SOLUTIONS, NOT JUST SURVIVAL:
How today’s most effective non-profits think and act.

About Altruist

Altruist helps non-profits transform into powerful social enterprises. We partner with funders and work side-by-side with non-profits to optimize their people, programs, plans, and revenue. Our clients range from startups and small community orgs in a wide variety of fields to leading national and global non-profits driving today’s most exciting and important transformations.

Introduction

This short collection of articles presents the thinking and practices that are driving the performance and growth in today’s most effective nonprofit organizations. It’s heretical and unconventional: much of what you will read here is counter to accepted wisdom. But its proven to work. Nonprofits who follow this advice really aren’t “nonprofits” at all—they are powerful social enterprises who are creating and scaling the solutions we need to today’s most urgent challenges around education, health care, human services, arts, and the environment.

We hope you find this stimulating and challenging. If you’d like to challenge these ideas or talk about what they mean for your organization, send us an email: answers@altruiistpartners.com
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Non-profit culture: friend or foe?

I had lunch the other day with a brilliant woman who recently left her job as a finance VP at a major corporation to join a medium-sized non-profit as the new CFO. She was tired of the corporate grind and wanted more meaningful work. But things were quickly going south.

"Good grief," she sighed. "We spent an hour at the board meeting arguing over the decorations at the upcoming gala. Our strategic plan hasn't been updated in two years. We have zero in the way of metrics and quality improvement. It's one big conversation club- it takes months to make a decision. My old company was ruthless, but at least we got stuff done. I'm beginning to miss it."

Sound familiar? Here's another recent conversation with another respected leader, a highly successful executive director and board member for some of the nation's most prominent non-profits:

"After 20 years as an executive director of 3 organizations and a board member of many others, I launched a tech startup. Let me tell you: working with all these young people, I was so delighted with the urgency and drive and risk tolerance I saw in them. These qualities are largely missing from so many non-profits."

The non-profit sector is filled with beautiful people and amazing programs. But do the majority of non-profits suffer from cultural elements that ruin their potential to behave entrepreneurially and to grow? The evidence says yes.

Consider that only a handful of non-profits in the last 50 years have grown past $50m in revenue, while tens of thousands of other companies have blown past this growth milestone.

It's an urgent issue with tremendous consequences. Around the world, non-profits have the job of tackling some of our most urgent challenges: Poverty. Education. Environmental destruction. Injustice. You name the challenge, and there are good non-profits hard at work on it.

Together, the effort strains millions of people and consumes trillions of dollars. But we have to ask ourselves a tough question: how much is the culture of these non-profits getting in the way?

Let's look at two types of cultural values—one associated with low-performing organizations and one that we would naturally pair with high-performing ones.

At low-performing orgs,

- it's OK to think small and celebrate "feel good" efforts that aren't measured against the size of the entire problem
- it's OK to work long hours at low pay
• it's OK to prioritize organizational safety and caution over experimentation and risk
• it's OK to move slowly, slowly, slowly
• it's OK to celebrate success around raising small sums of money, and to run low-ROI, transactional fundraising operations that do not scale
• It's OK to pretend our work is too complex to be measured--we just need long conversations, ambiguous strategy documents, and vague deliverables.

Do any of these resonate with you? While many recognize these cultural deficits are problems, most accept it with fatalism. Oh, it's just a struggling non-profit. What can you expect?

We need to do better. Let's look at a different set of values that we associate with the leading-edge non-profits who employ bold, entrepreneurial leaders and gifted staff. These people are working together as a team to tackle the biggest challenges. They have built a culture of high-performance.

These organizations:

• have a "go big or go home" attitude. They measure how much of the problem they are tackling with hard, simple numbers, and they push hard to solve all of it.
• they have a specific plan to solve the entire problem--with hard numbers, accountability, and an explanation of how they will pay for it all
• they are biased toward action, experimentation, and risk, driving forward with a sense of urgency and shared purpose
• they are collaborative--everyone works hard and supports each other
• they focus on the smartest ways to generate revenue so they can recruit and retain top people and grow the org so it can solve problems, not just nibble at the edges.

These are the extremes. Very few organizations are fully at either end of the cultural spectrum defined here. But it is likely worthwhile to ask yourself: where do we sit in this spectrum? Should we be thinking and talking about this--and doing things to move from one part of the spectrum to another?

We at Altruist have a bullet-proof, battle-tested process for helping non-profits becoming high-performing, high-growth organizations. And in a decade of developing, testing and deploying our system, we've learned the truth of the old phrase, culture eats strategy for breakfast. We think that there needs to be more discussion of the challenges and opportunities around non-profit culture, and we hope this short piece helps keep this critical issue top-of-mind.
Work with nonprofits? Read these books.

If we had a magic wand, we would bring together all the following people who work with nonprofits: board members, staff, volunteers, and financial supporters and stakeholders of all stripes (individuals, corporate officers, foundation staff, agency officials, and customers). We would have everyone commit the following six books to memory and then discuss the key issues they point to.

1. Jim Collins, *Good to Great*
2. Jim Collins, *Great By Choice*
3. Sean Covey et. al., *The Four Disciplines of Execution*
4. Ichak Adizes, *How to Solve the Mismanagement Crisis*
5. Ken Stern, *With Charity For All*
6. Dan Pallotta, *Uncharitable*

Most top professionals love Jim Collins. His books distill the core principles and practices of high performing organizations and provide clear cognitive traction points for applying them. (Big bummer that he watered down his concepts for the social sector, however. But he deserves a Mulligan.)

*Four Disciplines* is all you need to know about execution. Read it once, and you’ll remember the core concepts immediately: 1) set a wildly important goal; 2) understand what lead measures you need to get there; 3) keep a compelling scorecard; 4) maintain a cadence of accountability. We love this book.

These first three books are at the core of the Altruist methodology. We use them every day. They've proven their immense worth time and time again over the past decade with over a hundred clients. We are so grateful to these authors. They gave us the tools to help many thousands of people.

Next up is the Turkish management guru Ichak Adize's (YITZ-hak Ah-DEE-ZEEs) amazing work on leadership. This is the best guide we've found on understanding and diagnosing problems with leaders and management teams. When we see a leader or team in pain, we bring this book to bear every time.

Ken Stern's powerful expose *With Charity For All* makes it desperately clear why everyone in the social sector needs to read and follow these other books. It's a searing indictment of the entire sector's management and execution practices. Read it and you will see why so many people are disgusted with the American Red Cross--and far too many other nonprofits.

Lastly, Dan Pallotta's seminal work explains the source of all the problems that Ken Stern describes. He lays out why nonprofits live in ignorance and fear of the critical management concepts and strategies they need to survive and thrive.
On top of these core texts, there are really only two periodicals we pay attention to on a regular basis:

- The First Round Review (http://firstround.com/review/)

Yes, HBR is pretty awesome (most of the time), but we are particularly fond of the First Round Review-- it's lucid, experience-driven, bleeding-edge advice from the front-lines of startups and venture capital, and the takeaways for nonprofits of all sizes are continuous and profound.

If you know of a management text or resource that's changed your life and others, please let us know. We're never finished reading. §
Let's combine what's great about for-profits and non-profits.

Too often, the business and non-profit communities point out each other's flaws when they really should be learning from each other.

Business people complain that non-profits are ineffective and need to run more like, well, businesses. Non-profits respond by saying that the complexities of non-profits are unique and hard to appreciate, and are quick to retort that it is big business that devours the planet and keeps employees in poverty.

But before the non-profits can say take that, you bad business person, business champions argue that outfits like Tesla and Seventh Generation do more to advance, say, environmental sustainability than many non-profits. Some guy at Google named Larry Page even suggests we give all our money to corporations instead of charities.

The arguments have been going for years. They are pointless and counterproductive. Because if we are going to address the super scary, right-now challenges of a planet loaded with billions of hungry people, leaders in both sectors need to stop throwing around prejudices and binary stereotypes.

There's a very promising middle path. We at Altruist call it social enterprise thinking.

Non-profits have great programs, but very few can run or fund them at a scale big enough to serve everyone that needs them. This is where tools from the for-profit world-- properly hybridized-- are super handy. We've been turning struggling non-profits into powerful, scalable social enterprises for years, and we use a good number of tools from the for-profit sector to make it happen: metrics based reporting, professional business planning, and smart, aggressive pursuit of revenue.

This isn't philosophy--it's a proven, practical approach to solving the world's most difficult challenges.

On the flip side, we sure do need more businesses behaving altruistically. Smart companies know that truly fostering social good creates passionate employee engagement, which then creates productivity and profits. And engagement happens when the work is about more than hitting quarterly sales targets.

It's darn smart marketing also, and it doesn't take tons of cash. One of our friends spends $75K/yr on his company's foundation and gets many times that in print and brand value because of it. And they really are helping folks with that $75K (foster kids, actually). The ROI on this triple-bottom-line approach is great.

We at Altruist love the middle ground we see modeled by for profit companies.
like Tesla and Seventh Generation, social enterprises, altruistic entrepreneurs, Certified B Corps, Social Purpose Corporations, and our very favorites: the vanguard of non-profits who are true high performers and deliver tremendous amounts of good.

In our dream future, there will be only one sector: The Social Enterprise sector, where we protect people and the planet and make an excellent living to boot.

We’re helping build this future, and we want you to join us.

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Your auction is bad practice. Here's why.


Charitable fundraising events are so ubiquitous; how can they be a bad thing? Here’s how: they waste time and money. They cost the org enormous amounts of opportunity.

With very few exceptions, fundraising events offer poor ROI, typically earning $2, 3, or maybe even $4 for each $1 it costs to run them. And that’s with luck and extreme hard work.

There are proven, widely practiced revenue strategies that return at least $10 for each $1 they cost. And these superior options are much more scalable and mission compatible.

Instead of hectoring attendees to spend as much money as possible in a 1-time interaction, events should bring in as many people as possible; cultivate their awareness of the organization's value; and yes, raise money, but aim for quantity of gifts and percentage of audience who gave - not on the total bottom line of the event.

The first two measures are most important because, properly conceived and executed, fundraising events aren't as good as, as the old saying goes, **friend raising events.**

Events are for donor acquisition, cultivation, and stewardship. Solicitations are best done 1-1 or in small groups, after extensive work developing the relationship.

Why do we still suffer through auctioneers barking about Stair Masters and vacations to Aruba? Because most organizations simply do what everyone else is doing.

Since current practices in the social sector are highly ineffective, we are stuck in a vicious cycle of people copying strategy that leads to subsistence living at best.

People! The name of the sector should be a tip-off. If other charities zig, you should zag.

Most non-profits only look only at the dollars right before them: “Hey, we raised $100,000 at our auction!” But they don’t discuss-- or even measure-- that it cost them $40,000 for all the inputs an auction demands, another $40K in staff and volunteer time, that their volunteers are burned out, and that the auction will never scale up to bring in enough money to get the organization to the size it needs to be.

Here’s what really hurts: they could have raised a million dollars with other strategies.

You still need events, but look at them as **friend-**raising, not fund-raising. Success metrics should focus solely on total number of gifts from new people. That way, you are growing the mouth of your future major investor funnel.

Save your events for identifying, engaging, and thanking investors. If you are going to ask for money at the event, make sure it’s a small addendum to a much larger education on what you are doing to change the world. Consider those small gifts opportunities to say thank you in powerful,
creative ways. Make it the start of a long, personal relationship with your supporters.

There’s no debate on this among competent fundraisers or successful non-profit leaders. But the prevalence of transactional fundraising is Exhibit A in our case that the non-profit sector is in dire need of positive disruption.

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The New Thinking in Non-profit Revenue

Is your organization starving financially? You’re not alone.

Most small to mid-sized non-profits have high potential programs but are in moderate to severe financial distress. The tools and strategies they use haven't changed in decades and they long ago lost their effectiveness.

If you look to ideas like strategic planning, capital campaigns, auctions, and appeal letters, your odds of getting off your bread-and-water diet are very low. These tools date from the 1970s, and they were never that great to begin with.

The data proves it's all just not working. How many stories do you hear of non-profits that are growing in leaps and bounds, year over year, using these tools?

The good news is that things are starting to change. There’s positively disruptive thinking out there, delivering a new mindset and a very specific set of revenue practices that, together, are transforming entire organizations into scalable high- performers.

These practices aren't specific to the non-profit sector. They are common among all high performing organizations, no matter their tax status.

For far too long, the non-profit sector has insulated itself. When non-profits start looking outside their space, a whole new world of opportunity-- packed with the latest tools and strategies for performance and growth-- opens up.

Here are the battle-proven practices used by the most innovative, high-performing non-profits:

1. Change the model. Discard fundraising and development all together-- We prefer Investments and Partnerships. If you have a business plan (not a strategic plan) and the ability to show your SROI you will find that people are ready to give you much larger investments. This is a huge paradigm shift in itself. It requires the type of transparency, robust measurement, and accountability that the very best 501c3s practice every day.

2. Ignore overhead. If you consider fundraising staff "overhead" or even measure that number at all, you've already lost. In the best orgs, there is no such thing as overhead-- all your people should be essential to delivering your programs and services. Invest heavily in the right people, and make sure there are plenty in marketing, communication and revenue to meet your most ambitious goals.

3. Hire fundraisers on talent, not experience. Proven fundraising pros are quickly scooped up by the hospitals and
universities-- the 800 pound gorillas of the non-profit sector. The most successful types can make even more money in the private sector. So if smaller orgs hire on experience, they are stuck with the leftovers, and turnover suffers (The average tenure of a typical development staffer? 18 months). We prefer to start with charismatic people with great energy, communication and relationship skills, and give them intensive training and ongoing guidance. We’ve found people for 30-40k a year that quickly became million-dollar rainmakers for their orgs.

4. Build Relationships with Investors. Launch a continuous process of identifying, engaging, soliciting and reporting to investors in every non-profit capital market: individuals, foundations, corporations, and government agencies. Launch aggressive earned income efforts, from licensing campaigns to fee-for-service. Here’s where real expertise is essential. Not many can play the whole keyboard. Find some folks that have actually done it before, in multiple domains.

5. Reward results generously. All non-profit staff should be paid highly competitive salaries. Martyrdom is not a wise retention strategy. This is especially true of your rainmakers. Those great people we hire at low salaries? Because they raise a ton of money, they get big raises, fast, and they stay on staff, becoming happy drivers of the transformation you need. Got an org culture that only gives COLA? Adios amigos. Figure out how to raise the large investments, and then drive a good chunk of that revenue back into your people.

6. Measure what’s important. At the head of the list is the #1 driver of revenue performance: the number of face-to-face meetings with current and prospective investors. Our successful clients measure it every two weeks with focus, discipline, and enthusiasm. Read the 4 Disciplines of Execution for a great primer on the subject.

7. Create team play. The Board and ED should have specific Investment & Partnership roles and activity requirements. Most orgs we work with ask all of their board members to drive one contact per month to their Investment & Partnerships team. All strategies and results are shared with staff with perfect transparency. Investments & Partnership people suffocate in a silo.

8. Don’t try to raise money. Yes, this is correct. If you try to raise money, you will likely tank. If you try to become the highest performing, most effective organization in the world, people will come flocking to support you. Focus on performance, not money- and then, when you do put in place an effective investment and partnership operation, it can take you to the moon. And from there, you can save the world.

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Strategic plans cripple nonprofits. Here's the cure.

Most every non-profit thinks they are all set and ready to go when their strategic plan is done. This is a tragic mistake. In nearly every one of the non-profit strategic plans we have read, fuzzy thinking dominates:

- Do they have quantitative goals? Sometimes.
- Are these goals backed up with metrics, timelines, and reporting? Almost never.
- What about scale? Are the goals aiming for growth that is meaningful, compared to the size of the problem the org is addressing? Too scary.
- Is there a detailed, 3-5 year expense projection that calculates how much all this will cost? Rare as hen's teeth.
- Has the org projected out how all this is going to get paid for? Money? We don't like to talk about money!
- Is all this boiled down to a compelling, concise, comprehensive, 5-10 page document that people can actually read and understand?

We've never seen a non-profit plan with all these essential pieces, despite having read a bazillion. (Got one that has all this stuff? Please send along!)

The good news is: there's something much better. It's a familiar tool used by tens of thousands of organizational leaders, every day of the year, all around the world. It holds the key to your organization's transformation from a small, struggling non-profit into a thriving, high performance enterprise.

Write a business plan!

1. Keep them drafty--stop wordsmithing. Go for practical and simple. Lose the graphics, pictures, and poetry.
2. Get them 75% done and then start sharing them with people who have experience building successful teams and growing organizations. Ask for their feedback. Iterate.
3. Don't let the perfect be the enemy of the good. Focus on numbers more than words.
4. Make the plan real-- create transparency and accountability. Measure everything.
5. Use your plan as your internal roadmap for staff AND as your chief engagement tool for partners and investors.

Start by tossing out your mission, vision, and values. Let’s be honest here: that approach creates a lot of existential noise. The world needs practical solutions, not philosophy or flavor words. Instead, use plain, simple words and numbers to describe

1. what problem you are solving;
2. why your org is the best one to solve it;
3. what success looks like (SMART goals please);
4. your specific milestones to getting there,
5. metrics and key performance indicators; and
6. your financial projection—detailed, income and expenses, going out 3-5 years.

When non-profits use this method they begin the exciting transformation to a much more effective type of organization—a social enterprise.

The result? We start to slay the scary monsters. Problems are getting solved. Non-profits are thriving.

Disciplined, focused, concise, practical business planning is the key to launching the entire social sector down the path to actually solving problems. Replace your strategic plan with a business plan and you are on your way.

§
Donor Analytics Done Right

Time to tell the hard truth: fewer than 1% of nonprofit development offices measure the right things. And their orgs are suffering serious opportunity costs as a result.

Why? One reason is this: current "best practices" in the fundraising field are deeply flawed. Fundraising schools and "experts" teach development officers the wrong things. They aren't bad people-- in fact, they are lovely people. But they need to reach across the aisle and study the practices from the highest-growth, highest-impact organizations. And they are overwhelmingly in the private sector.

Let's dig in. Whenever we read articles about fundraising analytics, typically we see recommendations to measure things like:

1. Donor attrition
2. Second gift conversion
3. Consecutive Years of Giving
4. Lapsed Donors

Guess what? If this was a private sector business, and the sales manager recommended this set of metrics to a competent CEO, she would be out of a job pretty damn quick. We’re not saying this to be rude. It's the truth. Why? Because these are all weak measures. In the analytics world, the label for them is **lagging indicators**. This means that, by the time you've measured these things, the interaction with donors is already in the past. These measures look backwards. They provide fundraising teams with little to no data to guide and improve their daily interactions with donors. They don't look closely at the progression of the relationship with donors. And they use such large time frames, there is no feedback loop.

What is better? First, fundraising teams around the world need to sit down and read *The Four Disciplines of Execution*, and learn about **leading indicators**.

Leading indicators are measures of the actions people take *now* to get to a particular goal. And when it comes to raising money, there is only one leading indicator that really counts: **the number of authentic, face-to-face conversations fundraisers have with donors over a given time period**.

Fundraisers need to have clear protocols for what constitutes face-to-face conversations, and focused, frequently updated scorecards that measure the number and quality of these conversations. The scorecards should contain metrics from a *sales pipeline* such as acquisition rates and conversion rates from suspect to prospect and from prospect to donor. Finally, it will build in robust metrics for stewardship to make sure that current donors see where their money goes.

When these scorecards are in place, fundraising teams-- relationship officers, directors, CEOs, board members-- get
together every two weeks and read the numbers, both as a group and individually. They ask focused questions: how many face-to-face conversations are happening? How many could be happening if we are working at full capacity? How are prospects progressing through the pipeline? What are our exact measurements regarding the identification, cultivation, solicitation, and stewardship of our donors? Is one fundraiser converting 30% and another 50%? What can we learn? What goals do we set for the next two weeks to move the numbers in a better direction?

Analytics don't stop there. The fundraising teams will only fulfill a fraction of their potential unless they have programmatic analytics as well. A culture and practice of concise, accurate, powerful analysis needs to rule--not just over the fundraising function, but over all the program and operational domains as well.

Many of the most beautiful people in the world lead and advocate for nonprofits. We want to see the true potential of these wonderful folks unleashed with the very best practices and tools. We are terribly frustrated that there continues to be so much noise and misdirection out there, so please pardon us if we raise our voices a notch or two.

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Theory of Change? I'll take proof, thank you.

Here we go. It's time to load the critique cannon, aim it, and fire at yet another fluffy management concept that presents itself as a practical tool. It goes under the label "Theory of Change," and it even has its own non-profit and website.

"Theory of Change" is another in a long line of ineffective management and organizational concepts and tools purporting to help the deeply stagnated social sector. As Mark Hass observes in a great piece in the Chronicle of Philanthropy, the sector is rife with consultants pushing flavor-of-the-month "communication applications, revenue-generating platforms, talent-management systems, and leadership development [ideas]."

The social sector is filled with great programs, but very few orgs have figured out how to grow their programs to reach necessary scale. This is astonishing. There are proven, battle-tested growth tools and strategies that organizations have perfected over the past century. They litter the pages of the Harvard Business Review, and brilliant folks like Peter Drucker, Jim Collins, and Ichak Adizes have been documenting organizational and management best practices for decades.

But (besides of us and a precious few others) these tools aren't getting used in the non-profit sector, because "experts" like these folks keep pretending that the social sector is a parallel universe that needs unique approaches. Proven, tried-and-true methods and tools around business planning, revenue, finance, continuous quality improvement, performance evaluation, etc., just aren't relevant to them.

So they come up with new theories. All of which would get laughed out of a boardroom at a high performing company. It's happened to me. I used to be a naive non-profit staffer, taking fancy plans to people and asking for money. And I got my butt kicked because my thinking was sloppy. "Look, kid, if you want my money, my passion, my engagement in your important cause, don't bring me some friggin' complicated unproven theory. Life is too short."

Looking through the "Theory of Change" website, I don't see any examples of problems solved or organizations reaching scale. They talk about how many members they have and how spectacular and powerful the work is-- lots of words!-- but I don't see any numbers or other hard facts proving to me that "theory of change" solves problems and helps organizations. Where are the growth deltas?

The social sector needs serious tools and methodologies with a proven track record. Business plans? They work. Financial
projections, metrics and milestones? *They grow companies, whether they are for- or nonprofit.* SMART goals and high-ROI revenue strategies? *Those work, too. Your tax status is irrelevant.* Dashboards and pipelines? *Yup, it all works. No theory required.*

Truth is, after you boil down all the fluff, what the Theory of Change people are really trying to say is this: get crisp and clear about what you are trying to do and how you do it. We love that! But when you look at their examples, you see almost nothing in the way of hard goals, metrics, or finance.

I think I understand why. Go ahead and look through this organization's staff and advisory board. One finds lovely people: brilliant academics and policy experts. I'm sure I'd enjoy having drinks with every one of them. I'm not out to disparage anyone.

But I don't see a single person with a serious track record of starting, growing and running enterprises. **So what are they doing dispensing business advice?** Diagrams like these would last about 10 seconds in a pitch meeting before folks started using them for target practice. People who make big decisions and invest large sums of money are looking for clear, concise, robust opportunities to create positive change, not narrative fluff and fancy diagrams.

**The world doesn't need theory. It needs solutions.** So let's focus instead on SMART goals, strategy, revenue, finance, staffing, governance, marketing, or other performance or growth-critical domains. Write a dang business plan with some BHAGs (Big, Hairy, Audacious Goal) and back it up with your dashboard and your revenue pipeline. Treat people like smart, impatient investors, not an audience you want to baffle with extensive narrative.

Bottom line? As an investor, come to me with a theory and I will tell you to come back to me with proof. Compelling proof that something works is what drives investment and scale. And investment and scale changes the world.

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Altruist Partners
Breaking news: Capital Campaigns Are Dead

The non-profit sector held a press conference yesterday and officially announced that the idea of running a long, expensive, exhausting and ineffective Capital Campaign has officially died— at least in the eyes of the highest performing, highest-growth non-profit organizations.

"Yes, the Capital Campaign is dead," said the non-profit sector, the fifth-largest in the U.S., 9% of the economy, and home to millions of small, struggling organizations, only a tiny fraction of which have grown at even modest rates in the last half-century.

"In fact, I killed it. I found something much better, a complete system used by a growing number of leading organizations around the country and world. It's continuous revenue growth, not a one-shot campaign, and it delivers huge gains in program and management effectiveness and scale. Nobody should be messing around with capital campaigns when there's a much better way to run a railroad."

The move was prompted by the breakout success of a growing number of organizations after learning how to use 21st century management technology like business plans, dashboards, and sophisticated revenue strategies that maximize revenue from all 5 funding domains: individuals, foundations, corporations, government agencies, and earned income.

As a result, these non-profits are solving problems with an effectiveness and speed that's rarely seen. No matter what their size or area of work, they all follow the same simple, proven methodology, one that is far faster, much less expensive, and far more effective than a capital campaign-- or any other fundraising methodology.

"Capital Campaigns are so 1995," the social sector snorted. "That model was good for a little cash boost, but I remain furious at how often it overlooked the many underlying management and operational challenges facing most non-profits. The time, expense and hassle of it all were just killing me!"

"But watch out," the non-profit sector continued. "Just because I killed Mr. Capital Campaign, he's not truly dead-- he's a zombie, and he will continue robbing non-profits of their full potential. There's a whole consulting industry out there that makes money every time that zombie sits down in a boardroom. Until non-profits learn about a better way of doing things, I expect we will continue to see them struggle with underpaid staff, overwork, and programs that aren't nearly as big as they need to be." $
10 ways to spot (and be) the best non-profit

There's lots of talk out there about how to tell a non-profit performer from a pretender. The lack of transparency and accountability in this $1.5 trillion-dollar sector-- 10% of our economy-- has reached crisis proportions.

Truly understanding the performance of any organization, whether for- or non-profit, requires close and careful examination. While publicly traded companies publish quarterly financials and answer to hordes of inquisitive investors and analysts, non-profits undergo pretty much zero independent professional scrutiny beyond annual audits.

Witness the piece in the Tampa Bay Times, America's Worst Charities, that shows how orgs with trust-inspiring names like "The Cancer Fund of America" are really scams that bilk people out of millions. And now, Pro Publica has exposed the brazen lies of the Red Cross. When even venerable charities like the Red Cross are scamming their donors, whom can you trust?

Non-profit catalogues like Charity Navigator and GuideStar have official-looking ranking systems, but they only look at stuff that's easy to measure with a computer. And some of the things they measure, like "overhead," are misleading measures of performance. There are even Yelp-style communities for reviewing orgs. But these are just a scrum of opinion. In all of these models, you can drive a truck through the holes in the methodology.

There are a couple of good ranking systems that use more robust methods: GiveWell and the Social Impact 100. There's much to be learned by exploring these two fine efforts, however both of them examine only a tiny slice of the non-profit industry. We need a useful lens for looking at any organization, especially those we already know and want to help.

Here are 10 ways to get you started:

1. People. The best orgs attract and keep top talent with competitive salaries and a happy, supportive culture. It's a destructive myth that non-profit staff should martyr themselves, but most orgs still use martyrdom as a centerpiece in their HR policies. Ask your org for its pay scales and turnover statistics. Those shouldn't be confidential-- what are they hiding? And read the staff bios-- are they the best and brightest?

2. Social Return on Investment (SROI). The best non-profits don't beg for money. They proclaim their SROI: 1) exactly who or what they change; 2) what the changes actually are; 3) proof the changes are actually happening; 4) measures of other major influences; and 5) percentage of the problem they are solving. No long stories, no emotionally manipulative appeals-- just crisp, concise, comprehensive value statements. Ask your favorite charity for a 1-page, fact-based answer to these 5 questions.

3. Business Plan. The org has a concise, comprehensive, compelling business plan built around its SROI-- with
aspirational goals that are significant against the size of the problem; milestones; key performance indicators; and a detailed, 3-5 year financial projection. Ask the org for their internal plans— not their external brochures.

4. **Dashboard.** The org then boils its business plan down to a 1-page dashboard with key performance indicators around program quantity and quality, financial health, and revenue metrics. A dashboard with these elements is a sign of the best run operations. Download Tableau Public for the state of the art tool. It’s awesome and free. Ask the org for its dashboard.

5. **Revenue.** The org can comfortably forecast how much revenue it expects in the next 12 months, and updates this pipeline every 2 weeks. And the org has effectively explored all the revenue domains: individuals, foundations, corporations, government agencies, and earned income. Ask the org for its pipeline, its 3-5 year financial projection, and its unique strategies for raising money from all 5 revenue domains— individuals, foundations, corporations, agencies, and earned income. Oh, and make sure they don’t lean heavily on bad strategy: auctions, galas, bake sales, etc.

6. **Financial Controls.** The best orgs will readily share their financials (balance sheet, profit and loss, budget) in an easy-to-read format. Top performers have a 12-month, month-over-month budget projection that looks at income and expense every 30 days and makes sure there is at least 6 months in cash in the bank. Ask for your org’s detailed financial statements, a summary of their financial reporting system, and the management letter from the last audit.

7. **Board.** Are there at least 3-4 people on the board with serious chops in business, finance or accounting? Proper governance demands that skilled, experienced, high-integrity, focused business leaders spend time supervising and supporting the staff. It’s not the only skill set required (look to BoardSource for a complete overview) but too many non-profit boards are comprised of folks that don’t know what to look for. Ask your org for the detailed business qualifications of its board members-- the size and complexity of the companies they have managed in the past, and evidence of their past managerial successes.

8. **Relationships.** Send a typical charity $100, and you will get a thank you letter. And then a stream of appeals for more money. But the best orgs understand that we are all people who thrive in authentic relationships. So they take the time to explain what they did with the money. Maybe they’ll ask you what motivated you to give or provide ways you can get personally involved with a community of like-minded supporters. They might even invite you to a party to celebrate the small wins. Ask your org how it engages its partners and supporters. Better yet, give $100 and watch what happens.
9. **Growth.** Just like the best businesses, the best non-profits are growing. Because they have all the performance pieces described above, they are solving problems and raising money, and they are growing 10, 20, 30% a year or more. *Ask your organization for its annual budget going back at least 5 years-- are they growing or are they flat lined?*

10. **Joy.** The work of the best non-profits is suffused with joy. The lucky folks who get to work with and for high-performing non-profits aren't working--they are living out their values. There's nothing better than being part of an organization that changes the world for the better. *Pay a visit, volunteer, talk with the staff and those whom they serve-- the joy should be obvious.*

These points are meant to help you engage in a robust, effective, supportive manner. If you don't get clear answers, encourage the org to be more accountable and transparent. If you can help them, please do!

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How to grow your nonprofit 25% a year

Are you looking for a process that is proven to help nonprofits overcome chronic management, performance and financial barriers allowing them to capture their full potential and grow 25% annually? One that works consistently across organizational type, field, size and location?

It exists. It is described here. It took us a decade to figure it out, drawing on the entirety of the organizational literature, hard work with over 100 nonprofits, and a lot of wisdom gained through mistakes.

The process is not easy. It requires focus, grit, optimism, courage, discipline, and urgency. But it works.

Don’t confuse your tax status with your business model. Nonprofits that want to overcome longstanding barriers must get into the mindset of a performance and growth oriented enterprise. This transition evolves nonprofits from the traditional, constraining culture of poverty to a new realization: they want to make as much money as possible—with absolute integrity, transparency and accountability—so they can deliver as much good as possible.

Here’s the process in a nutshell. It requires expert guidance, and again, it’s not easy. But it sure beats the alternatives. If you are trying to solve an important problem, don’t nibble around the edges. Think like a startup. Go big or go home.

1. **Write a Business Plan.** Keep it in draft form, under 10 pages and answer these basic questions: What problem are you solving? How can you prove you are the best at solving this problem? What exactly does success look like, in specific, measurable terms? What are your winning strategies? What is your detailed 5-year financial projection, with revenue from all 5 funding domains (gov’t, foundations, corporations, individuals, earned income)?

   You need to get all of this in your plan, with specific, quantitative performance measures. (And once you get this done, boil it down further into a short pitch deck.)

2. **Find Prospective Investors.** Share your draft plan with everyone who does or should care about you and has the liquidity to invest what you define as a major investment (at least $10K; typically more like $25K; $50K-100K for larger orgs.) Use events to acquire names; wealth screening tools to identify the highest capacity prospects; referrals from your current supporters; and direct approaches to major funders in your space. If you have a great business plan, and you approach with both humility and urgency, you will get their attention.

3. **Build investor relationships and buy in.** Typically, this takes 5 to 10 in-person,
in-depth meetings. Ask for money, get advice. Ask for advice, get money—eventually. Build trust and relationships by getting advice on your plan and iterating it continuously. Keep it drafty. No slick brochures! Don’t be shy or hide the ball: tell people you are looking for major investments.

4. **Make the proposal.** After multiple meetings with prospective investors, you are ready. “Jill, we’ve had a number of robust, in-depth conversations about this organization and we are grateful for your guidance. Now that the plan looks good—with your feedback—we are ready to have you join us as an investor in making this all happen. May we send you a draft proposal?”

5. **Track your activity.** Develop the discipline to measure and report on the number of meetings you have each week with all prospects, sorted by revenue type and the stage of the relationships. The process to do this is well known: it’s called a pipeline. Only the biggest, most successful nonprofits run them, and that’s why they are big and successful. Read *The Four Disciplines of Execution* for a primer on how to run focused pipeline meetings. There is a lot of detail required here on measurement, process and protocol, but if you don’t know what a pipeline is, start getting curious.

6. **Report on Investment.** This is where 95% of charities fail. You need to demonstrate the specific things that you did with your investors’ money. *Saying thank you is woefully inadequate.* Report, in person, to all major donors and make sure they come away with a strong sense of value.

7. **Support it all with a great dashboard.** Tableau Corporation offers free software and coaching for setting up a dashboard. You should be tracking 1) how much of the problem you are solving versus your long term goal; 2) what your quality indicators are; 3) your financial status, and 4) your revenue status. Like your business plan, your organizational dashboard is simultaneously your internal management document and your external marketing and engagement tool. Be transparent and accountable.

The devil is in the details. There is a lot of expertise and elbow grease required to do all this right. Don’t let that stop you. We’ve seen dozens of great organizations break free and start a new path to high performance, high growth, and maximized impact. If we can get more organizations to join them, we’ll have the social revolution we need.

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