Role in Managing Risk?** (Vol. 15, No. 5)

**How to Create a Strong Board-CEO Partnership** (Vol. 27, No. 1)

**Setting Up a Control System for Your Organization** (Vol. 16, No. 3)

**Do Your Board Members Know Their Fiduciary Responsibilities?** (Vol. 33, No. 1)

**How to Assess and Improve Your Board's Performance** (Vol. 24, No. 1)

**LQP: A Model to Remove Board Members** (Vol. 22, No. 1)

**How to Change the World by Changing Your Culture** (Vol. 31, No. 2)

**Conflict of Interest in the Board Room** (Vol. 17, No. 2)

**Top Tips for Writing Your Policies** (Vol. 29, No. 5)

**Six Ways to Reduce Risk & Comply with the Law** (Vol. 25, No. 6)

**How to Manage Internal Conflict** (Vol. 12, No. 6)



## WHAT'S UP ONLINE?

To broaden online discussions on nonprofit topics, we're expanding our Discussion Forum with a ListServe, provided by Yahoo Groups. To join, you can either click on the "Yahoo" button at:

<http://www.NonprofitWorld.org/social/>  
(free Yahoo login required)

or send a blank e-mail to:

[NonprofitWorld-subscribe@yahoogroups.com](mailto:NonprofitWorld-subscribe@yahoogroups.com)

If you have any questions, contact Jason Chmura at [jchmura@NonprofitWorld.org](mailto:jchmura@NonprofitWorld.org).

# Remember Your Brand when You Market with Social Media

## Use these guidelines to craft a cohesive social-media brand.

By Ben Laube

**D**epicting your brand is one of your most important tasks when marketing with social media. You need to use brand awareness and cohesiveness to build familiarity and trust.

### Be Consistent with Your Graphics

On platforms such as Facebook, Twitter, and Google+, you're able to upload cover photos. It's important to use the same design concept in each cover photo for visual brand cohesiveness. Having the same graphic concept will help people remember your brand. Make sure your logos are consistent across the profiles as well.

### Be Sure Your Voice Is Heard

The next step is ensuring your brand's "voice" is heard throughout the text of the page and in the posts. You shouldn't be using slang terms and Internet abbreviations such as "LOL" and "JK." Establish a voice that clearly defines your organization's culture. Remember, your social-media brand is your online persona and face; let it represent who you are.

“Your social-media brand is your online persona and face; let it represent who you are.”

### Which Social Networks Should You Use?

With the vast array of social networks out there, it can be a bit confusing to decide which ones your brand should be on. You have to think strategically and find the best fit to represent your brand. Many organizations think they have to be on every single platform, but not every platform is right for every nonprofit. Here's a quick rundown of the top platforms, what they do, and how you can use them.

**Facebook** is the home base of all social media today. No matter your mission, your organization needs a Facebook page to interact with your customers and build a relationship.

**Twitter** is the popular microblogging (140 characters or less) platform that lets users find people with the same interests easily. It's also a fantastic news outlet to syndicate your brand's press, ideas, and thoughts to the world.

**Google+** (the Google version of Facebook) has great collaborative abilities. Google Hangouts (a messaging, video, chat, and file sharing platform) is free, integrates well with other Google apps, and allows you to share information easily. All Google+ posts are indexed by Google and show up in their search results.

**LinkedIn** is the professional social-media hotspot. This is where you can represent yourself and your organization in a professional manner, building connections and further expanding your outreach.

### Social Marketing Do's and Don'ts

Now that you've chosen your networks, your social strategy, and how to represent your brand online, here are few tips to ensure a positive social environment for your audience.

#### DO'S:

**Do engage your followers** with contests, questions, comments, and provoking thoughts.

**Do post** on a regular basis.

**Do choose what type of content** is most appropriate for your brand. Posting anything and everything will confuse people.

#### DON'TS:

**Don't over promote yourself.** If you were talking to someone face to face and all they did was promote themselves, you'd lose interest. The same goes for social media. There's a healthy ratio we like to follow: 60% conversation and engagement, 40% promotion. A healthy balance will keep your followers interested.

**Don't over post.** It's great to share quality content regularly, but don't post every hour. Remember, these posts show up in people's news feeds and can be seen as "spam."

**Don't criticize other brands.** Keep your brand's online reputation and image in a positive light.



“There’s a healthy ratio we like to follow: 60% conversation and engagement, 40% promotion.”

Be sure people find your brand on all four of the above social networks. There are other popular platforms that may not suit every brand:

**Pinterest** is a great way to share and explore creative ideas and visuals. However, if your brand isn’t a visually heavy concept, Pinterest may not work for you.

**Instagram** and **Vine** are the mobile sensations that rely strictly on pictures and videos. If your brand doesn’t produce images and products, these networks may leave you with lackluster results.

## Be Strategic with Your Content

It’s vital to have a cohesive social-content strategy. What are you posting? How often are you posting? Are you posting the same content to specific profiles? Take a step back and decide how and what you want to post. You never want to bombard followers with promotion after promotion. You want to be social! Ask people questions; find out their opinions. Engagement is key: talking at your followers rather than talking to them is the quickest way to lose your following.

Now go be social with social media! 

---

*Ben Laube is president and founder of POLR Marketing (www.polrmarketing.com, 407-712-4836), a growth marketing technology company that helps people grow their organizations through content writing, pay-per-click, ethical SEO practices, Web design, development graphic design, and strategic planning.*

## More on Brands, Social Media, & Marketing Your Organization

These and many other articles at [www.NonprofitWorld.org/members](http://www.NonprofitWorld.org/members) will help you refine your strategy for promoting your brand through social media:

**How to Make Social-Media Fundraising Work for You** (Vol. 27, No. 2)

**Why Invest in Brand? And Where Should You Begin?** (Vol. 29, No. 3)

**Don’t Take Risks with Social Media** (Vol. 29, No. 1)

**The Nonprofit Branding Exercise** (Vol. 26, No. 1)

**Accelerating Fundraising through Social Media** (Vol. 28, No. 3)

**Benefits & Risks for Nonprofit Leaders Using LinkedIn** (Vol. 31, No. 2)

**How to Transform Your Brand** (Vol. 28, No. 5)



## 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:** Letters to the Editor, Nonprofit World, P.O. Box 44173, Madison, Wisconsin 53744-4173.

**E-mail to:** [muehrcke@charter.net](mailto:muehrcke@charter.net) or [Jill@NonprofitWorld.org](mailto:Jill@NonprofitWorld.org)

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

Also, we hope you’ll join the discussion on the Nonprofit World Discussion Forum. Just go to [www.NonprofitWorld.org](http://www.NonprofitWorld.org), sign in as a member, and click on the Nonprofit Forum link.



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# 10 Ten Ways to Improve Your Fundraising by Next Week

Use these tips to give your fundraising a shot in the arm.

By Gail Perry

**G**ive donors what they want and they'll reward you with continued giving. Here are some simple things you can do right now to improve your fundraising. Don't wait!

**1. Organize a thankathon for your donors.** Your number-one effort needs to be focused on your current donors. Go all out to make them feel special and valued. For details on holding a thankathon, see "How Do I Thank Thee? Let Me Count the Ways" on page 9.

**2. Plan visits with your top 20 current donors.** Treat them like your organization's best friends. Ask them to tell you their story of how they came to choose your organization to support. You'll learn things that will surprise you.

**3. Rewrite your thank-you acknowledgment letter** to make it warm and personal. Begin with an innovative or creative sentence that will charm donors. Make them feel happy that they gave to you.

**4. Create a campaign for lapsed donors.** They're the hidden gold for your cause. It's much easier to bring a lapsed donor back into the fold than it is to convert a current prospect into a donor. Send a special appeal to lapsed donors titled: "We love you, we miss you, we want you back!"

**5. Rewrite your solicitation letter** so it's all about the donor. Make it friendly, casual, heart-felt, and even a bit intimate. Use short sentences, action verbs, lots of white space. Remember that it's not about your organization! It's all about the wants and needs of the potential donor.



“You’ll learn things that will surprise you.”

**6. Meet with your top 20 major gift prospects** just to bring them up to date. And be sure you use these two ridiculously simple strategies to develop your prospect's interest in your cause:

- Don't do all the talking. Listen instead.
- Ask your donor: "What are your impressions?"

**7. Update your on-line donation form.** Pretend you're a donor. Go to your Web site and try making a donation. Is it easy to do? If the process is too time-consuming, change it so it's fast and simple. You don't want people getting frustrated and abandoning your gift "shopping cart."

**8. Add a chart** called "Your Gifts at Work" to your Web site and newsletter. Forget the boring annual report. Instead, give donors exactly what they want — information on how their gifts are used. And tell them in no uncertain terms how they're making a difference in the world. What to put on "Your Gifts at Work" Web page:

- pie chart on where the money comes from
- pie chart on where the money is going
- photo of a cute kid (if possible) and a story about how your organization changed or saved their life.

For a real-world example, check out [www.care.org](http://www.care.org), which provides not only the pie charts but a link to Charity Navigator, where you can find summary financials, the name of the board chair, the salary of the CEO, and third-party ratings on the organization's efficiency. Here's an organization that understands "transparency." And since transparency is one of the most important factors donors consider when deciding whether to renew a gift, it's something to put into action.

**9. Block off two days a week** for the next three months to make visits with donors. The biggest obstacle to a major gifts effort is simply getting out of the office. Set your goal. Draw a line in the sand. Make a commitment. Get your staff's support to aid and abet you. Then make it happen.

**10. Plan a party** to honor your founders, former board members, and former capital campaign donors. These folks are your major donor prospects for the future. They're likely feeling ignored and abandoned by your wonderful organization, just because they're no longer involved. But once, they gave you their heart and their money. They still have a deep connection. Bring them back into the fold by honoring them. And then the door is open for you to keep them involved. **S**

*Gail Perry, MBA, CFRE, is an international fundraising and governance consultant, popular public speaker, and author of Fired-Up Fundraising (from which this article is adapted). You can find her at the Fired-Up Fundraising blog ([www.gailperry.com](http://www.gailperry.com)) when she's not traveling around the country inspiring and firing up nonprofit leaders.*

## How Do I Thank Thee? Let Me Count the Ways

Now is the perfect time to call your donors just to say “thank you.” Start planning a donor thankathon today. It’s fun and it’s easy.

Start by making a list of who you’ll call. Consider how many donors you’ve had in the last year. Choose a dollar threshold over which you will call. For example, start with all donors who have given you over \$1,000, then move to all those who gave between \$500 and \$999.

Put together your core team of three to five callers, made up of people of some stature within your organization. Ideally, these will be board members and volunteers who enjoy talking with people and are well organized. If you put staff members on the team, there should be no more than one staff caller for every three volunteer callers. One of the staff callers should be the executive director. Don’t “require” that anyone be a caller; rather, you want to have callers who choose to participate and will enjoy doing it.

Either bring them all together for an evening of coffee and cookies, or dole out the lists and have them call from home or office. Daytime calls and leaving messages are fine. The script goes something like this:

“Hello, may I please speak to \_\_\_\_\_? My name is \_\_\_\_\_. I’m on the board of \_\_\_\_\_. I’m just calling to say thank you for your support this year. It has allowed us to expand/maintain our \_\_\_\_\_ programs. We’ve been able to offer our services to \_\_\_\_\_ more families/children in our community. Thank you.”

If the caller reaches a real person, they may chat a bit. The caller should be prepared with a few general facts, but needn’t feel they need to take a cram course before they’re qualified to get on the phone. They can always refer the question to a staff member for a call back.

What are you telling the donor with this call? We noticed you gave. Your gift to our organization mattered. We appreciate you. That’s exactly what a donor needs to know to keep giving year after year.

—adapted from Benevon’s online newsletter, [www.benevon.com/newsletter](http://www.benevon.com/newsletter)

THANK YOU THANK YOU  
THANK YOU THANK YOU  
THANK YOU THANK YOU

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# Can You Create an App (or Something Better) for That?

Think outside (and inside) the smart-phone box with these relationship-building experiences.

By Karen Eber Davis

It's opening night. You step into the hall and onto the podium and the audience erupts with applause. After your third bow, their thunderous cacophony quiets. Silent expectation fills the space. You pick up your conductor's baton and begin. . . .

Well . . . not actually. The crowd, the hall, and the applause are all in your imagination. In your hand is your smart phone. You have downloaded Bravo Gustavo, one of the Los Angeles Philharmonic's apps. The app turns your phone into a conductor's baton; you set the tempo by tapping your screen. Even though the experience is all in your hand, it draws you into a closer relationship with the Philharmonic.

The Bravo Gustavo App, named after the Philharmonic's conductor, was launched in 2009. It is one of a handful of successful nonprofit apps. From their shortage, we know that creating successful nonprofit sponsored apps is challenging. However, the strategy behind them, or at least the one behind Bravo Gustavo, is not. This column will help you to develop "experience apps" at your nonprofit.

## What Is an "Experience App" & How Does It Work?

An experience app is an opportunity for individuals or groups to be involved in a piece of your mission. In turn, the experience provides your nonprofit opportunities to grow relationships. Experience apps work because they are rich in three ways:

- 1. They're interactive.** People are hungry for interesting experiences, learning, and immersion opportunities.
- 2. Experience apps draw people closer to your mission by engaging their emotions.** In the case of Bravo Gustavo, what audience member hasn't imagined the power, joy, and fun of being the conductor?
- 3. They grow relationships.** Over 50,000 people have downloaded the Bravo Gustavo App. That translates into many new relationships and enhanced branding for the LA Philharmonic. Increasingly, research is proving that social media involvement predicts other involvement.



## Can You Create an App Experience at Your Nonprofit?

In all likelihood, yes. Here are three steps to get you started:

- 1. Identify experiences around your mission** to offer potential customers, donors, or community members. To create a list of ideas, think back. When you were new at your organization, what intrigued you? Think about now. What intrigues current customers, volunteers, and newcomers? Think about the future. What would be fun to share? For example, a modern art museum decides to offer patrons the opportunity to create modern art. Patrons learn that it is fun to make art, but not easy to create masterpieces.
- 2. Plan in advance how you'll leverage the experience.** Make sure your app includes invitations for people to get more involved with your organization. What will you offer those charmed by the experience app who want more? Gustavo Bravo is helping to grow the Los Angeles Philharmonic's brand and engage younger audiences. How will you link your app to your strategy to grow and improve your nonprofit?
- 3. Use technology – or not.** Your experience app may or may not involve social media. Besides the Bravo Gustavo App, the Audubon Bird App, which provides a field guide with 820 species of birds, uses technology. In contrast, Heifer International's travel packages involve attending emotionally satisfying Passing on the Gift® Ceremonies. During these ceremonies, recipients of Heifer animals give baby animals to other families. Likewise, Centre College in Danville, Kentucky, creates experience apps without technology. They enhance their major gifts program by inviting potential donors to interact with visiting guest lecturers. What can you offer to help people experience your mission, using social media or not? 



*Karen Eber Davis (karen@kedconsult.com) is an expert in maximizing philanthropic impact and the author of 7 Nonprofit Income Streams: Open the Floodgates to Sustainability! Sign up for her free newsletter "Added Value" at kedconsult.com.*

# Seven Risk Questions for the Board

## Energize your board and assure a strategic future with these questions.

By Melanie Lockwood Herman

**T**oo many board meetings are structured around relatively “safe” agendas. There are routine reports from staff members and board committee chairs. The chair feeds the board answers to questions about mundane operational issues.

In the end, little time remains for open-ended questions about strategy and risk-taking. In truth, many board chairs and CEOs are uncomfortable scheduling time to contemplate questions for which there are no easy answers.


Don't let discomfort dampen your commitment to engage the board in a discussion of the strategic risks facing your organization. The board's role in managing risks is a topic you simply can't afford to put off.

If you're working on your next board agenda, consider the questions below. Invite the board to discuss these questions as a way to engage in a high level conversation about risk-taking and risk management.

- 1. What big risks are worth embracing** to advance our mission?
- 2. What mission-related risks are starting to emerge** on our horizon? What additional information do we require before we act?
- 3. What seeds of opportunity exist** in the risks we fear the most? For example, do we worry that the threat of funding cutbacks could compel us to finally move ahead with a new business model?



- 4. Are we using our collective, progressive lenses** to reflect on our organization's past, appreciate our present, and anticipate our future? Or are we seeing “risk” through a single lens?
- 5. Is the board contributing to a shared understanding** of the organization's top risks?
- 6. During the past year, what important lessons did we learn from our “crowning achievement”** and our biggest disappointment?
- 7. Have we made an appropriate commitment in terms of personnel time and financial resources** to understand the risks we face and make adjustments as needed?

Risk-taking can be fruitful, as it opens a world of unexpected possibilities. Don't waste time talking about only the simple questions and decisions facing your nonprofit. Capitalize on the board's time and talents. Reflect on key strategies; seize the day; and build the resilience your mission-driven nonprofit will need to conquer tomorrow's surprises. 

*Melanie Lockwood Herman (melanie@nonprofitrisk.org) is executive director of the Nonprofit Risk Management Center (nonprofitrisk.org, 202-785-3891). The Center provides risk management tools and resources to organizations unwilling to leave their missions to chance.*

### The Strategy of Risk

Be sure your board is strategic in the way it confronts and embraces risks. See these resources at [www.NonprofitWorld.org/members](http://www.NonprofitWorld.org/members):

- Opportunity's Knocking—Are You Ready?** (Vol. 16, No. 5)
- The Joys of Risk** (Vol. 28, No. 3)
- Setting the Stage for an Abuse-Free Organization** (Vol. 30, No. 6)
- Six Ways to Reduce Risk & Comply with the Law** (Vol. 25, No. 6)
- Strategic Planning that Works** (Vol. 29, No. 4)
- Turn Your Stakeholders Into Risk-takers** (Vol. 20, No. 4)
- How to Assess and Improve Your Board's Performance** (24, No. 1)
- Starting a Business – Too Risky for Your Organization?** (Vol. 16, No. 4)
- What Is the Board's Role in Managing Risk?** (Vol. 15, No. 5)
- Free Webinar Recording for Members: Taking Command of Strategic Change.** Learn how to involve your board in creating productive change.



# Determining The Value of Your Collaborations

Are you getting enough value from collaboration? Is it worth the time involved? Add up the costs and benefits to be sure.

*By Joan Roberts*

**W**hen two or more private sector companies consider collaborating on a new business venture, they both want to know how they will benefit from the new arrangement before signing a pact. To answer that question, they use what's called the value proposition. The focus of the value proposition is typically on dollars and cents—expected costs and revenues—making the decision relatively simple. The question is: Will the scale tip in favor of moving toward or against collaboration?

With different priorities in the nonprofit sector, it may not be as easy to quantify the benefits of collaboration, but it's not impossible. Your board members—many of whom are business people who work with value propositions on a regular basis—can help you stay focused on the benefits. But are you making use of your skills in this area? Have you clarified what's needed?

Much of the time, we sit down at a collaborative table without giving much thought as to how our organizations, our communities, or society will benefit. We approach collaboration as an organic process that takes time to emerge. This is probably not a problem if your organization is involved in just one or two collaborative endeavors, but many executive directors now report their organizations are involved in 60 or more.

Board members, take control! One of your primary functions is to act as an organizational steward, providing oversight to ensure the safety and effective use of the resources entrusted to your organization. This includes inventorying collaborative initiatives, assessing the value of the organization's investment in these initiatives, and asking questions that will help everyone decide how the organization will best benefit from the collaboration.

You might consider the number of hours that your staff works on behalf of each collaboration. Hours attending meetings and responding to e-mails are just the beginning of your organization's costs. Once you factor in joint projects and committee work, some staff may be contributing up to half of their work time to outside efforts.

## “ The question is: Will the scale tip in favor of moving toward or against collaboration? ”

Given the potential costs involved, your collaboration endeavors should generate value that exceeds what your organization would typically generate using its own resources to provide its own services in the usual manner. This doesn't mean that the organization must benefit monetarily. For example, you may see new services for your clients as good value for your organization's investment of staff time. If you serve a homeless population and your staff is involved in a collaboration to provide permanent housing for your target population, then an increased pool of long-term housing units might reduce the amount of time your staff spends trying to place clients in shelters. The increased value to your organization is derived from an improved quality of life for your clients and more available staff time to devote to clients—a win-win proposition.

To ensure management and staff are thoughtful and deliberate when they make decisions on how they spend their time, board members should transmit and reinforce the expectation of future benefit if your organization is to invest time and energy in collaborations.

### Compute Return on Investment

One tool to determine the value of any investment is the financial ratio *return on investment (ROI)*, which can illustrate that for every dollar invested, a percentage increase is gained. This ratio is:

$$\text{ROI} = \frac{\text{Gain from Investment} - \text{Cost of Investment}}{\text{Cost of Investment}}$$

#### LOOK AT MONEY

Consider Nonprofits A, B, and C. They are interested in coming together to collaborate. Each organization is investing the time of a staff person, estimated at \$15,000. For the collaboration to be considered worthwhile, there needs to be a positive return on the collective \$45,000 investment.

Similarly, each organization must be able to justify its \$15,000 investment by getting something back from the collaboration that is more beneficial than it would get by working alone. In addition, the collaboration investment must have a collaborative return.

#### LOOK AT CLIENTS & SERVICES

As I've said, value in the nonprofit sector isn't always determined by money. I gave an example that resulted in additional housing opportunities for clients and more time for staff to work on other projects. You might also be able to quantify the impact of the collaborative project by the increased number of clients served, or by the additional services your clients will now be able to access without the development and start-up costs of creating a new program internally. Ultimately, the value might be that you have no more clients because the social problem has been eliminated!

Let's say a half-time worker services 15 clients per year at each of our same nonprofits: A, B, and C. By engaging in a collaborative project, there should be a substantial increase in the number of clients as the result of the collaboration and the pooling of resources. If, however, only the same 45 clients are served through the collaboration, then the individual organization investment of staff time generates no return on the \$15,000 individual investment, and the collaboration won't be considered worthwhile. On the other hand, let's assume 60 clients are served—15 more than the 45 total clients served by each organization working independently. This is good, unless all those clients are served by only one of the organizations, say Nonprofit A. Then there will be no return on the investments of Nonprofit B or C—again, not good.


### BE CREATIVE—BUT QUANTIFY

If the project focus is broader than direct service delivery or a behavior change campaign, the task of quantifying the impact of joint pooling of resources gets much harder. But the important point is that you need to make every effort to quantify your organization's investment. The first place to start is often with the investment of staff time. Even if you're dealing with complex outcomes like community revitalization, you can quantify the time spent in meetings and project work and try to quantify the anticipated outcomes as much as possible.

The key message here is that investing in collaboration takes time and money and should be expected to generate positive outcomes. Your board needs to ensure that your organization doesn't invest time and energy without thinking hard about the costs and benefits. You must be sure that there is a clear value proposition for each of your organization's collaborations.

#### EXAMPLE

Some anticipated outcomes for a community revitalization collaborative might be increased sales for downtown businesses or an increase in employment. You might also qualitatively measure changes in the attitude of stakeholders.

As with any other governance issue, the best way for your board to provide guidance to your organization is through a policy. This policy might require the identification of any financial investment, spell out organizational procedures designed to mitigate risks to reputations, and/or define reporting procedures for staff. When all is said and done, don't forget to take credit for your organization's contribution to the collective outcome! 

*Joan Roberts (joan@joanroberts.com) is the author of Governance for Collaboratives and Alliances, Coalitions and Partnerships. This article is reprinted from YOU and Your Nonprofit Board: Advice & Practical Tips from the Field's Top Practitioners, Researchers, & Provocateurs, courtesy of CharityChannel Press, available at CharityChannel.com, Amazon.com, and barnesandnoble.com.*

### Trust, But Verify

Successful collaboration requires trust; it also means taking a close look at your outcomes. These articles will help ([www.NonprofitWorld.org/members](http://www.NonprofitWorld.org/members)):

**A Collaboration Checklist: Ten Questions for Success** (Vol. 24, No. 1)

**What's All the Fuss about ROI?** (Vol. 32, No. 2)

**How Do Leaders of Nonprofit Partnerships Foster Collaboration?** (Vol. 22, No. 3)

**Measuring Outcomes in the Real World** (Vol. 30, No. 6)

**Take the Collaboration Quiz** (Vol. 24, No. 3)

**Free Webinar Recording for Members: A Strategy for Surviving in Tough Times.** This webinar will help you face the toughest issues in collaboration, starting with deciding whether collaboration is the best way to meet your goals.

Also see Learning Institute programs on-line: Strategic Alliances and Outcome Measurement ([www.NonprofitWorld.org/LearningInstitute](http://www.NonprofitWorld.org/LearningInstitute)).

# Want to Hire Top Talent? Create an Irresistible Culture

By Joanna Bradley

Your organization's culture defines the kind of staff you can recruit and retain. Use these ideas to design an alluring culture.

Organizations that have dialed up their cultures have an easier time recruiting talented staff. They've built a work environment and value proposition that creates engaged, committed team players.

“Productivity plummets after two to three hours of work.”

Organizations take different approaches to building an attractive workplace and work culture. What works for one may not work for another. What's important is to define a culture that appeals to the people you want to attract. These are some of the things that work best in terms of creating a beneficial culture:

## GIVE 'EM FOOD

Who doesn't like free food? Doughnuts, cookies, and pizza for some, for others organic, vegan, macrobiotic, paleo, or trend food. Offering fresh, healthy snacks or meals, free or at a subsidized rate, is the essence of "win-win." It's one of the best ways to make employees happy, and there's nothing like healthy fuel to feed the minds of your most precious human resources.

## GIVE 'EM DRINKS

If people like free food, boy do they love free drinks. Offering morning coffee and afternoon tea is a good place to start, but don't stop there. Make things special with sparkling lemonade on hot summer days, hot chocolate on winter afternoons, and fruit punch during the

holiday season. Cold beer Fridays, Starbucks Mondays, a monthly office party – these are easy ways to celebrate accomplishments, thank the team, allow employees to mix it up, and reinforce bonds.

## GIVE 'EM FLEXIBILITY

Flextime, work-from home, virtual offices, self-policed hours, ski days – there are any number of ways to offer flexibility. One of the fastest growing trends is ROWE – the Results-Only Work Environment. In these organizations, people are evaluated on their performance, not their presence in the office. Workplace flexibility reduces greenhouse gases, cuts traffic and transit time, and provides better work-life balance.

## ENCOURAGE FITNESS

Many organizations provide free or subsidized gyms, on-site or off. Some offer cool perks like ski passes, golf memberships, and shared bicycles. Many help facilitate walking/hiking clubs and other recreational activities that promote health and fitness. Healthy bodies make for healthy minds.

## BUILD THE TEAM

Think of activities that will motivate your employees, help them bond as a team, and reward them for their dedication. Some examples:

- **Sponsor** a race.
- **Form** a sports team to play in the local league.
- **Provide** time for employees to coach others.
- **Organize** a group recreational outing.
- **Take** employees out to a comedy show.

## OFFER PLENTY OF BREAKS

Studies show that people's productivity plummets after two hours of work. You can keep morale and energy high by offering extensive breaks throughout the day. Each break time should be long enough so that staff can use it to exercise, meditate, meet friends for a snack, or check items off the "to do" list of life so that their post-work life is freed up for quality personal time. It's a great way to make people happy by allowing some endorphin release in the middle of work, and it keeps people in a productive mode.

## INCLUDE GREEN INITIATIVES

There are many proactive steps you can take to become a green organization, create fun and awareness, and play a role in greening our world:

- **Organize** car-pooling.
- **Provide** public transit passes.
- **Create** a paperless office.
- **Reduce**, reuse, recycle.
- **Arrange** contests or participate in local promotions like national bike-to-work day.

## LET THEM GIVE BACK TO THE COMMUNITY

Giving to the local community is rewarding and engaging. Encourage volunteering by giving flex time or time off, celebrating employee contributions, and providing time for people to inform colleagues about the community organizations dear to their hearts. Participating in fundraisers can be as simple as encouraging the sale of Girl Scout cookies in the office or as elaborate as donating to a designated charity each time the team meets a goal.

## HELP THEM BLOW OFF STEAM

Some nonprofits have game rooms, offer impromptu fun time, and organize competitive gaming sessions. Some have a music room and coordinate on-site jams during the day to get creative juices flowing. Others provide an in-house masseuse to help employees relax and refocus.

## PROVIDE FLORA AND FAUNA


Domestic animals provide comfort – from the utility of seeing-eye dogs to the soothing presence of canine companions for treating trauma and stress. Why not allow pets at the office, or organize a visit to/from the local animal shelter?

You can also beautify the surroundings and get some fresh air made in-house by bringing in plants. Natural vegetation has been proven to lower stress. Why not have a green-thumb contest on the desks? Bring in a neutral panel of judges to choose the desks with the most impressive plant arrangements.

## ASK YOUR STAFF

If what is going to motivate your team hasn't been mentioned, or just isn't evident, ask your staff. Get input directly from your

workforce about what would make your organization an even better place to work. Encourage employees to design programs, goals, and celebrations that motivate them. You may be surprised by what they come up with!

The key to creating a great culture is understanding the types of personalities that make your organization productive and unique. Once you have this knowledge, continue to look for creative, fun ways to nurture the people who work at your organization. Doing so will build excitement, loyalty, and engagement, which means a more committed and productive staff. 

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## Lock in Cultural Energy

For further ways to use your culture to hire, retain, and motivate your employees, take a look at these articles at [www.NonprofitWorld.org/members](http://www.NonprofitWorld.org/members):

**Organizational Culture: It's in the Walk, Not Just the Talk** (Vol. 29, No. 6)

**Keeping Your Best and Brightest Workers** (Vol. 28, No. 6)

**How to Change the World by Changing Your Culture** (Vol. 31, No. 2)

**The Organizational Personality and Employee Performance** (Vol. 21, No. 1)

**Easing Stress in the Workplace** (Vol. 25, No. 4)

**Using Your Organization's Culture to Build Productivity and Reputation** (Vol. 11, No. 6)

**Avoid Headaches: Engage Your Employees** (Vol. 27, No. 2)

**How to Use Your Organizational Culture as a Competitive Tool** (Vol. 20, No. 2)



# Budgeting For Success

A financial expert offers essential keys.

By Greg Heitkamp

**I**t's no coincidence that the most successful nonprofit organizations are careful with their money. And the key to intelligent expenditures is a well-organized, detailed budget that's prepared early and reviewed often. By taking time to budget the right way, you can save yourself trouble later and promote your organization's health.

## What Your Budget Should Cover

As you work to bring your spending in line with your goals, here are a few areas your budget should address:

**Staffing issues.** Too few staff members can be just as harmful as too many. While planning your budget, make sure you balance the workload with the right number of employees to get projects done on time and on budget.

**Project selection.** Your budget must establish a foundation that leads to solid decision-making. One of your most pivotal decisions is which projects to take on. Put your emphasis on projects that are part of the budget.

**Communication.** A crucial purpose of your budget is to inform staff of your financial goals. Evaluate your budget not only for accuracy but for clarity, to ensure it can't be misunderstood.

**Fraud identification.** A well-organized budget makes it easier to identify irregular activities such as fraud. A good budget also points to any mistakes that can cause compliance issues or other financial problems.

The longer a problem goes unidentified, the greater the eventual impact. So it's important to conduct frequent reviews of spending.

## Make It Happen

A budget is a useful tool for determining whether your organization is meeting its goals. When you exercise proper care in preparing your budget, you're providing the means for your organization to move forward.

Keep in mind the following tips to make budget preparation more effective:

**Accuracy is key.** You may be tempted to pad your budget in anticipation of future revenue. But if that money falls through, you'll find yourself scrambling to revise your plans. Be as accurate as possible, and make changes only when necessary.

**The more detail, the better.** Your budget will be more effective if it itemizes individual expenses rather than vague umbrella categories. Imagine how difficult it would be for managers to staff their departments if you had one "salary" budget number, rather than department-specific allocations. The same is true for projects.

“A well-organized budget makes it easier to identify irregular activities such as fraud.”

The more specifically you can lay out the budget, the easier it will be to remain within established parameters.

**Listen.** Because the entire organization will be affected by the budget you set, be sure to ask staff members for input. They're a good source of ideas that can improve efficiency.

**Remember the big picture.** Certain financial decisions, such as reducing the budget for employees, can be difficult. But delaying action can be far more harmful. If you need to eliminate a small number of jobs in order to keep the organization healthy and secure employment for the rest of your people, it's important to take action immediately.

**Learn from the past.** Review your past budgeting efforts to see what has worked and what hasn't. If you find that you must revise your budget in a certain area each year, make corrections in your initial budget to save yourself work in the long run.

## Monitor Progress

A common mistake is to prepare a budget and then assume everything will work out according to the plan. But you need to review your planned spending regularly and compare it to actual spending. Take this step quarterly, if not more often, to make sure that your expenses aren't exceeding the allotted budget.

When you conduct regular reviews, it's easier to make adjustments to bring expenses in line with the budget in time for the end of the fiscal year. And if you find new revenue, you can plan for additional projects to make use of the extra funds sooner, without having to wait for the next budget. **\$**

## Take the Next Steps to Financial Empowerment

Empower yourself with more articles from **Nonprofit World** (available at [NonprofitWorld.org/members](http://NonprofitWorld.org/members)):

**Do You Have Enough Cost Information to Make Good Decisions?** (Vol. 15, No. 6)

**Fraud: How to Prevent It in Your Organization** (Vol. 26, No. 3)

**Is That Expense Justified?** (Vol. 20, No. 5)

**Don't Forget Your Indirect Costs!** (Vol. 14, No. 5)

**Financial Stability: An Impossible Dream?** (Vol. 15, No. 3)

**Create a Budget that Works for You** (Vol. 15, No. 4)

**Are Your Cost Allocations Up-to-Date?** (Vol. 25, No. 2)

**Protecting Your Organization against Financial Misuse** (Vol. 17, No. 4)

**Need a CPA at Little Or No Cost? Five Ways to Find Help** (Vol. 28, No. 2)

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## Coming Up in Nonprofit World



- Healing Governance Ills Requires the Right Diagnosis
- The Best Leaders Are Change Agents
- Is Your Coworker a Jerk, or Does He Need a Doctor?
- The Story Behind the Numbers: How financial data showcases your impact and builds trust
- The Reverse Peter Principle at Work
- When Using Fundraising Pages, Must You Register in Every State?
- Fourteen Questions to Ask before You Hire an Attorney
- Common-Sense Answers about Volunteer Involvement
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- Three Tools for Managing Your Calendar
- Will People Pay for That? Yes, if you surprise and delight them



# Is Your Investment Committee Doing Its Job?

Do your Investment Committee members know their fiduciary duties?

By Mike Ferman

**I**f your organization has any investments, you need an Investment Committee. You may set it up as a subcommittee of your Finance Committee. Or it can be a separate stand-alone committee reporting directly to the board. Whatever structure you choose, be sure that its members understand what their fiduciary duties are.

## What Does It Mean to Be a Fiduciary?

Fiduciaries are those who have agreed to live up to the highest standard of legal duty, stricter than normal standards of behavior. If you're a fiduciary, someone has placed their utmost trust in you. Thus, you're obligated to act ethically, loyally, and always in the interest of the other party rather than your own interest. Courts examine fiduciary transactions with special scrutiny.

As a fiduciary on the Investment Committee, you must do the following to uphold your responsibility:

- **Operate the investment fund for the exclusive benefit** of the organization.
- **Carry out your duties with the care, skill, and diligence** that would be exercised by a reasonably prudent person familiar with such matters (known as the Prudent Man Rule).
- **Diversify investments** to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
- **Be sure everything you do is in accordance with the documents and instruments** governing the investment fund.
- **Document everything** you do. Documentation is essential. As attorneys are fond of saying: If it isn't documented, you didn't do it.

Any breach of fiduciary duty can bring severe penalties. You could face civil damages and fees – even criminal penalties and jail.

To limit the potential for liability, follow these keys:

- **Establish and follow** clearly defined investment policy guidelines.
- **When the Committee meets, create and distribute** meeting minutes, and clarify responsibilities for future actions.
- **Provide close oversight and monitoring**, and report to the executive committee or full board on a regular basis.
- **Consider insurance** for any potential losses or events.
- **Avoid conflicts of interest** between the Investment Committee and the organization's board and staff. Create a conflict of interest policy, and ask all fiduciaries to sign a conflict of interest agreement.
- **Record everything** in as much detail as possible.

“If it isn't documented, you didn't do it.”

## How Big Should Your Committee Be, and Who Should Be On It?

We recommend that your Investment Committee be an odd-numbered group of five or seven people. Choose people who are familiar with the organization's mission and have experience in business, finance, and/or investments. It is useful to have both an attorney and accountant serving on the committee.

## Do You Have an Investment Policy Statement?

Your Investment Policy Statement (IPS) is the single most important document you have to show that you're meeting your fiduciary duties regarding investments. Reviewed and approved by the full board of directors, the Investment Policy Statement provides an all-important framework for the work of your Investment Committee. The best ones identify:

- **the objectives** of your investment fund
- **the approach** your organization will take to selecting and monitoring investment managers
- **your desired asset allocation**, spending policy, required reporting, and criteria for rebalancing investments
- **compliance** with regulations and legal requirements such as the Uniform Prudent Management of Institutional Funds Act (UPMIFA)
- **types of investments you want to exclude** because they're contrary to your organization's mission
- **any restrictions presented by donors** for use of their funds
- **overall risk tolerance** guidelines.

## What Is the Investment Committee's Role?

The role of the Investment Committee is to do the following:

- **Develop and follow** an Investment Policy Statement (defined above).
- **Establish** minimum investment standards.
- **Select and monitor** investments.
- **Report** on investments to the board.
- **Provide access** to appropriate investment management services.
- **Manage and control** costs.
- **Avoid** conflicts of interest.
- **Oversee** fund administration.
- **Retain** an investment advisor, as needed.

## Choosing and Monitoring Investments: What Do You Evaluate?

A key responsibility of the Investment Committee is to establish the approach it will use to select and oversee the investments. The goal is to invest the organization's funds in a way that's consistent with its purpose, objectives, risk tolerance, and spending policy.

You'll need to create both quantitative and qualitative criteria to evaluate the investments in the fund and thus demonstrate that Committee members are being prudent. Ask questions such as the following:

### QUANTITATIVE CRITERIA:

- **What is the size** of the fund and the assets?
- **What are the returns** (absolute and adjusted for risk)?
- **Has leverage** been used to pay for investments? (Using leverage can provide enhanced returns and also increases risk.)
- **Is our performance** consistent?
- **What fees and expenses** do we spend to manage our investments?
- **What is our minimum** performance history?
- **How does manager performance compare** to that of peer groups and industry benchmarks?
- **What is our upside/downside capture ratio** (a statistical measure showing whether a fund has gained more or less than a broad market benchmark during a period of market strength and weakness and, if so, by how much).

### QUALITATIVE CRITERIA:

- **How stable is the organization** and its financial situation?
- **Which outside professionals** are used (legal and accounting)?
- **Where are assets held**, and how are they valued?
- **What role does each investment play** in the portfolio?
- **What is the manager's** investment philosophy?
- **Are there any redemption restrictions** or limitations?
- **Do the investments raise** any possible tax and financial reporting implications?
- **Are the investments registered** with the SEC?
- **What is the investment fund's** legal structure?

## Should You Hire an Investment Advisor? If So, What Criteria Should You Use?


If the Investment Committee doesn't have the time or experience necessary to select and monitor the fund's investments, it may decide

to retain an investment advisor. If so, it's vital to put time and care into the hiring process.

Look for someone who can function independently, give objective advice, and communicate with you frequently. For best results, find someone who takes a systematic approach to investing without trying to time the market in reaction to short-term market volatility. The best investment professionals are relationship-oriented, willing to educate clients about investments, rather than being driven by transactions.

Ask potential advisors:

- **What are your credentials** and experience?
- **Can you build a portfolio** that will meet the organization's objectives at a risk level we can tolerate?
- **What fees and expenses** can we expect?
- **Can you help formulate** an Investment Policy Statement for us?
- **Are you limited** to recommending only certain products and managers?
- **Do you have a fiduciary duty** to us? (Registered investment advisors do have such a duty, while brokers don't.)
- **Are there any conflicts of interest** regarding the products you recommend?
- **How will you design, implement, and manage** the investment plan?
- **What references** and other testimonials to your firm's reputation can you show us?

Investment Committee members will have the privilege of seeing the organization's investments grow over time. Their work can propel your programs and services forward, attract new donors because of exceptional stewardship, and ensure your organization's long-term sustainability. 

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## Invest in Your Future

To learn more, see these articles at [www.NonprofitWorld.org/members](http://www.NonprofitWorld.org/members):

**Investing with Care: How to Avoid Investment Scams and Surprises** (Vol. 27, No. 4)

**Do You Have These Four Crucial Committees?** (Vol. 32, No. 4)

**Rule Requires Board Members to Be Expert Investors** (Vol. 14, No. 1)

**How to Pick the Right Investments** (Vol. 15, No. 6)

**Investment Policies for Endowment Funds** (Vol. 11, No. 2)

**Do Your Board Members Know Their Fiduciary Responsibilities?** (Vol. 33, No. 1)

**Investment Guidelines for Nonprofits** (Vol. 13, No. 1)

**How Responsible Is Your Investing?** (Vol. 20, No. 6)

**What Is the Board's Role in Managing Risk?** (Vol. 15, No. 5)

# Four Insurance Products that Help You Sleep Better at night

By Eric Johnson

Don't let a lawsuit crush your organization. Protect yourself with the right insurance.

**Y**ou sit in the courtroom, the defendant in a lawsuit. A donor that has made generous contributions to your nonprofit for years has filed a suit against you and your fellow board members for “misuse of funds.” In the papers served by the county sheriff, the donor is also alleging the board “failed to fulfill its mission.”

*You're nervous and rightfully so. Though you believe you're innocent, your greatest fear is whether or not your insurance will cover the claim. At \$500 an hour, the legal fees alone have the potential to destroy your organization. You can't help but wish you had paid more attention to your insurance program.*

This article explains some of the basics about insuring a nonprofit. Having this knowledge will avoid a great deal of stress when a claim occurs.

## Management Liability Insurance 101

In today's economic environment, managers are charged with navigating a sometimes precarious maze of difficult decisions. With the tightening of purse strings, nonprofits depend on the aptitude, effectiveness, and integrity of their staff. It's essential to prepare for the risks inherent in day-to-day operations.

To properly equip yourself, you should be aware of the coverage available and understand how the following four products provide protection to your organization, your board, and your staff.

### 1 DIRECTORS' & OFFICERS' (D&O) LIABILITY INSURANCE

Directors and officers are held to a high standard and can be held personally responsible for the decisions made by their board. Your directors and officers are obligated to practice the three duties required for effective board leadership: loyalty, care, and obedience.

**The duty of loyalty** demands that directors and officers must act in the best interest of the organization. They cannot use their position for their own personal gain and should avoid conflicts of interest.

**The duty of care** necessitates acting in a prudent manner. This means making informed decisions and exercising due diligence in performing their board obligations.

**The duty of obedience** requires that directors and officers act within, and obey the bylaws of, the organization. This means working to fulfill the organization's mission.

Sixty-three percent of U.S. nonprofits have experienced a D&O claim over the past 10 years.<sup>1</sup> D&O insurance protects directors and officers from such claims and from the legal liability arising from their actions or inactions. It responds to allegations of mismanagement, including alleged errors in judgment and breach of duty.

Examples of common D&O claims include:

- self-dealing
- conflicts of interest
- defamation of character
- libel and slander
- copyright infringement
- third-party harassment
- discrimination
- mismanagement of funds.

<sup>1</sup>Trefry, John, “Nonprofit Management Faces Liability Risks,” *Risk Management*, September 1, 2014.

Unwilling to risk their personal assets, many people refuse to serve on boards that lack D&O insurance coverage. A D&O policy not only protects your organization, it can help attract talent to your board.

### What to Look For

One way to determine if your D&O policy is sufficient is to see if it provides protection for the organization itself. This coverage feature, known as “entity” coverage, is an important aspect of nonprofit D&O policies.

## 2 EMPLOYMENT PRACTICES LIABILITY INSURANCE (EPLI)

Don't think employees sue their employers? Think again. The need to insure yourself and your organization against potential employment suits has never been greater.

Due to the Equal Employment Opportunity Commission's (EEOC) rigorous enforcement of federal laws such as the Civil Rights Act of 1964, and Fair Employment Practice Agency prosecution of state and local employment laws, employment practices liability continues to be a serious exposure for all U.S. businesses, including nonprofits.

- **88,778 discrimination claims** were filed with the EEOC in 2014.<sup>2</sup>
- **When employment practice lawsuits go to trial**, the employee wins 51% of the time.<sup>3</sup>
- **The median award of an employment practices claim** is \$325,000.<sup>4</sup>
- **The average length of time** to resolve employment litigation is 18-24 months.<sup>3</sup>
- **The legal fees** associated with defending an employee suit typically range from \$75,000 - \$125,000.<sup>4</sup>

EPLI protects an organization against allegations or claims made by its employees, former employees, and potential employees. Examples of common EPLI claims include:

- discrimination
- wrongful termination
- failure to hire or promote
- sexual harassment
- retaliation
- violations of the Family & Medical Leave Act

### D&O CLAIM SCENARIO

<b>Type of Insured</b>	Nonprofit professional trade association.
<b>Cause of Action</b>	Several association members filed a lawsuit seeking a temporary restraining order, plus attorney fees, to prevent the association's board from meeting and amending the bylaws.
<b>Situation</b>	After a contentious dispute between the board members about the future of the organization, the bylaws were amended at the annual meeting to prevent the organization's dissolution. The claimants, who were in favor of dissolving the organization, alleged that there was a lack of proper notice provided about the meeting where the changes took place.
<b>Resolution</b>	Though the claim was dismissed at court, the association's legal expenses to defend the case amounted to more than \$140,000.

### EPLI CLAIM SCENARIO

<b>Type of Insured</b>	Nonprofit social service organization.
<b>Allegations</b>	Breach of contract, misrepresentation, defamation, age discrimination.
<b>Situation</b>	An employee in her 60s was terminated for poor performance, after which she filed suit against her long-term employer, who she alleged had guaranteed her lifetime employment for staying with the organization through a merger. Five years' future pay of approximately \$360,000 was sought, in addition to damages for emotional distress and attorney fees.
<b>Resolution</b>	The claim was settled for one year's salary of \$65,000 with legal expenses amounting to approximately \$18,000.

- infliction of emotional distress
- defamation.

### EPLI Buying Tip

EPLI is needed as soon as you start to hire employees. An easy, affordable way for a nonprofit to pick up this important coverage is through its D&O insurance. Review your D&O policy to determine whether EPLI is included.

## 3 FIDUCIARY LIABILITY INSURANCE

To understand fiduciary liability insurance, it's important to understand the Employee Retirement Income Security Act of 1974, commonly referred to as ERISA.

ERISA is a federal law that sets minimum standards for most voluntarily established pension and health plans in private industry. ERISA does not require any employer to establish a pension or employee benefit plan. However, ERISA was enacted to protect the interests of employee benefit plan participants and their beneficiaries. ERISA does the following:<sup>5</sup>

- **Requires plans to provide participants with information** about the plan, including funding.
- **Sets minimum standards** for participation, vesting, benefit accrual, and funding.
- **Requires fiduciary accountability** regarding the plan.
- **Gives plan participants the right to sue** for benefits and breaches of fiduciary duty.

Fiduciary status is based on functions performed, not just a person's title. A key to determining whether an individual is a fiduciary is whether or not they are exercising control of the benefit plan.

Fiduciary liability insurance pays for claims arising out of the plan fiduciaries' alleged failure to prudently act within the scope of

<sup>2</sup> U.S. Equal Employment Opportunity Commission, "EEOC Releases Fiscal Year 2014 Enforcement and Litigation Data," *Newsroom*, February 4, 2015.

<sup>3</sup> Jury Verdict Research, "Employment Practice Liability: Jury Award Trends and Statistics, 2013 Edition," *Westlaw*, 2014.

<sup>4</sup> Hyman, Jon, "How Much Does It Cost to Defend an Employment Lawsuit?" *LexisNexis*, May 14, 2013.

<sup>5</sup> United States Department of Labor, "Health Plans & Benefits, Employee Retirement Income Security Act," [www.dol.gov](http://www.dol.gov).

## FIDUCIARY CLAIMS SCENARIO

<b>Type of Insured</b>	Museum.
<b>Allegations</b>	Failure to properly monitor investments; failure to monitor investment manager.
<b>Situation</b>	Employees of the museum alleged the wrongful elimination of a very profitable 401(k) investment option by the plan investment manager and the improper selection of a replacement option.
<b>Resolution</b>	The court awarded \$430,000 in damages. In addition, the museum had to pay defense costs of \$67,000.

## CRIME INSURANCE CLAIMS SCENARIO

<b>Type of Insured</b>	Nonprofit foundation.
<b>Situation</b>	The foundation's controller manipulated the bank records to hide that he'd been accessing account funds for personal use.
<b>Resolution</b>	The organization was able to recoup more than \$270,000 in funds.

ERISA. Fiduciary liability claims typically fall into two categories, allegations of:

- breach of fiduciary duty
- errors or omissions in the administration of the plan.

### What to Be Aware of

It's important to understand that a fiduciary may be considered liable for the actions of persons or entities providing services to a plan, including law firms and investment firms. You should consider fiduciary liability insurance if your organization provides employee benefit plans, including health, life, pension, 401(k), and 403(b) plans.

## 4 CRIME INSURANCE

Employee theft continues to grow as a concern for nonprofits and their managers. The Association of Certified Fraud Examiners found the following:<sup>6</sup>

- **The typical organization loses 5% of its revenues** each year to employee theft.
- **The median loss is \$145,000**, while 22% of reported cases involve losses of \$1 million.
- **Smaller organizations tend to suffer** disproportionately larger losses.
- **The average length of time from commencement to detection** is 18 months.

Crime insurance, sometimes referred to as fidelity insurance, protects organizations from the loss of money, securities, or inventory resulting from crime. Crime insurance coverage includes options for:

- employee theft
- forgery or alteration
- money and securities inside the premises
- money and securities outside the premises
- computer and funds transfer fraud
- money order & counterfeit currency fraud.

### What to Consider


If your organization uses paid staff or volunteers, you should be aware of the devastating effects of an employee theft. If you handle cash or securities, you have burglary and robbery exposure. Crime insurance is a cost-effective method for transferring your risk.

## Compare Wisely

Some insurance carriers offer all four management liability insurance plans on a single insurance policy form. While pricing

<sup>6</sup>Association of Certified Fraud Examiners, "2014 Report to the Nation on Occupational Fraud and Abuse."

is an important factor in choosing insurance coverage, be aware that not all insurance policies are created equal. Depending on the carrier's level of specialization, the type of coverage can vary wildly.

Be wary of one-size-fits-all insurance policies. When talking to your insurance advisor, ask if the insurance company's policies offer coverage customized to the nonprofit sector. Their response should help guide your decision-making. 

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*The scenarios summarized herein are offered only as examples. Coverage depends on the actual facts of each case and the terms, conditions, and exclusions of the issued policy. Please refer to the issued policy to determine all terms, conditions, and exclusions of coverage.*

*This article is provided for general informational purposes only and is not intended to provide individualized business, insurance, or legal advice. You should discuss your individual circumstances thoroughly with your legal and other advisors before taking any action with regard to the subject matter of this article. Only the relevant insurance policy provides actual terms, coverages, amounts, conditions, and exclusions for an insured.*

## Protect Your Organization from Risk

Take a look at these articles at [www.NonprofitWorld.org/members](http://www.NonprofitWorld.org/members):

**Conflict of Interest in the Board Room** (Vol. 17, No. 2)

**Fraud: Discovery and Action** (Vol. 25, No. 5)

**Get the Best Protection for Your Insurance Dollar** (Vol. 24, No. 4)

**How to Avoid Retaliation Claims** (Vol. 21, No. 6)

**Six Ways to Reduce Risk & Comply with the Law** (Vol. 25, No. 6)

**Do Your Board Members Know Their Fiduciary Responsibilities?** (Vol. 33, No. 1)

**Don't Be Sued for Negligent Hiring** (Vol. 21, No. 3)

**The Most Likely Lawsuits—and How to Protect Yourself** (Vol. 19, No. 1)

**How to Hire the Best People without Breaking the Law** (Vol. 20, No. 5)

# Does Your Organization's Communications + Branding Need a Nonprofit Super Hero?



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# For-Profit Thinking = Nonprofit Success

These keys to success combine the best of both sectors.

By Terrence Fernsler

**The Non Nonprofit: For-Profit Thinking for Nonprofit Success**  
By Steve Rothschild. Hardcover. 238 pages. Jossey-Bass, [josseybass.com](http://josseybass.com)

**B**usiness people have often tried to apply business practices to nonprofit organizations, only to be frustrated by the differences in the sectors (such as multiple stakeholders, democratic decision-making, and the like). In this provocative book, Steve Rothschild explains how his organization, RISE!, integrates the best ideas of social programs with expertise from the for-profit sector. He presents seven principles that equip leaders to blend the best of both sectors to build sustainable, long-term solutions to deep social problems:

**Be sure** you have a clear and appropriate purpose.

**Measure** what counts.

**Adapt** to the changing market. Listen and be flexible.

**Develop** mutual accountability with all your stakeholders.

**Support** personal empowerment.

**Create** economic value from social benefit.


**Become** learning driven. Build an enduring culture of learning.

These principles provide guidance for every aspect of organizations, from strategic planning to policies and programming. They rest on a double bottom line of social and economic objectives.

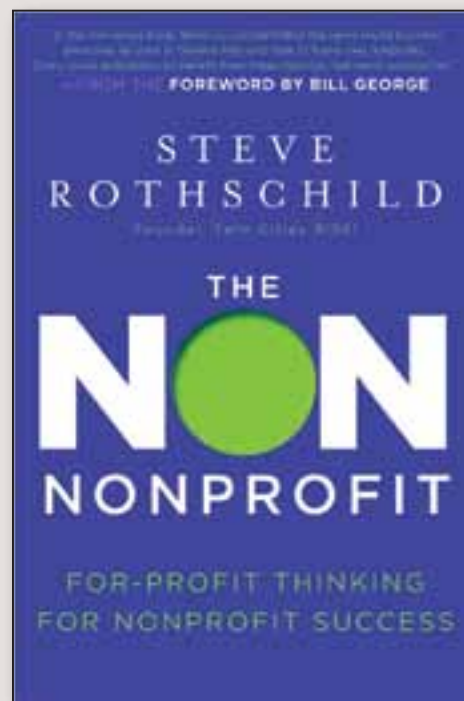
While Rothschild uses his organization to elucidate the principles, he also relies on other cases as examples. Through stories of the principles in action, he shows how organizations can become sounder.

Business practices may mean something different in the social sector than we're accustomed to seeing in the for-profit sector. When Rothschild writes about being market driven, for example, he means that organizations need to understand who their customers really are. When he writes about creating economic value from social benefit, he means understanding how to create reliable sources of capital as a tool for accomplishing social goals.

Rothschild argues that now isn't the time to linger on how things were done in the past. Civic-sector organizations tackle some of our most daunting social problems. They go where for-profits won't go, with fewer resources—at least financial resources—than needed. The seven principles can expand the resources organizations need in this capitalist society to cope with increased challenges. Incorporating these principles where appropriate can be a powerful force for change.

Rothschild has gathered these keys over many years of leading both businesses and nonprofits. We can be grateful for his experience and willingness to share it with us. 

*Terrence Fernsler, MNPL, has been a nonprofit professional for over 30 years. He is currently an advisor to nonprofits and a Ph.D. student in the School of Strategic Leadership Studies at James Madison University in Virginia.*



## Questions to Help Your Organization Become Learning Driven

What exactly is a learning driven organization? It's flexible and able to adapt its communications to whomever its audience happens to be. Assess yourself with these questions:

- **Do you move quickly** to try new approaches when something isn't working?
- **Are the people in your organization committed** to ongoing, daily learning to improve the organization?
- **Do you spend more time planning** than doing? Do you never plan at all? Or have you found a good balance between the two extremes?
- **Does your organization evolve** as the external environment changes?
- **Do you have systems for gathering intelligence** both inside and outside your organization?
- **Do you encourage employees to discuss** their failures and brainstorm ways to learn from mistakes?


## The Power of We

The simple word “we” can have an enormous reach. Just compare the following:

- “I want this done by tomorrow” vs. “Can we get this done by tomorrow?”
- “I need it by 2:00” vs. “If we work together, can we finish it by 2:00?”
- “What are you going to do about it?” vs. “How can we solve this?”

We acknowledges that teams are built on cooperation. Every ongoing work relationship should be viewed as a team, according to *The Teamwork Chronicles* by Steven H. Carney (powerofwe.com).

Carney suggests the term “coordinator” rather than manager or leader because it captures the important role of facilitating relationships. Here are some situations in which you can use “we” thinking and speaking to resolve issues:

- **If a team member is uncooperative:** “Do you have some time? I’d like to get your input and discuss your work with the team to see what ideas we can come up with.”
- **If your team is dysfunctional:** “I’m wondering if the team thinks we could function better than we’re doing. Can we consider some possible improvements?”
- **If someone’s message is unclear:** “Can we talk? I’ve considered this project information, and I’d like some additional clarification.”
- **If a team member is uncommunicative:** “Do you have time for coffee? I’m concerned about your comfort with the current team situation. I’d like to hear your views and see what we can figure out.” 

## Helping You through Hiring


In nonprofit organizations, finding the right people is critical because organizations rely heavily on staff members’ knowledge and abilities. *Mastering the Art of Recruiting* (Praeger Publishing, www.abc-clio.com/Praeger.aspx) examines an optimal way of hiring key people.

For such a short book (145 pages), it is chock full of information. Author Michael Travis arranges the details of the hiring process in a logical, to-the-point way. He also explores three common mistakes:

- 1. Many people make up their minds** on a candidate before checking references. Thus, they don’t do a thorough, in-depth job of challenging their preconceptions.
- 2. Most organizations don’t interview enough candidates.** (Ten or more are necessary, though this may require you to hire an outside recruiter to help you – something that Travis recommends.)
- 3. Too many of us think that uncovering negative things is bad.**

Nothing could be further from the truth. You need to know the weaknesses as well as the strengths of anyone you hire.

We often feel we don’t have the time to go step-by-step through a detailed hiring process. Travis makes clear that the cost of incomplete candidate screening is far greater than the cost of thorough searches.

Recruiting, hiring, and onboarding (to ensure a constructive transition into the organizational culture) affect your organization’s ability to do what it intends to do. This book is an excellent guide to doing it well. 

–reviewed by Terrence Fernsler


## Act Your Way into Leadership

Leadership training typically emphasizes contemplation before acting. Yet we learn best by doing, evaluating, adjusting, and doing again. In *Act Like a Leader, Think Like a Leader* (Harvard Business Review Press, www.hbr.org), Herminia Ibarra argues for leaders to go beyond the borders of their own group, reach out, and “plunge into new projects and activities, interact with different kinds of people, and experiment with unfamiliar ways of getting things done.”

Stepping up to leadership roles begins by changing the parameters of work. When we find opportunities to work on projects outside our comfort zones in tasks that challenge us, we become more attuned to our organization’s environment. This first step changes our way of thinking about what a leader is and does.

Ibarra is a proponent for acting like the leader you want to become; if you act like a leader, you will eventually adopt leadership behaviors that will come naturally. For instance, introverts can be temporarily extraverted when it is appropriate to achieve their goals. The more they take on these characteristics, the more comfortable they become with switching between behaviors. So it is, says Ibarra, with other behaviors. We can observe others and take on their characteristics, transforming how we think of ourselves. Even though we adopt the behaviors of others, we are still unique in how we arrange them and blend them with our own characteristics.

Good leaders rely on the right network of professional relationships. After all, networking is the key to sustainable systems. Strength of the network isn’t necessarily determined by numbers; rather, a strong network branches out beyond the comforting ties of colleagues and friends to connect with people who can help us see our work and our value to it differently. Ibarra offers a variety of ways to expand a network, such as:

- **Favor active rather than passive** networking opportunities. For example, don’t just show up for events; organize them, or speak at them.
- **Use social media** to broadcast your interests and cast a wider net to people who share those interests.
- **Attend a conference** you’ve never before attended. Meet at least three new people. Follow up with them afterward.
- **To initiate a relationship with someone, ask** for a simple favor. 

–reviewed by Terrence Fernsler

## Going to War with Your Inner Robot

To change your behavior, you must understand the habitual activities that operate automatically, robotically, and often irrationally outside your normal awareness. Then you need someone to nudge you through the discomfort of transformational change. In *The Auto-Self: The Key to Creating Star Performers and to Becoming a Star Yourself*, such people are called transformation guides. In *Waking Up Happy: A Handbook of Change with Memoirs of Recovery and Hope*, they're called "Waking Up Happy Buddies." Whatever you call them, they're key to lasting, meaningful change.

Perhaps the best approach is to get together with one or more people who want to make changes in *their* lives. They can keep you on track with your goals while you do the same for them. For example, if you want to quit smoking, and your friend wants to stop eating junk food, you can bolster each other, doing similar exercises and then getting together on a regular basis to discuss results.

Here are some of the most important characteristics of good guides:

- **They're committed to helping you make change** in your life for *your* reasons, not theirs.
- **They're willing to guide you** until you complete your transformation, a process that will take months – perhaps as long as a year. They will meet with you regularly – face-to-face, on the phone, on video chat. (Fifteen minutes twice a week is better than one longer session because of more frequent support.) The most important factors for success are frequency of meetings and duration of the relationship.
- **They have empathy for the discomfort** of change and the fortitude to withstand your inevitable pushback while escorting you through the habit-changing process.
- **They're not associated with the behaviors** you want to change. (If you want to quit smoking, they don't smoke!)
- **They read and study the techniques** of positive change (using books such as *Waking Up Happy* (WakingUpHappy.co) and *The Auto-Self* (Auto-Self.com)).

## Craft a Story that Inspires

Telling people what to do isn't the best way to convince them. A much better idea: Tell them a story.

In *Lead with a Story* (American Management Association, amanet.org), Paul Smith describes some ways to use storytelling to best advantage:

- **Let people get to know you** by telling stories that support the image you want them to have of you. Three kinds of stories will help secure a good reputation for yourself:
  - **"I'm not who you think I am" stories** will fend off any preconceived notions people may have about you.
  - **"A little about me"** narratives share something personal and increase people's feelings of connection to you.
  - **"Why I work here" stories** explain why you chose this path and why you're passionate about what you do. They encourage people to support your vision.
- **Make it easy for your customers to tell their stories.** Put up a story box. Create a Web site page for stories. Then retell those stories to your staff and board members.
- **Ask people who know your organization to help you find powerful, habit-changing metaphors.** Suppose you need a short, simple way to win people's support for a new computer system. Ask people who know both systems, "If our old and new computer systems were cars, what kind would they be?" You'll get some great ideas. For example, someone may describe your old system as a 15-year-old Honda and your new one as a brand new Porsche. In your memos and discussions, you can talk about trading in the 15-year-old Honda and upgrading to the Porsche. Such images can help win enthusiasm for change.
- **Ask your employees for stories.** As you walk around the office, ask people, "Got any good stories?" Or hold a contest for the best stories about your organization. Then share those tales widely.

## Help Create More Diverse Leaders

Why are so many nonprofit organizations led by people who are white and staffed by people of color? What impact does this reality have on the ability to create more diverse decision-makers? Steve Scheier, author of *Do More Good. Better* (scheiergroup.com/the-book), says that these issues are linked and they exist to the detriment of all. Here are ways you can empower valuable yet overlooked talent start down the path to leadership:

- **Examine your biases** about who should be making what decisions in your organization and how these biases affect the way decisions currently get made.
- **Take inventory of who has power and who doesn't** in your organization, and why.
- **Allow employees to speak up and advocate** for the decisions they want to make or support.
- **Reinforce a culture** that drives decision-making responsibility down to the most appropriate person within your organization.
- **Give people at lower levels the opportunity** to make decisions that affect their jobs.
- **Clarify which decisions** each person is expected and authorized to make.



## The Gentle Art of Asking Instead of Telling

When conversations go wrong, there are three things you can do to make things better: (1) Do less telling. (2) Do more listening. (3) Do more asking in the form of humble inquiry.

Humble inquiry, as Edgar H. Schein explains in his insightful book *Humble Inquiry* (Berrett-Koehler Publishers, [www.bkconnection.com](http://www.bkconnection.com)), differs from other forms of inquiry (such as confrontational or diagnostic inquiry) in that it maximizes your curiosity and interest in the other person and minimizes bias and preconceptions. You access your ignorance and ask for information in the least threatening way. Examples:

- “What’s going on?”
- “Can you give me an example?”
- “Go on . . . .”

A question such as “How do you feel about that?” endeavors to take control of the conversation and steer it in a certain direction, so it doesn’t qualify as humble inquiry. Neither does “How are you?” because it’s culturally scripted to elicit, “Fine.”

If you’re the boss and sincerely want others to be open with you, then humble inquiry is essential. The results will be better conversations and better relationships.



## Need Sustainable Income?

**7 Nonprofit Income Streams** ([CharityChannel.com](http://CharityChannel.com)) details income streams your organization can use, along with strategies to make the most of each. The more different ones you take advantage of, the more sustainable your organization will be.

- 1. Mission income:** income from customers who pay to receive a mission-related service or product (such as ticket sales for your theater production).
- 2. Individual giving:** gifts from individuals, including major gifts, annual gifts, and planned giving (bequests, trusts, and so on).
- 3. Government funding:** grants, contracts, earmarks, public-private partnerships, and other income from local, state, and federal governments.
- 4. Gifts from grantmakers:** grant money from foundations and other entities, such as United Ways, Rotary Clubs, and Junior Leagues.
- 5. Corporate support:** money from businesses, which usually takes the form of grants, cause marketing, and sponsorships.
- 6. Unrelated business income:** earned-income opportunities not directly related to your mission, such as room rentals, beverage sales, and the like.
- 7. In-kind donations:** gifts of goods or services such as meeting rooms, food, or used office furniture. It’s important to include these gifts when you plan your income, because you can often obtain in-kind donations that free up cash for other necessities.



## The True Leadership Challenge in a World that Changes Faster Every Day

Many people struggle to understand the concept of continuous improvement. It hasn’t been emphasized much in the nonprofit sector, but even in the for-profit sector, where it has been a fundamental tenet for decades, many leaders find their well-intentioned efforts derailed. In *How to Succeed with Continuous Improvement* ([succeedwithci.com](http://succeedwithci.com)), Joakim Ahlström explains how to make continuous improvement work in the real world.

Successful organizations, he tells us, have the ability to adapt and improve as one entity. Acting as one requires thinking as one. And that requires a strong organizational culture.

In strong organizational cultures, people instinctively react properly to change. We find proof of this at IKEA, the Walt Disney Company – known for hiring individuals whose behaviors align with the company’s values – and Toyota, whose agility helped them reclaim the title of the world’s largest automaker only seven months after two huge setbacks – an earthquake disrupting production and a historic recall. Most attempts to copy the desired traits of these companies fail; only 2% of improvement initiatives inspired by Toyota achieved expected results, according to an *Industry Week* survey.

The reason? We copy what we see and miss the point. We see systems, structures, and tools but not the culture developed by leaders in the organization. Here’s how to develop the culture you need to continuously improve in a complex and volatile world:

- 1. Understand what culture really is and accept that you are the number one vehicle for culture.** Culture is your collective self-image – what you and others in your organization think about yourselves in relation to the world. Changing culture means changing your collective thinking. You do that by synchronizing what people in your organization *spontaneously* talk about. As a leader you’re one of the favorite topics of conversation. Take advantage of it!
  - 2. Create stories that bring your values to life.** When IKEA founder Ingvar Kamprad visits his stores, he takes the free-of-charge IKEA-bus. Walking through a store he once lay flat on the floor to read a price tag to demonstrate that it was badly placed. Cost consciousness, always adopting the customers’ perspective, and representing and serving “the many people” are values that will always remain parts of the IKEA culture.
  - 3. Drive out fear.** Fear makes people focus on looking good rather than doing what’s right. When Toyota CEO Akio Toyoda told Congress he took “full responsibility” for the defects in the company’s cars, the message to his colleagues was clear: At Toyota you never hide problems and always take responsibility for the ones you see. That cultural trait is the basis for eliminating waste from all processes in the company and that’s what gave Toyota the agility to recover as quickly as it did.
- For more on managing your culture, see these *Nonprofit World* articles ([www.NonprofitWorld.org/members](http://www.NonprofitWorld.org/members)): “Organizational Culture: It’s in the Walk, Not Just the Talk” (Vol. 29, No. 6) and “How to Change the World by Changing Your Culture” (Vol. 31, No. 2).



## Why Talent Is Overrated

It's not just talent we tend to overrate; we also give too much weight to the importance of hard work, intelligence, experience, innate potential, and a good memory. None of these things predicts success, research shows.

So what does? Deliberate practice makes all the difference, says Geoff Colvin in *Talent Is Overrated* ([www.geoffcolvin.com/books/talent-is-overrated](http://www.geoffcolvin.com/books/talent-is-overrated)).

Deliberate practice is characterized by several crucial elements:


- **It is designed specifically to improve performance,** often with the help of a coach or guide.
- **It can be repeated a lot,** with feedback continuously available. A teacher, coach, or mentor is vital to hold you accountable, motivate you, and provide crucial feedback.
- **It's highly demanding mentally.** Deliberate practice is an effort of focus and concentration.
- **It isn't much fun.** You must seek out what you don't do well and keep trying to make yourself better. After each repetition, you must force yourself to see – or have others tell you – what's still not right. Then you must repeat the most painful parts of what you've just done.

Difficult as deliberate practice is, it's the only sure way to reach new pinnacles of performance.

Imagine, for example, that your goal is to become an expert on some aspect of your job or your organization. Deliberate practice requires you to read everything you can find on the subject, interview people both in and outside your organization, and ask questions to glean new perspectives.

As you add to your knowledge, you won't just amass information. You'll build a mental model of how your field functions as a system.

This is one of the defining benefits of deliberate practice. It leads to highly developed mental models of your area of expertise. And the existence of such mental models is the greatest predictor of an effective organization.

High-achieving organizations value this kind of deliberate practice. They support people's desire for education, growth, and development. They provide the feedback that's so integral to success. They design a culture of constant learning. Rather than seeking out the most talented, smart, or experienced people, they hire those who are most eager to learn, grow, and keep practicing in a continual, deliberate way until they're the best they can be. 

## laughter alert

### YOU WRITE THE CAPTION CONTEST

Thanks to all of you who entered the contest. You'll have another chance to win with a new cartoon in our next issue. We're glad to see you all have a solid sense of humor! Keep laughing! And keep sending us your nonprofit jokes, riddles, observations, humorous anecdotes, and the funny experiences that occur every day in the nonprofit sector. Please send to [Jill@NonprofitWorld.org](mailto:Jill@NonprofitWorld.org) with "Laughter Alert" in the subject line.

The cartoonists' original caption is below:



"I found them on the side of the road, they said they would love to help out our charity drive."

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### and the winner is....



**"The good news is we have a thorough background report for each of our new recruits."**

The winner of this issue's *Nonprofit World's* cartoon contest is **Lisa Stevenson**, MBA, CPA, of Stevenson, CPA, LLC, nonprofit accounting specialists ([stevensoncpallc.com](http://stevensoncpallc.com)), who submitted the caption for the cartoon above. (The cartoon on the left is the cartoonist's original caption.)

Congratulations, Lisa! As the winner, Lisa will receive a card deck of "52 Ways to Motivate Your Board and Volunteers" from Carol Weisman ([carol@boardbuilders.com](mailto:carol@boardbuilders.com)), founder of Board Builders ([www.boardbuilders.com](http://www.boardbuilders.com)).

Thanks to all of you who entered the contest. You'll have another chance to win with a new cartoon in our next issue.





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