An exciting, grand historical evolution of American society is taking place: For-profit and nonprofit domains are converging. Many of the entrepreneurial and organizational practices and frameworks found most frequently in the business world are finding increased adoption in the social sector, just as generating positive social benefit is becoming a more common bottom-line concern in the world of business. In this new era, all organizations, regardless of tax status, must do good and perform well.

This gives rise to many fascinating and difficult practical questions for nonprofit board members who want to see their organizations adopt for-profit business practices and reach the scale and growth demanded by the size and urgency of the social challenges they are chartered to address. How do board members engage as transformational leaders and growth and performance catalysts? How can they be
effective as volunteers with a limited view to the organization and even more limited bandwidth? How can they do more than just nibble at the edges of change?

While it’s not easy, the good news is that we know how to do this — we understand the pathway to achieving rapid and effective nonprofit growth and impact. But this pathway is not for the timid. Scaling anything — for-profit or nonprofit — is difficult. There are 27 million for-profit businesses in the United States, but only a few percent of these have grown to more than 20 employees or $1 million in annual revenue. This is what management expert Jim Collins calls ‘brutal reality.’

If you are a board member who is ambitious for your organization and ready for outside-the-box solutions that promise to transform nonprofits into scalable enterprises, this and subsequent posts will explore the necessities, the “gotta haves” that enable organizations to enter and thrive in this new, sector-agnostic world of high performance, growth, and social impact.

**Gotta-Have #1: Board members with proven entrepreneurial and growth expertise who demand and support high-performing executive teams**

We’re not talking about boards with one or two hedge-fund executives or CEOs who come by once a month and skim over a 40-page board packet. We are talking about a board that is dominated by individuals who have been to the organizational growth rodeo, who have won a trophy or two but who have also been bucked off, face first, into the dirt. Effective nonprofit boards gotta have board members with proven entrepreneurial and organizational growth and performance experience who are deeply engaged in the difficult, risky decisions necessary to drive their organization forward. They act as if their professional worth and stature depends on it — and in their eyes, it does. “I know growing an organization is hard, as I’ve done it successfully before and also failed more than I’ve succeeded. For this nonprofit, I’d rather try hard and fail than behave like a tourist or casual observer. My skin is in this game.”

Only then can the board have productive conversations focused on performance. And the first item under discussion should be this: Do we have a management team that can also drive performance and growth? I have observed that there is a costly gap on executive teams of most small- and mid-sized nonprofits, and indeed on many larger nonprofit teams as well: Their executives are frequently programmatic experts but not organizational ones. Health care organizations are led by doctors; human service nonprofits by social workers. But schools of medicine and social work
don’t teach students how to capture and deploy capital and build scalable, high-functioning teams. So it’s the board’s responsibility to make certain that executive teams are populated with individuals who possess proven strategic, financial, and organizational operational and growth acumen, not just program-related content expertise. To refer back to Jim Collins, this is called getting the right people on the bus.

**Gotta-Have #2: Strong planning and execution architecture**

Let’s imagine we’ve properly curated our board and executive team. Now we can proceed to the second *gotta have*: robust organizational planning and execution architecture. I use the term “architecture” quite deliberately — there are three major building blocks of any high-growth organization that fit together synergistically. They are 1) a world-class, investment-grade business plan; 2) a diversified, disciplined, well-staffed revenue pipeline; and 3) a concise, accurate executive dashboard that captures program breadth, depth, finance, and revenue.

I’ll go through the first two briefly here (the third is rather self-explanatory). In future posts, I will unpack each piece of this architecture more fully, for success requires that they be 100 percent robust.

*World-Class, Investment-Grade Business Plan*

The best business plans avoid soft language. They feature measurable, concrete statements around what impact the organization proposes to achieve. We’ve discovered the best way to avoid soft language is to frame a nonprofit’s work in much more concrete terms than the traditional mission-vision-values approach. What’s better? Organizational positioning statements that are challenging and specific, that embed the goals clearly and succinctly. My team frequently takes the mission-vision-values frameworks much farther with what we call problem-solution-proof: 1) What problem is this organization solving? 2) What does success look like for us (with hard facts, statistics, and contextual data) and 3) Why are we the best organization to solve this issue?

These are hard questions to answer well. Culturally, they require a courageous commitment to transparency, accountability, growth and impact — to solving the problem in its entirety. I’ll refer back to Jim Collins yet again: He says the best organizations pick a BHAG — a Big, Hairy, Audacious Goal. That, and a credible plan
to achieve it, is an organizational must-have, and you need it now. If it’s not scary, difficult, and urgent, you probably aren’t in it to win it.

Let’s say you are one of the brave few and you’ve already set your BHAG. What’s your roadmap to achieve it? The best nonprofits diagnose the systemic causes of the problem they are addressing and create effective cross-sector solutions that knit together actors from the corporate, government, and nonprofit spaces to execute strategies collaboratively and effectively. This strategy is measured with milestones; key performance indicators (including leading and lagging metrics); detailed, item-level financial projections going out at least three years; and organizational charts and team descriptions. And there are credible plans to access capital and sustain revenue to make scale possible.

The final product is an investment-grade business plan. And by the way, it needs to be very short, no more than a half-dozen pages or so, and it’s even better when it’s boiled down into 10-15 slides. They are simple to describe but quite hard to do well, and the best ones typically go through dozens of iterations.

Revenue Pipeline

“Whether you think you can or think you can’t, you are probably right.” These words by Henry Ford (a better manager than person, to be sure) summarize an organization’s readiness to raise capital and generate and sustain the revenue necessary to achieve social change.

Too many nonprofits function with poverty mindsets. This is a tragic mistake, as there are enormous sums to capture for social impact. Individuals give away more than $400 billion last year; corporations and foundations more than $80 billion — and there’s over a billion dollars between earned income and government grants and contracts. And there are hundreds of billions more in impact capital — risk- and rate-tolerate dollars that are ready to invest in nonprofits if there’s a credible business model and management team in place.

Today, most of this revenue is captured by hospitals, universities, and a handful of larger nonprofits. Even though by count they are only about four percent of the organizations in the social sector, they control 85 percent of the sector’s assets. These are big, multi-billion dollar corporations that also happen to operate under the 501 section of the IRS code. And while these big nonprofits are doing critical work to
advance social progress, they aren’t solving all our problems, which is why we need far more organizations to get as savvy as they are about performance and growth.

The trick is to give ambitious, growth-oriented nonprofits the best strategies and execution frameworks that enable large intakes of revenue — both earned and contributed — to fuel their ambitious business plans. And here’s where we hit another barrier: The sector’s current fundraising methods are extraordinarily ineffective. From high-cost, low-return strategies like auctions, small grants, and mail appeals to running low-margin businesses like thrift stores, nonprofits habitually step over dollars to pick up dimes. Making it worse, on average, nonprofits lose over half their financial supporters each year. Letters urging supporters to “renew your gift” aren’t enough.

Nonprofit boards need to drive breakthrough strategies on funding nonprofit growth, all of which depend on a fundamental mindset shift. For example, we counsel to avoid using word “donor” unless the individual is kind enough to give you blood or an organ. If they are giving you money, use “investor” instead, even if the return you are providing them is entirely social. Treat your supporters like early-stage investors to be engaged in your business planning and courted over time. Then, if they do “invest,” report back to them frequently with a clear and honest set of metrics contained on a dashboard.

In sum, nonprofit board members should seek rapid growth of capital — success, not survival. And that means looking past ineffective models around philanthropy, capital campaigns, fundraising events, and the like. Stay tuned on for more to come on specific strategies and solutions around this critical success factor.

**Gotta-Have #3: Strong Culture**

For many years, I attempted organizational transformation via technical and strategic intervention alone, even though I was well aware of Peter Drucker’s sage words, *culture eats strategy for breakfast*. It took a number of early ejections at the growth rodeo and a dozen or so dirt-eating failures before I began to understand what my partners and observers kept telling me: The road to organizational growth and performance has a people side as well as a technical and strategic side. The road to growth is full of land mines, and the only land mine detector is a careful change management process designed to embed the behavioral and cultural values essential to supporting the strategic and technical architecture.
So if you are an ambitious, conscientious board member who refuses to be a tourist traveling on the road to marginal impact, the degree of difficulty goes up a notch further when it comes to assessing, creating, and supporting an organizational culture fertile for impact and growth. When you come to one meeting a month at best, how do you tell the organizational culture is on the right trajectory?

I rejected the entire field of organizational development for many years, as the literature was so abstract and unclear. Only after near exhaustion did I discover that many of the tools that assess organizational culture and development are centered around fairly simple concepts that, once learned, are impossible to forget. I’ve become an enthusiastic disciple of famed management expert Ichak Adizes and his PAEI framework, which can be found in his book, *How to Solve the Mismanagement Crisis*. It’s an acronym representing the four major organizational affinities and capabilities of any given individual: Producer (best at doing the work), Administrator (loves organizing the work), Entrepreneur (happy when thinking up better ways to do the work), and Integrator (the glue that promotes teamwork and culture).

While it’s no panacea, board members wishing to foster a high-functioning executive team must take great care to ensure that all four personality traits are well represented and given adequate authority on executive teams — and on their own board. Importantly, rare is the person that embodies all four characteristics equally. For example, organizational founders are often strong entrepreneurs and producers, but they are frequently not as strong on administration or integration (a point which I know intimately well).

Dysfunction occurs when an organization’s staff and leaders are out of PAEI balance. For example, an organization led by an entrepreneur only, with no supplementation in the other areas, will act as if an “arsonist” is in charge: the leader will always be starting new projects, setting new fires, with little follow through (P), organization (A), or team integration. On the other end of the spectrum, organizations with too many people who prize integration will fail to get anything done. There will be constant taking of group temperature, with no one willing to take risks and upset norms.

Any of these sound familiar?

**Conclusion**
It’s difficult to talk about how sector-based thinking is killing millions of vulnerable people and poisoning our ecosystem without being labeled Dougie Downer. But going back to the more powerful problem-solution-proof framework, let us understand that sector-specific thinking truly is a dangerous and destructive problem. We are, in fact, burning up the planet and using the proceeds to band-aid over the damage. Luckily, there is an exciting and powerful solution; one that is rising from the confluence of the sectors and the emergence of a “people, planet, profit” mindset; one that can encompass every organization, from corporate to agency to nonprofit.

So when board members say “It’s just a nonprofit, what can we do?”, please interrupt them and say “We can do a great deal.”

---

Topics: strategic planning, Culture, similarities in for-profits and nonprofits

---

Robert Andringa 7/18/2018, 1:29:04 PM

Challenging and thoughtful. But let's not count just activities, outputs, and budgets. Outcomes ... transformed lives ... that's what we are about.

Reply to Robert Andringa

Donald Summers 7/24/2018, 2:26:49 PM

Couldn’t agree more, Robert. We want outcomes, not outputs-- and these results need to aim at the scale of the entire problem.

Reply to Donald Summers
While the current hot topic is growth in the grey space between for-profit and not-for-profit, it is important to remember that there actually is a distinction (and its there for a reason). It is not just a tax thing it is in the motivation of the organization for its actions.

Both sectors can learn from the other. Nonprofits can be far more entrepreneurial and need to challenge the status quo a great deal to move the needle on impact. For-profits can learn that profit at all costs is not sustainable and can find ways to avoid causing issues that nonprofits will be cleaning up 20 years from now (or sooner).

While I don't believe a great convergence is likely, it is encouraging to see for-profit leaders engaged in pushing nonprofits out of their comfort zones and challenging the status quo.

I'm with Rob: impact is moving well beyond how much did we do & how well did we do it? Impact is about what difference did we make.

I would like to hear what you consider an executive dashboard. We're an affordable housing complex for seniors with board members who do major lifting---but the rest of us don't know
exactly how they do it. We need some knowledge management.

Reply to Carol Steinfeld

Donald Summers 7/29/2018, 9:53:42 PM

Happy to show you some examples, Carol.

Reply to Donald Summers

First Name*
Cristine

Last Name
Nardi

Email* Website

tallen@thecne.org

Comment*

SUBSCRIBE

BoardSource is committed to protecting and respecting your privacy, and we'll only use your personal information to administer your account and to provide the resources you request from us.
I agree to receive emails notifying me about new BoardSource blog posts.

You may unsubscribe from these communications at any time. For more information on how to unsubscribe, our privacy practices, and how we are committed to protecting and respecting your privacy, please review our Privacy Policy.

Subscribe

RECENT POSTS

- The Importance of Diversity (and Inclusion): A Call to Action for Community Foundations
- The 3 Gotta-Haves for Boards Seeking Impact and Scale
- Mixing Music and Advocacy to Scale Impact
- Using For-Profit Language to Think Differently About Nonprofits
- Grantspace.org — Providing Tools, Trainings, and Events for Foundation and Sector Leaders

Search this site on Google

Search

Privacy Policy  |  Acceptable Use

© Copyright 2018 BoardSource