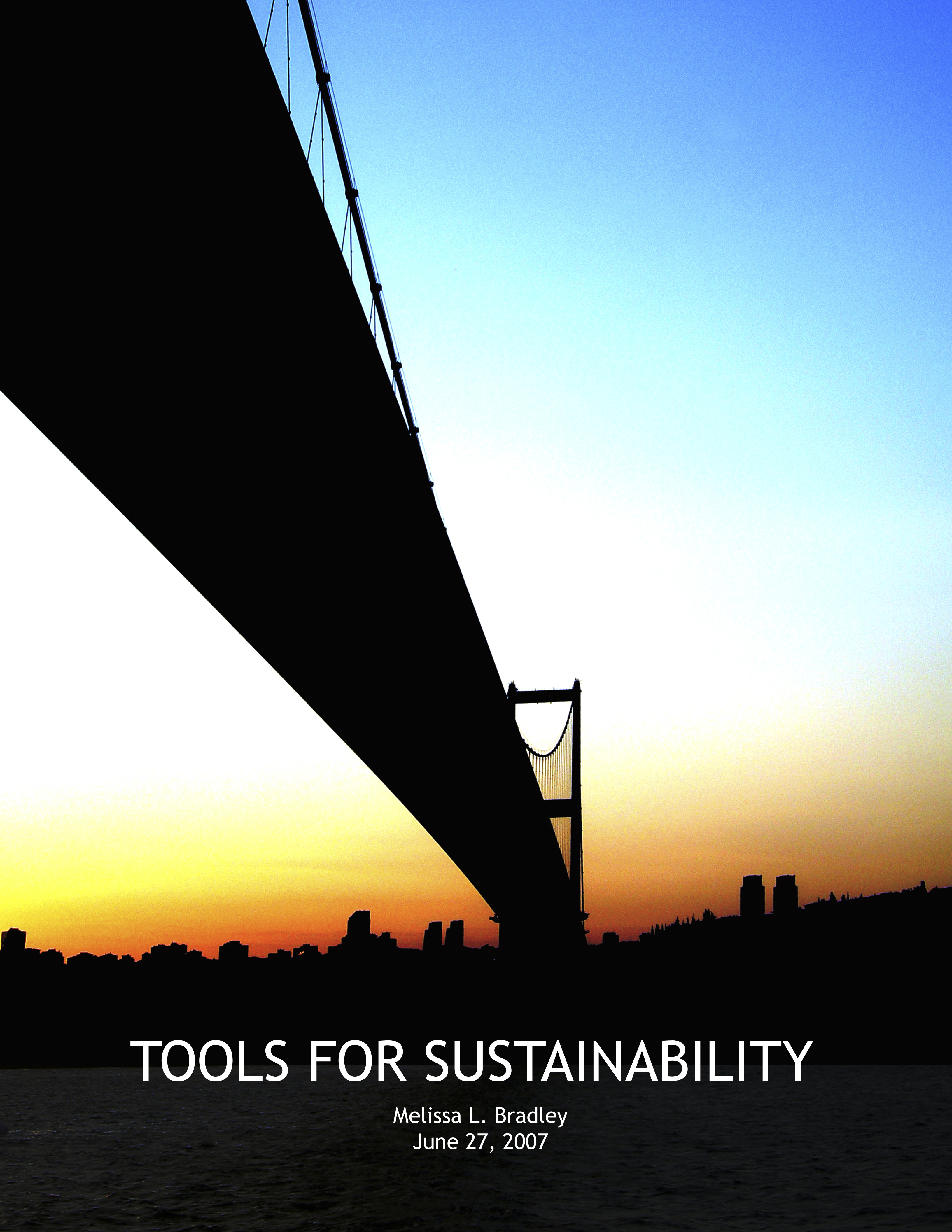

TOOLS FOR SUSTAINABILITY

Melissa L. Bradley

June 27, 2007

Table of Contents

Introduction

Welcome to *"Tools for Sustainability"*. This document is designed to provide key tools for the sustainability of nonprofit organizations. The document provides background and instruction on four key deliverables that are designed to sustain an entity over the long term.

- A business plan is a road map for any business. It provides the mission, marketing, management and financial supports needed to launch and grow a business. This document provides some background on its purpose and provides a detailed outline on the content of a business plan.

- A strategic plan is a short-term document (usually up to 3 years) that helps managers continuously monitor the success of their organization and insure its relevance. This document discusses the key tenets of a strategic plan, who should be involved, and how to make the strategic plan meaningful.

- Fundraising is the means of sustaining organizations. This document provides tips for soliciting foundations, retaining donors, managing special events, and engaging your board for fundraising support.

- Going to Scale is a typical goal for most nonprofits; everyone wants to grow. It is important to recognize that there are numerous paths to growth. This document outlines key considerations in growing your business.

Developing a Business Plan

Business planning is often conducted when:

- Starting a new venture (organization, product or service)
- Expanding a current organization, product or service
- Buying a current organization, product or service
- Working to improve the management of a current organization, product or service

There are a wide variety of formats for a business plan. The particular format and amount of content included in a plan depends on the complexity of the organization, product or service and on the demands of those who will use the business plan to make a decision, for example funders, management, Board of Directors, etc.

Overall, the contents of a business plan typically aim to:

1. Describe the organization (new or current organization, product or service), often including its primary features, advantages and benefits
2. What the organization wants to do with it (buy it, expand it, etc.)
3. Justification that the plans are credible (e.g., results of research that indicate the need for what the organization wants to do)
4. Marketing plans, including research results about how the organization will be marketed (e.g., who the customers will be, any specific groups (or targets) of customers, why they need the organization (benefits they seek from the entity), how they will use the venture, what they will be willing to pay, how the venture will be advertised and promoted, etc.)
5. Staffing plans, including what expertise will be needed to build (sometimes included in business plans) and provide the organization on an ongoing basis
6. Management plans, including how the expertise will be organized, coordinated and led
7. Financial plans, including costs to build the organization (sometimes included in business plans), costs to operate the entity, expected revenue, budgets for each of the first several years into the future, when the venture might break-even (begin making more money overall than it has cost), etc.
8. Appendices (there are a wide variety of materials included in appendices, e.g., description of the overall organization, its other products and/or services, its current staff, etc.)

Feasibility Study

Before an organization begins the business plan, a feasibility study should be completed to determine if the business concept is solid. Would it be possible?

In the feasibility study the organization gets the answers to these questions:

- Who is your target market?
- Do they want:
    - o What you (want to) provide?
    - o When you (want to) provide it?
    - o Where you (want to) provide it?
    - o How you (want to) provide it?
    - o At the price you (want to) provide it?

The only way to answer those questions is to ask the people in your target market – through individual phone calls, through written or electronic surveys, through focus groups. It is not safe to make assumptions of the answers – it is very important to ask before beginning a new project or organization and then continue to ask on a regular basis.

It is also important to research the product or service's field or industry:

- What are the trends – i.e. do more people need your product or service?; if it is government funded, what are the budget implications at this time? How will the trends affect the organization's plan?
- Is the field or industry growing or declining?
- What characterizes success in other organizations providing the same service or product? What makes the competition successful or not?
- Are there laws or rules and regulations that affect the production, delivery, or other aspects of this product or service?

Once you have completed the feasibility study and believe that the new service or product can be successful, the business plan can be developed.

The Business Plan

A Business Plan is more than a document

The Business Plan is more than a document. First and foremost, it is a process; a process that enables an individual, and more importantly a team, to come together and commit to a business adventure of significant personal and professional risk. The Business Plan is a process that evaluates the opportunity, quantifies the resources required and lays out a road map for implementation. The Business Plan integrates all the functional elements -- marketing, sales, operations and finance into a single cohesive force.

A Plan moves everyone in the same direction

The Plan is the most important communication tool an entrepreneurial team has to secure resources. Whether it is funding, key personnel or partners, the Business Plan is often the best way to communicate the totality of the opportunity and the reward of participation. It aligns priorities and resources such as new employees, vendors, board members and investors. This is critical in the rapidly evolving environment of a start-up.

All top team members must be able to present the Plan

The Business Plan is not just the document itself. The presentation of the Plan by the team is easily as important as the Plan document itself. The communication of the Plan is not just a canned presentation with fancy slides. The ability of all members of the entrepreneurial team to articulate and discuss the plan in an interactive manner is the sign of a great plan. Each individual should be capable of presenting any portion of the plan if called upon.
So why is the Plan so important? The Plan -- and management's ability to communicate it -- gets management, investors and product inventors all on the same page and ready for action.

Five Questions to Ask about Your Business Plan

1. Are your goals tied to your mission? Look at the goals that you set for your company. These goals are the results that you absolutely, positively intend to achieve, and to a large extent, these goals determine how you set priorities and how you run your company. Your goals have to be consistent with one another so that you are not running in different directions at the same time. In addition, you have to tie your goals to your company's mission so that you are heading in the direction in which you really want to go.

2. Have you prepared for threats? It is easy to paint a positive picture of what the future holds for your company, but having a positive picture does not necessarily mean that it is going to come true. Your company is in much better shape if you paint an objective picture -- including the bad news along with the good. Therefore you are prepared for the dangers that are bound to be there.

Your business plan should point out the biggest threats that loom on the horizon (a market slowdown, new regulations or increasing competition, for example) and offer ways to prepare for them. If you recognize threats before anybody else does, you can often turn a threat into a real business opportunity.

3. Have you defined your customers? The more you know about your customers -- who they are, how they act, what they want -- the more you know about your company. Customers tell you how to succeed in the marketplace.

Describing your customers is much easier if you think about dividing them into separate groups. Each group, or market segment, has its own unique profile and places its own set of demands on your company. Your customers are so important to your company that you can't afford to leave them out of your business plan. You should answer three questions: Who is buying, what do they buy and why do they buy?

4. Can you stand behind the numbers? Think about all your financial statements as your company's report card -- one that answers some big questions. Do your customers love you? Are your competitors afraid of you? Are you making the right business choices? An income statement presents the bottom line, the balance sheet shows what your company is worth and the cash-flow statement keeps track of the money.

Your current financial statements tell everybody how well you are doing. But many people are more interested in your financial forecasts, which say what you expect to happen in the future. Just because these forecasts include official-looking numbers, however, does not mean that the predictions will necessarily come true. If you want to paint an honest picture of your company, your business plan should include a realistic financial portrait, based on assumptions that you believe in and numbers that you trust.

5. Are you really ready for change? If one thing remains constant in the business world, it is change. Although some industries change faster than others, everything around you -- from technology to competition to your market -- is going to be a little different tomorrow than it is today, no matter what business you are in. If you want to keep up, you have to think two or three steps ahead. You must look carefully and continually at what may happen in the world and how it may affect your company.

Writing a Winning Business Plan

A sound business plan can mean the difference between a company that prospers and one that flounders. A good business plan communicates accuracy and credibility, and generates enthusiasm for your business. Your plan should be thorough, professional and realistic.

General Rules

Here are some important things to remember when sitting down to write your plan:

- Your plan should be concise (30 to 40 single-spaced pages at most, not counting appendices).
- Your plan should be easy to read and understand, without typos or grammatical errors.
- Your plan should convey large and profitable market opportunities for the business.
- Your plan should convey the strength and depth of your management team.

Business Plan Don'ts

Here are some tips on what not to do in drafting your business plan:

- Don't make unrealistic assumptions.
- Don't underestimate the difficulties in growing a business.
- Don't underestimate competitors.
- Don't assume that the reader knows industry technical jargon.
- Don't include long, tedious or overly technical information.
- Don't include highly confidential or proprietary information.
- Don't avoid discussing the risks to the business. This may detract from the plan's credibility.

Standard Business Plan Format

The form of every good business plan, although not set in stone, tends to run along the same basic lines, containing the following key sections:

Introductory elements of your business plan - your cover page, executive summary, and table of contents - determine what kind of first impression you make on readers. In many cases, the introductory elements, especially the executive summary, will determine whether readers read the rest of your plan at all. Moreover, your table of contents indicates how well you have organized the entire plan. For this reason, all of your introductory elements must be top-notch both in presentation and substance.

A beautifully crafted plan that is unprofessionally put together will send a strong message to readers about your professionalism and your standards. Your cover page must have all pertinent information, your executive summary must convince readers that your entire business plan is worth looking at, and your table of contents must make it easy for readers to navigate through your plan.

Cover page. The cover page should be professional and informative, and should contain an appropriate confidentiality legend.

The purpose of a cover page is to tell the reader what he or she is about to read and how to reach the writer. Your cover page is also a way to get your business plan noticed. Lenders see dozens, if not more, business plans a week and something as simple as putting your cover page on quality stock paper may catch their eye. The date should also appear on your cover page.

Your cover page should say the words "Business Plan," and should include your:

- name and business name
- company logo
- address
- telephone number
- fax number
- E-mail address

Executive summary. The executive summary is the introduction to your business plan and the most vital section. Although it comes first, you generally write it last, because it summarizes the entire plan. Effective summaries generally cover:

- The company's origins.
- The product or service and its uniqueness or competitive advantage.
- The company's goals.
- The market potential for the product or service.
- A three to five year summary of key financial forecasts, especially sales and profit/loss. For new businesses, do some market research and make realistic assumptions about how your business can compete.
- The management team and its track record.
- The financing required to grow the business.
- The exit strategy.

The executive summary is what most readers will go to first. If it is not good, it may be the last thing they read about your company. Lenders in particular read executive summaries before looking at the rest of a plan to determine whether or not they want to learn more about a business. Other readers will also go first to your executive summary to get a snapshot of your business and to gauge your professionalism and the viability of your business.

While your executive summary is the first part of your plan, write it last. As you create the other sections of your plan, designate sentences or sections for inclusion in your summary. You may not use these sections verbatim, but this exercise will remind you to include the essence of these sections in your summary. Your executive summary should be between one and three pages and should include your business concept, financial features, financial requirements, current state of your business, when it was formed, principal owners and key personnel, and major achievements.

Executive Summary Tips

- Create your executive summary after you have written the other sections of your plan so that you may cull a few sentences from important sections for inclusion in your executive summary
- Polish your executive summary. Have several people read it - both those who know your business and those who do not - to check for clarity and presentation
- Be sure to include business concept, financial features, financial requirements, current state of your business, when it was formed, principal owners and key personnel, and major achievements
- Use industry association statistics, market research from other sources, and other documenting information to back up statements you make in your executive summary
- Keep your executive summary short and make it interesting. This is your chance to entice readers to read your entire plan

The company description. This should convey a sense of the history of the company, as well as its goals. You should also include a summary of the company's principal objectives -- both long-term and realistic interim goals.

Whether you are looking for money or simply creating an internal document, you must be able to present a clear portrait of what your company does. Your business description is your corporate vision, and includes who you are, what you will offer, what market needs you will address, and why your business idea is viable.

Too many business owners make the mistake of operating without a vision; a situation which hampers their business' ability to grow and prosper. A business owner without a vision will have difficulty describing his or her business and will provide a long, rambling description, a few stock phrases, or a collection of incomprehensible jargon when asked for one. A concise, easy-to-understand description of your company will not only help your business plan, but will benefit you in any number of other day-to-day situations - from networking to making cold calls to approaching a newspaper for an interview.

Management. The management section of the plan identifies key members of the management team, describes their responsibilities and establishes their relevant experience and accomplishments. Include resumes that stress accomplishments and relevant track records in an appendix.

A good management team can take even a mediocre idea and make it fly. In fact, strong entrepreneurial teams have been known to move from business idea to business idea, repeatedly creating and running thriving companies. Conversely, weak management often cannot build a strong business out of even the best idea. For this reason, the management section of your business plan must demonstrate that the team you have assembled, or will assemble, is a winner. Each member of management must of course be talented and have experience relevant to your business, but it is also important that the people on your team have complementary skills.

The product. If the company is selling a product, this section describes what the product is or will be and shows why it can penetrate the existing or developing market. If the product is still under development, discuss in detail where the project stands and what remains to bring it to market. Investors are typically not interested in a one-product company. You should therefore discuss logical extensions of the company's product line and future enhancements in the product section.

The market. You must convince prospective investors that the company's market is large, growing and receptive to your products or services. If the market is small or stagnating, investors are less likely to invest. Appendices can include more detailed market information.

This section is designed to provide enough facts to convince an investor, potential partner or other reader that your business has enough customers in a growing industry, and can garner sales despite the competition. It is one of the most important parts of the plan, taking into account current market size and trends, and may require extensive research. Many of the sections that follow - from manufacturing to marketing to the amount of money you need - will be based on the sales estimates you create here.

Competition. The competition section of the plan identifies competing products and technology. Compare your product or service with the competition. How will your price or quality be different? What will make it successful?

Marketing. The marketing section of the business plan should describe the company's marketing plan and strategy in as much detail as possible. This section of your business plan describes both the strategy and tactics you will use to get customers to buy your products or services. Sales and marketing is the weak link in many business plans, so take your time with this section. A strong sales and marketing section can serve as a roadmap for you, or as assurance to potential investors that you have a workable plan and the resources for promoting and selling your products and services.

Financial statements and projections. The body of the plan should include a summary of the key aspects of the financial forecasts, which appear in more detail in appendices. These may include total cash requirements, the time frame for positive cash flow and the anticipated growth in sales and profits.

The financial forecasts appendices should have more detail: balance sheets, income statements and cash flow projections for a three- to five-year period, with the information presented monthly for the first year and quarterly in following years. The projected income statement is probably the most important projection. The most significant aspect of the forecasts is the set of assumptions supporting your numbers. Make sure your discussion sufficiently communicates the basis of your assumptions -- they must be realistic, logical and attainable.

If you are not a financial statement guru, get help. Credible financial forecasts are so important -- if you're not familiar with financial statements, you should seek help from an accountant or other reliable source. Financials are used to document, justify, and convince. This is the section in which you make your case in words and back up what you say with financial statements and forms that document the viability of your business and its soundness as an investment. It is also where you indicate that you have evaluated the risks associated with your venture

Reality check. After you complete your draft business plan, circulate it for comment to friends, professionals and other trusted advisors. Ask for their honest and frank opinions and assessments. If possible, ask them to give you a "markup" of the plan with specific recommended changes.

Strategic Planning

Simply put, strategic planning determines where an organization is going over the next year or more, how it's going to get there, and how it will know if it got there or not. The focus of a strategic plan is usually on the entire organization, while the focus of a business plan is usually on a particular product, service or program.

There are a variety of perspectives, models and approaches used in strategic planning. The way that a strategic plan is developed depends on the nature of the organization's leadership, culture of the organization, complexity of the organization's environment, size of the organization, expertise of planners, etc. For example, there are a variety of strategic planning models, including goals-based, issues-based, organic, scenario (some would assert that scenario planning is more a technique than model), etc. Goals-based planning is probably the most common and starts with focus on the organization's mission (and vision and/or values), goals to work toward the mission, strategies to achieve the goals, and action planning (who will do what and by when). Issues-based strategic planning often starts by examining issues facing the organization, strategies to address those issues, and action plans. Organic strategic planning might start by articulating the organization's vision and values and then action plans to achieve the vision while adhering to those values. Some planners prefer a particular approach to planning, e.g., appreciative inquiry. Some plans are scoped to one year, many to three years, and some to five to ten years into the future. Some plans include only top-level information and no action plans. Some plans are five to eight pages long, while others can be considerably longer.

Quite often, an organization's strategic planners already know much of what will go into a strategic plan (this is true for business planning, too). However, development of the strategic plan greatly helps to clarify the organization's plans and ensure that key leaders are all "on the same page". Far more important than the strategic plan document is the strategic planning process itself.

Benefits of Strategic Planning

Strategic planning serves a variety of purposes in organization, including to:

1. Clearly define the purpose of the organization and to establish realistic goals and objectives consistent with that mission in a defined time frame within the organization’s capacity for implementation.
2. Communicate those goals and objectives to the organization’s constituents.

3. Develop a sense of ownership of the plan.
4. Ensure the most effective use is made of the organization's resources by focusing the resources on the key priorities.
5. Provide a base from which progress can be measured and establish a mechanism for informed change when needed.
6. Bring together of everyone's best and most reasoned efforts have important value in building a consensus about where an organization is going.

7. Provides clearer focus of organization, producing more efficiency and effectiveness
8. Bridges staff and board of directors (in the case of corporations)
9. Builds strong teams in the board and the staff (in the case of corporations)
10. Provides the glue that keeps the board together (in the case of corporations)
11.Produces great satisfaction among planners around a common vision
12. Increases productivity from increased efficiency and effectiveness
13. Solves major problems

When Should Strategic Planning Be Done?

The scheduling for the strategic planning process depends on the nature and needs of the organization and its immediate external environment. For example, planning should be carried out frequently in an organization whose products and services are in an industry that is changing rapidly. In this situation, planning might be carried out once or even twice a year and done in a very comprehensive and detailed fashion (that is, with attention to mission, vision, values, environmental scan, issues, goals, strategies, objectives, responsibilities, time lines, budgets, etc). On the other hand, if the organization has been around for many years and is in a fairly stable industry, then planning might be carried out once a year and only certain parts of the planning process, for example, action planning (objectives, responsibilities, time lines, budgets, etc) are updated each year. Consider the following guidelines:

1. Strategic planning should be done when an organization is just getting started. (The strategic plan is usually part of an overall business plan, along with a marketing plan, financial plan and operational/management plan.)
2. Strategic planning should also be done in preparation for a new major venture, for example, developing a new department, division, major new product or line of products, etc.
3. Strategic planning should also be conducted at least once a year in order to be ready for the

coming fiscal year (the financial management of an organization is usually based on a year-to-year, or fiscal year, basis). In this case, strategic planning should be conducted in time to identify the organizational goals to be achieved at least over the coming fiscal year, resources needed to achieve those goals, and funded needed to obtain the resources. These funds are included in budget planning for the coming fiscal year. However, not all phases of strategic planning need be fully completed each year. The full strategic planning process should be conducted at least once every three years. As noted above, these activities should be conducted every year if the organization is experiencing tremendous change.

Preparation for Strategic Planning

Many managers spend most of their time "fighting fires" in the workplace -- their time is spent realizing and reacting to problems. For these managers -- and probably for many of us -- it can be very difficult to stand back and take a hard look at what we want to accomplish and how we want to accomplish it. However, one of the major differences between new and experienced managers is the skill to see the broad perspective, to take the long view on what we want to do and how we're going to do it. One of the best ways to develop this skill is through ongoing experience in strategic planning. The following guidelines may help you to get the most out of your strategic planning experience.

1. The real benefit of the strategic planning process is the process, not the plan document.
2. There is no "perfect" plan. There's doing your best at strategic thinking and implementation, and learning from what you're doing to enhance what you're doing the next time around.
3. The strategic planning process is usually not an "aha!" experience. It's like the management process itself -- it's a series of small moves that together keep the organization doing things right as it heads in the right direction.
4. In planning, things usually aren't as bad as you fear nor as good as you'd like.
5. Start simple, but start!

Who Should Be Involved in Planning?

Strategic planning should be conducted by a planning team. Consider the following guidelines when developing the team.

1. The chief executive and board chair should be included in the planning group, and should drive development and implementation of the plan.
2. Establish clear guidelines for membership, for example, those directly involved in planning, those who will provide key information to the process, those who will review the plan document, those who will authorize the document, etc.
3. A primary responsibility of a board of directors is strategic planning to effectively lead the organization. Therefore, insist that the board be strongly involved in planning, often including assigning a planning committee (often, the same as the executive committee).
4. Ask if the board membership is representative of the organization's clientele and community, and if they are not, the organization may want to involve more representation in planning. If the board chair or chief executive balks at including more of the board members in planning, then the chief executive and/or board chair needs to seriously consider how serious the organization is about strategic planning!
5. Always include in the group, at least one person who ultimately has authority to make strategic decisions, for example, to select which goals will be achieved and how.
6. Ensure that as many stakeholders as possible are involved in the planning process.
7. Involve at least those who are responsible for composing and implementing the plan.
8. Involve someone to administrate the process, including arranging meetings, helping to record key information, helping with flipcharts, monitoring status of pre-work, etc.
9. Consider having the above administrator record the major steps in the planning process to help the organization conduct its own planning when the plan is next updated.

Note the following considerations:
10. Different types of members may be needed more at different times in the planning process, for example, strong board involvement in determining the organization's strategic direction (mission, vision, and values), and then more staff involvement in determining the organization's strategic analysis to determine its current issues and goals, and then primarily the staff to determine the strategies needed to address the issues and meet the goals.
11. In general, where there's any doubt about whether a certain someone should be involved in planning, it's best to involve them. It's worse to exclude someone useful then it is to have one or two extra people in planning -- this is true in particular with organizations where board members

often do not have extensive expertise about the organization and its products or services.
12. Therefore, an organization may be better off to involve board and staff planners as much as possible in all phases of planning. Mixing the board and staff during planning helps board members understand the day-to-day issues of the organization, and helps the staff to understand the top-level issues of the organization.

You may want to consider using a facilitator from outside of your organization if:
1. Your organization has not conducted strategic planning before.
2. For a variety of reasons, previous strategic planning was not deemed to be successful.
3. There appears to be a wide range of ideas and/or concerns among organization members about strategic planning and current organizational issues to be addressed in the plan.
4. There is no one in the organization that members feel has sufficient facilitation skills.
5. No one in the organization feels committed to facilitating strategic planning for the organization.
6. Leaders believe that an inside facilitator will either inhibit participation from others or will not have the opportunity to fully participate in planning themselves.
7. Leaders want an objective voice, i.e., someone who is not likely to have strong predispositions about the organization's strategic issues and ideas.

<u>How Do We Ensure Implementation of Our New Plan?</u>

A frequent complaint about the strategic planning process is that it produces a document that ends up collecting dust on a shelf -- the organization ignores the precious information depicted in the document.

The following guidelines will help ensure that the plan is implemented.
1. When conducting the planning process, involve the people who will be responsible for implementing the plan. Use a cross-functional team (representatives from each of the major organization's products or service) to ensure the plan is realistic and collaborative.
2. Ensure the plan is realistic. Continue asking planning participants "Is this realistic? Can you really do this?"
3. Organize the overall strategic plan into smaller action plans, often including an action plan (or work plan) for each committee on the board.
4. In the overall planning document, specify who is doing what and by when (action plans are often referenced in the implementation section of the overall strategic plan). Some organizations may elect to include the action plans in a separate document from the strategic plan, which

would include only the mission, vision, values, key issues and goals, and strategies. This approach carries some risk that the board will lose focus on the action plans.

5. In an implementation section in the plan, specify and clarify the plan's implementation roles and responsibilities. Be sure to detail particularly the first 90 days of the implementation of the plan. Build in regular reviews of status of the implementation of the plan.

6. Translate the strategic plan's actions into job descriptions and personnel performance reviews.

7. Communicate the role of follow-ups to the plan. If people know the action plans will be regularly reviewed, implementers tend to do their jobs before they're checked on.

8. Be sure to document and distribute the plan, including inviting review input from all.

9. Be sure that one internal person has ultimate responsibility that the plan is enacted in a timely fashion.

10. The chief executive's support of the plan is a major driver to the plan's implementation. Integrate the plan's goals and objectives into the chief executive's performance reviews.

11. Place huge emphasis on feedback to the board's executive committee from the planning participants.

Fundraising Fundamentals

What your nonprofit does--your programs--is the highest priority for any nonprofit manager. Fundraising is the second.

New fundraising techniques and methods come into existence every year, but the basic ones should be the backbone of your fundraising efforts. These are, literally, your "bread and butter."

<u>So, where does the money come from?</u>

- **Individuals** are the largest source of funding for nonprofit organizations. According to *Giving USA*, individual giving to nonprofits reached $199.07 billion in 2005.
- **Corporations** give in order to get...exposure, publicity, community respect, market share. Their funding is more episodic, revolving around particular campaigns, events, and projects. Corporate funding can be a good source of support for new initiatives, special programs, and special events.
- **Local and State Governments** will sometimes fund projects that benefit the people in those areas. Examples are social service programs, cultural resources, and educational opportunities.
- **Federated Funds** such as United Ways, United Arts, etc., can be steady sources of relatively large amounts of money. Available only to well established nonprofit organizations.
- **Foundations** come in various sizes and types but their grants can be important and substantial.
  - **Private Foundations** usually have large assets and issue annual reports.
  - **Corporate Foundations** are private foundations but their boards are often made up of corporate officers. Their endowment funds are separate from the corporation and they have their own professional staff.
  - **Community Foundations** pool the assets of many donors and are usually community service organizations.
  - **Family Foundations** receive endowments from individuals or families.

<u>Ongoing vs. Episodic Funding</u>

Besides seeking support from a variety of sources, your fundraising program should seek both ongoing financial support and episodic support.

Ongoing support is usually gained through:

- **The Annual Fund**. An annual fund means just that, annual (or more frequent) appeals to a core group of constituents. Such funds are usually unrestricted (available for any use) and may represent a large percentage of your annual income.
- **Ongoing Sales of Products and Services**. Some non-profits own stores, produce products, or provide services that can represent a substantial income stream. The Girl Scouts is one obvious example with its annual sale of Girl Scout cookies, and Goodwill Industries is probably the largest nonprofit retailer. But other organizations sell logo-branded merchandise (an example is the American Legacy Foundation's Sunburst jewelry collection) or specialized services.
- **Multi-Year Grants**. A grant-giving organization such as a foundation may provide restricted funding for a particular project or program. If the grant covers a period of time (say 5 years), then the money can be considered ongoing support for the length of the grant. This money can only be used for the named project (restricted).

Episodic funding can come from foundation or corporate grants; special events; or a bequest. These funds may be restricted to one purpose or devoted to unrestricted use by the nonprofit.

Two types of funding fall outside the scope of ongoing and episodic methods and include a wide range of sources.

- **The Capital Campaign**. A capital campaign is a multi-year fundraising campaign with a particular goal such as:
    - funding a new building.
    - raising funds for a particular project, such as cancer research.
    - increasing a particular asset such as an endowment.
- **Planned Giving**. Most nonprofits now have planned giving programs which enable a donor to confer a gift at the time of his/her death; or to give a large gift immediately while receiving income during the donor's life.

A good fundraising strategy will include a balance of these techniques and sources. Establishing unrestricted, ongoing funding is the most important, followed by other funding that will grow the organization and ensure its future.

How to Make Your Letter of Inquiry a Winner

Many foundations prefer or even require grant-seeking nonprofits to submit an LOI, or Letter of Inquiry, before sending a complete proposal.

The LOI allows the foundation to quickly screen potential candidates for funding, making sure that they do not waste time on ill-conceived ideas or those that do not fit with the foundation's mission. For you, the nonprofit, the LOI is a way to get an invitation from the foundation to submit a complete proposal. Your goal is to get a call from the staff at the foundation, asking for more.

Tips to writing a good LOI:

- If the foundation has published guidelines for an LOI, follow them exactly. These might be called suggestions or guidelines rather than rules. In any case, follow them precisely. Not doing so ensures that your LOI will not get very far in the foundation's screening process.
- Type "Letter of Inquiry" at the top of your letter. LOIs receive a very quick initial screening to weed out irrelevant mail. It is helpful if you make it plain that you are submitting an LOI right from the beginning.
- A typical LOI is three pages long, plus a budget, and includes the following:
  - A brief and "catchy" title. The title should catch the attention of the reader and draw him into continuing.
  - A one- or two-sentence summary of your project. Make it concise, compelling, and clear. The summary should:
    - Answer the question, "What are we doing?"
    - Receive your utmost attention. Put the most effort into writing the first sentence of the summary. Write and rewrite it.
    - Strike a tone suitable to the foundation's interests. Learn from, but don't copy professional marketers. Use interesting, even riveting prose, but don't write as though you are selling soap. Even though you want the foundation to "buy" your idea, your ultimate goal is a partnership with the foundation to address a need.
    - Not use buzzwords that make unrealistic claims or general, unverifiable, statements. Don't use "unique," "cutting edge," or "raises awareness." Don't use flowery adjectives and vague generalities.
    - Include facts, concrete verbs, and sentences that show action. Emulate good journalistic writing. Don't manipulate, exhort or lecture the reader.

- o An explanation of the issue you are addressing and how you will do it.
- o A description of your organization.
- o A budget. This may or may not be required. Refer to the foundation's instructions.

- Make the LOI short and succinct. Although the LOI is a mini-proposal, do not just chop down your proposal to fit on three pages. The LOI should capture the essence of your proposal briefly but powerfully. Do not just cut and paste from a proposal, nor let your enthusiasm for your cause result in pages and pages of information.

Your LOI can make or break your relationship with a foundation. It will only get you in the door, but that is the most important step of all.

<u>Board Engagement in Fundraising</u>

Board members are typically reluctant to accept their responsibility to give and to solicit gifts for the nonprofit they serve. Sometimes, the problem originates with the development staff. Perhaps they assume too much. Do the board members really understand the mission? Can they articulate it? Were board members properly informed about fundraising responsibilities when they were asked to serve on the board? Are they aware of the "realities" of fundraising?

The news is that board members, unless they are very experienced with nonprofits, probably do not know these things. Be sure to fill them in on the basics such as:

- Almost everyone is uneasy about asking for money. The ones who make it look easy have come to grips with the need to do so and who have prepared.
- That gifts come primarily from individuals. Of the billions that are donated to charity annually, some 85 percent comes from individuals...not foundations or corporations.
- That raising money takes money. Starting a fundraising campaign requires staff, materials, postage, perhaps a consultant, or a market survey.
- That a small number of donors contribute the most money. Professionals know this as the 90/10 rule. Ninety percent of the money from gifts will be from only 10 percent of donors.
- That there is a way of charting gifts to ensure that you have the appropriate number of prospects in each category of giving from small gifts to large ones.
- That publicity will not raise gifts and that individual solicitation is unavoidable.
- How a fundraising campaign is structured and run.

- What a case statement is and what to expect from it.
- Why understanding and being able to articulate the organization's mission is so important.
- How to research, rate and cultivate potential donors.

So often, board members and volunteers suffer anxiety about fundraising because they do not grasp the whole picture, understand how the entire process works, and how they will be supported and helped by the staff and the campaign's leaders.

Educating and preparing your board may be the most important task you perform when you begin a fundraising campaign.

Top 5 Tips for Successful Foundation Funding

- Myth #1: Foundation funding is easy.
- Myth #2: Foundations are anxious to give money to organizations like mine.
- Myth #3: Foundations just require a good grant proposal.

While each of these myths has some basis in reality, none are the whole story.

There are essentially five principles that are critical to foundation funding:

1. Research

Imagine for a moment that you plan to buy a home. You want something modest, a one-level and it must have a garage. Well, your realtor just doesn’t get it. Every house he shows you is over priced, or a bi-level and none have garages!

Foundations publish their interests much like you do when you search for a home. The key is tapping into the database. If you don’t have a subscription to the Foundation Center, try the local library. Often the library has a subscription and you can log on free.

Once on one of these databases, match the following criteria:

- Geographic
- Programmatic
- Type of Support

2. Relationship

Private foundations are a formal way for giving to the things the founders care about, long after they are gone.

With more than 70,000 private foundations in the U.S., it is hard to know where to begin. However, foundations reflect the personality of their primary donor. Learn to see them as people, not entities.

A few things to consider in relationship building:

1. Start where you are, local, statewide, and then national. This lets you know the foundations in your area.
2. Join local chapters of non-profits. There is untapped knowledge and networking there.
3. Treat foundations like people and you'll be ahead of the game.

3. Writing

Ok, you've done the research, you've built a relationship and now it's time to write. "But I'm not a writer!" you say. "I don't know anything about writing a grant!"

Step away from the keyboard. Relax. If you have grant-o-phobia, there are freelance writers to help. But, if you have the time, give it a shot, you may surprise yourself.

Good grant proposals contain:

- Language that echoes the foundation's interests and mission.
- A history of achievement, however brief.
- Your ability to do what you say.
- A laser focus on your organization's mission.

A good proposal shows success and outcomes, not just the potential.

4. Reporting

If you can't measure it, you can't market it. I know that's lingo from the "for profit" world. But if you want to be successful in foundation funding, you'd better be able to measure your outcomes.

A successful report is:

- Honest – even if you didn't achieve what you said you would.
- On time.
- Thankful.

5. Resilience and Persistence

The pursuit of foundation funding isn't for the faint of heart! Some foundations get three times the number of proposals as they actually fund. The key is to not give up!

This is a competitive process. Nevertheless, every nonprofit can develop a solid foundation funding department. Armed with the right attitude, tools and information, any development professional, even volunteers, can succeed in pursuing foundations.

How To Write a Grant Proposal

Most grant making organizations have their own proposal/application forms although a few may only give you some basic guidelines. In any case, here are the most common sections of a grant proposal and the information you should include.

1. Summary:

The summary actually comes first and helps the grantor to understand at a glance what you are seeking. At the beginning of your proposal, or on a cover sheet, write a short (two or three-sentence) summary of your proposal. An example is:

"The Battered Women's Relief Society requests $10,000 for a three-year training program for battered women. Training modules will cover basic financial skills, job-hunting skills, and interviewing techniques."

2. Organizational Information:

In a few paragraphs explain what your organization does and why the funder can trust it to use the requested funds responsibly and effectively.

Give a short history of your organization, state its mission, the population it serves, and an overview of its track record in achieving its mission. Describe or list your programs.

Be complete in this part of your proposal even if you know the funder or have gotten grants from this grant maker before.

3. Problem/Need/Situation Description:

This is the meat of your proposal and where you must convince the funder that what you propose to do is important and that your organization is the right one to do it.

Assume that the reader of your proposal does not know much about the issue or subject. Explain why the issue is important and what research you did to learn about possible solutions.

4. Work Plan/Specific Activities:

What does your organization plan to do about the problem? List details including:

- Target audience.
- What you will do. Describe the activities.
- What planning has taken place? Have you done research? Let the funder know that you are well-prepared.
- Who will do the work and why are they qualified?
- When will the project take place? Do you have a project start date and end date?
- Where will the project take place?
-

5. Outcomes/Impact of Activities:

Tell the funder how you expect the project to affect the targeted population. How will the situation change as a result?

6. Other Funding:

Have you gotten committed funds from other sources? Or have you asked other sources? Most funders do not wish to be the sole source of support for a project. Be sure to mention in-kind contributions you expect such as meeting space or equipment.

7. Future Funding

Is this a pilot project with a limited time-line? Or will it go into the future? If so, how do you plan to fund it? Is it sustainable over the long haul?

8. Evaluation

Funders want to know that their dollars actually did some good. So decide now how you will evaluate the impact of your project. Include what records you will keep or data you will collect and how you will use that data. If the data collection costs money, be sure to include that cost in your budget.

9. Budget:

How much will your project cost? Attach a short budget showing expected expenses and income. The expenses portion should include personnel expenses, direct project expenses, and administrative or overhead expenses. Income should include earned income and contributed income.

10. Additional Materials:

Funders are likely to want the following:

- IRS letter proving that your organization is tax-exempt.
- List of your board of directors and their affiliations.
- Financial statement from your last fiscal year.
- Budget for your current fiscal year.
- Budget for your next fiscal year if you are within a few months of that new year.

11. Putting it all together:

Put everything together with a cover sheet and a cover letter if you desire. You may need to have your CEO and/or the Board President sign the cover sheet or letter. You do not need a fancy binder but it should all be neatly typed and free of errors.

Special Event as a Fundraising Strategy

A recent study by Charity Navigator suggested that special events are not good sources of funds. In fact, according to the study, the average charity spends $1.33 to raise $1 in special events contributions.

But most development directors know that special events can serve a number of purposes, and perhaps actual fundraising is the least of these.

Special events might prove helpful in the following ways:

- Special events create other fundraising possibilities through "ancillary" methods of raising funds. Among these methods are:

1. In-kind contributions such as donations of food, the venue, or entertainment. Why is this useful? In-kind contributions are easier to get from a business without a prior relationship. But, it might be a foot in the door to other contributions.
2. Sponsorships are commonly used to increase the income from events. Sponsors pay for various benefits such as publicity through the event, an ad in the program or a company logo displayed prominently.
3. Silent auctions allow you to charge for an event that many people can afford but then bring in more funds through the auction.
4. Ad books can be given to event guests. The ad book is made up of paid advertisements and also includes information about the nonprofit. Prospects for ad buyers include local businesses, vendors, entrepreneurs and even donors who want to advertise a service.

- Special events can also build relationships, helping potential donors to feel a connection with your cause. An event provides great "face time" with your supporters, sometimes setting the stage for large gifts.
- Events are an opportunity to bring in new donors and introduce them to your organization. To do this, plan an event that will have broad community appeal and charge reasonable entrance fees.
- Special events can also generate a lot of publicity. Your PR staff will find a myriad of methods for getting the word out, from fliers to interviews with local media. Building visibility in the community is crucial to successful fundraising.
- Use special events as a way to provide fundraising experience to your volunteers, including your board members. Selling tickets to an event is less anxiety producing than making a personal call on a donor. Help volunteers build confidence through your event activities.

In addition, volunteer leaders can be developed through serving on event committees and engaging in the planning that is required. Your volunteers should lead the way when it comes to planning the event...not staff.

When planning a really large event, consider establishing several committees with specific tasks. Each committee should be led by a volunteer, and most of the committee members should be volunteers. A couple of staff people can be assigned to each committee to serve as consultants and to accomplish logistical tasks as needed.

Details Do Matter

There are as many kinds of special events as types of nonprofits and causes, but plan for success by finding out what has worked for other organizations. Don't hesitate to ask peers in other nonprofits to share their tips for success. Remember that success is in the details. Hints for doing an event right:

- Take pictures of each guest at the event and later send the picture with a thank-you note. This serves as a special reminder of the event.
- Inquire if guests have special needs such as dietary requirements prior to the event.
- Position official greeters at the doorway to the event (e.g., if the event is being put on by a school, have students be greeters).
- Provide efficient event check-in.
- Give each guest a card stating, “You are seated at Table # ___.”
- Provide a diagram of table locations.
- Give table favors that are tied to your mission.
- Provide individual printed menus listing each course that will be served.
- In your printed program, communicate your mission and the purpose for the event.
- Your program should include a special thank you from someone that will benefit from the event such as the people you serve.
- When planning your event, write an event plan, create a time line, and recruit capable volunteers.

Sell the Tickets!

- No matter how elegant or fun your event is, if you don't get people to attend, your efforts are wasted. Attendance is not spurred so much by publicity as by selling tickets. You need a lot of boots on the ground selling tickets. Although this is the least glamorous task, it is essential. Recruit a lot of volunteers since, on average, most volunteer ticket sellers will sell about five tickets each.

- Try out different price points for your tickets. Have the majority of tickets priced for everyone, but offer higher priced tickets that provide an extra benefit.
- Think of your event as a long-term commitment. Organize one that you can repeat at least once a year and perhaps more. Also, invest in reporting and analysis tools that will provide the feedback you need to improve the event each time.

Special events are not a way to raise a lot of money immediately, but they can be a part of your strategic plan to cultivate future donations, and to boost your profile in the community. Use them wisely and well.

Retaining Donors

Donors give to your organization because they believe you are making a difference in a cause they care about. They value your work and want to support you in changing the world. Their gifts are investments in the work they expect you to accomplish.

So it follows that results are the best way to show your recognition and appreciation for your donors. Most donors don't need plaques or trinkets, which often cause donors to question your spending priorities.

Donors want to see what their gifts allowed you to accomplish -- specific facts and stories of how they changed the lives of real people. This is how they will know their money was put to the best use in your programs and services.

They want to hear about the women they helped shelter from domestic violence, the lonely senior citizens whose lives are brightened by your daily visits, or the inner-city children who were inspired by their first encounter with organic gardening at your community farm. Tell your supporters, in person if you can, or through newsletters, e-mail, and phone calls, how someone's life was changed by the programs they made possible.

In addition to stories, do not underestimate the power of facts and statistics on donors. Share as much detail as you can about the progress you have made, the number of people you have expanded to reach, and the effectiveness of your work. Explain the statistics that show the impact your orchestra program has on the math scores of the children you serve, the track record of your life skills program, the number of affordable houses you have built for struggling families, or the percentage of the troubled teens who go on to graduate from college after participating in your mentoring program.

Instead of fancy baubles or plaques, find inexpensive and personal ways to thank your donors and connect them to your mission. Have the students from one of your classrooms hand deliver a scroll of paper with their handprints and thank- you messages; stop by with a rescued dog and pictures of the abused animals the donor helped rescue; or send a simple personal letter from a staff member or volunteer with a signed photo of the grateful recipients of your organization's services.

Whether yours is a complex research program, a public policy group, or a local health services clinic, there is a compelling way to recognize your donors with the facts about what their money allowed you to do and the firsthand stories about the lives it changed. By recognizing and honoring your donors this way, you will make lasting friends. This deeper recognition of the difference they make is the thanks they really want, and it will cause them to remain loyal to your organization for a lifetime and to keep asking, "How else can I help you?"

Going to Scale

With a few exceptions, the nonprofit sector in the United States is comprised of cottage enterprises – thousands upon thousands of programs, each operating in a single neighborhood, in a single city or town. Often, this may be the most appropriate form of organization, but in some – perhaps many – cases, it represents a substantial loss to society overall. Time, funds, and imagination are poured into new programs that at best reinvent the wheel, while the potential of programs that have already proven their effectiveness remains sadly underdeveloped.

One impediment to replication is the prevailing bias among funders to support innovative, "breakthrough" ideas. Another is the fact that, for many people, the concept conjures up images of bureaucracy and centralized control. Such images are uninviting in any sphere, but they are especially problematic in the nonprofit sector, where local "ownership" by donors and volunteers plays such an important part in organizational success. Add in the fact that for many social entrepreneurs, autonomy is an important form of psychic income, and it becomes easy to understand why implementing someone else's dream tends not to be nearly as satisfying as building one's own.

In practice, however, replication is anything but a cookie-cutter process. The objective is to reproduce a successful program's *results*, not to slavishly recreate every one of its features. At the heart of replication is the movement of an organization's theory of change to a new location. In some cases, this might entail transferring a handful of practices from one site to another; in others, the wholesale cloning of the organization's culture. Whatever the specifics, the right choice – including whether to replicate at all – will be strongly influenced by the complexity of the organization's theory of change and the degree to which it can be articulated and standardized.

First is the value of a proven program. Leveraging the knowledge developed by someone else can enable a new site to increase the speed of implementation and the odds of obtaining the desired outcomes. Independent start-ups in the for-profit sector face a much higher failure rate than new units in a franchise chain. The Small Business Administration estimates that approximately half of all small business start-ups fail within five years. The comparable rate for franchise units is half that, or about 25 percent. Quite simply, replication can reduce the risk of failure.

Adopting a recognized model can also make it easier to attract resources. A well-known franchise will attract customers even in a new market, because they associate the brand name with deliverables they know they can count on. Comparable benefits can accrue in the nonprofit sector. For example, prospective Habitat for Humanity volunteers know what the organization is trying to do, what to expect when they volunteer, and what the results of their work will be. Likewise, prospective donors, who want to be sure their gifts will have an impact, know that the organization is building on the experience of others who have used the same program successfully.

Finally, by virtue of being part of a larger system, local programs may gain access to resources and expertise in areas such as fundraising, human resources, and legal services that might be unaffordable for a single unit. They will also be able to tap into ideas and knowledge generated by other sites. A network provides a natural environment for experimentation and learning. McDonald's Big Mac, Filet-O-Fish, and Egg McMuffin were all innovations conceived by local franchisees. Similarly, City Year's Young Heroes program, which engages middle-school students in service and has spread throughout the system, was developed in Providence, R.I., not at the organization's headquarters in Boston.

The core of a franchise is a proven (which is to say a profitable) business idea that can be replicated in multiple sites. What makes replicating social ideas so complicated, and how can the key issues be addressed?

Is Replication a Reasonable and Responsible Option?

Replicating programs that do not produce results is at best a waste of precious social resources and at worst a source of active harm to the participants. For this reason, the first question to ask is whether there is enough substantive evidence of success to justify replication.

What constitutes "enough" will vary, depending on the nature of the program, its longevity, and the scope of the contemplated replication. Expanding from 10 sites to 100 requires more proof of demonstrated success than opening a second location, while programs that truly break new ground need more evidence that the desired results can be sustained over time than those whose methods are tried-and-true. At a minimum, however, an organization has to be able to show that its theory of change is strong, that its initial outcomes are encouraging, and that it has systems in place to track key performance data going forward.

Acquiring evidence of success can be challenging, not least because much of the work nonprofits do involves social interventions, where outcomes are notoriously hard to define and the full effects can take years to see. Nevertheless, the issue of demonstrable results must be dealt with head-on if good decisions about investing resources in creating social change are to be made. The ability to assess (through direct measures or meaningful proxies) whether a program is generating value for its key constituents is an essential prerequisite for any discussion about replication.

Equally important is the ability to articulate the organization's theory of change, which reflects both its view of why its program works and its understanding of the activities required to produce successful outcomes for its key constituents – recipients, donor/funders, staff, and volunteers. To illustrate, consider the problem of early-childhood literacy. An organization with a strong theory of change will be able to specify not only how it is going to affect its participants' reading ability (through one-on-one tutoring, say), but also which of its activities are essential to create positive outcomes and how those activities must be executed. Answers to questions such as "How will the tutoring be delivered? How often? and By whom?" are, in essence, the organization's social technology. And it is this core technology that will have to be replicated in new sites.

In some nonprofits, the organization's culture is a key element in its theory of change. City Year is a Boston-based organization that brings together young people, ages 17 to 21, for a yearlong stint of community service in urban areas. Its culture embraces individual differences and embodies the belief that individuals can change their communities. This worldview, which is both an outcome of the program and a key element in making the program work, is primarily a byproduct of how the organization operates – its structures, systems, and processes, reinforced by the purposeful efforts of City Year's leaders. Replicating the culture of an organization is a far more complicated undertaking than replicating a few program elements.

One of the key dimensions on which theories of change vary is their degree of complexity, as measured by the number of activities required to create the desired outcomes. For organizations seeking to produce value on a broad array of dimensions, identifying the requisite interventions and ensuring that they are all in place is a complex undertaking. Helping to stabilize troubled families, for example, might entail the provision of counseling, day care, and housing support, as well as economic assistance and job training.

Yet even in organizations that provide seemingly simple services, the level of inherent complexity can be significant. Habitat for Humanity builds houses, but its theory of change goes well beyond construction, as Eric Duell, one of its international partners explains:

“Habitat has not chosen the easiest way to build houses! The easiest way is like the construction companies do it, with paid skilled labor and lots of it. Habitat does not work this way because the ultimate goal is ... not the house but the people who participate in the building of that house, the families who will live in that house, the society that they are a part of, and [the volunteers] participating in so many different ways.”

The more complex an organization’s theory of change, the more difficult it is to replicate, which is why its leaders’ ability to specify the activities that create their program’s value is so important. The principle that should guide the analysis is *minimum critical specification*, defining the fewest program elements possible to produce the desired value. In an organization like City Year, which aspires to create value for the corps members, the community, and the private sector sponsors, many elements need to be in place. But does it matter, for example, whether all corps members wear red jackets, or companies sponsor individual teams? These were key elements of the original program, but what needs to be considered is whether they are critical to the results City Year achieves.

One way to identify the core elements of a theory of change is to ask whether varying an element would diminish the value the program creates. Consider D.A.R.E., a 15-week program taught by police officers to fifth-graders that focuses on resisting the use of drugs. D.A.R.E. began in Los Angeles, and as other cities became interested in it, some sites sought to change the targeted grade level (D.A.R.E. approved this). Another city wanted to reduce the length of the program to five weeks (D.A.R.E. disapproved). Yet another sought to eliminate police officers as trainers (D.A.R.E. disapproved).

With a clear understanding of its theory of change, an organization may discover that what needs replication is a piece of the program, not the entire program or the organization itself. Earth Force aims to build young people’s civic skills so that they make lasting changes in the environment and their communities. Its original growth strategy focused on creating full programs in franchise sites, but a clear-eyed picture of its theory of change led to a different approach: “packaging” a handful of tools (such as how to create and maintain youth councils) that others can use to replicate the organization’s desired outcomes.

Without a strong theory of change, replication becomes extremely difficult, because it is impossible to determine what is working and why. One of the most daunting management challenges that nonprofit executives face is determining whether the complexity of their programs is justified, or whether there is a simpler way to create the same value. And even if some dilution of value were to occur with simplification, would that be offset by the increased ease of replication? Serious thought and ongoing experimentation are essential to determine which of a program's elements really create value and which might have little to do with results.

Going to Scale

If an organization has a clearly articulated theory of change, the potential for replication is likely to rest on the degree to which its key activities and the key components of its operating model can also be articulated and standardized. As a general principle, the greater the number of elements that can be standardized, the more likely it is that replication will succeed.

In the for-profit sector, a critical success factor in franchising is the ability to standardize the key activities in the founder's business model. At fast-food restaurants, for example, everything from preparing the food to sweeping the floors to greeting the customers is well documented, and the knowledge required to perform those activities is codified into prescribed routines.

In the nonprofit sector, where critical knowledge is often tacit, this process is far more challenging, as the STRIVE program demonstrates. STRIVE provides three weeks of job training, focused on improving attitudes and job-readiness, to the hard-core unemployed. For those who graduate from the grueling three-week program, STRIVE provides job placement and follow-up for two years.

A part of the original model was the "tough-but-fair" approach taken by the trainers during the program. According to Frank Horton, STRIVE's first director of training:

"It takes the right kind of person to do this training. There are different ways, it's not a formula – but you know it when you see it in person. Then you can mold it and shape it. The STRIVE method has been spread like an African folk tale – a combination of watching others, hearing about it, and doing it yourself. You're not really a STRIVE trainer until you have been doing it for 18 months."

If this type of training truly is integral to STRIVE's success, the organization either has to specify the characteristics its trainers must possess and standardize the process of recruiting and developing them (as it ultimately did, after allowing some of the initial expansion sites to experiment with a less "in-your-face" style of training) or accept the fact that the program will replicate very slowly.

Making the knowledge lodged in an operating model explicit is crucial to being able to transfer the model to new locations. Jumpstart matches young children who are struggling in preschool with college students (called corps members) for a one-year relationship. A program guide for corps members specifies how to develop a customized curriculum for each child and offers a range of reading activities associated with each developmental need. Jumpstart's ability to standardize the instruction process into teachable routines, while still leaving wide degrees of latitude for individual improvisation, has been instrumental in enabling it to add new sites rapidly.

People. The skills of local site managers are often a critical ingredient in making replication work. Finding the right people to fill new positions depends on two distinct activities: (1) proper selection, and (2) training and socialization.

Selection entails having a clear understanding of the skills required to manage a site and implement the theory of change. As with the theory of change itself, this involves being explicit about what is required. Training can then be used to fill any skill gaps and/or to inculcate the culture of the program into new managers. The importance of acculturation often leads organizations to believe they must promote from within, since "people from the outside just don't get the it of our program." Oftentimes, however, an organization's reliance on insiders reflects nothing more than the fact that the tacit knowledge in its operating model has not yet been made explicit.

Context. Every program starts off somewhere, and the effectiveness of its operating model is often context dependent. Summerbridge prepares talented youngsters from diverse backgrounds to succeed in school. The intensive summer program was initially hosted in independent schools, and when the organization tried to present it in public schools, the model proved difficult to implement. Board members debated the causes and consequences; some worried that the public schools' bureaucracy and thin resources would constrain the program, while others believed the independent schools' attractive campuses were part of the program's allure. Still others believed that the budgeting process would put the program at risk to a variety of political and financial forces. Ultimately, the board decided that although it would continue to experiment with alternate venues, the centerpiece of its efforts would be independent schools. Effective replication often depends on holding constant – standardizing – the context within which a program will operate.

Financial structure. A critical aspect of standardizing a program is making its underlying economics – costs as well as revenues – transparent. Programs that struggle to stay afloat, bootstrapping people and resources, and living on the edge, are not good candidates for replication, however impressive their results. Neither are organizations that cannot articulate – and replicate – the unit cost of their theory of change (the cost per child served, for example, or the cost per house built). The fact that funders are increasingly asking for performance metrics that reflect the true cost of providing programs may not only encourage such economic clarity, but also have an unintended benefit – underscoring the fact that results never come for free.

Establishing a reliable source of funding – standardizing the flow of money – increases the odds of success for two reasons. First, new leaders can direct their time and energy to building the program instead of finding new ways to raise funds. Second, it can help to minimize the pressures created by funders' varying interests. In the case of Jumpstart, for example, some funders are interested primarily in engaging older youth in the community, while others focus on literacy (and thus the preschool tutees). The cumulative effect of such pressures can be program drift or variations in the model that may diminish results.

Sometimes standardization is possible. Habitat has a financial model that lays out how to finance construction, what can be acquired through in-kind contributions, and how to attract funds from local individuals. Similarly, City Year has clear expectations about the percentages of funding that will come from government, business, and the local community. Within the business segment, there is a standardized model for how corporate sponsors will support teams of corps members.

Service Recipients. Most theories of change are designed to affect a specific set of recipients: seventh-graders, alcoholics in recovery, homeless, working poor. The consequent tight alignment between the organization's operating model and these intended beneficiaries makes it difficult to serve other groups unless the model is modified at the same time. STRIVE's core job-training program is tailored to meet the needs of the hardest to employ, and its leadership monitors the performance metrics of local sites closely to see that this focus is maintained. Given its intended beneficiaries, STRIVE expects that 10 to 15 percent of the participants will drop out of the program and that, of those who complete it, only 80 percent will be placed in jobs. Higher percentages in either category would raise the possibility that a less difficult set of clients was being served. Program leaders must be careful not to drift into serving recipients to whom their theory of change does not apply.

Replicating the Operating Model

Replication requires answers to three critical questions: (1) where and how to grow; (2) what kind of network to build; and (3) what the role of the "center" needs to be. While the right answers require both good data and careful analysis, replication is basically a process of planned evolution. Many replication efforts begin with expansion to a handful of sites, which can then provide useful lessons for broader initiatives. Learning from the planned – and unplanned – experiments that occur along the way is an important part of the implementation process.

Defining the Growth Strategy. Identifying the potential demand for a program and determining where the critical ingredients for success can be found are early challenges of implementation. In developing its growth plan, STRIVE examined statistics from the 50 largest cities across the United States to identify those with (1) the highest concentration of unemployed people; (2) lack of alternative job-training providers; and (3) interested local funders. This detailed analysis led it to redouble its efforts in some of its existing markets, where there was unmet demand, as well as to prioritize new markets where there were both potential funders and an absence of alternative providers. A key element in Jumpstart's model is the availability of Federal Work Study money, which is used to compensate the corps members. Recognizing this, Jumpstart prioritized college campuses according to the size of their work-study budgets and now has programs on 31 campuses, 20 of which are in the top 200 in terms of work-study funding. For City Year, a key criterion might be the size of a city's business base, since corporate sponsors are an integral part of the model.

Often, careful analysis will reveal that a program has under-penetrated its current markets. While there are sometimes compelling reasons to go "national" (appealing to a corporate sponsor, for example), it is important not to overestimate the benefits – or underestimate the risks – associated with expanding to new sites. The Steppingstone Foundation is a Boston-based program that prepares motivated urban fourth- and fifth-graders for admission to and success at top independent and public-exam schools. After 10 years of operation – and the opening of a second site in Philadelphia – it was considering further expansion, until analysis demonstrated a compelling opportunity to double the size of the program at home, in Boston.

Leveraging existing networks by identifying partners who can supply essential resources is an important way to facilitate rapid growth. Citizens Schools, an innovative after-school program that addresses community needs while building student skills through hands-on experiential learning activities, is pursuing a partnership with the YMCA to replicate its program. Rather than develop stand-alone “retail” programs, a partnership with the YMCA will enable it to engage in “wholesale” distribution of the concept. Similarly, Jumpstart has been able to replicate its model quickly by working through networks of university presidents and administrators.

Even with clarity about where a program might best be replicated, it is still crucial to find local champions, who will exert the necessary energy and garner essential resources. Sometimes a program can “sell” its model to new locations by meeting with local people who can become its champions. Alternatively, local champions will sometimes identify themselves once they learn about a successful program in another city. Some of the most notable replication stories of the last decade were built on the visibility provided by public figures (Jimmy Carter’s involvement with Habitat for Humanity, for instance, and Bill Clinton’s interest in City Year) or media exposure (STRIVE, for example, was featured on 60 Minutes).

In the nonprofit sector, it is very difficult to pursue pure “push” strategies – literally taking a program to a city without local involvement and support. At the same time, even in cases where there is massive demand for the program, as was the case for STRIVE, it is vitally important that the organization has great clarity about the critical elements of its theory of change, so that it can select new sites effectively.

Designing the Network. The relationship among local affiliates and between affiliates and the national office can range from “tight” to “loose.” In a loose network, local sites operate with very little direct involvement from the center: STRIVE’s affiliates are independent entities that contract to follow certain program guidelines and meet once a year at a conference. City Year is at the other extreme: All the sites operate under one 501(c)(3) organization, and the local executive directors are all City Year employees. Extensive training, field visits, and regular participation in City Year events make this a tight network characterized by a high degree of involvement between a local site and the national organization.

The key dimension driving the shape of the network is the degree to which the operating model can be standardized. The greater the standardization, the looser the network can be, since people are able to grasp the model quickly, and it is easy for local and national leaders to identify deviations. Conversely, when culture is an important part of the model, a tighter network is likely to be required. This does not necessarily mean that control has to emanate from the network's center, but it is apt to involve substantial interaction between the local office and the center and among the programs (as it does, for example, at City Year).

A variety of tools, ranging from the network's legal status to its reporting requirements to the existence – or not – of training manuals, can be used to structure the relationship between local sites and the center. Ideally, networks would be self-organizing, given the desire of most local managers to operate as autonomously as possible and the fact that central activities require additional resources. In practice, however, the challenge is to design a network that is as loose as possible yet maintains fidelity to the concept and produces results.

Striking the right balance between loose and tight is a matter of constant experimentation. There are no simple rules. Jumpstart started with an organization model similar to City Year's and then shifted to a looser network, which relies on its university partners to manage local sites. Conversely, STRIVE started with a very loose network and then shifted to a somewhat tighter system governed by a well-defined contract. What is crucial is that the organization constantly reflect on what it is learning about replicating the theory of change and producing results.

The Role of National. However a network's founders choose to organize its members, sooner or later they will need to confront three challenging issues: (1) ensuring quality; (2) facilitating learning; and (3) providing central services.

Ensuring quality and protecting the brand. Once a few sites have been developed, a network begins to share a common public identity, or brand. Since brands invite generalization – for good or ill – network leaders have an interest in ensuring that all the members are delivering consistent results. Dorothy Stoneman, the founder of YouthBuild, recounted the evolution of her program:

"Our initial desire was to get a good idea out there. We wanted it to become a generic concept like a library or day care. We were just trying to get resources and ideas to people. Eventually the sites told us that we needed to protect the brand. Everyone said we needed to tighten up the system."

YouthBuild now conducts a thorough audit every two years that includes a site visit and an assessment of more than 100 indicators of operational performance. A crucial element in ensuring quality is to have a data collection system that provides evidence that a local program is delivering the theory of change with fidelity and that the program is producing results.

Facilitating learning throughout the network. The opportunity to learn from other people is one of the great benefits of a network. At Jumpstart, local executive directors talk on a conference call every week to discuss their challenges and share new ideas. At City Year, a daily newsletter reports on the events at different sites and highlights innovations across the network. Many organizations have annual meetings where peers can learn from peers. The center plays a critical role in facilitating these interactions, and local leaders tend to value them highly. Indeed, for some, it is the reason they joined the network as well as the way in which the system positions itself to improve.

Nevertheless, tension between local sites and the center is almost inevitable, because the particularities of local conditions are rarely 100 percent aligned with the national model. Sooner or later, these discrepancies will create some conflict in the system. The key question is whether the conflict is constructive – producing learning – or destructive.

Providing centralized services. The center can also play a critical role in providing functional expertise and services that local sites might not otherwise be able to obtain. Training is an important benefit for many local sites, for example, as is centralized purchasing. Similarly, the ongoing development of the program – in essence, the research and development function – is typically the province of the center.

There is a natural life cycle to the center-affiliate relationship, which makes it challenging for the center to continue to deliver value as the network evolves. The first year in which affiliates are part of the network, they cannot believe the “smarts” at national. With a year of experience under their belts, affiliates typically feel they have all the answers and begin to wonder what national has done for them lately. Over time, the center must find ways to contribute to the success of local sites.

<u>The Paradox of Success in the Nonprofit Sector</u>

The failure to replicate innovative social programs is usually attributed to problems of strategy and management. Much of the time, it is simply a problem of money. The fact that dollars seldom follow success is one of the most vexing challenges nonprofit leaders face. At precisely the moment when large amounts of capital would flow to a proven idea in the for-profit sector, funders in the nonprofit sector frequently back away. There are many reasons – donor fatigue, a belief that equity requires spreading money around, hesitance to make "big bets" – but the consequence is that proven solutions to pressing problems do not spread.

There are two dimensions to the economic challenges of replication. First, each new site needs resources to develop the model. Given the difficulty of raising capital, it is not surprising that there are few instances in which the center was able to provide the capital for building local sites. (In the for-profit sector, by contrast, entire chains of retail outlets, department stores, and grocery stores are funded, built, and managed by one company.) This is why successful models often build in a template for the financial structure of their new sites.

While private funders will sometimes provide seed money to stimulate the development of local programs (a $50,000 matching grant for the first two years of a site's development, for example), they rarely supply the capital to build a network of sites. The one exception to this rule is the federal government, which sometimes supports the proliferation of successful programs. YouthBuild is a line item in the Housing and Urban Development budget, and over the past seven years more than $300 million has been devoted to supporting YouthBuild programs. Not surprisingly, many high potential nonprofits pursue strategies that involve tapping into government funding streams.

The second economic challenge is funding the national office. Local sites pay fees to the center in many networks (at Jumpstart the fee is $5,000 per year, per site), and this represents an important indicator of whether the local sites value the center. But even in loosely managed networks, these fees rarely cover the costs of the center's operations, and funders are notoriously reluctant to provide support for non-programmatic activities. From a social welfare perspective, the opportunity cost of this underinvestment is huge: tens or hundreds of sites serving thousands of people without the support and management discipline that might enable them to execute more powerfully.

If replication is to occur and proven ideas are to spread, strong organizations are required both at the local level and at the center. Yet, for the most part, the funding patterns of the nonprofit sector – small grants, for short durations, focused on program work – conspire against building strong organizations. There are a few examples of funders that are supporting replication and providing adequate capital for well-conceived strategies, but many more are needed if the challenges facing our society are to be addressed.

Summary

As someone who has built successful nonprofit and for profit organizations, I can assure you that these tools and tips are quite useful in building a successful business. Having a vision, a means to achieve it, the resources to build it and the capacity to grow it…all make for a successful venture.

If you have any questions or comments, they can be forwarded to melissa@reentrystrategies.org.