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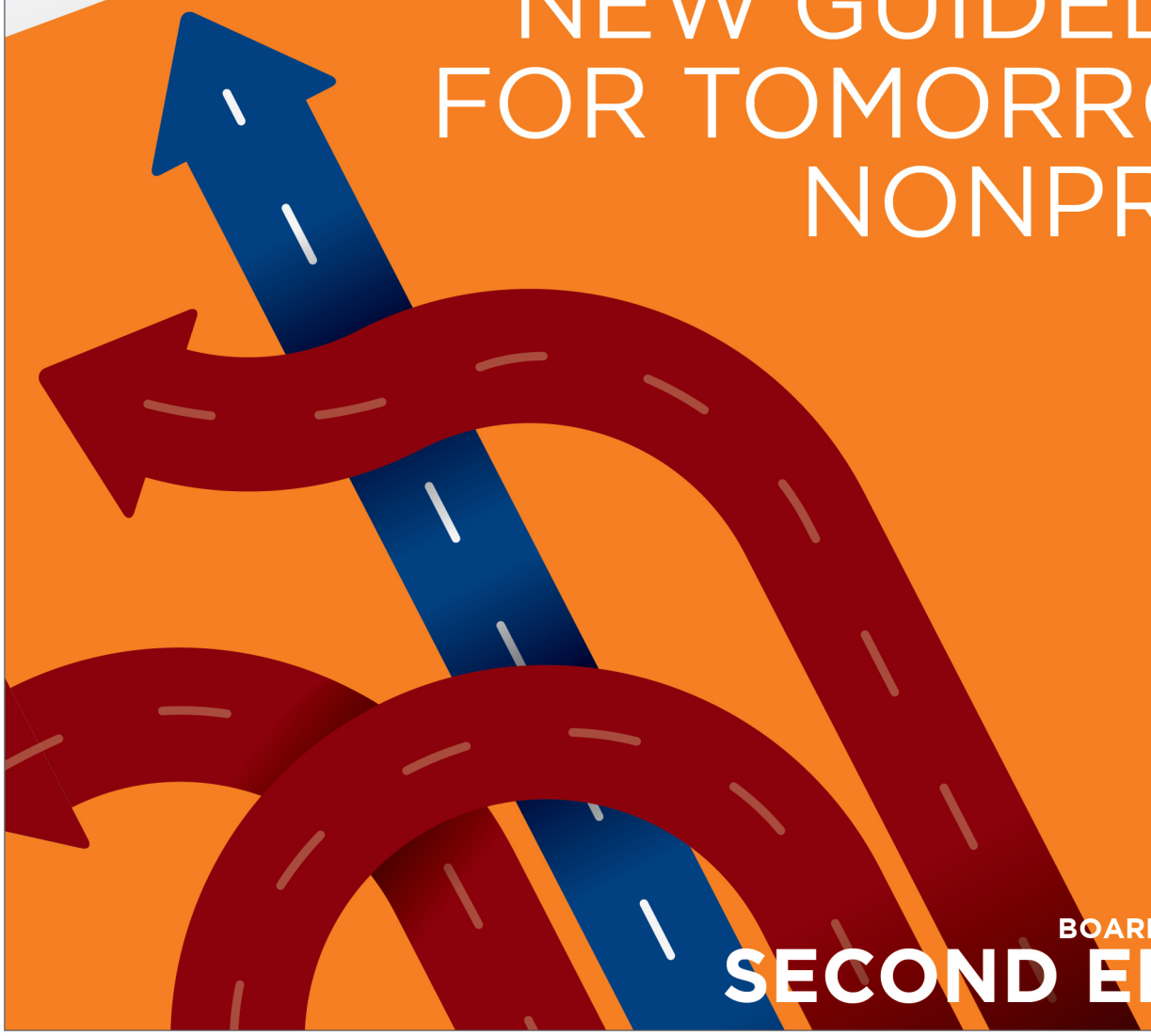
NEW GUIDELINES FOR TOMORROW'S NONPROFIT



SUBMITTED BY
BOARD OF GOVERNORS

SECOND EDITION

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New Guidelines for Tomorrow's Nonprofit - Second Edition

Second Edition - 2018

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INTRODUCTION

For some time, the nonprofit sector has needed guidelines for effective practice that advocate for major organizational structural and operational changes. Many high performing nonprofit leaders have become entirely frustrated with the current status quo. This "frustration" has led to the creation of new organizational forms in the US, as well as in other nations. Current legislation, tax laws, industry standards, outdated philosophies, organizational structures and practices stop the sector from growth on all fronts. Yet, for the past twenty years, government and philanthropic communities have relied more and more on the nonprofit sector to tackle many social and environmental issues. ***Nonprofit tax regulations, federal and state legislation, industry standards have not kept up with or changed to meet the new demands of the 21st century.***

There have been few changes in philosophy or approach to charitable organization and operations in the two centuries. It is amazing how many of the forms originally created back in the late 1700s are still present today, including the notion of a board of directors/trustees. The sector's executive leadership is strapped with outdated roles and responsibilities. Some of the approaches to growth in revenues, human resources, and services are flawed. Reliance on contributed dollars only will not grow the sector or accomplish what everyone wants it to. The power and status issues inherent in a contributed dollar model stops the sector from delivering what is truly needed to eradicate (not just treat) social and environmental issues. ***The relationships among all stakeholders need re-purposing and re-definition.***

A network of individuals created a beginning set of guidelines to address some of the key ways the sector needs to change. Through a series of future meetings, additional input from other practitioners, policy makers, academics and industry leaders will further define and hone this initial presentation.

Contributions to these guidelines also came from a growing literature set overviewing the characteristics of high-performing nonprofit leaders who have developed new ways to raise revenues. Leaders who have freed themselves from the restraints imposed by the nonprofit tax and incorporation laws, while still adhering to principles of moral agency, stewardship, freedom of speech, freedom of peaceful assembly, ethical practice, and transparency.

These new **guidelines** are meant to be a beginning point for further development, not the last word. We avoided the term "best practices" because the term "guidelines" can be more widely accepted by federal agencies, policy makers, academics, and expert practitioners at this phase of their development.

In addition, there are major rapid organizational changes occurring in the sector. These developments will change dramatically the shape of the sector over the next decade. However, the guidelines are based on discussions with thousands of nonprofit executives and board members. They expressed their frustrations and practical sense of changes that are needed. We want to offer positive change suggestions. We invite all readers to join the discussion, share what they are doing to re-purpose and re-define their organization, relationships and practices. We are particularly interested in the kinds of legislative, tax, organizational, and operational changes needed to free the sector to grow so it can reach a scale to truly tackle today's social and environment problems. The goal needs to be to eradicate issues related to cause. While there will always be room for good people doing good things at a very modest scale, we concentrate our efforts on those nonprofits that truly want to accomplish their mission at a scale their organization says they address (e.g. community, county, region, state, national region, nation, international).

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The nonprofit sector is not ending the major social and environmental ills it was and is intended to address. There is more hunger, homelessness, mental illness, substance abuse, poverty than ever before. Global environmental issues are mounting. Yet, so many nonprofits settle for only reaching a few rather than building an organization with enough impact and to make a real difference in their community, county, state or nation. So many keep doing the same things in the same way and expecting a different result. It's like the English speaker who goes to another country and thinks they will be better understood, if they speak louder, and say the same English words over and over again, but slower!

Most who have worked in the nonprofit sector for any period of time mistakenly agree that any form of organization will have problems and be given to possible corruption. Leonard Bacon[1] concluded in the early 1800s that each individual involved in a charitable organization will be accountable for their actions in this world and the next!

However, should we create organizational structures and operations on the premise that all leaders will inure and misuse assets? Should competent, experienced, well-trained administrators never have the authority and control needed to lead the organization to accomplish mission at a scale that makes sense, given the extent of the issues present? Should they always be suspect by their board, government leaders, and funders? ***Should boards that are passive, unproductive, unskilled, and inattentive consume so much of administrator's time and effort? We think not.***

We think it is time to re-examine how we organize nonprofits, what roles and responsibilities boards and staff have and at what stages in their development, and who the public is for the various kinds of nonprofits that now are in existence. One size (organization, governance pattern) doesn't fit the need of all.

In the guidelines section, we outline a few beginning principles for leadership and management action by board and staff that we think ensure accountability, maintain fiduciary responsibilities of the corporation, ***but free leaders to act in a timely manner to grow the organization so that it can truly accomplish mission.***

We believe if we don't come up with better relationships between board and staff of nonprofits, the best and brightest will not stay in or join the sector, and it will continue to limp along, not meeting society's needs, or ever have a chance to truly eradicate social and environmental issues we face today or project facing in the near future. It's time to meet need fully and eradicate pervasive social and environmental issues. It's time to think how we have to organize, lead and manage ourselves to do that. It's time to address whether the nonprofit sector wants to do this and, if not to re-define its role and purpose in society, and perhaps its tax status. It is in this spirit that we offer a few guidelines for further debate and discussion. ***We offer them as the BEGINNING of a dialog, not the end.***

The recommended changes in structure and operations of nonprofit governance, leadership and management are intended to be for both small and large nonprofits; for those that are limping along, and those that are high-performing; those that have stopped growing or are declining, and those that are growing and thriving. Today, no nonprofit is at the scale needed to tackle the major social and environmental problems faced globally, nationally, regionally (and some would say even locally).

1 Bacon, Leonard. (1847). *Responsibility in the Management of Societies. New Englander.* Vol V, 32.

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SUMMARY OF GUIDELINES

A summary is provided of the guidelines offered to begin the conversation on changes in structure and operations that may make the nonprofit sector achieve greater impact. Each guideline is amplified in the remaining pages of this report by highlighting key practices related to each guideline.

Trusted Reciprocal Relationships

Reciprocity is the key to sustainable connections. What changes must occur within nonprofit leadership and administrative practice so that the organization's social, human, and economic capital flourishes through new and expanded relationships?

Re-Purposing Leadership Roles

How must relationships among the CEO, board, donors and for-profit business partners be re-purposed and re-defined? With whom does true decision-making power reside? What does a board and its members do and not do?

CEO Centricity

Strong CEOs lead people to build and maintain effective organizational and operational capacity. What changes are required to further empower chief executive officers? What boundaries must be set with board members, staff, donors and the public.

Rewriting Mission Statements

Mission is re-defined to highlight two primary customer sets: customers related to cause and customers related to building capacity. How are customer's goals reflected in an organizational mission statement?

Donor-Driven Capacity Building

What reciprocal partnerships must be established between donors, foundations and corporations to build a high performing organization. What systems should be put in place that realizes partners' passions related to mission, cause and desired involvements?

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Prioritizing Income Over Program

Priority must be given to sustainable revenue generation developed from multiple income streams. What tasks should CEOs undertake to improve cash-flow and organizational health? What programs should be de-funded and re-directed to build capacity?

Financial Capital Investment

Investment money is raised from financial partners to build the enterprise and is then reported separately. These monies are not derived from taking risks or strategic shifts but is given based on evidence of what already exists and its outcomes. Where will it come from?

Increasing Administrative Overhead

Leaders identify and communicate administrative costs as investments needed to grow the organization. How should monies be spent to expand mission? How should these investments be messaged to donors and the public?

Social Enterprise Partnerships

Nonprofit leaders join with those in the social enterprise movement to create unconventional ways to earn income. What type of administrative time should strong CEOs invest in new ideas regarding revenue generation, capital development, and valuation?

Strong CEO Fundraising

The CEO leads the fundraising process, is knowledgeable about philanthropy, and able to sustain a development program. What fundraising pre-requisites must CEOs possess? How does fundraising re-define CEO workflow?

Innovation, Research & Evaluation

High performing nonprofits invest in innovation. They evaluate their operations producing data as a basis to test new ideas. What organization-wide exercises could be engaged in to foster creativity? What research measures should be instituted?

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WORKING GROUP & ACKNOWLEDGEMENTS

New Guidelines for Tomorrow's Nonprofit is the culmination of a multi-year effort on the part of National Development Institute (NDI) and Clemson University (CU) to identify, define, and articulate areas of nonprofit sector practice that prevents organizational growth. These "Guidelines" are based on doctoral research (including a university-led clinical survey of 480 nonprofit executive directors), group interactions with senior leaders at over 300 seminars and thousands of one-on-one discussions with board members, volunteers and executive directors. NDI and CU team members captured and recorded what's going on behind-the-scenes at nonprofits and ***witnessed firsthand the lack of organization, definition, and attention given to the development of the charitable corporation.*** Simply put, NDI and CU confronted the sector's inability to grow nonprofit missions in a way that impacts the issues for which they exist.

We wish to express our gratitude to the hundreds of industry professionals who met with NDI and CU to share what's working, what isn't, what needs to change, what philosophies, approaches and practices are of no effect, and what they require in order to keep working in the sector. *We thank each and every one and believe that their voice is expressed in the guidelines that follow.*

New Guidelines for Tomorrow's Nonprofit's Working Group was chaired by Jimmy LaRose founder of National Development Institute. For close to thirty years he and the staff of NDI have assisted over 14,000 nonprofits expand their missions by securing large sums of money through comprehensive campaign fundraising. NDI's capacity-building models attract contributed dollars to charity and ensure nonprofits meaningfully connect with their true customers…the donors, foundations and corporations who fund their important mission.

Dr. Kathleen Robinson, retired Research Professor and retired Director of the Center on Neighborhood Development, Institute on Family and Neighborhood Life at Clemson University, along with her colleagues Joyce Ott, Richard Campbell, Rosanna Saladin and Kimberley Brown conducted webinars, seminars, training sessions, evaluation studies, organizational audits, and research on various nonprofit management and organizational capacity building themes. Dr. Robinson has worked with nonprofits in 151 countries and for nearly five decades has been a first-person witness to the way tax laws, legislative regulations, philosophies and practices affect the growth and effectiveness of the charitable sector. Kathleen prepared the initial draft of these guidelines.

For the past twenty years, many high performing leaders and consultants have told us what it takes for a nonprofit to go to scale and its importance to society. NANOE references many of these works throughout the guidelines. Key thought leaders and associations upon which the guideline's recommendations are based include: Hall Powell, Robert Putnam, Francis Fukayama, Amarjit Sen, Dan Pallotta, James LaRose, Muhittin Acar, Icek Ajzen, Elizabeth Anderson, N Archer, Jeffrey Bardach, Megan Beck, Robert Bellah, Chester Bernard, P Bloom, Pierre Bourdieu, Evelyn Brady, Thomas Christiano, Melvin Dubnick, Alnoor Ebrahim, Thomas Ehrlich, David Estlund, Louis Feldstein, Richard Finnegan, Allan Fiske, Frank Fossen, Carina Fourie, Mario Freemont-Smith, Craig Froehle, Francis Fukayama, Virginia Gross, Chao Guo, Peter Hall, Lisa Hazen, Louis Feldstein, Richard Finnegan, Allan Fiske, Frank Fossen, Carina Fourie, Mario Freemont-Smith, Craig Froehle, Francis Fukayama, Virginia Gross, Chao Guo, Peter Hall, Lisa Hazen, Thomas Hazen, Diane Helbig, Robert Herman, Paul Hogan, John Kania, Maxwell Kellenberger, E Kelly, M Kramer, Alexander Kritikos, John Kretzmann, Jessica Lanney, Kelly LeRoux, Berry Libert, Paul Light, Chris London, Richard Madsen, Chris Markl, John McNight, Linda Molm, David Oswald, Allen Padgett, Robert Putnam, David Renz, Barbara Romzek, D Schaefer, Sameul Scheffler, Thomas Fabian, Louis Feldstein, Richard Finnegan, Allan Fiske, Frank Fossen, Carina Fourie, Mario Freemont-Smith, Craig Froehle, Francis Fukayama,

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NEW GUIDELINES FOR TOMORROW'S NONPROFIT

NANOE GUIDELINE 1

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NEW GUIDELINES FOR TOMORROW'S NONPROFIT

IN THIS SECTION EACH GUIDELINE AND KEY PRACTICE ARE DISCUSSED IN GREATER DETAIL.

NANOE GUIDELINE 1:

> ***Social, human, and economic capital is charity's life-blood and is nourished through egalitarian, networked, engaged, reciprocal and trusting relationships.***

Vendors, Volunteers, Executives, Clients, Consultants, Clergy, Philanthropists

For-profits, Governments, Charities, Foundations, Churches, Corporations

1. Build EGALITARIAN relationships
2. Build NETWORKED relationships
3. Build ENGAGED relationships
4. Build RECIPROCAL relationships
5. Build TRUSTING relationships

Relationship building is the key to re-purposing and restructuring nonprofit growth. It is, therefore, the first theme discussed in ***New Guidelines for Tomorrow's Nonprofit.*** Relationships between donors, funders, board members, and executive leadership are the essential foundation on which all other guidelines and practices discussed are built.[2] Establishing true partnerships between donors, funders and leadership (board and executive officers) takes time, skill, commitment, and extensive support of each other and industry leaders. It is important to understand what different types of relationships among leaders must emerge in order to properly re-organize the nonprofit sector.

2 We fully recognize the relationships among staff and volunteers are also very important. However, our focus is on the key decision makers who have the authority to change the structure and processes used by the organization so it can grow: the executive leadership and philanthropic community.

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Key Practice 1a: Build EGALITARIAN relationships.

While major changes in worldview and approach to customer involvement have occurred at service and program levels, the same kinds of changes have not occurred at the organizational level. The purpose of the sector, the accepted organizational features, and administrative structures and processes no longer fit well with the philosophical and practical changes that have occurred at the program/service level across many parts of the nonprofit sector! The sector is still structured and purposed as it was over a century ago.

With the advent of new professions over the past century, the way professionals delivered services and interacted with customers became over-professionalized. Professional human service providers did not think of their customers as their equals. Starting particularly in the late 1980s[3] the role relationships were re-purposed and re-defined. It is now recognized that clients (often people with limited resources) had valuable insights, skills, and resources to contribute to the professionals' delivery of services and creation of products. The 'they don't know/we know' mentality shifted dramatically. The role of the professional in service delivery was re-purposed. The approach to practice changed dramatically. Rather than being seen as people who were inferior, less capable, less able to make good decisions for themselves and not trustworthy, professionals (at least many) saw their 'clients' as people who were their equals, having dignity and worthy of respect and involvement. Clients were brought into the decision-making processes more and were allowed to take risks, fail and try again. Philosophically, people were seen as equals and the effects on attitudes and behaviors which were the result of unequal power and economic relationships were understood differently than in the past. Practically, it shifted authority and control relationships, the nature and extent of engagement, and providers' willingness to trust their clients' use of the organization's resources.

However, the revolution was at the program-level. There has been no other initiative since which addressed the fundamental changes needed at the management, administrative and governance levels within the nonprofit sector. ***The nonprofit sector still is operating on outdated governance, administrative practices and worldviews.***

We need to re-think leaderships' relationships with each other in order to establish egalitarian relationships among the executive, board and contributors. We realize, at the most fundamental level this calls for the powerful to share their power (authority and control). It calls for people of wealth and influence (by status, reputation or office) to contribute without expecting total control of how their contribution is used.

In an egalitarian relationship, a person's rights are validated and based on values of mutual

3 Perhaps one of the most exemplar shifts in philosophy and approach at the program level was evidenced in the family support movement that started in the late 1980s. As a result of the guidelines for practice issued by the Family Resource Coalition, later called Family Support America, the way family, children, and youth centers involved customers and delivered services changed dramatically. The Family Support America organization of today morphs very little of what is was in the 1980s and 1990s and does not have the same credibility and stature it had back then. But that is a whole other story of what happens to some very successful nonprofits.

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cooperation and respect. Power is achieved through cooperation and respect. It requires a worldview that acknowledges that every living thing has value and worth, and is not based on one's status in society, office, or wealth. ***Egalitarian relationships are those in which partners equally share all benefits, burdens and responsibilities.*** Responsibilities given to individuals make them ethically and morally accountable to each other. They are equal relative to their political, social and economic life together. They afford each other rights and responsibilities. We outline below the primary roles and responsibilities we think are needed in the future for nonprofits to grow.

In the future, the nonprofit sector will experience growth in budget, capacity, staff, clients, volunteers, performance and impact if the **board's primary roles in their relationship to the executive leader are to:**

1) hire a strong chief executive officer (CEO);
2) approve the board meeting agenda (created by CEO);
3) ensure the organization abides by the state and federal nonprofit, tax, and ethics laws;
4) amend, periodically review and approve the by-laws as the organization's structures and processes change to promote organizational growth in consultation with the corporation's public;
5) participate actively and independently in three annual board meetings and individually throughout the year as their expertise is needed;
6) annually approve a budget that aligns with the organization's business plan;
7) ensure minutes to meetings are recorded, reviewed, approved and available to the public;
8) initiate, review and approve an independent annual financial audit and ensure results are available to the organization's public;
9) counsel and support the executive leader; and
10) evaluate the executive leader's performance annually against job description and growth indicators and sets executive's annual compensation;
11) terminate the executive if performance is unsatisfactory.

Summed up, the board's most useful and effective role and responsibilities are to support and counsel the executive and ensure, through the use of their expertise, that the organization grows substantially to accomplish mission. The ultimate decisions for what the organization does on a day by day basis is the CEO's.[4]

In the future, the **executive leader's primary roles** in relationship with the board are to:

1) serve as chair of the board;
2) create board business agendas;
3) nominate board members in keeping with corporation by-laws;
4) vote on board business;
5) recuse themselves from voting on the hire of independent auditor(s)-financial, program, human resources;
6) recuse themselves from voting on their personal compensation package; and

4 See Guidelines 2 and 3 for further details.

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7) seek the board members' counsel on matters related to their expertise;
8) ensures all board transactions and audits are transparent and made available to the corporation's public; and
9) provide a state of the organization presentation to the board in light of mutually agreed upon organizational goals and objectives.[5]

The **primary roles of contributors** (individual donors, funders) in relationship with the executive leaders (board and employed executive) are to:

1) build a common understanding of the values upon which the organization's operations and approach to practice and growth are based;
2) articulate preferred ways they want to communicate to each other;
3) build consensual understandings of how to grow the nonprofit, its services, effects and impacts;
4) learn about each other's expertise, offer it when possible, and allow organizational operations, administrative practices, and programs and services to be delivered in innovative ways;
5) understand what motivates each to work together for good;
6) assist as expertise is present in generating, managing, and using money and other resources to grow the organization;
7) build reciprocal relationships (of a give and take nature) with each other with a common purpose of creating an innovative, high-performing organization that results in major resolution of the issues central to the cause for which the organization exists;
10) strive to find people and organizations that value the nonprofit's mission and engage them meaningfully.[6]

In the future, the **executive leader's primary role relationship with donors** are to:

1) recognize and treat donors as a ***primary customer;***
2) build a strong trust relationship with them based on reciprocity and values relative to the treatment of clients related to cause;
3) involve them in the planning, evaluation, development and implementation of plans for the growth of contributed dollars;
4) partner with them in increasing the number of donors who share common visions, mission, and approaches to practice and operations;
5) engage them in all aspects of fundraising and revenue generation from multiple sources; and
6) communicate consistently and frequently directly with donors, both those currently affiliated and those who potentially could be affiliated with their organization.

5 See Guidelines 2 for further details.

6 As explicated in the National Development Institute's Major Gifts Ramp-Up seminar curriculum. See www.nationaldevelopmentinstitute.com

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In the future, the **executive leader's primary role relationships with the for-profit partners** are to:

1) recognize and treat the partner as ***a primary customer*;**
2) build a strong trust relationship with them based on reciprocity and values related to cause;
3) involve them in the activities related to growth and generation of earned dollar;
4) partner with them to increase the number of for-profit business partners who share common visions, mission, and approaches to practice and operations;
5) engage them in all aspects of earned income generation from multiple business sources; and
6) communicate consistently and frequently directly with for-profit business entrepreneurs, both those currently affiliated and potential partners.

Building egalitarian relationships based on equality in the political, social and economic dealings with each other will require new role and responsibility relationships. It will require we re-think the legal and organizational structures that currently move these relationships in another direction. If role relationships changed, authority and control relationships would change affecting the nature, extent and speed with which organization capacity building decisions are made. ***The CEO would be more empowered to accomplish the organization's mission.***

In the traditional model, the executive director actually acts more as the program and operations director to carry out the plans created by the board. In many ways, the model is like the "old" program model where the client was seen as being deficit and the party being 'helped'. The client was treated as someone who didn't know and couldn't help themselves or others. The client was robbed of key-decision making ability without checking in with the service provider. It was a deficit-based model of human interaction.

Part of the reason for the lack of growth of the sector is that the current purpose, structure, and functions of the board drive the CEO to act as a program director rather than a CEO! The board is set up as a watchdog over all CEO actions. And when you add in funders (especially government agencies at the state level) they too tend not to trust the board or CEO, and set up additional authority, control, and oversight processes relative to building the capacity of the organization. The CEO is many times caught between multiple governing bodies: the board, individual donors, government and private foundation funder(s). Each maneuver to control the use of their contributions, many times way beyond the terms of contracts and grants.

If we start from a premise that all leaders, donors, funders, other contributors and for-profit partners are equals, the relationships among them should therefore promote equality, and the primary engine driving such relationships is social capital. Equality in practice is built through a series of interactions. It involves willful changes in attitudes and practice. Rather than 'governance' and 'compliance' being central motives driving leaders' activities and attitudes; we advocate people thinking and behaving in ways that build social capital among all individuals and groups associated with a nonprofit, as well as those associated with the nonprofit sector.[7]

7 We do not ignore the need for accountability, and monitoring for proper use of public dollar, but we change who is assigned that role. See Guideline 2.

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When social capital is at work (i.e. people actively engaged in exchanging information, cooperating on joint ventures, giving and taking things, learning to trust each other, helping to connect each other to other people and resources), it creates political, social, and economic value for the people who are connected. Securing the nonprofit's success and growth requires that we re-purpose and re-structure current roles and relationships in order to allow social capital development to occur and flourish.

Organizations, communities and nations grow when social capital flourishes. Without an adequate presence of social capital, social, political and economic growth are less vibrant.[8] Social capital is the "the collective value of all social networks [who people know] and the inclinations that arise from these networks to do things for each other [norms of reciprocity].[9]

Three key attitudes and behaviors are central when there is ample social capital present. They are:

1) people trust each other,
2) they engage each other and
3) they both give to and take from the relationship.

Engagement, reciprocity and trust characterize the relationships we advocate. Governance, oversight, authority and control do not foster positive attitudes and actions[10]. It is seeing all people as equals. Authority and control are rights that are earned and shared and are not solely based on wealth, status, position, or office. It is a joint power aimed at ensuring the corporation's property (all assets) are used to accomplish the purposes for which the corporation was established.

Key Practice 1b: Build NETWORKED relationships.

Clients, staff, executive leaders, board members, donors and for-profit partners all have networks of people, groups and organizations with whom they affiliate. These networks may overlap and have some of the same people in them, but combined, manifest a rich array of resources (information, goods, services, people, organizations, processes) on which the nonprofit can draw.

Two kinds of networks help build resources for individuals and organizations. Bonding networks help build strength and solidarity with people and organizations who act and think like each other in fundamental ways. In the "us and them" mix; bonding networks are the "us". It is easier to form partnerships with people and organizations who are like "us" in many ways. But only associating

8 See the Harvard University, Kennedy School's Saguaro Seminars for full details at: www.hks.harvard.edu/programs/saguaro/

9 Better Together as retrieved from http://www.bettertogether.org/socialcapital.htm

10 We acknowledge that the board, for now, in the court's eyes is the representative body that makes sure the will of the people affiliated with the corporation is enacted. It is not the donors, funders, or government officials. The board is legally seen as the protector of the corporation's property and is to make sure the corporation officers and administrators use property according to the purposes of the corporation. But such power is administered with key principles in mind. It is a joint power, not individual power. See Appendix C for details on what a few key principles are.

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with people like us will limit resources, may make one feel superior over other people, limit innovation, evaluate success differently, and tend to perpetuate the status quo. Bonding networks are neither good nor bad. It's better to be in a network than to not be in one. But bonding networks may act to sabotage new and different ideas, and new ways of doing things, particularly if it will affect their accumulation of resources, including money, status, power, and authority.

Bridging networks connect people and organizations who think and act differently from "us". They may have different worldviews and act differently from "us". Yet, nonprofits that have strong bonding and bridging networks have more resources, tend to grow larger, perform better and respect and tolerate differences more.[11]

What does having strong bonding and bridging networks result in? One's ability and willingness to trust others (those who are like "us" and those who are not) is higher.[12] Organizations with strong social capital understand the need and value of having both kinds of networks. Democracy in organizations, states, and nations flourish when there are strong bonding and bridging networks.[13]

Many different kinds of benefits result from the trust, reciprocity, information exchanges, and cooperation that comes from bridging and bonding social networks. The end result is that people feel connected meaningfully and in mutually beneficial ways.

While some boards work hard to build a positive relationship with the executive staff, they are still strapped with traditional by-law structures and processes that create dissonance in their relationship building efforts. These traditional practices often work against social capital formation. Yet, communities, organizations and nations grow by building social capital. Some economists have even gone so far as to say that without a healthy amount of social capital present, the economy will not grow.[14] It affects budget size, as well as the nature and extent of other nonprofit assets. When social capital declines, it affects the development of all other forms of capital (human, economic, and spiritual). Democratic nations, states, regions, communities, organizations, groups, families and individuals suffer when social capital is not present or only present among a few.[15] Social capital is built by forming both bonding and bridging networks.

11 Putnam, Robert D. (2000). *Bowling Alone: The Collapse and Revival of American Community.* New York: Simon & Schuster. And Putnam, Robert D., Feldstein, L. & Cohen, D. (2003). *Better Together: Restoring the American Community.* NY, NY: Simon & Schuster, are perhaps the best known among nonprofits for his work on social capital development and evaluation of the nonprofit sector in that regard, although there were several scholars before him making the same points.

12 Putnam, Robert D. (2000). *Bowling Alone: The Collapse and Revival of American Community.* New York: Simon & Schuster. Fukayama, Francis (1995). *Trust: The social virtues and the creation of prosperity.* Free Press

13 Fukayama, Francis (1995). *Trust: The social virtues and the creation of prosperity.* Free Press. & Sen, Amartya. (1999). *Development as Freedom*. New York: Oxford University Press.

14 For example, Sen, Amartya (1999). *Development as Freedom.* New York: Oxford University Press. Sen, Amartya (2010). *The Idea of Justice.* London: Penguin.

15 Sen, Amartya (1999). *Development as Freedom.* New York: Oxford University Press; Putnam, Robert D. (2000). *Bowling Alone: The Collapse and Revival of American Community.* New York: Simon & Schuster; Fukayama, Francis (1995). Trust: The social virtues and the creation of prosperity. Free Press.

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Key Practice 1c: Build ENGAGED relationships.

Cooperative action is based on efforts to create a durable, pervasive relationship that permits those involved to achieve mutually beneficial results. Cooperative action is possible when people and organizations engage each other in meaningful ways. Each has to be able to communicate what they need from the relationship, what they can and can't do, how and around what they want to be involved, and how the relationship is advertised to others. It requires establishing new ways in which leaders communicate with each other.[16]

We know that in order for communities to be strong, they need residents who are civically engaged.[17] Civic involvement is participation in activities that directly or indirectly contribute to a community's (or organization's) overall well-being. Actions often associated with civic involvement include voting, being an active member in a club, and volunteering with a nonprofit, as well as neighbor helping neighbor. When residents form a civic consciousness, their activities are more altruistic and more often take into account the common good.[18] These findings are as true for nonprofits, when viewed as a community, as they are for any other type of community.

As engagement with others in the nonprofit grows, each recognizes they are a member of a larger social fabric. They consider the social or environmental problems related to the nonprofit's cause to be at least partly his/her own. They are willing to see the moral, structural and procedural dimensions of issues, how they fit into situations that cause the issues, and their role in their alleviation or eradication. They make and justify informed moral and civic judgments, and take action together.[19]

Foundations currently advocate (and some require) nonprofits to engage each other to get the money they want to give. The kind of engagement they want to see between and among nonprofits is more than lip service. They want to see substantial ways in which individuals and organizations work together on common issues and goals, such as sharing resources, engaging in joint programming, consolidating administrative or programming functions/staff/resources, sharing clients, sharing governance, and eliminating duplicative costs to achieve economies of scale. Yet, there are few examples of foundations engaged with nonprofits in a similar manner.

16 For example, Robert's Rules of Order use by so many boards limit communication and are premises on rules for control. They do not foster building enduring, trusted communicative relationships.

17 Robinson, K. (2002). *Building civic literacy.* Clemson, SC: Institute on Family and Neighborhood Life. The entire field of community psychology has researched civic engagement. The research literature is plentiful in this regard.

18 Taylor, M (1982). *Community, anarchy, and community.* London: Cambridge University Press; Coleman, J.S., & Hoffer, T. (1987). *Public and private schools: Impact of communities.* Basic Books. See, for example, Keltner, D., Marsh, J., & Smith, J.A. (Eds.). (2010). The compassionate instinct: The science of human goodness. W.W. Norton & Company.

19 Ehrlich, T. (2000). *Civic Responsibility and Higher Education.* Oryx Press.

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In the future, we envision foundations, for-profit businesses, individual donors and government agencies engaged with nonprofits to tackle at scale the issues of our day. We envision a new relationship among these actors. We see executive leaders understanding they need to engage with other organizations and groups that will help them get to scale for the alleviation of the issues tackled. The relationship is long-term. Leaders are engaged in joint planning, implementation and evaluation of large-scale efforts. ***Each party tells the other what they need out of the relationship in order to make it work.*** Only the assistance needed and wanted is required of both parties. The primary focus is on building the organization's capacity to accomplish mission at scale with the aim of eradication of the issues addressed. All parties experience growth as a result. All parties have an equal voice in what is done and how, with the equal voice becoming a consensual voice established through honest, clear communication with each other. The outcomes desired and strived for by all are seen as mutually beneficial to all involved.

Key Practice 1d: Build RECIPROCAL relationships.

Building reciprocal relationships involves our communicative behaviors, as well as the things we give each other. At an individual level, we understand this concept the best by the old adage "what goes around, comes around" or "what you give out, you'll get in return" or "do to other as you would want them to do to you". Socially, people tend to give back to others the same kind of treatment they have given to others. Reciprocal relationships can be punitive and secretive, or nurturing and open.

Relationships that are reciprocal and are of the kind we envision are built on understandings of mutual respect, and mutual dependence, action and influence. They allow each individual to have the same rights in the relationship. They give to each other and take things from each other in mutually satisfactory ways. The giving and taking are done many times without having to ask. Laterally, through open communication each lets the other know what they have to get and receive from the relationship in order to make it work and be beneficial to them and their purposes. ***Reciprocity is based on the premise that one should do to other what they would want done to them.***[20]

Reciprocal actions differ from altruistic actions. Reciprocal actions follow from other's initial actions while altruism is the act of social gift giving without hope or expectation of future positive responses.[21] Altruism, however, deals more with what one has to muster within themselves relative to others and how they choose to live in this world. Reciprocity, on the other hand, happens in a social exchange. It takes two (or more) to practice and receive reciprocity. Certainly both altruistic and reciprocal relationships are needed to build strong relationships amongst leaders in the nonprofit sector. It takes active interaction, not passivity.

20 See Matthew 7:12 and Luke 3:31, also known as the Golden Rule; Muslim tradition has a similar law "whatever is hurtful to you, do not do to others"; several other religions also have similar guidelines.

21 Batson, C. D., Duncan, B., Ackerman, P., Buckley, T., & Birch, K. (1981). "Is empathetic emotion a source of altruistic motivation?". *Journal of Personality and Social Psychology*, 40, 290-302. Cialdini, R. B., Schaller, M., Houlihan, D., Arps, K., & Fultz, J. (1987). Empathy-based helping: Is it selflessly or selfishly motivated?. Journal of Personality and Social Psychology, 52(4), 749-758.

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Building a norm of reciprocity in the nonprofit sector will take new kinds of attitudes and actions (i.e. new primary drivers of attitudes and actions) on the part of executive, board members, donors, government and foundation funders, for-business partners, as well as sector leaders.[22] Building reciprocal relationships is easier with those who are a part of our bonding social networks and are more difficult with those from bridging networks. Trust has to be built. Understanding what each needs takes time and ample, effective communication. Understanding each person's passions relative to the cause and the preferred ways to ensure eradication of the issues related to cause takes time. Basic questions to ask each other are: Why are you giving? Why are you serving this organization? Why are you volunteering? What do you get from your association with us? What do you want to get from your association with us? Are you willing to share power, authority and control over what the organization does and how? Are you willing to submit to corporate rights to authority and control which are entrusted to the board and executive?

The notion of reciprocity cuts at the very heart of the conditions under which any organization, including nonprofits and government agencies, have a legitimacy to exist. These institutions impose and enforce obligations on their members with the full understanding that the organization has a right to exist and is socially justified to impose said obligations under certain conditions. Three of these conditions are:

1) People stay out of each other's way enough so that each can pursue his or her individual interests as far as possible, without interference from others or in conflict with the stated purposes of the corporation. Rules imposed on each other need to be mutually advantageous. Requiring obedience from people when they will be disadvantaged by following the rules, or when they can get away with disobeying them creates an unworkable situation. The challenge is to create a working environment in which it might be actually mutually advantageous to follow the rules even when it is inconvenient or costly to do so. All human organizations have rules. ***The point is to establish rules that foster reciprocity and create rules that foster open communication, clear expectations, and freedom to pursue mutually beneficial paths aimed at mutually agreed upon goals.***

2) The second justification for creating a nonprofit organization, or any organization, is that ***people organize themselves into groups in order to achieve levels of cooperation needed to improve society generally*** – for example by improving public health, providing all with an education or opportunities to gain wealth and individual welfare. We need organizational structures, role and responsibility relationships that promote cooperation among decision-makers for the benefit of the corporation.

3) All human organizations subject individuals to the power plays of others (internal and external). The nonprofit organization is no exception. From the beginning of America,

22 Caliendo, Marco; Fossen, Frank; Kritikos, Alexander (2012-04-01). "Trust, positive reciprocity, and negative reciprocity: Do these traits impact entrepreneurial dynamics?". *Journal of Economic Psychology.* Personality and Entrepreneurship 33 (2): 394–409.

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community leaders have struggled with how to limit individual excessive authority and control over the nonprofit. The courts settled it by ruling that neither the wealthy, or the state, or businesses owned the nonprofit and did not have the legal power to say how the organization should use its resources. Once given to the organization, the contributions given were the organization's property and no longer were the contributor's or the governments. Nonprofits are accountable to the will of the people and 'the people' pragmatically defined were those affiliated in some way with the nonprofit. The legal authority for the nonprofit was invested by the courts in a board of trustees or directors of the corporation. They are the legitimate, legal entity that owns the property of the corporation (all assets). Furthermore, it is not an individual board member that owns the assets (and therefore has authority and control) but rather the board as a whole. Furthermore, this corporate entity was to ensure that all assets were to be used for the corporation's purposes not individual purposes ('self-interests'). However, all people have self-interests and also represent the interests of others. It is through open communication that nonprofits learn what those interests are, how to accommodate them satisfactorily, and whether a workable relationship is possible or conflicts with the corporation's purposes.

But such organizations require individuals to sacrifice their own welfare for the good of others—especially when some individuals might not share the particular goals for improvements at issue. ***The value of reciprocal relationships is that they limit the legitimacy of the sacrifices an organization (or society) might require.*** For one thing, it seems perverse to require sacrifices in pursuit of some social goals, if it turns out those sacrifices are unnecessary, or in vain because the goal cannot be achieved[23]. We need to examine the current structures and processes nonprofits are supposed to live by for those areas that are unnecessary or have been impossible to sustain, or in some cases to ever establish. These guidelines address some of those areas and suggest structures and processes that restore fair play. ***Organizational justice based on reciprocity (fairness, or fair play) is an attractive middle ground between a thoroughgoing concern with individual well-being and a thoroughgoing concern with social well-being.***[24]

Some say that the human intuition that powers social media today is reciprocity. It isn't the tool but the motivations. People want community. People want efficiency in the way they get and share information.[25] People want to share things. It can be hate or it can be words for each other's

23 Some think for example that the current delineation of board responsibilities is unrealistic and establishes motives and actions that are unworkable for both board and administrator.

24 This has been part of the attraction of the most influential line of thought on distributive justice in recent Anglo-American philosophy – the one carried on in the context of John Rawls' work. See Kelly, E. (2001). Justice as Fairness: A Restatement. Cambridge, Massachusetts: Belknap Press. Rawls, J. (1999). The Law of Peoples : *with "The Idea of Public Reason Revisited"*. Cambridge, Massachusetts: Harvard University Press. And Rawls, John. (1971). A Theory of Justice. Cambridge, Massachusetts: Belknap Press of Harvard University Press.

25 For example, see http://reciprocitytheory.com/2011/08/17/practice-social-reciprocity-not-social-media/

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edification. It depends on one's habits of the heart.[26]

"People inherently want to do business with people (and companies) that they enjoy doing business with. If you're going to spend the vast majority of your time at work, don't you want to spend that time with people you connect with? Same goes for consumers. They want to buy products and services from companies that they connect with – companies that value their customers and show it. Social media empowers brands to connect with their customers in a scalable, yet personal way."[27] The nonprofit sector needs to learn from the social media movement. They need to learn to connect in new ways and show it!

Reciprocal relationships not only have instrumental value[28] (benefits received by each) but also communicative value. They help reduce the uncertainty each feels towards the other's intentions and builds predictability and trustworthiness of each's actions towards the other. Reciprocal acts also help build regard and respect for each other and their acts towards each other. It builds solidarity.[29] Three important conditions are present when relationships are reciprocal. First, it takes time to develop reciprocity.[30] Second, the giver isn't in a situation where they are certain they will receive anything. There often are no terms discussed regarding what was given. There are no deadlines given for the receiver to give back. Third, the giver gives voluntarily. Whether, when, and to what extent an actor reciprocates is left to the discretion of the actor. [31] While not all reciprocal relationships meet all three conditions, when these are present both the instrumental and communicative value of the act is higher. In what ways are your board/CEO actions reciprocal? In what ways are board, CEO, donor, government and foundation funder, for-profit business partner acts reciprocal? How might they be improved?

26 See the classical work, Bellah, R.N., Sullivan, W.M., Tipton, S.M., Madsen, R., Swidler, A. (1996). *Habits of the Heart: Individualism and Commitment to American Life*. University of California Press.

27 http://reciprocitytheory.com/2011/08/17/practice-social-reciprocity-not-social-media/

28 Bourdieu, Pierre. 1985. "The Forms of Capital." Pp. 241–58 in *Handbook of Theory and Research for the Sociology of Education,* edited by J. G. Richardson. New York: Greenwood. Portes, Alejandro. 1998. "Social Capital: Its Origins and Applications in Modern Sociology." *Annual Review of Sociology* 24:1–24 and Coleman, James S. 1988. "Social Capital in the Creation of Human Capital." *American Journal of Sociology* 94: S95–S120.

29 Molm, Linda D., Schaefer, David R., & Collett, Jessica L. (2007). The value of reciprocity. Social Psychology Quarterly, Vol. 70, No. 2, 199-217.

30 Molm, Linda D. and Karen S. Cook. 1995. "Social Exchange and Exchange Networks." Pp. 209–235 in *Sociological Perspectives on Social Psychology,* edited by Karen S. Cook, Gary Alan Fine, and James S. House. Boston: Allyn and Bacon. and Cook, Karen S. 2005. "Networks, Norms, and Trust: The Social Psychology of Social Capital." *Social Psychology Quarterly* 68:4–14. Cook, Karen S., Jodi O'Brien, and Peter Kollock. 1990. "Exchange Theory: A Blueprint for Structure and Process." Pp. 158–81 in *Frontiers of Social Theory,* edited by George Ritzer. New York: Columbia University Press.

31 Larson, Andrea. 1992. "Network Dyads in Entrepreneurial Settings: A Study of the Governance of Exchange Relationships." *Administrative Science Quarterly* 37:76–104. Kranton, Rachel E. 1996. "Reciprocal Exchange: A Self-Sustaining System." *The American Economic Review* 86:830–51. Offer, Avner. 1997. "Between the Gift and the Market: The Economy of Regard." *Economic History Review* 3:450–76.

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Key Practice 1e: Build TRUSTING relationships.

We left building trusting relationships to last in the discussion since forming bridging and bonding social networks in which people engage with one another in reciprocal ways provides the context in which trust can be built, fortified and maintained.[32]

Working collaboratively in an atmosphere of trust leads to accomplishing goals of mutual social and economic benefit."[33] ***Trust is built when people think the relationships they are in are just, fair, treat them with dignity and respect, allow them to use their talents, gifts and formal training, are based on thinking the best about people, share authority and control, and provide freedom to act independently and take risks collaboratively.*** Trust is built using communication processes that foster direct discussion about differences with each other. Talking about each other behind their backs rarely builds trust.

People have to be able to communicate with each other in a context where they are treated with respect, and seen as equals and worthy of being listened to and allowed to both succeed and fail without severe consequences. A nonprofit director's self-esteem and sense of efficacy are greatly affected by their evaluations of their board's, staff's and volunteers' attitudes and behaviors towards them and each other. Without an empowered CEO, the organization's chances of growth are much lower.[34]

Trust is the belief that an individual, group or organization can be relied upon to act in a consistent, fair, rational, and expected manner. It is shaped by the individual's values and beliefs, which have formed because of the results of previous relationships they have had. Trust is not a general sentiment, but rather a specific trust in something or someone. The actions and conversations among board, staff, and contributors are either trusted or not, based on what is done, said, and what consequences follow. We need role and responsibility structures and processes that promote trust among contributors, board, and executive leadership in order to build more trust.

32 *Putnam, Robert D. (2000). Bowling Alone: The Collapse and Revival of American Community. New York: Simon & Schuster.* Fukayama, Francis (1995). *Trust: The social virtues and the creation of prosperity*. Free Press

33 This is Krueter, Young and Lezin's definition and "incorporates Coleman's emphasis upon social relations within and among organizations and structures that are built up by people themselves. It also highlights the Putnam's notions of mutual interest. See Coleman J (1990). *Foundations of Social Theory*. Cambridge, MA: Harvard University Press. Also See Putnam RD (1993). The Prosperous Community: Social Capital and Public Life. The *American Prospect*, 13:33-42.

34 Light, P. (2004). *Sustaining nonprofit performance: A case for capacity building and the evidence to support it*. Brookings Institution. Brown, K. (2012). *Factors Explaining Nonprofit Directors' Intention to Build Capacity*. Clemson, SC: Clemson University, Institute on Family and Neighborhood Life.

35 Brown, K. (2012). *Factors Explaining Nonprofit Directors' Intention to Build Capacity*. Clemson, SC: Clemson University, Institute on Family and Neighborhood Life; and Brown, K., & Robinson, K. (2015). *Beliefs that affect intentions to build nonprofit capacity*. Lexington, SC: National Development Institute.

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While not all relationships have to be trusting relationships, which is unrealistic, those among key stakeholders in an organization do count and statistically effect nonprofit executive leader's performance and organizational results.[35]

The board's leadership in a traditional 'governing' relationship compounds, or at least confuses, the CEO's evaluations of their own efficacy to control leadership and management direction.[36] We advocate a new relationship between the board and CEO that encourages active engagement. As engagement occurs, trust may be built. All may be empowered. All are encouraged to give of themselves and their resources and to share their networks. All need to get something from these resources and networks in return. Authority, control, and power are mutually shared and legitimized by being in a meaningful relationship with each other. The purpose of the relationships is focused not on self-interests but on achieving the purposes for which the corporation was established.

WHY RELATIONSHIP BUILDING IS CRITICAL

Building egalitarian, networked, engaged, reciprocal, trusting relationships among contributors, board and CEO is a primary way to build social capital in America. The nonprofit sector plays an important role in society. While all sectors can build social capital, the nonprofit sector is the sector where social capital has the most opportunity to build it. But it requires that the sector is structured and operates in a manner that fosters social capital.

In order for social capital to flourish, the relationships present need to promote building bridging and bonding social networks in which people are engaged with each other, treat each other as equals, practice reciprocity, and through these interactions build trust in each other's actions towards them. When social capital flourishes among connected people and organizations, other forms of capital also have a better context to flourish. Human resource capital increases as people share information, knowledge and skills with each other. Revenues and other economic resources increase as connected people share their wealth and create products and services that produce earned dollars, as well as contributed dollars. Spiritual capital develops as connected people share the values and beliefs they have about each other, the cause, community, and things divine.

When different beliefs drive nonprofit decision makers' behaviors towards each other, they have a better chance to achieve a scale of operation that truly alleviates or eradicates issues related to their cause. The role and responsibility relationships between and among leaders and contributors need to

35 The trust relationship between the CEO and board chair is particularly significant in the CEO's willingness and actual intention to build organizational capacity. Brown, K. (2012). *Factors Explaining Nonprofit Directors' Intention to Build Capacity*. Clemson, SC: Clemson University, Institute on Family and Neighborhood Life; Brown, K., & Robinson, K. (2015). *Beliefs that affect intentions to build nonprofit capacity*. Lexington, SC: National Development Institute.

36 Adizes, I. (2009). *How to manage in times of crisis*. Carpinteria, CA: Adizes Institute Publications. Adizes, I. (2005). *The pursuit of prime*. Carpinteria, CA: Adizes Institute Publications; Light, P. (2004). *Sustaining nonprofit performance: A case for capacity building and the evidence to support it*. Brookings Institution

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be re-aligned. If they aren't, the sector will not grow[37] and its purpose and functions will not result in alleviation or eradication of the social and environmental issues of our day or the future.

New Board and CEO roles and responsibilities are needed. They need to be built on a worldview that recognizes leaders are equals, having dignity and deserving respect.[38] They need to entrust the CEO with authority and trust them so that the CEO feels they are in control. They need to be reciprocal, engaged, and trusting in order to build the social capital necessary to develop and direct a rich array of resources to eradicate today's and future social and environmental issues. Influence is earned not present only because of wealth, office, or status.[39]

A major reason why nonprofits have not reached scale is because the roles and responsibilities traditionally assigned to board members and the CEO work against efforts to achieve scale. ***There is too much duplication of efforts, too much hand holding of typical board members, too much time and energy spent on board issues that should be spent on capacity building, etc.***

Donors are not meaningfully involved in most nonprofit's development and implementation of visions, actions, and passions. Historically, we have gone from the wealthy controlling nonprofits to a time when contributors are not involved meaningfully in the nonprofits efforts and visions. Leaders want their money but have not been taught how important it is to establish the relationship that goes with it. Thus, the nonprofit loses great wisdom, networks, and counsel.

Leaders will exercise authority, control, and accountability differently and it will be more acceptable to everyone involved. The worldview and practice of relationship building must be altered so that the leadership (board and CEO) is free to build egalitarian, reciprocal, engaged, trusting relationships in which authority, control, and accountability are shared and flow from an understanding of each other's beliefs, behaviors, and passions built on substantial conversation and interaction with each other. It's not a distant, passive, uninformed, disinterested authority and control relationship. That kind rarely, if ever, builds high-performing nonprofits.

37 We acknowledge that in sheer numbers, the nonprofit sector has grown enormously since 1940. We are talking about the kind of growth in an organization that takes it to a scale adequate to address the issues for which it was incorporated. When the bulk of the 501c3 category organizations are examined, which is the fastest growing category of all 30 in the 501c tax code, 77% of the 501c3s have budgets below $1 million. These organizations will never be able to make a dent in truly creating the kind of social and environmental changes needed to eradicate or even alleviate today and tomorrow's issues. See National Center for Charitable Statistics http://www.nccs.urban.org/

38 For Christians, the theological justification is based on people being created in God's image and therefore it is God, not people, who give people their worth, dignity and value. People are to treat others realizing that when they treat others in ways they don't want to be treated themselves, they are fundamentally tampering with someone in God's image and regarding themselves as knowing better than God what a person's worth is! A similar principle is found in all the world's religions.

39 Yes, we recognize that status and power among board members, staff, donors, government entities, foundations are all going to be different and have to be openly addressed so everyone knows what each needs in order to make the relationship effective and workable. And it is recognized that sometimes the greater part of wisdom is to turn down money and avoid those influentials who want to control what is done in an organization by virtue of their status or office in a community.

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Relationship building of the kind explicated here helps people learn to live in community, experience democracy, gain voice, get their needs met, and give compassion, time and talent to others. While organizations need to have clear lines of reporting relationships and leaders whom others are willing to follow, learning to work effectively together remains the major leadership challenge of all organizations. It requires being willing to exercise and submit to fair and just authority and control. Nonprofits help organize people's actions into collective action.[40] To accomplish most missions, nonprofits must grow to the point that they can tackle effectively the issues surrounding their cause at a scale equal to the nature of the problems addressed. A rich array of social networks must be harnessed by the nonprofit to achieve this goal. The executive leadership must be free to tackle society's structural issues, as well as be free from excessive control by individuals of wealth and power who have vested interests in keeping things the way they are. Very few nonprofits are to scale. Very few are working to produce structural changes.[41]

CEO confidence and intention to build greater nonprofit organizational capacity will be higher. While there are many different approaches to supporting the growth of nonprofits and the sector, all of them depend heavily on 1) nonprofit leaders ongoing commitment to receiving support and to examining their leadership, management, operational practices and 2) board members, donors, funders, and for-profit partners understanding of the nonprofit's executive leaders' issues; and 3) sector leaders, boards, contributors and employees adopting new worldviews and organizational capacities that are more workable. Understanding and underscoring the self-determination of executive leaders and respectful relationships among board members, donors, funders, partners and executive leaders enhance executive leaders' (and the rest of staff's) motivation to grow the capacity of the organization to accomplish its mission. Optimal organizational development leading to growth requires building respectful, egalitarian, reciprocal relationships at all levels of the organization.

Re-purposing and restructuring the leadership relationships also allows board members and donors to devote the time they have available to areas of capacity building they are interested in and to which they have expertise to contribute. Altering and re-defining relationships will also allow CEOs to spend more concerted time on capacity building. Re-defining mission helps the CEO focus on their primary customers-contributors who will help them grow the contributed dollars and for-profit business persons who will help them grow earned dollars. Many CEOs will feel more confident in their ability to lead and manage the organization and feel they are in control of the change process. Thus, CEO motivations for taking things to scale are likely to increase.[42]

40 Tocqueville, Alexis de. (2000). Democracy in America, Chicago: University of Chicago; also see http://www.gutenberg.org/ebooks/author/424

41 See David Wagner's analysis on this point on how so much of the nonprofit sector has moved to educational and therapeutic services and in no way is working to change the circumstances that creates the problems. Wagner, D. (2000). *What's love got to do with it? A critical look at American Charity*. NY: The New Press.

42 There are many research studies that substantiate these claims including Light, P. (2004). *Sustaining nonprofit performance: A case for capacity building and the evidence to support it*. Brookings Institution; Brown, K. (2012). *Factors Explaining Nonprofit Directors' Intention to Build Capacity*. Clemson, SC: Clemson University, Institute on Family and Neighborhood Life. etc.

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When a different set of relationships exist among the board, CEO, and contributors, more nonprofits will experience revenue growth over the $1 million level. While the sector shows a growth in numbers, the budgets of the larger share (77%)[43] of nonprofits remain at the $1 million or lower level (68.5% are below $500,000).[44] The scale required to address the issues of our day, even in one community, requires larger budgets, staff, and other resources than that!

We need to get serious about how nonprofits need to be organized in order to truly eradicate social and environmental issues, including poverty, hunger, homelessness, addiction, etc. While there will always be room for the small mom/pop type nonprofit that sets their sights on helping a very small group of people with few staff and a very limited budget and resources, they should be the bulk of 501c3s! We are more focused on those nonprofits that want to grow and want to make a major impact on the social and environmental issues of our day. Having 69% of the entire 501c3 group with budgets below $500,000 is unacceptable. We need to think seriously about the conditions under which these small nonprofits will take off on their growth path. We think these guidelines may help launch these efforts.

Executive leaders who are in control of defining and addressing organizational capacity building need to experience an enhanced belief in their own ability.[45] A major part of their sense of their own ability to lead and manage comes from their perception of their board's view of them and their actions. When they feel in control it builds confidence, self-esteem, and allows them to take risks.[46] Nonprofit boards should be structured to empower their executive leaders to increase growth[47], perform at higher levels, and make a great impact on the issues addressed.[48] When the CEO feels they are in control, they are more confident in their ability to lead and manage organizational capacity building. Results are more consistent, on-going and cumulative. Larger revenues are present. Unwanted or distracting help or advisement reduces the leader's investment in participating in organizational change. Nonprofit actors who treat each other with dignity and respect, and allow each the freedom to work out their ideas are innovative, creative, motivated, and empowered.

43 See National Center for Charitable Statistics at http://www.urban.org/sites/default/files/alfresco/publication-pdfs/2000497-The-Nonprofit-Sector-in-Brief-2015-Public-Charities-Giving-and-Volunteering.pdf

44 The National Center for Charitable Statistics at http://www.urban.org/sites/default/files/alfresco/publication-pdfs/2000497-The-Nonprofit-Sector-in-Brief-2015-Public-Charities-Giving-and-Volunteering.pdf page 4.

45 Brown, K. (2012). *Factors Explaining Nonprofit Directors' Intention to Build Capacity*. Clemson, SC: Clemson University, Institute on Family and Neighborhood Life; Brown, K., & Robinson, K. (2015). *Beliefs that affect intentions to build nonprofit capacity*. Lexington, SC: National Development Institute.

46 Ajzen, I. (2011). Behavioral interventions: Design and evaluation guided by the theory of planned behavior. In M. M. Mark, S. I. Donaldson, & B. C. Campbell (Eds.), *Social psychology for program and policy evaluation* (pp. 74-100). New York: Guilford; Ajzen, I. (2005). *Attitudes, personality, and behavior* (2nd Edition). Milton-Keynes, England: Open University Press / McGraw- Hill.

47 Light, P. (2004). *Sustaining nonprofit performance: A case for capacity building and the evidence to support it*. Brookings Institution.

48 Brown, K. (2012). *Factors Explaining Nonprofit Directors' Intention to Build Capacity*. Clemson, SC: Clemson University, Institute on Family and Neighborhood Life.

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The CEO, board and contributors will be better together. Industry leaders need to advocate for board and CEO roles and responsibilities that are realistic and reflect better why people volunteer and seek employment within the sector. Each will have better opportunities to understand the other's motivations, if the association is based on building relationships that are egalitarian, engaged, and reciprocal, and the roles and responsibilities are re-purposed. A much more positive motive is to focus board, CEO, and contributors on building social capital to build organizational capacity to accomplish the organization's mission. Doing so will allow all to be better together.[49]

49 See Putnam, R., Feldstein, L., & Cohen, D. J. (2004). *Better together Restoring the American Community*. Simon & Schuster

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NANOE GUIDELINE 2

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NANOE GUIDELINE 2:

> ***Relationships between the CEO, board members, donors and business partners are re-purposed and re-defined.***

Key Practice 2a: The board provides counsel to the CEO and assists the CEO in key areas related to legal and financial oversight. Fiduciary responsibilities remain the same.

For decades, industry leaders have promoted similar roles and responsibilities of the board. Starting in 2002 they were codified by BoardSource and became the most used list by consultants who were working with nonprofit boards of directors.

The nonprofit board was said to be responsible for:

1) determining the organization's mission and purpose;
2) selecting the chief executive;
3) providing proper financial oversight;
4) ensuring adequate resources;
5) ensuring legal and ethical integrity and maintaining accountability;
6) ensuring effective organizational planning;
7) recruiting and orienting new board members and assessing board performance;
8) enhancing the organization's public standing;
9) determining, monitoring, and strengthening the organization's programs and services; and
10) supporting the chief executive and assessing his/her performance.[50]

In a revised, shortened list published in 2009, the responsibilities of the board were defined as:

1) determining the mission of the organization;
2) selecting the chief executive;
3) supporting and evaluating the chief executive;
4) ensuring effective planning;
5) monitoring and strengthening programs and services;
6) ensuring adequate financial resources;

50 This is the listing promoted by BoardSource in 2002.

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7) protecting assets and providing financial oversight;
8) building a competent board;
9) ensuring legal and ethical integrity; and
10) enhancing the organization's public standing.[51]

For decades, even before 2002, the industry has offered the similar training sessions which promote these responsibilities. Thousands of webinars and seminars have covered the same topics related to the same areas of board dysfunction. The major audience addressed is the small nonprofit with revenues below $1 million (approximately 77% of all 501c3s[52]). ***Industry consultants are called in to help the executive leader train their boards on these responsibilities with little or no lasting effect.***

Boards may be idealized to function as stated above, but rarely do boards do so and if they do, it's for a short period of time before they become rather dysfunctional. Large revenue nonprofits operate fundamentally differently from the smaller nonprofit. For the smaller nonprofit, which is the majority of 501c3s, when board members rotate off, the CEO is forced to begin again to 'build the board'. Sometimes, it's just a matter of one board chair rotating off before the board stops working again (i.e. loses its moral agency, becomes passive, does not exercise independent judgment, etc.[53]). Some board members don't attend meetings. Some board members don't do a thing on the board other than...attend meetings. Passive board members make critical decisions on the future of the organization which affects its growth and their decisions are based on very little information interpreted through a few key individuals. Some board members never establish a meaningful relationship with the executive leader, staff, volunteers, or donors. Board members are encouraged not to talk to each other in groups and some chairs won't even talk with any board member between meetings. There is no open communication, sometimes fueled by feelings of being sued, which means no deliberative dialog and debate is ever really established. Without meaningful interaction, board members don't know each other or the CEO very well.

At face value, in order for a board to fulfill adequately the responsibilities stated above, the engaged board member would have to spend a lot more time than 1 or 2 hours monthly***. They would have to have expertise in the areas of these responsibilities that supersede what is available on staff in order to really be helpful to the organization and the CEO.*** But the reality is that most board members, while they may be well-intentioned, are employed full-time elsewhere, and do not have the time to spend on board business as currently defined.

Being on a board has become a status symbol in the community for some. Given all the responsibilities defined above, when a board member says they are on two boards, it's a trigger to indicate the board isn't operating properly! We have heard people boast they are on five-eight boards!

51 Ingram, R.T. (2009). *Ten Basic Responsibilities of Nonprofit Boards*. Washington, D.C.: BoardSource.

52 See National center for Charitable Statistics at http://www.urban.org/sites/default/files/alfresco/publication-pdfs/2000497-The-Nonprofit-Sector-in-Brief-2015-Public-Charities-Giving-and-Volunteering.pdf page 4.

53 See *The origins & evolution of nonprofit function* for amplified discussion.

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What typically ends up happening is the board chair, or at most the executive committee, are the ones that do the work. In essence, one to three people end up doing the work of the board.

On the other hand, executive directors continuously tell us that their boards hardly ever function in a way that is really useful to them. Yet, board business is a huge drain on their time and effort on a monthly basis. Most directors are in fact the board chair already. Research shows that when a board is dysfunctional, it affects the executive's motivation to grow the organization which in turn directly affects their actual nonprofit management practice and intentions to build capacity.[54]

The old model of 'governance' needs to be replaced with the concept of 'counsel'. Governance by definition means to "rule with authority; curb, control, sway, influence". Counsel on the other hand means to "deliberate; debate, advise". Counseling functions are more conducive to operating in recognition of the board and executive leaders being treated in an egalitarian manner, respectfully and with reciprocity.

In the future we envision the purpose of the board is to provide substantive counsel to a knowledgeable, skilled executive leader and work with this leader to ensure the organization is structured and functions effectively to achieve its mission and produce organizational growth. It maintains its fiduciary responsibility but defines that responsibility as ensuring the corporation's property rights are protected and used for the corporation's purposes.[55]

All board functions that do not relate to this primary purpose are **eliminated from board responsibilities and include (but are not limited to):**

1) development (fundraising)
2) personnel management,
3) program planning/implementation/evaluation
4) strategic organizational planning,
5) public relations and marketing, and
6) nomination of board members.

Regardless, administrators anbd staff will require volunteer support in many of these areas, it is recommended that an expert or group of experts be found for each of these functions and that these expert groups/individuals work directly with the appropriate staff leader. These groups are advisory and not directors. They have no legal authority over the staff, executive, or organization. Staff is free to heed their advice or ignore it, and staff performance is evaluated according to results achieved by defined goals and objectives that are in concert with the corporation's mission accomplishment.

54 Light, P. (2004). *Sustaining nonprofit performance: A case for capacity building and the evidence to support it*. Brookings Institution. Brown, K. (2012). *Factors Explaining Nonprofit Directors' Intention to Build Capacity*. Clemson, SC: Clemson University, Institute on Family and Neighborhood Life; Brown, K., & Robinson, K. (2015). *Beliefs that affect intentions to build nonprofit capacity*. Lexington, SC: National Development Institute

55 See fuller discussion in *The origins & evolution of nonprofit function.*

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BOARD ROLES & RESPONSIBILITIES (PULL-OUT)

(two-facing pages summarized for print & distribution)

Here's what it's not:

-Boardsmanship is not Governance
-Boardsmanship is not Visioning
-Boardsmanship is not Policy-Making
-Boardsmanship is not Volunteerism
-Boardsmanship is not Management

Boardsmanship is not Governance. Don't kid yourselves. UNPAID BOARD MEMBERS DON'T GOVERN. Actual governance occurs when a person (with a full-time salary) supported by various paid staff (the formation of a government) is empowered to perform the daily tasks of decision-making and oversight. Strong CEOs GOVERN!

Boardsmanship is not Visioning. VISION is the way MISSION is achieved and is never the responsibility of the board because the board isn't being paid to accomplish it. STRONG CEOs ARE TRUSTED TO CREATE VISION. **(We agree that board members hold their compensated leader accountable to achieve MISSION.)** Here's what you do. Hire a strong CEO who has a history of designing VISION that accomplishes MISSION in ways you never dreamed possible. Believe me, strong CEOs are already doing it their way even if they feel the need to label their activities as "BOARD VISION."

Boardsmanship is not Policy-Making. Hire a CEO whose depth of experience and formal education has already equipped them as a management expert. The right CEO has been properly trained to oversee the creation of policies that work. Board Members never write policy anyway. Someone else does the heavy-lifting and they rubber stamp it.

Boardsmanship is not Volunteerism. Eliminate the special events committee. Eliminate the fundraising committee. Eliminate the public relations committee. Eliminate the strategic planning committee. (Here's a good rule of thumb - remove everything from your by-laws that's not related to IRS compliance.) Re-assemble these groups as volunteers (non-board members) who serve you directly. For example, a group of social workers is assembled to serve the program director, or a campaign cabinet comprised of community volunteers is built to advance fundraising. You now have individuals in their sweet spots, who are no longer saddled with arcane tasks.

Boardsmanship is not Management. Board members have no authority over the day-to-day operations of a nonprofit UNLESS there's a written directive recorded in board meeting minutes with a motion, second and full vote. Members cannot unilaterally exercise power. Nor can committees. Conversely, board members actually need to receive permission from the CEO if they intend to act on behalf of the nonprofit in a manner that could affect daily operations.

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BOARD ROLES & RESPONSIBILITIES (PULL-OUT)

(two-facing pages summarized for print & distribution)

Great boards provide two things:

...ADVICE & ACCOUNTABILITY

The STRONG CEO is named chair of the nominations committee and fills these SIX POSITIONS (yes, you only need six [plus]):

1. Business Expert	(Chair)	Entrepreneur
2. Program Expert	(Secretary)	Specific
3. Finance Expert	(Treasurer)	Accountant
4. Legal Expert	(Member)	Lawyer
5. Communications Expert	(Member)	PR/Marketer
6. Nonprofit Expert	(Member)	Consultant
7. Plus (as needed)	*(Member)*	*Consultant*

THAT'S IT! (add other experts as needed eg. personnel, etc.) However, don't forget, working group theory states that any "working group" with more than seven people is no longer a group that works!

Here are their ten ADVICE & ACCOUNTABILITY functions:

1. Comply with IRS Regulations
2. Hire strong Chief Executive Officer
3. Approve Meeting Agenda
4. Approve and Amend By-Laws
5. Choose and Review Independent Financial Audit (annual)
6. Choose and Review Independent Program Audit (annual)
7. Evaluate strong Chief Executive Officer
8. Attend Three Meetings per Year with Recorded Minutes
9. Support the CEOs Vision (not the boards vision)
10. Provide CEO their expert advice

BOARD ROLES & RESPONSIBILITIES (PULL-OUT) Jimmy LaRose's RE-IMAGINING PHILANTHROPY (Page 62-63)

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The board is restructured so it is comprised of one expert in enterprise development, one expert very knowledgeable about the cause for which the organization exists, a lawyer, and an accountant. Pay all of them at least an honorarium. The rest of the board functions are re-purposed and restructured.

The primary functions of the restructured board are to:

1) Hire a strong chief executive officer (CEO)[56].
2) Approve the board meeting agenda (as established by the CEO/Chairman),
3) Ensure the organization abides by the state and federal nonprofit, tax, and ethics laws.
4) Amend, periodically review and approve the by-laws as the organization's structures and processes change to promote organizational growth in consultation with the corporation's public.
5) Participate actively and independently[57] in three annual board meetings and individually throughout the year as their expertise is needed.
6) Annually approve a financial budget ensuring it aligns with the organization's business plan;
7) Ensure minutes to meetings are recorded, reviewed, approved and made available to the corporation's public;
8) Initiate, review and approve an independent annual FINANCIAL audit and ensure results are available to the organization's public;
9) Initiate, review and approve an independent annual PROGRAM audit and ensure results are available to the organization's public;
10) Counsel and support the executive leader; and
11) Evaluate the executive leader's performance annually against job description and growth indicators, and set executive's annual compensation;
12) Terminate the executive if performance is unsatisfactory.

Summed up, the board's most useful and effective role and responsibilities are to support and counsel the executive and ensure, through the use of their expertise, that the organization grows substantially to accomplish mission and maintains its fiduciary responsibilities. The ultimate decisions for what the organization does on a day by day basis is the CEO's.

Key Practice 2b: The Board and CEO manage their finances and legal affairs ethically and appropriately and make results known publicly.

Today, many nonprofits hire auditors that do a thorough job reviewing the operations, financial management, personnel, and leadership of the organization. Under the restructured board, the board is comprised of six (plus)roles. They are as follows:

56 See Guideline 3 for more details

57 See discussion in *The origins & evolution of nonprofit function* on what it means for a board member to act as a moral agent and ensure independent judgement is exercised.

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1. Business Expert	(Chair)	Entrepreneur
2. Program Expert	(Secretary)	Specific
3. Finance Expert	(Treasurer)	Accountant
4. Legal Expert	(Member)	Lawyer
5. Communications Expert	(Member)	PR/Marketer
6. Nonprofit Expert	(Member)	Consultant
7. Plus (as needed)	(Member)	Consultant

THAT'S IT! (add other experts as needed eg. personnel, etc.) However, working group theory states that any "working group" with more than seven people is no longer a group that works!

While knowledgeable and skilled in auditing functions, the CPA on the board counsels the CEO on the financial management audit functions and on matters related to creating proper bookkeeping, payment and authorization processes, *but does not do the audit*, because it would be a conflict of interest. The board ensures that a qualified auditing firm is retained to perform the financial audit.

Some donors (big gift donors) and funders require evidence of a financial audit as part of their agreement to give money to the organization. Funders, particularly government funders, require financial audits yearly in order to receive federal or state funds. We strongly recommend that all nonprofits, regardless of size, have their financial bookkeeping and management operations audited on a routine basis. The funding community and individual donors can play a valuable part in paying for these audits (when there is no conflict of interests present).

The Board ensures that the CEO retains a lawyer to review policies and procedures, and advises the CEO on personnel and contractual issues. The lawyer ensures the organization is compliant with the various state and federal laws pertinent to their cause. The lawyer on the board counsels the CEO and other board members on matters of legal procedure, terminology, intent of language, etc. but does not, and most lawyers will not, act as the retained lawyer of the corp, if they serve on the board.

Nonprofits belonging to the United Way also get a program and operations audit. Some foundations do program and operations audits prior to giving substantial grants or contracts. Other nonprofits are affiliated with larger national or regional nonprofits that require extensive reviews of their finances, operations, policies, practices, and outcomes. In this case, an additional audit is done by them. All nonprofits should have access to a program and operations audit in the future.

All these audits create redundancies currently with the traditional responsibilities of the board. Therefore, it is better to take these responsibilities off the board directly and make the board's central purpose and function to work with the CEO. Proper auditors are retained or hired to perform the audits needed to ensure that public dollars are being spent appropriately and according to accomplishment of mission, and that the organization is abiding by the laws to which is it bound.

The CEO and board ensure that the nonprofit is transparent in its all its operations, including financial, by making sure the audit reports are available to the corporation's public.

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Key Practice 2c: CEO (and board) are wise stewards of the corporation's assets and ensure all resources are used to accomplish mission. Inurement is avoided, an annual audit is performed by CPA.

The best official to monitor proper use of public dollars is a trained nonprofit CPA. A thorough audit will reveal irregularities that need to be dealt with. High-performing nonprofit organizations willingly submit to these audits on a routine basis. It usually takes, on average, five years for a nonprofit to be fully compliant with good bookkeeping and money management guidelines, particularly if the bookkeeper/accountant hired is not familiar with the bookkeeping requirements related to some nonprofits (e.g. those affiliated with national organizations, those receiving charters from a state government, those requiring distribution of proceeds to various members, etc.).

Most nonprofit CPAs are very willing to train nonprofit bookkeepers so they can keep the kinds of books required. They are willing to work with the executive leadership to make sure financial management processes are ethical, legal, and keep the organization free from abuse and fraud. The financial accounting should be done by someone other than the CEO to avoid conflicts of interest. (For new start-up this is an important separation of authority and responsibility.) New nonprofits are encouraged to employ accounting services to handle their books starting day one of operation. No bookkeeping in shoeboxes!
CPAs already assume the function of telling funders and donors that the nonprofit is financially managed effectively. This is done indirectly by submitting to the nonprofit a letter stating findings of their audit.

State agencies responsible for corporation registration and reporting requirements need to determine exactly what it has the capacity to do relative to declaring 'good' and 'bad' nonprofits. We suggest, if a state wants to report on nonprofit financial management and accounting performance that it concentrate on whether or not the nonprofit had an audit and they report to the public the results of the audit (e.g. audit/no audit; material weakness/significant deficiency in internal control; compliance with laws, regulations, contracts, and grant agreements; auditor findings and auditee's response to auditor as found in the report).

If the state agency wants to provide the public with information on service performance, other questions and related indicators could be built to include: What is the ratio of clients served to total population need? Did the nonprofit state and reach their annual outcome and results goals? What were the results? Was there an increase in budget, clients, donors, funders, volunteers, staff? If not, why? Who were the most successful among those who serve the same populations? When judged, on what basis? How are they characterized? What kinds of capacity did they develop this year? How does their capacity building (often reflected in infrastructure costs) relate to their program outcomes and results? What is the cost per client of nonprofits doing the same thing?

Few state agencies have enough staff to monitor financial and program performance, however. This responsibility may be best placed with other organizations, as well as advocating for greater transparency.

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Key Practice 2d: The board hires a strong CEO and re-defines the CEO's job responsibilities.

A new type of leader is needed with a different job description. Many executive directors may make better program directors than executive leaders because their formal training, passions and expertise is at the program and services level and not at building a vibrant, growing organization. As a current board begins to change the nonprofit, one of their first tasks will be to look at the current title, job description and performance of the current director.

The chief executive officer of the nonprofit corporation should be called just that, the CEO. Eliminate the use of the word Executive Director. It carries with it the baggage of the current model.

What makes a nonprofit CEO a 'strong' CEO? A nonprofit that has a strong CEO is leading and managing the organization to grow. That means their primary attention is on building organizational capacity to adjust to changing times, circumstances, opportunities and challenges.[58] Growth is defined as ever increasing revenues, clients, staff, and services, and ever greater outcomes and impacts with ever increasing scale of effort and effect.

Even in small nonprofits started by one individual, the first three people to hire or recruit as volunteers should be a program director, an accountant, and development director. Separating the function of creation and delivery of programs and services will help the CEO stay focused on their primary customers, individual donors and agencies who give contributed dollars and for-profit businesses in partnership with the nonprofit to gain earned dollars.

Hiring a development officer will help the CEO build effective external relations, in addition to their primary focus being on fundraising. Building external relations has as a byproduct of effort, the development of a business plan for future growth, and ensuring the organization is adaptive to changes in the external environment.

Hiring an accountant trained in nonprofit accounting or retaining accounting services will ensure the organization is accounting for revenue and expenses correctly, ensure those who spend are separate from those who approve expenditures, and that the books are appropriately kept to meet external auditor's reviews. The board CPA advises the CEO and other board members on who to hire and helps the CEO make sure the books are set up and maintained properly, according to nonprofit CPA standards. The CPA on the board is not the one who does the books for the organization or conducts the audit. That would be a conflict of interest.

58 In Guideline 3 we define what organizational capacity building is and what it entails as part of the CEO's and Board's focus of attention.

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Executive leader's primary roles in relationship with the board are to serve as chair of the board and:

1) create board business agendas;
2) nominate board members in keeping with corporation by-laws;
3) vote on board business;
4) recuse themselves from voting on the hire of independent auditor(s)-financial, program, human resources;
5) recuse themselves from voting on their personal compensation package; and
6) seek the board members' counsel on matters related to their expertise;
7) ensures all board transactions and audits are transparent and made available to the public.
8) provides a state of the organization presentation to the board in light of mutually agreed upon organizational goals and objectives.

Executive leader's primary roles in relationship with donors are to:

1) recognize and treat donors as a primary customer;
2) build a strong trust relationship with them based on reciprocity and values relative to the treatment of clients related to cause;
3) involve them in the planning, evaluation, development and implementation of plans for the growth of contributed dollars;
4) partner with them in increasing the number of donors who share common visions, mission, and approaches to practice and operations;
5) engage them in all aspects of fundraising and revenue generation from multiple sources; and
6) communicate consistently and frequently directly with donors, both those currently affiliated and those who potentially could be affiliated with their organization.
7) The executive leader's primary role relationships with the for-profit partners are to
8) recognize and treat the partner as a primary customer;
9) build a strong trust relationship with them based on reciprocity and values relative to the treatment of clients related to cause;
10) involve them in the activities related to growth and generation of earned dollar;
11) partner with them to increase the number of for-profit business partners who share common visions, mission, and approaches to practice and operations;
12) engage them in all aspects of earned income generation from multiple business sources; and
13) communicate consistently and frequently directly with for-profit business entrepreneurs, both those currently affiliated and potential partners.

Many of the responsibilities on the lists of what a board member is to do are re-assigned and become the responsibilities of the CEO to ensure they are successfully done. Oversight, development, implementation and evaluation of programs and services are assigned to a volunteer or employed program director knowledgeable of best practices related to the mission. Fundraising and public relations are assigned to a volunteer or employed development director. A strong CEO will know how to strategically plan and develop a business plan, involving the board, staff, volunteers, and donors, and affiliated community leaders in the planning process. A strong CEO will retain a

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well-qualified CPA firm to audit the books and help the bookkeeper/accountant establish proper financial management and accounting procedures. The board will review the auditor's report and work with the CEO to ensure any corrections needed are implemented in a timely manner. The CEO ensures the audit report is made public to the corporation's public in a timely fashion. The board CPA ensures the CEO doesn't forget to make audit reports available and transparent, as well as ensures a well-qualified CPA is retained free from conflicts of interest. The CEO develops yearly a state-of-the-organization report for the board and staff. (This is different from a state of programs and services report which is but one section of the report.) Based on the report, the CEO develops goals and action plans for the coming year. The CEO prepares the annual budget and reviews it with the board and senior staff. The CEO works with the development officer to enhance the organization's public standing and seeks involvement by networks belonging to staff, volunteer, donors, funders and board members. The CEO seeks to widen and deepen meaningful bridging and bonding networks through which resources are accessed and shared. The CEO promotes ethical practices with staff, volunteers, and the board. The CEO retains a lawyer that has specialized in the area of law related to the organization's cause (e.g. lawyer familiar with educational law; family law; environmental protection, etc.) and works with that retained lawyer to review the organization's practices and adherence to the law's by which they are to abide. The board lawyer counsels the CEO of legal language, procedures, and issues and engages in discussions pertaining to legal matters. The CEO engages the board's expert on enterprise development in planning ways to bring in additional revenues without inurement.

The goal for board responsibilities and involvement is to keep the board focused on the essential task of ensuring the organization manages and allocates assets to the organization's mission and abides by all relevant laws. Finances are spent on matters related to the organization's mission, and resources are accounted for using well recognized accounting practices and controls. The board also ensures that the organization is compliant with all laws that the organization is supposed to follow, which for some organization's is no small task! The rest of the responsibilities traditionally assigned to a board are delegated to the strong CEO. The CEO is freed to act quickly, spend according to pre-determined plans and has the freedom to make decisions on behalf of the corporation in the same manner as does for-profit enterprises. The measure for successful performance is determined with the board in advance of their annual evaluation of performance so that pre-determined benchmarks of success are clear to all.

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Key Practice 2e: The CEO has full authority to act on behalf of the organization on all matters and is held accountable by the board for results.

Building equitable, trusting, reciprocal relationships between the restructured, re-purposed board becomes much easier when the board is comprised of less people who have the specific expertise the executive needs to build organizational capacity so it grows. Hire a CEO that the board knows is qualified to build the organization and then give him/her full authority to lead and administer all its operations. This CEO will know they need to seek counsel and build a relationship with the board that allows the board to know what is going on. Such a CEO will also keep the board informed and seek their counsel.

While we understand the need for the board to retain its ultimate authority and control over the use of the corporation's assets, such responsibility is not used to limit the CEO's ability to act quickly, make decisions, and use and, if needed, re-align financial categories so that the enterprise can respond to challenges and opportunities. They don't have to wait a month for the board to decide. The CEO can move forward, keeping the board members informed. The board still maintains its right to convene and counsel, if there is a need for deliberation and debate on strategic actions. Otherwise, the board reviews CEO performance annually based on outcomes of actions taken to accomplish capacity building goals mutually agreed upon.

A major issue currently faced by today's nonprofit executive director is that they cannot engage in decision-making with government or private business sector individuals in a timely manner. Opportunities are lost and actions slowed that could be corrected when dealing with issues that require a more speedy response.

Under the new model this situation doesn't occur. The CEO can act at the same speed as any for-profit business CEO or government agency leader would act. The CEO knows the directions established for building organizational capacity and is given full authority to proceed. Contractual relationships are reviewed by and approved/amended by the retained lawyer, if needed.

The interactions among board and executive are based on what is required to build social capital among them. They are egalitarian relationships where each respects the other, advises and counsels each other, holds each other accountable, motivates each other to think and act on behalf of the organization in ways that will make it grow. And, if it doesn't, has the freedom and security to tell each other it's not working and that changes are needed. What is advocated is not a group think situation where board members are passively following the CEO's lead. Each board member still maintains the responsibility to be a moral agent, wise steward, act independently and on behalf of the corporation's interests and mission. And ultimately, the board still retains the responsibility to terminate the CEO, but the decision is based on lack of meeting performance goals which both the CEO and board together created.

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Key Practice 2f: The CEO seeks counsel from and reports to the board on the organization's efforts to build capacity.

The CEO's new relationship with the board is as follows.

1) Serves as board chair.
2) Creates board business agenda.
3) Nominates board members (i.e. an enterprise expert; CPA; lawyer; program/cause expert) in keeping with corporation by-laws.
4) Votes on board business.
5) Ensures minutes to meetings are available to the corporation's public.
6) Prepares and presents goals for building organizational capacity.
7) Works with the board to create a business plan for growth.
8) Recuses self from voting on hire of independent auditors (financial, legal, program).
9) Recuses self from vote on personal compensation package.
10) Seek the board members' counsel on matters related to their expertise;
11) Ensures all board transactions and audits are transparent and made available to the public.

In fact, for most nonprofits this is already the model being used! The CEO is the one who knows best the daily operational needs, has a strong vision of what capacity building is needed to grow the organization and directs the board, through the board chair. If they don't, they should be made program director, or terminated, and a CEO hired. The CEO even now in many nonprofits is the one who nominates the board members, creates the agenda, and ensures minutes are kept. Many boards have done away with someone on the board keeping minutes. Minutes are done by the CEO or another staff member and are reviewed and approved by the full board. The CEO ensures the minutes are available to the public and any other entities requiring copies of the board minutes. (For example, charter school boards may be required to submit copies to the DOE in many states).

The board's discussion focus is on generating ideas that promote capacity building efforts. The CEO is trusted enough to be given full authority to proceed to build capacity, engage in projects that help

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build capacity[59], and use finances in ways that promote growth and the corporation's interests, and avoids inurement. The CEO is in constant contact with the board as these things are done. The board counsels when and where it can, based on expertise. The CEO also seeks counsel from other experts as needed. The CEO is transparent with board and staff on changes needed, and why and seeks input from those involved so that sound decisions are made.

Key Practice 2g: The CEO sees individual donors and for-profit businesses as their primary customers and seeks to provide the kind of organization they desire to address the issues and situations surrounding the organization's cause.

The strong CEO recognizes that the primary customer they serve are those that provide the revenues upon which the organization can continue to exist and grow.[60] Individual and agency donors that provide contributed dollar is one set of customers. For-profit business owners who can join in partnership with the nonprofit to created earned dollar is another set of customers. The kind of donor and for-profit business person the CEO seeks to attract and secure are those who have similar values as the organization's and passions for eradicating the issues surrounding the cause central to the organization's existence. These folks are willing to financially back organizations who have a sound plan, great dreams, and engage in joint efforts to raise revenues. They are willing to share their insights, wisdom, time and effort by partnering with the executive leadership (board and staff) to grow the organization.

59 Capacity building is defined as Connolly (2006, 4) defined capacity building as ***"the act of making changes to organizational knowledge, resources, and abilities with the goal of helping a nonprofit organization to function more smoothly and to better fulfill its mission".*** Connolly presents 4 areas of capacity building: 1) **Adaptive Capacity**: the ability of a nonprofit organization to monitor, assess, and respond to internal and external changes. 2) **Leadership Capacity**: the ability of all organizational leaders to inspire, prioritize, make decisions, provide direction and innovate, all in an effort to achieve the organizational mission. 3) **Management Capacity**: the ability of a nonprofit organization to ensure the effective and efficient use of organizational resources. 4) **Technical Capacity**: the ability of a nonprofit organization to implement the entire key organizational and programmatic functions (Connolly & York, 2003, p. 20). See Connolly, P., & York, P. (2003). *Building the capacity of capacity builders: An executive summary of a study of management support and field-building organizations in the nonprofit sector*. New York, NY: The Conservation Company, September & Connolly, P. (2006). *Navigating the organizational lifecycle: A capacity-building guide for nonprofit leaders.* Washington, DC: BoardSource. Paul Light (2004) presents four slightly different categories: 1) improvement of **INTERNAL STRUCTURE** through reorganization, team building, adding staff, enhancing diversity, creating a rainy day fund or reserve, creating a fund for new ideas, or related effort; 2) Improvement of **LEADERSHIP** through board development, leadership development succession planning, a change in leadership, greater delegation of responsibility for routine decisions, or related Effort; 3) Improvement of **INTERNAL MANAGEMENT SYSTEMS** through new information technology, budget and accounting systems, changes in the personnel system, staff training, evaluation, organizational assessment, outcomes/results measurement, or related effort; 4) improvement of **EXTERNAL RELATIONS** through collaboration, mergers, strategic planning, fundraising, media relations, or related efforts. Light, P. (2004). *Sustaining nonprofit performance: The case for capacity building and the evidence to support it.* Washington, DC: Brookings Institution Press.

60 See Guidelines 4 for amplification of this point.

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Both the board and CEO forge working partnerships with donors and businesses to extend the social network on which the organization can draw for resources. They help build bridging and bonding networks for the purpose of sharing resources and jointly tackling issues related to the situation they are improving. ***Through the development of a diversified social capital base, other forms of capital are more available.***

The customers related to cause are not ignored by these executive leaders, but these customers are the primary work focus of other individuals employed or secured to make sure that program and services are exemplar, well researched, and achieve results and positive outcomes. The board, CEO, donors and business partners work to make sure the infrastructure needed to accomplish effective program and services exist. The goal for all is to build an organization that totally addresses the needs and eradicates the issues surrounding cause. In other words, they are working to bring about a state of affairs where the organization no longer needs to exist!

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NANOE GUIDELINE 3

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NANOE GUIDELINE 3:

Strong CEOs lead people to build and maintain effective organizational and operational capacity.

Nonprofits that are high-performing are continuously involved in building capacity.[61] They have leaders (especially the CEO and board program and enterprise development experts) who are highly motivated to build capacity. The strong CEO thinks capacity building is a good idea, that it is expected of them and are confident that they can lead and manage the effort.[62] They are surrounded by people who think they should build it.

The strong CEO is given support, as well as freedom to manage the resources of the organization so that they can build capacity. They have boards that are actively involved in setting priorities and directions in partnership with the CEO, but give the CEO a sense of freedom to control altering, adjusting or improving a variety of factors within the organizations, including the use of financial resources. They have staff that is perceived to be committed and able to build capacity. When these things are present, organizational effectiveness (i.e. related to performance, management, program impact, and leadership) is positively affected[63], which in turn draws more people to the organization (donors, volunteers, clients). Thus, the numbers of donors, staff, volunteers, and clients, and the size of the budget increase.[64]

Organizational capacity building is defined as **"the act of making changes to organizational knowledge, resources, and abilities with the goal of helping a nonprofit organization to function more smoothly and to better fulfill its mission"**.[65] This definition encompasses both the organization's means (the organizational functions) and the ends (or mission) and identifies three areas of concern (knowledge, resources, and abilities). Paul Lights' studies identified four areas that high-performing nonprofit CEOs paid attention to

61 Light, P. (2004*). Sustaining nonprofit performance: A case for capacity building and the evidence to support it*. Brookings Institution.

62 Brown, K., & Robinson, K. (2015). *Strong CEOs: Nonprofit leadership roles in organizational capacity building*. Lexington, SC: National Development Institute.

63 Light, P. (2004). *Sustaining nonprofit performance: A case for capacity building and the evidence to support it*. Brookings Institution. Brown, K. (2012). *Factors Explaining Nonprofit Directors' Intention to Build Capacity*. Clemson, SC: Clemson University, Institute on Family and Neighborhood Life; Brown, K., & Robinson, K. (2015). *Beliefs that affect intentions to build nonprofit capacity*. Lexington, SC: National Development Institute and this report

64 Brown, K., & Robinson, K. (2015). *Beliefs that affect intentions to build nonprofit capacity*. Lexington, SC: National Development Institute, as well as Light's (2004) and others (for example, Herman & Renz 2004, 2006, & 2008) find these effects.

65 Connolly, P. (2006). *Navigating the organizational lifecycle: A capacity-building guide for nonprofit leaders*. Washington, DC: BoardSource; Connolly, P., & York, P. (2003). *Building the capacity of capacity builders: An executive summary of a study of management support and field-building organizations in the nonprofit sector*. New York, NY: The Conservation Company, September; Connolly, P. & York, P. (2002*). Evaluating capacity-building efforts for nonprofit organizations*. OD Practitioner, 34(4).

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when building capacity.[66] These four areas should guide the strong CEO in forming part of the basis for the focus of their leadership and management practice.

- Build and sustain effective EXTERNAL RELATIONS through collaboration, mergers, strategic and business planning, fundraising, media relations, or related efforts.
- Build, evaluate and alter INTERNAL STRUCTURES through reorganization, team building, adding staff, enhancing diversity, creating a rainy day fund or reserve, creating a fund for new ideas, or related effort.
- Provide LEADERSHIP through leadership development, succession planning, a change in leadership, greater delegation of responsibility for routine decisions, or related effort.
- Build, evaluate, and alter INTERNAL MANAGEMENT SYSTEMS through the use of new information technology, budget and accounting systems, changes in the personnel system, staff training, evaluation, organizational assessment, outcomes/results measurement, or related effort.

Key Practice 3a: The strong CEO builds and maintains strong external public relations in order to adapt to changing client and community needs.

Building and maintaining strong external relations with community leaders, residents, other nonprofits, donors, funders, and businesses in the geographic areas the organizations is missioned to serve are extremely important. It ensures the organization is adaptive to changes in the external environment and can respond effectively to changing needs and issues.

The extent and nature of an organization's public relations iniatives impact the organization's viability and growth in several ways. First, the amount of money an organization can raise is dependent on the organization having a good reputation and that people are aware the organization exists. Second, whether the organization has the ability to change and adapt to a changing environment is dependent on organizational leaders knowing how the environment is changing. This knowledge comes from interaction and information sharing with leaders in the geographic areas the organization serves.

Third, knowing when to merge or seek others to merge with another organization is dependent on knowing what other organizations (for-profit or nonprofit) are doing. Fourth, falling behind on the use of new technologies for communication with the public at large and the organization's public will mean people don't know about the organization's services or mission. It often leads to duplication and redundancies in services and a proliferation of nonprofits doing virtually the same things. Fifth, public presentations of the organization's case sharpen the leaderships' presentations of a case for support and demand that leadership determines the impacts and effects of the organization's

66 Light, P. (2004). *Sustaining nonprofit performance: A case for capacity building and the evidence to support it.* Brookings Institution.

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services. Building external relations functions strength internal programs, products and services. It helps the leadership determine the areas of organizational growth needed to support programs and services. Sixth, fundraising is impossible if the organization's leaders don't know what individuals, groups and agencies in the geographic areas served are passionate about their cause, who is routinely giving to human or environmental causes, what government agencies fund things related to their cause, and what funders have missions that are in concert with their cause.

Key Practice 3b: The strong CEO builds and maintains human interactions that create high performance and positive outcomes.

While the strong CEO communicates with and interacts with the public to ensure positive public relations, they also look inward to build and maintain the most positive work environment possible. They create positive human relations among staff, board, and volunteers.

They routinely take a look at how people function together to accomplish the work needed and if groups, departments, teams aren't working properly, new groupings are formed in consultation with those affected.

They ensure human resource management is effective so that labor laws, grievance procedures and policies, compensation and benefits packages are fair, consistent, equitable, and in line with industry standards for the work performed, given experience and education. Small nonprofits are encouraged to retain the services of human resource managers to help them set up their organization in light of laws requiring adeherence and to create the policies and procedures required by these laws. As soon as the organization begins to grow, human resource management functions should be handled by someone other than the CEO.

The most grievances that occur in nonprofits is over disputes about goals, roles or procedures. Strong CEOs create a work environment where all employees are given job descriptions, know what they are supposed to be doing, have opportunity to change what they are doing in consultation with supervisors if it isn't producing positive results, have clear benchmarks upon which they will be evaluated, are compensated equitably, are trained or hired with the competencies needed to do the job, and are given time to correct if performance isn't satisfactory. Evaluations by supervisors and the CEO are based on solid evidence, and performance is monitored directly rather than through third party or secret monitoring which fosters gossip and pits employees against each other.

Disagreements and disputes are handled directly by the parties involved and third-party airing of disputes is discouraged and directly dealt with by the supervisor. The CEO openly discusses with all staff, board and volunteers the communication tone and values by which they hope all will abide.

The CEO also works with the board and development officers to build financial reserves so that

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the organization can grow and meet needs during times when revenues fall and when new ventures appear to be feasible and desirable. The CEO with the board think long-range and ask donors to invest long-term through wills, estates, and endowments.

Key Practice 3c: The strong CEO secures organizational and operational team members with character and competence who strive to pursue noble ends using noble means.

The strong CEO is not only an effective manager but also a leader. Management deals with the CEO's abilities to build, maintain, and evaluate the organizational structures and processes needed to accomplish mission.

Leadership is the one single ingredient that will determine the failure or the success of an organization. The single most significant thing about an organization is what goes on in the minds of its leaders . . . because what goes on in their minds will determine what they do as leaders, and what they do as leaders shape the outcomes of the enterprise they are leading.

All leadership can be defined in terms of two broad categories: ***character and competence.*** strong CEO has both. Character defines the qualities that make for great leadership, and competence defines the leadership skills needed for CEO leadership role.[67]

Character in leadership is about pursuing noble ends with noble means. *What* do we mean by **noble ends**? Anything that is characterized by such things as: Being others-focused; Adding value; Representing something larger than oneself. This broad-based definition spreads the net very wide. In fact, a noble end is anything that doesn't harm the supplier or the user, and the things that cause harm are relatively few—drug dealing, prostitution, and so on. So people who are in construction, the food industry, healthcare, and so on, are all pursuing a noble end. And clearly, leading a nonprofit cause is a noble end. What do we mean by noble means? **Noble means** is about pursuing the ends with: Integrity, putting the corporation's and other's interests before their own; courage; and humility.

Competence in leadership is about understanding and applying the right kind of leadership to one's particular leadership context in the pursuit of those noble ends.

- ***Organizational Leadership*** is externally focused. It is concern about where the organization as a whole is heading, and what it is and will face.

67 See Anthony Bell, Founder of Leader Development Incorporated at www.leaderdevelopmentinc.com for further discussion and resources.

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- ***Operational Leadership*** is internally focused. It is concern about how it functions internally, making sure that all the tasks and operations it needs to perform are well-led and well-accomplished.
- ***People Leadership*** is about bringing out the best in the people within the organization, whatever their level and whatever their role.

Key Practice 3d: The strong CEO ensures that effective internal operations are present, well-led, and well-accomplished.

As the organization grows the CEO's leadership concentration changes. While, during the formation period, a CEO may need to spend a great deal of time developing and implementing operations, as growth occurs, the CEO's leadership concentrates more on organizational leadership. During both phases of organizational growth, effective people leadership competencies are required to ensure effective operations and that the organization is adaptive and vital to address and accomplish its cause.[68]

A strong CEO exercises effective people leadership by selecting the right people and matching them to the opportunities that best use their talents, explaining and clarifying expectations, and motivating and developing them.

The CEO ensures all operations needed to ensure the corporation's fiduciary responsibilities are developed and upheld, including proper accounting and bookkeeping systems, human resource management systems; information accumulation, analyzes, and dissemination systems; legal review and compliance systems; and communication systems (internal and external) top the list.

We have mentioned elsewhere that many current executive directors concentrate almost entirely on program and service delivery to the expense of organizational development. We think it best that as soon as possible, even before incorporation, that a founder with a vision for a nonprofit enterprise find a volunteer with similar vision and that one acts as CEO and the other acts as program director, with a division of development responsibility and focus of work. That way, both the organization as well as operations grow. One without the other is a set up for no growth.

68 See Anthony Bell, Founder of Leader Development Incorporated at www.leaderdevelopmentinc.com for further discussion and resources.

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NANOE GUIDELINE 4

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NANOE GUIDELINE 4:

> ***Organization's mission is re-defined to serve two primary customer sets: customers related to cause and customers who build organizational and operational capacity.***

A mission statement expresses the purpose of the organization, shares a vision for a future improved condition related to the cause, and identifies the primary means used to achieve the purpose and vision. Traditionally, mission statements identify who the primary customers are of the programs and services provided (i.e. those related to the cause), but they do not identify the primary customers of the organization (i.e. those involved in equipping the organization to address the cause). As a result, the executive leaders' efforts and attention are often misdirected, and one primary customer group is not properly involved. Organizational growth is less than it could be, when the executive leaders' work focus is off.

Traditionally, philanthropists that give to the organization are treated differently than what is recommended. A trusting interaction with all philanthropists is recommended. A strong CEO cultivates these relationships and understands their importance to success.

Key Practice 4a: The organization's mission is re-stated so that it includes the executive leaderships' customers as well as those related to cause.

The CEO and restructured board's primary work focus is on building, sustaining, and changing the organization's capacity so that it thrives, grows, and accomplishes mission. Their primary customers are those individuals and organizations that contribute dollars and those that the nonprofit partners with to earn revenue through innovated entrepreneurial schemes.[69]

Most nonprofits' missions need to be discussed again and re-stated to reflect a working understanding that there are two primary customer sets: 1) those affiliated with the cause, and 2) those who assist in the development of the organization. An example may help, since what is being recommended is unconventional.

69 See extended discussion in LaRose, J. (2015). *Re-imaging Philanthropy*. Lexington, SC: National Development Institute.

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TRADITIONAL MISSION STATEMENT

Faith & Hope Food Bank provides our community's hurting, hungry & homeless the clothing, food & care they so desperately need.

GlobalGo is the leading independent campaigning organization that uses peaceful protest and creative communication to expose global environmental problems and to promote solutions that are essential to a green and peaceful future.

Urban Alliance alleviates suffering, poverty, and oppression by helping people build secure, productive, and just communities.

RECOMMENDED REVISION STATEMENT

Faith & Hope Food Bank provides donors, business partners, advocates & volunteers the organization they require to care for our community's hurting, hungry & homeless.

GlobalGo provides donors, business partners, advocates and volunteers the organization they need to identify, peacefully protest and solve global environmental problems essential to a green and peaceful future.

Urban Alliance provides donors, business partners, advocates and volunteers the organization they need to alleviate suffering, poverty and oppression by helping people build secure, productive and just communities.

Key Practice 4b: The mission statement is used to revise roles and responsibilities within the organization.

Staff, board, volunteers, executive leaders engage in discussions about each's role in mission accomplishment so that they know the role they play and how it relates to achieving mission. A mission statement that is actually used to guide practice and operations has eight effects on the organization.[70] A proper mission statement:

1) clarifies a corporate sense of purpose;
2) increases CEO control;
3) guides definition of employee behavior standards;

70 Bart,C., & Tabone, J. (1998). Mission statement rationales and organizational alignment in the not-for-profit healthcare sector. *Healthcare Management Review*, 23 (Fall), 54-70.

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4) enables employees to identify with the organization;
5) gives greater recognition of external stakeholders' interests and involvements;
6) inspires and motivates employees;
7) provides the means to refocus the organization in crisis times; and
8) improves the resource allocation process.

The mission will be more effective if the organization's systems and processes are designed to consistently reinforce the mission.[71] This involves re-purposing and restructuring job descriptions, hiring people who are equipped to grow the organization, as well as provide effective programs, services and products.

Formal mission statements have an effect on organizational performance.[72] Three conditions that are present when mission statements positively and significantly affect performance in an organization are: 1) managers are satisfied with the mission; 2) leaders, staff, board and philanthropists agree with the decision-making processes used to develop the mission statement and they were involved in its development or re-statement; and 3) leader and employee performance evaluations are re-aligned to reflect the roles and responsibilities each has in accomplishment of mission.

To effectively alter CEO, board and staff's behavior, the executive leadership works with all leaders to redesign the work environment to stress the importance of the mission. It is made clear who services the clients linked with cause and who attends to building organizational capacity. Detailed information is given to all employees (and volunteers) regarding the different ways each one can contribute to realizing mission and how to concentrate their efforts on their primary customers.[73]

Volunteer recruitment and retention, including philanthropists and board members, are higher when mission statements are used effectively.[74] "A shared vision attracts volunteers, ignites enthusiasm, and helps maintain momentum."[75]

When volunteers believe in the mission, they also are more likely to spread the word to others. "Volunteers who believe in the organization are excellent ambassadors and advocates. Satisfied volunteers are great recruiters."[76] When staff and board present a compelling, unified mission message to donors, giving increases.

71 Forehand, A. (2000). Mission and performance in the healthcare industry. *Journal of Healthcare Management,* 45 (4), 267-277.

72 Bart, C., & Baezt. (1998). The relationship between mission statements and firm performance: An exploratory study. *Journal of Management Studies*, 35 (November), 823-836.

73 Sabastin, R., Prinzie, A., & Heene, A. (2008). The level and determinants of mission statement use: A questionnaire survey. *International Journal of Nursing Studies*, 45 (10), 1433-1444.

74 Roland C., & Stewart, W. (2008). Research Update: Vying for volunteers. *Parks and Recreation*, 43, (10), 28-29.

75 (T. Anderson as referenced by Roland C., & Stewart, W. (2008). Research Update: Vying for volunteers. *Parks and Recreation*, 43, (10), 28-29.

76 Roland C., & Stewart, W. (2008). Research Update: Vying for volunteers. *Parks and Recreation*, 43, (10), 28-29.

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Key Practice 4c: The revised mission statement is used to cultivate donors and for-profit business people.

A compelling mission will communicate to donors and for-profit business leaders that the nonprofit exists to help them realize their goals and passions related to the cause they care about. The organization exists to be an effective vehicle for donors, for-profit business partners, advocates and volunteers to give of their time, talent, money and other resources so that the community's well-being is enhanced.

Many millennials, as well as others from all age brackets, do not give in order to get a tax deduction. They give because they want to alleviate need. Yet most know that they can't meet all the need they see by themselves. A high-performing nonprofit is attractive because they can leverage their dollars, time and talent to make a far greater impact than they can alone! When donors find nonprofits that acknowledge them as partners in meeting needs and operate effectively, they invest and want to be involved. When for-profit businesses see that joint effort can generate dollars for both, they want to be involved. When volunteers see a meaningful role in a nonprofit that is organized to address the issues they care about, they volunteer.

A compelling mission statement is used to build a case for support of the organization. It is the conceptual hub around which all the rest of the case for support and business involvement is built. The mission statement, or narrative that accompanies it, should be a straight arrow pointing the way to the future desired.

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NANOE GUIDELINE 5

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NANOE GUIDELINE 5:

> ***Donors, corporations and foundations partner with the nonprofit to build a high-performing organization that accomplishes its mission and realizes the partners' passions related to cause and desired involvements.***

Key Practice 5a: Partnerships focus on building capacity.

Donors, funders, and for-profit businesses are the primary customers served by the executive leadership. They are involved, valued, and treated with the same intensity, dignity, and respect as are those connected to the cause. They become partners in ways not seen currently in many nonprofits.

Two kinds of revenue are needed by nonprofits: earned and contributed. The nonprofit sector has concentrated its energy on accumulating contributed dollars, but in recent times some are also engaging in joint ventures with for-profit enterprises on activities that are entrepreneurial in nature and produce earned dollars.[77]

Donors are any group or individual that gives money, time, talent, or other resources to the organization for which they get a tax deduction. Those that give big gifts in particular want a stake in the organization's growth and capacity so that it can accomplish mutually agreed upon values, approaches, visions for an improved state of affairs. So it is important to find donors who want to engage in egalitarian, reciprocal, engaged, trusting relationships with the organization's executive leaders, staff and volunteers. The old days of people of wealth controlling a nonprofit for their own self-interests as a board member are pretty much gone in pure form (particularly for the small nonprofit), but some residual attitudes and behaviors exist among some in the larger nonprofits. However, the greater issue today is to meaningfully involve donors because they are so used to being ignored. Some may even say they don't expect anything in return and it is up to the executive leadership and development director to establish enough of a relationship with each donor so that it is a natural conversation about how they would like to be meaningfully involved. It is the key to sustaining donors for longer periods of time.

The executive leadership and donors negotiate a relationship that is suitable to each. Some want more involvement than another. The important point is the executive leaders and senior staff build and maintains relationships with donors. Big gift donors in particular, often focus on the organization and its health. Before making large gifts, they make judgments on whether or not the organization is solid enough to use effectively the money, time, and/or talent given. They know that if the organization and leadership aren't solid, the impacts on customers related to cause will be minimal.

For-profit businesses partner with nonprofits when both organizations realize an economic value to the relationship. The value may be a tax deduction, new markets, free marketing, new revenues, new copyrights, new patents, shared expenses, increased revenue, free goods and services, increased marketing and sales capacity, shared knowledge and skill, shared management processes, or joint product development. It is important for the nonprofit's leadership to think about inurement issues. The board's lawyer and retained lawyer should be consulted during enterprise developments.

77 See Guidelines 6 and 8 for details.

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Key Practice 5b: The executive leadership engages in 9 transactions with donors.

Eight transactions are vital to building a trusting working relationship with donors.

1) **Values are openly shared and understood.** They talk with each other enough to know they have common values. The leadership believes in the organization's mission and the donor's values have affinity with that mission. The values upon which the organization's structure and operations rest, as well as those upon which the approach to resolving the issues related to cause are jointly embraced.
2) **Preferred solutions are openly shared and understood**. The approach to organizational growth and capacity building, as well as to resolving issues and making people's lives better are discussed, understood, and embraced. The solutions are co-created.
3) **Personality differences are seen as a strength not weakness and are understood.** The personality differences are discussed. Strengths and weakness are revealed and supported. Differences in behavior and expression are allowed and valued. You like them and they like you. You engage them and they engage you. Behavior control is not central to the relationship but, as trust in each other grows, it has the effect of controlling behavior out of respect for each other.
4) **Both see opportunities** present in participating in various ways in the organization's projects and in each other's individual projects related to the organization's operations and/or cause alleviation. Both invest resources, time and competence to the organization's success. You are inspired by their investments; they are inspired by yours.
5) **Both come to understand the wisdom and competence of the other**. You are impressed with their skills, knowledge, experience and wisdom and they are impressed with yours. Both understand they need each other in order to be inspired, innovative, adaptive, and realize greater impact.
6) **Both have enough interaction with each other to know what motivates the other to give of their time, talent, and resources to the organization**. They know what you believe, how you behave and what key attitudes you hold that motivate you to invest in the organization's growth and cause alleviation, and you also know what motivates their beliefs, behavior, and attitudes.
7) **They are confident in your stewardship and you are confident in theirs.** They are confident that you use resources effectively and efficiently. You are confident in how they invest in your organization and others.
8) **Both engage in reciprocal interactions.** Both give something to build and sustain the relationship and both take something from the relationship. "Give and take" relationships (reciprocity) generates social capital. Social capital builds trust. They become your focus and you their focus. Your friends and networks become theirs and *vice versa*.
9) When the donor is making a contribution that represents 50% of the entire budget or more, **donors and executive leaders discuss openly the amount of control** over the use of their dollars **that the donor expects to have** and what their response will be if others determine

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the organization should go in another direction. It is made clear that the gift becomes the organization's asset and that it is the organization's right to determine its use once received and that it must be used for the organization's purposes to accomplish mission, not the donor's self-interests (where they don't align with mission purposes and the organization's plans to accomplish it).[78]

To maximize investment from donors, the executive leadership, senior staff, development officers and board a) publicly acknowledge their gifts and contributions, when appropriate and with permission; b) consistently and genuinely express their and the organization's gratitude for their contribution; and c) meaningfully involve them in the organization in ways that are meaningful to them and advance the organization's accomplishment of mission.

Great nonprofits understand that donors are precious and, when meaningfully engaged, will perform magnanimous acts of generosity that change fundamentally everything about the organization and its impact. Donors increase their giving when cared for with intention.[79]

Key Practice 5c: Executive leaders engage in at least 16 transactions with for-profit business leaders.

The transactions mentioned above for donors also apply to the creation of successful for-profit business partnerships. In addition, there are other transactions that are needed to avoid misunderstandings:

1) **Joint ventures are detailed in writing,** including who gets what out of the relationship and what happens if there are grievances.
2) **Joint ventures often share people, resources, time, talent** and need to be fully detailed in writing.
3) **Tax ramifications for both are reviewed prior to implementation** so that both the for-profit and nonprofit knows what income is taxable, what isn't and under what conditions.
4) **Accounting for the joint venture is handled so that all expenditures and revenues related to the joint venture are clearly identified** and reported.
5) **Property rights** of both **are clearly identified** prior to implementation. Which organization owns copyrights, trademarks, and patents is negotiated.
6) **The amount of profit split** each gets from the joint venture **is identified**.
7) **The use of each other's names is identified so that marketing by both is guided by both organization's policies.**

78 See *The origins & evolution of nonprofit function* for expanded discussion of abuse in past and why it's important to openly and directly talk about these things prior to taking the money.

79 LaRose, J. (2015). *Re-imagining Philanthropy*. Lexington, SC: National Development Institute. These transactions were amplified from LaRose's presentation.

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NANOE GUIDELINE 6

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NANOE GUIDELINE 6:

> ***Revenues are intentionally secured, sustained, and grown from multiple sources.***

In other guidelines we have recommended re-purposing and restructuring the board of directors and the CEO roles and job functions. We recommend re-statement of the organization's mission to reflect the primary customers of the organization as well as the cause. If nonprofits and the sector are to grow and make a substantial impact in resolving the major social and environmental issues of our day, nonprofits have to alter how they think about, generate, manage, and report revenue. Some of the key alterations that will ensure revenue growth are covered in this guideline.

There are two kinds of revenue required by nonprofits. Revenue received to support programs and services and revenue received to build the organization to support programs and services. The first sources of revenue are what funders and donors buy from the nonprofit in exchange for proposed programs and services. The second source of revenue is the capital required to build the organization. In Guidelines 6, the first kind of revenue generation is discussed, followed by Guideline 7 on capital generation.

Key Practice 6a: A strong CEO spends significant time cultivating donors and for-profit business relationships.

Cultivating contributed dollars. As mentioned elsewhere, a strong CEO is required to generate revenues and build financial management capacity. The CEO ensures that fund development staff are secured as quickly as possible during the organization's growth of contributed dollars. They are necessary investments in infrastructure.

The strong CEO works to secure, sustain, and solicit new donors and other revenue sources that help the organization grow even if a development office(er) exists. However, the work of a development officer or campaign cabinet chair is not negated. While development staff is essential to generating contributed dollars and maintaining public relations effectively, a strong CEO spends time every week cultivating strong relationships with donors. Many spend at least two days each week cultivating these relationships.

Some authors advise boards to replace executive directors who do not understand who their primary customers are (i.e. donors, funders and for-profit businesses).[80] Many current executive directors may need to move to program director positions and the Board may need to hire a strong CEO. The

80 LaRose, J. (2015). *Re-imagining Philanthropy*. Lexington, SC: National Development Institute.

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CEO needs a passion for building the organization so that it best supports what the organization does/can do for clients related to their cause. The strong CEO has a good command of finance and how to generate new revenue from both contributed and entrepreneurial sources.

The executive leaders job is to transform how the organization operates and is structured relative to the generation, management and reporting of revenues and expenses. They should have a well-developed and understood plan for fundraising from all sources. A strong CEO makes sure these structures and operations are in place. The growth of the organization is usually expressed in a written business plan. Those organizations with a business plan are more successful.[81]

People of wealth know how to create wealth and are a major source of wisdom and competence that the executive leadership can draw on to grow the organization's revenue streams. The executive leadership identifies and cultivates donors and business people that care passionately about their cause. People of wealth seek to find nonprofits they think are doing a good job in addressing the cause. All staff, executive leaders and affiliated philanthropists communicate the mission and vision of the organization in a way that makes potential donors pay attention to them. Donors, regardless of income level, want to help out others and contribute to causes they care about. The nonprofit needs and values large and small gifts. The nonprofit's executives, working with affiliating contributors, identify other philanthropists that care about their cause and ask them to join them in making a difference in their community. That is how individual donations are gathered and sustained.

Cultivating earned dollars. The strong CEO and executive leadership are also looking for possible entrepreneurial ventures that bring in earned dollars from joint ventures. They are careful to choose ventures that help them achieve mission and provide added value to customers related to cause. The whole field of nonprofit leaders as social entrepreneurs is an emerging field but is old enough to have good models to follow.[82] High-performing executive leaders are building strong social networks that allow them to learn from existing efforts and seeking the help needed to create enterprises that are managed and operated within the legal structures that exist within each state. States differ radically in what is allowed and not allowed. Some executive leaders will have to work with the legislature and state officials to change regulation first, while others will be able to immediately consider enterprises that increase their organization's revenue. The major issue all nonprofits must address is to remain free from inurement as defined by the IRS. Through networking one can learn how other nonprofits have done this.

81 Brown, K and Robinson, K. (2015*). Six documents that Predict Success*. Columbia, SC: National Development Institute. The template for what is in a business plan helps the organization think through all the major aspects of the organization's operations, management functions, and efforts to generate revenue and create public awareness, support and use. See https://www.sba.gov/tools/sba-learning-center/training/how-write-business-plan for a tutorial on business plan development.

82 The *Stanford Social Innovation Review*, the Alliance for Social Enterprise, and the Fourth Sector Network are good sources for ideas and building social networks.

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Key Practice 6b: The CEO and Board invests in fund development staff, structures and processes.

While a strong CEO makes it their top priority each week to cultivate and maintain donors and other revenue generating possibilities, hiring a development officer ensures the organization's donor tracking, grant monitoring processes are developed, as well as giving the CEO assistance in cultivating donor interest in the organization. If the nonprofit is not yet in a position to hire a development officer, the CEO should seek a volunteer for that position, no matter what the size of the organization is.

Ironically, some nonprofits spend considerable money hiring consultants to do fundraising campaigns for them and end up either not meeting their goal or not sustaining the efforts needed to sustain fund development on a continuous basis. Hiring a consultant to do a fundraising feasibility process, done prior to raising a cent, will cost the organization more than what an entry level development officer would cost. The better investment is to hire a development officer.

A development officer, working under the leadership of the CEO, ensures that the organization has a strong case for support built from an effective business planning process that identifies operation, capital (project/programs), and long-term revenue generation (e.g. endowments, etc.) plans. They will help the executive leadership engage donors in the evaluation of the organization to determine what changes in structures and operations are recommended and are associated with donors' trust in the organization's leadership, organization, services, and outcomes. They will help build financial accounting systems that are able to link, track and report revenues generated by their source. They will help build a donor file so appropriate plans of care can be established to ensure each donor is involved in ways they wish to be involved.

Fundraising is usually considered an overhead cost. Many nonprofits avoid adding infrastructure (to be reported on IRS forms) that ends up being used by sector watchdogs (in some manipulated way) to report 'good' or 'bad' management practices. This flawed and faulty approach to monitoring nonprofit performance is addressed in another guideline[83]. The point we make here is that high-performing nonprofits invest in development officers to maximize contribute dollar. High performing nonprofits invest in enterprise development to maximize earned dollars.

83 See Guideline 8 for discussion on the overhead myth.

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Key Practice 6c: Fundraising consultants are used as coaches. The executive staff maintains leadership over and is fully engaged in the fundraising process.

Fundraising happens continuously. The nonprofit builds and sustains the organization's development capacity. A major way in which the nonprofit stays adaptive to changes internally and externally is by building the development capacity of the organization. Why? Because fundraising efforts require leaders understand what the public thinks about their organization, its services/programs, and results. It is harder to keep doing the same things if, during the fundraising process, it is discovered that big gift donors won't fund the organization because they are evaluating its operations or performance negatively.

High-performing nonprofits are not dependent on fundraising consultants to build relationships. They do not hire fundraising consultants to perform "feasibility studies" in the hopes of gaining capacity and relationships with their donors. High performing nonprofits engage donors directly and don't give that task to outsiders. They develop thorough knowledge of fundraising approaches that ensure the organization is holding on to current donors and finding new donors continuously. They form plans of care to help them stay in touch, communicate with and involve donors in meaningful ways.

Key Practice 6d: The CEO, board and senior staff stay away from dependency relationships with consultants.

High-performing nonprofits are not reliant on consultants to raise contributed dollars for them. They build their own internal capacity by hiring trained development officers and using consultants that are donor-driven in philosophy and approach. High performing nonprofits don't buy into feasibility phases where no money is raised, considerable money in consultant fees are spent, and where the one who has built the relationship with the organization's donors is the consultant and not the executive leadership!

Donor-driven consultants, who see their role as mentor, strive to equip the organization's leadership with the processes that work to raise funds, and educate the executive leadership, campaign cabinet and chair on how to conduct big gift campaigns. Donor-driven consultants believe in giving away their trade secrets to equip nonprofits to build capacity. Donor-driven consultants do not try to form dependency relationships with the nonprofit, but rather strive to make the organization's leadership self-sufficient.

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Key Practice 6e: The executive leadership diversifies the organization's revenue sources.

As the National Council on Charitable Statistics indicates, nonprofits receive revenue from a variety of mostly contributed dollar sources. The major ones include individual donations, contracts, grants, cooperative agreements, awards from government agencies, Medicaid, Medicare, tuition, fee for services, products or services for sale, and consulting fees. Many of the small nonprofits tend to rely heavily on one or two of these sources while the larger nonprofits diversify their contributed dollar funding streams. Diversification of funding streams helps nonprofits weather rainy days when one stream dries up. Having multiple funding sources also keeps the nonprofit free from being too control by any one source of contributed dollar funds. A nonprofit that envisions growth in staff, programs, services, volunteers, customers, revenues and other assets, seeks to diversify their funding streams.[84]

Below is a brief discussion of the major sources of revenue that strong CEO's seek to develop.

Donors. One source of revenue is through fundraising with individual donors and organizations. A strong CEO and executive leadership are knowledgeable and skilled in fundraising for large gift campaigns. They have invested in staff dedicated to fund-development. They understand the entire process is focused on building and maintaining trusting relationships with donors and funders, and making their organization and its impact known to the community.

Contracts, grants, cooperative agreements, awards. Staff or volunteers are dedicated to writing grants, contracts, cooperative agreements and seeking awards from government agencies, foundations and businesses. Very few grant writers unfamiliar with the organization are able to write effective grants and contract proposals. Most successful grants are written by those who will actually do the grant work. Senior staff, particularly the program director, write the majority of the proposals so that what is promised and the approach to product development is in keeping with where staff wants to go[85]. The staff has to own the proposal or it simply becomes a burden to administer, if funds are received. The grant support staff makes sure that the proposal addresses all sections of the grant announcement, uses standardized and required budgeting processes and amounts, adequately factors in benefit costs, indirect costs (where allowed), and ensures that termination and mediation processes are in place should the relationship between the grantor and grantee deteriorate.

84 This goal has led some to re-incorporate as a for-benefit corporation or an L3c or other corporate structure that allows greater flexibility in attracting and creating revenue-generating possibilities. See Guideline 8 for further discussion.

85 If they don't write the proposal themselves, they have developed the conceptual framework and project in detail so that whoever writes it up follows the lead of the staff who will actually do the work.

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The organization files for an indirect cost rate and communicates to all employees why having this rate is important so that they do not undermine or undercut the organization's ability to gain revenue for items that are considered indirect costs and fixed costs for needed infrastructure to accomplish the proposed project (such as costs involved in renting additional space).[86]

Built into many social and environmental policies at the national and state levels are requirements to fund certain kinds of programming and services. Growing nonprofit organizations are examining the policies related to their cause for additional opportunities to secure more long-term, substantial funding through grants and cooperative agreements in which fairly substantial funds are made available for services mandated through policy. Such efforts will take two to three years to realize revenue from because of the length of grant cycles and the time needed to develop solid proposals. Examples of social policies for which substantial federal money is available include, systemic family therapy services for juvenile offenders, rehabilitation services for substance abusers, parenting education for DSS clients, forest management processes, innovative small business development know-how for people in poverty, financial management tutoring for first home buyers, tutoring and mentoring services, after school programs, etc. The nonprofit has to be able to show clearly that their programs and services produced significant results, when measured statistically.

Products/Services. Nonprofits further diversify their revenue generation by examining all their services and products and determining how they can generate revenue from them. Are fees for services possible? Can some program materials be packaged for sale to like kind nonprofits elsewhere? Can staff develop books, materials, training package for sale? Should some client services be delivered on a sliding scale? Can they get money from a government agency to provide the government agency's clients with the nonprofit's services? (e.g. parenting education to DSS clients, health screening to DH clients, counseling services to parents, teens, substance abusers, etc.) Nonprofit leaders tap into their volunteer pool for people gifted in enterprise development to review their operations for ways it can be monetized.

Fee for services. As the nonprofit gains experience and secures meaningful outcomes with customers, it is in a position to help other nonprofits accomplish the same. It can earn additional revenue through consulting services, publishing curriculums, training, webinars, and other social media inventions. Gaining contracts based on a flat fee for services is also a way to pass along some related infrastructure costs associated with operations. The budget done internally covers all costs that it actually takes to provide the services, including facilities, electricity, administrative, etc. Only the bottom line is presented to the contractor. Experienced leaders don't get into discussions regarding the basis on which the fee was created because the fee ends up being reduced. They either want your service or they don't and are willing to pay what you ask. Those negotiating the fee must be sympathetic to the organization's needs to cover true costs so they don't undermine revenue generation. That means there has to be an on-going discussion about the need to pass along infrastructure costs wherever possible. Cheap is not in fashion! It's the road to no growth.

86 See Guideline 8 for further discussion.

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New entrepreneurial ventures. A new way that thousands of nonprofits are raising money is through entrepreneurial ventures, often with for-profit business partners, in which both partners realize new sources of revenue through the use of each other's customers, products or services or joint development of new ones. These ventures raise a new kind of dollar for the nonprofit. Rather than dollars contributed or awarded/granted by government, foundations or individual donors, they are dollars raised from consumers interested in the products and services offered and which relate to the nonprofit's mission[87]. More is said on this source of revenue in another guideline.[88]

This new source of revenue is creating new forms of organization in the nonprofit sector. Some stay as nonprofits. Others create a for-profit arm of their nonprofit. Some states are creating entirely new types of for-public-benefit corporation.[89] Some types of enterprise development within nonprofits are very familiar (for example, Goodwill Industries, Habitat for Humanity, farmer cooperatives) and others are not (for example, joint ventures with cruise lines; cause-related advertising, credit cards, member-shared insurance exchanges, etc.; all of which are marketed to the nonprofits customers and the nonprofit receives a portion of revenue from sales). New alliances and networks have formed to share ideas and help the traditional nonprofits learn how to become more entrepreneurial[90]. New university programs are training a new kind of nonprofit CEO who understands how to organize and manage a nonprofit that seeks maximum contributed and earned dollars.[91]

Key Practice 6f: Nonprofits apply for federal approval of an official indirect cost rate.

An indirect cost rate is comprised of the costs of the infrastructure needed and used to support the proposed activities. Such costs as a portion of accounting costs, grant monitoring costs (a portion of the salary of the staff member who has this function), secretarial costs, rent, electricity, equipment use/rental fees, etc. are considered indirect costs.

Universities have long ago adopted this standard and so have many nonprofit hospitals. More nonprofits need to do the same. Formal indirect cost rates are approved by the federal government agency that the nonprofit deals with the most. Surprisingly, few nonprofit executives know such an

87 Enterprise dollars have to relate clearly to the nonprofit's mission so that the IRS tax code on Unrelated Business Taxes (UBTs) don't apply.

88 See Guideline 8.

89 Delaware, Illinois and California are perhaps the leaders but some suggest that by the end of the decade all states will have a for-benefit corporation available.

90 The Social Enterprise Alliance and The Fourth Sector Network are two major hubs for nonprofit leaders who are networking on enterprise development.

91 For example, the degree programs at Stanford University, Georgetown University, and Harvard represent a new type of nonprofit management program with curriculums emphasizing enterprise development. Their curricula are different from the more traditional public administration program which offer a nonprofit administration track.

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opportunity exists. The application procedures are available from each major federal agency that solicits grants, awards, contracts and cooperative agreements. Once the nonprofit's rate is set by one federal agency, then all departments of the federal government accept the rate assigned.

The more nonprofits that apply, the more foundations and state agencies will understand they must change their views and practices too and allow nonprofits to pass along an indirect cost. Many foundations already accept indirect costs from nonprofits, such as universities and hospitals, which have established indirect cost rates. Sometimes some foundations lack standardized guidelines or policies for how much indirect cost rate they will allow and negotiate on a case by case basis. It is recommended that foundations standardize their allowed indirect cost rate to avoid discrimination and favoritism.

Smaller nonprofits need to plan to develop the necessary infrastructure early in their inception so that they can take advantage of this mechanism for infrastructure development and expansion. Larger nonprofits are encouraged to examine their infrastructure now and build it so they qualify for an indirect cost rate. Nonprofits with budgets of $1,000,000 or more are encouraged to apply. As the nonprofit grows, it can seek to re-negotiate its indirect cost rate with the federal agency that originally issued its rate.

The indirect costs allowances vary from federal agency to federal agency, and from foundation to foundation. It is healthy that at least there is some recognition of the need to support infrastructure costs but there also is a need to standardize what is allowed so that infrastructure growth is not unnecessarily curtailed.[92]

Recruiting volunteers who are employed by universities in their sponsored programs or grants management area or who manage grant-funded research centers will help the nonprofit successfully apply for an indirect cost rate. Indirect Cost Rate application guidelines are available from the federal agency with which a nonprofit submits the most grant proposals.

Key Practice 6g: Senior staff builds effective working relationships with university faculty to grow the organization's capacity to raise revenue.

Another source of revenue can be secured by establishing cooperative relationships with university faculty. Successful nonprofits find faculty who have an interest in their cause. The nonprofit assets that are attractive to faculty include their access to clients, a place to generate data and conduct evaluations and research, and a context in which to engage in experimental development projects to advance products and services that work (best practice research).

92 See www.Grant-writing-proposals.com for additional tips on indirect cost rates. Also http://www2.ed.gov/about/offices/list/ope/trio/indirect-costs-guidance.pdf

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Faculty can provide needed evaluation and research studies with clients and staff so the organization can determine outcomes, impacts and effects of service delivery, and the nature and extent of behavior change that occurs in clients as a result of services. Faculty can lend technical expertise related to virtually every major organizational function, service and product that nonprofits generate. Faculty publishing of results lends credibility to the nonprofit's efforts, markets the results of the nonprofit's services, and sharpens nonprofit programs, services, and operations.

In general, few nonprofits establish any relationships with faculty at all. It remains a major overlooked, under-utilized resource in virtually all communities in the USA.

Some faculty partner with nonprofits to develop large dollar grants (hundreds of thousands to multi-million dollar grants). Strong CEOs or program directors will negotiate and include in their portion of the proposal all overhead costs allowed, as well as program costs and salaries related to the proposed effort. High-performing nonprofits make sure they have developed a plan of work, products and services for which they are responsible, and a detailed budget. (Most universities require faculty to work out individual work plans and budgets for all partners they involve in their contracts and grants.) Nonprofits don't leave the nuts and bolts of the partnership up in the air because misunderstandings may occur.

Discussions on where the grant is housed should also occur. The university will want it based with them to ensure proper grant management oversight and to realize the benefit of their legally approved indirect cost rate (which pays for their infrastructure costs). Their indirect costs will be substantial which cuts down on the amount of direct costs that can be factored into the budget. For example, the indirect cost rate can run anywhere from 40% to 75% or higher of the total amount available for a given grant or award, depending on the university's federally approved rate. This means that of the total amount allowed, that percentage of funds is subtracted from the portion of revenue available to accomplish what is proposed.

Experienced faculty and nonprofit leaders will be careful to propose what is realistic for the amount actually available to accomplish the proposal's goals and objectives. Some start the proposal development process by building the budget to ensure that the proposed work envisioned is possible given what is available for direct costs. This saves hours of time in proposal development.

Sometimes, where there is a strong trusted working relationship, the nonprofit and university leaders create multiple proposals. Some are based on the university and others are based at the nonprofit, where the indirect cost rates are often lower or non-existent (but where the nonprofit's infrastructure costs related to the proposed activities are built into the budget). These transactions become possible when there is a strong working relationship between the partners over a longer period of time.

Smart faculty and nonprofit leaders do not bad mouth the passing along of indirect costs. They understand that indirect costs pay for some of the infrastructure costs incurred as a result of doing the grant work. Nonprofits without a federally authorized indirect cost rate will have to pass along

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their indirect costs the best they can. Sometimes, if allowed by the grant guidelines, this is done through a fee for service in which a flat fee is assigned. Figured within this flat fee for service are the expenses related to infrastructure costs (e.g. % of secretarial time spent on grant work; % of cost of copying machine; % of rent on space or all of rental costs if new buildings are required to operate the proposed initiative; % of bookkeeper's/accountant's time to track revenue and expenditures to cost center, % of staff salaries and benefits related to time allocated doing grant work, etc.).

Strong nonprofits seek to house some of the grants done with universities with them but have developed the infrastructure necessary to ensure big dollar grants are properly handled. Strong nonprofits must know federal laws regarding the protection of human subjects.[93]

Significant discussion must occur among partners to figure out what each needs from the grant work and who owns what property rights, copyrights, trademarks, etc. But it is well worth such discussions as these partnerships can be a major source of significant revenues that last for several years.

Faculty who are apt to be most interested in working with high-performing nonprofits include assistant professors who are still identifying meaningful, long-term research directions, need to publish in order to gain tenure, and need access to populations for research, or who want to trial new approaches to practice which are thoroughly researched for effectiveness. Full professors who have gone through the ropes of the tenure review and now have opportunity to explore relationships related to their passions are also making themselves more available to nonprofits. Newly retired faculty are also prime for such involvements. Faculty within land grant universities are more oriented to full engagement with community organizations because of the mission of these universities. Extension specialists job is directly related to providing expertise to the community in the area of community development, rural economic development, family life and well-being, child through adult development, including best practices, all areas of animal, forest, and marine sciences, agricultural and natural resources sciences. They will welcome joint grant involvement with high-performing nonprofits.

93 For example, see http://www.hrsa.gov/publichealth/clinical/HumanSubjects/

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NANOE GUIDELINE 7

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NANOE GUIDELINE 7:

Capital is raised to build the charity and is reported separately.

As mentioned in Guideline 6, traditional sources of revenue support program and service expansion or quality increases. In essence, funders and donors are exchanging revenue for certain programs, services or the outcomes of programs and services. This type of revenue is not so much about taking risks or shifts in strategy as it is about giving money based on evidence of what already exists and its outcomes.

In this guideline another type of income is discussed: Capital.[94] This is investment money given from financial partners who join the leadership's effort to build a sustainable organization and the means to produce the product and services required to increase outcomes and impacts. Investment income covers deficits until revenues and expenses break even and become a surplus, and investment income helps the organization build the production capacity to make a more significant impact. While the type of revenue discussed in Guideline 6 must become sustainable, investment income is often more episodic and may act as the initial or important catalyst to change in what the enterprise does or how it does it. Some make the distinction between the two types of revenue as buyer type income (paying for program delivery) or builder type income (building additional delivery capacity).[95]

More foundations are beginning to invest in growth capital. Notably among them are the Edna McConnell Clark Foundation, Omidyar Network, New Profit Inc., Venture Philanthropy Partners, and the Nonprofit Finance Fund. They are the first to raise the concern that not enough conversation is occurring about the need for nonprofits to build capital. Yet, they and others recognize that without capital investments in the nonprofit sector there is a huge barrier to achieving scale. And these foundations' experiences also indicate the importance of building reliable, repeatable net revenues, as well as the use of growth capital to help take nonprofits (usually midsize) to a new level of operation. Both types of revenue are needed.

94 Overholser, G. (2016). Nonprofit Growth Capital: Defining, measuring and managing growth capital in nonprofit enterprises: Part One: Building is not buying. As retrieved from http://www.nonprofitfinancefund.org/sites/default/files/docs/2010/BuildingIsNotBuying.pdf

95 Miller, Clara. (2013). *Capital, equity, and looking at nonprofits as enterprises*. Retrieved from Nonprofit News/Nonprofit Quarterly, August 16.

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Key Practice 7a: Investment income is reported separately from other revenue sources.

Investment income is reported and tracked separately from other sources of income (e.g. fees for services, product sales, grants, contracts, awards, etc.). Investment income is tracked as a percentage of the total enterprise's value.

Reporting investment income separately from traditional revenue sources also helps establish the true cost of building an enterprise to a given level of sustained operations.

Key Practice 7b: Investors are reported separately from donors and funders.

Report investors who give growth capital to increase the enterprise's infrastructure and operations separately from those that given for specific proposed projects, pay fees for services or buy products from the organization. The traditional 'donor' list or 'donor and contract/grant partners' lists would be modified to report those who contribute to capital investments from those who provide more traditional revenue as discussed in guideline 6.

In the for-profit world those who invest in the development of the enterprise are recorded separately from those who are customers (i.e. those buying programs, services, client or environmental outcomes). The more traditional sources of revenue discussed in guideline 6 tend to cover project level expenses. Investors have a 'stake' in the enterprise and the nonprofit needs to develop a way to show what that stake is and how it grows with time. It could be at least a percentage of the amount of revenue growth produced as a result of the use of the investment income or the decrease in 'burn' rate (discussed below), or the increase in scale and coverage achieved.

Key Practice 7c: Use of growth capital, other income and 'burn' rates are monitored closely.

The 'burn' rate of an enterprise is the amount of money spent that is over the monthly revenues produced. If a nonprofit has monthly expenses of $200,000 and only receives $150,000 in revenue, the 'burn rate' is $50,000. Often nonprofits have a high burn rate one month, but then have periods when revenue is higher than expenses so tend to look at a yearly cash flow based on traditional revenue sources. However, that is a set up for never growing. The nonprofit should strive to meet expenses every month and use capital to expand production and product.

The burn rate on a monthly and yearly basis should be tracked. It should show a declining rate as the years go by in order for the nonprofit to be seen by investors, traditional funders and donors as sustainable.

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The nonprofit needs growth capital so that it can position the organization to produce monthly revenues that equal expenses for the month and have enough growth capital in reserve to allow leaders to think about expansions, doing different things related to mission accomplishment.

The use of capital should be to position the enterprise to be sustainable using the types of revenues featured in guideline 6. At each growth spur, the enterprise will need capital to invest in increasing production and products and concomitant revenues. There will be a 'burn' rate until the enterprise reaches a new level of enterprise in which income is equal to or exceeds expenses.

Report expenses according to the use of the money and type of money. Investment income and expenses are reported separately from program, product expenses, in the same manner as is done for all grants and contracts for which reports are required by the funder.

Key Practice 7d: Growth and change are sustained through the use of capital investments.

Unless the nonprofit is realizing more revenue per month and year, over expenses, it should not use of traditional revenue sources to grow a nonprofit's operations and organization. Doing so will not be sustainable in the long run. Instead find investors willing to invest in new operations and organizational capacity to accomplish higher quality and/or greater impact.

Key Practice 7e: Create a rigorous business plan before beginning strategic plans for growth.

Most investors will want to see a business plan for growth. Creation of business plan helps leaders think through changes in market conditions, sources of revenue (current and future), increased operating costs, growth goals, public relations strategies, changes in structure and operations required.

Key Practice 7f: Investors who give to operations and organizational growth need to give more not less during the growth process.

As the organization is built there will be more expenses. Revenue of the kinds discussed in guideline 6 must be built to sustain the new operations levels. The organization should not seek to live forever off capital investments. Capital investments are for episodic growth spurts. It infuses needed income during a period of growth until revenue from more traditional sources catches up with or exceeds expenses.

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NANOE GUIDELINE 8

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NANOE GUIDELINE 8:

> ***Leaders identify and communicate administrative costs as investments needed to grow the organization and to accomplish mission.***

The primary standard used by state agencies, industry leaders, and donors to determine whether a nonprofit is a good steward of public dollars is whether or not the nonprofit spends 25% or less on 'overhead'. Yet spending more on areas linked with what some consider overhead costs is the key to nonprofit growth and success.[96]

Overhead is not an accounting term.[97] Various state departments and national watchdogs factor in different things in the overhead costs they report on nonprofits. While the nonprofit sector has raised the issues regarding the use of an overhead figure being the sole measure to determine effective management performance, it is still being used, still reported in the press as being 'good' or 'bad' and still means different things to different groups. It behooves the nonprofit to be very careful in determining where expenses are booked on their accounts, and on the IRS 990 form submitted to the IRS.

Typically, overhead costs are all those things needed to operate the organization and build greater capacity. Administrative, operating and development staff salaries, benefits, facility costs, information technology costs, supplies, equipment, rent, utilities, licensing fees, insurance, travel, accounting services, accounting, board meeting costs, legal fees, postage are considered overhead expenses. Administrative, operating and development salaries and benefits are typically the bulk (75%-85%) of overhead costs.

In a recent study done by the Center on Nonprofits and Philanthropy at the Urban Institute and the Center on Philanthropy at Indiana University, the industry standard of 25% or less overhead was found to produce three prevailing nonprofit management motivations and behaviors (called 'drivers'). This indicator drives the nonprofit to mislead philanthropists and regulatory agencies on what their actual overhead costs are. It also creates unrealistic expectations on the part of some

96 Bedsworth, W., Gregory A.G., & Howard, D. (2008). *Nonprofit Overhead costs: Breaking the vicious cycle of misleading reporting, unrealistic expectations, and pressure to conform*. Bridgespan Group: *www.bridgespan.org* ; Wing, K., Pollak, T., & Rooney, P. (2004). *How Not to Empower the Nonprofit Sector: Under-Resourcing and Misreporting Spending on Organizational Infrastructure: Under-Resourcing and Misreporting Spending on Organizational Infrastructure*. As retrieved from www.coststudy.org ; LaRose, J. (2015). *Re-imagining Philanthropy*. Lexington, SC: National Development Institute.

97 See Masaoka, Jan & Zimmerman, Steve. *A Board Member's Guide to Nonprofit Overhead* http://www.blueavocado.org/content/board-members-guide-nonprofit-overhead for additional information on some of the issues involved in calculating overhead costs. Also See a Funders Message to Other Funders About Overhead Costs at http://blueavocado.org/content/funders-message-other-funders-about-overhead

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philanthropists, particularly foundations, United Ways, and government regulatory agencies. Certain donors reward organizations with lower overheads. Some government agencies actually demonize nonprofits in their state with high overhead but are unclear what really is wrong with them. It also drives nonprofits to conform their spending patterns to have as little overhead as possible and to conform to the other nonprofits that have learned how to place overhead costs connected with programs and services elsewhere in financial reports. In general, the standard has created both deceptive financial reporting practices, unrealistic expectations, and pressures to conform and these drivers retard the growth of the sector.

In addition to the drivers to unfruitful financial management behaviors and attitudes identified by Bridgespan, subtly the 25% or lower overhead indicator orients executive leaders to spend more time and effort on the wrong customer (i.e. the clients linked to cause) rather than their primary customer (i.e. the donors who provide the money needed to build organizational capacity). How does this happen? If the CEO spends time on program delivery that portion of their salary and benefits can be charged as program expenses rather than overhead! Don't get us wrong on this point. Yes, the executive leadership must care about and make sure clients linked with cause are served in ever increasing and effective ways, but the executive leaders' job is to grow the organization so that the program staff can do just that!

Why has the industry (e.g. Charity Navigator, GuideStar, NPQ) adopted this standard? Why do they keep reporting it even when they say it's not a good standard by which to judge effectiveness (and not even really that good to judge financial mismanagement)? One motive is they have created a nonprofit with a mission to hold nonprofits accountable for 'proper' use of public dollars.[98] Their use of the 25% overhead or below benchmark to indicate 'proper' use of public dollars is based on flawed beliefs about the conditions under which a nonprofit can grow.[99] In addition, government leaders and nonprofit sector watchdogs know they are not in a position to bear the expenses involved in properly monitoring nonprofits regarding corrupt or poor financial management practices so have relied on an indicator for which data is readily available (IRS 990 forms).

Reporting nonprofits as doing something wrong when overhead is over 25% has also clearly lead to reporting that some nonprofits are performing ineffectively (i.e. not using the 'publics'

98 Ironically, technically the corporation's board is the legal mechanism that has the authority and responsibility to hold the corporation officers responsible for the use of the dollars received. Not a national nonprofit watchdog group. Also the contributions technically are not the "public's dollars" once received by the organization. They are the corporation's dollars. At the time of giving, the dollars are entrusted to the corporation's officers for use. It is an issue of property rights legally and was settled in the courts long ago to stop contributors (the wealthy, businesses, church, foundations, government) from controlling how nonprofits spent their money. It is partly also an issue of self-interest vs corporation interests. It is the board's and executive officers' responsibility to make sure all revenues are spent to accomplish mission not self-interests. See *The origins & evolution of nonprofit function* for further discussion.

99 See Stanford's *Social Innovation Review* article by Gregory and Howard: "the Nonprofit Starvation Cycle" for a fuller examination of the problems the sector faces currently because of the misuse of the 25% overhead indicator. http://ssir.org/articles/entry/the_nonprofit_starvation_cycle Also, it is the organization's board that has this responsibility not national watchdog groups. It's back to the issues of who controls a nonprofit's operations. See *The origins & evolution of nonprofit function*.

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dollars effectively; suggesting mismanagement or possible fraud) when all evidence exists that the organization grew and had a significant impact and effect on the customers related to their cause as a result of 'overhead' investments.

Many CEOs and boards tend to under-invest in the infrastructure needed to grow the organization and maintain or exceed their program and service goals. A "do more with less" philosophy doesn't work and never will. All suffer, the staff, the organization, all customers, the community, the region, the nation. When closely examined, it has a direct bearing on why government spending is high. Government leaders feel they must pick up the slack because nonprofits are not having the impact required to meet need. The costs to the national economy are enormous!

Key Practice 8a: Executives shows how investment in infrastructure saves costs in other areas and has helped the organization achieve its goals.

Executives must counter the prevailing message being sent about investing in areas currently considered "overhead".[100] A counter message has to be sent that clearly deals with the overhead myth and which shows how certain costs of the organization help achieve savings and outcomes.

Three indicators are used by growing nonprofits to communicate the value of investing in infrastructure.[101] First, they identify what it would cost if employee salaries were required to do functions that can be automated through the purchase and use of goods and services (such as IT, accounting, billing, identification of people of wealth, mailings, printing, etc.).

Second, they calculate the direct effect investments in infrastructure had on increasing the number of clients served and the outcomes achieved. Third, relative to increasing the number of donors, they calculate the cost of development compared to the amount of money raised and the new number of donors secured, retained, or re-engaged.[102]

In a recent study conducted by Bridgespan reviewing the practices of four youth-serving nonprofits that had managed to build critical capacity to make a significant difference, these organizations intentionally expanded their overhead costs, planned in advance for the support of things

100 However, "overhead" is not a term used by accountants. The meaning of the word "overhead" varies widely among various authors and agencies. See Masaoka, Jan & Zimmerman, Steve. *A Board Member's Guide to Nonprofit Overhead* http://www.blueavocado.org/content/board-members-guide-nonprofit-overhead for additional information on some of the issues involved in calculating overhead costs.

101 Bedsworth, W., Gregory A.G., & Howard, D. (2008). *Nonprofit Overhead costs: Breaking the vicious cycle of misleading reporting, unrealistic expectations, and pressure to conform*. Bridgespan Group: www.bridgespan.org

102 We are grateful for Guidestar, BBB Wise Giving Alliance, and Charity Navigator's joint effort starting in 2013 to the present to dispel the 'overhead myth'. See http://overheadmyth.com/ for useful ways to communicate overhead to board, donors, community leaders, state officials.

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normally included in overhead costs, and talked about the future investments in overhead they needed to grow and reach their goals and mission.[103] These organizations (and many more of the larger successful ones) know that investment in overhead is essential to significant growth, results and impact.

The business world has long recognized that infrastructure development is vital to growth. States recognize this and spend millions developing infrastructure to attract businesses. The IRS recognizes that infrastructure is essential to business growth and gives for-profit businesses a tax deduction for overhead expenses. But arcane thinking in the nonprofit world makes it very difficult to build infrastructure. Many think it is one of the pervasive norms that have kept most 501c3s small and unable to achieve their missions.

In addition, most of the costs of fundraising, communications and marketing are considered overhead expenses. Building positive public relations creates awareness of the organization and builds trust in what it does. It forces the executives and staff to account for results and to communicate that to the public at large. Creative communication and marketing strategies are employed to mount an effective public relations program. Without a strong public relations program, the organization is less innovative and less able to adapt quickly to change.[104] Public relations programs require careful planning and are typically included in a sound business plan.

Expenses for infrastructure development will naturally be higher during times of capacity building, particularly for smaller, newer nonprofits and for those going through major structural and operational changes. Many nonprofits account for infrastructure development needs and costs by distributing the costs to programs, product or service centers. This approach helps everyone understand the true costs of specific services, products and processes.[105] Some larger nonprofits also show how investments in overhead costs reduce the costs currently spent by government or the public to deal with the issues resulting from the current social and environmental ills that exist.

The overhead myth is that the percentage of overhead that a nonprofit has is a good indicator of the nonprofit's performance, particularly financial management performance. In fact, the percentage of overhead does not tell donors and funders the quality of a nonprofit's performance. To counter this prevailing myth, high-performing nonprofit leaders develop new indicators to

103 Bedsworth, W., Gregory A.G., & Howard, D. (2008). Nonprofit Overhead costs: Breaking the vicious cycle of misleading reporting, unrealistic expectations, and pressure to conform. Bridgespan Group: *www.bridgespan.org*

104 See for example, TCCGroup. (2011b). The four core capacity model: A video. Philadelphia, PA:TCCGroup. Retrieved from http://www.tccccat.com/resources.html ; Connolly, P. (2006). Navigating the organizational lifecycle: A capacity-building guide for nonprofit leaders. Washington, DC: BoardSource; & Adizes, I. (2009). How to manage in times of crisis. Carpinteria, CA: Adizes Institute Publications

105 See Masaoka, Jan & Zimmerman, Steve. *A Board Member's Guide to Nonprofit Overhead* http://www.blueavocado.org/content/board-members-guide-nonprofit-overhead for additional information on some of the issues involved in calculating overhead costs. Also See a Funders Message to Other Funders About Overhead Costs at http://blueavocado.org/content/funders-message-other-funders-about-overhead

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measure their use of public dollars and organizational performance by doing some of these things:

1) Develop a strategy that explicitly recognizes infrastructure needs. Frame strategy discussions around goals and the investments needed to achieve them rather than centering such conversations on costs.
2) Communicate the logic for increased overhead investment throughout the organization, and to the board, funders, donors. A collective commitment from all levels of the organization, including senior staff and the board, is a powerful lever.
3) Provide funders with better ways to measure financial management performance than using a program to infrastructure cost ratio. A conversation about costs to achieve outcomes (and how investments in overhead can reduce those costs) can be much more meaningful.
4) Show how investments in overhead can reduce costs associated with reaching goals and in the costs associated with maintaining the status quo for customers (e.g. costs associated to house prisoners, deal with effects of addictions, the costs associated with illiteracy, handling the effects of global warming, deforestation, the spread of AIDS, malaria, zika, polio, TB, etc.)[106]
5) Retain a CPA to help the organization allocate all costs associated with a particular program and service to the program rather than to overhead. This is done already by many of the larger nonprofits.

Bridgespan's review of for-profit overhead showed that when examining 25 industries, the average overhead rates ranged from 13-50%, with the average across industries being in the mid-20s. Among service industries, none reported average overhead rates below 20%. Newer industries had more overhead costs because they were on a rapid growth track and infrastructure had to be developed in order to support the growth projected.[107] Thus, if there is continued use of IRS 990 forms to calculate overhead, some sort of scale needs to be created that accounts for the organization's capacity building efforts, as well as age of the organization, and kinds of developments needed to increase performance, outputs and outcomes.

We are impressed with the work that CalNonprofit is doing with their overhead project to educate nonprofits in California on how to calculate and report 'overhead'.[108] We encourage other state associations to begin doing similar things, in partnership with state associations that have already invested considerable time and effort in establishing such projects.[109]

106 These recommendations come from Bedsworth, W., Gregory A.G., & Howard, D. (2008). Nonprofit Overhead costs: Breaking the vicious cycle of misleading reporting, unrealistic expectations, and pressure to conform. Bridgespan Group: *www.bridgespan.org*

107 Bedsworth, W., Gregory A.G., & Howard, D. (2008). Nonprofit Overhead costs: Breaking the vicious cycle of misleading reporting, unrealistic expectations, and pressure to conform. Bridgespan Group: *www.bridgespan.org*

108 See CalNonprofit at http://www.calnonprofits.org/

109 For example, why create your own webinars when you might be able to join in on those done by CalNonprofit, etc. While we realized webinars are a source of revenue, partnering with some agreement on proportion of revenue the goes to partners is a real possibility to make sure nonprofits get the best advice and help they can.

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Key Practice 8b. High-performing executives communicate overhead costs as specific business expenses that help grow specific assets.

In most nations, overhead expenses are claimed on for-profit corporation taxes. It is a deduction to the tax imposed. Hence, it's a positive thing in the for-profit world to have overhead! The government implicitly recognizes that these expenditures are not voluntary but needed to grow and operate the business. It is assumed these expenses would not exist if the business didn't exist and that building infrastructure allows the business to grow.

The same logic applies to individual donors. They are not taxed on the dollars they give directly or through foundations. It is a deduction to the amount of income for which tax is due. Thus, donors experience a benefit from their donations. They grow in wealth or at least have more revenue at their disposal than they would otherwise. They are able to gather more assets and the infrastructure needed to realize their goals.

Nonprofits need to also begin showing how their overhead investments directly relate to increased assets that the organization has and how these assets relate to impact and effect. Such relationships can be presented as a flow chart or logic model.

Key Practice 8c: Community leaders discuss new ways to measure nonprofit management success including financial health and program effectiveness.

Key Practice 8d: Funders and donors draw attention to new measurements that reveal effective nonprofit management performance.

Effective funders and donors understand the overhead myth[110] and don't want the nonprofit to starve[111]. They help donors and the public understand that investments in nonprofit infrastructure are necessary in order for nonprofits to be able to achieve scale and adequately address the needs related to their cause. They are actively involved in creating improved indicators of effectiveness

110 See Guidestar initiative at http://overheadmyth.com/faqs/ and Social Velocity at http://www.socialvelocity.net/2014/02/can-we-move-beyond-the-nonprofit-overhead-myth/ and http://overheadmyth.com/letter-to-the-donors-of-america/

111 See Stanford's *Social Innovation Review* article by Gregory and Howard: "the Nonprofit Starvation Cycle" for a fuller examination of the problems the sector faces currently because of the misuse of the 25% overhead indicator. http://ssir.org/articles/enArtry/the_nonprofit_starvation_cycle

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by which contributors can determine effective financial and operational management performance. Furthermore, they establish policies to allow nonprofits to pass along overhead costs in proposals associated with projects they fund.

Bridgespan's research is informative on what some larger nonprofits are already doing in this regard. Until there is more dialogue on this issue and new indicators developed, we suggest the following practices:

Funders (government, foundation, businesses) and individual donors should take the following steps:

1) Increasingly support nonprofits' general operating funds, when feasible and related to the proposals submitted. Doing so allows organizations to make the tradeoffs themselves between areas of investment.
2) Commit to paying a greater share of administrative and fundraising costs in use-restricted grants and contracts.
3) Foster more open discussions about overhead and, in so doing, encourage the development of a standard definition of the term. Dialogues about "real" overhead rates can help shift the focus to the real target—outcomes.[112]
4) Assist nonprofits showing effectiveness in programs, services and good organizational development capacity to apply for a federally-approved indirect cost rate. Honor those rates when the nonprofit applies for a grant, cooperative agreement or contract.
5) For nonprofits that appear to be making very effective impacts on the issues they address; consider investing in fewer organizations and investing in the infrastructure to allow the organizations funded to take their effective practices to scale.
6) Individual donors can make a real difference, if they consider giving without restrictions or directly indicating they wish to build infrastructure needed to grow the organization.

Key Practice 8e: Strong CEOs raise unrestricted funds in every major gift campaign they conduct.

Every major gift campaign established should have three major areas in which funds are secured: Unrestricted, Capital Projects & Endowment. Unrestricted funds are raised to support infrastructure development. Doing so will help grow the organization's capacity, (as well as program and services) ensuring the future is considered, as well as the present.

112 The first three are recommended in the Bridgespan report: Bedsworth, W., Gregory A.G., & Howard, D. (2008). *Nonprofit Overhead costs: Breaking the vicious cycle of misleading reporting, unrealistic expectations, and pressure to conform*. Bridgespan Group: www.bridgespan.org

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Key Practice 8f: Charity Navigator reports expenditures for nonprofits according to IRS 990 categories and does not add up categories to determine 'overhead' expenses.

> "The IRS and Generally Accepted Accounting Principles (GAAP) allow for proportional allocation of "joint costs" such as a mailer that combines education (perhaps about wildlife or autism) with a request for donations. The costs of this mailer can be split between Program and Fundraising using an accepted measure such as the number of text lines. However, Charity Navigator re-assigns all joint costs into Fundraising. There isn't much you can do about this, but it is important to know and reinforces that different people define and calculate overhead differently. *Takeaway for board members:* If you look at Charity Navigator ratings, remember that Fundraising costs are probably over-reported there. And as a board member, look up your own nonprofit at Charity Navigator and at Great Nonprofits ."[113]

The IRS form 990 asks for the nonprofit's expenses in three categories (Program Service, management and general, and fundraising expenses). Some nonprofits report all of their senior staff as management expenses which drives up the overhead rate, while others only assign that portion of the salary (time) that is spent on management functions and the rest is assigned as a program expense.

We encourage Charity Navigator to report the percentage of expenses by the categories given by the IRS rather than adding up categories to determine and 'overhead' cost. We encourage that every time overhead costs are reported that they also report how they arrived at their figures and what costs are included.

Key Practice 8g: Nonprofits attract top talent by paying a good salary with benefits.

Administrative costs are normally considered 'overhead' costs and therefore a determination of compensation amounts is mentioned here. The current system established, partially because of the use of the 25% or below overhead standard, keeps some talent from working in the nonprofit sector. Certainly, some very talented individuals, because of their values and passions, just accept that they will never earn what their counterparts in the social enterprise (i.e. 4th sector), government or business sectors make. But for an industry to continue to perpetuate a low pay, make do, do without mentality is a set up for no growth. Such a mentality is strangely at the heart of the real misuse of public dollar. It isn't on paying CEOs a wage they deserve, but rather on keeping growth low so that tax-free dollars have less leverage and value.

113 See Masaoka, Jan & Zimmerman, Steve. *A Board Member's Guide to Nonprofit Overhead* http://www.blueavocado.org/content/board-members-guide-nonprofit-overhead for additional information on some of the issues involved in calculating overhead costs. Also See a Funders Message to Other Funders About Overhead Costs at http://blueavocado.org/content/funders-message-other-funders-about-overhead

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We recommend paying good salaries to talented people. We recommend that nonprofits find strong CEOs. We recommend that nonprofits hire CEOs well-trained and experienced in organizational capacity building and enterprise development. We recommend that all executive leaders (e.g. program, operations, human resources, accountants, facilities managers) be paid well. "You get what you pay for!" Cheap should not be "fashionable". We need to change the social norm in this regard.

High-performing nonprofits do not set the salary and benefit levels for their executive staff based on what other nonprofits in the area are paying. They set it based on Department of Labor guidelines for a job class given experience, amount of education, and location.[114] High-performing nonprofit leaders look at what the private sector pays, as well as public for the same levels of qualifications and job duties.

The consequences of a low pay, make do, do without attitude and behaviors are having a chilling effect on the sector on many fronts. The consequences include a limited ability to manage and monitor finances, develop revenues, and manage personnel; increased turnover; limited resources and competence to enhance employee skills; difficulty in developing and holding on to talented senior team members; poor work quality; poor service quality; no evaluation of effect; inadequate or no necessary IT infrastructure; inability to attract donors, hold on to them and raise big gift donations; inability to track outcomes; inability to create winning grants; and an inability to write reports that are meaningful to businesses, foundations, government and big gift donors.[115]

Key Practice 8h: Executive leadership invests resources in at least five infrastructure areas.

Five areas of investment tend to yield revenues that more than pay for the costs of the investments**.**

1) Pay **salaries** that attract top talent. Make sure it is a strong CEO and not someone oriented to program and service delivery. Pay competitive salaries to get the best.
2) Invest in **research and creative innovations**, and take risks to build **inventions** that address and eradicate issues related to the cause the nonprofit addresses.
3) Perfect **products and process** that work and change lives and situations. Market the products, test and evaluate them. Spend resources on making them attractive and useful. Think how all products and services can be a source of revenue generation.
4) Spend money on **marketing and public relations** to raise the visibility of the cause and organization. Marketing and public relations should bring in new donors and funders, and help the organization adapt to changes, needs, and issues in their community and among their clients.

114 See US Department of Labor Standard Occupational Classification system at http://www.bls.gov/soc/

115 Wing, K., Pollak, T., & Rooney, P. (2004). *How Not to Empower the Nonprofit Sector: Under-Resourcing and Misreporting Spending on Organizational Infrastructure: Under-Resourcing and Misreporting Spending on Organizational Infrastructure*. As retrieved from www.coststudy.org

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5) Create **a team of veteran fundraisers** to build lasting relationships with donors under the leadership of the CEO and development officer. A campaign cabinet of experienced fundraisers with a strong chair will be more effective than reliance on the board to accomplish fundraising tasks.[116]

These five areas of organizational operations often are categorized as overhead costs. Without these functions the capacity of the organization remains too low to make a real difference in this world. When these investments are present, nonprofits are more effective and having greater impact.

116 See Guideline 10 for further explanation.

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NANOE GUIDELINE 9

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NANOE GUIDELINE 9:

> ***Nonprofit leaders join with those in the social enterprise movement to create unconventional ways to earn income.***

As previously seen in other sectors, innovation happens first and the government catches up afterward. To some degree, the 'fourth sector's' growth of for-benefit corporations[117] that have emerged within the past decade, along with the social enterprise movement have already started to create new models for the nonprofit sector in general in how to generate revenues for social causes.[118] For-benefit corporations are not nonprofits in the traditional sense. They are a new paradigm of organization. Much can be learned from them. Some lawyers have begun developing state policy guidelines to encourage social enterprise development.[119]

Key Practice 9a: Executives network with Social Enterprise Alliance[120] and Fourth Sector Network[121] leaders to learn new ways to generate revenue.

The advent of hundreds of for-benefit corporations will help transform current federal and state nonprofit laws. Delaware, California and Illinois are three states that have already forged new corporation laws for the for-benefit and L3c (Low-profit Limited Liability Corporation) corporation. There is tremendous innovation going on and being communicated through the Social Enterprise Alliance's social media efforts.[122]

117 "For-benefits are a diverse class of organizations that share two main characteristics—they are primarily driven by social and/or environmental purposes, and they earn a substantial portion of their income through business activities. They include sustainable businesses, social enterprises, municipal enterprises, community development corporations, social businesses, and a wide range of other models." See http://www.mapping.fourthsector.net/#!about-fsmi/cee5

118 The Social Enterprise Alliance is going an effective job at helping social entrepreneurs learn how to generate revenues and manage them in new ways. See https://socialenterprise.us/

119 For example, see Robyn Miller of the Pro Bono Partnership work with the Greater Atlanta Social Enterprise Alliance Chapter http://www.pbpatl.org/ or Mark Lane's work to help states write new laws to account for the innovation happening in the 4th sector. See http://www.marcjlane.com/practice-areas/areas/social-enterprises-l3c-s/ Mr. Lane, Esq. has helped to legally establish a new kind of corporation called an L3c. (Low-Profit Limited Liability Company) to address some of the issues discussed in these guidelines.

120 See Social Enterprise Alliance at https://socialenterprise.us/

121 The Fourth Sector Network at http://www.fourthsector.net/

122 The fourth sector is the term used to describe a new type of organization that integrates social and environmental aims with business approaches. See, for example, The Fourth Sector Network at http://www.fourthsector.net/

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Some core attributes are emerging for what this new form of corporation looks like that tackles social and environmental causes and are as follows:

- **SOCIAL PURPOSE.** The For-Benefit corporation has a core commitment to social purpose embedded in its organizational structure.
- **BUSINESS METHOD.** The For-Benefit corporation conducts any lawful business activity that is consistent with its social purpose and stakeholder responsibilities.
- **INCLUSIVE OWNERSHIP.** The For-Benefit corporation equitably distributes ownership rights among its stakeholders in accordance with their contributions.
- **STAKEHOLDER GOVERNANCE.** The For-Benefit corporation shares information and control among stakeholder constituencies as they develop.
- **FAIR COMPENSATION.** The For-Benefit corporation fairly compensates employees and other stakeholders in proportion to their contributions.
- **REASONABLE RETURNS.** The For-Benefit corporation rewards investors subject to reasonable limitations that protect the ability of the organization to achieve its mission.
- **SOCIAL AND ENVIRONMENTAL RESPONSIBILITY.** The For-Benefit corporation is committed to continuously improving its social and environmental performance throughout its stakeholder network.
- **TRANSPARENCY.** The For-Benefit corporation is committed to full and accurate assessment and reporting of its social, environmental, and financial performance and impact.
- **PROTECTED ASSETS.** The For-Benefit corporation can merge with and acquire any organization as long as the resulting entity is also a social purpose entity. In the event of dissolution, the assets remain dedicated to social purposes and may not be used for the private gain of any individual beyond reasonable limits on compensation.[123]

It is advantageous for nonprofit executives to belong to the Fourth Sector Network to stimulate new ideas on how to generate revenue and partner with for-profit enterprises engaged in social causes.

123 See http://www.fourthsector.net/learn/for-benefit-corporations for more details.

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Key Practice 9b: State agencies responsible for economic development promote new forms of corporations that allow new forms of revenue generation for social purposes.

Some jurisdictions have started to recognize various types of for-benefit corporations: the "community interest company" in the UK[124] and the "low-profit limited liability company" (L3C)[125], "benefit corporation,"[126] and "social purpose corporation"[127] (formally titled the 'flexible purpose corporation in CA) in various U.S. states. Although these models may not withstand the test of time, they are a harbinger of more-sustained attention by lawmakers to the needs of for-benefit enterprises that have a great deal more flexibility to operate in ways that secure more income.[128] Delaware's public benefit corporation legislation and organizations are also featured by many.[129] We encourage nonprofit sector leaders to examine these models and the emerging legislation and determine if changes in the nonprofit law and/or new law can be introduced. We encourage the state's nonprofit sector leaders to submit new and modified law, if needed. Many states have already adopted one or another versions of the corporation models mentioned above.

Key Practice 9c: Nonprofits examine their business strategies and determine whether it's time to re-incorporate.

Sometimes, the best way to gain the freedom to act as an entrepreneur is for the nonprofit to recognize that it's time to restructure. Fortunately, thousands of nonprofits have already reached that conclusion and have morphed or consciously moved to a different type of incorporation. There are many new organizational models to consider that are effective in increasing revenue and raising capital. Some were discussed in the previous guideline. There are so many that now there is an attempt to better understand how they differ from the traditional nonprofit.[130] These organizations are currently being referred to as the emerging "fourth sector".

124 See http://www.cicassociation.org.uk/about/what-is-a-cic & http://www.thirdsector.co.uk/analysis-rise-rise-community-interest-companies/governance/article/1348096

125 See http://www.nonprofitlawblog.com/l3c/ & http://www.americanbar.org/publications/young_lawyer/2011-12/december_2011/social_enterprises_new_business_form_driving_social_change.html

126 See https://www.law.berkeley.edu/files/bclbe/Berkeley_Handout_1182011_-_1.pdf for the difference between the L3C, benefit corporation and flexible purpose corporation.

127 See California's legislation at http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201320140SB1301

128 https://hbr.org/2011/11/the-for-benefit-enterprise/ar/1#

129 See http://www.huffingtonpost.com/gov-jack-markell/public-benefit-corporation_b_3635752.html

130 See the fourth sector mapping project at See http://www.mapping.fourthsector.net/#!about-fsmi/cee5

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The fourth sector is comprised of for-benefit enterprises seeking profit and social good. Profit is viewed as the means to accomplishing social good. They strive to contribute to economic growth and address social and environmental problems. They are organized to seek maximum earned income (while the traditional nonprofit seeks maximum contributed income). As with the traditional nonprofit, they are organized to seek maximum social or environmental benefit (rather than maximum financial benefits to owners, although some models do allow for stakeholders to share in the profits).

One of the values of NANOE is that allows leaders to learn from each other, network, and advance new ideas and forms of operating. It allows for unconventional ideas to be considered thoroughly for their desirability and feasibility. Some states have state associations of nonprofits which allow networking among some of the state's nonprofits, but many states don't have an association. Some state associations are perpetuating traditional practices, many of which limit growth.

Many universities within the past twenty years have created degree and certificate programs in nonprofit management (various nonprofit associations use to provide this service at a lower-level) offering instruction at greater depth and providing future CEOs more job advancement value. Other universities are intentionally creating a different type of CEO for for-benefit corporations and nonprofits. Some are offering webinars, podcasts, and other online educational offerings for nonprofits interested in enterprise development.[131]

It is surprising how many nonprofit leaders are not taking advantage of the networking possible through these organizations. Isolated nonprofits tend not to grow because they are not challenged by seeing how others are performing. Those that network tend to grow because they are challenged and have access to more resources. Effective CEOs are networking with leaders in this emerging Fourth sector to learn from and with them.

Key Practice 9d: High-performing nonprofits network for new ideas on revenue generation, capital development, and valuation.

As is often the case, when things become problematic enough, people figure out new ways of operating so they don't have to contend with the mess. Where the fourth sector is going as a concept and movement, and whether it will remain the "fourth" sector or become the new third sector still remains to be seen but, regardless, high-performing nonprofit leaders will want to network with innovative CEOs from the fourth sector enterprises for new ideas and possible partnerships. These new organizations will teach traditional nonprofit CEOs how to think about organizational finance, capital development, revenue generation, and new ways to value efforts and effects.

131 A leader for years has been the Stanford's Social Innovations Review at http://ssir.org/ and their Center on Philanthropy and Civil Society at http://pacscenter.stanford.edu/

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Some nonprofits stay incorporated as nonprofits but also create a profit-making business (such as Goodwill Industries; Habitats Re-stores, etc.), others re-incorporate into existing forms of nonprofit incorporation (such as coops, CDCs), and yet others have worked with lawyers and state lawmakers to create entirely new corporations and the legislation necessary to support them, as discussed above and are worth watching. They present models for those interested in transforming the business environment in their state.

Some consider nonprofit corporations as one type of for-benefit corporation while others make the distinction between the social sector (third sector nonprofits), the private sector (for-profit businesses) and public (government), and the fourth sector which rests at the intersection of all three. It's still too early to determine how the for-benefit type corporation will be characterized in the future.

The Fourth Sector Mapping initiative[132] has teams that are mapping regions and states for the new emerging models that are forming. They convened a conference in 2015 to begin understanding this new sector. The Fourth Sector Network is helping enterprise leaders talk with one another and connect.

The Social Enterprise Alliance[133] provides nonprofits with useful examples of new ways to foster revenue generation. The Alliance comprises individuals and nonprofits from around the world. Many innovative things are happening in other nations, as well as in the USA. These movements are great sources of inspiration and idea. They will help executive leaders break through the limitations they currently feel in trying to create revenue generating activities beyond the traditional sources of funds that are so heavily reliant on contributed dollars.

Delaware appears to have the most flourishing for-benefit corporation environment. They have already established new laws and have over a thousand for-benefit corporations already in operation. Much can be learned from their experiences.[134]

132 See Fourth Sector Network http://www.fourthsector.net/ ; The Fourth Sector Mapping Initiative http://www.mapping.fourthsector.net/ and the Social Enterprise Alliance https://socialenterprise.us/

133 See https://socialenterprise.us/

134 See http://news.delaware.gov/2013/04/18/delaware-unveils-public-benefit-corporation-legislation/ & http://delcode.delaware.gov/title8/c001/sc15/ & https://www.delawareinc.com/blog/the-delaware-public-benefit-corporation/

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NANOE GUIDELINE 10

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NANOE GUIDELINE 10:

> ***The CEO leads the fundraising process, is knowledgeable about the process, and able to sustain effective fundraising.***

In the previous guidelines, we addressed the ways nonprofits generate profit and becoming more entrepreneurial. In this section, we address key practices for generating contributed dollars.

Key Practice 10a: The CEO is not reliant on external consultants to secure large gift donations.

Traditional fundraising processes often create dependencies on external consultants. The traditional processes employed shifted responsibility for relationship building with the nonprofit's donors and funders to the consultant, rather than the nonprofit's executive leadership, staff, cabinet, and current donors and funders already affiliated with the organization. Thus, the fundraising consultant industry grew but the nonprofit sector's capacity to generate and sustain revenues from philanthropic sources didn't on an on-going basis. It's time for a change in philosophy and approach.

Key Practice 10b: The CEO, development office, and campaign cabinet use a donor-driven approach to fundraising.

The wrong fundraising approach is often espoused. Rather than being based on a philosophy of building trusting working relationships with donors, the organization's leadership focuses on techniques uses to raise funds (galas, special events, golf tournaments, etc.) or on promoting the organization itself and how good it is (which is almost an impossible case to build effectively).[135] These two approaches have proven to not be successful in sustaining and growing the nonprofit.

Strong CEOs and executive leadership are knowledgeable and skilled in fundraising for large gift campaigns. They have invested in staff dedicated to fund development. They understand the entire process is focused on building and maintaining trusting relationships with donors and funders, and making their organization and its impact known to the community. They involve and listen to staff, donors, clients to understand the conditions under which they will give and what organizational assessments they are making that stops giving. They present an attractive case for support to grow the capacity of their organization and operations.

135 See LaRose, J. (2015). The method. *Re-imagining Philanthropy*. Lexington, SC: National Development Institute.

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Key Practice 10c: Executive leadership examines the organization's readiness to secure big gifts and engages in capacity-building to get ready.

Many times nonprofits hire fundraising consultants to do feasibility studies. The purpose of these studies is to determine whether or not, and at what levels, a nonprofit can raise funds. But a talented, informed CEO and executive leadership team already knows when the organization is ready. Talented consultants can usually tell, after meeting one time with the organization, whether or not the organization is ready to raise big dollars.

In order to be ready to raise serious funds the organization has to have the following organizational structures and operations in place. Those serious about generating revenues of a significant size need to build capacity in these areas.

1) An updated mission statement is present and leaders are able to tell consistently donors and the public what the organization's mission is.
2) A plan is available for organizational development and not just programs/service development and delivery. It must include what is typically found in a good business plan.
3) There is a clear fundraising plan, including cost details, for organizational operations development (i.e. what is typically referred to as infrastructure costs), capital developments (project/program/services development), and long-term, on-going revenue infusions (yearly endowment revenue, revenues from investments in bonds, stocks; from estates, wills, trusts, etc.).
4) The accounting and bookkeeping processes are sound, have been reviewed by an external auditor and recommendations for improvements have been met or are in process of being met.
5) There is evidence that the CEO is trusted and capable to grow the organization, and is evaluated as capable and positively by an ample number of donors, funders, staff, volunteers and clients.
6) The program director, finance director, and operations director are capable and evaluated positively by donors, funders, staff, CEO, volunteers and clients.
7) The nonprofit has filed all required federal and state reports, including the IRS 990, and state annual report.
8) Programs and services have been evaluated and are producing good outcomes. Outcome information is organized and available for building a case for support.
9) The staff routinely reports information on clients using standardize, computerize templates suitable for systematic data collection and analysis.
10) The board is in agreement that the nonprofit should engage in fund development for the purposes specified.
11) There is a donor tracking system in place.
12) There are records of prospective, current and lapsed donors complete with names, addresses, wealth information, status in community, etc. containing information needed for donor contacts.
13) A volunteer or hired development officer is available to staff the fundraising process.
14) An attractive case of support is available or the information needed to produce one is available.
15) There are volunteers or staff skilled in creating and managing marketing and public relations efforts to assist in creation of media coverage, awareness events and donor appeal events.
16) The organization has access to people with expertise and experience in fundraising who are willing to serve on a campaign cabinet and one who is willing to serve as chair.
17) The organization's reputation in the community among community leaders is favorable.

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Key Practice 10d: Executive leadership maintains direct communication with donors during the fundraising process even if an external consultant is hired.

In traditional fundraising processes and as part of the feasibility stage, the consultant has sent out surveys and conducted interviews with donors. The leadership is told they cannot be a part of this process because donors won't be forthright about what they have to say about the organization that may stop them from giving large gifts. This is false logic. Leaders need to lead these discussions with donors. Donors and leaders need to talk directly together about what in the organization needs to change or improve in order to donors to give sizeable gifts. It is part of building a lasting, meaningful relationship. Big gift donors will want to communicate directly with the executive leadership and not through third parties. No triangulation of communication between donor and nonprofit leaders occurs.

The executive leaders and development staff need to do what traditionally fundraising consultants using traditional fundraising approaches do. All the essential communication and relationship building with the nonprofit's donor base should be done by the executive leaders and campaign cabinet. By not allowing the organizational leaders to engage intensely with their donors (current, lapsed, prospective) the organization's leadership only selectively hears what a significant section of the public thinks about them. The consultant promises the nonprofit that they can reap the benefits of a donor relationship without having to actually be in one! Direct communication is what builds trusting relationships and consensus of the mission, values, and directions of the organization.

A strong CEO already knows what the right questions are that need to be asked to determine whether or not the organization is ready to engage in a significant major gift campaign. There is no need for a feasibility study. The executive leadership is working continuously to build the capacity of the organization so that it is able and ready to engage in major gift campaigns.

As leaders get to know the current, lapsed, and potential donors, and the networks they have and need to build to get to donors in a friendly way, they will know the level of money they are apt to be able to raise. They can ask donors what they would be willing to donate if certain organizational conditions exist just as the consultant does during a traditional feasibility stage. Furthermore such asks are done AFTER the proper plans of care with each donor have been implemented and relationships built. It's not a cold ask!

Donors make significant investments in nonprofits because they trust the nonprofit's leadership and they have a relational foundation with these leaders built on shared values.

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Key Practice 10e: Executive leadership and development officers work with donors to establish fundraising goals.

Rather than being sucked into the feasibility study mess in which the organization is told what it already knows, the time is better spent planning for organizational development. The items typically included in a business plan are of the type we refer to here. So many nonprofits' strategic plans only focus on the development of programs and services, and largely ignore the organizational development needs necessary to support growth in program and services. Plans should cover the organizational capacity areas as outlined in previous guidelines.[136]

A large gift campaign will always ask for unrestricted funds to support organizational growth, along with a major project that needs funding (building, program, service, product), and long-term capitalization requests (endowments, will and estate planning, etc.).

Key Practice 10f: Fundraising leadership engages existing donors in discussions and seeks to know what they are passionate about relative to cause before asking them for donations.

People give to what they are passionate about. It is the task of the leadership to determine the donors' passions and how they fit with what the organization is doing. Asking a donor to donate when there is little prior interaction with the donor on a meaningful basis is a set up to receive a "no thanks" or small token gift. Receiving large gifts involves careful relationship building.

A written case of support assists leaders in clearly communicating to donors the specific social or environmental cause being addressed, what their role is in the alleviation of issues and what successes they have had. It can be a powerful tool to keep everyone focused on delivering consistent messages to donors. It is also a powerful tool to link donor passions and interest with the organization's needs and activities.

Key Practice 10g: High-performing nonprofit executive leaders always have time to cultivate donors.

Part of the attraction of hiring outside consultants is that some leaders think they can give away the responsibility for revenue generation. High-performing leaders realize cultivating donors is a primary job responsibility. If they say they don't have time, then they are not the CEO needed.

136 See Guideline 4 and 5, & the Small Business Administration for guidelines on what is normally included in a business plan. See https://www.sba.gov/writing-business-plan

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Key Practice 10h: High-performing leaders engage consultants who will coach them through the process of fundraising.

The type of consultant that is valuable to the nonprofit leader learning how to raise large gift donations is the one who will coach leaders on how to engage in all planning, cultivation, and solicitation processes involved in securing large gifts.[137]

The executive leaders make a commitment to build capacity. They know that one of their primary customers is donors. They understand the need to hire a development officer(s) to work with a strong CEO as defined in previous guidelines. They cut services or programs (if necessary) to build infrastructure to generate revenues knowing that service delivery will increase in the near future.

They build organizational capacity to ready the organization to engage in a big gift campaign. They examine what the organization needs in order to accomplish mission. They determine the fundraising goals. They phase revenue generation goals to be accomplished over a 5-, 7- and 10-year period.

They write a five-year fundraising plan for operations, one-time projects, and long-term investment accumulation. They identify details about current, lapsed and prospective donors. The determine how each donor will be contacted and by whom. They outline all fundraising efforts on an annual calendar, along with other major events that the organization engages in so that there is no collision of effort and strain on resources. They create a gift category (by size of donation needed) chart to determine how many in each gift category they will need to have on board in order to reach their goals.

They develop a compelling case for support based on the organizational development and written fundraising plans.

They identify prospective donors and assign campaign cabinet, chair, executive leaders and volunteers a manageable number of prospects to contact. Each leader builds a case for support with each prospect. An awareness event in which no funds are solicited introduces prospects to the case for support, followed by a series of conversations leading to an ask.

All along the way, the consultant is coaching leaders on how to do these things. They are not doing all the work themselves. Do not hire a consultant if the organization is not ready to step up and do the work it has to learn to do. Think about recruiting staff and volunteers who understand what it takes to raise contributed dollars and who realize it's part of their job.

137 See Chapters entitled "Method" and "Model" in LaRose, J. (2015). *Re-imagining Philanthropy*. Lexington: SC: National Development Institute for an expanded discussion on how to use and not use a consultant.

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NANOE GUIDELINE 11

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NANOE GUIDELINE 11:

> ***High performing nonprofits engage in research and evaluate all aspects of their organization and operations.***

Key Practice 11a: Leaders collect performance data on a routine basis to be used for statistical analysis of outcomes.

Key Practice 11b: Leaders engage in research that identifies the effects of organizational operations on service delivery.

High-performing nonprofits identify the outcomes they want to achieve for each service, program, and project they create. These outcomes are stated in measurable terms. Routine business and program operations have computerized data gathering procedures built into the day to day work functions. A volunteer or staff member reviews all data collected to ensure that data needed for rigorous evaluations are collected electronically so that it can be analyzed for several different purposes without having to virtually recreate the same data sets over and over again.

These data gathering functions are started at the beginning of a nonprofit's operation, if at all possible. It would be better to delay startup, if they are not present. Often the most significant and dramatic changes occur in clients or the environment during the first two years of operation, but are lost because careful tracking systems were not created before implementation started.

Data collection is built into volunteer and staff routines, computerized, and related to outcomes and impacts. Data benchmarks are developed on organizational capacity areas, as well as programs and services. All management and operational areas are examined and linked to outcomes and impacts.

Volunteers such as university faculty and graduate students help nonprofits develop data collection and analysis plans. State associations could be a valuable resource if they provided a reduced license fee for nonprofits in the state that wanted to use SPSS or SAS software for program evaluations.

Just as development officers are essential to nonprofit revenue growth and positive public relations so are program and service evaluators. Hire or seek a volunteer with proven competence in evaluation and research, as well as being competent in implementing best practice service delivery.

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Key Practice 11c: Leaders engage in program and service delivery research and evaluation.

Not enough nonprofits are evaluating their efforts rigorously enough to gain credibility and distinction. All nonprofits need to engage in research and evaluation. It is the only way to determine the organization should keep doing what it's doing and to know customers related to cause. Research and evaluation projects also help the nonprofit adapt to changes that have occurred in the environment and with the customers they serve.

There are several ways that a nonprofit can make sure research and evaluation are done. Some larger nonprofits hire their own researchers to continuously evaluate existing programs, and new experimental programs/services. Volunteers can conduct studies. Retired faculty is a good source from which to recruit. They often still have university privileges, including access to the use of costly statistical software such as SAS or SPSS.

It is important to engage in the type of evaluations and research projects that show effect. That means more than percentages need to be reported. Leaders can't make good decisions using percentages. While measures of association may show the association between two or more items under study they are limited in explanatory power. They certainly do not show effect or have predictability power. More nonprofits need to use various forms of regression analysis, path analysis and other statistical treatments that begin to show the power of the effect that one thing has on another.

Key Practice 11d: Leaders engage in organizational capacity-building research.

The way the agency is organized affects outcomes. More information needs to be gathered that shows the effects of organizational functions on all areas of capacity building as defined in a previous guideline (e.g. the effects of the board on CEO attitudes and behaviors, the effects of the CEO on staff performance; the effects of board performance appraisals of CEO on CEO attitudes and capacity building behaviors; the effects of social media on the nature and extent of use of services, the levels of trust and distrust of the organization in the community, etc.).

Key Practice 11e: Leaders understand all research and evaluation studies are value-based not value-free and clearly identify the values and criteria upon which they judge effectiveness and success.

Performance will be judged. Evaluates have to create the basis for their judgments. It's best the nonprofit create and communicate their basis for determining 'good', 'poor' performance, and significant positive outcomes. Having said that, some judgment criteria may be politically motivated. No matter what criteria exists, or how good the data sets are, if a person or organization wants to judge the nonprofit badly,

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they will find a way to dismiss the data, findings, interpretation, and conclusions. Nonprofits survive better, however, when they clearly identify the values and criteria on which they judge their performance as successful and effective. Don't leave it to other to define criteria for you or you're asking for trouble.

Current industry standards, particularly when a private foundation is involved, is for the funder to bring in an external evaluator to judge whether or not a particular project was effective. The logic behind this method is that there is such a thing as an 'objective' evaluation and that evaluators (expert volunteers, board experts, and staff experts) cannot be 'objective', and therefore what they submit is 'subjective', and flawed scientifically. This is a prevailing myth. In fact, there is no such thing as an 'objective' evaluation.

All evaluations have to create questions and related indicators, and seek data to answer the questions. At every decision-making point, what the evaluator selects is based on their value system and criteria they decide are indicators of effectiveness. The cutoff for what is considered significant positive change is based on either a subjective judgment, a judgment based on precedent prior research studies, or a statistical benchmark that declares it "significant" and positive.

The evaluation myth regarding external evaluations being objective causes a couple of issues that has held the sector back. First, nonprofit leaders have seen less value in hiring, retaining or recruiting evaluators to help them get their operations and program evaluation systems going and conducting on-going evaluations because they know their funders, particularly foundations, will require an external person be hired by the foundation to evaluate their program. This stops many nonprofits from building evaluation capacity.

Second, it has stopped talented evaluators and researchers from engaging with nonprofits to conduct evaluations and research endeavors. Evaluators and researchers know that unless they are hired by a funder, their research may in some ways be discredited or dismissed. Funders attitudes and behaviors regarding who is able to perform evaluations also contribute to the sector's lack of access to resources needed to determine effectiveness, impact, and effect of operations on services and outcomes. This stops competent people from offering to evaluate nonprofit programs. It also prevents program directors from getting serious about evaluation and research.

Regardless, there are still volunteer researchers and experts that are just as proficient as those hired by funders (sometimes more so!) and who are willing to help nonprofits in this area. It is better to openly declare the programs/services outcomes sought so that appropriate indicators of effectiveness are created. An external evaluator that comes in for a few days and tries to determine effects is rarely able to put the pieces together right. If what an organization is doing is truly innovative social or environmental interventions, an internal evaluator(s) will be in a much better position to design evaluations so that it captures the true vision, goals and objectives of the project, as well as tracks the important indicators upon which to judge effectiveness or/and whether outcomes in clients or the environment are significant and positive. The organization's leaders are usually much clearer on what they are doing and why, if they invest in evaluation and research. It is surprising how many organizations adopt program or service delivery processes that don't logically address the outcomes they are after. Clarification of outcomes and identification of the best strategies to get to outcomes are required in order to design a good evaluation program.

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CONCLUSION

WHAT IS YOUR RESPONSE?

Charity is not eradicating the major social and environmental ills it was/is intended to address. There is more hunger, homelessness, mental illness, substance abuse, poverty than ever before. Global environmental issues are mounting. Millions of children are going to bed hungry. Children are going to school unable to read. Yet we keep doing the same things in the same way and expecting a different result. It's like the English speaker who goes to another country and thinks they will be better understood, if they speak louder, and say the same words over and over again, but slower!

Most who have worked in the nonprofit sector for any period of time agree that any form of organization will have problems and be given to possible corruption. Just as Bacon concluded back in the early 1800s, ultimately each individual will be accountable for their actions and accountable to others in this world and the next!

However, should we create organizational structures and operations on the premise that all leaders will inure and misuse assets? Should competent, well-trained administrators never have the authority and control needed to lead the organization to accomplish mission at a scale that makes sense, given the extent of the issues present? Should the primary responsibilities of the board be premised on misuse of dollars and that the staff doesn't know how to develop the organization, services and products? We think not.

We think it is time to re-examine how we organize nonprofits, what roles and responsibilities boards and staff have, and who the public is for the various kinds of nonprofits that now are in existence. One size (organization, governance pattern) does not fit the need of all.

In the guidelines section, we outline a few beginning principles for leadership and management action by board and staff. We think these actions ensure accountability, maintain fiduciary responsibilities of the corporation, but free leaders to act in a timely manner to grow the organization so that it can truly accomplish mission. We reduce the burden placed on the board which will also reduce the time and effort the CEO spends on board functions. We more narrowly define the board's role and give greater responsibilities and accountability to CEOs. We increase the attention to contributors and involve them more strategically in organizational capacity building. We advocate for greater entrepreneurial activities to drive in more revenues. We encourage all to achieve the scale required to truly alleviate the issues surrounding their cause. This will require leaders to address structural changes in society, as well as therapeutic and educational needs.

We believe if we don't come up with better relationships between board and staff of nonprofits, the best and brightest will not stay in or join the sector. Nonprofits will continue to limp along, not meeting society's needs, or truly eradicating the social and environmental issues we face now or in the future. It's time to meet need fully and eradicate pervasive social and environmental issues. It's time to re-think how we organize, lead and manage ourselves to do so. It's time to address whether the nonprofit sector wants to do this and, if not, to re-define its role and purpose in society, and perhaps its tax status. It is in this spirit that we offer new guidelines for further debate and discussion. We offer them as the BEGINNING of dialog, not the end.

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APPENDIX A

SUMMARY OF NANOE GUIDELINES FOR RE-PURPOSING AND RE-STRUCTURING TOMORROW'S NONPROFIT

NANOE Guideline 1: Relationship building is the heart of nonprofit leadership and administrative practice so that the organization's social, human and economic capital flourishes.

Key Practice 1a: Build egalitarian relationships.
Key Practice 1b: Build networked relationships.
Key Practice 1c: Build engaged relationships.
Key Practice 1d: Build reciprocal relationships.
Key Practice 1e: Build trusting relationships.

NANOE Guideline 2: The relationships among the CEO, board, donors and for-profit business partners are re-purposed and re-defined.

Key Practice 2a: The board is restructured and re-purposed to provide primarily counsel to the CEO and to assist the CEO in building organizational capacity in a few key areas related to organizational development, legal and financial oversight. Fiduciary responsibilities are still maintained.
Key Practice 2b: The Board and CEO manage their finances and legal affairs ethically and appropriately and make results known publically.
Key Practice 2c: Nonprofit CEO and board are wise stewards of the corporation's assets and ensure they are used to accomplish mission, avoiding inurement. They ensure audits by trained CPAs and are transparent with results and improvement plans based on CPA recommendations.
Key Practice 2d: The board hires a strong CEO and re-defines the CEO's job responsibilities.
Key Practice 2e: The CEO has full authority to act on behalf of the organization on all matters and is held accountable by the board for results.
Key Practice 2f: The CEO seeks counsel from and reports to the board on the organization's efforts to build capacity.
Key Practice 2g: The CEO sees individual donors and for-profit businesses as their primary customers and seeks to provide the kind of organization they desire to address the issues and situations surrounding the organization's cause.

NANOE Guideline 3: Strong CEOs lead people to build and maintain effective organizational and operational capacity.

Key Practice 3a: The strong CEO builds and maintains strong external public relations in order to be able to adapt to changing client and community needs.
Key Practice 3b: The strong CEO builds and maintains human interactions that create high performance and positive outcomes.
Key Practice 3c: The strong CEO provides organizational, operational and people leadership with character and competence as they strive to pursue noble ends using noble means.
Key Practice 3d: The strong CEO ensures that effective internal operations are present, well-led, and well-accomplished.

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NANOE Guideline 4: The organization's mission is re-defined to highlight two primary customer sets: customers related to cause and building organizational capacity.

Key Practice 4a: The organization's mission is re-stated so that it includes the executive leaderships' customers as well as those related to cause.
Key Practice 4b: The mission statement is used to revise roles and responsibilities within the organization.
Key Practice 4c: The revised mission statement is used to cultivate donors and for-profit business people.

NANOE Guideline 5: Donors and for-profit businesses partner with the nonprofit to build a high performing organization that accomplishes its mission and realizes the partners' passions related to cause and desired involvements.

Key Practice 5a: Partnerships focus on building the organization's capacity.
Key Practice 5b: The executive leadership engages in 8 transactions with donors.
Key Practice 5c: Executive leaders engage in at least 16 transactions with for-profit business leaders.

NANOE Guideline 6: Revenues are secured, sustained, and grown from multiple sources.

Key Practice 6a: A strong CEO spends considerable time each week cultivating donor and for-profit business relationships.
Key Practice 6b: The CEO and Board invests in fund development staff, structures and processes.
Key Practice 6c: Fundraising consultants are used as coaches. The executive staff maintains leadership over and is fully engaged in the fundraising process.
Key Practice 6d: The CEO, board and senior staff stay away from dependency relationships with consultants.
Key Practice 6e: The executive leadership diversifies the organization's revenue sources.
Key Practice 6f: Nonprofits apply for federal approval of an official indirect cost rate.
Key Practice 6g: The senior staff build effective working relationships with university faculty to grow the organization's capacity to raise revenue.

NANOE Guideline 7: Capital is raised to build the enterprise and reported separately.

Key Practice 7a: Investment income is reported separately from other revenue sources.
Key Practice 7b: Report investors separate from donors and funders.
Key Practice 7c: Use of Growth capital, other income and 'burn' rates are monitored closely.
Key Practice 7d: Grow and sustain change through the use of capital investments.
Key Practice 7e: Create a rigorous business plan before beginning strategic plans for growth.
Key Practice 7f: Investors who give to support operations and organizational growth need to give more not less during the growth process.

NANOE Guideline 8: Leaders identify and communicate infrastructure costs as investments needed to grow the organization to accomplish mission.

Key Practice 8a: Executives shows how investment in infrastructure saves costs in other areas or has helped the organization achieve its goals.
Key Practice 8b. High performing executives communicate overhead costs as specific business expenses that help grow additional specific assets.
Key Practice 8c: Community leaders discuss new ways to judge nonprofit management effectiveness, including financial and program management effectiveness.

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Key Practice 8d: Funders and donors help create and raise awareness of indicators of good nonprofit management performance.
Key Practice 8e: Fundraisers raise unrestricted funds in every major gift campaign they conduct.
Key Practice 8f: Charity Navigator reports expenditures for nonprofits according to IRS 990 categories and does not add up categories to determine 'overhead' expenses.
Key Practice 8g: Nonprofits attract top talent by paying a good salary with benefits.
Key Practice 8h: The executive leadership invests resources in at least five infrastructure areas.

NANOE Guideline 9: Nonprofit leaders join with those in the social enterprise movement to create unconventional ways to earn income.

Key Practice 9a: Executives network with Social Enterprise Alliance and Fourth Sector Network leaders to learn new ways to generate revenue.
Key Practice 9b: State agencies responsible for economic development promote new forms of corporations that allow new forms of revenue generation for social and environment purposes.
Key Practice 9c: Nonprofits examine their business strategies and determine whether it's time to re-incorporate.
Key Practice 9d: High performing nonprofits network for new ideas on revenue generation, capital development, and valuation.

NANOE Guidelines 10: The CEO leads the fundraising process, is knowledgeable about the process, and able to sustain effective fundraising.

Key Practice 10a: The CEO is not reliant on external consultants to secure large gift donations.
Key Practice 10b: The CEO, development office, and campaign cabinet use a donor-driven approach to fundraising.
Key Practice 10c: The executive leadership examines the organization's readiness to secure big gifts and engages in capacity building to get ready.
Key Practice 10d: The executive leadership maintains direct communication with donors during the fundraising process even if an external fundraising consultant is hired.
Key Practice 10e: The executive leadership and development office work with donors to develop fundraising goals.
Key Practice 10f: The fundraising leadership engages existing donors in several discussions and seek to know what they are interested in and passionate about relative to cause before asking them for donations.
Key Practice 10g: High performing nonprofit executive leaders always have time to cultivate donors.
Key Practice 10h: High performing leaders engage consultants who will coach them through the process of fundraising.

NANOE Guideline 11: High performing nonprofits engage in evaluation and research on all aspects of their organization and operations.

Key Practice 11a: Leaders collect data on a routine basis that are suitable to careful statistical analysis of outcomes and results.
Key Practice 11b: Leaders engage in research that identifies the effects of organizational operations on service delivery.
Key Practice 11c: Leaders engage in program and service delivery research and evaluation.
Key Practice 11d: Leaders engage in organizational capacity building research.
Key Practice 11e: Leaders understand all research and evaluation studies are value-based not value-free and clearly identify the values and criteria upon which they judge effectiveness and success.

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NEW GUIDELINES FOR TOMORROW'S NONPROFITS - SECOND EDITION

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During her forty-five-year career, Dr. Robinson worked in development of community and regional support systems for at risk families, children and youth organizations, community-based literacy systems, holistic family centers and nonprofit human services organizations. In addition, her focus has been on systems-based approaches to community planning and policy development and social impact assessments of various community change projects.

During her fifty-year career, Dr. Robinson worked in community and regional support systems development for at-risk families, children and youth organizations, community-based literacy systems, holistic family centers and nonprofit human services organizations. In addition, her focus has been on systems-based approaches to community planning and policy development, and social impact assessments of various community change projects. Her expertise is rural, integrated community development.

Dr. Robinson previously served as Director of the Center on Neighborhood Development and the Director of the Center on Nonprofit Leadership within the Institute on Families and Neighborhood Life at Clemson University (1998-2009). She also co-lead in the development of the Institute's PHD program in International Family and Community Studies.

Prior to her work at Clemson University, she was Associate Director and Research Professor at the Institute for Families in Society and Director of the Division on Neighborhood Development at the University of South Carolina (1995-1998). From 1981-1995, she was a tenured Assistant and Associate Professor in the College of Agriculture and Human Resources (Department of Human Resources), an Associate Professor in the College of Social Sciences (Department of Urban and Regional Planning), and Research Associate in the Center on Youth Development at the University of Hawaii at Manoa. In 1977, she and her husband moved to Hawaii where she was a Research Associate in the Culture Learning Institute at the East-West Center (1978-1981) before joining the UHM faculty. From 1975-1978, she was a senior graduate assistant and Research Associate in

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the Nonformal Education Institute at Michigan State University working on a multi-million dollar USAID project in Indonesia to enhance the nation's teacher training college system to include, among other things, an emphasis on community development initiatives. In addition, she served as Vice President of Program and Publications for Pioneer Girls, a faith-based, interdenominational, international girls club, camp and women's leadership development program (1970-1975). From 1967-1970, she was a graduate assistant in the College of Education at Texas Women's University working on marine biology science curriculums for inland schools, and a science teacher in the Denton Texas public school system. While studying at Moody Bible Institute, she founded and directed an out of school child and teen development and literacy center in two housing projects in Chicago, as well as founding and hosting a radio program at WMBI (1964-1970).

Dr. Robinson testified several times before the U.S. Congress, several states' legislative bodies, and the United Nations. She served as a consultant to numerous state social service, health, juvenile justice, governors' offices, environmental, and municipal agencies. Internationally she was a consultant to 28 international organizations, including several divisions of the United Nations, the U.S. Agency for International Development, the International Institute for Applied Systems Analysis, ASEAN and the All Union (USSR) Academy of Sciences, Asian Development Bank, Asian Institute for Technology, Australian Commonwealth's Scientific and Industrial Research Organization, Canadian International Development Agency, Chulalongkorn University Social Research Institute, European Centre For Social Welfare Policy and Research, the German Development Bank, German Ministry of Education, Indonesian Ministry of Education and Culture, and the U.S. Peace Corps.

She has received numerous awards and recognitions from her work, including several fellowships and an Award of Distinction from the National Association of State Universities and Land Grant Colleges for her leadership of a national task group to add new science understanding to what was offered through schools and colleges of Agriculture and Natural Resources across the U.S. She was awarded the University of Hawaii Regents' Medal for Excellence in Teaching in 1990, the highest award given at UHM. She also has received awards of distinction from the U.S. Peace Corps and USDA for her community development work. At the University of South Carolina, she was recognized for her contributions to research productivity, and received three faculty excellence awards while at Clemson University. Texas Woman's University honored her in 2015 with the Chancellor's Alumni Excellence Award and, that same year, the National Development Institute awarded her their 25th anniversary Nonprofit Leadership Award. In 2017, the National Association of Nonprofit Executives and Organizations honored her with their first Robinson Lifetime Achievement Award. She received letters of commendation from three states' governors for her work in enhancing various aspects of human service delivery systems. Having traveled and worked in 151 countries, she is a recognized leader in rural community development in a variety of national and cultural contexts.

She retired in 2009 from Clemson University but remains affiliated with the Institute as an Adjunct Professor. Since her retirement, she has remained active in leadership roles within two charter schools, National Development Institute and the National Association of Nonprofit Organizations & Executives. She currently lives in Pawleys Island, South Carolina.

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NEW GUIDELINES FOR TOMORROW'S NONPROFITS - SECOND EDITION

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Jimmy LaRose's passion for "people who give" has inspired philanthropists around the world to change the way they invest in nonprofits. His belief that donors are uniquely positioned to give charities what they truly need – leadership rather than money – is the basis for his work with individuals, governments, corporations and foundations, in the U.S., Europe, Asia & Middle East. Jimmy, in his role as author, speaker, corporate CEO & nonprofit CEO champions all of civil society's vital causes by facilitating acts of benevolence that bring healing to humanity and advance our common good.

Now, in his twenty-seventh year of service, his message that money is more important than mission and donors are more important than people or causes has resonated with policy institute scholars, social activists, doctoral students, business leaders, think tanks, nonprofit and NGO executives who rely on him and his team of veterans to meaningfully grow their charitable enterprise.

He's the author of RE-IMAGINING PHILANTHROPY: *Charities Need Your Mind More Than Your Money*™ written to philanthropists who give nonprofits what they really need...enterprise models that grow capacity and achieve financial sustainability. https://JimmyLaRose.com

He's the architect of the Major Gifts Ramp-Up™ Donor Cultivation Model & Online Cloud used by charities around the world to meet the needs of their primary customers…the advocates, donors and volunteers who financially underwrite their mission. https://MajorGiftsRampUp.com

He's the founder of National Development Institute™, a 501(c)3 public benefit charity established in 1990 that insures funders, granting organizations and corporations safeguard their mission by building capacity within charities who serve the human welfare, education, health care, arts & environmental sectors. https://NonprofitConferences.org

He's the founder of National Association of Nonprofit Organizations & Executives (NANOE) our Nation's only unifying legislative body comprised of Governors nominated from all 50 States who oversee the codification of guidelines that govern sound charitable practice. https://NANOE.org

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He's the designer of the CNE, CDE & CNC™ Credentialing Program providing practitioners the training and certification they require to lead nonprofits to greater success. https://NANOE.org

He's the inventor of DonorScope™ an online prospect research platform used by charities to identify donors who give big gifts to great dreams that are backed by sound plans. https://DonorScope.com

He's the founder of 501c3.Buzz™ an online forum moderated by a nationwide network of academicians, practitioners & consultants who have dedicated their lives to advance the common good. https://501c3.Buzz

Finally, Jimmy is the CEO of both Development Systems International™ and PAX Global™ firms that specialize in implementing the Major Gifts Ramp-Up Model for nonprofits, ministries and churches who raise major gifts. https://Development.net & https://PAXglobal.com

James P. LaRose has served as a specialist with the U.S. State Department's Speakers Bureau traveling the world working with embassies, foreign governments, and leaders to promote philanthropy and civil society in developing countries. He was the founding President of the Western Maryland Chapter of the Association of Fundraising Professionals (AFP), and is a graduate of AFP's Faculty Training Academy (FTA). He is a graduate of Indiana University's Executive Leadership Program, Indianapolis, IN, the National Planned Giving Institute, Memphis, TN, Tennessee Temple University, Chattanooga, TN and Word of Life Bible Institute, Schroon Lake, NY. Dr. LaRose received his Doctorate in Philanthropic Studies from Ecumenical University. Rev. LaRose was ordained as minister of the gospel by the Ecumenical Church of Christ in further support of his service to the hurting and hopeless around the world. He and his beautiful wife Kristi are citizens of the Palmetto State where they make their home in Lexington, South Carolina.

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