

Profitable **Solutions** *for* **Nonprofits**

Spring 2009

**Outcomes-based evaluation
puts the proof in the pudding**

Building a dream team

How to manage the board selection process

**5 ways to boost
your nonprofit's income**

Newsbits



Outcomes-based evaluation puts the proof in the pudding

In the world of real estate, the mantra is location, location, location. In the world of nonprofits and the entities that fund them, the mantra is results, results, results.

Funders want to know that their money is being spent responsibly and you're accomplishing — at least working to accomplish — what you said you would. One way to provide that assurance is by using *outcomes-based evaluation (OBE)*.

WHAT IS OBE?

OBE, also known as results-focused evaluation, is a type of performance metric geared to a nonprofit's specific programs or organizational goals. In other words, OBE measures the results of your organization's efforts.

In particular, OBE measures the changes and improvements in such things as the knowledge, skills, attitudes, behaviors or socioeconomic status of people who receive your services. OBE assesses the aggregate of these outcomes in relation to a program's stated purpose and your nonprofit's mission.

When used properly, OBE can help you do a better job of articulating the distinctive qualities of your outreach and substantiating the organization's or program's success.

Funders want to know that their money is being spent responsibly and you're accomplishing — at least working to accomplish — what you said you would.

WHERE DO YOU START?

A nonprofit using OBE must first translate its mission into clear, measurable goals. These mission-oriented goals are then broken down into smaller objectives.

Next, the nonprofit develops observable "indicators" that show progress made toward those goals. A simple way to identify indicators is to answer the question: "How will we know when we have successfully helped our constituents as intended?"



For example, if your mission is "to help unemployed adults return to the workforce," progress could be indicated by "job seekers having one to three job interviews per week." Four to eight other such indicators might be developed from the goals your organization has identified. Three to five of these indicators could be near-term objectives with the remainder being longer-term goals.

HOW DO YOU MEASURE PROGRESS?

OBE typically measures these indicators involving the program participants at set intervals. In our example, the job seeker could be asked at four, eight and 12 weeks how many letters of application she's sent out and how many phone and in-person interviews she's had. Time periods might vary for different phases of a program. The end

LEARNING MORE

Many resources exist for finding information on outcomes-based evaluation (OBE) and training. Here are two:

- * "Basic Guide to Outcomes-Based Evaluation for Nonprofit Organizations with Very Limited Resources," Free Management Library, 1997-2008, <http://managementhelp.org/evaluatn/outcomes.htm>.
- * "Series on Outcome Management" for not-for-profit organizations, The Urban Institute, urban.org/publications/310776.html.

result is "measured outcomes," actual changes in behavior or conditions within the monitored time period.

At the end of a given measurement period, you can determine whether each program has accomplished its intended outcome, thus indicating the effectiveness or success of the program. You can then present these measured outcomes in a report to your funders and the media.

WHAT'S NEXT?

OBE comes with its own structured approach — often called a *logic model* — that includes intended outcomes, impact targets, indicators and data sources. OBE isn't rocket science, but it does require some study and, if desired, training. See "Learning more" above for ideas about where to start. *

Building a dream team

How to manage the board selection process

Having a leadership team that can drive your nonprofit through hard economic times is more important than ever. Combine that large order with another important factor — transparency — and you have your work cut out for you. So how can you put together a board of directors that can nimbly pick up the ball while satisfying the community your nonprofit serves?

LOOK FOR A STRONG OFFENSE AND DEFENSE

New federal rules regarding board member selection, notably recent IRS Form 990 disclosure requirements, call for greater due diligence in selecting members to serve. A good place to start is by putting yourself in the shoes of your contributors, funders and constituency when evaluating your current board. Ask yourself these three questions:



1. Does the board's makeup represent a range of diversity and inclusiveness? Diversity can cover gender, race, geography, age, expertise and other factors. Inclusiveness is how well the board's makeup mirrors your organization's mission.

2. Is it easy to see how each board member aligns with your nonprofit's mission? Consider including a personal statement from board members on your Web site and other promotional materials that define their passion for your cause.

3. What commitment do board members make? Some nonprofits ask board members to sign contracts outlining their commitment — including the time they'll commit, the funds they promise to donate or raise, and the duties they'll perform. If you choose to have your board members sign

such a contract, be sure the public knows about it so that everyone knows your expectations.

The first step in formalizing the recruitment process is to identify the talents your organization needs. Although some nonprofits believe anyone willing to lend their time qualifies for board membership, specific personal and professional strengths will help the board — and the nonprofit — function more effectively.

Some desirable qualities to seek out include:

- * An understanding of the services provided,
- * A passion for the organization's mission,
- * A willingness to commit the time to attend all — at least most — board functions,
- * An ability to work well in a team environment,
- * Communication skills, and
- * A desire to represent the organization in a positive manner.



Once you determine the personal attributes of your ideal board member, identify the professional skills needed by the board. Most boards include individuals with backgrounds in finance and accounting, business management, marketing, human resources, and areas specific to the nonprofit's services, such as health care, education or literacy.

PUT TEAM GOALS FRONT AND CENTER

You also should consider your organization's strategic goals and current challenges. Think about the makeup of the current board and ask: Do we have any gaps in

experience that we need filled? What new board member skills are top priorities?

You may be able to recruit community members with some of those skills to serve on committees rather than as board members. That way you can get to know the volunteers' strengths and skills first without making a long-term commitment. Over time, you may be able to groom these committee members for viable board membership.

Most boards include individuals with backgrounds in finance and accounting, business management, marketing, human resources, and areas specific to the nonprofit's services.

SEARCH WELL AND WIDELY

Identifying candidates is the next step. Just as you would for a *paid* leadership position, assemble a pool of candidates for each board seat. In many organizations, current board members supply candidates' names. Recruiting new board members "cold" might not be as simple. So if your nonprofit is finding it difficult locating the right people to sign on, try these strategies:

1. When representing the organization in a speech or other public appearance, mention that you're always looking for people interested in becoming active volunteers or board members.
2. Get the word out that you're looking for new board members by asking friends, business colleagues and family members whether they know someone who would be a good candidate.
3. Advertise in a local newspaper, alumni newsletter and the nonprofit's newsletter, and post an ad on the organization's Web site.
4. Consider whether current volunteers are qualified to serve as board members.
5. Invite 20 community leaders to an informational luncheon to learn about your organization. Ask each to recommend a potential board member (after checking with that person) and then contact him or her.
6. Pick four or five organizations that have common missions or interests and ask their boards if they have retiring board members who might be interested in joining your board.

Keep in mind that the candidates will be interviewing your organization, too — it's a two-way street. Be ready to provide information on your nonprofit to prospective board members.

After you've identified a group of prospective candidates, ask them to fill out an application — and then pick the best ones for the board to consider. This approach gives control to the board, with the applicants competing as they would for any job. Yet keep the process simple for them.

The application form should outline some of your expectations. For example, a good question might be: Are you willing to contribute about six hours a month for board meetings and committee work? And be sure to ask about the applicant's background and expertise, especially in the areas where you have identified a needed skill.

MAKE YOUR DRAFT PICKS

Offer a brief orientation and tour for prospective board members to introduce them to your organization and explain your mission. Invite the prospects to attend a board meeting to meet current members and see how the

board functions. You may want to have the director or a member of the board's nominating or executive committee interview each candidate one-on-one. This helps determine whether the person will be a good fit and a productive addition to your board.

Once you complete this process, you'll have enough information for the board members to select the best candidate. You also may find that you've gathered information on several other possible board members whom you can consider for the next opening.

TRANSITION NEW PLAYERS

Once you've selected a new board member, you can do several things to make his or her transition a smooth one. Give a full orientation on your organization, including the issues you're facing and all of the services and programs you provide. You also should brief new members on their legal responsibilities. The background will help your new board member represent your organization well in the community. *

5 ways to boost your nonprofit's income



With donor contributions dropping for many nonprofits, you may be looking for ways to make up the difference in income. This is the time to revisit some of the time-tested ways for nonprofits to generate revenue. It's also time to get creative and brainstorm some new potential money makers for your organization.

FINDING IDEAS THAT WORK

Here are five general areas to explore as you work to keep your nonprofit economically viable. Be sure to discuss new income strategies with your accountant — you could be subject to tax on income that's deemed unrelated to your tax-exempt purpose.

1. Services, programs and products that relate to your mission. A tried-and-true way to generate income is to offer services and programs for a nominal fee. For example, you might host speakers, classes or exhibits that

are related to your organization's tax-exempt purpose. You can raise additional funds by having a program guide with advertising or by selling souvenirs, or perhaps items exhibited at the programs. Or, if you're an expert in your field, you may be able to sell your expertise as a consultant to other like organizations.

Sometimes selling products related to your mission becomes a lucrative sideline activity. For example, Minnesota Public Radio grew a business selling T-shirts for Garrison Keillor's "Prairie Home Companion" radio show, and many metro area museums have created large direct merchandising and product licensing enterprises based on items in their collections.

Also, evaluate those revenue-generating programs you currently offer. Are they as successful as they could be? Could they be modified to attract more people? Are you publicizing them well?

2. Memberships. Some organizations may charge membership fees. Memberships typically work well for nonprofits that provide a service. In return for the fee, members get privileges they wouldn't have received if they were simply donors, such as:

- * Discounts on programs, services or products,
- * Invitations to special events, and
- * Special opportunities, such as members-only Web site access, facility access or programming.

In addition to providing income, memberships can benefit your nonprofit in other important ways. For example, people don't always discuss the organizations to which they donate, but they may be more likely to publicize the organizations to which they belong.

3. Collaboration with other organizations. Working together with other organizations can help you earn — and save — money. For instance, you can rent or share office space with a nonprofit that has a similar or related mission. It also can be beneficial to exchange or share staff or service providers — or to organize a joint event, which will bring new patrons to both organizations.

REMEMBER TO THINK GREEN

Some of the same actions that help the environment also may help your organization save money. Consider these cost-saving and environmentally friendly measures:

- * Purchase newer, ENERGY STAR-rated machinery. Donated equipment is great, but energy-efficient equipment can greatly reduce your electric bill.
- * Weatherproof your office space. You'll likely recoup the initial cost with lower energy bills.
- * Install a programmable thermostat to minimize energy use during nights and weekends. Also, set the thermostat a degree or two cooler in the winter and warmer in the summer.
- * Buy compact fluorescent light bulbs that use less energy. They cost more initially, but last longer than standard incandescent bulbs.
- * Install motion detectors in break and conference rooms, so that lights automatically switch off when the room isn't in use. Post signs by light switches and electrical appliances that remind employees to turn them off.



Partnering with another nonprofit brings additional skills and experiences to the table that may help each organization generate new ideas and resolve issues.

4. Special events. Although it faces more challenges in a downturned economy, a creative and well-organized special event can be successful — particularly from a fundraising point of view — because it can draw your faithful donors as well as prospects.

Plus, special events, such as walks, tournaments, dinners, auctions and cook-offs, can be memorable and help potential donors and the media learn about your organization's "softer" side.



5. Investment income. Even in today's economy, there are many options when it comes to investing your nonprofit's money. But you'll want to keep an eye on factors such as requirements for risk tolerance, liquidity and possible conflicts of interest. And be mindful of existing investment policy restrictions.

For short-term investments, a money market or short-term bond mutual fund can offer higher returns than a savings account while still providing a fair amount of liquidity. Keep in mind that all investments have some risk involved, so it's essential to monitor your risk and diversification, along with the tax consequences, if any, of earnings.

SEEING IT THROUGH

Once you decide on what it is you want to do to bring in more money, how you go about it becomes crucial. From planning a budget for any new program or service to effectively promoting the event within your community, your team's organizational abilities and marketing know-how will come into play. Give your staff the creative room to pursue new ideas as you keep an eye on the risks of any new endeavors. *

Newsbits

HANDLING CREDIT CARD INFORMATION



The Payment Card Industry Data Security Standard (PCI DSS) is a set of requirements developed by the major credit card companies to enhance credit card data security.

All organizations that process, store or transmit payment card data must be PCI DSS-compliant or risk losing their ability to process credit card payments.

Since October, any organization that requires a *new* merchant ID from the credit card companies must be PCI DSS-compliant. If you *currently* have a merchant ID, you may not have to do anything until Oct. 1, 2009. But call your bank (or whomever you use to process credit cards) just to be sure. More information on compliance can be found at pcisecuritystandards.org. *

35% OF CHARITIES REPORT CONTRIBUTIONS DROPPING



Nonprofit information provider GuideStar recently confirmed something that many nonprofits have already suspected or experienced: Contributions to many charities continue to drop. According to GuideStar's latest nonprofit

economic survey (its seventh annual), the number of charities who reported smaller contributions doubled between 2007 and 2008.

GuideStar asked people associated with charitable nonprofits how their organizations fared financially during the first nine months of 2008 compared to the first nine months of 2007. Their findings? Some 38% reported larger contributions, 25% said contribution levels had remained about the same, 35% reported a decrease, and 2% didn't know. By contrast, in 2007, 52% of participants said that contributions had increased, 25% said they were about the same, 19% said they had decreased and 4% didn't know.

Also, almost half of the participants that rely on end-of-the-year gifts expected donations to decline during the last quarter of 2008 compared to the previous year due to the floundering financial markets. *

WHAT'S YOUR DONORS' SROI?

You've heard about ROI (return on investment), but what about SROI (social return on investment)? The next time you're soliciting funds you might want to mention the concept, which is described in *Money Well Spent: A Strategic Plan for Smart Philanthropy* by Paul Brest and Hal Harvey (New York: Bloomberg Press, November 2008).

According to the authors, SROI is an attitude that:

- * Puts the administrative costs of a foundation and those of the organizations it supports in the proper context; costs are justified to the extent that they contribute to the organizations' impact,
- * Encourages philanthropists and the organizations they support to marshal their resources more effectively to accomplish shared objects,
- * Helps philanthropists be realistic and candid about failure, and
- * Helps philanthropists understand their own tolerance for risk. *

"SOCIALLY RESPONSIBLE" GUIDELINES

A wide-ranging document that guides associations and other nonprofits on being more socially responsible is poised to become a national standard. The American Society of Association Executives (ASAE) has invited trade associations, professional societies and other nonprofits to commit to using certain principles "as a business driver and a vital tool for positive environmental, economic and social change."



ASAE says that the "Guiding Principles for Socially Responsible Associations and Nonprofits" align with universally accepted principles contained in the United Nations' Global Compact on progress and expectations in areas such as human rights, labor, education, poverty, health, self-regulation, environmental and economic sustainability, and community service. You can view the final document at <http://asae.center.org/Forms/SocialResponsibilityPrinciples/index.cfm?>. *