NONPROFIT REALITY

OR

*WHY DOES EVERYTHING
HAVE TO BE SO HARD?*

Nonprofit Reality?

The nonprofit world thrives on impossible challenges.

Achievement of all of the sector's goals would ultimately mean perfection of the human condition.

Not for Profit: Not Insignificant

Over 1.4 million nonprofits in the United States

Over 30,000 new charities are formed each year

More than 8 million employees; 8.3% of all wages are nonprofit jobs

2004: $1.1 trillion in total revenues; $1.9 trillion total assets

But...80% have revenues under $100,000

What is the what?

Social Change Agency	Charity	Charitable Organization	Nonprofit
Agency	Community Benefit Organization	NGO	Third Sector
	Philanthropic	Mission-Based	Voluntary Sector

Nonprofit Definition
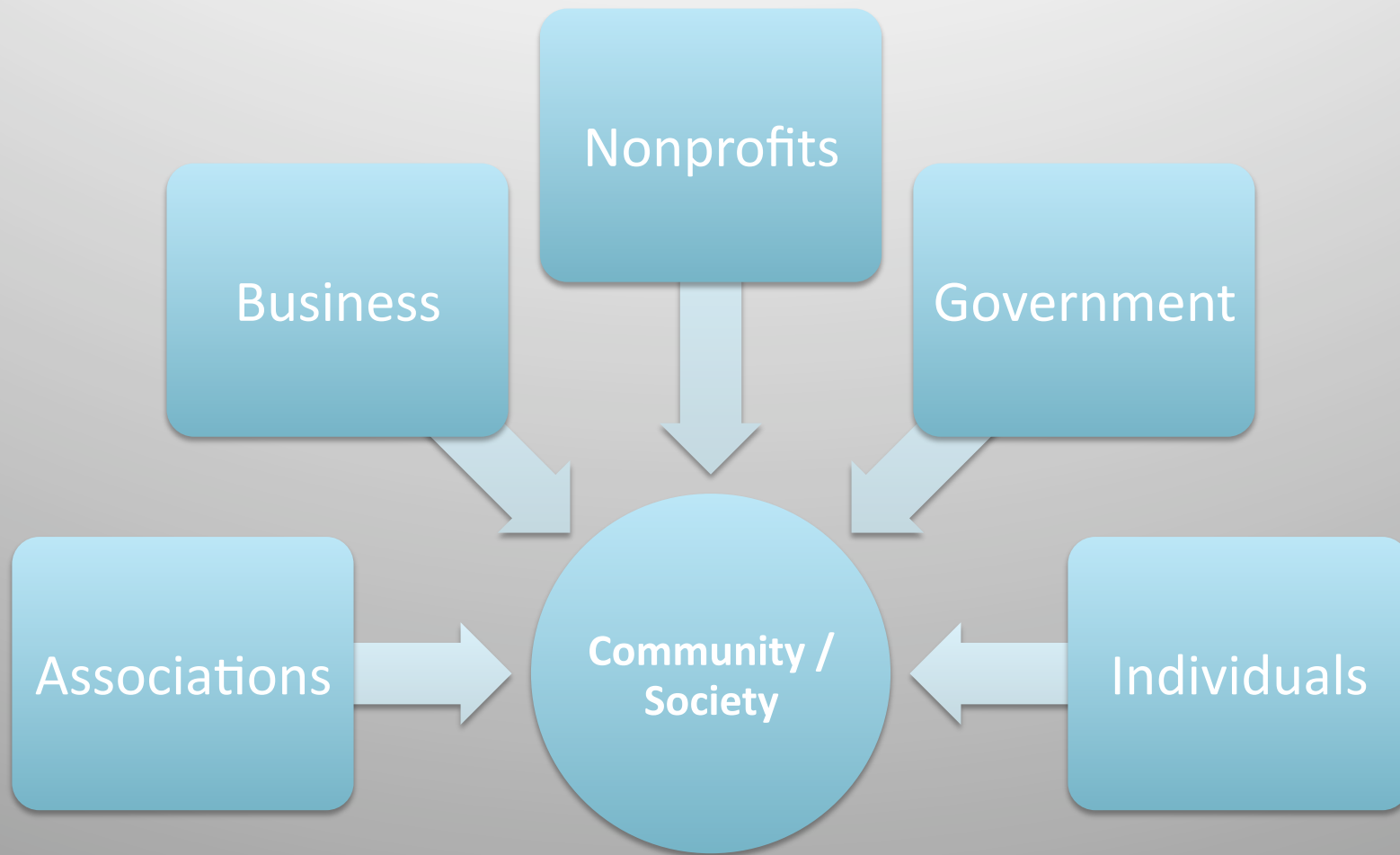
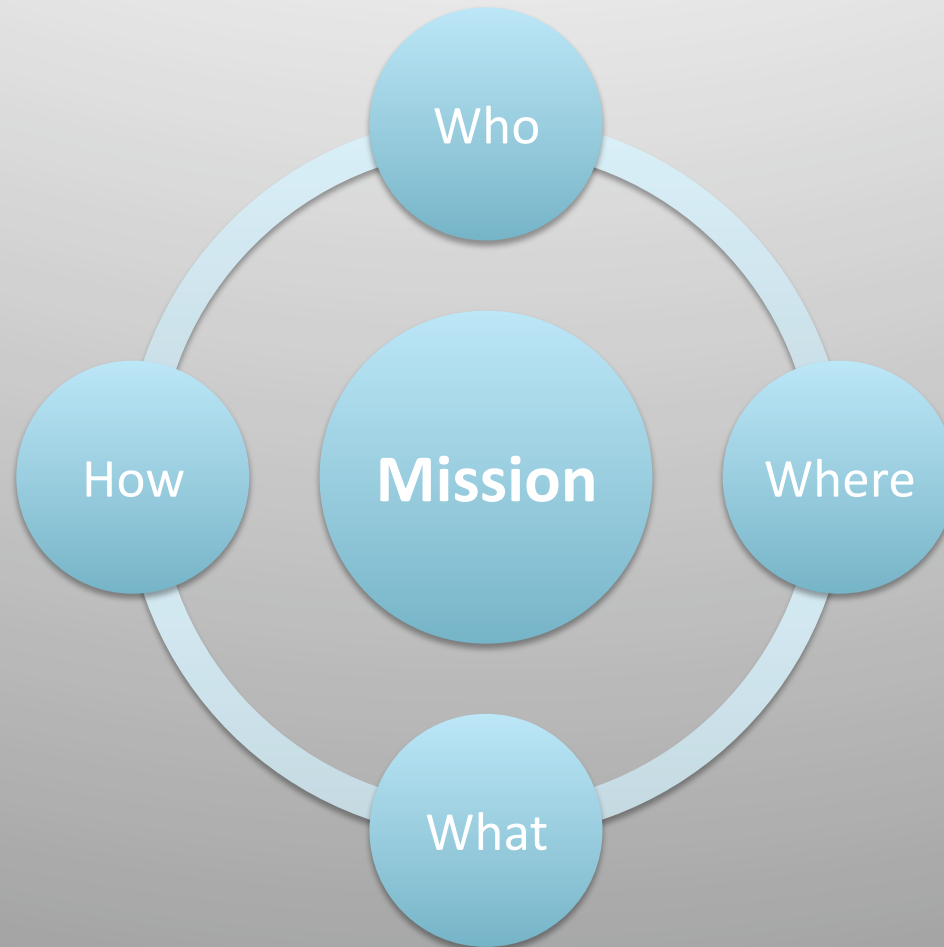| Corporation | Distinct Purpose | ~~Ownership~~ Public Trust | Tax - Exemption |

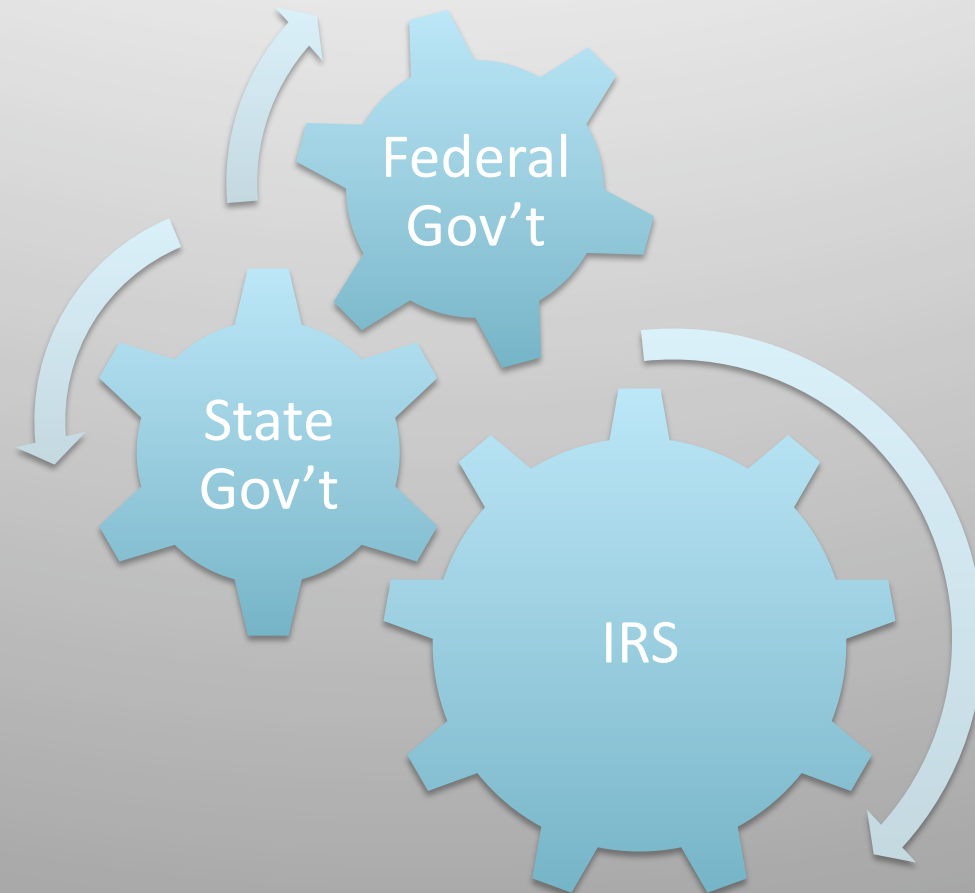"INCORPORATION, n. The act of uniting several persons into one fiction called a corporation, in order that the may no longer be responsible for their activities."
—Ambrose Bierce (1911)

Lock it down

Says who?

Federal Gov't

State Gov't

IRS

"The IRS can do things by regulation that could not be done by legislation"

Shape of things
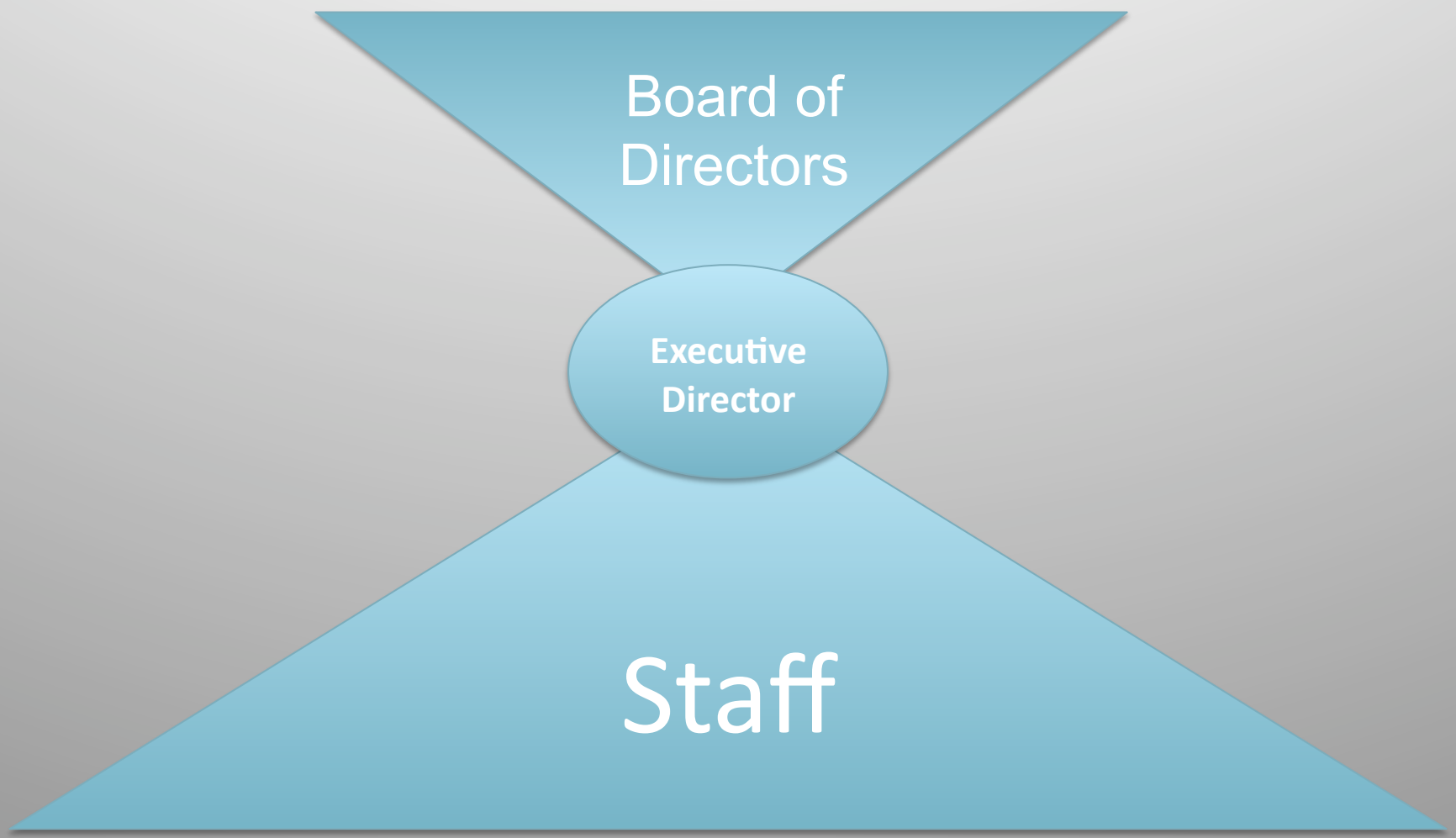
Board of Directors

Executive Director

Staff

Staff

- Do the daily work of the organization
- Paid Personnel
- Financially benefit from the organization

Executive Director

- Is hired, evaluated and fired by the Board of Directors

- Is a paid staff member

- Converts the strategy and vision of the Board of Directors into goals and objectives for staff

Board of Directors

- Sets strategic direction of organization
- Provides financial oversight and management
- Protects assets and ensures legal and ethical integrity of organization
- Are volunteers with no financial benefit from the actions of the organization
- **Are obligated to defer to the interests (laws/ regulations) of the state or government, not the organization.**

A Few Definitions

Culture

Patterns of human activity and the symbolic structures that give such activities significance and importance

Organizational Culture

Patterns of shared basic assumptions that a group learns as it solves major problems of external adaptation and internal integration.

How can I know my organization's culture?

mission and philosophy

the service values of your organization

structures and processes of nonprofits

managing diversity of constituents & opinions

dependency on external funding sources

Registered Nonprofit Organizations
by IRS Ruling Date

When registered	Number of organizations	Percentage
Pre-1950s	166,960	11.2%
1950s	71,145	4.8%
1960s	145,560	9.7%
1970s	187,850	12.6%
1980s	192,939	12.9%
1990s	319,395	21.3%
2000s	394,883	26.4%
unknown	18,041	1.2%
TOTAL	1,496,773	100%

SOURCE: Internal Revenue Service, Exempt Organizations Business Master File (2008, Jun)

The Life Cycles

Courtship

Pre birth

Founders start the dream

Ideas & Excitement

Missionary efforts getting others to support the idea financially

Infancy

Frantic need to start doing

One or two people

Founders do everything - Entrepreneurship

Under funded, Under staffed

Go-Go

Opportunities everywhere

Need to prioritize – the ADD org

Need to create systems & infrastructure

The Founders Trap begins

Adolescence

Establish administrative base

Start planning and coordination

Policies & accounting systems

Administration draws energy

The Life Cycles

Prime

Strong Vision

Good support structure

Focus may turn inwards

Maturity

Still results oriented

Strong administrative support

Members enjoy membership

Sense of urgency & mission wane

Aristocracy

Stale climate

Paralysis sets in

Dress is important, speeches formal

More funds for administration, less for innovation

Early Bureaucracy

Signs that something is wrong

Paranoia begins – search for scapegoats

Cliques and coalitions form

Good people are feared and fired

The Life Cycles

Bureaucracy (or Death)

Only procedures & paperwork are left

Nothing real gets done, programs are on autopilot

Atmosphere is peaceful & serene
– very quiet

People agree with everything

Notice – the organization somehow still exists, even in death

"I'm not dead yet"

For Profit Business

Business exists to produce profit for an easily identifiable and homogenous owner group.

Raises capital through sale of stock or sales revenues

Manages financial affairs to reduce tax liabilities

Searches for outcomes such as ROI and Debt Equity Ratios

Non Profit Business

Organization exists to fulfill mission and serve varied and complex constituents

Raises capital through soliciting charitable gifts from individuals, businesses, foundations, or government sources

Manages financial affairs with an eye on personnel costs, overhead ratios, and fund restrictions

Searches for outcomes such as sources of funding support, constituency building, volunteer recruitment, and balanced budgets

Creating "Success"

For Profit

- Feedback on pricing is direct and immediate

- Profit is an end unto itself

Non Profit

- Disconnect between funding and activities.

- Impact is open to interpretation

Making Decisions

For Profit

Rapid decision making

Quick decision-making rewarded by profit

Establishing process runs counter to timely reaction & response, costing money

Non Profit

Slow, deliberate, inclusive process

Process rewarded with buy-in and relationship building

Quick decision-making runs counter to organizational values, creates charge of "dictatorship"

Why the Process Orientation?

Cultural value of getting along

The process may be as important as the decision because of internal politics

Multiple constituencies have a variety of motives & points of view, even though they generally support the mission of the organization

All points of view be considered, full disclosure and discussion afforded to all, people treated with dignity & respect even if dissenting views are expressed

Process orientation is a way of continually articulating the direction of the organization through an inclusive style of communication

Who do we serve?

Recipients of Services
Driven by personal needs

Funders
Come with their own agendas and priorities

Board of Directors
May be self interested, unaware of daily work and programs

Government
Rigid expectations of contract deliverables

Why is change hard?

Focus on programs & delivery

- Grant funded, contractual obligations
- No time for professional development

Capacity Building completes with focus on programs

- Takes funds and time away from client needs

Perceived "mission drift"

- Change in response to social conditions or donor enthusiasm viewed as caring more about organizational survival that the cause
- Programs created to get funds

Lack of options for clients – if you change, where will they go?

Process

Reluctance to use market analysis because that is what for-profits use

How does this play out?

Plans don't change because of grant or contract requirements

Fear of asking funders for help – oversight vs. partnership

Focus on deliverables – need a great list of activities accomplished

Resources earmarked for program delivery – not for building programs

Stuck in funding cycles – change can't come until the next grant

Burnout – no resources to reward employees or to celebrate success

Generational Issues
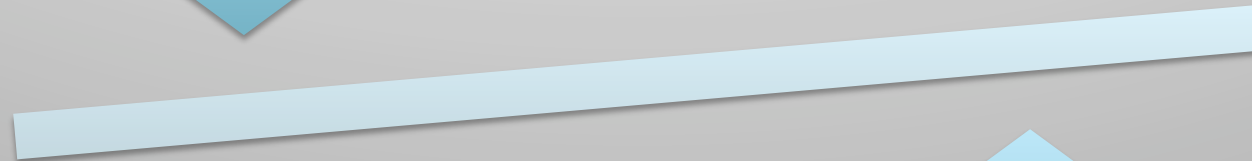
Aging Leadership

Changing Career Paths

Staff Churn

Lifestyle Requirements

Millenials

Organizational Impact

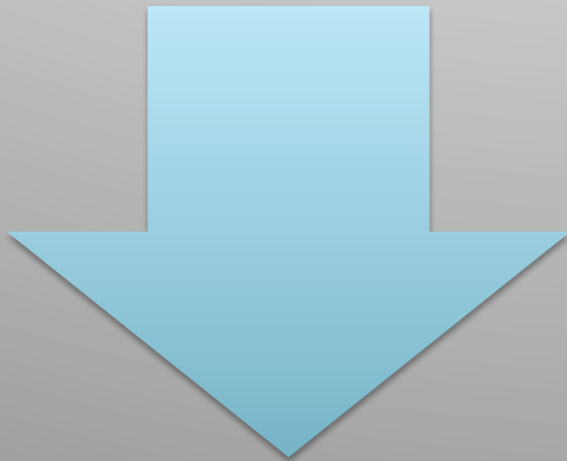Survival vs. Health

Myopia

Tunnel Vision

Mission Creep

Amplification of existing issues

Community Threats

Increased Competition

Increased scrutiny

Expanded client base

The end of the tunnel?

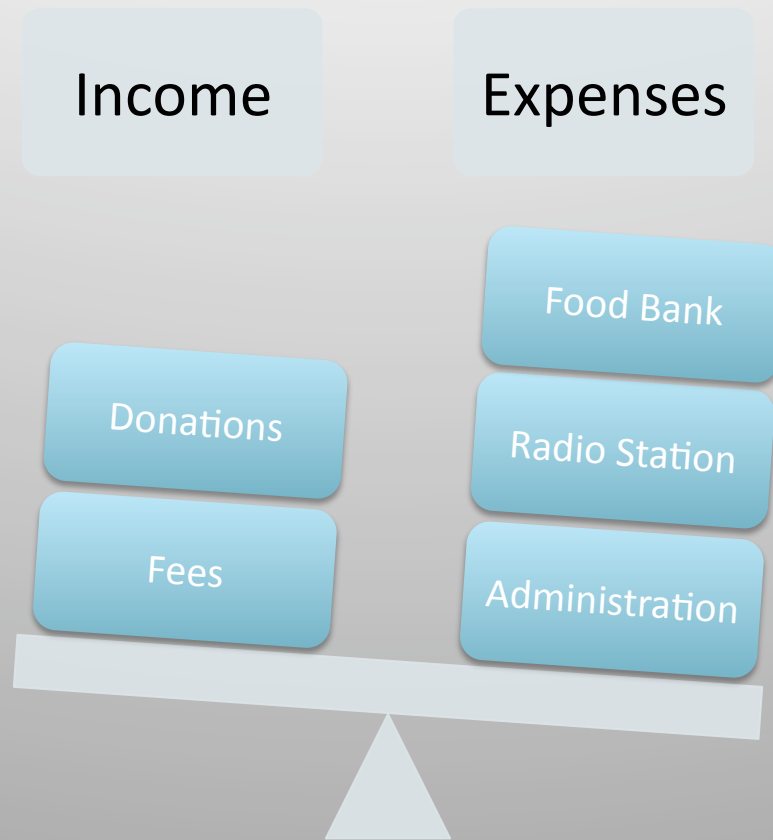Economic Stimulus

Serve America

Constant Funding Levels

Asking Questions to Understand Your Organization

Who was the founder?
- Are they still involved?
- What was their leadership style?

When was the organization founded?
- What was the culture of the time?
- What was the need to be addressed then?

What is the Board like?
- What skills do they bring?
- How long have they served?
- How are they appointed/elected?

Who is really in charge?
- Board, Management, Artist, Front Line, Membership?
- Do we have policies about how decisions are made?

The Role of a VISTA

Focus your efforts on building the organizational, administrative, and financial capacity of your organization

Your goal is to strengthen an organization so it can continue to serve the needs of the community once your time there has ended

What are some ways you can do this within your organization's culture?

References & Sources

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