



Wiley Nonprofit Series

The Complete Guide to Nonprofit Management

Second Edition

Smith, Bucklin & Associates, Inc.

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Smith, Bucklin & Associates, Inc.

Edited by Robert H. Wilbur



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Foreword

What is most important is to have a family of strategies, such that one can vary the response to one's changing circumstances according to success.

—Murray Gell-Mann

The world of nonprofit management is changing. Gone are the days when volunteers had generous amounts of time to give to support their causes, and gone are the days of accelerated growth in many nonprofit sectors. In fact, recent reports from Gales Research have indicated that for the last five years, the number of newly created national associations is being fairly evenly offset by the number of discontinued national associations—a testament to the fact that the industry is indeed undergoing a transformation.

These dynamics mean that volunteer leaders of nonprofit organizations are faced with increased challenges. They must provide effective leadership and governance to ensure that an organization's mission is fulfilled. To accomplish this, leaders must work to embrace new management practices that reshape organizations to remain competitive. In addition, they must build value within their organizations to satisfy the increasing needs of members, often with resources that are truly limited.

Nonprofit organizations can overcome these challenges by following three simple principles: (1) Organizing leadership such that it accepts its mission to strategically focus on building the services that satisfy member needs, (2) creating a culture that motivates and rewards volunteers, and (3) understanding and utilizing proven, dynamic association management practices to achieve success.

Smith, Bucklin & Associates has been managing nonprofit organizations—trade and professional associations, technology user groups, and medical societies—for more than 50 years. We have long maintained that with the exception of the volunteer aspect of associations and societies, the management practices of well-run nonprofit organizations are no different from the management practices of successful for-profit organizations. We have developed best practices in the areas of strategic planning, financial management, membership management, marketing and communications, trade show

management, meeting planning, convention management, Internet services, and government relations—core areas critical to the stability and viability of an organization.

From these proven business practices, Smith, Bucklin has helped clients to achieve excellence in organization management by demonstrating:

- How to build an organization to be financially strong, efficient, and resourceful
- The management practices that contribute to organizational success
- How an organization can best use strategic planning to achieve its long-term goals
- The services, education, and information that should be provided to members
- The role of technology in servicing members with information, communication, e-commerce, and the like
- The proven methods of attracting, satisfying, and retaining members
- How the organization can use meetings, conventions, and trade shows to sustain the financial needs of the organization and define its presence in the marketplace
- The best sources of revenues to sustain long-term growth
- The best methods for providing rewarding experiences for volunteers, while also ensuring their loyalty to the organization

The internal sharing of best practices has allowed us to take the best ideas from the processes of nonprofit management and bridge the thinking across organizations and industries. This book contains some of the best examples of issues and management practices that Smith, Bucklin has gathered through serving thousands of clients over the years nationwide, as well as through participating as board members or volunteers with local and charitable organizations.

This book was prepared to provide readers with the insight required to lead a successful organization.

Stephen Fitzer
Chief Executive Officer
Smith, Bucklin & Associates, Inc.

Preface

In the last 25 years, the nonprofit sector of the U.S. economy has grown rapidly in size and significance. More than 1,500,000 nonprofit organizations were registered with the Internal Revenue Service in 1996. Author and management consultant Peter Drucker, counting both paid employees and volunteers, has characterized nonprofits as “America’s largest employer.” Nonprofit organizations, including religious organizations but even without the contribution of (c)(6) trade and professional associations, had total revenues of \$621 billion in 1996, equivalent to approximately 6.8 percent of the nation’s total economy.

What accounts for this rapid growth? One reason is the evolution of our economy from agriculture to manufacturing to services and information technology. Another is the precedent set by increased government funding for health, education, and social welfare programs during the 1960s and 1970s, which stimulated the formation and growth of many nonprofit organizations, especially in service areas. When federal cutbacks occurred in the 1980s, local communities, corporations, and individual citizens, rather than seeing these service organizations disband, often stepped in to fill the void.

America’s tradition of solving problems with the help of volunteers is not new. As early as 1835, French writer Alexis De Tocqueville noted the American tendency to band together in voluntary association to take on community problems:

Americans of all ages, all conditions, and all dispositions constantly form associations. They have not only commercial and manufacturing companies, in which all take part, but associations of a thousand other kinds, religious, moral, serious, futile, general or restricted, enormous or diminutive. The Americans make associations to give entertainment, to found seminaries, to build inns, to construct churches, to diffuse books, to send missionaries to the antipodes; in this manner they found hospitals, prisons, and schools. If it is proposed to inculcate some truth or to foster some feeling by the encouragement of a great example, they form

a society. Wherever at the head of some new undertaking you see the government in France, or a man of rank in England, in the United States you will be sure to find an association.

—Alexis De Tocqueville, *Democracy in America*

More than 200 years later, volunteerism continues to spread, with nonprofit organizations providing the structure that makes volunteerism effective.

The word *nonprofit* is often misunderstood. Technically, it describes an organization that does not distribute profit (either dividends or capital gains) to its owners; it has no owners in the sense of the for-profit sector, and any income that exceeds expenses stays with the organization rather than flowing through to an owner or owners. But within this general category, the nonprofit world is immensely varied. It includes such large organizations as the Massachusetts General Hospital, Stanford University, and the American Red Cross, as well as trade and professional associations and local community organizations ranging from churches and temples to soup kitchens and shelters. Sources of revenues vary as well. A recent study published by the Foundation Center estimated that 51 percent of the income of all nonprofit service organizations comes from fees and other charges for services, 31 percent from government, and only 18 percent from charitable giving (the latter largely by individuals but also by corporations and foundations). Although those charitable groups that cannot charge fees inevitably depend more heavily on charitable giving, the point remains: “not-for-profit” cannot be “for-loss.”

Despite the great variety of organizations, of purposes, and of sources of funding, a common element prevails: These organizations have become critical to the quality of life in America. They serve us and they deserve our support.

Despite the growing importance of nonprofit organizations in our society, relatively little has been written about the management issues facing their staff and leaders. Until recently, many believed that nonprofit organizations could not be “managed” in the same way as for-profit organizations. There was a bias against using the “bottom line” orientation of the corporate business world to manage nonprofit organizations. But nonprofit organizations today must operate as effectively and efficiently as for-profit organizations or they go out of business. With escalating costs and diminishing resources, nonprofit executives are now under the same pressures as for-profit organizations to justify every dollar spent. The days are past when a casual style of management, based on idealism rather than professionalism, might be excused because the work of the nonprofit was from the heart or because its staff were less well paid than those of comparable for-profit organizations.

For the most part, nonprofit organizations still do not face the same financial exigencies as the typical corporation: Extinction is not as likely if they fail to turn a profit (or, in nonprofit terms, provide a surplus of income over expenses.) But nonprofits are not excused from balancing their budgets. Under the pressures of “right-sizing,” this exemption from the laws of economics is being repealed. Even the most loyal donors and contributors to nonprofits are now far less willing to support fund-raising campaigns whose goals increase in direct proportion to the shortfalls from operations, or that lack a compelling explanation of how the funds will be spent. When revenues shrink in the face of rising needs or desires, the bottom line exerts its discipline. Members of our boards of directors expect us, quite rightly, to operate at the same level of professionalism and proficiency that they demand from the staffs of their own organizations. Peter Drucker has noted the change, stating that nonprofits have entered the world of “accountability.”

The Complete Guide to Nonprofit Management, Second Edition, is intended to help nonprofit executives and their volunteer leaders manage their organizations in this new and increasingly complex world of accountability. The contributors to this book work for a for-profit organization that manages more than 180 nonprofit organizations. Most have business backgrounds, often with additional experience in education or government. As our nonprofit clients always have the option of taking their business somewhere else, we live under a market discipline in many ways similar to that of the for-profit world. We believe our success, and much of what we have to share in this book, lies in our ability to adapt for-profit management strategies and techniques to the unique demands of the nonprofit world. Most of us also serve as volunteers, either on boards of directors or as participants in the work of charitable organizations. We’ve tried to bring both perspectives—paid manager and volunteer leader—to this book.

There are elements of art as well as science in managing nonprofit organizations. Relations between paid staff and boards of directors differ between nonprofits and typical for-profit organizations, and differ as well from one nonprofit to another. Management styles are perhaps more likely to be “interactive” in nonprofit organizations, based on teamwork and communication, but individual management styles and varying sizes of organizations make generalizations difficult. Nonetheless, the limits imposed by budgets mean that most nonprofit managers and staff wear several hats; CEOs must also perform much of the day-to-day work, not just facilitate.

We are pleased that the first edition of *The Complete Guide to Nonprofit Management* has helped many nonprofit managers address many of their common management concerns: clarifying their organization’s mission, marketing their services, raising funds, managing

staff and finances, deciding how to communicate with constituents, the public, and government. This second edition provides several new chapters, numerous new examples of successful programs, and a completely new discussion of how best to utilize the new information technology in both management and communication.

To help both the nonprofit executive and the board member who wants to know more about the tasks facing these organizations, we have structured this book in three sections:

- I. Building the Foundation
- II. Pursuing the Mission
- III. Managing the Organization

The first three chapters (Part I) deal with basic management issues confronting almost all nonprofits: establishing (and reevaluating) the organization's direction (or "mission"); maximizing board/staff effectiveness; and creating the "marketing orientation" necessary for growth. These elements of nonprofit management should, we believe, be reevaluated constantly. Without a practical sense of mission, organizations often flounder, unable to develop effective action plans. Without an understanding of board-staff relationships and of the way these may change in the evolution of an organization, much of the available talent and energy will be wasted. Without a realistic appraisal of its potential supporters and what it has to offer them—whether donors, members, or the segment of the public it wishes to serve—and a plan to make itself known, the best of dreams remain unrealized.

Part II, "Pursuing the Mission," turns to the design and execution of strategic and operational programs. As we have noted, nonprofits get more than half of their revenues from services. Establishing a marketing orientation does not mean giving up the goals on which most nonprofits are founded; it does mean developing the awareness that even a charity requires an assessment of the revenues the organization can expect from its services.

Chapter 4, a new chapter in this second edition of *The Complete Guide to Nonprofit Management*, provides real-life examples of nonprofit professional and trade associations that have successfully expanded their services and developed new sources of revenue to support these services. Chapter 5, on fund-raising, has been revised to cover the essential concept of developing a coherent case for support as the basis of all charitable appeals and the use of the Internet as a source of information and as a direct fund-raising tool. Subsequent chapters, dealing with specific programs—educational activities, meetings and conventions, public relations, and advocacy—have been revised with new case studies and examples. Chapter 10, another new

chapter, provides case studies of nonprofits, both professional and charitable organizations, that have looked beyond our own borders to work with men and women with similar goals throughout the world. Examples from our own and others' experience illustrate how these activities can be effectively planned and executed.

Part III, "Managing the Organization," focuses on issues of day-to-day management, emphasizing the tools essential to running a nonprofit organization: choosing and managing the right information system in an age of technology, understanding basic nonprofit accounting principles, managing staff and resources, meeting legal requirements, selecting and using consultants. Most notably, the chapter on information systems (Chapter 11) has been totally rewritten, reflecting the dramatic change in nonprofit management that has occurred with the explosion of the Internet.

In addressing these management topics, we have outlined strategies that have been used successfully by professionals with responsibilities ranging from overall executive management to such critical details as staff management, finances, meetings, public relations, and member communication. We have reviewed such ever-present issues as the relationships between staffs and their boards of directors and the constantly changing role of information technology. We hope these discussions will be of value to the most seasoned nonprofit executive, as well as to those coming into new responsibilities. We also hope that our discussions will give nonprofit boards of directors a better understanding of the efforts and responsibilities of management in this vital part of our economy, as well as an appreciation of their own leadership role in working with both staff and volunteers.

Finally, we recognize that our observations and recommendations will not fit every organization's need. But we hope to provide a starting point for those looking for practical tools and techniques, drawn from experience and proven in practice, for meeting many of the day-to-day challenges of "accountability" in this growing world of nonprofits.

Robert H. Wilbur

Smith, Bucklin & Associates, Inc.
January 25, 2000

Acknowledgments

We wish to take this opportunity to thank the dedicated officers, board members, committee chairs, and volunteers of the nonprofit organizations we serve. These men and women have been active participants in the programs and projects we describe; they have brought to these organizations their own knowledge and experience, providing us with ideas and inspiration; they have pressed us to think beyond what we have done in the past, searching always for new and more effective ways to work toward their organizations' goals.

To them this book is dedicated.

A large number of the experienced association executives of Smith, Bucklin & Associates have contributed to this book. Individual executives have authored some chapters, others are the product of teams. We wish particularly to recognize Ute Duncan, Susan Finn, Carolyn Freeland, William Greer, Carter Keithly, Jennifer Lewis, William Peyser, Dennis Smeage, Jill Rathbun, and Judith Thomas for their contributions. John Fisher provided content and counsel for the new chapter on the selection and use of information systems; Michael Payne, Deirdre Flynn, and Andrea Leiter reviewed and helped us improve a number of chapters. Michael Brodie provided new material and concepts for the important chapter on Fund Raising. Nora Greer worked successfully to convert our raw material and ideas for several chapters to the finished material you see here.

Stephen Fitzer, our chief executive officer, supported the project enthusiastically; his commitment was essential.

We also thank Marla Bobowick, our first editor, and Martha Cooley of John Wiley & Sons, for encouraging us to take on the labor that led to the first edition and then to the rewrites and additions that, we hope, will make this book more useful still. They have brought tact, prodding, and a sharp editorial eye to the difficult job of working with a consortium of writers more concerned with their responsibilities to client associations than to the deadlines of editorial production.

Finally, we express again our admiration and appreciation to William E. Smith, founder of Smith, Bucklin & Associates, who has been a friend, mentor, and supporter to us throughout our careers. While building a company with more than 600 employees, he has never lost sight of the fact that every one of us has an obligation not only to the nonprofit organizations we serve, but also to the communities in which we live and to our society as a whole.

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