

Is Your Organization Ready for the Seismic Shifts Ahead?

Presented by:

The 2022 Non-Profit Leadership Summit























SocialImpactArchitects



@snstexas @socialtrendspot



socialimpactarchitects.com/blog

SUZANNE SMITH, MBA suzanne@socialimpactarchitects.com





A Perform Storm

High Growth Rate of Nonprofits in 21st Century **Up 25%**









- With pandemic, nonprofits received \$50B in PPP funds and other supports
- Donations and giving were up during pandemic, but inflation flattened gains
- Economic downturn has charities concerned
 - During great recession, giving was down 9%
- History shows that nonprofits tend to lag the economy by 1 year

01

Mindset Matters

"It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change."

- Charles Darwin



Deep Dive: https://socialimpactarchitects.com/impact-mindset

02

Flywheel Effect is Key to Growth



Deep Dive: https://socialimpactarchitects.com/nonprofit-sustainability

© 2022 Social Impact Architects

| Nonprofit I | Lifecycle |
|------------------|-----------|
| | |
| Lifecycle Stages | ldea 🥳 |
| | |

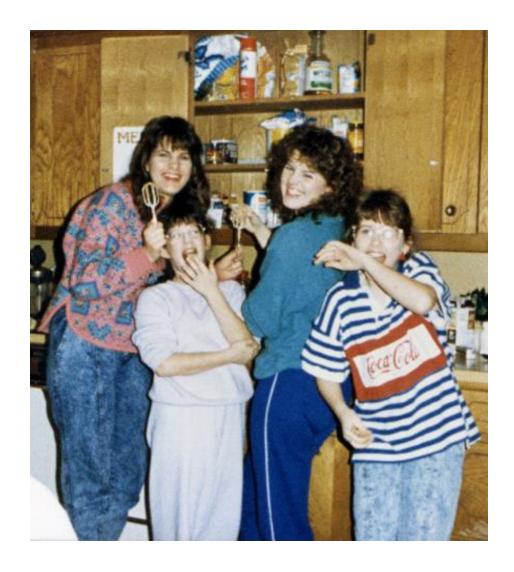
| | | | | | A Ce | |
|----------------------------|--|--|---|---|---|--|
| Lifecycle Stages | Idea 🥳 | Start-up 🔼 | Growth 🥬 | Maturity 🙀 | Decline 1 | Crisis A |
| Impact | Informal – Need established, best practices integrated & pilot launched | Pilot successful – Lessons integrated into design / Measurement starts | Established in marketplace – Strong results, partner-of-choice & consistent delivery | Consistent results through robust evaluation / Focused on continuous improvement, scale & system-building | Need exists, but nonprofit isn't partner- of-choice / Market duplication from other nonprofits | Demand near zero / Intense competition for resources & energy |
| Brand | Not utilized | First official marketing materials – Primary method of marketing is word-of-mouth | Build-out of marketing & communication needs, including public & media relations | Sophisticated marketing & communications plan using multiple channels / Everyone equipped to tell story | Decreased public interest / Issue area not discussed in the media | Unable to attract media or public attention / Messaging does not resonate with public |
| *\$ \$\$ Revenue | Most are in-kind | Limited financial resources – Lives hand-to-mouth | More diverse financial resources with established relationships with funders, but still unpredictable | High degree of financial diversity with established relationships with multiple funders / Endowment exists / Higher degree of financial predictability | Funders are not renewing contracts and not contacting organization / Low cash reserves / Decreasing donor retention & loyalty | Cash reserves insufficient to cover operating expenses / Long-time donors tapped out |
| Operations & Culture | Entrepreneurial Founder using volunteer resources for guidance / Culture is defined by Founder | Flat organization – Decisions are likely made by Founder / Volunteers needed for hands-on support / Culture is action- oriented | Founder has hired or becomes Executive Director and is key decision-maker with Board guidance / Increased division of labor & accountability as staff is hired / Culture is results- oriented / Volunteers are used as resources | Leadership is often second or third generation from Founder / Clear division of labor & accountability among staff / Culture is well-defined and serves as a competitive advantage / Volunteers are seen as ambassadors | Increasing turnover of staff & volunteers / Decreased ability to attract top talent / Decreased transparency | Inability to fill key roles / High contention & division among staff / Mistrust of leadership |
| Governance | Not yet developed | Formal governance starts – Most likely homogeneous group | Board expansion – More diversity with more focus on planning & oversight | Board is more policy- & strategy-focused / Delegates management to Executive Director | Board members hard to recruit, retain & engage / Low focus of strategic issues | Board not fulfilling fiduciary responsibilities |

Deep Dive: https://socialimpactarchitects.com/nonprofit-lifecycle



Turnaround

Organizational Elements

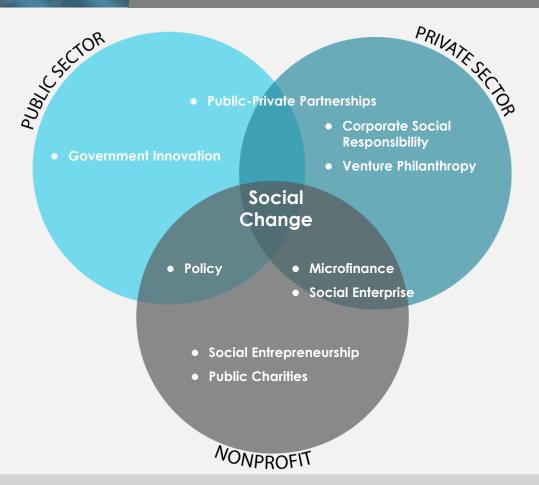




"In God We Trust. All others bring data." – W. Edwards Deming



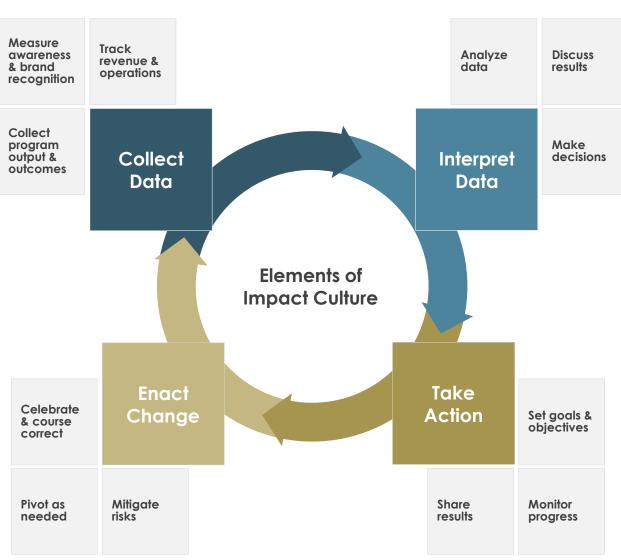
More Players





Impact Culture

A social sector organization with an impact culture is energized by data, curious to learn, takes deliberate action and embraces change.







Tool #1

Impact Culture: Organizational Checkup

LEVEL 01

Organization Understands and Appreciates Why Impact Is Important

LEVEL 02

Organization Proactively
Designs & Measures
Programs/Operations Using
Best Practices

LEVEL 03

Organization Champions Impact Management to Grow & Improve

Deep Dive: https://socialimpactarchitects.com/impact-culture

LEVEL

01

Organization Understands and Appreciates Why Impact Is Important

- Board and staff can recite what the organization is trying to achieve and why it is important to the community/greater good
- ■Everyone truly believes that measuring impact will lead to being a high-impact, high-performance organization which ultimately means making a bigger difference for those you serve
- ■Everyone appreciates that <u>change</u> is difficult and embraces impact management as an opportunity to demonstrate progress and continuous improvement
- Staff track their impact (e.g., IT, HR, finance, & development) through outputs and outcomes
- Program and development staff are on the same team and aligned on program outcomes to be measured
- Staff understand their role in impact management and have performance measures directly connected to the organization's strategy and impact
- Board tracks its own impact (e.g., funds raised, attendance) to improve engagement and ensure accountability
- Board and staff regularly share results openly, celebrate success and <u>discuss</u> <u>course corrections</u>

LEVEL 02

Organization Proactively Designs & Measures Programs/Operations Using Best Practices

- All Level 1 items firmly embedded in culture
- Staff use a sophisticated program design model, such as <u>Lean Startup</u>
- Staff regularly track best practices nationally and embed them into their activities
- ■Data is collected, stored properly, and analyzed on schedule, as planned
- Staff feel empowered to question why data is being collected, especially if it is not used
- Staff have systems and tools to help them collect and interpret real-time data and make changes as needed
- <u>Stories</u> are utilized to illustrate success and bring data to life
- Staff possess necessary skills and are encouraged to critically assess all aspects of their work
- Staff do not want to move forward on major decisions without data and careful reflection
- Staff are rewarded for embracing impact management

LEVEL

Organization Champions Impact
Management to Grow & Improve

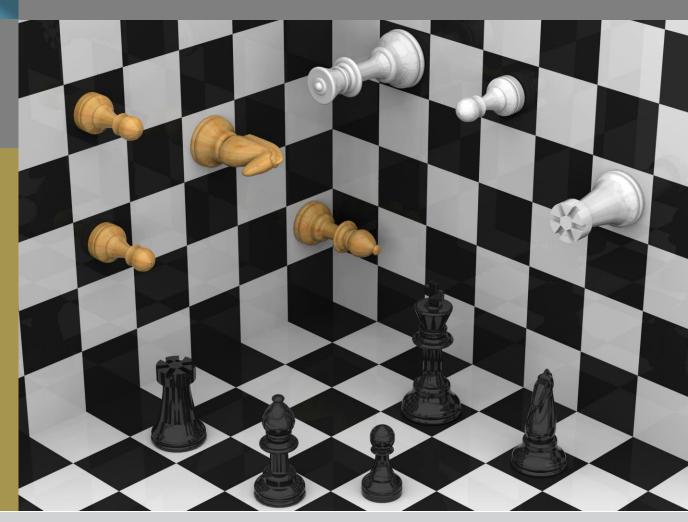
- All Level 1 and 2 items firmly embedded in culture
- Organization shares information freely, internally and externally, and "crosspollinates" as much as possible
- Improvements are made based on data collected and analyzed
- Organization is benchmarking its data against best practices
- Staff receives feedback on how ideas and improvements have led to positive change
- Organization is a learning organization where staff are encouraged to be curious and invest in their professional development
- Organization appropriately charges donors/funders for impact management and audits as a direct cost of doing business
- Organization is using cost-benefit analysis and <u>social return on investment</u> in its donor/investor conversations
- Board and staff have richer and more informed conversations
- Donors better understand the big picture through data and stories
- Organization takes calculated risks and worries more about moving the needle than fear of failure
- ■Funders are taking notice





New Game Board

Moving from Checkers to Chess





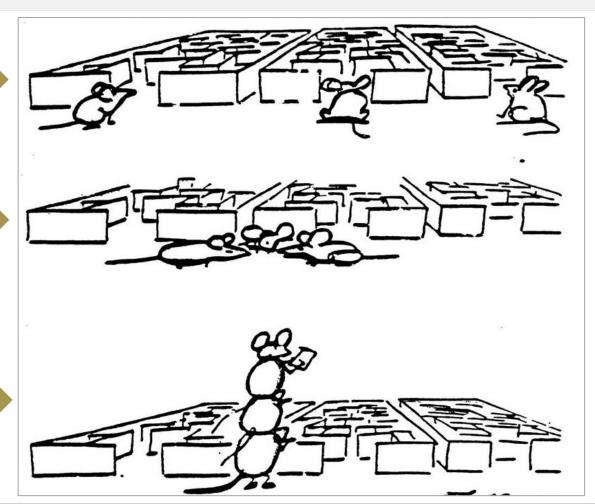
Upgrading to System Change

Deep Dive: https://socialimpactarchitects.com/system-change

Individual Effort

Collaboration

System Change





Moving Upstream

Focused on Individuals as a Function of Systems

A Public Health Framework for Reducing Health Inequities



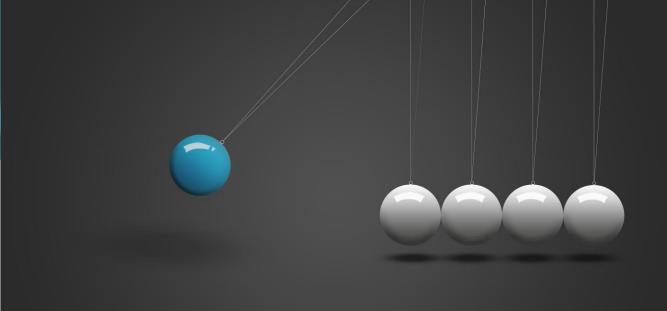
Emerging Public Health Practice

Current Public Health Practice

Deep Dive: https://socialimpactarchitects.com/nonprofit-trends-2021







Supercharge Your Efforts

- Evaluate your Impact Level on Impact Culture Checkup
 - Celebrate success & supercharge in key areas
- Consider system change & upstream thinking as you evaluate your future work individually and collectively
- Shift from an Annual Report to an Impact Report



"If you can't explain it simply, you don't understand it well enough." – Albert Einstein



Your nonprofit's brand can be viewed in three parts:



What you control

- Vision
- Mission
- Core values
- Logo & tagline
- Imagery
- Language



What you study

- Stakeholder perceptions
- Competitive market
- Sector trends



What you influence

- Relationships
- Stakeholder experiences
- Brand story





Walmart versus Target







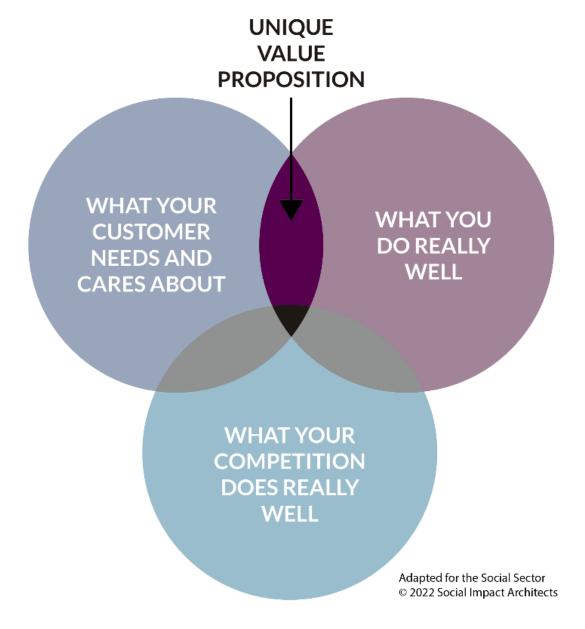
Value Proposition

Definition

Value proposition is a simple, clear, & convincing statement that tells your customers how YOU serve their needs, what THEY can expect, and why YOU are better than or different from the competition.

Importance

- Helps YOU differentiate yourself
- Creates a POWERFUL association



Deep Dive: https://socialimpactarchitects.com/value-proposition





Marketing Mistakes



- Mistaken Identity: Focus on the Why versus the Who/What
- Focused Identity: Focus on One Thing versus Everything
- Stolen Identity: Stories Exist No Matter What



Tool #2: Storytelling Matrix

| VISION: | MISSION: |
|------------------|----------|
| | |
| MHX \$ | |
| | |
| WHAT? | UNIQUE? |
| | |
| TAGLINE: | HOW? |
| | |
| ELEVATOR SPEECH? | |



HOLY TRINITY of

Vision - Mission - Values



VISION

Describes the organization's desired future state of the world (without mentioning the organization itself)

The best vision statements are one-sentence statements that are aspirational, yet measurable, and answer "what does success look like?" The best ones should evoke a feeling of hope.

MISSION

Describes the organization's unique reason for existence and its priorities and methods for accomplishing the vision ("unique" meaning that it connects to your unique value proposition)

The best mission statements are easy to memorize, action-oriented and understandable. The best ones should be a roadmap to your success.

VALUES

Describes the organization's fundamental beliefs and guiding principles that drive its culture

The best core value statements are often power statements, so employees understand the organization's DNA. The best ones should be easily put into action and build a unified team around a shared mental model.

Deep Dive: https://socialimpactarchitects.com/nonprofit-vision-mission-values/

SOCIAL IMPACT





Supercharge Your Efforts

- Utilize marketing (not just communications) as a key lever
- Audit your website for mobile-first and search optimization
- Evaluate your vision & mission statement for effectiveness
- Integrate experience marketing into all key processes
 - Elevator Pitch training for all employees
 - Mission Moments at Board meetings





"The next time you're looking at a charity, don't ask about the rate of their overhead. Ask about the scale of their dreams." – Dan Pallotta





Fundraising Shifts

• IMPACT MATTERS:

 61% of donors choose nonprofits to give to based on how well nonprofits use their money

• STORIES DRIVE RESULTS:

 41% of donors claim that a personal story influenced their decision to give

PRO-ACTIVE WINS:

• 40% of donors learned about planning giving from a nonprofit

STEWARDSHIP IS ESSENTIAL:

 Only 20% of donors give after their first gift, but after second gift this increases to 60%

Connection is Key



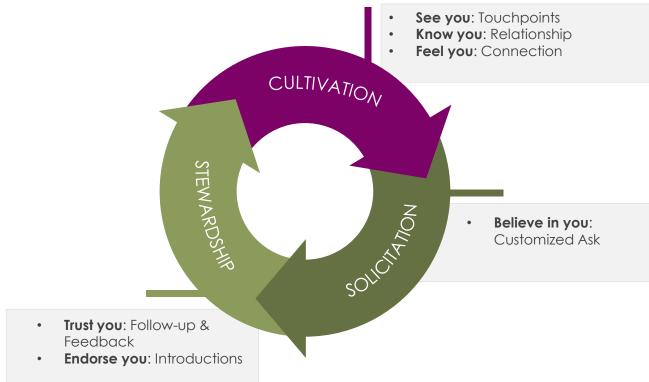




What is

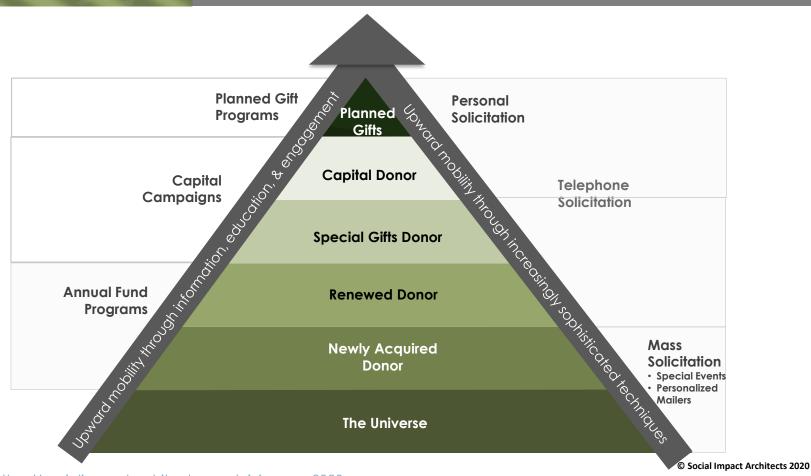
Relationship-Based Fundraising?

Fundraising is a Team Sport.





Individual Donor Pyramid



Deep Dive: https://socialimpactarchitects.com/giving-usa-2020





Tool #3: Financial Sustainability Checkup



Deep Dive: https://socialimpactarchitects.com/nonprofit-financial-checkup





Financial Sustainability Checkup

| | | LEVEL 1 Challenged | LEVEL 2 Stable | LEVEL 3 Healthy |
|----------------------|---|---|---|---|
| BUDGETING & PLANNING | Income Statement created for each line of business/department/program or cost center | No | Maybe | Yes |
| • | Review Income Statement for profitability for each line of business/department/program | No | Maybe | Yes - Probability % of success used to net down revenue forecast |
| P | Organization complies with GAAP revenue recognition | No | Maybe | Yes |
| | Program Profitability Review | Maybe | Yes | Yes |
| | Income Statement created for Unrestricted and Restricted Income | No | Maybe - dependent upon \$ level of TRNA & PRNA | Yes |
| | Financial System | QuickBooks; Xero | QuickBooks PRO; Sage | Sage Intacct; Dynamics 365 |
| OPERATIONS | Financial Staffing - CFO | None | Yes - but CFO is more transactional than strategic | Yes - experienced nonprofit CFO with strategic skill set & managing HR, Operations & IT |
| | Financial Staffing - Controller | None - but often using their accountant as the Controller | Yes - manages transactions and closing process well | Yes - Controller is CPA and has extensive GAAP knowledge |
| | Financial Staffing - Accounting | Has bookkeeper with some skills | Has an accountant with degree | Has experienced accounting team |
| | • Banking | Bank relationship transactional | Bank relationship transactional & strategic | One primary bank and using multiple products |
| | Credit Availability | Self-funded or Grant-funded | Line of Credit | Line of Credit & other financing options |
| | Cash Flow Forecasting | Only when needed | Cash flow actual vs. budget monthly | Monthly plus go forward 6 month forecast |
| | Revenue Recognition | Probably cash basis and recognize all when received | Quarterly | As received and then released per GAAP guidelines |
| | Cost Allocations | Not allocated unless they have grant programs | Some costs allocated to departments and programs | Indirect & G&A allocated to departments and programs |
| | A/R & Grant A/R Review | As needed | Quarterly | Monthly |
| | A/P Review | As needed | Quarterly | Monthly |
| | Month-End Closing Process | Inconsistent | Not updated regularly | Detailed and evolving |





Financial Sustainability Checkup

LEVEL 1

| | | Challenged | Stable | Healthy |
|------------------------|--|---|--|---|
| REPORTING & MONITORING | Bank Account Reconciliations - When | Quarterly | Monthly | Bi-monthly |
| | Bank Account Reconciliations - Who | Staff person who issues A/P checks | Not the staff person who issues A/P checks | Not the person who issues A/P checks; Controller reviews and signs off |
| dio | Cash Timing of Payments | Payroll taxes may not be paid timely; A/P as level of cash allows | Payroll timely; A/P some paid outside of terms | Payroll and A/P paid timely |
| | Financial Report Preparation | 30 - 60 days after month end | Within 30 days after month end | Within 10-15 days after month end |
| | Creation of Financial Dashboards | No | Maybe | Yes, tied to KPI (Key Performance Indicators) in strategic plan |
| | Balance Sheet Account Reconciliations | Annual | Quarterly | Monthly |
| | Endowment - Admin | Executive Director | Controller | CFO |
| | Operating Reserves | Typically do not have available | Not monitored | Monitored and measured to benchmarks |
| | Operating Reserves Amount | Less than 3 months | 6 months | Over 12 months |
| | Annual Audit | Review or compilation | Yes | Yes |
| BOARD | Board Meeting Frequency | Irregular | Quarterly | Monthly |
| GOVERNANCE | Finance Committee Role | As needed | Semi Active - quarterly | Active - monthly |
| | Board Role/Responsibility Clarity | Inexperienced board; lack of strong leader; committee structure not used well | Competent board; finance committee reviews reports & asks good questions | Knowledgeable & strategic board; strong committee structure |
| | Financial Reports sent to the board | Annual or when asked | Quarterly | Monthly |
| | Actual vs. Budget reporting/explanations | For Total Revenue and Total Expenses only; no BS or CF reporting | Quarterly | Monthly with insights included (e.g., what do the numbers mean) |
| | Risk Management | Not addressed unless issue arises | Focused only on reactive issues | Management identifies risks annually and board discusses and approves mitigation strategy |





FINANCIAL PLAN

Supercharge Your Efforts

- Evaluate your Level on Financial Sustainability Checkup
 - Celebrate success & supercharge in key areas
- Engage all staff, board, and volunteers in building a "culture of philanthropy" based on relationships and connection
- Implement monthly Giving Circle and planned giving
- Practice hyper-stewardship with all donors



"You do not rise to the level of your goals. You fall to the level of your systems." – James Clear



LEADERS

- Do the right thing
- Change
- Long-term
- Ends
- Architects
- Inspiring & motivating

MANAGERS

- Do things right
- Status quo
- Short-term
- Means
- Builders
- Problem solving

Leaders

versus Managers







System for Nonprofits

Operating System

Management Systems

How we guide & monitor our work

Structure & Accountability

How work gets done

Strategy

Enablers

How systems support our performance

Ways of Working

How we lead teams & behave

Execution





Tool #4: Operations Checkup

Aligned: Do you focus on and invest more in areas that drive the most impact?

Capable: Do you perform at high levels on the operational areas that are most critical to your

strategy?

Decisive: Does your nonprofit make data-informed, timely decisions?

Responsive: Does your nonprofit listen and respond to changes in performance, strategy, and

client need?

Productive: Do you execute efficiency balancing cost, quality, and speed?

Inspired: Are you able to attract high-performing talent and can they be successful within your

organization?

Sustainable: Do you generate and sustain revenue to be effective in your efforts?



Operational Shifts

Technology & Digital First:

Embracing technology as a horizontal

Human Capital Strategies:

 Moving from HR to Human Capital Strategies to include talent recruitment and retention, improved internal communications, performance management, succession planning, leadership development, and diversity, equity, and inclusion

Building systems that support growth







Supercharge Your Efforts



- Evaluate your Operational System with Checkup
 - Celebrate success & upgrade where needed
- Consider technology assessment to become digital first
- Build a pipeline of equipped leaders for the sector
- Achieve goals through dashboards and project management tools



Networking Break 10:00 – 10:15





















"Culture eats strategy for breakfast." – Peter Drucker



Culture as a Differentiator



- From Latin word "cultura" meaning "to cultivate"
- "An energy force that becomes woven through the thinking, behavior and identity of those within the group." – Debra Thorsen
- Vision & Mission & Values ≠ Culture



Across Multiple Generations

Work Differs



Baby Boomers because it (1946-1964)

Generation X

(1965-1979)

Millennials

LIVE TO WORK: Work hard

Mantra

defines you, and you can make a difference

Efficiency

Values

- Quality Personal **Fullfillment**
- Team Player In-person
 - communications Title and money matters

Style

Work hard at

Multi-tasking

Automation

Direction

Self-reliance

Fmail communications

Participative

Entrepreneur

immediate

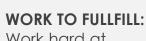
communications

Freedom matters

Direct &

Meaning matters





WORK TO LIVE:

you can play

hard

Work hard so then

work that has

Tenacity Goal oriented





Most powerful predictor of retention

is not wages or flex time, but job satisfaction, work-life balance, and belonging.

Largest Barriers

- Burnout
- Busyness
- Burden

Biggest Breakthroughs

- Breaks
- Belonging
- Bonding





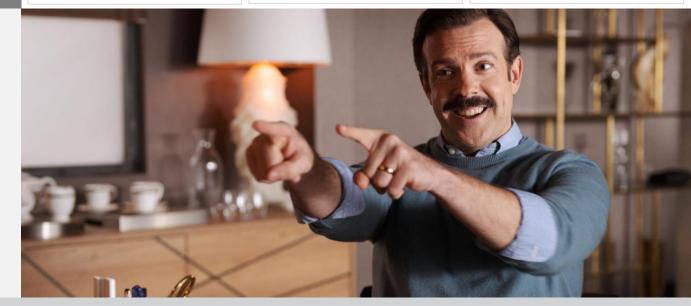
Workplace

Science













Supercharge Your Efforts

- Boost performance through Core Values
 - If you don't have them, get them.
 - If you do, are you living by them?
- Become an expert on navigating conflict
- Prioritize mental health, including self-care, secondary trauma, and burnout

Deep Dive: https://socialimpactarchitects.com/core-values



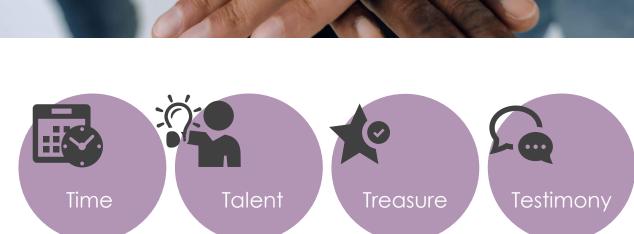


"Great board members are great, not because of what they do in board meetings, but by what they do between board meetings." – Suzanne Smith



Upgrade to 2-Way Relationship

between Nonprofit & **Board Members**



Deep Dive: https://socialimpactarchitects.com/?s=board







Supercharge Your Efforts

- Conduct professional development to improve effectiveness
- Shift board meetings to board strategy sessions
- Conduct a Board 360 to assess performance & for continuous improvement
- Develop succession plans for key board roles























About Suzanne



Suzanne Smith, MBACEO, Social Impact Architects
Adjunct Professor, UTA & SMU



Suzanne Smith serves as a coach and consultant for social organizations seeking to maximize the impact of their social strategies and achieve real, measurable results. Having spent the greater part of the past three decades generating innovative and breakthrough social ideas, she has been widely recognized for her success in building and implementing award-winning programs and initiatives within the social sector. The daughter of two career educators, she has deep expertise in the social sector locally and nationally. Suzanne holds an MBA from Duke University's Fuqua School of Business, where she was a CASE (Center for the Advancement of Social Entrepreneurship) scholar.

Outside of Social Impact Architects, Suzanne holds a research fellowship at the Center for the Advancement of Social Entrepreneurship at Duke University and is an adjunct professor in the school of management at the University of Texas at Arlington and SMU. She is also a member of the prestigious Society of Organizational Learning (founded by Peter Senge).

Suzanne also authors Social TrendSpotter (@socialtrendspot), one of the sector's top blogs according to the *Huffington Post*. Known for its relatable way of blending important concepts and new ways of working with storytelling, Social TrendSpotter has been hailed by readers as "the only blog I read each week." **She is frequently interviewed by regional and national media on social issues and social entrepreneurship and has published articles in Forbes, The Chronicle of Philanthropy, See Change, Nonprofit Business Advisor, Upstart and Grantmakers in Health. For her outstanding work as a leading thinker, she was recognized with the Next Generation Social Entrepreneur Award by the Social Enterprise Alliance.**

Suzanne is a dedicated community leader herself and worn many hats, including serving the City of Dallas on a number of boards and commissions and working pro-bono/low-bono with many projects and nonprofits across North Texas.



About Social Impact Architects

Social Impact Architects[®] is a social change agency that provides consulting and learning resources to changemakers, working alongside them to design creative and transformative solutions to social issues. SIA uses innovative, market-driven management tools to design cost-effective, pragmatic plans for our clients. We work collaboratively with our clients to ensure organizational ownership and improved capacity to sustain the solutions we help design.

About SIA

- Created in 2009 to bridge the divides in the creation of social solutions between governments, philanthropy, and nonprofits
- Established as a Benefit Corporation; received Best in the World from 2015-2019
- While headquartered in Dallas, Texas, the firm works across the country with clients large and small with a focus on the middle of the country
- Leverages a diverse virtual team with masters degrees from across the country speaking multiple languages

Firm Expertise

- Authors Social TrendSpotter (@socialtrendspot), one of the sector's top blogs according to the Huffington Post. Known for its relatable way of blending important concepts and new ways of working with storytelling, Social TrendSpotter has been hailed by readers as "the only blog I read each week."
- Social Impact Architects has successfully contributed to system change and innovation projects at the local, state and national level. This process has been so successful that it was presented in 2015 at the U.S. Conference of Mayors as a best practice.
- Social Impact Architects serves in a number of advisory roles to government, including HHS's roundtable on social enterprise.





CEO, Suzanne Smith, testifying at the U.S. Conference of Mayors in 2015.

