

**Stage One: Startup**

The first organizational phase typically is characterized by a small group of volunteers, or perhaps a highly motivated individual, responding to a cause, issue, or problem. The initial goals tend to be subjective and the group may lack the expertise needed to form a nonprofit organization. The greatest assets are the active involvement of volunteers with a common purpose, the existence of a pervading "can-do" entrepreneurial spirit, and possibly the presence of a charismatic founder.

The greatest challenge facing the startup organization is overcoming problems attendant to its small size. The Beatrice Foundation Awards for Excellence program evaluated several hundred nonprofits over the years and made awards to organizations in three size categories, based on annual revenues. They had this to say about the smallest organizations, those with annual revenues under \$250,000: "It has become increasingly difficult for the smallest groups to succeed at management excellence. Their struggle to serve constituents can consume them to the point of survival, rather than excellence. Over the years, it has become clear that some invisible threshold must be crossed before small groups can even begin to consider management excellence" (Beatrice Foundation, 1989, pg. 11).

The challenges, then, for the fledgling organization revolve around those activities that bring it stability and enable it to grow to a size where it can concentrate on the quality of its programs and services, rather than on its sheer survival. The challenges are:

- For the founders to agree upon and articulate a shared vision for the organization in the form of a mission statement.
- To set modest but specific goals for the first year or two of operation, develop a plan for reaching the goals, and adhere to the plan.
- To evaluate potential resources for fund raising and obtain the best possible assistance to develop a fund-raising plan.
- To enlarge the volunteer base by concentrating on people who identify with the goals of the organization and who can help it in specific ways.

## Planning for Excellence

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We have described a wide range of techniques for applying the four hallmarks of excellence: mission as the guiding force, presence of a true leader, existence of a dynamic board, and the ability to attract resources. But where to begin? It is not possible for the average organization to embark on a number of improvement steps simultaneously. The most appropriate actions must be selected and priorities established.

A useful guide to setting priorities is provided by examining the current growth stage of the organization. In the same way that institutions differ from one another in nature and purpose, they also vary in age and, more important, in their position on the growth curve of nonprofits. In this concluding chapter we examine the characteristics of three stages in the growth of voluntary organizations (startup, growth, maturity) and focus on ways you can tailor improvement strategies to your own setting. We will discuss the key challenges an organization faces at each stage and suggest ways to conduct an internal self-evaluation and capitalize on the perspective provided by outside resources.

- To formalize its structure by developing bylaws, filing for incorporation in the home state, and establishing its tax-exempt status with the U.S. Internal Revenue Service.
- To establish and maintain an accurate accounting system.

#### Stage Two: Growth

The growth stage is attained when the organization has survived the startup period, achieved some stability in funding, and reached the level where a full-time executive director and other staff members are employed. The board may be enlarged, bringing with it diversity and resources appropriate for the growing organization. The feeling pervades that further expansion in funding, membership, and programs is achievable and staff and board are motivated in that direction. At the same time, the group has learned that the road to success is not straight and well paved; adherence to sound management practices is accompanied by trial-and-error learning as obstacles are overcome. The board faces the fact that its role has changed because it is not doing everything itself, and the executive director builds a staff and learns to work effectively with the board.

A principal challenge is keeping alive the spirit and momentum initiated by the founders and achieving expansion without distorting the original mission. Other challenges include:

- Developing a plan for maintaining the funding base after startup grants and initial gifts run out.
- Expanding or diversifying the board to include people who are willing and able to help the organization as it grows.
- Building a membership base or other core of volunteers and financial supporters.
- Developing a formal annual plan with measurable goals and objectives, supplemented by a long-range plan extending three to five years in the future.

Organizations can fail and go out of existence in either of the first two stages of growth, so the ultimate objective is to successfully meet the challenges encountered in those stages to

be able to move to the third stage. Those fortunate enough to find themselves in stage three are still faced with the challenge of attaining and preserving excellence in an ever-changing world.

#### Stage Three: Maturity

The mature organization may still be growing, but it has reached a degree of stability and self-sufficiency that enables it to devote more time and energy to evaluating and improving itself. It is likely to have become more institutionalized and bureaucratic as it grows in size and complexity. It has identified and been successful with its funding sources and has a well-developed planning and control system. Generally, the mature organization has developed a credible track record and is in a good position to attract givers and volunteers.

At the same time, the mature organization is not without substantial challenges. The very size and current stability that are the envy of other nonprofits can provide an illusory sense of security that prevents the organization from adapting to changes in the world around it and maintaining its fund-raising momentum. Corporate dinosaurs headed for extinction are not restricted to the for-profit world!

The mature organization must:

- Keep a large, prestigious board fully involved and committed.
- Ensure that the organization does not become so staff driven that the board becomes a tool of the chief staff officer, with volunteers relegated to mundane tasks.
- Maintain a keen ability to be aware of and respond to external changes that affect the organization's ability to carry out its mission. For example, the Girl Scouts and Big Brothers/Big Sisters reacted to demographic and geographic changes by developing inner-city programs and encouraging participation of young people of all races.
- Pay attention to the needs and problems of a larger staff, including their desire to be part of the decision-making process.

- Recognize the need for self-renewal among staff and board members, including bringing new persons and new ideas on the scene.

### Evaluating Your Organization

The best way to identify strategies for improvement is to conduct an evaluation of the organization—how well is it doing and how can it do better? We will consider a straightforward process to help an organization evaluate itself and then explore potential outside sources of assistance that provide insights not available from people close to the institution.

At the outset, you must determine what is to be evaluated and how. This is best done within a simple planning framework established at the start of each year. In that process, it is important that the people involved—chief staff officer, board members, and staff—participate in and reach consensus on the need for a plan and the course to follow. The planning framework consists of four steps:

1. Developing the organization's mission statement or reviewing the existing mission statement.
2. Developing specific goals for the coming year that carry out the mission.
3. Listing activities required to meet the goals.
4. Listing criteria to be used to measure results—establishing yardsticks for determining whether or not the goals are achieved by year-end.

Completing these steps at the start of the planning period sets the stage for carrying out the evaluation at the end of the year. This can be a simple process; the active involvement of staff and board is more important than elaborate details. The plan serves as a guide during the year as well as the framework for year-end evaluation.

There are several advantages to conducting an annual self-evaluation:

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- It provides a basis for taking timely corrective action.
- It lets the board know what is going on.
- It is useful in informing current funders how their money is being spent and providing prospective funders with solid information about how well the organization is operating.
- For larger organizations, a parallel evaluation process can be applied to each department or program area to provide more details on strengths and areas for improvement and to let department heads know how they are doing.

A second aspect of self-evaluation concerns a nonprofit's performance in fulfilling its responsibilities to the public as a trustee of the charitable funds it receives. Comprehensive checklists of ethical and fiduciary standards are provided by the National Charities Information Bureau (1988) and the Council of Better Business Bureaus (1982). A fuller exploration of ethical issues facing nonprofits is found in *Obedience to the Unenforceable: Ethics and the Nation's Voluntary and Philanthropic Community* (INDEPENDENT SECTOR, 1990a). That publication presents the recommendations of INDEPENDENT SECTOR's Committee on Values and Ethics. The committee is composed of nonprofit leaders, legal scholars, journalists, consumer and social advocates, and representatives of higher education and religion. The Committee recommends that all organizations in the voluntary sector adopt an organizational credo and conduct an internal ethics review every year. It also recommends that larger organizations develop a supportive set of codes or standards, involve all of their constituencies in the process, and infuse the process and the documents into the culture of the organization (1990a, p. 5).

### Assistance from Outside the Organization

Although periodic self-evaluation is the essential first ingredient, the perspective provided by qualified outsiders is also useful. The Beatrice Awards Program concluded that one of the keys to management excellence was "an organization's willingness to

use outsider advisors from professional management consulting firms, pro bono technical advisors or peer nonprofit organizations whose mission is to serve the sector" (Beatrice Foundation, 1989, p. 11).

A wide range of resources is available to nonprofits seeking outside advice or assistance. Beatrice Awards applicants in the Chicago area have used these resources: volunteers from the Executive Service Corps (retired executives with specialized experience in such fields as marketing, accounting, planning, human resources, and general management), United Way staff specialists, the Support Center (a technical assistance group serving nonprofits in a number of cities), Business Volunteers of the Arts, the local grantmakers' forum, the consulting group of a major accounting firm, and faculty members from a local university. O'Connell points out in *Evaluating Results* (1988a) that additional outside resources for groups affiliated with a national organization include members from the national staff or a team of peers from other chapters of the organization. For those without a national organization, O'Connell suggests assembling a local team of several of the best staff directors and most experienced board volunteers from other nonprofits in the community.

In instances where volunteer or *pro bono* assistance is not available or appropriate, some organizations have obtained grant support for professional consultants. There is increasing recognition among foundations that evaluating organizational effectiveness is a key to helping nonprofits improve themselves. This, in turn, helps ensure that basic support grants are being well spent.

The skilled outside evaluator brings an objectivity and perspective that the insider lacks. Consultants often find that insiders may not be identifying and defining the problem appropriately or may be asking the wrong questions. This is often the case when the problem involves relationships among individuals rather than technical, programmatic, or financial matters. The insider is at a particular disadvantage when he or she is part of the problem and may not recognize it or be willing to admit it.

Another invaluable use of a well-qualified consultant is to obtain information and opinions from people outside the organization. Frequently numerical data are not available or relevant to evaluate activities or programs and a mail survey will not yield the most meaningful information. A trained outsider is more likely to elicit candid and complete information from respondents through interviews or focus-group discussions and can more objectively analyze the resulting information so it will be most useful to the organization.

For example, INDEPENDENT SECTOR wished to determine how well its government relations program had informed, educated, and influenced the federal government in specific recent legislative and regulatory matters, and how successfully it had established and maintained effective working relationships with Capitol Hill and government agencies. A consultant worked with the government relations staff to frame questions and then conducted face-to-face and telephone interviews with members of Congress and their staffs, members of the press who follow the nonprofit sector, and other knowledgeable outside observers. The consultant then analyzed and interpreted the resulting information.

In summary, key evaluation activities can be carried out effectively by the staff and board, but the perspective and skills of persons outside the organization are often helpful. The current growth phase of the organization also influences the nature of the evaluation process and the questions the institution should ask itself.

#### A Final Word

In this volume, we have sought to distill the findings of recent research studies of key factors contributing to the excellence of voluntary nonprofit organizations. We have relied on real-life examples to substantiate the findings, have examined ten very different organizations in some depth, and have proposed actions nonprofits can take to achieve excellence.

This is not an operational handbook for the startup or day-to-day administration of nonprofits, but a volume to en-

courage nonprofit staffs and volunteers to raise their organization from a level of practical competence to true excellence. In the process, we have emphasized four caveats:

1. Organizational excellence must be built on a foundation of sound management practices.
2. No organization is perfect, and there are always opportunities for further improvement.
3. No single prescription is equally applicable to all nonprofits; each must find the improvement strategies that best fit its circumstances.
4. The road to excellence and maturity is not smooth; learning from mistakes is as important as going by the book.

We hope the principles, techniques, resources, and examples will help your organization strive for excellence. The next steps are up to you!

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