Your Future is Our Focus

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Embracing the Challenges of Change - Afterthoughts

By: Lisa Salomon, Salomon Strategic Development

When Pam Raumer invited me to speak at RINA's client appreciation event on the subject of "Embracing the Challenges of Change," I don't think I fully realized just how relevant that conversation would be on January 31st and the degree to which the nonprofit community would need to address the impact of political change within our own organizations. Regardless of which side of the national debate any individual falls, nonprofit leaders must be both immediately responsive and forward thinking in addressing the long-term impact that the policies of our new administration will have on their organizations, their people, and their communities.

In striving to serve their constituents, achieve sustainability, and manage growth, nonprofits must always evaluate how external or environmental change stimulates the need for internal change. Moreover, as we engage in planning, we must also consider how the change we pursue within our organizations affects the broader community.

As nonprofits, our impulse when facing challenges or threats to our organizations is often to shrink – to cut budgets and programs, rather than to invest in the people and practice that will help us grow – we see deficit gaps rather than opportunity gaps. We have a tendency to subscribe to the "if it ain't broke, don't fix it" philosophy and, as a result, become so comfortable doing things in the same ways we've always done them, that we often don't recognize when they do eventually "break" or could use a tune-up.

When Sean Parker was interviewed after giving $250M to support immunotherapy research last year, he made a comment that really stuck with me. Put simply, he reminded us that in the tech sector, there is not just an acceptance but an expectation of failure that allows more entrepreneurial thinking and also increases the potential for success. In the nonprofit sector, our risk tolerance tends to be much lower. Our business models aren't built to accommodate failure as a learning tool – as a result, we are too often surprised by it and spiral into crisis mode.

A few years ago, a client told me that they didn't have time to plan because they were too busy juggling. My response was, "You need to learn how to walk while juggling." We always need to operate on parallel paths in nonprofit management (or really in any business) – we need to look ahead and plan for the future at the same time that we're managing the day to day and addressing the crisis right in front of us. If you allow yourself to become consumed by the crisis, you'll never get out of that mode.

Moving your organization from its present state of development to achieve its stated vision of the future requires a certain amount of risk tolerance and a willingness to change, adapt, and innovate toward positive results. Last fall, I attended a conference at which the presenter shared Bill Sharpe's Three Horizons framework for managing change. It's a three dimensional way of looking at change management, with all three horizons living in the present, and one that I find very helpful in addressing those parallel paths.

Horizon 1 is identified as the current way of doing things – change happens but in a way that sustains or extends existing systems and behaviors. **Horizon 3** is the transformative vision of the future and the systems that make that vision possible. **Horizon 2** helps to enable the transition from H1 to H3 and involves innovation and entrepreneurship.

The point Sharpe makes is that all three horizons exist at once and need to be considered as you move forward in implementing the change that will get you to your future vision. In order to reach the vision of what we hope to be, we need to engage in both H1 and H2 practice. We need to identify what works about "business as usual" and continue to improve it, while at the same time proactively thinking outside the box and bringing entrepreneurial ideas and methods into our organizations.

How Effective Is Your Fundraising?

By: Stephanie Hyde, Accountant

Fundraising is at the core of most nonprofit organizations. It can be a challenging endeavor deciding when and how to raise the funds your organization needs to meet both current and future needs. Even more challenging can be determining whether a chosen method of fundraising is effective in creating sustainability for the organization. So how do you measure whether your efforts are bearing enough fruit to merit continuing them?

Often, we evaluate the success of a fundraiser by looking at our net income. In the nonprofit world, net income is the ultimate prize, which can make costs look like the enemy. After all, the goal is to make money, not spend it. But, remember that old adage "It takes money to make money." It applies to nonprofits too. What if we instead looked at the costs of fundraising as making investments in the sustainability of our organization's mission? An investment strategy view of fundraising requires a more holistic view than just net income, and alternative metrics such as the dependency quotient or the cost of fundraising can be extremely helpful in determining the effectiveness of your fundraising efforts.

Although not widely used, dependency quotients can be a good indicator of your organization's vulnerability to changes in donor giving. The dependency quotient is found by dividing the sum of contributions from your organization's top five donors by total expenditures for the same period. For example, if the top five donors gave $500,000 in the last three years, and the organization's expenses were $1,000,000, your organization is 50% dependent on those five donors.

The cost of fundraising is what your organization invests to make $1.00 and is determined by dividing the total cost of the fundraiser by the total dollar amount raised. For example, if your organization spends $50,000 on an event that brings in $200,000, the cost of fundraising is 25%. In other words, you have to spend $0.25 to make $1.00.

In addition to applying these metrics to direct costs, your organization should also consider indirect costs, such as staff and volunteer time and the opportunity cost of pursuing one method of fundraising over another. Mail campaigns can be costly upfront and time consuming to build, but can potentially create a strong donor base that is less susceptible to an ever-changing economy. On the other hand, sponsorship may be less costly but creates a higher dependency on a smaller number of donors. Like any investment strategy, these pros and cons must be carefully weighed to determine what is best for your organization.

Many nonprofits choose to diversify their fundraising "portfolio" to mitigate risk and maximize returns. How your organization chooses to raise money will depend on your mission and the type of support your organization needs. While evaluating the success of your efforts can be tricky, the sustainability of your organization will be the ultimate litmus in determining whether your fundraising is effective.

Save the Date

A 2017 Not-for-Profit Roundtable Series Event

Reel Talk: A Process to Create Compelling Nonprofit Videos that Leads to ACTION!

Wednesday, May 24, 2017
11:30 am - 1:30 pm

The City Club of San Francisco
155 Sansome Street, 9th Floor, Library Room

Speaker
Stephanie Sharterian
Founder and Owner, fLO Content

RSVP: www.rina.com/rsvp/may-24-17

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