

2012

6
sector
luminaries
provide their views
on the end of nonprofits
as we know them.
Read this and
you'll feel fine
(Thanks Michael
Stipe)

THE END OF THE WORLD OR NONPROFIT RENAISSANCE?



ON FUNDRAISING *ADRIAN SARGEANT*

Cling And Jerk

Lifting response can give donors a backache

I'm fortunate in that many a cheery charity solicitation finds its way to my mailbox. A recent favorite was the letter that began: "Dear High Value Donor," thus proudly proclaiming to my friends and family that I had finally escaped the ranks of mere mortals and was now very firmly officer class material.

No more "donor," or "low-value donor," or "pathetically inadequate," or "why did you bother at all donor" labels for me. My elevation to such lofty heights was clear, complete and would have been immensely satisfying were it not for the fact that to my knowledge I have never been a supporter.

In the five years since I arrived in the United States I've been the target for socks, T-shirts, bracelets, small coins, trinkets, flat-pack pens and other miscellaneous junk that is somehow supposed to enliven my interest in causes as diverse as international aid, reproductive health and the environment. I've been regaled as Drs Sargeant, Sargunt and Sangfant, offered a plethora of variously unattractive giving options and been hounded morning, noon and night, by telemarketers with auto-dialers hoping I will upgrade my giving.

Yes, I know, I know, I can always use the Do Not Call Reg-

istry, but I can't imagine the sound of my world without the seemingly daily call from someone called Wanda. Perhaps she's the head of high-level giving?

I can't help thinking we've become obsessed by technique. When we discover that labeling donors, offering them premiums and talking to them through multiple channels works, we grind away at it neglecting the fact that we won't be alone. The poor



donor is left sinking under the weight of our technique while we proudly congratulate ourselves on yet another stonking leap forward in our response rates, return on investment (ROI) or other such meaningless measures of performance.

It's little wonder the donor pool is contracting. We're manipulating technique to squeeze every last cent out of donors without pausing to reflect for even a moment what we might be doing to philanthropy in this country. Donors want to be treated as individuals with their own interests and preferences. They don't want to be treated as piggybanks. They want to be seen as partners in a cause and are demanding ever more meaningful ways of expressing their support than simply offering money.

Rather than invent the next generation of technique, perhaps our time would be more fruitfully spent developing multiple and meaningful opportunities for engagement and in those aspects of our cause that would be genuinely of interest to them.

At the risk of suggesting a revolution in our fundraising, perhaps might we even encourage our donors to think through for themselves the nature of their own philanthropy and help them to find outlets and expressions of that phi-

lanthropy that would be more personally fulfilling? "Dear Mr High Value Donor," the letter might go, "you could support us, but wouldn't you be better off supporting ... " It sounds heretical, but imagine the impact on philanthropy if donors were guided to their passions and facilitated there to have a meaningful impact.

What is genuinely sad about the current focus on technique is that we already know how to do better. Great fundraisers blazed a trail a generation ago. Great fundraising should be focused on the gentle art of teaching people the joy of giving.

Fundraising legend Hank Rosso worked largely in the realm of major gifts, but there are lessons in his words for us all. If we truly want to grow the donor pool and increase giving in this country we need to realize that fundraisers are *only* the servants of philanthropy. Fundraising and its associated ROI must never become an end in itself, for when it becomes so, both the organization and philanthropy are diminished.

Let's hold off on the socks. *NPT*

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ON LEADERSHIP CASS WHEELER

Blink And You're Toast

You'll need a better breakfast to keep up

Think about the pace of exponential change you're seeing, particularly in the area of technology and then realize this is as slow as you will ever see it. It will only get faster and faster and then stop abruptly on Dec. 21, 2012 if you believe in the Mayan calendar.

Computing power doubles every 18 months, Internet bandwidth doubles every nine months and increased storage capacity allows us to triple charge our knowledge. All this makes us more dependent on technology and requires us to learn faster.



You have seen the end of business as usual if you are going to survive.

You have seen the end of business as usual if you are going to survive. That means getting out of your comfort zone and staying out. We are living in a destabilized world.

QUESTIONS YOU SHOULD ASK

- Is my organization/department/function relevant? Would it really matter if it ceased to exist? If the answer is "yes," how do you ensure it is relevant in the future?

The lines continue to blur between nonprofit organizations and for-profit corporations. Flexible-purpose corporations that are part social benefit and part low-profit entities are now permitted in 12 states. These entities can raise funds through capital markets as well as philanthropy.

Your programs and products might have a

very short shelf life. Remember when you carried a flip phone? When the iPhone was released in 2007, could you have imagined the changes we would see? Would you have predicted the impact of apps? Would we have imagined these phones being turned into EKG machines or diagnostic medical instruments? Is your organization relevant in the app world? In three to five years, smart phones as we know them today will be obsolete like flip phones. What is coming next?

- Is your organization/department/function built to change? Windows of opportunity open and close more quickly than ever. Is your structure fluid and flexible to allow you to capitalize on new opportunities?
- The Internet's primary aim is to support virtual communities. You must be relevant in this space. What are your short- and long-term strategies?
- Customer attitudes can change quickly. Are you measuring customer satisfaction on an ongoing basis and taking appropriate action?

HOW ARE YOU KEEPING UP?

Leaders and managers are role models. You need to have and somewhat understand the latest and greatest technologies. If you aren't on Facebook, LinkedIn, Twitter or using apps, how can you lead and have relevant conversations with those who do? You will not see opportunities. Volunteers and staff want to work in a progressive environment and if your organization isn't, they will find meaningful work elsewhere.

You need to communicate with people based on their preferences --customers, volunteers and staff. As an example, some people now rely more on text and check email infrequently.

Technology has destroyed the idea of business hours. There is no concept of things having to be done just within that time frame. Your customers expect you to meet their needs after hours.

We are living with a 24/7 mentality. This also applies internally. When staff ask questions, they expect a speedy response and not within typical business hours. Leaders set the tone. If you are trying to function only within business hours, you will fall behind and die.

But it's not just high tech, its also high touch. Look for opportunities for personal interaction and relationship building for the long term. Be aware that people don't quit organizations, they quit supervisors. How do you show gratitude and build relationships in the long term beyond utilizing technology?

Finally, high tech has to be built on a strong foundation of strategic planning, staff performance, management and accountability and solid execution. *NPT*

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ON VENTURE PHILANTHROPY PAUL SHOEMAKER



The 360-Degree View

One begets another, begets yet another and another

My high school biology professor was Mr. Ludwig. When I was actually paying attention, I recall talking about cells, genes, poly-pepti-somethingorothers. We'd study one specific part at a time, quiz, test, move on to the next ... amino acid.

Fast forward 20 years. Two other "biology professors," Francis Collins and Craig Venter, figured out Mr. Ludwig was ... narrow-minded. The Human Genome Project changed the scientific game. Instead of analyzing one part at a time, like in high school, biologists now increasingly focus on all components of an organism, interacting as parts of one whole system. This creates breakthrough potential for transforming human health and disease.

We increasingly see social problems as interacting parts of whole community systems, too. Our world is demanding more whole system change, just as biologists are pushing for in the scientific world. Collective impact is all the rage (and rightfully so) and it will demand a lot of venture philanthropy practices and lessons to help it succeed.

This type of community change will demand longer-term capital, closer working relationships between philanthropic and nonprofit leaders, capacity building of high-impact individuals and of system-change-focused nonprofits. All of those are venture philanthropy practices and also fit the profile of many entities that wouldn't call themselves venture philanthropists at all.

That's fine, as long as communities get more of what they need.

The other urgent need in philanthropy is utilizing human and social capital at a greater and greater pace, another core principle of what we called venture philanthropy. We can no more tackle our toughest social problems thinking and doing the way we have in the past than people like Collins and Venter can aspire to cure cancer using 20th century biology.

Just like biologists going after human diseases, nonprofit leaders and philanthropists must tackle our social challenges with

exponentially more human and social capital. Financial support and public spending are indispensable and vital, yet they are increasingly insufficient and constrained.

Human capital is generative, feeds on itself. It's an amplifier that creates ever-growing community capacity. Social capital is as expandable as everything we know about network theory. It's the connective tissue bringing diverse minds together to find solutions.

Our old ways of adding up the financial and institutional resources at hand for community change miss the power and potential of human and social capital, which are increasingly more enduring and impactful.



For venture philanthropy, all of this is to say that a lot of the tactics we started with 15 years ago are still in place, but the purposes we are putting them to and the scale at which they need to be envisioned has changed dramatically. And, it has to continue to change. The world is demanding more of our human and social capital, in part because our financial

capital for social good is so constrained, but also because our world can now put those assets to much greater and wider use and value for society.

So that's where venture philanthropy is at -- our tactics haven't changed a lot but our goals and scope have evolved. Or, we aspire to have them evolve. We still have a lot to learn about optimizing human and social capital, but deeper human and broader social capital are some of the best levers we have today to make real and significant progress on our gnarliest social problems.

Just like new progress in alleviating human disease isn't about individual cells, it's about the whole organism. Transforming our communities isn't just about our wallets, but the depth of our human capital and the breadth of our social capital. *NPT*

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ON OPERATIONS NANCY LUBLIN

Socialization Skills

Being effective got a whole lot cheaper

There are now 7 billion people on the planet. The jobs outlook in America is bleak. It is estimated that nearly one in six Americans does not know where the next meal is coming from, educational test scores continue to decline and the number of Americans lacking health insurance continues to rise.

Basically, the world is collapsing around us. It's pretty bad.

What's the good news? The nonprofit sector should be ready to confront some of these problems with vigor in 2012.

1. The cost of doing business has plummeted. We used to have to spend on direct mail pieces, buy advertising, print glossy brochures, hire outside evaluators and pay significant processing fees. All of these expenses have hit the floor. Technology has made every one of those expenses nearly obsolete.

Social media is more effective than paid advertising. A destination website is a more useful promotional tool than any printed matter. Online surveying can reach a wider audience than in-person interviewing. Organizations can now process their own charitable donations online without the need of a middleman taking a piece. All of this means we should have more funding to spend on programs and our target market, more money to actually do good.

2. The time to market has shrunk. We're faster than we've ever been. Technology has made it possible to respond to a crisis quickly or launch a new program without 18 months of mailing paperwork around the country. Simple tools such as Google Docs, GoToMeeting, and Dropbox have made us more efficient.

Instead of creating a newsletter and mailing it two weeks later, we can now message our fans in a few seconds. Because the technology is free or affordable, we can be as fast as we are capable. The only thing holding us back is, well, us.

3. We have more data. Listening to our target market, our customers, our clients and our donors has never been easier. Wondering if you should serve chicken or fish at your next fundraising dinner? Post the question on Facebook and let your fans determine the meal. Trying to decide the best location for your soup kitchen? You don't need to buy a fancy study. Crowd-sourced data is at your fingertips.

4. Great people are available for hire. A 2007 AMP insights/Cone study reported that

having an impact is one of the top things Millennials look for in a job. These smart, hungry people want to work for our organizations. Given nobody else is hiring right now, we've got our pick of the crop. It's not just young people who are available to work. Older people are looking for more meaning in their lives, too. People used to say: "You're too smart to be in the not-for-profit world." Now everyone says: "I'm dying to work somewhere I believe in."

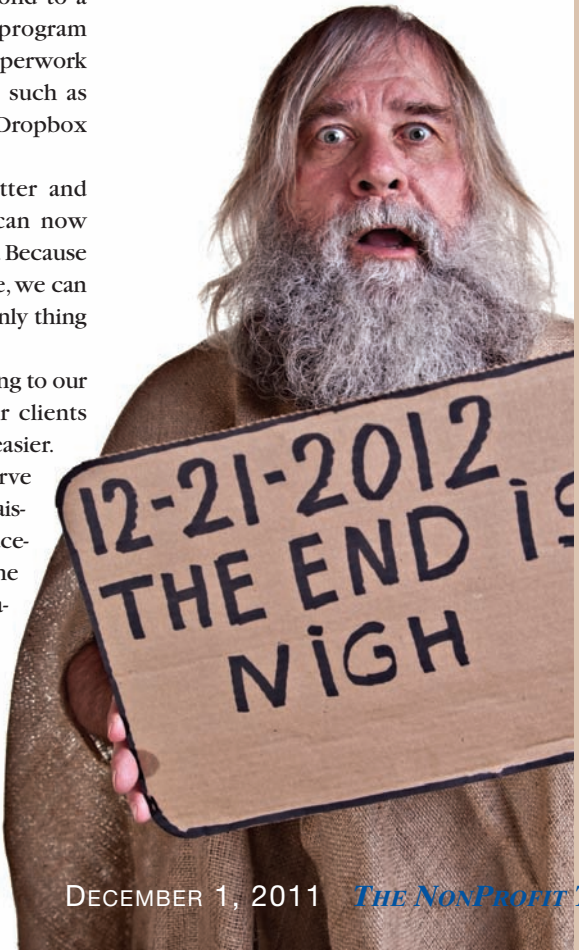
5. Collaboration is really happening.

It used to be that we'd talk about collaboration because we thought funders wanted to hear it. Now people are truly working together – even merging – because we all realize that it's the best way to get things done. Market forces are finally coming to bear on the sector. With more organizations and less money, something was bound to happen. And, it is.

I'm not naive. I realize the news isn't all good. Many organizations have felt the economic recession in hard, permanent ways. Many people are suffering and the sector is ill-equipped to help. But, I believe in this sector.

As they say on the television program *Friday Night Lights*: "Clear eyes. Full hearts. Can't lose." *NPT*

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ON CAPITOL HILL JOHN H. GRAHAM IV, CAE



Congress In Wonderland

Legislators developing their own nonprofit looking glass

Even if one dismisses the doomsday prophecies for 2012, next year is shaping up to be potentially transformative in many ways for nonprofit organizations.

There is, of course, a presidential election and various congressional races in 2012 that will decide which party's agenda will lead our country's continuing recovery. While there is broad interest across the aisle in job creation and economic growth, the partisan divide in our nation's capital feels wider than at any point in recent history.

These elections in 2012 will be a referendum not only on the current administration, but also on a Congress that now has a single-digit approval rating. While no one thinks our problems can be solved overnight. Voters are virtually certain to register disapproval at the polls in November.

The deficit reduction debate has implications for nonprofits on several fronts. The administration has repeatedly proposed to offset new spending by scaling back the itemized charitable deduction for high-income earners from the current 35 percent to 28 percent. The Joint Select Committee on Deficit Reduction, casually referred to as the "Supercommittee," will undoubtedly consider changing the charitable and other deductions as part of their recommendations to balance the federal budget. Estimates in the president's jobs bill put the revenue impact of scaling back all deductions for high-income earners at \$400 billion over 10 years.

The relevant Congressional tax committees are also charged with submitting recommendations to the supercommittee to achieve a balanced budget. The Senate Finance Committee has been holding a series of hearings on different aspects of the tax code to assist in that effort. There is a lot of talk in Washington about the need for comprehensive tax reform and frankly, a rewrite of the tax code to eliminate the loopholes, special tax deductions, credits and exclusions is probably on the near-term agenda.

Even casual observers of the legislative process in Washington, D.C., question whether Congress and the administration will attempt a rewrite of the individual and corporate tax system before the next elections. That day is coming though, and associations and other creatures of the tax code should be following this discussion carefully.

Health care is another issue that bears

watching in 2012. Earlier this fall, the Obama administration asked the U.S. Supreme Court to review the constitutionality of the 2010 health care law, meaning a final ruling on the president's signature legislative achievement is now likely by next summer. While one appeals court in Atlanta ruled this year that Congress overstepped its authority by mandating that virtually all Americans purchase health insurance, other courts have upheld the law. With much still to be done to implement the law by 2014, the administration is anxious for a final up-or-down ruling.

In the meantime, nonprofit employers that provide health coverage should make sure they're taking advantage of the new Small Business

Health Care Tax Credit if they are eligible. The health care tax credit was included in the Affordable Care Act to help small businesses and tax-exempt organizations that pay at least half of the premiums for their employees' health insurance coverage. The credit is available to businesses and tax-exempt groups with 25 or fewer employees with average incomes of \$50,000 or less.

Nonprofits can also expect continued interest next year in transparency and accountability. The Internal Revenue Service (IRS) did a major rewrite of the Form 990 return for the 2008 tax year but continues to tweak the form in response to various questions and concerns from the nonprofit sector and the public. In a report to the IRS this past summer, the Advisory Committee on Tax Exempt and Government Entities (ACT) recommended that the IRS retain the group exemption process but eliminate group returns and require every chapter or subordinate organization to file their own Form 990.

IRS officials have reservations about group exemptions in general, and have suggested that the recent revocation of tax-exempt status for roughly 275,000 groups that failed to file Form 990-N returns for three consecutive years might indicate that parent organizations are not exercising control over their chapters to make sure they file the return as required.

Regardless of how distant and messy the politics of Washington feel for some nonprofit organizations outside the Beltway, there are a lot of issues likely to spill into next year that warrant the tax-exempt sector's full attention and concern. *NPT*



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ON NATIONAL SERVICE *BEN DUDA*

The Next Generation

Service can put new leaders on star 'trek'

I'm not buying the "end-of-days" hype. I'm fully confident the Mayan Calendar will join the list of dubious doom predictions, alongside Harold Camping's end of the world timing in 1994 or May 21, 2011, no, wait, Oct. 21, 2011, the hysteria of the Y2K computer failures, and those classic National Enquirer cover stories from the supermarket checkout line.

But since we're talking predictions, here's where I think we're going as a sector and as a country.

There's a new wave of critics on the value of national service, as the (Mayan) calendar turns to 2012, with some in the House of Representatives advancing a *zero* budget going forward for AmeriCorps. That is not a very good idea. Its not very good for our country, especially for a generation of young Americans who want to serve their nation, and who will one day lead this country.

Is it the end of the world? No, although it certainly feels like a re-run of a bad sitcom. National service will endure and we'll be thankful it does as a generation of nonprofit leaders, elected officials, and entrepreneurs ascend with a common

career arc that is rooted in volunteerism and defined by national service.

More than 700,000 Americans have served in AmeriCorps since 1994. For 1,700 hours in service to the country this year, a member gets \$5,550 toward loan repayment or future education. That's a good investment in our future workforce and future leaders. Best of all, it represents a \$2.01 return in essential services for every federal dollar, nearly unmatched when analyzing government spending.

This generation is remarkably interested in volunteering and service. And the market demand is astounding, with more than 500,000 young Americans applying for only 80,000 available positions in AmeriCorps. That's a clear indicator that we should invest in the growth of AmeriCorps as outlined in the bipartisan Serve America Act of 2008 – not eliminate it.

The National Civilian Community Corps (NCCC), well known for response to disasters from Hurricane Katrina to the Joplin, Mo., tornadoes, is a mobile, team-based AmeriCorps program that serves in all 50 states every year and

consistently has acceptance rates of 10 to 20 percent for its 1,000 annual slots. Many other programs tell a similar story. Don't believe it? Follow #AmeriCorps on Twitter tonight as rising seniors in high school and college fret over whether there will be an opening available for them in AmeriCorps after graduation.

National service has been consistently bipartisan, from President George H.W. Bush's "thousand points of light" to President Bill Clinton's National and Community Service Trust Act to President George W. Bush's USA Freedom Corps through President Barack Obama and the bipartisan Kennedy-Hatch Serve America Act. It's a concept with roots in the turn of the 19th century – when Alexis de Tocqueville admired how groups of Americans worked together for the health of a democratic society.

National service is principally grounded in the spirit of the republic, in the ethos of democracy, the notion that it takes a village to raise a child, and the philosophy of blood, sweat and tears.

For the nonprofit sector, AmeriCorps alumni represent a paradigm shift, an opportunity to harness on-the-ground experience into a massive

new leadership generation. School leadership and education reform in this country will continue to be buoyed by individuals trained in AmeriCorps programs such as Teach For America and Citizen Schools. We are reimagining urban housing and neighborhood revitalization by effectively marshaling the talents and experiences of Youth Build and ReBuilding Together AmeriCorps alumni.

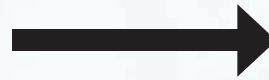
Community Health Corps and VISTA are utilizing AmeriCorps members in the most underserved neighborhoods, and propelling graduates on a trajectory towards medical, nursing, and public health educations and training.

Want to make sure the world doesn't end in 2012? Call your elected officials and tell them how valuable you think AmeriCorps is to the nation. Better yet, tell five people in your social circle to do the same. Then, go out and hire an AmeriCorps Alum. Give them too much responsibility in your organization, watch them thrive and see the sage investment of the American public pay-off. *NPT*



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