Basic Guide to Nonprofit Program Design and Marketing

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Adapted from the [Field Guide to Nonprofit Program Design, Marketing and Evaluation].

Section1: WHAT'S A NONPROFIT PROGRAM?

Resources and Activities Organized to Provide Related Services

Basically, a nonprofit program is a highly integrated set of resources and activities geared to provide a service or closely related set of services to clients. The typical nonprofit organizational structure is built around programs. (Two other major aspects of the nonprofit structure are its governance (the board and, for some, the chief executive, too) and its central administration. The board oversees the entire nonprofit organization. The central administration exists to use the nonprofit's common resources to ensure each program is developed and operated effectively.)

Program "System": Inputs, Processes, Outputs and Outcomes

Programs, like other organizations, can seem a highly confusing, amorphous mess that is very hard to comprehend. It can be hard to keep perspective. However, like the overall organization itself, a program is a system with inputs, processes, outputs (tangibles) and outcomes (impacts on clients) -- with ongoing feedback among these parts. This systems perspective helps keep clarity about programs and will help a great deal during program planning.

Program inputs are the various resources needed to run the program, e.g., money, facilities, clients, program staff, volunteers, etc. The processes are how program services are delivered, e.g., clients are counseled, children are cared for, art is created, association members are supported, etc. The outputs are the units of service, e.g., number of clients counseled, children cared for, artistic pieces produced, or members in the association. Outcomes are the impacts on the clients who are receiving the services, e.g., increased mental health, safe and secure development, richer artistic appreciation and perspectives in life, increased effectiveness among members, etc. The outcomes are the "compass" for the program and help it keep its direction. This is why funders are increasingly requesting outcomes-based evaluations from nonprofits.

Section 2: PREPARATION - - CORNERSTONES TO SUCCESSFUL PROGRAM PLANNING

1. **Program Should Be Closely Aligned with Organization's Mission**
   The mission of the organization is its overall purpose in the community. During strategic planning, planners work from the mission to identify several overall, major (or strategic) goals that must be reached and that, in total, work toward the mission. Each program is associated with achieving one or more strategic goals and, therefore, should contribute directly toward the mission as well. If an idea for a program comes up at some time other

than during the strategic planning process, nonprofit board members must carefully ask themselves if the program is really appropriate to the mission of the organization.

2. Program Planning Should Be Closely Aligned With Strategic Planning

Depending on the nature of the organization, strategic planning typically includes review of the organization's vision, mission, values, overall issues and goals. Goals associated with services to clients often become program(s) and strategies to reach those goals often become methods of delivering services in the programs. Because programs must be tied closely to the nature of the organization's mission and its goals, the program planning process should also be closely aligned to the organization's strategic planning process as well. Typically, at a point right after the strategic planning process has identified strategic goals and issues, a team of planners can draft a framework for how strategic goals can be met. This framework is often the roadmap for a new program.

3. Involve Board Members in Program Planning

A major responsibility of board members is to set the strategic direction for their nonprofit. Therefore, board members should be highly involved in the strategic and program planning processes in the nonprofit. However, staff members might be strongly involved in determining how services will actually be delivered in the program.

4. Conduct Program Planning as a Team

The chief executive, key planners on the board, relevant middle managers and representatives from major client groups should all be involved in program planning. ("Relevant middle managers" are those who lead programs or other departments that will integrate or coordinate with the new program being planned.) As mentioned above, program planning is often initiated as part of the organization's overall strategic planning process and so is often conducted by the strategic planning team.

5. Program Planning Should Involve Potential Clients as Much as Possible

One can embark on a wonderful program planning process with all the right parts, but if key clients aren't involved to provide perspectives from the program user's point of view, the organization may build a beautiful ladder -- but on the wrong roof. Therefore, involve clients as much as possible in initial ideas for a program. Discuss with them your perceptions of their unmet needs. Try verify if these needs actually exist and how they would like their needs to be met. You might have representatives from client groups review the final draft of your program plan. Note that this involvement of clients is a critical aspect of the marketing process, specifically marketing research.

6. Don't Worry About Developing "Perfect" Program Plan

If the organization involves the right people, everyone participates wholeheartedly and continues to reflect on their experiences, then the organization will develop the "perfect" plan for the organization's programs. The organization remains the only real "expert" on their own planning. Outside consultants and facilitators can be brought in, but each planning decision is ultimately up to the organization members. The "perfect" program plan will meet the nature and needs of the organization and continue to be updated as organization members learn more about meeting the needs of their clients.

Section 3: PLANNING YOUR PROGRAM AND SERVICES

Basically, planning is taking one's best shot at working up a "tree" of decisions (decisions that must be made at some time, and the earlier the better) to propose (and often get funding for) developing a program. Your plan doesn't have to be perfect and, like any plan, it isn't a rule, rather it's a set of guidelines that serve as reference for the future. You can change your plans -- just know why and be able to explain (e.g., to your board and funder) why you changed the plans. This planning effort is almost always more than nonprofit personnel want to undertake, but is almost always less than they fear.

3. A. Program Framework: Outcomes, Goals, Strategies and Objectives

Program Outcomes, Goals and Strategies Follow Directly from Strategic Planning

If your strategic planning was done thoroughly then it should be relatively easy to determine program outcomes, goals and strategies. The strategic planning process determines the mission (or purpose) of the organization in terms of uniquely accomplishing certain outcomes for specific groups of clients. The process also determines the goals needed to work towards the mission and the general methods (or strategies) to reach the goals. As much as possible, goals are specified in terms to meet specific needs among specific groups of clients.

The overall goals of the organization very much determine whom you want to serve, that is, who your target markets will be. For example, strategic goals might be to expand the number of clients you have now, get new clients, get more revenue from current clients, etc. You may want to develop new services in a current or new market, or expand current services in a current or new market. These examples of strategic goals greatly determine who your target markets will be.

(NOTE: Don't be overly concerned about completely understanding correct definitions of the terms in this section. As long as your program planning proceeds directly from aspects of your strategic planning, you'll be headed in the right direction. You might consider goals as measurable accomplishments and objectives as smaller, measurable milestones along the way to the goals. Consider strategies as methods to reach the goals or objectives.)

Program Outcomes

We've noted above that intended outcomes are always the compass to point direction for nonprofits and their programs. Outcomes are benefits to clients from participation in the program. Outcomes are usually in terms of enhanced learning (knowledge, perceptions/attitudes or skills) or conditions, for example, increased literacy, self-reliance, certifications, etc. For example:

- Example Outcome #1 -- Drop-outs from Minneapolis high schools obtain high school diplomas or equivalent levels of certification
- Example Outcome #2 -- Within three months after getting certification, participants obtain at least half-time employment or enroll in an accredited program to further their education
- For more information now about outcomes, see the United Way. site at http://www.unitedway.org/outcomes/

Program Goals

Programs goals should follow directly from, or be the same as, strategic service goals intended to meet specific needs of specific client groups. (Note that there are also strategic goals other than for meeting needs of clients, for example, getting a facility.)

Goals should specify the results from program services and be in terms that are "SMARTER" (an acronym), that is, specific, measurable, acceptable to those working to achieve the goals, realistic, timely, extending the capabilities of those working to achieve the goals and rewarding for them, as well.

- Example Program Goal #1: Support at least 600 drop-outs from Minneapolis high schools to obtain diplomas or equivalent levels of certification

Program Strategies

Program strategies (or methods to reach goals) should follow directly from strategies intended to achieve each strategic goal, for example:

- Example Program Strategy 1.1 -- Conduct high-school equivalency training programs to drop-outs from Minneapolis high schools
- Example Program Strategy 1.2 -- Provide free transportation to enrollees in the program
- Example Program Strategy 1.3 -- Provide subsidized child care to enrollees in the program

Program Objectives

Program objectives (or specific, measurable milestones along the way to achieving program goals) are accomplished along the way while implementing the above strategies, for example:

- Example Objective 1.2.1: Provide three vans that will each transport eight riders per day (enrollees and/or their children) to and from the program

3. B. Designing Each Service in Program (Through Market Analysis)

Developing program services is not unlike developing products or services in the for-profit market, particularly as nonprofits look to more innovative methods to earn revenue from products and services. Nonprofit services must be marketed, including clarifying which client groups the nonprofit is going to serve (these are target markets), verifying their needs (a basic form of market research), analyzing competitors (nonprofits do have competitors) and potential collaborators, determining the best fee for services, determining how to produce and distribute the services, and how to promote (advertise, manage public image and sell) the services, as well.

Draft Basic Description of Each of Your Services

Typically, a service is a closely related set of activities that accomplishes a specific benefit for clients. Exactly what determines a service in an organization is highly unique to the organization itself. A program can have several services. A nonprofit might sell services separately and/or in a package of related services. For example, from the above example outcome #1, services might include:

- Example Service for Outcome #1 -- High-school training services
- Example Service for Outcome #1 -- Transportation services
- Example Service for Outcome #1 -- Child-care services

By now, you might have a strong, clear sense of what each of your services are. At this point, you might draft for yourself a written description of each of your services. The description should include: nature of your services (arts, social services, education, etc.), the specific groups of clients served by the service, outcomes for them, other benefits to them and where they should go next if they are interested in using the service. Be careful to describe the services in terms of benefits to clients, not to you. For example, address pricing, convenience, location, quality, service, atmosphere, etc.

What Major Groups of Clients Do You (or Do You Want to) Serve? (Target Markets and Customer Profiles)

This paragraph is repeated from above: The overall goals of the organization very much determine whom you want to serve. For example, strategic goals might be to expand the number of clients you have now, get new clients, get more revenue from current clients, etc. You may want to develop new services in a current or new market, or expand current services in a current or new market. These examples of strategic goals greatly determine who your target markets will be.

Understanding your program's target markets makes it much easier for you to ensure that your program remains highly effective. In addition to helping focus the results and evaluation of your services, understanding your target markets helps you to focus on where to promote your services, including advertising, conducting public relations campaigns and selling your services. If you've done a good job so far of strategic planning and program planning, then identifying the primary targets market should be fairly straightforward. However, it is very useful to determine several additional target markets. These additional markets are often where you should focus promotions and mean additional sources of assistance and revenue. For example, a target market that follows from the above examples, might be:

- Target Market #1: Dropouts from Minneapolis high schools
- Target Market #2: Counselors in Minneapolis high schools
- Target Market #3: Parents of drop-outs from Minneapolis schools
- Target Market #4: Job placement services, seeking to help people find jobs
- Target Market #5: Local businesses looking for employees

The more you know about your clients, the better you might be at serving them. At this point, write down a customer profile, or description of the groups of clients (or markets) who will use your services. Consider, for example, their major needs, how they prefer to have their needs met, where they are and where they prefer to have their needs met and demographics information (their age ranges, family arrangement, education levels, income levels, typical occupations, major interested, etc).

What Needs Do Your Services Meet for Each Target Market?

By now, you should have clear idea of the major needs met by each of your services for their primary (or #1) target market. It's critical that you have strong sense of the needs that your services are providing to clients. The services should be described in terms that are beneficial to clients -- what's in it for them? Consider: what needs of theirs are being met, low pricing, convenience, quality, atmosphere, location, etc.

What needs might your services meet among other markets as well? For example, in the above examples:

- Needs Met for Target Market #1: High school graduation, eligibility for job and further education
- Needs Met for Target Market #2: Place to refer high school drop-outs so they can continue their education

- Needs Met for Target Market #3: Place to refer their children for continued training, transportation and child care
- Needs Met for Target Market #4: Place to get clients to find jobs for
- Needs Met for Target Market #5: Place to get job candidates

Who Are Your Competitors?

Nonprofits exist to serve their communities. One would think that in this spirit of service, all nonprofits should collaborate for "the common good". However, nonprofits do compete for the attention, participation and money of their clients -- and in many cases, compete for the same items from funders. Consider the following questions: Who are your competitors? What client needs are you competing to meet? What are the similarities and differences between their products/services and yours? What are the strengths and weaknesses of each of their products and services? How do their prices compare to yours? How are they doing overall? How do you plan to compete? Offer better quality services? Lower prices? More support? Easier access to services?

Who Are Your Collaborators?

Successful collaboration brings two or more organizations together to work in synergy, in an effort that is "more than the sum of its parts." That is, if both organizations worked apart, both would serve clients and produce some benefits -- but not as many and as well as if both organizations worked together. In working together, there's an economy of scale, or sharing of resources, that lowers costs and focuses more resources on serving clients.

An increasing number of funders are requiring evidence of collaboration planning from nonprofits applying for funding. Many nonprofit leaders naturally struggle with the notion of collaboration, of sharing resources and control with other organizations. Collaboration can be viewed as quite frustrating for nonprofit leaders. This dilemma invites leaders to carefully consider whom it is that they really want to serve. If collaboration will better serve clients (and it usually will) and better serving clients is the overall goal, then collaboration should be attempted.

In this analysis, consider: Who are potential collaborators with your nonprofit? What client needs might you collaborate to meet? What resources might they bring and what could you bring? What could you do next to cultivate collaboration with other agencies?

What Price Should You Charge?

Nonprofit typically don't place the same high priority on setting prices that for-profits do. However, funders won't support a program indefinitely. The nonprofit is always wise to explore what revenue can be generated from a service to offset its operating costs. Nonprofits that rely on federal funding would be wise to plan programs that recover costs through the use of fees because the federal government is substantially reducing its contributions to nonprofits.

Several major factors influence the pricing for a service. Strategic goals greatly influence pricing. For example, if the nonprofit really wants to get into a new market, then it might charge lower than usual prices in order to generate more clients who buy the service. The nonprofit might consider changing pricing if the demand for its services are very high or low. Competitor pricing also has a great effect. If competitors are charging much less, then the nonprofit might do well to lower prices. Similarly, if the competitor is charging much more, then the nonprofit might consider increasing its own prices.

In this pricing analysis, consider: Is your nonprofit recouping your costs (time, money, materials, etc.) to provide it? Is it affordable to clients? Would a sliding-fee scale better? What about volume discounts? What is the competition charging? What should be the new fee(s), if any? How do you know?

What Laws and Regulations Must You Follow?

It's critical to identify all laws and regulations that effect how you carry out your particular services. Contact local state agencies to determine these laws and regulations, for example, offices of your states attorney or attorney general, secretary of state, etc.

What Name Will You Use for Your Service?

To effectively promote your service, you must have a concise, yet meaningful description of the service. This can be much more complicated than merely picking a name. There are consultancies built around helping organizations to name or brand their products and services. You have to be sure that you're not using a name that is already trademarked or servicemarked. You should not have a name that closely resembles an already established name in your area, or clients will confuse your services with those referred to by the other name -- or, the organization with the other name may choose to sue you. You need a name that makes sense locally, but if you grow, the name will still be understood elsewhere. The name you choose for your service will be around for a long time and can have substantial impact on your services are perceived. Therefore, seriously consider some basic forms of market research to glean impressions of different names. For example, convene several focus groups to glean their reactions to various names. Have survey cards that clients can complete to suggest names.

Finalize Description of Each of Your Services

At this point, you've thought -- and hopefully learned -- more about each of your nonprofit's services. You've learned more about the service's target markets, benefits to clients, competitors, collaborators, pricing and naming. Now go back to your drafted description of each of your services and update the descriptions with what you've learned. Include description of:

1. The business you're in, for example, service, manufacturing, etc.
2. The type of your service, for example, arts, advocacy, social services, education, civic, cultural, etc.
3. The target market for the service. Include description of the target market.
4. Include your strategies regarding pricing, distribution, advertising and promotion strategies, etc.

3. C. Planning Program Promotions (Advertising, Public Relations and Sales)

Promotion keeps your service in the minds of your clients and helps stimulate demand for your services. Promotion involves ongoing advertising, public and media relations, and can include sales and customer service. All of these build from having a clear idea of how you want position your nonprofit and its services in the target markets (or groups of clients) that you are aiming to serve.

Positioning Your Nonprofit and Its Services - - the Positioning Statement

Simply put, positioning is determining how you want others to perceive your nonprofit and/or each of its services. Positioning builds from many of the above-mentioned activities, including clarifying target markets, which of their needs your services meet, how your services uniquely meets these needs, the price of services, how your nonprofit "stands up against" competitors, and the unique name of your services.

Your market position can be described by your positioning statement. Advertising and promotions often work from this positioning statement. This statement usually includes two to five sentences, but should be very brief and concise. It should clearly depict your organization in the way that you want others to perceive it. When writing it down, consider answers to the question: "We are the nonprofit that ..."

Sales Planning

Sales can be a strong component of your advertising and promotions activities. In addition, the budget for advertising and promotions is often determined as a percentage of the revenue expected from sales. Therefore, we'll look at sales at this point in the advertising and promotions information.

Sales involves most or many of the following activities, including cultivating prospective buyers (or leads) in a market segment; conveying the features, advantages and benefits of a service to the lead; and closing the sale (or coming to agreement on pricing and services). Sales forecasts (or projections about sales accomplished in terms of money made, units sold, etc.) are often used as the basis for determining how much to budget for advertising and promotions and for public relations efforts. Sales forecasts are often made on the basis of market research about the market and industry.

Unfortunately, many people in nonprofits have strong feelings against sales. They perceive sales as heavy-handed and manipulative efforts to force someone to do something that they really don't want to do. However, sales is evolving from this old-fashioned, heavy-handed approach to more relationship-based approaches geared toward identifying the needs of clients and helping clients decide if the services meet those needs. If a person really believes strongly in their services, then sales can be very meaningful experience. It's often wise to send personnel to basic forms of sales training. This can make a big difference.

The best sales techniques usually include strong skills in questioning and listening. Good sales techniques also include ensuring strong methods of customer service -- current customers are often the best sources of customers for new products and services. Probably the best approach to ensuring strong sales is knowing the needs of clients -- this starts with effective market research.

Regarding your sales planning, consider: What target markets will be approached? How will you conduct sales efforts with them? How much do you expect to accomplish in sales (consider terms of outputs, such as dollars made, clients recruited, or other units of service). How do you generate sales contacts and potential customers (or leads) among each target group? Who does follow-up and presentations? Who actually closes the sale? How will you know if your sales efforts are effective?

Planning Your Advertising and Promotions

Advertising and promotions is continuing to bring a service to the attention of potential and current customers. Advertising and promotions are best carried out by implementing an overall advertising and promotions plan. The plan often includes plans for a promotional campaign, including an advertising calendar and media plan. The goals of the plans should depend very much on the overall goals and strategies of the organization, and the results of the marketing analysis, including the positioning statement. Successful advertising and promotions depends very much on knowing what target markets you want to reach, what features and benefits you want to convey to each of them, what methods and media you will use to convey it to them, who is responsible to implement the methods and how much money is budgeted for this effort.

When selecting methods, consider what communications methods and media will be most effective in reaching target markets and when. Consider, for example, radio, newsletters, classifieds, displays/signs, posters, word of mouth, press releases, direct mail, special events, brochures, neighborhood newsletters, etc. What media is most practical for you to use in terms of access and affordability? You can often find out a lot about your clients preferences just by conducting some basic market research methods.

Public and Media Relations Planning

Public and media relations includes ongoing activities to ensure the nonprofit has a strong public image. Public relations activities include helping the public to understand the nonprofit and its services. Similar to effective advertising and promotions, effective public relations often depends on designing and implementing a well-designed public relations plan. The plan often includes description of what you want to convey to whom, methods to convey it, who is responsible for implementing the methods and how much money is budgeted to fund these activities. Similar to advertising and promotions planning, a media plan and advertising calendar can be very useful in a public relations plan, as well.

Often, public relations are conducted through the media, that is, newspapers, television, magazines, etc. Publicity is mention in the media. Organizations usually have little control over the message in the media, at least, not as much as they do in advertising. Regarding publicity, reporters and writers decide what will be said.

Regarding public relations, consider: What groups of stakeholders do we want to appeal to and how? What impressions do you want each of your stakeholder to have? What communications media do they see or prefer the most? Consider advertising, collaborations, annual reports, networking, TV, radio, newsletters, classifieds, displays/signs, posters, word of mouth, direct mail, special events, brochures, neighborhood newsletters, etc. What media is most practical for you to use in terms of access and affordability? What messages are most appealing to each stakeholder group?

Regarding media relations, consider: Who in your organization should respond to calls from newspaper reporters, etc? What should organization members say to the reporters? Do you have a script that your organization can reference to represent the organization to the community? Do you have guidelines for writing press releases and are these guidelines used?

Customer Service

The for-profit arena has seen dramatic improvements in customer service as customers become more discerning in their selection of products and services (clients of nonprofit organizations are also customers of the organization). Organizations are realizing that the best source of customers for new products and services are current customers -- if their needs are being met. As with many other areas in this guide, the place to start when understanding customer service may be some basic methods of market research.

When considering how you will ensure strong "customer" services, consider: Are clients very satisfied with your services? How do you know? If not, what can you do to improve customer service? How can you do that? What policies and procedures are needed to ensure strong customer service. Include training in your considerations, including skills in interpersonal relations, such as questioning, listening, handling difficult people, handling interpersonal conflicts, negotiating.

3. D. Planning Service Delivery Methods

These methods are primarily in regard to building and reproducing the service (producing it), and then bringing the particular target market and service together (distributing the service). How your nonprofit produces and distributes services depends very much on the nature and needs of your organization and services. However, there are some common questions you should address in your planning.

Producing Each Service

If your program planning and marketing is successful, then hopefully you can expect an increase in demand for your services. You consider the following questions: What resources are needed to build the service? What resources are needed to reproduce the service (that is, provide it multiple times)? How will you meet expected demand for the services over the next six months? Twelve months? Eighteen months?

Note that the development and implementation of various production methods do not have to be addressed in detail in a marketing plan -- these topics are usually included in the operations or management planning for the program. However, production should be generally considered during the marketing analysis to ensure the eventual detailed production planning takes into consideration the needs of target markets and having their needs met on time.

Distributing Each Service

Matters of distribution of service can be critical for nonprofits, especially if they are providing critically needed services to specific groups of clients. For example, low-income clients may not be able to afford transportation to other areas to receive your services.

Carefully consider: What distribution channels should you consider, for example, should clients come to your facility, you visit their offices, can you provide services over the telephone, etc? What resources are needed to bring together your services and your target markets? What major steps need to occur to accomplish these distribution channels?

Note that detailed planning about developing and maintaining distribution channels is often included in the operations or management plans, rather than in the marketing plan. However, the marketing analysis should focus on selecting the methods of distribution that best meet the needs of target markets and the nonprofit.

3. E. Planning Methods to Measure Success of Program

The best indicator of the success of a program is clear, continued evidence that its services are meeting the previously unmet needs of its clients. To clearly conclude this success of a program, you need to clear indicators of success.

Building In Key Indicators of Success

It's important during program planning to build in clear indicators of the success of the program. For example, consider establishing indicators that are associated with outcomes intended from the program, such as "increased self-reliance (an outcome) for 70% of adult, African American women living in the inner city of Minneapolis as evidenced by the following measures (indicators) ..." An outcomes-based evaluation will help you ascertain if you've reached this indicator or not. You can also resort to indicators in terms of outputs (tangible results), for example, the number of clients served, money made, milestones accomplished, measures of satisfaction among clients per questionnaires, etc. Note that measures of outputs are very weak indicators of the success of achieving outcomes. As a result, many evaluators and funders will assert that more valid measures toward outcomes must be used.

If you struggle with identifying key indicators of success, then imagine the program operating in a highly successful manner at some time in the future. Then describe what features of the program indicate that the program is successful.

Conducting Initial, Pilot of Program

Consider planning a six-month or one-year pilot effort. The pilot will be a sort of mini-program that will reflect many of the aspects of a full-blown program. However, planning and operations regarding the pilot will include numerous reviews and assessments from which to learn from experiences around the pilot program. This learning will go into planning for the full-blown program. Note that funders are often highly cooperative in funding pilots as an approach to research or verify the nonprofit's proposed plans.

Program Reviews

Program reviews are regular examination of the program's activities to assess how the program is doing. A program review team should probably include the chief executive, the head of the new program and one or two other program directors, particularly those from programs that closely coordinate with the new program. A board planner should be involved, if possible. Examine if the program seems to be following the original plan. If it's not, the deviation is not as important as understanding why and assessing if the deviation was necessary. Take a look at the key indicators as noted in the plan. What is the progress toward the key indicators? What major problems exist and what is needed to address them? How are the actual costs compared to the planned costs? Are any actions needed to avoid financial problems? What would you do differently about the program if you could do anything? What limitations are holding you back from what you would ideally do if you could? What are you learning from the program implementation so far?

Evaluation of Plans (Marketing and Promotions, Public and Media Relations and Sales)

One of the most effective ways to ensure the success of your program is by evaluating the implementation of the plan. The plans are not law -- they're a set of guidelines and controls. If the plans needs to be changed, then fine -- but know why they need to be changed and how.

Evaluate Progress Toward Goals and Objectives

Are goals and objectives being achieved or not? If they are, then acknowledge, reward and communicate the progress. If not, then consider the following questions:

1. Will the goals be achieved according to the timelines specified in the plan? If not, then why?
2. Should the deadlines for completion be changed (be careful about making these changes -- know why efforts are behind schedule before times are changed)?

3. Do personnel have adequate resources (money, equipment, facilities, training, etc.) to achieve the goals?
4. Are the goals and objectives still realistic?
5. Should priorities be changed to put more focus on achieving the goals?
6. Should the goals be changed (be careful about making these changes -- know why efforts are not achieving the goals before changing the goals)?
7. What can be learned from our monitoring and evaluation in order to improve future planning activities and also to improve future monitoring and evaluation efforts?

Evaluate Response from Clients

For example, consider:

1. Did customers respond to advertising and promotions?
2. Did stakeholders respond with positive impression of the agency?
3. Did customers respond stronger than expected in certain areas?
4. What media seemed to generate the most responses?
5. What else can be learned about how clients are responding to the marketing efforts?

Program Evaluations

Programs should be evaluated on a regular basis to discern if the programs are reaching their goals, achieving their outcomes and if they are doing so in an efficient manner. Small nonprofits seldom have the resources to conduct comprehensive, detailed evaluations of a program's goals, outcomes and process. However, personnel from small nonprofits can think about where they have the most concerns about a particular program or aspect of a program (goals, processes, outcomes, etc.) and then target a highly practical evaluation of that particular aspect of the program.

Program evaluation holds numerous advantages. It can verify or increase the impact (or outcomes) on constituents. It can fine tune delivery of program services, which, in turn, saves costs and time. Evaluations often provide wonderful client testimonials that can be used for public relations and credibility when applying for funding. In fact, evaluations are often used by program planners to ensure that the program is indeed carrying out the original process planned for the program in the first place. Often, nonprofit leaders develop a program plan which ends up changing dramatically over time as program staff are overcome by events. Program processes can naturally deviate from the original plan because program plans were flawed in the first place, the program's environment changed a great deal or program staff simply found a much better way to deliver services to clients.

3. F. Resourcing and Budgeting for Program Development

Program Resources and Budget

Examine the program's process to the extent that you can associate what resources are needed to carry out that process. Consider: personnel costs (salaries and wages, fringe benefits, consultants), training, space, equipment purchase or rental, travel, copier, telephone, general office supplies, etc.

Develop a program budget by estimating the cost for each resource identified above. Note that this budgeting activity is almost always required in a proposal if the nonprofit wants to pursue funding for the new program.

Logic Models: What Are They, and Why Would Anyone Except Spock Care?

From Vince Hyman, Publishing Director, Fieldstone Alliance:

Logic models actually *are* for everyone!
Chances are, if you've gotten a grant lately or chatted with a program officer, you've been pressed to talk about your program's "logic model."

The response among nonprofit practitioners could be divided into three types:

1. The nonprofit wonk, shuffling through her purse, saying, "Sure, here's my grandkids, my dog, and a laminated copy of our program's logic model."
2. The jargon-weary exec, sighing "Goody, *another* 'best practice.'"
3. The deer-in-the-headlights practitioner, petrified by the word "logic."

All these responses are understandable.

I commiserate with those of you who work intuitively and worry that "logic models" will get in your way. The fact that some people don't approach problem-solving with the linear, algebraic mindset of evaluators doesn't make their performance ineffective--it just means they don't think linearly.

Pretty natural for such a person to freeze up, concerned that the alien "model" will a) upset their own effectiveness or b) make their effective approach look illogical and ineffective, when repeated successful outcomes prove the opposite.

"It may be a model, Captain, but it's highly illogical."

But logic models *are* helpful, because they can help us gain control over our work--and they can expose flaws in our plans. They're a bit like long division: the logic model is a way of *showing your work.*

Even if you're a nonlinear thinker, or too close to your work to explain the underlying logic, some set of logical steps is bringing the successful outcomes you achieve. Careful thought can help you uncover those steps, or a skilled evaluator can help extract the logic underneath the work.

Two of our recent books offer some tools to help you understand and use logic models: *The*

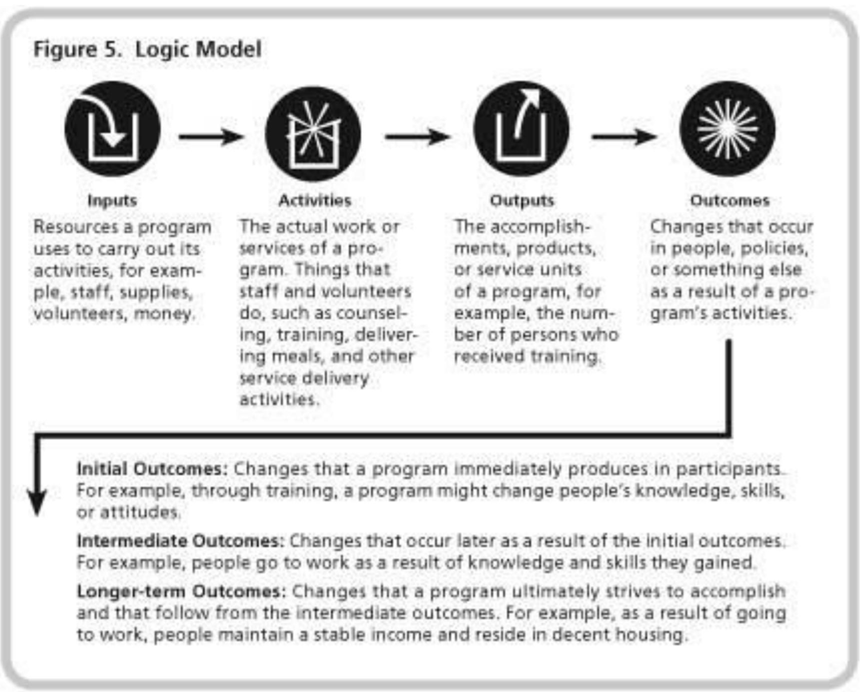
Manager's Guide to Program Evaluation (2003) by Paul Mattessich includes a great description of how logic models work. And *A Funder's Guide to Evaluation* (2005) by Peter York includes a worksheet to help you create your own logic model. This issue of *Tools You Can Use* includes both.

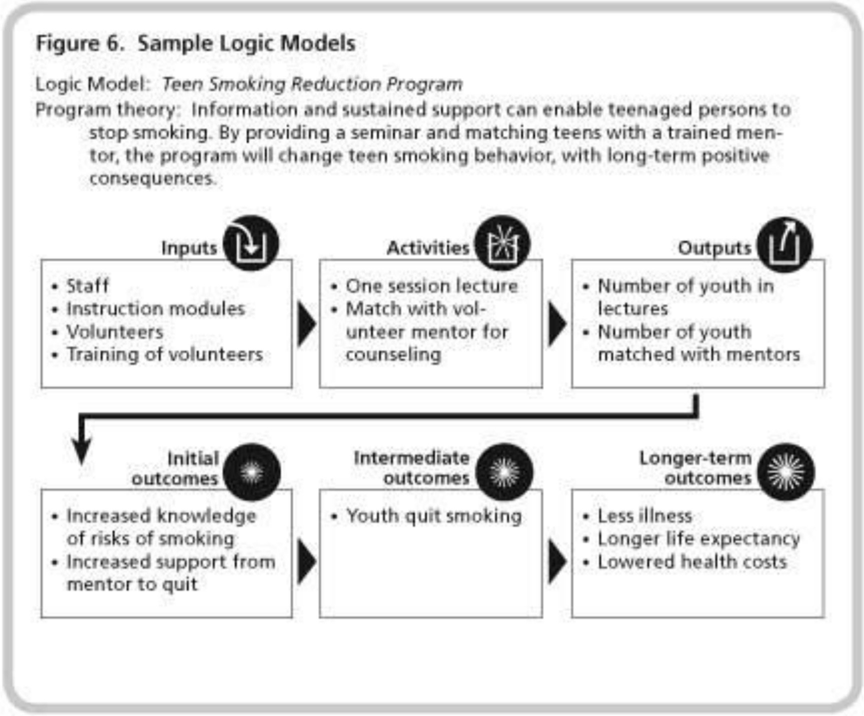
How and why your program produces the results it gets[1]

Logic models start with a *program theory.* Whether you've stated it explicitly or not, you *do* have a program theory. A program theory provides a coherent account of how and why your program generates the results (outcomes) it produces (or is expected to produce).

Let's consider a job skills program. In this program, classroom instruction, job placement, and counseling get people into jobs, with the goal of reducing welfare use. This approach is based on the following program theory: *Proper work attitudes along with good job skills and a supervised job placement will lead to stable employment and a reduction of welfare use.*

The *logic model* is a way to illustrate your program's theory. One format for logic models that has become popular during the past few years includes four major components: inputs, activities, outputs, and outcomes. Outcomes are sometimes subdivided into initial outcomes, intermediate outcomes, and longer-term outcomes.[2] The figures below show first what such a model looks like in abstract form, and then as it's applied to a jobs program.





Three very practical uses of logic models[3]

Practical learners like to know how something will help get work done. Here are three tangible reasons for developing a logic model:

1. A logic model helps you understand why something works
2. A logic model tells the story of your program quickly and visually
3. You can apply the model's theory to new and related problems

1. A logic model helps you understand why something works
Let's consider the job skills program. The *theory* represented by the logic model expresses how a set of three activities (classroom instruction, job placement, and counseling) leads ultimately to a significant social change (reduction of welfare use). This might seem trivial, but it is certainly not. To illustrate why, imagine two communities, each of which separately initiates a job skills program. The only difference between the two is that Community A has no program theory, while Community B does have a program theory.

In both communities, the number of people on welfare declines only very slightly after the first year of program operation. Due to the expense of the program, public officials, and the public at large have become skeptical and demand that either outcomes improve or the program be discontinued.

Community A, without a program theory--thus without any clear explanation of the dynamics of reducing welfare dependency through job skills training--has no options other than to stay the course or to stop the program (and either do nothing or try a different program). If you disagree with this, try to explain what else Community A can do without using terms similar to those in the boxes labeled Outputs, Initial Outcomes, and Intermediate Outcomes.

Community B, on the other hand, has more options. For instance, it can reflect on the Initial Outcomes section of its program theory and measure how well program participants did on improving work attitudes, acquiring job skills, and obtaining placements. Assume that Community B discovers that participants who accomplish all three leave welfare, whereas those who do only one or two do not leave welfare. Community B can then change its activities to increase the likelihood that participants will accomplish all three Initial Outcomes.

The reason why Community B could take steps to improve it effectiveness, while Community A could not, is that Community B had something--a program theory--that enabled it to understand how and why the job skills program leads to the intended outcomes.

2. A logic model tells the story of your program quickly and visually
Note how easily and succinctly the job skills program logic model shows what the program does, what it ultimately hopes to accomplish, and everything that logically occurs in between. In the previous example, think how many more tools Community B's program will have to defend itself against cutbacks, while Community A's program is virtually defenseless.

3. You can apply the model's theory to new and related problems
If the job skills program used by Community B eventually proves successful, one can ask whether a program that combines instruction, placement, and follow-up could be applied to similar problems that require individual change. For example, could the theory be adapted to help with school attendance issues? Programs that help people reenter the community after prison?

Create your own logic model

Peter York, in *A Funder's Guide to Evaluation,* includes a worksheet to help you develop a logic model for your program (sample below). Note that he uses some terms a bit differently than Mattessich: York's worksheet uses the term *strategies* to include the activities a program offers. And rather than dividing *outcomes* into *initial, intermediate*, and *longer-term*, York uses *short* and *longer-term,* and describes the longest term outcomes as *impact.* The last is a useful distinction, since most organizations care about their impact--it is the realization of their mission.

Logic Model Development Tool

Instructions: Use the following worksheet as a simple tool for developing a logic model. Identify the key stakeholders you would like involved in developing the logic model. Then, convene these stakeholders and facilitate a process that elicits everyone's assumptions as to their answers to the following questions. Each of these questions needs to be asked and answered fully, in the order that they appear.

1. What is the community-level impact (change) that our organization would like to contribute significantly to creating as a result of our programs?

2. What are the long-term outcomes we would like our clients to achieve? Specifically, what behavioral changes would we like to see our clients make as a result of our programs and services?

3. What are the short-term outcomes we would like our clients to achieve? Specifically, what cognitive, emotional, motivational, skill, or perception change would we like to see our clients make as a direct result of our programs and services?

4. What programs, strategies, or services do we need to achieve the short- and long-term outcomes?

5. What resources or inputs do we need to support strategy or service implementation?

6. What is going on in the community or in our clients' lives that we have no control over but that could affect the quality of our programs or the success of our clients?

Place your responses in the appropriate boxes in the Logic Model Worksheet, and don't forget to draw arrows showing the causal relationships between inputs or resources, strategies, and outcomes.

Logic Model Worksheet				
Inputs All of the resources necessary for supporting a program	**Strategies** The specific activities, interventions, services, and/or programs that serve a particular target audience	**Outputs** A short-term measure of program strategy implementation	**Outcomes** The short- and longer-term effects of program strategies on client behaviors, attitudes, knowledge, and/or perceptions	**Impact** The long-term and aggregate effect of a sustained program, service, or intervention on the overall target population.
YOUR INPUTS	YOUR STRATEGIES	YOUR OUTPUTS	YOUR OUTCOMES	YOUR IMPACT
Environmental Context: Factors beyond our control				

Remember, the end result of all this logic modeling is really to enable you to do a better job accomplishing your mission.

Best regards,

Vince Hyman
Publishing Director
Fieldstone Alliance

July 26, 2005

[1] Adapted from *The Manager's Guide to Program Evaluation*, Paul Mattessich, ©2003, Amherst H. Wilder Foundation Publishing Center—now Fieldstone Alliance.
[2] See United Way of America, *Measuring Program Outcomes: A Practical Approach* (Alexandria, VA: United Way of America, 1996).
[3] Excerpted and adapted from pages 30-32 of *The Manager's Guide to Program Evaluation.*

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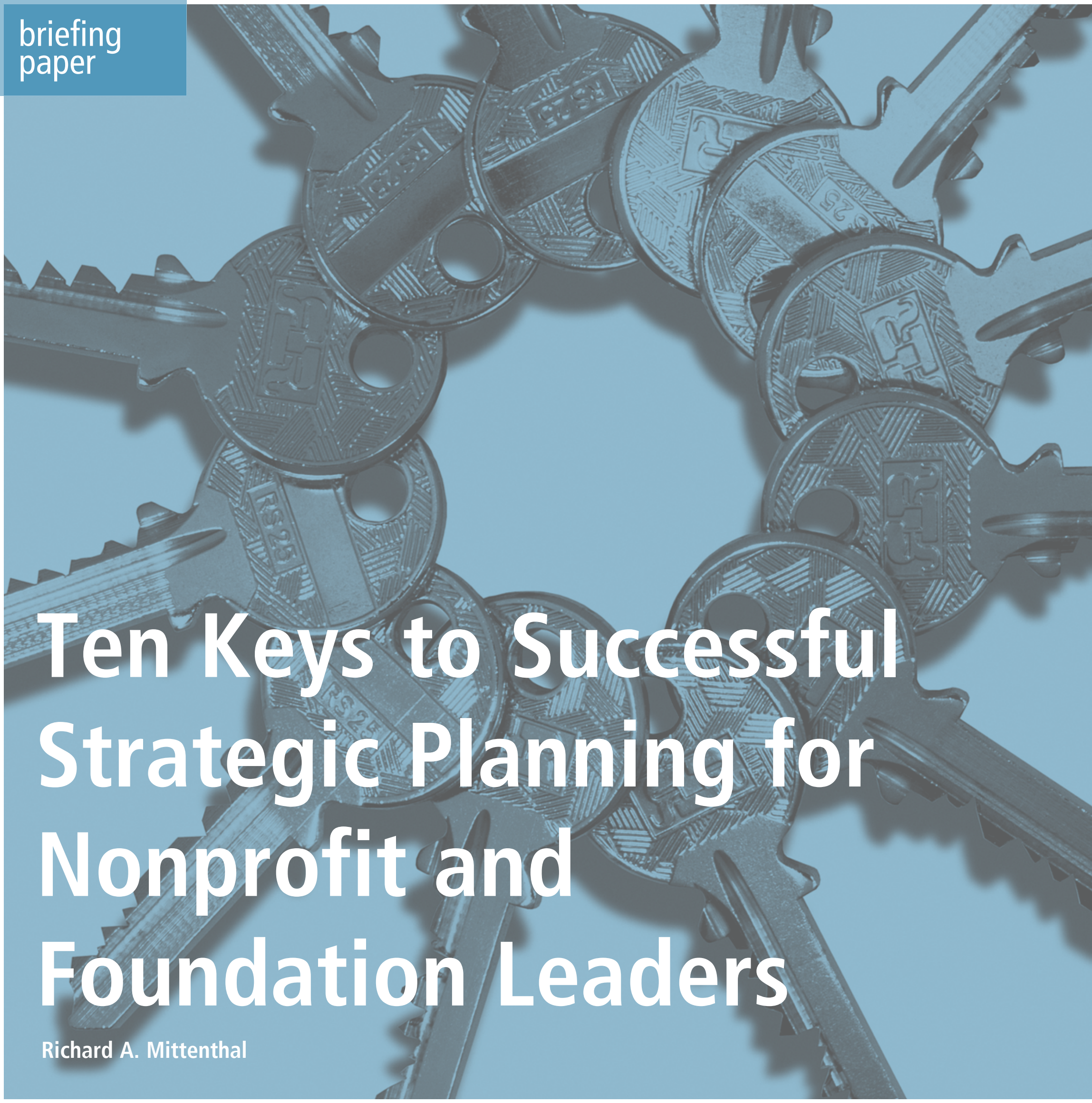
strategies to achieve social impact

briefing paper



Ten Keys to Successful Strategic Planning for Nonprofit and Foundation Leaders

Richard A. Mittenthal

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Strategic planning has long been used as a tool for transforming and revitalizing corporations, government agencies and nonprofit organizations. Recently, however, skepticism about planning has been on the rise. Political and economic uncertainty is the norm and the pace of technological and social change has accelerated. There is some disillusionment with planning efforts that can't keep pace. "We did a plan five years ago and haven't looked at it since," is one common complaint. Or, "By the time we completed our plan, we were already carrying out all of its strategies."

But such comments miss the point. Rather than expose some fatal flaw in strategic planning, they reflect a basic misconception about the purpose and value of strategic planning and what it takes for a plan and the process to succeed. Indeed, the process can prove pointless and frustrating and the end product of dubious value when care isn't taken to set clear, realistic goals, define action steps explicitly, and elicit the views of major stakeholder groups.

Yet few tools are better suited to help address the staggering array of challenges brought about by a changing environment. A successful strategic planning process will examine and make informed projections about environmental realities to help an organization anticipate and respond to change by clarifying its mission and goals; targeting spending; and reshaping its programs, fundraising and other aspects of operations.

Plans Into Action: Prerequisites of Success

A successful plan is, by definition, a *usable* plan–one that informs the organization's activities as well as its long-range view, and one that yields meaningful improvements in effectiveness, capacity and relevance.

For more than 25 years, TCC Group has assisted private, community and corporate foundations; public charities; and nonprofit organizations throughout the country to develop and design effective strategic plans. Although the challenges of funding, governing, and managing each organization are unique, certain lessons apply across the board. The features of a good planning project do not vary–regardless of its organizational scope, emphasis or specific issues. This paper shares ten immportant keys to promote more successful strategic planning.

For purposes of brevity and readability, foundations, public charities and nonprofit associations are all referred to in this paper as organizations.

1. A clear and comprehensive grasp of external opportunities and challenges.

No organization exists in a static environment. Social, political and economic trends continually impact the demand for its offerings and services. Even as advances in technology present new opportunities, they also generate new expectations. Needs and community demographics are all subject to change. So too are methods for delivering programs and services. It is thus essential that a strategic plan reflect the external environment. Programs, services and operations should be reexamined and reshaped in light of current realities and future projections.

In 1994, the Brooklyn Public Library (BPL) approved a five-year strategic plan that, predictably, had run its course by 1999. "Most of the goals had been achieved," says Martin Gomez, BPL's Executive Director. "We embarked upon a new planning process in 2000, in part because we believed that we needed to rethink our services and programs in light of new technology. In the current market, we realized we could no longer get by with yesterday's systems." Moreover, while few had questioned the English-only platform for the Library's online catalog five years earlier, an assessment of Brooklyn demographics, coupled with information from staff discussion groups conducted by TCC Group as part of the planning process, revealed that the library's user base included increasing numbers of immigrants from Latin America, Eastern Europe, the Caribbean and Asia. Thus, *Taking Flight*, the Library's 2001-2006 strategic plan calls for the development of a multilingual and more flexible online catalog of its holdings as well as an advanced telecommunications infrastructure.

"Ultimately, we'll be able to create virtual collections of print, video and multimedia materials that can be accessed from any of 59 branch libraries throughout Brooklyn, as well as by library users in other parts of New York City," Gomez says. "That wouldn't have been a top-line priority a decade ago. Today it is."

> "Rising operating costs, especially those connected with repairs and maintenance, were draining our resources, overtaxing our board and hampering our effectiveness."
>
> — Noelle Mills Adler
> President
> LCU

Strategic Planning: What It Is — and Isn't

More than a few strategic planning efforts have run aground because they were based on a fundamental misunderstanding of what a strategic plan is. Sometimes strategic planning is confused with other planning modalities, each valid in its own right but geared toward a different end result. To put it simply, not every plan is a strategic plan.

A ***strategic plan*** is a tool that provides guidance in fulfilling a mission with maximum efficiency and impact. If it is to be effective and useful, it should articulate specific goals and describe the action steps and resources needed to accomplish them. As a rule, most strategic plans should be reviewed and revamped every three to five years.

An ***operating plan*** is a coordinated set of tasks for carrying out the goals delineated in a strategic plan. It thus goes into greater detail than the strategic plan from which it is derived, spelling out time frames and the roles of individual staff and board members, for example. It also has a shorter horizon than a strategic plan — usually one fiscal year.

A ***business plan*** is typically focused on the actions and investment necessary to generate income from a specific program or service. A business plan includes information about an organization's products, competitive environment and revenue assumptions.

A ***case statement*** is geared toward marketing and fundraising rather than planning. It describes the organization's goals, capabilities and strengths and the benefits it provides. Its purpose is to secure contributions and grants from individuals, foundations, corporate giving programs and other philanthropic entities.

2. A realistic and comprehensive assessment of the organization's strengths and limitations

The bedrock of any successful strategic plan is a warts-and-all consideration of capabilities and strengths, weaknesses and limitations. Information, both objective and subjective, must be gathered from a wide array of sources, including staff and board members, clients, community leaders, funders and partner organizations, among others.

Sometimes the process yields unexpected results. A 1999 organizational assessment led to a turning point in the nearly 150-year history of LCU, a provider of low-cost housing for deserving young women studying and working in New York City. Interviews with board members and staff brought out a pervasive belief that it was time for LCU to consider new approaches to fulfilling its mission.

"Rising operating costs, especially those connected with repairs and maintenance, were draining our resources, overtaxing our board and hampering our effectiveness," says LCU President, Noelle Mills Adler. "The capacity assessment helped us fully grasp how serious our situation had become. It also presented us with two possible solutions: professionalize our operations in order to reduce the load on the Board, or sell our residences and establish a grantmaking program."

LCU's Board reflected on what would be most realistic and chose the latter course. "Our plan is to provide housing stipends for young women in conjunction with schools and nonprofit housing providers throughout the city," says Adler. "It's a way of making better use of our resources and serving an even larger client base."

A capacity assessment likewise laid the groundwork for a successful strategic plan for the William Caspar Graustein Memorial Fund, a private foundation dedicated to improving public education in Connecticut. The foundation retained TCC Group to organize and facilitate a strategic planning project in 1999 as its existing five-year plan was moving into its last year. The process examined all aspects of the Fund's operation, including governance, staffing, program, communications and evaluation. The assessment provided a stepping-off point from which the actual plan development could proceed. The goals and strategies outlined in the plan that was approved by the Fund's board in 2001 focused on increasing organizational capacity to ensure program success.

3. An inclusive approach

At one point or another, all important stakeholder groups should have a voice in the planning effort. At a minimum, that includes staff, current and incoming board members, clients, funders and partner organizations. To be sure, all views will not be weighted equally, nor will every staff member be involved at every stage: it is possible to be inclusive without falling into the too-many-cooks trap. But a strategic plan should not become the exclusive responsibility of a small cadre of stakeholders. If the planning process is to succeed, it must incorporate the views of all the constituencies that will be affected by the plan or have a role in its implementation.

When Ethical Culture Fieldston School began work on a new strategic plan in 1999, its intention was to honor "the long tradition of democratic, broad-ranging consultation," says school head Joseph Healey. "But we also needed to avoid chartering so many committees and adding so many layers that the work would bog down." To achieve inclusiveness without sacrificing productivity, the work was divided among task forces in several key areas, including diversity, faculty life, governance and buildings and grounds. Each task force, as well as an oversight committee, drew representatives from each of the school's major constituencies — faculty, student body, parents, administration, alumni and trustees.

"In a real sense, our methodology was consistent with our objective," says Healey. "The school was operating as three separate schools — two for lower grades and one for upper grades, each with its own principal and distinctive curriculum, with little sense of institutional cohesiveness. We are striving to unify the three into a single PK-12 school with a single mission, culture and curriculum." Ethical Culture Fieldston's new strategic plan, completed in December 2000, "is an important first step in that direction," he says.

4. An empowered planning committee

Strategic planning should be a participatory undertaking—but not an anarchic one. As a matter of practical necessity, the core work will generally be entrusted to a small planning committee with sufficient decision-making authority to keep the project moving forward.

This isn't to suggest that the committee members have carte blanche to adopt and implement key action steps, or that they not be held accountable to the board or larger community. But neither should they be subjected to constant second-guessing, or be required to seek board or management approval at every step. The board's confidence in their skill and judgment must be implicit. At the Miami, Florida-based John S. and James L. Knight Foundation, a board-staff committee oversaw the strategic planning effort from start to finish, reviewing the scope of work and tracking its progress through regular reports. The committee also planned and led a three-day retreat where the framework and direction of the new plan were formalized. In the end, the Board discussed and approved the final plan – a common organizational practice, but "they knew that they had appointed a strong planning committee, and that the committee had done its job," comments Executive Vice President Penny McPhee. "There was no need to revisit or question the end result."

At Safe Horizon–a New York City-based nonprofit formerly called Victim Services–the bulk of the initial planning work was done by an eight-person committee comprising four staff members and four representatives from the Board of Directors. In the 20 years since its founding, Safe Horizon had strayed from its mission "to provide support for victims of crime and abuse and their families." The organization had branched out into several new areas, including immigrant services, "which were valuable in their own right, but not consistent with our reason for being," says Senior Vice President Elizabeth McCarthy. "We saw strategic planning as a way to get back to our founding mission."

"Committee empowerment was especially important because of our aggressive time frame," McCarthy adds. Work began in December 1999 with the goal of having a plan in place before the end of the fiscal year, the following June — an ambitious undertaking for an organization with more than 60 sites and a $40 million budget. While the committee's recommendations were subject to Board approval, "the Board took them very seriously," McCarthy says. "In fact, most members didn't see the plan until it was in close-to-final form in May."

"We saw strategic planning as a way to get back to our founding mission."

— Elizabeth McCarthy
Safe Horizon

5. Involvement of senior leadership

Some executive directors and board members are inclined to take a hands-off approach when it comes to strategic planning. They may simply lack the necessary time or interest to get involved. Or they may underestimate the significance of the task at hand and its potential impact on the organization.

Must executive directors micromanage the effort or involve themselves in its every aspect? Certainly not. But their active participation—that is, buy-in that goes beyond mere verbal endorsement—is crucial. Absent their vision and commitment, and the certainty that funds and resources will be available to implement action steps, others are unlikely to take the process seriously.

Prior to the arrival of Gordon J. Campbell as Chief Executive Officer of Safe Horizon in 1998, the Board had taken steps toward drafting a new strategic plan. "But Gordon was uncomfortable with that approach," says Brooke McMurray, Chair of the Planning Committee. "He felt that this needed to be an agency-wide effort, involving staff as well as board, front-line personnel as well as senior management." In fact, Campbell hosted a two-day senior management retreat that resulted in development of core features of the plan. "What we needed was a plan for increasing our impact and relevance in tangible ways," McMurray says. "Without Gordon's dynamic involvement, I doubt we would have gotten there."

6. Sharing of responsibility by board and staff members

An effective plan takes multiple elements into account: the funding climate, the expectations of clients and other stakeholders, the competitive landscape and the exigencies of operations and programming. Neither board nor staff, acting on its own, has a full grasp of all those areas. Hence the need to ensure that both are fully involved.

As policy-setters and financial and legal watchdogs, board members are charged with keeping an organization on track and working to fulfill its mission. It's an important responsibility—one to which they must be fully committed, notwithstanding any other professional and business involvements. The duties of governance require that board members figure centrally in defining the goals of the plan and laying out its structure.

However, removed from day-to-day operations, board members may propose ambitious ideas that require tempering or scaling back. Staff members are likely to have a more intuitive and informed understanding of the organization's internal workings and capabilities, and a clearer sense of what is feasible and what is not. They understand the ins and outs of programming, operations and personnel functions; they're the ones who deal directly with clients.

Components of an effective strategic plan

Strategic plans are comprehensive documents that cover all aspects of an organization's work, including programs and services, management and operations, fundraising and finances, facilities and governance. Depending on the organization's scope and emphasis, a plan might also describe approaches to enhance marketing, internal and external communications, membership development and administrative systems.

Information about these topics should be presented in an action-oriented format. Good strategic plans include:

A Mission Statement
A brief expression of the organization's purpose. It should answer the questions "Why do we exist?" and "What, at the most basic level, do we do?"

A Vision Statement
A description of the organization's desired future state. An *organizational* vision statement is internally focused: It projects the future in terms of the program, budget or staff size, answering the question "Where do we want to be?" Some organizations also adopt *societal* vision statements, articulating the desired influence of their

continued on page 7 »

The upshot: professional staff and board members each bring complementary skill sets and perspectives to the table. One without the other would result in a skewed and incomplete picture. The planning effort should draw on both.

Established in 1991, the Foundation for the Mid-South (FMS) has since evolved into a kind of "hybrid foundation," in the words of its president, George Penick. "We'd started out as an operating foundation, and later became a public charity," he says. "Today we function as a combination of a number of philanthropic models." The foundation's original purpose — to build the communities, resources and leadership of Arkansas, Louisiana and Mississippi through change strategies based on regional cooperation — remains in place. But by 1999, a certain ambiguity had crept into the foundation's message: its board seemed unclear on FMS's institutional priorities.

"We weren't in disarray or on the brink of a crisis," Penick says. "It was more of a tremor than an earthquake. But we needed to have everyone on the same page with regard to our mission, objectives and management practices." The development of a strategic plan "provided the board with an opportunity to immerse themselves in our activities and operations — to really get their hands dirty," he says. "For their part, I think they felt TCC Group's work gave them a greater sense of the scope and workings of the Foundation. And the entire experience gave them permission to ask tough questions that might not otherwise have been raised." The Board, in fact, was responsible for framing the plan and defining the foundation's mission and goals; the staff played an essential role by restructuring programs within that framework.

"We're on a much better footing than before," Penick says. "Board members have a much clearer sense of programs. Outcomes are more measurement-driven. And program managers have a better awareness of what their programs actually cost."

Why vision matters

A strategic plan cannot succeed unless it is derived from a clear vision of what the organization will look like at a specific point in the future. This vision is encapsulated in a written description of the organization's desired future state in terms of budget size, client base, staffing levels and program areas and other parameters. (Alternatively, a vision statement may focus outward on the organization's societal impact. See Components of an Effective Strategic Plan on page 4.)

Sometimes the vision is so self-evident at the outset of the planning process that the statement virtually writes itself. But more often, the existing vision may be hazy, ambiguous or outdated. Indeed, the effectiveness of many organizations is hampered by conflicting visions, or myopic visions devoid of "big picture" thinking.

A vision statement should be explicit, straight-forward and, above all, concise.

Regardless of the starting point, an external scan and organizational assessment are essential prerequisites for drafting an effective vision statement. They ground the process in reality, thereby helping stakeholders narrow their choices or see opportunities that they had not previously considered.

Group facilitation techniques can be especially useful. TCC Group regularly convenes retreats for planning committee members and other key stakeholders to develop a vision for the future. Creative groups with good insights about programming and constituents' needs can write newspaper headlines about their work and operations five years down the road and use this as a starting point for deriving the vision. The scenario approach, whereby a planning committee discusses several different possible directions for the future, is another common tool for building consensus.

A vision statement should be explicit, straightforward and, above all, concise. Omit secondary points and needless digressions; keep the statement focused. Because of the defining nature of the vision statement, it is important for an organization to invest as much time as necessary in crystallizing its ideas and articulating them on paper.

7. Learning from best practices

Clearly, each organization has its own individualized mission, client base and operating culture. Thus, each must map a strategy, incorporating goals and action steps carefully customized to its needs. A plan that is appropriate in one setting won't necessarily be appropriate in another, no matter how similar the organizations.

Nonetheless, it is possible to learn from the successes, failures and mistakes of others. One way or another, every organization and foundation deals with challenges related to human resources, technology, capacity building, fundraising, organizational development and governance. Whatever their specific goals and methods, all must find ways to remain relevant, meet the needs of a changing client population and make the best use of available funds. Often, a solution that works for one can be successfully adapted by another.

Thus, many comprehensive planning processes include a survey of comparable organizations' experiences in dealing with similar challenges. These can be researched via interviews, database searches and a review of relevant literature, such as journal articles and position papers.

In preparation for formulating a new strategic plan, the Knight Foundation was particularly interested in examining its evaluation and communications functions. Toward this end, TCC Group conducted extensive benchmarking interviews to obtain information about enhancements other large foundations were making in these areas. "The interviews gave us a broad context from which to make informed decisions about the future," says Penny McPhee. "We learned some new approaches that our planning committee might never have previously considered."

8. Clear priorities and an implementation plan

While missions and visions are essential to inspiring commitment to your organization, they may be seen as hollow unless accompanied by an organized description of activities needed to fulfill desired aims. (See Components of an Effective Strategic Plan on page 4.)

Developing a workable strategic plan means dissecting the organization's objectives and strategies and determining which take precedence. Sometimes it is easy to define first steps, such as shoring up current operations before moving on to replication in new sites or restructuring a Board. In other instances, leading strategies may be less clear, but prioritization is still essential. When a planning committee focuses on coming up with new ideas without determining which are most important, the task of implementing the plan becomes overwhelming. Goals are rarely achieved.

The best time to make these tough choices is after key features of the mission and the vision for the future are clear. The planning committee should outline the full list of priorities and, if there are many, decide which to move ahead on and which to cut back. Outside consultants can often help facilitate this type of discussion and build consensus. Once priorities are set, members of

« continued from page 5

work on their target community or constituency. This type of vision statement answers the question "What is the impact of our work?"

A Values Statement
The principles on which an organization is built, and that guide its planning, operations and programs. It answers the question "What do we believe in?"

Goals and Objectives
These express desired outcomes and may be focused on discrete parts of the organization's programming or internal operations. Progress toward achieving goals and objectives should be measurable. While the terms are often used interchangeably, goals are generally more comprehensive or far-reaching than objectives. Framed clearly, they answer the question "What do we want to accomplish?"

Strategies and Tactics
These consist of approaches or sets of activities needed to achieve the goals and objectives. They answer the question "How will we actually accomplish our work?"

An Implementation Plan
This is an organizational "user's guide" to the strategic plan. It spells out the cost, duration, priority order and accountability for each strategy and tactic. The implementation plan answers the questions "What are our specific priorities?" and "How can we pursue our plan in a logical and feasible fashion?"

How Consultants Can Help

Many organizations large and small have Board and staff members with strategic planning experience. What they often lack are objectivity, discipline and time. A consultant can provide invaluable assistance in designing a strategic planning process that involves all key stakeholder groups in a cost-effective way. Consultants can also obtain sensitive information confidentially and share it in a useful fashion.

Other productive roles for consultants include providing "expert advice" based on their work with other organizations; facilitating consensus among stakeholders with differing points of view; keeping planning committees on track and on schedule; and helping to organize seemingly diffuse or contradictory thoughts and approaches into a sound strategic plan document.

What outside consultants cannot do is take full responsibility for developing the strategic plan, or determine an organization's mission, vision, goals or implementation activities. Rather, their role is to facilitate a process whereby the organization's leadership makes those decisions. Nor should consultants be expected to communicate to an organization's constituents about the value of a planning process or generate enthusiasm for new directions. It is the consultant's job to furnish background information when needed and to focus on process. This ensures that the plan reflects the interests of individuals who will be instrumental in helping the organization thrive in the future.

the planning committee need to identify strategies or sets of activities to achieve the goals and objectives.

Next, staff members often give critical input about the costs of new ideas and who might take on the responsibility. Having such extensive information allows key individuals on the planning committee to make further choices about sequencing and paring back (or in rare cases, stepping up) the activities represented in the plan. It often takes time to achieve this level of detail, but in the long run it is worth it.

The National Center for Learning Disabilities works to increase opportunities for all individuals with learning disabilities to achieve their potential. TCC Group worked with the organization to create a plan that included information about the organization's vision, target audience and goals. The plan also encompasses more than 50 strategies covering all facets of the organization as well as information about who has responsibility for each strategy, how much implementation would cost and when it will happen. "This tool has been incredibly helpful for our work," says Jim Wendorf, Executive Director of NCLD. "We have clear ideas of what new activities we need to fundraise around and, whenever the Board gets into a debate about new program ideas, we can refer to the strategic plan. It has also helped us assess our progress and see how much we have accomplished in a short span of time."

9. Patience

For small and mid-size organizations, strategic planning often moves forward on a speedy timetable. But for larger organizations with many constituencies, the process may advance much less quickly. When an organization is making major changes and needs extensive buy-in, the process may not be perfectly linear. As information is gathered, sifted and analyzed, assumptions are rethought, new ideas advanced and old ones revamped or discarded.

It is important to keep things on course and maintain momentum, but rushing is counter productive. "We recognized a compelling need to revisit our existing plan and rethink our priorities," recalls Penny McPhee of the Knight Foundation. "At the same time, we knew at the outset that the process could take a year or longer if it was to be done right." For one thing, staff and Board members had to fit their duties into already crowded work schedules. "The reality is that we simply didn't have the time or resources to devote every waking moment to the strategic planning process," says McPhee. "We had a foundation to run."

Further, the planning process coincided with the arrival of a new president "who was eager to build a consensus and willing to take the time to do so," says McPhee. Historically, Knight had addressed two key areas: journalism and quality of life issues in 26 U.S. communities. "We expected to make changes, but didn't expect to wind up with a plan that took us in such a markedly different direction," says McPhee. While not abandoning its twin focus, the Foundation eliminated several grant programs, restructured its staff and revamped its philanthropic criteria to meet its grantees' needs in a more focused way. "We have much greater impact now," says McPhee. "That wouldn't have been possible had we cut corners in the planning process."

> "Everyone understood the importance of making this a participatory and collaborative venture."
>
> — Gail Nayowith
> Citizens' Committee for Children

10. A commitment to change

No matter how relevant its original mission, no organization can afford to shackle itself to the same goals, programs and operating methods year after year. As client needs, market conditions and funding criteria change, strategies need to be revisited regularly. Sometimes all that's needed is fine-tuning; other times, a more fundamental rethinking of goals and opportunities may be required. If they are to remain viable and effective, organizations must be prepared to change as extensively as conditions require.

Prior to 1994, Citizens' Committee for Children of New York (CCC) had never drafted a strategic plan. What the organization did have was a clear mission— "to ensure that every New York City child is healthy, housed, educated and safe." Since its founding, CCC had applied a broad array of advocacy tools "to provide an effective voice for children and make sure children in every city neighborhood had the rights, protections and services they deserve," says executive director Gail Nayowith. With the approach of CCC's 50th anniversary, "we decided a strategic plan could help us clarify and recommit to our mission and make sure we were using our resources to achieve the best possible results for kids."

From the beginning, Nayowith says, "everyone understood the importance of making this a participatory and collaborative venture. We knew that serious changes were likely, and that change always carries risk. I think we all recognized that the best way to manage that risk was to make sure we were all on the same page."

In the end, "there wasn't a single aspect of the operation that wasn't changed in some way," says Nayowith. Governance was closely reexamined and overhauled: Board size was reduced, the bylaws were strengthened and, for the first time, term limits were set for directors.

"Putting our heads together, we also reworked our basic operating model with an eye toward becoming less of a think tank and more action-oriented," says Nayowith. While CCC's original mission hadn't changed, "we needed to recapture our original agility and nimbleness. The strategic planning experience helped both staff and board see that "in an increasingly conservative funding environment, the surest way to achieve that mission would be through purposeful action — not endless examination and discussion."

Apart from governance and organizational changes, the plan helped CCC double its fundraising within two years, becoming an even stronger and more effective advocate for children while eliciting the single largest funding increase for children's mental health programs in the history of New York State.

"We also found ways to use our communications resources more efficiently, resulting in an exponential increase in media coverage and visibility," says Nayowith. "For an organization whose stock in trade includes advocacy, the shaping of public policy, and the dissemination of information, that's a very valuable payoff."

A Final Word

It is important to understand the limitations as well as the possibilities of strategic planning. A strategic plan is not a wish list, a report card or a marketing tool. It is certainly not a magic bullet or a quick cure for everything that ails an organization — especially if the plan winds up on the shelf.

What a strategic plan can do is shed light on an organization's unique strengths and relevant weaknesses, enabling it to pinpoint new opportunities or the causes of current or projected problems. If board and staff are committed to its implementation, a strategic plan can provide an invaluable blueprint for growth and revitalization, enabling an organization to take stock of where it is, determine where it wants to go and chart a course to get there.

Strategic Planning Resources

Allison, Michael and Jude Kaye. *Strategic Planning for Nonprofit Organizations: A Practical Guide and Workbook*. John Wiley and Sons, 1997.
ISBN: *0-471-17832-2*

Availability, $39.95: http://www.wiley.com or 877.762-2974

Written by consultants of the Support Center for Nonprofit Management in San Francisco, this guide and workbook is a good combination of explanation and examples and worksheets. A disk with worksheet formats is included with the book.

Barry, Bryan. *Strategic Planning Workbook for Nonprofit Organizations.* Amherst Wilder Foundation, 1997.
ISBN: *0-940069-07-5*

Availability, $28 through the Wilder Foundation Publishing Center at 800.274.6024 bulk rates available or http://www.wilder.org/pubs

This basic hands-on guide is one of the best tools for explaining the strategic planning process and demonstrating how it can be implemented. The workbook was recently updated from its 1986 version. It provides step-by-step instructions that are general enough to be tailored to most nonprofit organizations yet detailed enough to provide specific instruction and value. The workbook features an overview, guidance through five strategic planning steps, three methods for developing a strategy, a sample three-year plan, detachable worksheets and completed sample worksheets.

Bryson, John M. *Strategic Planning for Public and Nonprofit Organizations: A Guide to Strengthening and Sustaining Organizational Achievement* (revised edition.) Jossey-Bass Publishers, 1995.
ISBN: *0-787-90141-5*

Availability, $36: http://www.wiley.com or 877.762.2974

This book is a comprehensive discussion of strategic planning for the more serious planner/reader. A companion workbook is also available as a step-by-step guide to conducting strategic planning. This new version of the book addresses the leadership role in strategic planning and the ways in which strategic thinking and acting can be embraced throughout an organization. It is not a quick read but is valuable for those most serious about strategic planning.

Drucker, Peter. *The Drucker Foundation Self-Assessment Tool: Participant Workbook.* Drucker Foundation and Jossey-Bass Publishers, 1998.
ISBN: *0-787-94437-8*

Availability, $14: http://www.wiley.com or 877.762.2974

The Drucker Foundation Self-Assessment Tool: Participant Workbook "combines the best elements of long-range planning and strategic marketing with a passion for dispersed leadership."

Eadie, Douglas C. *Beyond Strategic Planning: How to Involve Nonprofit Boards in Growth and Change*. BoardSource (formerly National Center for Nonprofit Boards), 1993.
ISBN: *Not applicable*

Availability, $4.99 (members), $6.25 (non members):
http://www.boardsource.org/Bookstore.asp or 800.883.6262

The guidebook focuses on: the practical steps boards can take to play a meaningful role in the process; helping organizations identify key strategic issues; and implementing a plan to ensure that each issue is fully developed and addressed.

Grace, Kay Sprinkel. *The Board's Role in Strategic Planning*. BoardSource (formerly National Center for Nonprofit Boards), 1996. ISBN: *Not applicable* *Availability*, \$9 (members), \$12 (non members): http://www.boardsource.org/Bookstore.asp or 800.883-6262	This best-selling booklet explains the importance of strategic planning and why board involvement is essential. It discusses types of planning, defines key planning terms and outlines a sample process. The lesson discusses the importance of ongoing monitoring, evaluation and revision once the plan is in place. A valuable primer for board members and executives who are beginning a planning process.
Kibbe, Barbara and Fred Setterberg (for The David and Lucile Packard Foundation). *Succeeding With Consultants: Self-Assessment for the Changing Nonprofits*. The Foundation Center, 1992. ISBN: *Not applicable* *Availability*, \$19.95 through The Foundation Center at 212.620.4230	Based on the Packard Foundation's work with nonprofit organizations and consultants over the last decade, this guidebook provides nonprofit leaders with the basics of how to assess management and organizational capacity; when a consultant may be needed and how to select and use one effectively; and how to begin a process of organizational planning and change. In plain prose, this resource presents nonprofit executives with the right questions to ask before engaging in a planning process. It introduces who consultants are and what they do, how to select and hire one and how to evaluate the consultant relationship.
Mittenthal, Richard. *Effective Philanthropy: The Importance of Focus*. TCC Group, 2000. ISBN: *Not applicable* Availability, downloadable at http://www.tccgrp.com or phone 212.949.0990	This briefing paper provides insight into helping foundations and philanthropies define a carefully articulated purpose, a clear understanding of the larger environment in which they operate and a carefully defined grantmaking program. With a detailed look at the prerequisities to effective philanthropy, this resource examines the necessary ingredients for an organization to achieve success.
Porter, Michael E. *Operational Effectiveness Is Not Strategy*. Harvard Business Review, November-December, 1996. ISBN: *Not applicable* *Availability*, \$8.50 (Hard Copy or Electronic): http://www.harvardbusinessonline.com or 800.988.0886	Written by a leading thinker and writer regarding competitive strategy in the business world, this article pushes the reader to think about the distinction between doing work well and doing work strategically. Porter argues that the essence of strategy is choosing to perform activities differently than rivals do. A thought-provoking article.
Stern, Gary. *The Drucker Foundation Self-Asessment Tool: Process Guide*. Drucker Foundation and Jossey-Bass Publishers., 1999. ISBN: *0-787-94436-X* *Availability*, \$30: http://www.wiley.com or 877.762.2974	*The Drucker Foundation Self-Assessment Tool: Process Guide* "lays out the three phases of a full self-assessment process and gives step-by-step guidance."

TCC Group

About TCC Group

For over two decades, TCC has provided strategic planning, program development, evaluation and management consulting services to nonprofit organizations, foundations, corporate community involvement programs and government agencies. In this time, the firm has developed substantive knowledge and expertise in fields as diverse as community and economic development, human services, children and family issues, education, health care, the environment, and the arts.

From offices in Philadelphia and New York, and full-time staff in Chicago, the firm works with clients nationally and, increasingly, globally. Our services include strategic planning, organizational assessment and development, feasibility studies, program evaluation and development, board development, restructuring and repositioning, as well as grant program design, evaluation, and facilitation.

Approach

Our approach is governed by the need to establish a clear and engaging consulting process that offers structure and predictability as well as flexibility to meet unforeseen needs. Working in multidisciplinary teams, we tailor each new assignment to meet the individual needs and circumstances of the client. We develop a scope of work that responds to the particular challenges, timetable and budget for the assignment.

Sometimes clients engage us for short-term research, problem solving, or facilitation projects. Other times we provide comprehensive planning and evaluation assistance over a longer period or conduct other activities, over one or more years. Increasingly, TCC helps clients manage and implement their work and provide advice on an ongoing basis. We bring to each new assignment the perspective of our expertise, broad experience and the enthusiastic commitment to get the job done right.

Our Services to Grantmakers

Our distinctive competence ranges from establishing foundations to asessing grantees and their needs, to developing funders' internal processes and external communications strategies. We have extensive experience in helping private foundations, corporate community involvement programs and government agencies understand and improve both grantmaking and organizational issues.

Services include:

- Grantmaking strategy and needs assessment
- Program design
- Grantmaking and program management
- Evaluation
- Strategic planning
- Organizational development and assessment
- Foundation formation
- Strengthening grantees

Our Services to Nonprofit Organizations

We provide an array of consulting services that can help nonprofit organizations address operational and environmental challenges. As a result of their work with us, our clients are able to:

- Strategic planning
- Business planning
- Benchmarking, peer review and research
- Program feasibility and design
- Marketing strategy
- Program evaluation
- Organizational assessment and development
- Governance review and board restructuring
- Training on topics such as strategic planning, governance, developing mission statements, and addressing challenges at particular stages of an organization's life cycle

For more information about TCC Group or to learn how we can help your organization, visit us online at http://www.tccgrp.com.

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STANFORD
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STANFORD SOCIAL INNOVATION review

Ten Nonprofit Funding Models

By William Landes Foster, Peter Kim, & Barbara Christiansen

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Ten Nonprofit Funding Models

By William Landes Foster, Peter Kim, & Barbara Christiansen | Illustration by Doug Ross

For-profit executives use business models—such as "low-cost provider" or "the razor and the razor blade"—as a shorthand way to describe and understand the way companies are built and sustained. Nonprofit executives, to their detriment, are not as explicit about their funding models and have not had an equivalent lexicon—until now.

Money is a constant topic of conversation among nonprofit leaders: How much do we need? Where can we find it? Why isn't there more of it? In tough economic times, these types of questions become more frequent and pressing.

Unfortunately, the answers are not readily available. That's because nonprofit leaders are much more sophisticated about creating programs than they are about funding their organizations, and philanthropists often struggle to understand the impact (and limitations) of their donations.

There are consequences to this financial fuzziness. When nonprofits and funding sources are not well matched, money doesn't flow to the areas where it will do the greatest good. Too often, the result is that promising programs are cut, curtailed, or never launched. And when dollars become tight, a chaotic fundraising scramble is all the more likely to ensue.[1]

In the for-profit world, by contrast, there is a much higher degree of clarity on financial issues. This is particularly true when it comes to understanding how different businesses operate, which can be encapsulated in a set of principles known as business models. Although there is no definitive list of corporate business models,[2] there is enough agreement about what they mean that investors and executives alike can engage in sophisticated conversations about any given company's strategy. When a person says that a company is a "low-cost provider" or a "fast follower," the main outlines of how that company operates are pretty clear. Similarly, stating that a company is using "the razor and the razor blade" model describes a type of ongoing customer relationship that applies far beyond shaving products.

The value of such shorthand is that it allows business leaders to articulate quickly and clearly how they will succeed in the marketplace, and it allows investors to quiz executives more easily about how they intend to make money. This back-and-forth increases the odds that businesses will succeed, investors will make money, and everyone will learn more from their experiences.

The nonprofit world rarely engages in equally clear and succinct conversations about an organization's long-term funding strategy. That is because the different

types of funding that fuel nonprofits have never been clearly defined.[3] More than a poverty of language, this represents—and results in—a poverty of understanding and clear thinking.

Through our research, we have identified 10 nonprofit models that are commonly used by the largest nonprofits in the United States. (See "Funding Models" on page 37.) Our intent is not to prescribe a single approach for a given nonprofit to pursue. Instead, we hope to help nonprofit leaders articulate more clearly the models that they believe could support the growth of their organizations, and use that insight to examine the potential and constraints associated with those models.

Beneficiaries Are Not Customers

One reason why the nonprofit sector has not developed its own lexicon of funding models is that running a nonprofit is generally more complicated than running a comparable size for-profit business. When a for-profit business finds a way to create value for a customer, it has generally found its source of revenue; the customer pays for the value. With rare exceptions, that is not true in the nonprofit sector. When a nonprofit finds a way to create value for a beneficiary (for example, integrating a prisoner back into society or saving an endangered species), it has not identified its economic engine. That is a separate step.

Duke University business professor J. Gregory Dees, in his work on social entrepreneurship, describes the need to understand both the donor value proposition and the recipient value proposition. Clara Miller, CEO of the Nonprofit Finance Fund, who has also written wonderfully about this dilemma, talks about all nonprofits being in two "businesses"—one related to their program activities and the other related to raising charitable "subsidies."

As a result of this distinction between beneficiary and funder, the critical aspects (and accompanying vocabulary) of nonprofit funding models need to be understood separately from those of the for-profit world. It is also why we use the term *funding model* rather than *business model* to describe the framework. A business model incorporates choices about the cost structure and value proposition to the beneficiary. A funding model, however, focuses only on the funding, not on the programs and services offered to the beneficiary.

All nonprofit executives can use our 10 funding models to improve their fundraising and management, but the usefulness of these models becomes particularly important as nonprofits get bigger. There are many ways to raise as much as $1 million a year, some of which can be improvised during the process. Once organizations try to raise $25 million to $50 million or more each year, however, there are fewer possible paths. The number of potential decision makers who can authorize spending such large amounts of money decreases (or you need to get them en masse), and the factors that motivate these decision makers to say "yes" are more established (or cannot be as thoroughly influenced by one charismatic nonprofit leader).

Our research of large nonprofits confirms this. In a recent study, we identified 144 nonprofit organizations—created since 1970—that had grown to $50 million a year or more in size.[4] We found that each of these organizations grew large by pursuing specific sources of funding—often concentrated in one particular source of funds—that were a good match to support their particular types of work. Each had also built up highly professional internal fundraising capabilities targeted at those sources. In other words, each of the largest nonprofits had a well-developed funding model.

The larger the amount of funding needed, the more important it is to follow preexisting funding markets where there are particular decision makers with established motivations. Large groups of individual donors, for example, are already joined by common concerns about various issues, such as breast cancer research. And major government funding pools, to cite another example, already have specific objectives, such as foster care. Although a nonprofit that needs a few million dollars annually may convince a handful of foundations or wealthy individuals to support an issue that they had not previously prioritized, a nonprofit trying to raise tens of millions of dollars per year can rarely do so.

This is not to say that funding markets are static; they aren't. The first Earth Day in 1970 coincided with a major expansion in giving to environmental causes; the Ethiopian famine of 1984-85 led to a dramatic increase in support for international relief; and awareness of the U.S. educational crisis in the late 1980s laid the groundwork for charter school funding. Changes cannot be foreseen, however, and, hence, can not be depended on as a source of funding. In addition, these changes were the product or culmination of complex national and international events, not the result of a single nonprofit's work.

Earl Martin Phalen, cofounder of BELL, an after-school and summer educational organization, captured the benefits of such intentionality well, summing up his experience for a group of nonprofit leaders in 2007. "Our fundraising strategy used to be 'let's raise more money this year than last' and we always were unsure of where we'd be. Then we got serious in thinking about our model and identified an ongoing type of government funding that was a good match for our work. While it required some program changes to work, we now predictably cover 70 percent of our costs in any locality through this approach."

Ten Funding Models

Devising a framework for nonprofit funding presents challenges. To be useful, the models cannot be too general or too specific. For example, a community health clinic serving patients covered by Medicaid and a nonprofit doing development work supported by the U.S. Agency for International Development are both government funded, yet the type of funding they get, and the decision makers controlling the funding, are very different. Lumping the two together in the same model would not be useful. At the same time, designating a separate model for nonprofits that receive Title I SES funds, for example, is too narrow to be useful.

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Barbara Christiansen is a consultant in Bridgespan's Boston office, where she focuses on helping organizations plan for expansion. Before joining Bridgespan, Christiansen was a strategy consultant at the Monitor Group, working with pharmaceutical, biotech, and energy companies.

In the end, we settled on three parameters to define our funding models—the source of funds, the types of decision makers, and the motivations of the decision makers. (See "Identifying the Models" below.) This allowed us to identify 10 distinct funding models at a level that is broadly relevant yet defines real choices.

It is interesting to note that there were several funding models we thought we might find, but didn't. One possible model was nonprofits supported by earned-income ventures distinct and separate from their core mission-related activities. Another possible model was nonprofits that operated on a strictly fee-for-service model in either a business-to-business or direct-to-consumer fashion, without important supplementary fundraising (from members or prior beneficiaries) or underlying government support. Although there are some nonprofits supporting themselves with such funding approaches, they were not present among the large nonprofits that we studied. It is our belief that these types of approaches do not lend themselves to large-scale, sustained nonprofit advantage over for-profit entities.

What follows are descriptions of the 10 funding models, along with profiles of representative nonprofits for each model. The models are ordered by the dominant type of funder. The first three models (Heartfelt Connector, Beneficiary Builder, and Member Motivator) are funded largely by many individual donations. The next model (Big Bettor) is funded largely by a single person or by a few individuals or foundations. The next three models (Public Provider, Policy Innovator, and Beneficiary Broker) are funded largely by the government. The next model (Resource Recycler) is supported largely by corporate funding. And the last two models (Market Maker and Local Nationalizer) have a mix of funders.

1. Heartfelt Connector

Some nonprofits, such as the Make-a-Wish Foundation, grow large by focusing on causes that resonate with the existing concerns of large numbers of people at all income levels, and by creating a structured way for these people to connect where none had previously existed. Nonprofits that take this approach use a funding model we call the *Heartfelt Connector*. Some of the more popular causes are in the environmental, international, and medical research areas. They are different from nonprofits that tap individuals with particular religious beliefs, political leanings, or sporting interests, who come together to form organizations in the course of expressing their interests. Heartfelt Connectors often try to build explicit connections between volunteers through special fundraising events.

The Susan G. Komen Foundation is an example of a nonprofit that uses the Heartfelt Connector model. Established in 1982, the Komen Foundation works through a network of 125 affiliates to eradicate breast cancer as a life-threatening disease by funding research grants, by supporting education, screening, and treatment projects in communities around the world, and by educating women about the importance of early detection. The foundation's mission has a deep resonance with many women, even though its work may never benefit them directly. Between 1997 and 2007 the Komen Foundation's annual fundraising grew from $47 million to $334 million. The average individual donation is small, about $33, but the foundation's fundraising efforts have been driven by its ability to reach out to an ever-widening base of support. Its major fundraising vehicle is the Susan G. Komen Race for the Cure. The foundation and its affiliates hold about 120 running races each year that draw more than 1 million participants. These events not only allow individuals to give money; they also engage volunteers to put together teams, solicit funds, and participate in the race day experience.

Nonprofit leaders considering the Heartfelt Connector funding model should ask themselves the following questions:

- Have a large cross section of people already shown that they will fund causes in this domain?
- Can we communicate what is compelling about our nonprofit in a simple and concise way?
- Does a natural avenue exist to attract and involve large numbers of volunteers?
- Do we have, or can we develop, the in-house capabilities to attempt broad outreach in even one geographic area?

2. Beneficiary Builder

Some nonprofits, such as the Cleveland Clinic, are reimbursed for services that they provide to specific individuals, but rely on people who have benefited in the past from these services for additional donations. We call the funding model that these organizations use the *Beneficiary Builder*. Two of the best examples of Beneficiary Builders are hospitals and universities. Generally, the vast majority of these nonprofits' funding comes from fees that beneficiaries pay for the services the nonprofits provide. But the total cost of delivering the benefit is not covered by the fees. As a result, the nonprofit tries to build long-term relationships with people who have benefited from the service to provide supplemental support, hence the name Beneficiary Builder. Although these donations are often small relative to fees (averaging approximately 5 percent at hospitals and

Identifying the Models

We started by identifying a pool of nonprofits to study by combining *The NonProfit Times'* "Top 100" list (from 2006) with our list of 144 nonprofits founded since 1970 that have reached $50 million or greater in size. Several major types of nonprofits (for example, hospitals, universities, and religious congregations) were not represented in this sample so we added them to our pool. Next, we collected revenue and funding data for each sample organization. As we categorized the data, we began to identify funding patterns. Each major funding source (for example, government) broke into a handful of sub-sources that represented distinct decision makers and motivations and linked remarkably well to the organization's missions and domains. At the end of this process, we had 10 funding models. Then, we interviewed the leaders of organizations that epitomize each model. Our goal in the interviews was to explore the challenges and trade-offs of each model, and to better understand the drivers of successful fundraising within each model. **—W.F., P.K., & B.C.**

30 percent at private universities), these funds are critical sources of income for major projects such as building, research, and endowment funds. Donors are often motivated to give money because they believe that the benefit they received changed their life. Organizations using a Beneficiary Builder model tend to obtain the majority of their charitable support from major gifts.

Princeton University is an example of a nonprofit that uses the Beneficiary Builder model. The university has become very adept at tapping alumni for donations, boasting the highest alumni-giving rate among national universities—59.2 percent. In 2008, more than 33,000 undergraduate alumni donated $43.6 million to their alma mater. As a result of the school's fundraising prowess, more than 50 percent of Princeton's operating budget is paid for by donations and earnings from its endowment.

Nonprofit leaders considering the Beneficiary Builder funding model should ask themselves the following questions:

- Does our mission create an individual benefit that is also perceived as an important social good?
- Do individuals develop a deep loyalty to the organization in the course of receiving their individual benefit?
- Do we have the infrastructure to reach out to beneficiaries in a scalable fashion?

3. Member Motivator

There are some nonprofits, such as Saddleback Church, that rely on individual donations and use a funding model we call *Member Motivator.* These individuals (who are members of the nonprofit) donate money because the issue is integral to their everyday life and is something from which they draw a collective benefit. Nonprofits using the Member Motivator funding model do not create the rationale for group activity, but instead connect with members (and donors) by offering or supporting the activities that they already seek. These organizations are often involved in religion, the environment, or arts, culture, and humanities.

The National Wild Turkey Federation (NWTF), which protects and expands wild turkey habitats and promotes wild turkey hunting, is an example of a Member Motivator. It attracts turkey hunters, who collectively benefit from NWTF's work and therefore become loyal members and fundraisers. Local NWTF members host more than 2,000 fundraising banquets each year, raising about 80 percent of the organization's annual revenues. These banquets provide multiple donation opportunities: entry tickets (which cost about $50 each and include an annual membership); merchandise purchase (averaging more than $100 per attendee); and raffle tickets (generating about $16,000 per banquet). NWTF's national headquarters supplies raffle prizes and merchandise to sell at these banquets. Each banquet clears an average of $10,000 after expenses. A significant portion of the money raised is dedicated to land and turkey conservation in the community from which it was donated.

Nonprofit leaders considering the Member Motivator funding model should ask themselves the following questions:

- Will our members feel that the actions of the organization are directly benefiting them, even if the benefit is shared collectively?
- Do we have the ability to involve and manage our members in fundraising activities?
- Can we commit to staying in tune with, and faithful to, our core membership, even if it means turning down funding opportunities and not pursuing activities that fail to resonate with our members?

4. Big Bettor

There are a few nonprofits, such as the Stanley Medical Research Institute, that rely on major grants from a few individuals or foundations to fund their operations. We call their funding model the *Big Bettor.* Often, the primary donor is also a founder, who wants to tackle an issue that is deeply personal to him or her. Although Big Bettors often launch with significant financial backing already secured, allowing them to grow large quickly, there are other instances when an existing organization gets the support of a major donor who decides to fund a new and important approach to solving a problem. The nonprofits we identified as Big Bettors are focused either on medical research or on environmental issues. The primary reasons that Big Bettors can attract sizable donations are: the problem being addressed can potentially be solved with a huge influx of money (for example, a vast sum can launch a research institute to cure a specific illness); or the organization is using a unique and compelling approach to solve the problem.

Conservation International (CI), whose mission is to conserve the Earth's biodiversity and to demonstrate that humans can live harmoniously with nature, is an example of a nonprofit that uses the Big Bettor funding model. CI's ability to identify locations around the world where protecting an area of land can have a significant effect on preserving global biodiversity helps it attract donors who are willing to contribute large amounts of money so that they can have an important and lasting impact on protecting the Earth. The majority of CI's contributions come from a few large donors.

Nonprofit leaders considering the Big Bettor funding model should ask themselves the following questions:

- Can we create a tangible and lasting solution to a major problem in a foreseeable time frame?
- Can we clearly articulate how we will use large-scale funding to achieve our goals?
- Are any of the wealthiest individuals or foundations interested in our issue and approach?

5. Public Provider

Many nonprofits, such as the Success for All Foundation, work with government agencies to provide essential social services, such as housing, human services, and education, for which the government has previously defined and allocated funding. Nonprofits that provide these services use a funding model we call *Public Provider.* In some cases, the government outsources the service delivery function but establishes specific requirements for nonprofits to receive funding, such as reimbursement formulae or a request for proposal (RFP) process. As Public Providers grow, they often seek other funding sources to augment their funding base.

TMC (formerly the Texas Migrant Council), which supports children and families in migrant and immigrant communities, is an example of an organization that uses the Public Provider funding model. At its inception in 1971, TMC tapped into the federal government's Head Start program to fund its initial work, helping children prepare for school by focusing on the bilingual and bicultural needs of families. As TMC grew, its leaders sought to reduce its dependence on this one funding source and to identify other government funds. TMC now receives funding from a variety of federal, state, and local government sources. TMC has expanded from Texas into seven additional states and is offering new programs, such as literacy, prenatal care, and consumer education.

Nonprofit leaders considering the Public Provider funding model should ask themselves the following questions:

- Is our organization a natural match with one or more large, preexisting government programs?
- Can we demonstrate that our organization will do a better job than our competitors?
- Are we willing to take the time to secure contract renewals on a regular basis?

FUNDING MODELS

MODEL	CHARACTERISTICS	EXAMPLES	TACTICAL TOOLS
Heartfelt Connector			
Funding source: Individual **Funding decision maker:** Multitude of individuals **Funding motivation:** Altruism	The mission has broad appeal The benefits often touch the lives of the funder's family and friends Nonprofit connects donors to the cause through volunteerism or other means	Medical research (Susan G. Komen Foundation) Environment (Natural Resources Defense Council) International (Save the Children)	Special events Direct mail Corporate sponsorship
Beneficiary Builder			
Funding source: Individual **Funding decision maker:** Multitude of individuals **Funding motivation:** Self-interest followed by altruism	The mission initially attracts individuals pursuing, and paying for, specific individual benefits Mission creates a strong individual connection through the delivery of the benefit (for example, spending four years on campus or having one's life saved) Benefits created viewed as having important societal benefits	Universities (Princeton University) Hospitals (Cleveland Clinic)	Fees Major gifts
Member Motivator			
Funding source: Individual **Funding decision maker:** Multitude of individuals **Funding motivation:** Collective interest	Most of the benefits have a group orientation (for example, religious services or hiking), creating an inherent collective community to tap into for fundraising Uses richest mixture of tactical tools to raise money	Religious congregations (Saddleback Church) Arts and culture (National Public Radio) Environment and conservation (National Wild Turkey Federation)	Membership Fees Special events Major gifts Direct mail
Big Bettor			
Funding source: Individual or foundation **Funding decision maker:** Few individuals **Funding motivation:** Altruism	Builds majority of support from small number of individuals or family foundations Mission may be fulfilled within limited number of decades (for example, finding cure to a certain disease)	Medical research (The Stanley Medical Research Institute) Environment (Conservation International)	Major gifts
Public Provider			
Funding source: Government **Funding decision maker:** Administrators **Funding motivation:** Collective interest	Provides services that are perceived as core government responsibility (for example, foster care) Clear definitions exist of the services and processes that nonprofits must provide (for example, RFPs)	Human services (TMC) Education (Success for All Foundation) International (Family Health International)	Government contracts
Policy Innovator			
Funding source: Government **Funding decision maker:** Policymakers **Funding motivation:** Collective interest	Secures government funds for a significant new approach to problem or to address a problem not currently viewed as a core government responsibility Requires a high-level government "champion" Generally succeeds when significant pressures exist on government as a result of a fiscal or media crisis	Human Services (Youth Villages) Education (Communities in Schools) International (International AIDS Vaccine Initiative)	Legislative appropriation or earmark Executive earmark Government pilot project
Beneficiary Broker			
Funding source: Government **Funding decision maker:** Multitude of individuals **Funding motivation:** Self-interest	Individual beneficiaries decide how to spend the government benefit Must navigate and influence government decision makers for eligibility and compliance with reimbursement requirements Requires individual marketing capability to reach and service end beneficiary	Health (East Boston Neighborhood Health Center) Housing (Metropolitan Boston Housing Partnership) Employment (Peckham Vocational Industries) Public and societal benefit (Iowa Student Loan Liquidity Corporation)	Government reimbursement
Resource Recycler			
Funding source: Corporate **Funding decision maker:** Few individuals **Funding motivation:** Self-interest	The nonprofit uses goods that are created in the market economy where there are inefficiencies that create a surplus (for example, food) or where the marginal costs to produce the product are low (for example, pharmaceuticals)	Food (Oregon Food Bank) International (AmeriCares Foundation)	In-kind giving
Market Maker			
Funding source: Mixed **Funding decision maker:** Mass of individuals (one side), few individuals (other side) **Funding motivation:** Altruism (one side), self-interest (other side)	A funder with some degree of self-interest and the ability to pay exists (for example, a health system buying blood) Often, one of the parties involved in the transaction is motivated largely by altruism (for example, a blood donor or land donor)	Health (American Kidney Fund) Environment or conservation (The Trust for Public Land)	Fees Major gifts (corporate or individual)
Local Nationalizer			
Funding source: Mixed **Funding decision maker:** Few individuals **Funding motivation:** Altruism	The issue is one of a few top priorities for improvement or success in a locality (for example, creating a quality city school system) The issue is common enough to exist in many localities nationwide The level of funding available in any single geographic area is usually limited	Education (Teach for America) Youth development (Big Brothers Big Sisters of America)	Major gifts Special events

6. Policy Innovator

Some nonprofits, such as Youth Villages, rely on government money and use a funding model we call *Policy Innovator*. These nonprofits have developed novel methods to address social issues that are not clearly compatible with existing government funding programs. They have convinced government funders to support these alternate methods, usually by presenting their solutions as more effective and less expensive than existing programs. (By contrast, Public Providers tap into existing government programs to provide funds for the services they offer.)

An example of a Policy Innovator is HELP USA. This nonprofit provides transitional housing for the homeless and develops affordable permanent housing for low-income families. Andrew Cuomo (son of former New York governor Mario Cuomo) founded HELP USA in 1986 as an alternative to New York's approach of paying hotels to house the homeless in so-called "welfare hotels." HELP USA's innovative approach to the housing crisis came about in an era when homelessness was a prominent public issue and government funders were willing to try a novel approach. Cuomo gained the initial support of government decision makers by positioning his solution as both more effective and less costly, which was critical during New York's fiscal crisis. In 2007, HELP USA's revenues were $60 million, almost 80 percent of which came from government sources, half federal and half state and local. The organization was operating in New York City, Philadelphia, Las Vegas, Houston, and Buffalo, N.Y.

Nonprofit leaders considering the Policy Innovator funding model should ask themselves the following questions:

- Do we provide an innovative approach that surpasses the status quo (in impact and cost) and is compelling enough to attract government funders, which tend to gravitate toward traditional solutions?
- Can we provide government funders with evidence that our program works?
- Are we willing and able to cultivate strong relationships with government decision makers who will advocate change?
- At this time are there sufficient pressures on government to overturn the status quo?

7. Beneficiary Broker

Some nonprofits, such as the Iowa Student Loan Liquidity Corporation, compete with one another to provide government-funded or backed services to beneficiaries. Nonprofits that do this use what we call a *Beneficiary Broker* funding model. Among the areas where Beneficiary Brokers compete are housing, employment services, health care, and student loans. What distinguishes these nonprofits from other government-funded programs is that the beneficiaries are free to choose the nonprofit from which they will get the service.

The Metropolitan Boston Housing Partnership (MBHP), a regional nonprofit administering state and federal rental assistance voucher programs in 30 Massachusetts communities, is an example of a nonprofit that uses the Beneficiary Broker funding model. Since launching the organization in 1991, MBHP has developed a reputation as a reliable provider of housing vouchers for families in need. MBHP is the largest provider of housing vouchers in the Boston area, connecting more than 7,500 families to housing at any one time. MBHP also provides related services, such as education and homelessness prevention programs. More than 90 percent of MBHP's revenue comes from the small administrative fees the state provides as part of the voucher program. The remaining funds come from corporations and foundations.

Nonprofit leaders considering the Beneficiary Broker funding model should ask themselves the following questions:

- Can we demonstrate to the government our superior ability to connect benefit or voucher holders with benefits, such as successful placement rates and customer satisfaction feedback?
- Can we develop supplemental services that maximize the value of the benefit?
- Can we master the government regulations and requirements needed to be a provider of these benefits?
- Can we find ways to raise money to supplement the fees we receive from the benefits program?

8. Resource Recycler

Some nonprofits, such as AmeriCares Foundation, have grown large by collecting in-kind donations from corporations and individuals, and then distributing these donated goods to needy recipients who could not have purchased them on the market. Nonprofits that operate these types of programs use a funding model we call *Resource Recycler*. Businesses are willing to donate goods because they would otherwise go to waste (for example, foods with an expiration date), or because the marginal cost of making the goods is low and they will not be distributed in markets that would compete with the producer (for example, medications in developing countries). In-kind donations typically account for the majority of revenues, but Resource Recyclers must raise additional funds to support their operating costs. The vast majority of Resource Recyclers are involved in food, agriculture, medical, and nutrition programs and often are internationally focused.

The Greater Boston Food Bank (TGBFB), the largest hunger relief organization in New England, is an example of a nonprofit that uses the Resource Recycler funding model. This organization distributes nearly 30 million pounds of food annually to more than 600 local organizations, including food pantries, soup kitchens, day care centers, senior centers, and homeless shelters. TGBFB acquires goods in many ways. The dominant sources of goods are retailers and manufacturers. It also receives surplus food from restaurants and hotels. In 2006, corporate in-kind support accounted for 52 percent of TGBFB's revenues. Federal and state government programs provide TGBFB with in-kind goods and money, accounting for 23 percent of its annual budget, which TGBFB uses to purchase food for distribution. Cash donations from individuals make up the remaining 25 percent of revenues, covering overhead and capital improvements.

Nonprofit leaders considering the Resource Recycler funding model should ask themselves the following questions:

- Are the products that we distribute likely to be donated on an ongoing basis?
- Can we develop the expertise to stay abreast of trends in the industries that donate products to us so that we can prepare for fluctuations in donations?
- Do we have a strategy for attracting the cash we'll need to fund operations and overhead?

9. Market Maker Some nonprofits, such as the Trust for Public Land, provide a service that straddles an altruistic donor and a payor motivated by market forces. Even though there is money available to pay for the service, it would be unseemly or unlawful for a for-profit to do so. Nonprofits that provide these services use a funding model we call *Market Maker*. Organ donation is one example where Market Makers operate. There is a demand for human organs, but it is illegal to sell them. These nonprofits generate the majority of their revenues from fees or donations that are directly linked to their activities. Most Market Makers operate in the area of health and disease, but some also operate in the environmental protection area (for example, land conservation).

The American Kidney Fund (AKF) is an example of a nonprofit that uses the Market Maker funding model. AKF was founded in 1971 to help low-income people with kidney failure pay for dialysis. It is now the country's leading source of financial aid to kidney dialysis patients, providing (in 2006) $82 million in annual grants to 63,500 kidney patients (about 19 percent of all dialysis patients). Before 1996, health care providers were allowed to pay Medicare Part B and Medigap premiums (approximately 20 percent of total costs) for needy dialysis patients. In 1996, the federal government made it illegal for providers to do this because it might trap the patient into receiving dialysis from a particular provider. The new law left thousands of kidney patients unable to afford kidney treatment. AKF noticed this gap and established a program to fill it. AKF now pays these premiums, allowing patients to continue their treatment. AKF is funded primarily by health care providers and other corporations. AKF is now applying the same principles used in its kidney dialysis program for pharmaceuticals used to treat bone loss.

Nonprofit leaders considering the Market Maker funding model should ask themselves the following questions:

- Is there a group of funders with a financial interest in supporting our work?
- Are there legal or ethical reasons why it would be more appropriate for a nonprofit to deliver the services?
- Do we already have a trusted program and brand name?

10. Local Nationalizer There are a number of nonprofits, such as Big Brothers Big Sisters of America, that have grown large by creating a national network of locally based operations. These nonprofits use a funding model we call *Local Nationalizers*. These organizations focus on issues, such as poor schools or children in need of adult role models, that are important to local communities across the country, where government alone can't solve the problem. Most of the money for programs is raised locally, often from individual or corporate donations and special events. Very little of the money comes from government agencies or fees. Very few local operations exceed $5 million in size, but, in totality they can be quite large.

Teach for America (TFA) is an example of a nonprofit that uses a Local Nationalizer funding model. TFA recruits, trains, and places recent college graduates into teaching positions in schools across the country. TFA was founded in 1989, and by 2007 had more than $90 million in annual revenues. The organization relies on its 26 regional TFA offices to raise more than 75 percent of its funding. The reason this works is that TFA's mission—improving the quality of K-12 education—resonates with local funders. TFA developed a culture in which fundraising is considered a critical aspect of the organization at every level, and it recruited local executive directors who would take ownership of attracting regional funding growth.

Nonprofit leaders considering the Local Nationalizer funding model should ask themselves the following questions:

- Does our cause address an issue that local leaders consider a high priority, and is this issue compelling in communities across the country?
- Does expanding our organization into other communities fulfill our mission?
- Can we replicate our model in other communities?
- Are we committed to identifying and empowering high-performing leaders to run local branches of our organization in other communities?

Implications for Nonprofits

In the current economic climate it is tempting for nonprofit leaders to seek money wherever they can find it, causing some nonprofits to veer off course. That would be a mistake. During tough times it is more important than ever for nonprofit leaders to examine their funding strategy closely and to be disciplined about the way that they raise money. We hope that this article provides a framework for nonprofit leaders to do just that.

The funding paths that nonprofits take will vary, and not all will find models that support large-scale programs. The good news is that all nonprofits can benefit from greater clarity about their most effective funding model, and it is possible for some nonprofits to develop models that raise large amounts of money. As mentioned earlier, almost 150 new nonprofits (not counting universities and hospitals), surpassed $50 million in annual revenues between 1970 and 2003.

On the other side of the equation, philanthropists are becoming more disciplined about their nonprofit investing. A growing number of foundations, such as the Edna McConnell Clark Foundation and New Profit Inc., are investing in their grantees to improve both program and funding models. We hope that this article helps philanthropists become clearer about their funding strategy so that they can support their programs more effectively.

As society looks to the nonprofit sector and philanthropy to solve important problems, a realistic understanding of funding models is increasingly important to realizing those aspirations. ■

Notes

1 In a November 2008 Bridgespan survey of more than 100 nonprofits, leaders were asked which of eight different and often conflicting fundraising tactics would play some role or a major role in their approach to addressing the downturn. Nearly half (48 percent) of respondents said that six or more would.

2 For example, see Thomas Malone, Peter Weill, Richard Lai, et al., "Do Some Business Models Perform Better Than Others?" *MIT Sloan Research Paper* No. 4615-06, May 2006.

3 For an early framework looking at "donative" vs. "commercial" nonprofits, see Henry Hansmann, "The Role of Nonprofit Enterprise," *Yale Law Journal*, 89, 5, April 1980.

4 William Foster and Gail Fine, "How Nonprofits Get Really Big," *Stanford Social Innovation Review*, spring 2007.

Marketing & Communications in Nonprofit Organizations

David Williamson

Essays on Excellence

Lessons from the Georgetown Nonprofit Management Executive Certificate Program

Marketing & Communications in Nonprofit Organizations: It Matters More Than You Think

David Williamson

Marketing gets no respect in the nonprofit world.

Program people tend to hold the most senior positions in nonprofits and accordingly have the most status. Fundraisers are often viewed as necessary evils, as are operations staff, including those who labor in the communications and marketing departments.

Several factors account for the suspicion or disdain with which many nonprofit managers view the marketing function. Mostly, it's a matter of ignorance. Usually trained in other disciplines, nonprofit leaders often fail to understand what marketing can and can't do for their organizations. Consequently, they hold some strange assumptions (e.g. "Our good work will sell itself"), unrealistic expectations (e.g., demanding to be in *The New York Times* once a week) and arbitrary funding theories (i.e., when fundraising is down, cut the communications budget). Compounding the challenge, few nonprofit managers recognize their lack of expertise in these areas. The same people who would never contradict a financial expert or ignore a scientist don't think twice about overruling marketing professionals on audiences, messages, tactics — the very essence of marketing strategy.

There are, of course, exceptions to the rule, primarily advocacy or social marketing enterprises where the core program involves communications, outreach and marketing. But in the main, the basic lack of respect accorded marketing comes as no surprise to anyone who tried to apply marketing to mission or build a nonprofit brand — we're used to it. After all, why is this chapter near the end of this book?

Forward-looking nonprofit leaders, however, will recognize what their counterparts in the for-profit sector understood long ago: marketing is essential.

And although the marketing function masquerades under many names within nonprofit organizations — Communications, Advancement, External Affairs, Public Relations, or Brand Management — the primary objectives are pretty much the same: to define and then defend an organization's position, and move it closer to success in its mission.

Marketing answers the questions:
How is our program distinctive?
What do we want to be known for?
Why is our work relevant?

With the competition for philanthropic resources and public attention fierce, these are absolutely critical considerations for every nonprofit.

While the benefits of investing in marketing may not be obvious to nonprofit leaders, the costs of failing to do so are becoming increasingly clear. With nonprofits coming under increasing public and regulatory scrutiny, organizations no longer can afford to relegate communications and marketing to second-class status. It's a matter of survival. When the investigative reporters are circling your organization (think of the recent unpleasantness that befell the American Red Cross, United Way, and Smithsonian Institution, among others) you will wish that you had a robust, professional communications department to handle the incoming slings and arrows. An expensive outside public relations firm is a poor substitute for people who know your organization and command the trust of the staff.

MORAL: *Show marketing some respect. It is essential for mission success, but if you wait around until the need is obvious, it will already be too late.*

The author wishes to acknowledge the assistance of Douglas Meyer in preparing this manuscript.
Note: The anecdotes herein are intended to illustrate larger themes, and not as critiques of individual organizations.

The Elevator Test

Through the years, marketers have invented ever-more sophisticated ways to develop organizational position statements. Lots of these methodologies work, and you can spend big money with consultants on finely crafted and focus-group-tested positioning statements. At the same time, for nonprofits, the simpler approach advocated by the marketing savant Harry Beckwith may achieve much the same result at considerably lower cost and effort.

I think of Beckwith whenever I find myself confronted with a classic "elevator test" moment. You strike up a conversation in an elevator, on the subway, in the line at Starbucks and the question soon arises: What do you do? The challenge is how to answer that question in an interesting, compelling manner that invites further questions about your organization, but that does not bog down in jargon or too much detail.

You don't have much time — maybe two sentences at most. So what do you include? What do you leave out? What's your answer to the elevator test?

Lest you think this exercise trivial, recall that everyone on the staff of your nonprofit gets asked the "what do you do?" question, in various forms, every day. In that sense, everyone on staff is a marketer, albeit rarely trained as such. Do you know how your staff is responding? Do you have any confidence that everyone on the team — program staff, receptionists, board members — shares a common sense of the organization's brand position? Are they communicating a consistent message?

Many nonprofit organizations fail this test. Happily, Beckwith prescribes a very simple formula that nonprofits can adapt readily to their needs in developing an elevator test that can double as a position statement. (Note that the elevator test is not a mission statement, nor should it read like one, but instead tries to distill the essence of the organization into relevant, accessible language for the particular person with whom you are speaking.)

The Beckwith formula starts with six basic questions:

WHO?
What's your name?

WHAT?
What kind of organization are you (scale and sector)?

FOR WHOM?
Whom do your programs serve?

WHAT NEED?
What pressing social problem does your program address?

WHAT'S DIFFERENT?
What is distinctive about your program?

SO WHAT?
Why should they care?

String the answers to these questions together for a nonprofit like Population Services International, a $350 million organization working to improve health in the developing world, and you get something that looks like this:

PSI (Who?) is a global nonprofit (What?) that works to improve the health (What need?) of the poor and vulnerable in 60 developing nations around the world (For whom?). Combating diseases like HIV/AIDS and malaria that kill millions around the world (So what?), PSI saves lives by using the power of the private sector to distribute and market health products to the neediest people. (What's different?)

Three red flags about elevator tests. First, ruthlessly eliminate jargon. Every sector has a specialized language, but don't use it in your elevator/positioning speech. Second, avoid laundry lists of activities. Nonprofits are wonderfully inclusive organizations, with a great sense of fairness and equity between their constituent parts, but this makes for disastrous marketing. The entire point of an elevator speech is to boil your enterprise into a message that is simple, consistent, and most of all distinctive, so make hard choices and focus on the things you do particularly well.

Second, and perhaps most important, put some real thought into answering the question: So what? It's the payoff piece of the speech, the call to action that makes the programmatic work of a nonprofit relevant. And to change policy and behavior, to raise money and build a strong institution, most organizations simply must find a way to make their mission relevant to a broader constituency. Figuring out a compelling "so what?" response is a good place to start.

Third, try to make it "sticky." Is what you have said memorable? In their book, *Made to Stick,* Chip and Dan Heath identify the common currency of memorable ideas, a good story. And, specifically, they note the importance of simple, true stories with concrete details, unexpected twists and emotion. Does your elevator speech tell a story in a way that helps the listener remember it?

For the leaders of nonprofits, the elevator test also can serve as a shrewd diagnostic tool for determining differences within the management team. Have everyone sit down and simultaneously craft an elevator speech — give them no more than five minutes — and then have people share the results. You will learn a lot about the attitudes of your senior managers and how they are portraying the organization to the outside world.

moral: *Marketing is the only job shared by everyone in the organization. An elevator speech makes sure your people have a compelling story, they stick to it and it sticks with their audience.*

Marketing Isn't Communications, and Vice Versa

Nonprofits tend to use the terms marketing and communications interchangeably — another indication of the overall lack of sophistication about these issues inside the sector. But there are substantive differences between the two, none more significant than their very different points of departure.

Effective marketing generally starts from the point of the view of the audience, or customer, and seeks to anticipate and address their needs. It's all about you, the audience; not coincidentally, that's why lots of marketing pieces tend to start with the word "you." Looked at another way, marketing is a "pull" strategy that meets the audience where it is, and then tries to steer the audience to the desired action or behavior through incentives or other inducements. Marketing, it has been said, appeals to the heart.

Communications, on the other hand, typically appeals to the head. Representing the institutional perspective, sentences in communications materials usually start with the word "we" or else the organization's name; look at any nonprofit annual report for a case in point. Communications also tend to be declarative, laying out a statement of opinion, a detailed factual case, or an institutional position, and then try to connect those to the audience's interests. These are classic push strategies in action, with the organization pushing out information (and misinformation!) about its activities or agenda.

Best-practices nonprofits combine the best aspects of both these approaches, and appeal to both the heart and the head. Mothers Against Drunk Driving, one of the most effective advocacy groups of modern times, is famous for the powerful emotional appeal of its advertising campaigns and legislative testimony, which prominently feature the victims of drunk drivers. But supplementing these classic marketing techniques, MADD also deploys equally classic communications strategies — position papers, voter's guides, legislative briefing books, and on-line advocacy, for example.

Together, this combination of disciplined marketing and focused, issue-oriented communications has made MADD a political force in every statehouse and on Capitol Hill. And it's not just MADD. Effective organizations of all stripes are taking advantage of both sides of the coin to get the message out about their issue, cultivate donors, and impress policymakers. Take a look next time you go to the web site or get direct mail from the National Rifle Association, the American Heart Association, or CARE. You'll see a blend of marketing and communications, things to pull you in and also to push out. It's not by accident.

moral: *Don't just communicate. Market.*

Marketing and Communications for Fundraising

Fundraising can be the fire alarm that awakens the leader of a nonprofit to the need for marketing and communications, though, chances are, the initial interest will be less focused on strategy, and more focused on stuff: glossy brochures, pretty pamphlets and verbose newsletters that they can use to "sell" the organization to major donors.

Mike Coda, the best fundraising strategist I have ever known, was famously contemptuous of this type of marketing material. "All that collateral is just a crutch for a poor fundraiser," Mike would say. "It's no substitute for developing relationships and listening to donors."

Of course, he was right—but only to a point. The marketing and communications functions can play an important role in helping execute a comprehensive fundraising plan, and the truth is, the marketing/communications shop can produce stuff to help raise money. But a word of caution here about a lot of the "stuff" that currently comes out. More than anything, pressures from development account for the proliferation of publications across the nonprofit sector. Our organizations are clogged with annual reports, magazines, newsletters, case statements, working papers and brochures targeted at planned givers, annual givers, alumni givers, givers of every sort. The arrival of the electronic age has not reduced, but instead added to the volume of potential fundraising collateral. Now prospective donors are besieged with slickly produced DVDs as well as blogs, virtual communities, interactive websites, and more.

I have always been surprised how few organizations conduct honest assessments of the costs and benefits of producing all this fundraising collateral. It's not just that it costs a lot to design, print and create it; the real issue for nonprofits is the investment of time. The true cost of a piece of fundraising collateral must reflect the amount of energy and agony that went into its development and often more painful, approval by management and the board.

Everybody has a favorite story about absurd bureaucratic hurdles they have encountered to get something approved. One CEO, for example, used to require the signatures of 17 different managers to approve text for use in direct mail solicitations. Needless to say, the impact of the language was much attenuated by the time it went through so many editors, reducing the return on investment as well as diverting senior managers from their real jobs. Globally distributed organizations, like the World Wildlife Fund or Save the Children, face particularly tough challenges in getting their colleagues overseas to sign off on collateral materials or joint announcements.

It is the job of the marketing and communications function to bring discipline and reason to this process. Smart marketing managers will resist the steady drumbeat from the fundraising staff to deliver new and different materials. Instead, they will put the ball back in the court of the fundraisers by asking some tough questions:

Who is your audience and what do you know about them?

Why do you believe this is the best way to reach that person?

What is the shelf life of this piece?

What else could you spend this money on?

We will come back to these important questions later in this chapter.

An honest recognition of the need for fundraising is required, but so, too, is a healthy skepticism about the demands for fundraising collateral. Certainly, it makes life easier for fundraisers if they have attractive, compelling materials that reinforce the institution's key messages. But then remember the boxes and boxes of attractive, compelling fundraising materials from previous campaigns gathering dust in your organization's basement.

Once you decide to move forward with a piece of fundraising collateral, however, don't try to save money by cutting corners. Good marketing materials can be expensive, and you should be prepared to pay to get the kind of products that will send the right message to your donors. At the same time, you can often mitigate the budgetary impact by substituting quality for quantity. As so often is the case in nonprofits, the key is to focus on the few things that you can do that will have the greatest impact.

MORAL: *Fundraising is often a core component of marketing and communications, but not all fundraising collateral translates into more money raised.*

Marketing and Communications for Mission Impact

After a discussion of the way in which marketing and communications can help with fundraising, the opportunity often arises to bring up the potential for it to have a direct impact on mission.

Remember the movie Arthur? Dudley Moore plays an affable drunk who spends his time getting in hilarious fixes, many involving driving his convertible while three sheets to the wind. The movie was one of the big hits of the early 1980s — coincidentally about the same time that two housewives in California were forming a new nonprofit called Mothers Against Drunk Driving.

Fast forward a quarter century. Do you think that a movie like Arthur, with its tacit endorsement of drunk driving, could possibly be made today? I think not. The prevailing moral winds have swung hard against drinking and driving, making anathema what was once socially acceptable. And the reason for that is MADD.

MADD is not only an exceptionally effective advocacy organization that seeks and often secures legislative victories. It also excels at social marketing — using the full grab bag of tricks and techniques from the marketer's playbook to achieve changes in individual behaviors and social norms that also were directly in line with its mission of ending drunk driving. In the case of MADD, that means orchestrating a sustained, national marketing campaign designed to change the behavior of Americans when it comes to alcohol and automobiles.

The success of this campaign can be measured first in lives saved. Drunk-driving deaths are down about 50 percent from all time highs. Perhaps even more enduring, the key concepts of this campaign have permeated the public lexicon. Designated drivers. Friends don't let friends drive drunk. Drink responsibly. When the beer companies spread your message for free in their massive TV advertising campaigns, you know that you have succeeded.

Lots of fine organizations run social marketing campaigns aimed at changing public behavior on a large scale: the American Legacy Fund and its anti-smoking efforts; the American Cancer Society, which emphasizes early screening in all its marketing initiatives; and the American Heart Association and diet. Choose to Save seeks to promote personal savings; the Presidential Fitness Challenge to promote personal fitness. The unifying element is the focus on changing behavior, on getting people to stop doing something they presumably like and start doing something else.

Nonprofit marketing often aims at behavior change, and social marketing was made to do just this.

CASE IN POINT: the National Campaign to Prevent Teen Pregnancy, which was founded in the early '90s to tackle the surging levels of teen pregnancies. A small organization — only $5 million — but with powerful friends, the National Campaign thought hard about best way to change the behavior of teenage girls, the target audience. Research showed that teenagers tended to romanticize parenthood, and did not understand the impact that caring for an infant would have on their lifestyle.

But how to communicate this lesson to an elusive audience that is already deeply suspicious of adults? The National Campaign cleverly threaded this needle by reaching out to the producers of the afternoon TV shows targeted at teen girls. With a little persuading, the producers agreed to write into the scripts of these shows storylines that made it clear what a drag it was to have a baby: it ruined your figure, ruined your social life, cost a lot of money, and so forth.

If the same messages had been delivered to the same audience but in the form of a public service announcement, the impact would have been marginal. But by merging the message with the content of these shows, the National Campaign managed to get the attention of these kids in a far more effective way. A lot of factors go into the sharp drop in teen pregnancies over the last decade, but certainly some of the credit needs to go to the National Campaign for a textbook case of social marketing in action.

Social marketing can't advance every mission, and is not for every organization. It can be expensive and requires significant expertise, both in-house and out. But it works, and must be part of your marketing and communications strategy if changing the world for your organization involves changing the behavior of people: health habits, purchasing choices, social norms, voting patterns.

MORAL: *Your mission should drive your marketing. If you are trying to change individual behaviors or social norms it's time to invest in social marketing.*

Marketing and Communications to Build the Brand

The best of the best are thinking not only of marketing for fundraising and mission impact, but also for brand building. Brands are powerful stuff. Apple, for instance, evokes immediate associations of hip, cool, innovative products with excellent design. Coke and Pepsi have spent decades (and billions in advertising) staking out their relative brand positions: real thing or next generation? Nike has even managed to transcend its name, evolving into a universally recognizable logo.

If you work for Apple, Coke, or Nike, you don't have to explain to anyone what your company does. Everyone knows, both in substance and style. But not so the typical nonprofit employee. Maybe you're lucky and work someplace like the National Geographic Society, which has name recognition numbers to rival IBM and Starbucks, but the chances are that few people have ever heard of your organization or care particularly about your mission or approach.

This is one of those inescapable, brutal facts about the nonprofit world, and thus bears repeating: most people have never heard of your organization, and they probably don't care much about what you do. And this is even when the work being done is undeniably "good." This is a hard pill for many nonprofit people to swallow, because we all do care, passionately, about our causes and we want others to feel the same way we do.

But you can't let that passion blind you to the objective realities of trying to carve out a position for your nonprofit organization with your most important audiences amid the clutter of so many competing priorities and so much background noise in multiple media. Strengthening that position — defending your organization's reputation, the one irreplaceable asset of any nonprofit — is the essence of branding. The key is being disciplined in articulating the distinctive set of attributes that collectively define an organization's position in the marketplace for funding, ideas, and influence.

Komen for the Cure — formerly, the Susan G. Komen Breast Cancer Foundation — provides a great example of the power of nonprofit branding. It's remarkable enough that this organization has grown in less than 25 years into the largest support group for breast cancer survivors, raising almost $1 billion for breast cancer programs. Even more impressive, however, Komen (and other initiatives, like Avon's pioneering breast cancer walks) have helped bring this once-taboo disease into mainstream and make it a top public health priority — even though there are other diseases, less well-funded, that kill more people every year. In the process, Komen has turned pink ribbons into instantly recognized symbols of support for breast cancer victims and even managed to co-opt the word "cure." No one asks any more, "Cure what?" In today's context, pink plus "cure" has become shorthand for "cure breast cancer."

Little wonder, then, that when Komen revised its name and logo in 2006, the word "cure" took center stage. And what an upgrade! Komen ditched its foundation moniker, which was always a bit confusing to donors and supporters because it did not speak to the organization's programmatic efforts to support grassroots networks of survivors, promote early screening, and improve patient care. The words "breast cancer," with all their negative baggage, also disappeared from the name. Instead, Komen has adroitly repositioned itself as the leading force focused on a finding a cure — a positive, future-oriented message that appeals to donors, the public, and breast cancer victims alike.

Komen's rebranding has been successful because its new brand positioning rings true with the organization's core values, mission, and programs. This illustrates an important point about authenticity for any nonprofit trying to strengthen its brand. In the eyes of your stakeholders, it's fine to change the various attributes of your brand — your name, logo, messages, and programmatic emphasis — as long as what you're changing to passes the authenticity test. (Imagine Komen moving into an issue such as prostate cancer — they simply would not enjoy the same credibility and clout that they have earned in the breast cancer arena.) The lack of authenticity also helps explain the failure of so many high-profile corporate rebranding efforts; call it Phillip Morris or the Altria Group, in the public mind both are merchants of death, and no new logo can change that. As marketing guru Seth Godin might say, Komen is an example of the tremendous power to be found in telling an authentic story in a low-trust world.

So be careful about undermining the existing equity in your nonprofit brand. The National Audubon Society learned this lesson in the early 1990s, when the organization's new leadership decided that Audubon needed to take a much more aggressive political posture. They ditched the revered whooping crane logo ("the bird image hurts us," the CEO said at the time), fired the veteran editor of their signature magazine, and launched the kind of political activists campaigns usually associated with the Sierra Club.

But that wasn't what Audubon members wanted. They were birders. They liked the crane. They wanted the magazine full of handsome photographs of warblers, not partisan screeds on toxic waste. The defections were swift, and Audubon's membership and fundraising dropped sharply. Finally the board had to act and the CEO was ousted in 1996, only three years after launching the revolution. The new CEO wisely returned to the focus on birds, but even so, Audubon has never recovered its peak membership of the late 1980s.

Despite the importance of branding and reputation, nonprofits are notoriously poor brand managers. Building a brand can be difficult and very expensive, and the results are typically hard to measure or not immediately apparent. As a result, nonprofits rarely invest the necessary resources to secure top-flight marketing talent, to produce outstanding marketing materials, to engage the media, to implement a consistent and appropriate visual identity system, and to do all the other supporting activities that fall under the heading of "branding." To be sure, branding is no longer a dirty word in nonprofit circles, as it was in the 1990s, but this type of advanced marketing is still the first thing that gets cut when the funding is tight and the last item in the budget to be restored.

Such foolishness wouldn't last long in the private sector. When sales are down, do Ford and General Motors reduce the advertising budget or slash the marketing department?

Regrettably, about the only thing that compels nonprofit leaders to pay attention to branding is when something goes spectacularly wrong at a high-profile peer organization. And some of the marquee brands in the nonprofit world have taken a real battering in recent years: the American Red Cross, United Way, or the Smithsonian Institution, among others. Ask any of these nonprofits how much their brand is worth to them — and what kind of damage they have suffered and how it could have been even worse. Then you might think twice before taking a red pencil to the marketing budget.

MORAL: *Your brand defines your organization to the outside world. Take the initiative and define yourself, before one of your enemies tries to define you.*

Developing Successful Marketing and Communications Strategies

With the desire for fundraising, mission impact and brand building understood, the key question becomes one of strategy, taking you from where you are to where you want to be. And strategy is fundamentally about making choices. This scares the hell out of the typical nonprofit employee. After all, making choices means that you might not choose me! As in Lake Woebegone, we in the nonprofit sector believe ourselves to be all above average, somehow special and immune from the laws of supply and demand that govern the rest of the world. The nonprofit culture—often conflict-averse, participatory, and given to consensus decision-making—further complicates the task of making real strategic choices. No wonder so many decisions inside nonprofit institutions end up as compromises.

But making tough choices is not optional when it comes to developing communications or marketing strategy. The reason is simple. No matter who you are, it costs too much for nonprofits to compete in this realm. Even Coca-Cola has to make hard choices about whom it targets with its marketing dollars. For nonprofits, operating with only a fraction of the resources of corporations, discipline and focus become all the more important in developing effective communications strategies.

Your chances of success depend both on well-conceived strategy and on the quality of your implementation plan. Brilliantly conceived marketing concepts have failed because of disconnects between planning and doing. A good marketing or communications strategy should flow in a tight logical sequence, starting with a very explicitly articulated objective or goal, all the way through the tactics and accountability. The more measurable the goal, the better—get the state legislature to fund this or that program, reduce teen smoking rates, raise attendance at the museum. You may not be able to avoid such amorphous goals as "raise awareness," but you can ensure that your communications plan is driving toward a specific outcome.

The real guts of a high-quality marketing and communications plan follow directly from the goal. As long as it's aimed at a measurable result, the time-honored "audience, message, vehicle" formula has lost none of its relevance:

AUDIENCE: Which individuals or institutions do you need to reach and/or influence to achieve your programmatic objective? Can they be identified according to demographic or geographic, personality or lifestyle characteristics? Are they already aware of your issue and organization?

MESSAGE: What message will motivate each of your target audiences to take the required actions? After all, awareness matters not if nothing changes.

VEHICLE: What is the best means of delivering the message to the target audience? What combination of tools and vehicles work best? What individuals can serve as effective messengers?

Not very complicated, right? And if it's as simple as that, then how come marketing consultants continue to earn handsome fees from nonprofits?

First of all, it's not that simple. Crafting a communications plan for a nonprofit that will cut through the background noise requires skill and ingenuity. But compounding the problem, nonprofits infrequently take the time to do this right. Impatient executive directors tend to focus on tactics, obsessing on such things as their column in the organization's newsletter or signing off on all direct mail copy. Audience research and message testing can be expensive, so often nonprofits will try shortcuts or simply close their eyes and do something even more dangerous: assume.

And belaboring the whole process can be the immense self-absorption of so many nonprofits. Mission-driven organizations, with their singular focus on a cause such as human rights or the environment, can come across as cults of the self-righteous, demanding that supporters drink their proverbial purple Kool-Aid. Their communications and marketing materials will ask for buy-in to a full set of beliefs, rather than support for a single solution to an identifiable problem that matters to their audience. This can lead to big problems.

Developing tightly integrated marketing and communications plans with a focus on a measurable goal, and a clearly identified target audience thus can serve as the perfect antidote for the congenital lack of discipline and self-referentialism of so many nonprofits. It will ensure that you spend what you need to spend—and not any more. It will ensure that whatever you do spend will be aimed toward a pre-determined result (and evaluated accordingly).

MORAL: *You can't go far wrong in communications if you stick to the Holy Trinity: Audience. Message. Vehicle.*

About Audiences

I still get splenetic when my nonprofit clients list the "general public" as one of their target audiences. I remind them that there is no such animal in today's sophisticated marketing universe, no one—not Proctor & Gamble, not General Motors, not Unilever—tries to sell to the "general public." And certainly no nonprofit can be in the business of trying to appeal to such an amorphous and diverse audience.

Yet all too many nonprofits persist in the fantasy that they can reach and then mobilize a broad audience. If you are the AARP, to be sure, you can easily roust your membership of 35 million to action whenever there is a political attack on Social Security or Medicare. But even if they were to get all 35 million, that's still barely a tenth of the country, and hardly representative of the "general public." An exceptionally savvy and politically astute institution, AARP instead makes careful, informed judgments about what political coalition they need to achieve their legislative goals, and then methodically reaches out to those audiences. That's a far cry, and far more strategic, than trying to spread the word about your cause through every possible channel to every possible audience.

In addition to the general public, a few other hardy perennials seem to pop up onto most nonprofit lists of priority audiences. There are "policymakers"—as if county, city, state, federal, and international institutions were all the same. This phrase lumps together elected officials, appointed officials, and legislative staff; the executive, judicial, and legislative branches; and often the media elites, academics, and other key influencers as well. Then there are "major donors" and "foundations." These too are highly idiosyncratic audiences, requiring discrete messages and careful handling.

Specificity matters when identifying and prioritizing audiences. The more general and broad the audience, the more difficult it is to tailor and deliver a powerful, compelling message that will resonate with that audience. Political campaigns see this dynamic all the time whenever a candidate has to reach out beyond his or her base. The red meat issues that so inspired the faithful don't always translate well when packaged for a wider audience.The same logic applies to the nonprofit sector. The narrower the audience you choose, and the more audience appropriate your approach, the higher the probability that you can move that audience to action.

Selecting and ranking your audiences is a bit like solving a puzzle. Start with your objective. Who do you need to make progress? In other words, what group of people (or institutions) will have the necessary clout to make a difference—either to block what you want or else to make it happen? The answers to these questions cannot be based on wishful thinking or guesswork; rather, it requires a clear-eyed and sometimes cold-blooded analysis of the world of the possible.

I learned about the importance of figuring out the right audience years ago, when I was involved in a campaign to protect the desert tortoise, whose listing as an endangered species threatened to shut down real-estate development in Las Vegas. The key to the whole deal was getting the local Board of Supervisors to put up a bunch of money to acquire habitat for the tortoise way out in the desert. It didn't take us long to focus like a laser on the target audience of our campaign—the nine members of the board of supervisors.

But we really didn't even bother with all nine. Three of them were on our side already, and three opposed. To get a majority, we needed to target the two undecided supervisors — an audience of exactly two. I am happy to report that both of these fine elected officials were deeply impressed by our poll of voters that showed strong public support for protecting the tortoises. They agreed to support the appropriation we were seeking. Today a healthy population of tortoises thrives at a wildlife refuge created for them in Searchlight, Nevada.

The poll that broke the political logjam cost around $10,000. If we had been less careful in choosing our audience — if, say, we had targeted the voters of — I have no doubt that we would have spent a lot more money and accomplished less in terms of conservation. The alternative would have been expensive and time-consuming grassroots campaign, with no guarantee of success.

With inherently limited means, nonprofits, therefore, should be ruthless in narrowing their target audiences to the greatest degree possible. What's the irreducible minimum, the smallest audience I can reach and still achieve my objective? It could be two people, as in the Las Vegas case, or it could be thousands. The numbers matter less than going through the exercise of drawing an explicit link between the audience and the desired outcome. At the very least, this keeps you from spending time and money trying to engage people who aren't interested in what you do, and never will be.

MORAL: *There is no such thing as the general public. Find the audience that matters most to your mission, and focus on them like a laser beam.*

About Messages

About 45 minutes into the first meeting on developing a new communications strategy, someone — usually an long-time employee from the program side of the organization — will express frustration with all the attention being spent on audiences. "Let's just get our message straight and go from there," this person will say. "We all need to be on the same page."

I'm all for being on the same page. That's why high-impact nonprofits have a position statement and elevator speech, an organization-wide mission and unifying goals. But don't confuse or conflate these framing elements of your organization's positioning with the messages that you are trying to deliver to your target audiences. Certainly, there will be considerable overlap, and messages must be consistent with the overall brand. If you fall in the trap of starting with your message first, you will never really succeed at marketing or communicating about your organization.

Instead, the needs of the audience dictate the message. Nonprofits often miss this point and believe that the message should be about them. But it most emphatically is not. More than just slogans, messages should be designed to motivate the target audience to go beyond awareness and take action — to vote one way or another, make a donation or sign a petition, to stop smoking or exercise more. What's more, messages have to speak directly to the needs, desires, and aspirations of the audience. What's in it for them? Why should they care? And how might your messages lessen the perceived costs or highlight the perceived benefits of taking action? Messages can evoke emotion (fear or hope, for example) or appeal to reason (using statistics or anecdotes) but in either case, the message needs to address a top-of-mind concern not for you, but for your target audience, and do so in a simple, compelling way.

Obviously, the more you know about your audience, the better you can devise messages that will scratch their particular itch. Market research, consequently, plays a critical role in communications and marketing campaigns. Research helps you understand your audience's attitudes and concerns, their priorities and where your issue stands relative to others for them. Meanwhile, research into language — testing specific words and phrases — can ensure that messages will resonate with the target audience. And market research also plays a role in figuring out how to deliver your message. What are the common characteristics of those in your target audience? How does your target audience get information? Who do they trust for accurate data? What do they read? Do they all watch the same TV shows?

Brevity is the second success factor in developing effective messages. The more clear and compelling the message, the greater the likelihood of moving your audience to act. In the desert tortoise case, for example, the message couldn't have been clearer — your constituents overwhelmingly support this. In short, it is a votewinner. By contrast, once you branch out into a more complex message, especially one that requires context, it's easy to lose the thread and hence the audience. The environmental community had this problem for years with the issue of global warming, which until very recently was a hard sell to policymakers because the story wasn't being told well.

Finally, let me reiterate that effective messages incorporate an explicit call to action. A message without an explicit "ask" may help build awareness of a particular issue or cause, but awareness by itself rarely results in positive social change. The Lance Armstrong Foundation discovered the importance of this lesson when to their astonishment the yellow rubber "LiveSTRONG" bracelets exploded in popularity by the tens of millions. Within months, the market was awash in different colored bracelets: white, pink, red and so forth. Armstrong's cause — promoting cancer survivorship — was lost in this technicolor jumble, and not least because they were unprepared to channel the immense initial interest in their work into a simple ask.

The "ask" also has to align with the problem or product. The famous "Got Milk?" campaign, for example, also got a ton of attention for its innovative approach — hip advertising with milk mustaches on celebrities — and the ask was obviously there, but it initially and famously failed in its goal of increasing milk sales. It turns out people loved the ads because they were fun and clever, not because they presented a compelling argument to go out and drink more of the same old boring milk. It took better alignment with the actual product — new bottles, different flavors — before milk sales were affected. Back in the nonprofit world, the Lance Armstrong Foundation is now aimed at turning the "LiveSTRONG" awareness (wear a yellow bracelet) into an ask for united political action (vote for cancer funding), and achieving far more tangible results, such as the recent passage of a $3 billion bond initiative for cancer research in Texas.

When the message aligns with the interests of the audience, by contrast, possibilities abound. To rejuvenate membership and participation, in 2000 the Girl Scouts ditched their stodgy Brownie image and adopted a message hierarchy organized around the theme "where girls grow strong." The National Campaign to Prevent Teen Pregnancy reached its teen audience by stressing how having a baby resulted in the loss of social status and the addition of many new responsibilities. But the gold standard for effective messaging in the nonprofit world revolves around the "Truth" campaign, an initiative designed by the Campaign for Tobacco-Free Kids to reduce teen smoking in Florida.

Conventional anti-smoking messages aimed at teens asserted that smoking wasn't cool and stressed the health risks, the smell, and the cost. They preached responsibility and just saying "no." And as anyone with teenage children could tell you, those messages were doomed from the start. When you are immortal, like all 17 year olds, you don't care about developing lung cancer at 65. You also deeply resent insults to your intelligence, so being lectured that smoking isn't cool just doesn't fly. Rebels smoke, and always have: Bogart, Bacall, Dean, Che.

The "Truth" campaign started from a whole different place. The ads, funded with tobacco settlement money, were written and produced by teens. Instead of telling kids that smoking was bad for them or somehow uncool, the teenagers in the Truth ads openly acknowledged the right of their peers to make their own decisions about smoking. (Independence being a key motivator for teens.) Instead, the ads zeroed in on the tobacco companies, and, in particular, charges about tobacco advertising intended to lure children and teenagers into smoking. In essence, therefore, the message in the "Truth" ads was all about manipulation: did you know that the adults at big Tobacco are trying to manipulate you into smoking? Again, parents will recognize immediately the huge leverage in this message: the only thing kids hate more than sanctimonious adults are manipulative adults.

And "Truth" worked. Florida was one of the few states that actually experienced a drop in teenage smoking rates. Most telling, the tobacco industry absolutely loathed the Truth campaign and did everything in its power to stop it. When you have attracted the ire of the master marketers at Phillip Morris and RJR, you can be sure that you have honed a pretty effective message.

MORAL: *Figure out what motivates your audience. That's the basis for your message, not what the board, management, and staff want.*

About Messengers and Vehicles

When SeaWeb and other ocean advocacy organizations became concerned about the rapid decline of the swordfish and other species known as much for their popularity on our plates as their populations in the oceans, they decided to enlist top chefs, rather than movie stars, as their main messengers. Why? Their research showed that the public looked to chefs for advice on seafood. And Paul Prudhomme already had exemplified the way that a top chef, with a catch phrase and heavy seasoning, could take the relatively bland redfish, and create a dining sensation while unintentionally driving a species closer to the point of extinction. The hope was that those who set the nation's menus would take a step in the opposite direction, and stop promoting a popular fish that was now in trouble. The organizations enlisted hundreds of leading chefs from across the nation in a campaign to "give swordfish a break." The media liked the messenger, picked up the message, and policymakers listened, taking action to protect swordfish back in the sea.

The messenger alone is not enough, but the right messenger carrying the right message can do wonders to motivate an audience. Of course, that message also needs to reach the audience in a way they trust. For SeaWeb and the swordfish, the focus was not only on the media outlets that reached the policymakers who controlled fishing regulations, but also on arranging one-on-one meetings directly with those policymakers.

With the advent of the Internet, the number and variety of arrows in the marketing and communications quiver has increased exponentially. Once an audience is identified, there are now more paths than ever to their proverbial doorstep. While personal meetings, printed materials, earned media and advertising remain important in many cases, increasingly the centerpiece of an effective marketing strategy is no longer offline, but online. The best web sites have evolved from being simple online brochures to nodes on larger networks. Blogs offer an opportunity to send and receive more sophisticated and nuanced messages, especially to those who follow your issues with rapt attention. And email systems are becoming so cost effective that savvy organizations can now do the sort of differentiated marketing and information exchanges with large groups in a way that they once had to reserve only for use with VIPs.

The catch, of course, is that for organizations to make the most of these new tools, they need to relinquish some control and allow the public to participate. The networked nature of the Internet is at the core of a small "d" democratic revolution in the creation of distribution of information. In keeping with the title of Jed Miller and Rob Stuart's influential article, network-centric thinking certainly is a challenge to ego-centric organizations. If a nonprofit leader still wants to employ a 17-step approval process for every bit of information going out the door, that organization will simply not thrive in the Internet age.

MORAL: *Put the right messenger in the right vehicle and let it fly.*

Managing a Communications Crisis

The recurring nightmare of every communications manager starts with a phone call. "I'm calling from 60 Minutes," the nightmare begins. "I'd like to come over and ask you a few questions about your organization."

These words typically trigger a series of immediate reactions on the part of recipient: panic, a sinking feeling in the gut, the sweats. And with good reason. When you hear from investigative journalists, it's generally not because they are interested in all the good work you do. To the contrary: their job is to expose what you aren't doing well. To paraphrase a reporter who covers the nonprofit sector for a leading newspaper, "'Foundation gives grant' is not news. 'Nonprofit helps people' is not news. 'Nonprofit misuses foundation money'—that's news."

This attitude infuriates the boards and staff of nonprofit organizations. It's so unfair, they wail. Journalists don't understand all the great work we do on behalf of our mission. Why don't they go get a "bad guy"?

Rather than indulge in self-pity and anti-media resentment after the fact, nonprofits would be wise to prepare themselves in advance for communications crises that may never come. Planning and forethought represent your best, perhaps only hope for mitigating the institutional damage that comes from a full-blown reputational crisis. When it hits the fan, you won't have time to do anything but react, and by that time, you will have already lost.

At the same time, how can you prepare for something that hasn't happened yet or that you don't know about?

Nonprofit staff, just like their peers in the private sector and government, are loath to acknowledge error and in many cases do their best to bury mistakes far from the light of day. How can the poor communications director possibly know which of these little disasters is going to burrow out of the bureaucratic morass and land on the front page of *The New York Times?*

Two kinds of stories in particular seem to agitate the media when it comes to nonprofits. The first has to do with the compensation and behavior of nonprofit managers. Much of the mainstream media has unfortunately bought into the idea that those working in the charitable sector deserve to be paid much less, and should act much better than their private-sector counterparts, and thus the spate of stories in the press about lavishly compensated nonprofit CEOs or a personal indiscretion that would go unnoticed in the for-profit world. Whether these criticisms are valid or not is irrelevant. The fact, the appearance of nonprofit "profiteering" or inappropriate behavior remains a huge red flag for the press.

Hypocrisy is the second big trigger. If the media finds out, for example, that your anti-smoking coalition has been accepting money from tobacco companies, your reputation is basically toast. No explaining that decision away. The same holds true for children's programs that actually benefit adults or when a high-profile televangelist is discovered with his pants down. The press holds nonprofits and others working in the charitable sector to a higher ethical standard, and when organizations violate that trust, the journalistic response is usually swift and merciless.

So what can the nonprofit marketing professional do? Is the only choice to take the punches?

Actually, that's not such a bad strategy, depending on the severity of the media attack and the depths of your organizational culpability. If you don't argue—if you just admit that you made mistakes and assure your stakeholders that the problem is being fixed, oftentimes the press will get bored and move on to a new story. It's no fun picking a fight with someone who refuses to fight back. This kind of institutional jujitsu works best for dealing with cases of employee fraud or theft, accidents, or other isolated incidents.

Higher-stakes assaults on your reputation—ones that suggest a pattern of inappropriate behavior—merit a more aggressive response. No one has thought more deeply about this than Lanny Davis, who helped Bill Clinton fend off media inquiries into White House fundraising practices. Frustrated both by the lawyers inside the White House, who fought releasing any information to the public, and the press, who were convinced of a massive cover-up, Davis conceived a set of three simple rules for handling crisis communications: Tell it all. Tell it early. And tell it yourself.

TELL IT ALL: Since Watergate, generations of media relations professionals have cleaved to the mantra that the cover-up is always worse than the original sin. The reason is simple: nothing keeps a story in the news more than having information dribble out slowly, with each new revelation allowing the press to rehash everything that has gone before. What's worse, each new revelation only confirms the suspicions of the press that you aren't being straight with them. So why do so many organizations violate this basic tenet of crisis communications?

First, as noted earlier, no one likes to admit error. For nonprofits, which depend on voluntary contributions, there is also real fear that owning up to mistakes will damage their reputation and thus hurt their fundraising. Even more fundamental, though, it's often very difficult to gather and get straight all the facts about a tricky situation in time to meet the deadlines of the press. This leads to incomplete or evasive answers that often have to be "corrected" later — with predictable results. Who can ever forget Richard Nixon's press secretary saying "that information is no longer operative"?

The only possible defense against accusations of a cover-up is to get to the bottom of the issue internally and then make a complete and frank accounting externally. Even the most embarrassing details are better told up front than leaking out later. Or as Davis says: tell it all.

TELL IT EARLY: In the public mind, stonewalling equals guilt (just as most people instantly interpret the classic "no comment" as an admission of error). The longer you wait to respond to charges, the more validity those charges assume. These factors alone provide a powerful incentive for nonprofits to get their side of the story out fast.

But the most important reason to tell it early is so that you can control — or attempt to control — how the issue gets framed. If something has gone terribly wrong inside your organization, you want to be the person announcing it to the press, rather than the other way around. It gives you a chance to play a little offense, not only to reveal the transgression but also to announce what you're going to do about it. In such circumstances, your best hope of avoiding a media feeding frenzy is to acknowledge the full extent of the error (tell it all), take full responsibility for what happened (passing the buck infuriates the press), and lay out a series of action steps to prevent recurrences.

TELL IT YOURSELF: There's no guarantee, of course, that telling it all and telling it early will suffice to call off the media. Some will always question whether you've taken strong enough action, or whether the responsible people have been appropriately disciplined. But the alternative — waiting for your dirty laundry to be aired in the press — is invariably worse. And make no mistake: your unsavory organizational secrets will eventually come to light. Bad news is too juicy and has too many avenues for escape.

I learned this lesson the hard way when I was running communications for The Nature Conservancy. Disgruntled with the new directions of the Conservancy's president, at least three different people from inside management were leaking documents to *The Washington Post.* This is every reporter's dream: multiple sources with access to inside information — and a grudge. As a result, the *Post* spent months asking questions to which they already knew the answer, hoping to catch the organization in a contradiction.

You can't just worry about an errant employee, though. Even if you believe down to the depths of your soul that your organization is beyond reproach, both in its mission and its actions, there is, without doubt, someone out there who would like to see you stopped in your tracks. Identify those potential enemies in the same way you would identify your potential allies, and be prepared for when they come knocking.

MORAL: *Don't pick fights with people who buy ink by the barrel. Instead, learn to take your medicine and follow the Davis Rules.*

About the Author

David Williamson is Managing Director of the consulting firm of Bernuth & Williamson, serving nonprofit clients in the areas of strategy, marketing, and communications. He previously served for 13 years in senior management positions at The Nature Conservancy, the nation's 10th largest nonprofit, including six years as Director of Communications (1997–2002) and terms as Vice President for Marketing and Director of Conservation Marketing. He is an adjunct professor of business administration at the McDonough School of Business at Georgetown University and has lectured on nonprofit management at Harvard Business School, Stanford Business School, and the Fuqua School of Business at Duke University, among others. Williamson, a summa cum laude graduate of Princeton University, serves in leadership positions on three nonprofit boards in addition to his work with clients.

David Williamson

A Primer on Risk Management

What is a Risk?
Simply speaking, a risk is any uncertainty about a future event that threatens your organization's ability to accomplish its mission. Although your "fund balance" may not be as high as you'd like and equipment may be second generation, your nonprofit has vital assets at risk. Generally, nonprofit assets fall into the following categories.

- People: Board members, volunteers, employees, clients, donors, and the general public.
- Property: Buildings, facilities, equipment, materials, copyrights, and trademarks.
- Income: Sales, grants, and contributions.
- Goodwill: Reputation, stature in the community, and the ability to raise funds and appeal to prospective volunteers.

What is Risk Management?
Risk management is a discipline for dealing with the possibility that some future event will cause harm. It provides strategies, techniques, and an approach to recognizing and confronting any threat faced by an organization in fulfilling its mission. Risk management may be as uncomplicated as asking and answering three basic questions:

- What can go wrong?
- What will we do to prevent harm from occurring and what will we do in the aftermath of an "incident"?
- If something happens, how will we pay for it?

Large organizations involved in high-risk activities may have a risk management department responsible for answering the three basic questions. The department may also manage litigation, coordinate safety programs, and undertake the complex analyses required to set monetary reserves for future claims. In small, community-based nonprofits, the risk management function is more likely to focus on issues such as:

- Screening volunteers to protect children from harm;
- Checking motor vehicle records for all staff and volunteers who are driving on the nonprofit's behalf;
- Developing board orientation and training materials;
- Coordinating the development and consistent use of employment practices; and
- Negotiating the availability of bank credit and purchasing property and liability insurance.

Developing a Risk Management Program

- **Establish the purpose of the risk management program.** The first step is to determine why you're creating a risk management program. The purpose may be to reduce the cost of insurance or to reduce the number of program-related injuries to staff members. By determining its intention before initiating risk management planning, your nonprofit can evaluate the results to determine their effectiveness. Typically, the executive director/CEO of a nonprofit (in conjunction with financial/administrative staff) with the board of directors initiates a risk management program.

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- **Assign responsibility for the risk management plan**. The second step is to designate an individual or team responsible for developing and implementing your organization's risk management program. While the team is principally responsible for the creation of the risk management plan, a successful program requires the integration of risk management within all levels of your organization. Operations staff and board members should assist the risk management committee in identifying risks and developing suitable loss control and intervention strategies.

Insurance and Risk Management
For most nonprofits, insurance is a valuable risk financing tool. Few nonprofits have the reserves or funds necessary for complete self insurance of their exposures. Purchasing insurance, however, is not synonymous with risk management. In the nonprofit sector, practicing risk management is living the commitment to *prevent* harm. In addition, risk management addresses many risks that are not insurable -- the potential loss of tax exempt status, public goodwill, and continuing donor support.

Resources
- Board and Staff Helpline, a confidential service for organizations that are Members of the N.C. Center *for* Nonprofits. Members can also access hundreds of Frequently Asked Questions (including Risk Management FAQs) on the website. Visit *www.ncnonprofits.org/infocenter.asp* or *www.ncnonprofits.org/askthecenter.asp.*
- *Business Continuity Planning Course* (free online tutorial), Nonprofit Risk Management Center, *www.nonprofitrisk.org/tutorials/bcp_tutorial/intro/1.htm.*
- *Coverage, Claims & Consequences: An Insurance Handbook for Nonprofits* by Melanie Herman, 2002; *D&O: What You Need to Know* by Melanie Herman and Leslie White, 1998; *Enlightened Risk Taking: A Guide to Strategic Risk Management for Nonprofits* by George Head and Melanie Herman, 2002; *My Risk Management Plan* (online software) by Melanie Herman; *Nonprofit CARES™ - Computer Assisted Risk Evaluation System* (CD-ROM), 2000; *Taking the High Road: A Guide to Effective and Legal Employment Practices for Nonprofits* by Jennifer Chandler Hauge and Melanie Herman, 1999; *Vital Signs: Anticipating, Preventing and Surviving a Crisis in a Nonprofit* by Melanie Herman and Barbara Oliver, 2001. Nonprofit Risk Management Center. Available from the N.C. Center *for* Nonprofits *(www.ncnonprofits/publications.pdf)*.
- *Mission Accomplished: A Practical Guide to Risk Management for Nonprofits*, Nonprofit Risk Management Center, *www.nonprofitrisk.org*.
- N.C. Center *for* Nonprofits, *www.ncnonprofits.org*. To join, visit *www.ncnonprofits.org*, or call 919/790-1555, ext. 100.
- Nonprofit Risk Management Center (*www.nonprofitrisk.org*), a national organization which provides tools, advice, and training to nonprofits to help control their risks. The N.C. Center *for* Nonprofits is a satellite office of NRMC.
- *Risk Management Tutorial for Nonprofit Managers* (free online), Nonprofit Risk Management Center, *http://nonprofitrisk.org/tutorials/rm_tutorial/2.htm.*

NonProfit Connections and the N.C. Center *for* Nonprofits have created a close partnership to provide a seamless continuum of support services to Winston-Salem/Forsyth County nonprofits. These partners work closely together to ensure that services to local nonprofits tap all existing statewide and local resources and avoid duplication and the waste of resources. Visit NonProfit Connections at *www.nonprofit-connections.org* (or call 336/703-3029) and the N.C. Center *for* Nonprofits at *www.ncnonprofits.org* (or call 919/790-1555, ext. 100) to learn more.