Literature Review of Nonprofit Best Practices in Governance and Management

By John Graham & Mackenzie Kinmond

April 2008
The Institute On Governance (IOG) is a Canadian, non-profit think tank that provides an independent source of knowledge, research and advice on governance issues, both in Canada and internationally.

Governance is concerned with how decisions important to a society or an organization are taken. It helps define who should have power and why, who should have voice in decision-making, and how account should be rendered.

Using core principles of sound governance – legitimacy and voice, direction, performance, accountability, and fairness – the IOG explores what good governance means in different contexts.

We analyze questions of public policy and organizational leadership, and publish articles and papers related to the principles and practices of governance. We form partnerships and knowledge networks to explore high priority issues.

Linking the conceptual and theoretical principles of governance to the world of everyday practice, we provide advice to governments, communities, business and public organizations on how to assess the quality of their governance, and how to develop programs for improvement.

You will find additional information on our activities on the IOG website at

www.iog.ca

© 2008, Institute On Governance

For further information, please contact:

John Graham
Institute On Governance
122 Clarence Street
Ottawa, Ontario
Canada K1N 5P6
tel: +1 (613) 562-0090
fax: +1 (613) 562-0097
info@iog.ca
www.iog.ca

[IOG 2008-1243]
# TABLE OF CONTENTS

**EXECUTIVE SUMMARY** ........................................................................................................................................... 4

**INTRODUCTION** ........................................................................................................................................................... 6
  I. Context of the Paper ................................................................................................................................................ 6
  II. Objective ................................................................................................................................................................. 7
  III. Scope .................................................................................................................................................................. 7
  IV. Organization of the Paper ...................................................................................................................................... 7
  V. Context of the Nonprofit Sector .......................................................................................................................... 8

**SECTION 1: INTERNAL MANAGEMENT AND GOVERNANCE** ...................................................................................... 9
  I. Board Governance .................................................................................................................................................. 9
     a. The Role of the Board: ........................................................................................................................................... 9
     b. The Chair ............................................................................................................................................................ 10
     c. Board Members .................................................................................................................................................. 11
  II. Organizational Structure and People .................................................................................................................. 12
     a. Leadership .......................................................................................................................................................... 12
     b. National Office ................................................................................................................................................ 13
     c. Staffing .............................................................................................................................................................. 13
     d. Volunteers ......................................................................................................................................................... 14
     e. Human Resource Management and Structure ............................................................................................... 15
  III. Summary of Section 1 ......................................................................................................................................... 17

**SECTION 2: STRATEGIC MANAGEMENT** .................................................................................................................. 19
  I. What is Strategic Management? ......................................................................................................................... 19
     a. Mandates and Mission Statements ..................................................................................................................... 20
     b. Identifying and Engaging Stakeholders ........................................................................................................... 21
     c. Identifying Strategic Issues ................................................................................................................................ 22
     d. Putting it All Together - Planning Tools ........................................................................................................ 23
  II. Fundraising Capacity .......................................................................................................................................... 25
  III. Summary of Section 2 ......................................................................................................................................... 27

**SECTION 3: SERVICE DELIVERY AND EVALUATION** ................................................................................................ 28
  I. Adaptive Capacity .................................................................................................................................................. 28
  II. Performance Assessment and Outcomes ............................................................................................................. 29
  III. Quality Standards Management – ISO ............................................................................................................... 30
  IV. Organizational Capacity .................................................................................................................................... 31
     a. Quality Processes ............................................................................................................................................. 31
     b. Benchmarking .................................................................................................................................................... 32
  V. Scorecards ............................................................................................................................................................ 33
  VI. Sustainability ....................................................................................................................................................... 34
  VII. Summary of Section 3 ....................................................................................................................................... 36
SECTION 4: EXTERNAL RELATIONSHIPS ................................................................. 38
I. Government ........................................................................................................ 39
II. Private Sector .................................................................................................... 40
III. Individuals ....................................................................................................... 41
IV. Partnering ......................................................................................................... 42
V. Summary of Section 4 ........................................................................................ 43

CONCLUSION ........................................................................................................... 45
Choosing NAFC Case Study Candidates ............................................................. 46

BIBLIOGRAPHY ..................................................................................................... 47
EXECUTIVE SUMMARY

This literature review explores current research on the best practices of high impact organizations in the nonprofit sector. The research draws from both theoretical and practical examples. We highlight key messages and best practices pertaining to four main areas that make up an effective nonprofit organization: Internal Management and Governance; Strategic Management and Planning; Service Delivery and Evaluation; and External Relationships.

The first section of this review examines the internal management and governance structure of an effective organization. We explore board governance, leadership, staffing, volunteers and human resource management. A number of best practices and key messages emerge. Effective organizations require both strong boards and strong executive leadership. The role of a board should be to offer oversight and guidance in all aspects of the organization, from financial health to strategic planning. Boards that are most effective require a strong chair who has a good working relationship with the CEO. They work together to strengthen the work of board members and staff, and create synergy between the two realms.

To increase the impact of leadership within an organization is to share leadership amongst executives. Staff throughout the organization should be empowered and motivated through a variety of means – inspired by the mission, adequately compensated, challenged to perform, and rewarded accordingly. Human resource management practices should support these efforts and pursue other ways to support staff in a way that advances the organization’s mission. An organization should channel the needs and goals of volunteers to match its own needs and goals.

Strategic management is the concern of the second section. We include in this section strategic planning and fundraising. Strategic planning requires a thorough knowledge of the changing needs and desires of the client population. This leads into identifying strategic issues, a process which should encourage the honest and active contribution of all staff. Strategic planning can and should occur on both an ongoing basis and at periodic intervals. Fundraising is an integrated part of strategic planning in effective organizations. Successful fundraising efforts often derive from, and feed back into, the mission of an organization.

In the third section, we explore the issues related to service delivery and evaluation. We found much of the research pointing to adaptive capacity as an important part of improving service delivery. This is the ability of an organization to quickly and effectively adapt to changing needs and circumstances. Organizational capacity is also important as it allows an organization to develop, sustain and improve the delivery of a mission. There are many formal tools to strengthen adaptive and organizational capacity – program evaluation, performance indicators, quality processes, benchmarking, quality standards management and scorecards are a few that we explore. An organization that is able to tailor these tools to meet its needs and goals will be able to strengthen its overall effectiveness and sustain its impact. Sustaining impact also requires adequate investment in people, capital and infrastructure.
The fourth section makes the argument that the key to increasing the impact of an organization is to use external relationships for leverage. Relationships with government not only provide funding opportunities, but also create greater opportunity to influence policies and decision-making of government. The private sector offers a variety of partnering options which can be mutually beneficial and impact widely on the performance of an organization. Individuals provide a key source of an organization’s advocates for its mission. If the volunteer base and individual supporters are managed properly, it is possible to build a highly valuable network of people who volunteer their time, support and advocate for the organization, and generally advance the cause. Working with other organizations also enhances prospects for greater impact. Effective nonprofits are open to, generous with, and actively seek ways to work with and support other organizations within the sector. The result is often enhanced effectiveness within organizations, a strengthened sector, and increased impact on the objectives being pursued.

The conclusions identify a way forward for the National Association of Friendship Centres (NAFC) to complete this study of best practices. We propose a set of categories taken from this literature review under which we would conduct about a dozen or so case studies. The case study candidates would come from the national, provincial and local levels, dispersed geographically. The NAFC, with support from the IOG, would identify the case study candidates. The IOG would then conduct the case studies and compile the findings.
INTRODUCTION

I. Context of the Paper

The Friendship Centre movement in Canada has grown significantly. The first centres opened in the 1950s. By 1972, when the National Association of Friendship Centres became incorporated, there were 45 centres. Today, there are 99 core funded and 15 non-core funded Friendship Centres, as well as 7 Provincial Territorial Associations (PTA's) across Canada. Throughout this period of growth, a number of governance, management and service delivery models evolved throughout the various Friendship Centres. Currently, there is no national documentation that offers a snapshot of the various models used within the Friendship Centres.

At its 36th Annual General Meeting in July 2007, the National Association of Friendship Centres highlighted the need to document the continuum of models that do exist. The board adopted Resolution #07-04, which reads as follows:

Best Practices in Management

Whereas: There exists a number of governance, management and program/service delivery models throughout the Friendship Centre movement

And Whereas There is no national documentation that provides a snapshot of models

Therefore Be It Resolved: That the NAFC engage in a national review and assessment process to document the continuum of models that do exist in the areas noted herein

This review and assessment process will occur in two phases. The first phase is this research paper, which provides a brief literature review of best practices in governance and management in the not for profit sector. The second phase will be based on this literature review: the Institute On Governance (IOG) will work with the National Office of the NAFC to identify appropriate candidates at the national, regional and local levels to document a variety of best practices amongst the Friendship Centres.
II. Objective

The objective of this literature review is to evaluate current Canadian and international literature to identify best practices in governance, management and program delivery in the not for profit sector. The resources that we used to conduct this literature review are listed in the bibliography at the end of the document.

III. Scope

To conduct this literature review, we selected documents for their relevance to the needs expressed by the NAFC, for their representation of current trends in the nonprofit sector, and for their combination of theory and research based assessments of best practices. Sources mainly cover the Canadian and American nonprofit sector. Additionally, we consulted some material from international sources and also material on for-profit management.

In this paper, we define ‘nonprofit’ organizations as: having some structure and regularity to operations; institutionally separate from government; not returning any profits generated to their owners or directors; self governing (independent and able to regulate their own activities); and benefiting to some degree from voluntary contributions of time or money.¹

IV. Organization of the Paper

This research is divided into four main sections: The first section, Internal Management and Governance, discusses governance of the board of directors, as well as organizational structure issues around leadership, the national office, staffing, volunteers and human resource management.

The second section, Strategic Management, defines strategic management and discusses pertinent aspects: vision, mission, mandate; identifying and engaging stakeholders, identifying strategic issues, planning tools, and fundraising capacity.

The third section, Service Delivery and Evaluation, examines adaptive capacity, performance assessments, quality management systems, organizational capacity, benchmarking, quality processes, scorecards, and sustainability.

The last section, External Relationships, discusses the important role that relationships - with government, the private sector, individual and other nonprofit organizations - play in increasing the impact of an organization.

Each section is divided into subsections. The summary of each section highlights best practices and key messages, as well as possible criteria for case studies of NAFC. The nonprofit best practices offer a foundation from which to then identify NAFC best practices on a national, regional and local level. The conclusion section of this paper discusses the next stage of conducting the NAFC case studies.

V. Context of the Nonprofit Sector

Canada proportionally has the second largest nonprofit sector in the world. In 2003, there were an estimated 161,000 nonprofit organizations in Canada. About half of these are registered charities. The nonprofit sector in Canada accounts for 9% of employers and 20% of Canada’s labour force.

These statistics situate the nonprofit sector as an important and valuable sector with a significant presence and impact in Canada.

The nature and characteristics of the nonprofit sector has changed dramatically in the last decades due to various factors such as the following:

1. Growth in both the supply and demand of nonprofit organizations in the realm of policy and service delivery
2. Globalization – This includes the economy, organizations, social movements, movement of people, the impact of technology, etc.
3. Greater demands on accountability of all sectors in society
4. Competition and Innovation – With the growth in social entrepreneurship as a discipline in business and also as a style of nonprofit organization, these two factors are now both significant features of the nonprofit sector.
5. Partnering – Nonprofits are increasingly finding new ways to work with business, academic institutions, government and other organizations.

The nature the nonprofit sector in North America has changed dramatically in recent decades. It now plays a larger and more complex role in society. This has contributed to the impetus for greater exploration of the nonprofit organization and how and why it works.

---

2 Hall, 30-36.
SECTION 1: INTERNAL MANAGEMENT AND GOVERNANCE

Many authors highlight internal management and governance as key factors to the success of a nonprofit organization. As Letts, Ryan and Grossman point out, programs and projects, which are the ‘bread and butter’ of nonprofit organizations, can only succeed in the long-term if they are supported by a strong internal foundation. High impact organizations are the result of effective leadership but also include all levels of personnel, from the board to staff to volunteers. How these elements of the organization operate and how they are managed play an important role in the overall impact achieved by that organization. This section examines the internal dimensions of high performing nonprofits including: the important role of board governance; the features and function of leadership; the national office; staff; and volunteers.

I. Board Governance

The board of an organization can and should play a major role in the success of an organization. Beyond providing oversight on the financial health of an organization, effective boards of today’s organizations lead on various strategic and management matters. Literature on effective boards discuss in detail the various roles that boards can and should play, the critical importance of proper board leadership, and finding the right fit of board members. These topics are discussed in more detail in this section.

a. The Role of the Board:

A Board of directors is important to organizations for a variety of reasons. They provide strategic direction and ensure organizational performance. In some cases, an organization may rely on its board members for their networking contacts and fundraising abilities. In other cases, board members may fill some work function of the organization. Plumptre and Laskin assert that the role of the board can be any combination of the following tasks:

- Ensuring the organization’s financial health (including budgeting and sticking to the budget, ensuring sound accounting systems, fundraising, etc)
- Ensuring sound relationships (fostering key and new relationships, communication and marketing strategies, speaking engagements, etc)
- Ensuring good performance (deciding how to measure it and being actively involved in collecting information)
- Communicating or advocating effectively (representing and promoting the organization’s mission)
- Developing and updating a longer-term plan (which can provide a frame of reference for fund-raising, recruitment and facilities planning)

• Ensuring the existence of a sound governance framework (the core documents such as bylaws and articles of incorporation, and the policies, practices and conventions that define how the governance process is supposed to work and who takes decisions)

In their book *Forces for Good: the Six Practices of High-Impact Nonprofits*, Leslie Crutchfield and Heather McLeod Grant studied twelve organizations that had high levels of social impact. They found that the role of the board and the governance model used varied from organization to organization, and also over time as an organization evolved. Letts, Ryan and Grossman believe that the critical role of a board is not only to provide a clear sense of the organization’s mission, but also to lead the organization to better performance. This can sometimes be tricky for nonprofits because of the lack of market signals. Nonetheless, developing information and performance targets around important issues such as the organization’s image or ability to reach certain target groups is a fundamental role of the board, above and beyond financial performance. Another key to a successful board is the ability to effectively self-evaluate. This is with regards to individual board members, as well as the work and role of the board as a whole.

The role of the board will also depend on the ‘governance capital’, that is, what each individual board member can offer in terms of intellectual abilities, political or social connections, and ‘reputational’ capital in the community.

**b. The Chair**

A successful board chair is crucial to the overall health of the board. The primary role of the chair is to provide strategic leadership in partnership with the CEO. When appointing a board chair, it is important to pay attention to what the job will entail, what capabilities are needed, and whether possible appointees possess those capabilities. Possible appointees must also demonstrate that they are able to make the necessary time commitment.

The levers available to the chair are: setting priorities; shaping board culture; initiating board evaluations; organizing the board’s calendar and agendas; establishing how board meetings are run; overseeing appointments to committees; establishing task forces and setting terms of reference; bringing in new blood; strengthening external relationships; and reviewing the CEO’s performance. For example, chairs of effective boards will take deliberate steps to create a well-integrated group built on trust and willingness to share. Further, members will recognize some element of accountability towards the chair.

---

7 Plumptre, Tim, *Not a Rocking Chair: How Chairs can Provide Strategic Leadership to Public Purpose Institutions*, (Ottawa: Institute on Governance, 2007), 3.
8 Ibid, 4.
Plumptre maintains that the ‘soft stuff’ of interpersonal skills, group dynamics, and board-management relations are often more important to improving governance than is the development of written policies and procedures. The chair and the CEO need to work together. Collaboration is particularly useful in identifying organizational priorities; developing strategy; setting the board agenda; determining the frequency and length of board meetings; and preparing documentation for board meetings.

Plumptre and Laskin stress the importance of creating and maintaining a good partnership relationship between staff and the board. This task is the responsibility of the chair along with the CEO. It is important for staff to support the work of the board and vice versa. The chair, with the CEO and possibly other members of staff and board, need to define how collaboration will occur. There may be some overlap between the work of the board and that of staff, thus the need for managing relationships and open communication are of utmost importance. Crutchfield and McLeod Grant maintain that high impact organizations are often equally led by the executive director and the board. This is well reflected in the following quote from Cyril Houle:

“Both the board and the executive will be helped in their relationship with one another if each of them understands the need for the other to be capable and powerful. Curiously enough, some people have the idea that the board-executive system is merely a safeguard against the weakness of one of the other of the two parties. This ‘seesaw’ principle may be true for short periods of time, but in the long run it is fatal to sound operation. Analysis of the leading institutions in society suggests that an institution flourished only when it is conducted by both an effective board and an effective executive – and when both are able to work together.”

**c. Board Members**

Of the organizations that Crutchfield and McLeod Grant studied, eleven of the twelve have larger than average boards, ranging from fifteen to forty-two (most have between twenty and thirty). The authors believe that perhaps the large boards are due to the large number of stakeholders that nonprofit sector boards must engage with, and also the necessity to be representative. A diverse representation is important not least of all because it allows a well-rounded contribution to high-level strategy and advice to executives on critical issues. Continuity in a board is also important to allow for a good combination of experience and hindsight with new energy and ideas.

Vic Murray asserts that effective performance of boards relies importantly on a well-planned system of board recruitment, selection, orientation, development and evaluation. This process ensures that board members know what is expected of them, are committed to the organization’s mission, and possess the skill and knowledge to make good decisions. It will also help avoid
some of the common obstacles that nonprofit board member’s sometimes face: lack of time to commit; a low inclination to ask difficult questions of the board and staff; and an interest in the social mission more than the day-to-day organizational capacity of the organization.\textsuperscript{13}

\textbf{II. Organizational Structure and People}

\textbf{a. Leadership}

The organizations studied by Crutchfield and McLeod Grant cited lack of talent as the second most significant barrier (after lack of funding) to increasing the impact of an organization. Where leadership of for-profits is often recruited from within, nonprofit leaders of organizations are often recruited from outside the organization. This is perhaps because of the large amount of time invested in fundraising within nonprofit organizations, where for-profits, in contrast, put that time to investment in people.\textsuperscript{14} It is nonetheless important for nonprofit organizations to cultivate internal leadership as a way to fill important leadership roles and sustain the impact of the organization.

Successful CEOs come in all personalities and characteristics. Thomas Wolf lists some of the key abilities that a leader in a nonprofit organization would ideally possess:

- \textbf{Vision}: of the organization’s niche now and into the future; of likely opportunities and dangers; and regarding the organization’s mission.
- \textbf{Community Engagement}: including a knowledge of constituent needs, an instinct around how to service them, and an ability to work with them; knowledge of the community as a whole and the ability to create relationships; and a willingness to engage in work that reflects and causes changes in the community.
- \textbf{Organizational Management}: such as articulating the organization’s mission, generating excitement amongst the board, staff, etc; creating a sense of importance and commitment amongst board members, staff and volunteers; possessing good instincts about the extent of risk that is desirable for an organization.
- \textbf{Personal Attributes}: including clarity (personally and professionally); personal vision and self-knowledge; comfortable with change and ambiguity; engaged with the world; inquisitive; and creative.\textsuperscript{15}

There are some common features of CEOs in successful nonprofits: they put their own interests aside for the sake of both the organization and the cause. They also share power, especially with other executives who possess complementary skills. A powerful nonprofit organization has not only a strong leader, but strong second-in-command, strong management teams and strong leaders throughout the organization as well. For example, the American nonprofit think tank, The Heritage Foundation, has a staff of 200, and ten senior managers including eight vice-presidents. This type of collaborative model is important in nonprofit organizations: they often

\textsuperscript{13} Letts, Ryan and Grossman, 138-139.
\textsuperscript{14} Letts, Ryan and Grossman, 177.
\textsuperscript{15} Wolf, Thomas, \textit{Managing a nonprofit organization in the 21\textsuperscript{st} Century}, (New York: Fireside, 1999), 335-337.
operate in complex environments, have many internal and external stakeholders and face a set of challenges which require a diversity of skills not found in one person.\textsuperscript{16}

Crutchfield and McLeod Grant suggest that an effective way to model power-sharing is to have an executive director in charge of external leadership concerned with vision, strategy, issues and relationship building. Meanwhile, the chief operating officer (COO) or executive vice president fills the role of internal manager, focused on operational issues.\textsuperscript{17} It is then important to also share leadership with the rest of the executive management team so that they are empowered to do their job and more likely to stay in the organization in the long run. Thea Vakil refers to this as decentralizing the loci of authority within the vertical structure of the organization. Vakil argues that it is also important to pay attention to the horizontal structures of an organization, or the linkages between the vertical hierarchies. In an effective horizontal structure, leaders of the organization co-ordinate work to overcome gaps and barriers that arise from the hierarchy and division of labour. Tools to do this include information systems and taskforces.\textsuperscript{18}

\textbf{b. National Office}

Letts, Ryan and Grossman assert that the most important role of a national office is to support the local affiliates to become agents for promoting and supporting high performance. The national office should play a critical role in driving local performance - for example, by defining performance standards and holding local affiliates responsible for these standards. The national office should learn and communicate the essential elements of successful program operations and become a resource for continuous learning at the local level. This translates into an understanding of not only what works but why it works.\textsuperscript{19}

\textbf{c. Staffing}

As mentioned previously, literature on high impact nonprofit organizations largely concur that these organizations have strong leadership not only at the top, but also throughout the organization. This structure works because, while there are many people with leadership skills, authority still rests with top management. Nonetheless, people throughout the organization must be empowered to carry out tasks on their own initiative.

Thomas Wolf summarizes the important qualities for prospective employees:

1. Management skills related to the job to be performed
2. Character traits that reflect creativity, flexibility, an enthusiasm for solving problems and an ability to work with others
3. An understanding of the need for authority in an organizational structure

\textsuperscript{16}Letts, Ryan and Grossman, 154-156.
\textsuperscript{17}Ibid, 163.
\textsuperscript{18}Vakil, Thea, “Planning and Organizing For Results,” in Management of Nonprofit and Charitable Organizations in Canada, (Markham: LexisNexis Canada, 2006), 302.
\textsuperscript{19}Letts, Ryan and Grossman, 146.
4. A knowledge, sensitivity and enjoyment of the nonprofit field in which they will be employed.\textsuperscript{20}

Letts, Ryan and Grossman emphasize the role that employees should play in product development: high impact organizations support the passion and creativity of their staff by creating conducive work environments and harnessing talent.\textsuperscript{21}

Employees of nonprofit organizations are often recruited for their passion and commitment to the cause. Nonetheless, if they are going to be likely to stay in the long term, they have to be properly compensated in terms of financial and other benefits. Ten of the twelve organizations that Crutchfield and McLeod Grant studied paid their employees at the high end of the nonprofit wage scale. To reinforce this point, the authors cite a study which found that nonprofit executives in America who were dissatisfied with their compensation were twice as likely to leave within a year, compared to executives who were satisfied.

There also exist other tools to retain valuable staff, for example the creation of non-management career paths that highly skilled employees can pursue if they have no management aspirations. Also, letting go staff members who are underperformers is important because otherwise organizational effectiveness suffers, efficiency remains lower and talented staff members can become demoralized when they see underperformers being indulged.\textsuperscript{22}

Wolf makes a critical point about administrative positions: it is important to staff an organization with people who are flexible, creative and who believe strongly in the organization’s mission; however, it is equally important to consider filling administrative roles with people who possess administrative types of skills rather than those who have a strong passion for the cause. According to Wolf, administrative types will excel in administrative jobs and ultimately benefit the organization, while employees who possess other skills and are passionate about making social change happen may become bored in administrative positions and not complete the job as effectively.\textsuperscript{23}

d. Volunteers

To assume that all important tasks within an organization have to be done by a salaried employee is, according to Wolf, a mistake. He believes that using paid staff is not always the most efficient use of resources and in many cases volunteers can be relied on to carry out important organizational functions. However, because this may create some overlap between the role of staff member and volunteer, it may be necessary to manage the relationship between staff and volunteers so as to ensure that they understand how to work together and respect each other’s contributions. Further, because volunteers are not being paid, it is crucial that volunteers ‘get something back’. This means catering to the needs of volunteers as reflected in the reasons that people volunteer their time: sense of self-satisfaction, altruism, companionship, learning about a

\textsuperscript{20} Wolf, 90.
\textsuperscript{21} Letts, Ryan and Grossman, 109.
\textsuperscript{22} Crutchfield and McLeod Grant, 187-191.
\textsuperscript{23} Wolf, 88-89.
field, developing professional contacts, getting ahead in the corporation, getting training and experience, providing entry to a particular organization, and social panache (prestige).  

Agnes Meinhard, in her article “Managing the Human Dimension in Nonprofit Organizations: Paid Staff and Volunteers”, set out to compile a list of tips relating to providing the right incentives to volunteers:

- Understand the volunteers’ needs and match them with the appropriate job.
- Emphasize and communicate the social meaningfulness of the activity.
- Link the activity to generalizable skills.
- Value their time, give them feedback, and publicly and privately recognize their contributions, and reimburse their expenses.

Meinhard goes on to list important ‘best practice’ criteria for managing an effective volunteer program:

- Provide a budget for a dedicated volunteer manager.
- Train paid staff members in how to work with volunteers.
- Train volunteers to lead other volunteers.
- Clearly communicate roles and define jobs.
- Provide orientation and job training.
- Ensure work variety and delegate responsibility.
- Create a positive ambiance in the workplace.

Meinhard further points out that new Canadians and certain ethnic minorities offer a pool of volunteers who are traditionally not involved in volunteering. These groups cited ‘not enough time’ and ‘not being asked’ as the top reasons that they do not volunteer. The latter reason offers an opportunity to Canadian nonprofit organizations to reach this valuable source of volunteers. In many cases, this would also fit in with the mission of certain organizations to target, mobilize, or empower certain minority groups.

e. Human Resource Management and Structure

Letts, Ryan and Grossman identify the management of human resources as one of four key factors to improving an organization’s chances for success. They maintain that it is important for nonprofits to shift their view of Human Resource (HR) practices to being a strategic issue. The Voluntary Sector Initiative (VSI), also highlighted human resource management as an area in need of development. The VSI created the HR Council for the Voluntary and Nonprofit Sector, which developed a website for organizations that want to develop or improve their HR practices <http://www.hrvs-rhsbc.ca/>.

24 Ibid, 96-102.
26 Ibid, 391.
According to the website, the ultimate purpose of strategic HR management is threefold:

- Ensure adequate human resources to meet the strategic goals and operational plans of your organization - the right people with the right skills at the right time
- Keep up with social, economic, legislative and technological trends that impact on human resources in your area and in the voluntary sector
- Remain flexible so that your organization can manage change if the future is different than anticipated\(^{27}\)

Strategic HR helps “get, keep and motivate good people specifically to advance the objectives and mission of the organization.”\(^ {28}\) It moves beyond a focus on compensation policies, administration, and training though these are important elements. In addition to these core functions, HR should also focus on creating ways to support, challenge, equip, and develop their staffs to help deliver the organization’s mission. Using the example of Hewlett Packard’s HR strategy, the authors summarize a few specific techniques and methods that the HR function of an organization can adopt.

- Offer loyalty to the employee in return for performance.
- Challenge workers, even where career ladders are short - for example, through lateral moves; assignment to high-visibility task teams to address a specific organizational or service delivery problem; and participation on corporate task forces.
- Evaluate performance in terms of results and attitude rather than just skills and ‘outputs’.
- Reward performance with bonuses (for example at Hewlett Packard, salaries can differ for the same job by up to 50% based on performance).
- Use data to develop an effective HR policy - for example, to track minority recruitment and retention of female managers.\(^ {29}\)

In another example, when funding cuts threatened the survival of Greater Boston Rehabilitation Services (GBRS), the CEO introduced a rigorous HR management strategy to stabilize the organization. Shifting the focus to hiring people whose specific skills and outlooks could help the organization perform its core work while changing the culture of the organization; restructuring jobs to make best use of individual employees’ skills and interests; creating jobs to challenge workers and demanding high performance as a way to motivate staff; beefing up compensation policies to secure employee satisfaction; looking for other ways to acknowledge and support employees’ efforts – these were some of the ways that GBRS responded.\(^ {30}\)


\(^{29}\) Ibid, 112-113.

\(^{30}\) Ibid, 114-117.
III. Summary of Section 1

In summary, the good practices and key messages discussed in this chapter are:

**Board**
- A good working relationship is desirable between the board and staff, especially between the CEO and board chair.
- The board should be responsible for not only financial performance but also for strategic direction and management, to improve organizational performance.
- The board needs to take its role seriously and be able to self-evaluate. Individual members should be committed and have the time to carry out board functions.

**Leadership**
- Leadership must exist throughout an organization and authority should be shared amongst top executives.

**National Office**
- The national office should work to strengthen the organizational performance of regional or local affiliates.

**Staffing**
- Organizations should recruit for passion but retain through compensation.
- Organizations should harness the creativity and abilities of employees to further organizational goals and mission.

**Volunteers**
- Volunteers are an important part of a nonprofit’s organizational structure and can make a valuable contribute but must also have their needs fulfilled.
- An organization needs to manage how volunteers fit into and interact with the overall organization.

**Human Resources Management**
- Integrate HR as a strategic function
Possible Case Studies within the NAFC:

- A board which leads in strategic matters of the organization such as strategic planning, monitoring performance and financial stewardship, etc.

- Exemplary partnership between board and staff

- An example of a useful system of recruiting, orienting and evaluating board members

- An effective leadership team which emphasizes sharing power.

- Exemplary relationship between national office and a regional/local affiliate which increases organization performance of the latter.

- An example of an effective volunteer program

- Exemplary HR practices
SECTION 2: STRATEGIC MANAGEMENT

To be effective, nonprofits have to maintain relationships with many internal and external stakeholders: clients, funders, board members, volunteers, other nonprofits in the field, the private sector, etc. Increasingly, nonprofits are in competition for funding dollars, volunteer resources, and other resources necessary to build successful organizations. At the same time, the public has taken a greater interest in the governance of organizations in all sectors – public, private and nonprofit. These factors have forced nonprofits to look at how they plan and implement programs not only to satisfy funding requirements and other demands of accountability, transparency, and efficiency, but also to examine how to be more effective with the resources available. Strategic management has thus become a vital component to ensuring that programs are effective and appropriate and that organizations are sustainable overall. This section looks at the elements of strategic management and approaches to strategic planning. To emphasize the importance of integrating fundraising efforts into overall strategic planning, we also discuss fundraising capacity within this section.

I. What is Strategic Management?

Strategic management includes both strategic thinking and strategic planning. John Bryson believes that strategic planning should:

- Be concerned with identifying and responding to the most fundamental issues facing an organization;
- Address the subjective question of purpose and often competing values that influence mission and strategies;
- Attempt to be politically realistic by taking into account the concerns and preferences of internal and especially external stakeholders;
- Rely heavily on the active involvement of senior level managers, assisted by staff support where needed;
- Require the candid confrontation of critical issues by key participants in order to build commitment to plans;
- Be action oriented and stress the importance of developing plans for implementing strategies; and
- Focus on implementing decisions now in order to position the organization favorably for the future.  

Letts, Ryan and Grossman stress that the importance of strategic management to increasing impact lies not necessarily in how to expand programs (though this is perhaps part of it), but rather how to improve overall organizational capacity and consequently effectiveness.

John Bryson suggests that strategic planning is about ‘where you are, where you want to be and how to get there’ and can be summarized by the following figure:

---

Roger Courtney maintains that there is some consensus within the ‘how-to’ on strategic planning in the nonprofit sector which includes a SWOT (Strengths, Weaknesses, Opportunities and Threats/Challenges) analysis, environmental scanning (both internal and external), stakeholder analysis, mission or mandate analysis, identification of strategic issues, vision, values, aims, objectives, performance indicators, and key results areas. Some of these concepts which have been identified by many authors will be examined in further detail in following subsections. John Bryson’s *Strategic Planning for Public and Nonprofit Organizations* offers an array of in-depth tools and options for completing a successful strategic planning process.

### a. Mandates and Mission Statements

Much of the literature on nonprofit management suggests that developing a clear and coherent mission statement, vision and mandate is an important element to offering overall guidance and direction to an organization and communicating that direction to both those inside and outside the organization. This in turn creates a sense of public value, providing social justification and legitimacy for an organization. Importance is placed both on exploring these elements and getting them right. However, Crutchfield and McLeod Grant highlight the important point that, while the organizations that they studied did have a vision or mission statement, most of them spent little time adjusting and fine-tuning it. Rather, they put their efforts towards making it happen.
Bryson explains that the mandate defines what an organization is formally and informally required to do.\(^35\)

According to Courtney, a mission statement is an important expression of the basic questions about an organization, ‘what do we stand for’ and why do we exist”? He quotes Peter Drucker that a mission statement should be based on: 1) the things that an organization does well; 2) where the organization can make a bigger difference in tackling the needs; and 3) what the people in the organization really believe.\(^36\)

Thomas Wolf warns that, while everyone may agree on the broad mission of a nonprofit organization, there can still be disagreement about what that mission means in practice and how it should be achieved. For example, a hospital may define its mission as providing quality healthcare, but each member of the board and staff may interpret this mission differently.\(^37\) Thus, though an organization may not want to spend valuable board and staff time working and reworking their mission and mandate, it is important nonetheless to use them as a guide in the strategic direction of an organization. In short, the key players need to agree on what they mean to the organization.

**b. Identifying and Engaging Stakeholders**

Thea Vakil identifies stakeholder analysis as the first step to formulating a strategic plan.\(^38\) Stakeholders can include funders, staff, the board, clients, volunteers, partners, other nonprofits, the government, etc. Bryson discusses a wide range of methods available to identify stakeholders and their interests and needs. Options range from a stakeholder analysis, which is conducted by staff of the organization, to actual involvement of various identified stakeholders in planning sessions. Approaches range from an analysis of power versus interest, to opposition versus support.\(^39\)

Some authors emphasize that certain nonprofit organizations fail because they have not been successful at identifying the needs of the more marginalized client groups that they serve. Strategies thus need to incorporate this potential issue. This is relevant not only at the planning stage, but throughout the life cycle of a project. For some organizations, the client groups will be relatively easy to identify and engage with, and for other organizations this process will be more difficult.

The NAFC illustrates these points with its considerable experience in dealing with urban Aboriginal youth, who make up half of the entire Aboriginal population but remain an overlooked demographic within the program support available to Aboriginal people. One service

\(^{35}\) Ibid, 102.
\(^{36}\) Courtney, 180.
\(^{37}\) Wolf, 280.
\(^{38}\) Vakil, Thea, “Planning and Organizing for Results”, in Management of Nonprofit and Charitable Organizations in Canada, (Markham: LexisNexis Canada, 2006), 281.
\(^{39}\) See Resource A in Strategic Planning for Public and Nonprofit Organizations.
that was developed in response to this program gap is the Urban Multipurpose Aboriginal Youth Centre (UMAYC) Initiative, which engages youth at all stages of planning, implementing and overseeing the project. UMAYC remains adaptable to local needs by setting broad programming objectives, and allowing local communities to shape the programs.  

Both Letts, Ryan and Grossman as well as Cruchfield and McLeod Grant emphasize that regardless of the method that organizations employ to identify and engage with stakeholders, organizations with the highest impact are closely involved and consequently in tune with their client groups’ changing needs, interests, attitudes, etc.

c. Identifying Strategic Issues

Strategic issues are “the key questions facing the organization that most fundamentally affect its policies, programs and services.” Murray provides an example of such a question, one that is relevant for many Canadian nonprofits: ‘how can the organization ensure continued volunteer participation’. Bryson offers another example for a charity working with people with disabilities, an example that is both philosophical as well as strategic: “what is the meaning of ‘self-sufficiency’ to an organization that promotes it for their disabled clients?”

Identifying strategic issues helps to determine overall direction. It also helps to make sometimes difficult decisions about programs, such as which ones to keep and which to eliminate. Much of the literature about nonprofit organizations stress that many fail because they spread themselves too thin, running too many programs less effectively instead of focusing on a few programs where potential for impact is greatest. It is thus important to identify some of the critical choices, issues and challenges facing an organization. A few authors cite the example of a pet project that may have been have been identified at one time as crucially important but which has failed to achieve desired results. Though members of management (sometimes only one) or staff may place emotional importance on the program, it may not be the best use of resources for the organization. The process of identifying strategic issues should highlight this kind of problem and lead staff to discuss and make potentially tough decisions about the organization.

Bryson stresses the importance of employees and management undergoing this process in an emotionally and psychologically safe environment where they are able to voice sometimes conflicting or uncomfortable opinions. Identifying strategic issues can sometimes create conflict. As long as the conflict is constructive rather than destructive, this conflict is desirable because it can help to clarify the issues.

Once strategic issues are identified, Bryson offers two approaches to Strategy Development that a planning committee can adopt to incorporate strategic issues into the planning process. The

---

41 Murray, 287.
42 Bryson, 154.
43 Bryson, 153-154.
first is the five-Part Process, which involves asking the following questions about the strategic issues that are identified:

1. What are the practical alternatives, dreams or visions we might pursue to address this strategic issues, achieve this goal or realize this idealized scenario?
2. What are the barriers to the realization of these alternatives, dream, or idealized scenarios?
3. What major proposals might we pursue to achieve these alternatives, dreams, or idealized scenarios directly or to overcome the barriers to their realization?
4. What major actions (with existing staff working within existing job descriptions) must be taken within the next year (or two) to implement the major proposals?
5. What specific steps must be taken within the next six months to implement the major proposals, and who is responsible for each step?  

According to Bryson, this process is useful for developing the broad outlines of a strategy and engaging larger groups; however, its weakness lies in its limited ability to promote understanding about the relationship between different ideas.

The other process that Bryson highlights is the Oval Mapping Process. This process involves the creation of both practical and creative options for each issue identified, then a mapping of consequences of each option. This creates action-to-outcome relationships which helps develop organizational goals for each program area.

Regardless of what method is employed to identify strategic issues, it is useful to do so in a way that encourages active involvement of all employees of an organization, who may be able to offer different perspectives about what works and what does not and why. For example, in an organization that works with direct service delivery and also has a policy development capacity, coordinating dialogue between employees of the two different units around strategic issues may help identify important gaps in information sharing.

Once issues have been identified, it is crucial to follow through by incorporating them and possible solutions into the planning process, the subject of the next subsection.

**d. Putting it All Together - Planning Tools**

The key to a successful strategic plan is that it includes executive involvement, employee commitment and relevancy to day-to-day functions of the organization. Thomas Wolf offers two useful approaches to strategic planning. One is linear and relies on a predictable sequence of steps. This approach allows organizations to evaluate themselves in a systematic way, speculate about the future in all areas of work, and generate a formal document that can be shared with the public to highlight the organization’s strategic direction. This approach can be a lengthy process

---

44 Ibid, 199-200.
45 For further discussion, see Chapter 7, “Formulating and Adopting Strategies and Plans to Manage the Issues,” in Strategic Planning for Public and Nonprofit Organizations.
and is generally conducted once every three years and more as a special initiative separate from day-to-day functions of the organization.

The second approach is integrated into the regular operations of the organization. In this approach, the components of planning (mission statements, goal formulation, development of objectives and targets, action plans, implementation and evaluation) all take place constantly and information flows in all directions, rather than from the beginning to the end of the process. This approach allows an organization to respond quickly to a new or changed circumstance, and encourages continuous involvement of executive, staff and the board.

Wolf discusses two examples to highlight the different approaches. The first organization, the Craft Society, undertook a linear planning process after a major donor required the creation of a five year plan. The organization hired a consultant to manage the process, and allocated a specific time schedule, and budget and personnel resources by the planning committee. The process began with a staff retreat during which time the mission statement was reviewed and key activities and priorities were identified. Committees were formed and worked over the following six months on assigned areas to flesh out the ideas, look at feasibility, consult, etc. With oversight from the executive and the board, the committees then came together to help create the five-year plan.

The second organization, the Community Foundation, undertook an integrated planning approach for several reasons - because donor money was being added to their endowment at unpredictable times, because the needs of community groups they served were changing rapidly, and because the board wanted to debate and discuss future direction on a more regular basis. A newly established planning committee worked with other committees and the board at regular intervals throughout the year. Planning was divided into immediate, mid-term and long-term time frames, with different emphasis placed on them at different meetings. The work of the planning committee was coordinated with the decision cycle of the board, by supplying the board with sufficient information and recommendations to act on at each meeting. The planning committee relied on individual staff, ad hoc groups and occasionally outside consultants or stakeholders to help them gather the necessary information. Wolf highlighted that these two approaches are used for different reasons and are often both used by one organization at different times. 46

Of the organizations studied in Forces for Good, some had a formal and structured planning process. In others, the process was more organic. Crutchfield and McLeod Grant maintain that balance between these two approaches is most important, so that the planning process allows for 1) both discipline and freedom, and 2) both the ability to innovate and also to evaluate, learn and modify. 47

Letts, Ryan and Grossman refer to this balance as a ‘superior product development process’ which imposes discipline and coordination only after the initial inspiration. 48 They offer a few examples of this process, such as the development of a youth engagement program at the Boston

46 Wolf, 291-303.
47 Crutchfield and McLeod Grant, 150-151.
48 Letts, Ryan and Grossman, 60.
YMCA: The idea for this project came from a happenstance meeting in the field between a YMCA executive and a community youth. The encounter highlighted the potential of using media as a way to engage youth. Further idea generation for the project then integrated extensive client contact as well as collaboration with other organizations working on community youth engagement. Cross-functional teams were created to solicit ideas and gain broader perspectives about the value and design of the program. The program design was supported by research into other programs on the ground and lessons learned. Feasibility studies were conducted, curriculum plans were drafted, and then focus groups were held with youth before the pilot program was implemented. All of these tasks helped to clearly define the program model and promoted buy-in from all stakeholders.\(^49\) The idea came through inspiration and was then supported by a disciplined and comprehensive approach to project planning.

**II. Fundraising Capacity**

The inclusion of an organization’s fundraising strategy in core strategic planning is important - fundraising both informs and is informed by other areas of strategic planning. The organizations featured in *Forces for Good* all addressed fundraising as a highly integrated part of planning their programs, mission and mandate. Some had also incorporated fundraising into their advocacy role and larger vision for creating social impact. For example, the CEO of YouthBuild USA lobbied the government to support a national YouthBuild program for two complimentary reasons: one, because that was where a large sum of money could be mobilized for her organization; and two, because of a deeply held belief that the government has a responsibility to provide housing for low-income youth.\(^50\)

The organizations featured in *Forces for Good* had a diversity of funding sources. Yet at the same time, half of them relied on a single source for a majority of their funding. This model secures one main, reliable source with the extra diversity to offer security should one funding source disappear. Organizations that received a substantial amount of government funding stated that in the United States, government funding is the best source of large amounts of money. The drawback to government funding is that it can be unreliable - for example, in the face of an administration change. Accessing government funding may also run the risk of having to relinquish some control of the project. In many cases, however, the hefty amount of public funding appeared to be worth the constraints.

Other sources of funding include individual donors, foundations, the private sector, and through an organization raising its own funds through some activity. In Canada, *the National Survey of Nonprofit and Voluntary Organizations (2004)* found that revenue for nonprofits come from the following sources: 49% from government (40% from provincial, 7% from federal, and 2% from municipal sources); 35% earned income from nongovernmental sources (1% charitable gaming, 11% membership fees, 20% fees from goods and services, 4% earnings from endowments or investments); 8% individual donations; 1% fundraising organizations and family community

\(^{49}\) Ibid, 67-68.
\(^{50}\) Crutchfield and McLeod Grant, 192.
foundations; 3% disbursement from other nonprofit organizations; 3% corporate sponsorship, donations or grants.\textsuperscript{51}

Crutchfield and McLeod Grant believe that organizations that raise their own money through some kind of service or product (social entrepreneurship), while possibly the most sustainable, will only be so if the activity fits within the core mandate and mission of the organization. For example, Self-Help is an organization that works to promote asset ownership, such as a home, as a means to get out of poverty. They work as a direct, low-interest lender to individual, a business line which in turn provides an ongoing revenue stream for the organization.\textsuperscript{52}

Andrea McManus offers the following tips about fundraising in Canada:

- Organizations should tap into the philosophy that people give to people. The number one reason that people give is because they have been touched by the cause represented by the organization. People give to people rather than organizations (i.e. donors want to hear about the people being helped, not the organization). People give because they are asked and because they want to help.
- In most organizations, the 80/20 rule applies: 80% of funding comes from 20% of sources.
- Potential donors are not always obvious. Statistics show that people with all levels of income donate to charity. This is the case with corporate donors as well. The key is to find a suitable donor(s) and devise a way to approach them.
- Relationship or donor-centred fundraising is the key to successful fundraising programs. This includes building relationships with donors and respecting them as stakeholders in the mission of the organization.
- Fundraising must work in synergy with strategic planning, governance, and program planning and execution.
- An organization should match a prospective donors interest with the needs of the organization so that the act of asking becomes an opportunity to support a cause with pride.\textsuperscript{53}

There is some disagreement in the literature about the role that the board should play in fundraising. Thomas Wolf asserts that all board members should be involved in fundraising either through giving directly or through other fundraising efforts. On the other hand, Letts, Ryan and Grossman warn that board involvement in fundraising is potentially dangerous because it can refocus how the board views success, crowding out performance goals and substituting growth in revenues for mission fulfillment. As well, wealthy board members with good connections may crowd out other board members who have important perspectives and expertise. Nonetheless, many authors emphasize the important role that boards play in resource development. Letts, Ryan and Grossman suggest that balance is necessary, and perhaps boards

\textsuperscript{51} Murray, 219.
\textsuperscript{52} Crutchfield and McLeod Grant, 198. For a more detailed discussion of each funding source, see Chapter 7, “Resource Development Basics” in Management of Nonprofit and Charitable Organizations in Canada; and Chapter 8, “Fundraising” in Managing a Nonprofit Organization in the 21st Century.
can play a vital fundraising role by helping “funders distinguish between unproductive overhead and real value-creating organizational capacity… [thereby] raising money for the organization to improve its effectiveness.”

III. Summary of Section 2

In summary, some of the good practices discussed in this chapter are:

Mission and Mandate
- Ensure a common understanding of the mission and mandate of an organization without spending too much time constantly changing them.

Stakeholders
- Develop ways to meaningfully engage stakeholders and be in touch with their changing needs and interests.

Strategic Issues
- Involve all staff in the identification of strategic issues in a safe environment.

Planning
- Use planning approaches that allow both quick responses to changing circumstances as well as more in-depth and holistic response to long term trends.

Fundraising
- Integrate fundraising into strategic planning.
- Diversify funding to include one reliable donor with diversity of others to offer security should one funding source diminish or withdraw.

Possible Case Studies within the NAFC:
- An example of meeting stakeholder needs with superior results
- Exemplary identification of strategic issues and action taken
- Exemplary planning processes
- Example of a superior fundraising initiative

Letts, Ryan and Grossman, 141-142.
One reason that organizations pay so much attention to ‘internal’ processes such as planning, leadership and governance is ultimately to deliver their programs and services more effectively. Thus, a crucial component of strategic planning is the delivery and evaluation of programs and projects. There are many tools and methods that organizations can employ to improve performance and service delivery. Some of the popular and interesting theories and methods are discussed in this section.

I. Adaptive Capacity

That adaptive capacity is the key element to becoming and remaining effective as an organization is a point that many authors make. Adaptive capacity refers to knowing where and how to change programs and strategies so that an organization continues to deliver on its mission. Crutchfield and McLeod Grant define adaptive capacity as mastering the art of adaptation - the ability to listen, innovate, learn, and modify your approach. Organizations actively solicit feedback from different stakeholders and through the process find new opportunities for solving social problems.

An example to highlight adaptive capacity is that of Share Our Strength, an American nonprofit organization which addresses hunger issues. The realization that they should engage people who care about food led them to target chefs as an important volunteer base. They later discovered that, while chefs are generally eager to help out, they are more willing to donate time and talent rather than money. This led to the development of the ‘Taste of the Nation’ event series, where chefs donated their time and efforts to fundraise and raise awareness of the organization and issues around hunger. The initiative was a great success because the organization was able to listen to the interests and needs of an important volunteer base.55

Letts, Ryan and Grossman underline an important point about how nonprofit organizations develop programs:

While [for-profit] businesses stress the benefits of linking idea generation and implementation, nonprofits take the opposite tack: Through program replication and the use of national intermediary organizations, they tend to generate ideas in one set of organizations and implement them in another.56

This insight points out one valuable approach to program development. In contrast, many authors believe that the key to successfully implementing ‘best practices’ lies in an organization’s ability to adapt and modify the implementation of programs and projects based on the relevant and changing circumstances, as well as on continuous feedback and program evaluation. The

55 Crutchfield and McLeod Grant, 131-133.
following subsection will discuss program evaluation as a way of increasing the adaptive capacity of an organization.

**II. Performance Assessment and Outcomes**

Susan Phillips and Tatyana Teplova, two Canadian academics, explain that evaluation of projects, programs and organizations used to be based on outputs (what was produced). The focus has now shifted to outcomes (what actual changes were realized in the lives of users or beneficiaries). This approach has been adopted by large funding organizations as well as provincial and federal governments. This has consequently increased pressure on nonprofit organizations to pay ever more attention to concerns around accountability and performance measurement.

In 1997, the *Panel on Accountability and Governance in the Voluntary Sector* (PAGVS) was created to review, consult and make recommendations on how the Canadian nonprofit sector could improve its practices. The subsequent report encouraged voluntary organizations to develop their own assessment indicators relating to results-based performance. The Panel also recognized the important role that intermediary organizations (funders, federations, umbrella organizations, etc) needed to play in developing indicators.\(^{57}\)

Roger Courtney suggests that while there is some resistance amongst nonprofits to what they see as reducing their complex work to measurable outcomes and outputs, many nonprofit organizations have indeed been able to develop a number of key indicators which demonstrate the progress an organization is making towards achieving long-term goals. Because these outcomes are often long-term and can be difficult to measure, many organizations including the Government of Canada, use a six-element model as a way to capture the full picture of progress.

1. Inputs
2. Activities
3. Outputs
4. Initial Outcomes
5. Intermediate Outcomes
6. Longer-term Outcomes\(^{58}\)

To say this is a flawless model is to ignore the many criticisms that exist – not least of which concerns the risk of employees and managers focussing on only ‘what can be measured’, with unintended and sometimes negative consequences for the organization.\(^{59}\)

---


\(^{58}\) Courtney, 191.

\(^{59}\) For an interesting sampling of some of the challenges of results-based management, see Accountability in a Federal State: Challenges and Prospects for Canada, (Ottawa: Institute on Governance, 2006), 10.
Research into nonprofit practices in Canada reveal that 92% of organizations conduct performance assessments on programs or projects with in-house resources and 80% involve the board of governors in the performance assessment process. Challenges to successful performance assessments include lack of internal capacity and money, unclear expectations on the part of funders, and confusion over language (e.g. the difference between an outcome versus an output).\textsuperscript{60}

Phillips and Teplova suggest that, for an organization to move from conducting occasional evaluations to being capable of ongoing performance assessment, it must first become “competent and confident in doing evaluations of a variety of activities, from assessing programs to the organization overall. . .The second step is to build assessment into governance processes and the routine operations of an organization, and develop capacity as the organization to do so.”\textsuperscript{61} While outcome or performance assessments may be useful tools to evaluate specific programs and satisfy funding accountability requirements, this type of assessment does not measure overall performance of an organization. Indeed building a more effective organization requires a broader look at performance measurement and management. Some of the relevant options are discussed below.

**III. Quality Standards Management – ISO**

The International Organization for Standardization (ISO) has produced a set of standards (ISO 9000) that approved accreditation bodies apply to help organizations create and maintain quality management systems throughout the world. Originating in the manufacturing sector, ISO accreditation now applies to many different sectors, including universities, First Nation communities, and organizations. For example, ISO 9004:2000 is designed to guide organizations towards business performance improvement. ISO accreditation includes an initial accreditation followed by annual internal and external audits. The process can be lengthy and expensive, though has proven popular in certain domains. For example, the Membertou First Nation was able to increase credibility with potential investors from the private sector through its ISO 9000 certification.\textsuperscript{62}

Accreditation systems like ISO have a number of potential advantages for the nonprofit world:

- By having third parties perform the accreditation and ensure that standards are maintained, governments can reduce reporting requirements, lessen their oversight role and concentrate instead on assisting nonprofits build capacity etc.
- Having a ‘universal’ standard for functions like financial management and aspects of program delivery can help organizations sustain improvements in their management systems

\textsuperscript{60} Phillips and Teplova, 316-317. For a full discussion of outcome-based evaluations, see Chapter 9 of *Management of Nonprofit and Charitable Organizations in Canada*.

\textsuperscript{61} Ibid, 318-319.

\textsuperscript{62} Institute on Governance, *Multi-year Community Fiscal Transfer Program: Further Considerations*, (Ottawa: Institute on Governance, 2007), 8-11.
As the Membertou example illustrates, nonprofits can gain instant credibility with other organizations through achieving accreditation with a well known quality management standard. Because of its genesis in the business world, the ISO approach to quality management is not well-suited to assessing critical aspects of government activity or for that matter overall governance of not for profit organizations. Consequently, more tailored approaches are called for, approaches better suited to the public and not for profit sectors. We turn to several of these in the next subsections.

IV. Organizational Capacity

Letts, Ryan and Grossman maintain that organizational capacity is the key route towards increased accountability to funders and ultimately improved effectiveness of the organization. Organizational capacity goes beyond financial and program management to a more comprehensive meaning of capacity – that of developing, sustaining and improving the delivery of a mission. The authors suggest four key methods to improve organizational capacity: product development and human resources management which we previously discussed; and quality processes and benchmarking. We focus on these latter two tools in the subsection that follows.

a. Quality Processes

Quality processes achieve quality results by helping organizations: “1) determine whether and how a program is satisfying clients, 2) measure the performance of management and staff, and 3) identify practical ways to improve services.” Quality processes compliment bottom line information, such as that relating to financial and program evaluations. They “…provide continuous feedback about performance, help organizations figure out where to make improvements, and keep the focus on the customers or clients that the organization intends to serve.”

For example, AVSC International, an American nonprofit organization that provides technical and financial assistance to operators of family planning and reproductive health services, developed COPE (for Client-Oriented, Provider-Efficient) as a quality improvement tool. COPE was developed to help providers move from a vague commitment to quality, to operational standards leading to results. The process was developed in collaboration with other partners working on the ground, and created an inexpensive and practical method to assess and improve the quality of service delivery. It involves a self-assessment by local staff to examine some of the problems encountered by clients, a client flow analysis to measure clinic wait times, client interviews to elicit feedback on client satisfaction, and concludes with the development of a detailed action plan. The results of COPE are several: improved service delivery, increased staff motivation, improved cooperation and communication between different levels, and increased sensitivity to the needs of clients.

---

63 Letts, Ryan and Grossman, 4.
64 Ibid, 40.
In another example, an American homelessness organization, Wellspring House, developed an ambitious and comprehensive assessment of the organization and community’s progress around homelessness issues and led to an understanding of where to focus in the future. They used disciplined data-gathering and analysis, and convened on a regular basis. At the end of the process, they found that it had empowered the clients themselves to be part of the problem-solving exercise and had also created a safe forum for community members to get involved in helping to solve difficult issues.65

These two examples demonstrate quality management processes designed by each organization, based on specific goals around improved service, a philosophy of client-centred service, and creativity and discipline to merge the two. Quality processes integrate quality as essential to the organization’s mission. Letts, Ryan and Grossman stress that it is necessary to look beyond traditional measures of feedback to collect data which will allow an organization to talk meaningfully about quality. It is important to remember that a quality management process will add extra work for staff but, if done well with empowered staff, can produce positive results for the organization and for individual staff. 66

b. Benchmarking

Benchmarking encompasses a range of approaches for improving performance by evaluating what works and why in similar organizations.

For example, when Xerox Corporation began lagging behind international competitors, they studied the practices of L.L Bean, a top performing company in another industry, to understand how the company was able to react quickly to client demand for products (which had previously been identified as a problem by Xerox). In another example, CARE USA, a highly decentralized international relief organization, mobilized field staff to collect data and other information to conduct a comparative study of field programs to determine some common characteristics of the most efficient ones. This process was at first met with resistance when led as a top-down approach, but was later more successful when headquarters actively involved field staff in the whole process. CARE USA warns that there is a competitive subcontext that must be managed properly in order to gain cooperation of staff.

Other challenges to benchmarking include: resistance from some staff who see benchmarking as a profit-enhancing technique infringing on mission-oriented work; the imperative to change created by benchmarking, which can create anxiety and stress amongst staff; a considerable investment requirement of time and money; difficulty in establishing performance indicators; and a difficulty in applying best practices where regional variations exist (cannot be imposed through a cookie-cutter approach).67

67 Letts, Ryan and Grossman, 92-93.
In yet another example, the Boston Ballet embarked on a benchmarking process led by an *ad hoc* committee of trustees and executives, a process which examined similar and different organizations in an attempt to answer the question ‘How do other organizations manage or change their image?’ The committee conducted interviews with three outside organizations and through this process, they were able to see the best practices in action, making it easier for them to ascertain how to apply the lessons to their own organization.

For benchmarking to work, generally a specific problem, issue or question first needs to be defined within the organization. Letts, Ryan and Grossman highlight that organizations that undergo benchmarking often become better at general problem-solving processes.68

Thomas Wolf offers a useful 5-step approach to evaluation which could aid a benchmarking process as well as other evaluation processes:

1. Accurately diagnose the organization’s current situation and identify areas in which there are opportunities for positive change
2. Separate the problems into those that need immediate attention and those that might be dealt with later
3. Build board and staff consensus so that identified problems can be dealt with honestly, forthrightly, and in a timely manner
4. Develop a realistic, affordable, multiyear schedule for implementing change
5. Continue the diagnostic, evaluation, and self-improvement process year after year.69

V. Scorecards

Scorecards are a relatively common performance management system used by for-profit organizations. It is used both as an operational control tool and strategic management tool. According to the study quoted by Lawson, Hatch and Desroches, the three most common reasons that companies use scorecards are: 1) the need to track progress toward achieving organizational goals, 2) the need to communicate strategy to everyone and 3) the need to align employee behaviour with strategic objectives.70 Scorecards are basically measures that are developed and set to achieve organizational goals in different areas. For example, areas that are relevant to nonprofit organizations might be environmental practices, internal processes, client or society results, stakeholder satisfaction, sustainability, outreach, leadership, management and improvement, partnerships and resources, and employee learning and growth. Each area is connected to specific measures with associated targets, results, frequency of evaluation, and a percentage score and weighting.

---

68 For a full discussion of Benchmarking, see Chapter 5 “Benchmarking: An Organizational Process that Links Learning and Results” in High Performance Nonprofit Organizations: Managing Upstream for Greater Impact.
69 Wolf, 346.
<table>
<thead>
<tr>
<th>Measure</th>
<th>Trend</th>
<th>Result</th>
<th>Target</th>
<th>Unit</th>
<th>Frequency</th>
<th>Score (%)</th>
<th>Weight (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings per share</td>
<td>Down</td>
<td>0.82</td>
<td>0.87</td>
<td>$</td>
<td>Quarterly</td>
<td>84.26</td>
<td>25.00</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>Up</td>
<td>10.28</td>
<td>12.40</td>
<td>%</td>
<td>Quarterly</td>
<td>82.22</td>
<td>6.25</td>
</tr>
<tr>
<td>Environmental Costs</td>
<td>Up</td>
<td>3496</td>
<td>3702</td>
<td>$</td>
<td>Quarterly</td>
<td>66.14</td>
<td>6.25</td>
</tr>
<tr>
<td>Customer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Satisfaction Index</td>
<td>Up</td>
<td>4.80</td>
<td>5.00</td>
<td># Points</td>
<td>Quarterly</td>
<td>98.00</td>
<td>25.00</td>
</tr>
<tr>
<td>Internal Processes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adoption Rate of Six Sigma</td>
<td>Up</td>
<td>30.00</td>
<td>33.00</td>
<td>Projects</td>
<td>Quarterly</td>
<td>90.91</td>
<td>25.00</td>
</tr>
</tbody>
</table>

Figure 2 - Example of a Scorecard in a For-Profit Company

There are many different frameworks for the use of scorecards, though each would have to be adapted to individual organizational needs and specifically for a nonprofit organization. Some considerations about scorecards include:

- Measures to evaluate performance should be in line with organizational strategy. If targets are set for those measures, they must be attainable, regularly monitored, and developed with input from staff.
- To succeed, a scorecard system must have buy-in from upper management and also support and acceptance from staff.
- A scorecard system should be introduced into an organization in stages as a top-down, bottom-up, or pilot approach.
- Scorecards can work in conjunction with other management tools such as benchmarking and strategic planning.  

### VI. Sustainability

Much of the literature on nonprofit best practices suggests that the key to an effective organization is not necessarily expanding the organization or the programs but rather sustaining the impact of the organization and its programs.

---

71 Ibid, 52.
72 For a comprehensive discussion of scorecards, see Scorecard Best Practices: Design, Implementation, and Evaluation.
For nonprofits and for-profits alike financial sustainability is the key challenge. However, Crutchfield and McLeod Grant assert that unlike in the for-profit sector, in the nonprofit sector there is a disincentive to invest in critical organizational elements such as people, infrastructure and systems that help sustain success. The nonprofit sector holds an erroneous belief that all funding should go to programs. This is in part due to a tendency of funders to view success in financial terms, such as the overhead to program spending ratio, rather than in terms of the impact or change created by the investment.

Real success and sustainability requires looking beyond financial measures. Crutchfield and McLeod Grant suggest that there are three critical elements to sustaining impact:

1. People: develop a people strategy and invest heavily in top performers.
2. Capital: find the right sources of funding (and diversify to reduce financial risks).
3. Infrastructure: invest in overhead, despite pressure to look lean.\(^{73}\)

The authors continue that there is no recipe for scaling up organizations. Of the organizations that the authors studied, some grew first and then developed the organizational capacity to fill the gap between their expectations and their effectiveness. Other organizations grew slowly and reached and then remained at an effective and efficient scale.\(^{74}\) The bottom line in either situation is the ability to at least sustain current levels of impact. Crutchfield and McLeod suggest the following list of what an organization must do to sustain impact:

1. Find the right balance for the organization (identify and then invest heavily in what the organization needs to sustain impact)
2. Focus on what, then who (hire based on cultural fit and mission and then give people the latitude and development they need to succeed)
3. Pay to play (pay top talent relatively well, ideally at or near the top of the field)
4. Find sources of ongoing funding to diversify risk
5. Fuse fundraising with your theory of change (government, business and the public are potential sources of funding but also a means of leveraging social impact)
6. Resist pressure to look lean (fund properly in overhead)\(^{75}\)

Indeed much of the literature on financial sustainability suggests the diversification of funding sources as the most important factor to decreasing risk and maximizing sustainability.

According to Thomas Wolf, the critical factor to successful sustainability is an organization’s ability to adapt to changing circumstances. Some of today’s challenges can include increased competition, higher expectations from the public and funders, increasing costs, declining support, rapidly changing technology and differing ways of conducting business. Adaptability is intrinsically linked to sustainability because it allows an organization to remain relevant to the needs of its constituents, to be financially healthy, well managed and accountable. Wolf also maintains that sustainability comes from organizational leadership, especially the CEO and board chair.

\(^{73}\) Crutchfield and McLeod Grant, 185-186.
\(^{74}\) Ibid 204.
\(^{75}\) Ibid, 220.
Part of being sustainable is finding the right size and scope for the organization, which involves asking some key questions:

- What is the range of size for other organizations in the field that appear viable and healthy (Industry comparables)
- What is the minimum activity that must be performed every year? (Essential activity)
- How much does it cost to perform the minimum activities of the organization each year in a way that assures quality service and program delivery? (Cost versus revenue structure)
- Are there sufficient reserves to meet unanticipated needs and cash flow requirements? (Capitalization)
- Is the organization large enough to be visible to the community and its program impressive enough to attract leaders to the board and to command gifts from individual and institutional givers? (Visibility)
- Is there sufficient demand for the amount of product or service being delivered? (Balance of supply and demand)\(^{76}\)

**VII. Summary of Section 3**

In Summary, the key best practices identified in Section 3 include:

**Evaluation**
- The best evaluation tools identified are continuous and integrated into an organization’s functions.
- Evaluation should be comprehensive and include continuous adaptation
- Performance indicators should include outputs and immediate, intermediate and long-term outcomes to balance the need for immediate results with long-term change.
- Performance indicators should feed back into the strategic planning process
- Benchmarking can be done using examples from within or outside the organization but must always be contextualized to be useful

**Service Delivery**
- Increase the quality of service delivery based on a tailored approach to gathering meaningful data that is client-centered, and using creativity and discipline to implement change

**Sustainability**
- Extend notions of sustainability to include not only financial terms but also people, capital, infrastructure and impact

\(^{76}\) Wolf, 326-327.
Possible Case Studies for NAFC:

- Example of adaptive capacity
- Exemplary use of performance indicators
- Examples of building organizational capacity for increased sustainability
SECTION 4: EXTERNAL RELATIONSHIPS

Much of the traditional literature on best practices of nonprofit organizations focuses on ‘internal’ concepts – it views ‘external’ issues and relationships as being important only for fundraising and volunteer purposes. Increasingly, however, research into successful nonprofit organizations has begun to look at these external relationships as key ingredients to effective and high impacting organizations.

When Crutchfield and McLeod Grant conducted the research for their book, *Forces for Good*, they were surprised with much of their findings. They realized that high impacting nonprofits are not just about replicating programs or building effective organizations. They describe the organizations that they studied as ‘catalytic agents of change’ – organizations which are not merely housed within four walls, but that are “catalysts that work within, and change, entire systems. The most effective of these groups employ a strategy of leverage, using government, business, and public, and other nonprofits as forces for good, helping them deliver even greater social change than they could possibly achieve alone.”

All of the organizations that these authors studied play a dual role of advocacy and service delivery. The organizations connect their role as service provider with their advocacy role - this reinforces the power and effectiveness of both elements and ultimately increases impact on the overall cause. The advocacy role importantly involves increasing the impact of the organization

---

77 Crutchfield and McLeod Grant, 5-6.
78 Ibid, 20.
outside of its own borders, through involvement with government, business, individuals and nonprofit networks. Kathy Brock argues that challenges to forging strong alliances are the financial and human resource costs as well as the time required. These relationships are nonetheless increasingly critical to the vibrancy and sustainability of the sector and their ability to create meaningful impact. This section examines some of these relationships further.

I. Government

As mentioned earlier in the section on Fundraising Capacity, the organization YouthBuild lobbied the government not only for funding for programs, but also as a way to put the issue of youth poverty and housing on the government radar. Brock explains that the federal and provincial government in Canada has moved away from the traditional ‘command and control’ model to a ‘governance model’ which relies more heavily on external organizations to advise on policies and deliver services and programs. Nonetheless, tensions remain as government to some degree continues to impose requirements that are not negotiated equally between the two parties. This must be dealt with by managers of organizations in a way that strives to negotiate flexible arrangements that can meet the needs of the clients they serve.

In order to better understand how an organization might use leverage within their relationship with government, Brock suggests exploring the following questions: What is the best possible funding arrangement? Is the sector influential enough to negotiate more autonomy? How much does the state require the organization’s services? Is the function or service involved traditionally provided by the state or is it new? Does the organization have expertise needed by government? Is the function or service an area better shared by both state and sector organizations?

IOG research indicates that the following steps may provide a helpful approach to effectively lobby government:

1. **Know how government works** – Get to know key players. What are their roles, functions and goals? Who needs to be persuaded and who should be involved?
2. **Prepare your case** – Develop your position by defining the problem, getting the facts, doing the analysis, assessing the options, and creating a statement of what you want. Align your case with government priorities wherever possible.
3. **Look for windows** – Opportunities may arise at any time so keep informed of new or changing policies and programs. Networking opportunities will also present themselves at any time.
4. **Pursue at several levels** – Lobby decision makers as well as those who influence decision makers.
5. **Look for Allies** – Seek opportunities to increase influence through collaboration with other groups with similar goals.

---

80 Brock, 174.
81 Ibid, 184.
II. Private Sector

The relationship between nonprofit organizations and the for-profit sector has historically been characterized by independent coexistence and in some cases antagonism. Today, a nonprofit organization may relate to a for-profit in a variety of ways – as an adversary, competitor, partner, ally, or dependent. Many adversarial relationships continue to exist between nonprofits and the private sector. Whether nonprofits should partner with business is a debate that continues to take place within the nonprofit sector. Nonetheless, co-operative and mutually beneficial relationships are becoming more and more common as both sectors increasingly acknowledge the benefits of a partnership approach.

Crutchfield and McLeod Grant note that all of the effective nonprofit organizations that they studied possess an ability to harness market forces and leverage the resources and power of business to have more impact. For example, Environmental Defense, an American environmental organization, partnered with McDonalds in the late 1980s to help McDonalds decrease their solid waste and improve their environmental practices. At the time, other environmental organizations criticized Environmental Defense for what they saw as selling out and cooperating with ‘corporate evils’. However, many of those same organizations now acknowledge that these kind of partnerships can and are beneficial not only to the two sides involved, but also to the overall cause.

Crutchfield and McLeod Grant identify three ways that nonprofit organizations can work successfully with business:

1. **Change business practices**: In making a business more socially responsible, sometimes change can be created in an entire industry. Nonprofits can often make a compelling case that includes not only moral persuasion but bottom-line arguments as well.
2. **Partner with business**: Partnerships may range from accessing corporate donations to operational alliances. This is generally the easiest way for nonprofits to leverage market forces.
3. **Run a business**: Income from a charged for product or service is channelled back into the charitable mission of the organization and increases financial stability.

Crutchfield and McLeod Grant point out that most organizations have moved beyond ‘checkbook’ philanthropy into more strategic relationships with business partners. Brock believes that a critical factor in building successful alliances with corporate partners is mutual self-interest. It is important for a nonprofit organization to be clear about its mission, vision and mandate and then approach potential corporate partners based on how that corporate partner might fit into the organization’s mission and vice versa. In order to be successful, the two sides must:

- Communicate with each other; internally seek out new opportunities; ensure both sides mutually contribute to and benefit from the relationship in ways appropriate to their

---

82 Crutchfield and McLeod Grant, 60.
organizations; engage at multiple levels and identify champions of the relationship and cause in both organizations; keep the relationship open-ended with the termination point when it is no longer working or with the possibility of renewal if a termination date has been set for a specific exchange; and create new value for both partners.\textsuperscript{83}

Crutchfield and McLeod Grant warn that attention must be paid to the risks that can be involved in seeking to leverage market forces. These include:

- fear of mission-drift (requires being pragmatic but at the same time knowing where to draw the line if the social purpose is at risk);
- perception of selling out (this risk is diminishing as it becomes increasingly acceptable to partner with business, but nonetheless requires caution when deciding who to partner with and what the motives are);
- finding the right partner (which requires trust and the belief that the partner is a good fit with motives and goals that are aligned);
- tensions with other programs (requires being up front, especially regarding an organization’s stand on policy issues); and
- the limits of earned income (which risks mission drift and even losing money if not done properly).\textsuperscript{84}

\textbf{III. Individuals}

One of the six good practices highlighted in Forces for Good is to ‘inspire evangelists’. Crutchfield and McLeod Grant argue that mobilizing individuals in the community to advocate for the cause and the organization has great potential to increase impact. For example, Habitat for Humanity, an American organization that addresses poverty, housing and homelessness, mobilizes and inspires hundreds of thousands of middle-class volunteers not only to build houses but also to get them thinking, learning and ultimately advocating for housing rights. A positive volunteering experience also encourages them to recruit other volunteers. Habitat for Humanity mobilizes the public for greater social change and continually expands the boundaries of their organization outward to draw in new individuals into their community of believers and ‘change makers’.\textsuperscript{85} Engaging individuals is an integral part of the organization’s resource strategy. Individuals volunteer their time, inspire others, broker partnerships, and have the power to influence markets, media, local communities, public policy, and government decisions.

Crutchfield and McLeod Grant also emphasize the role of what they refer to as ‘super-evangelists’ – powerful leaders who use their influence regionally or nationally to help a nonprofit accomplish more. A CEO of a corporation might help broker a partnership, a politician might support policy or legislation changes, a celebrity or prominent social figure might draw

\textsuperscript{83} Brock, 200.
\textsuperscript{84} For a detailed discussion of these risks, see Chapter 3, “Make Markets Work” in Forces for Good: the Six Practices of High-Impact Nonprofits.
\textsuperscript{85} Crutchfield and McLeod Grant, 81-83.
media attention or inspire others to act. The authors assert that in order to successfully engage individuals, the following points should be considered:

- Outsiders are more likely to help an organization if they are treated as a valued member of a community, rather than simply free labor or deep pockets. To do this, effective organizations create opportunities as an organizational priority, for people to actively participate and to experience what the nonprofits do.
- Organizations should offer a clear and compelling expression of an organization’s mission, vision, and values, thereby appealing to people’s emotions at an almost unconscious level. It is about telling a story to a broad audience that connects the work of the organization with the beliefs of supporters; it is about the message rather than the marketing.
- Great organizations creatively engage outsiders through experiential and emotional events that allow them to take part in creating social change; and help people understand the organization, feel more connected to its values, and become active participants.
- High impact organizations recruit ambassadors or champions by convincing them of the organization’s positive impact through a positive volunteering experience. In addition, they are strategic about identifying, converting, and cultivating powerful individuals to be allies or ambassadors, who can take the organization to the next level and create organizational momentum by virtue of their political, social or economic power.
- Effective organizations build entire communities committed to the organization and invest time and effort to sustain these communities. This might occur, for example, through ongoing experiential opportunities, a member web site, newsletters, annual conferences and other events.
- Small initial investments to engage individuals catalyze greater impact.

IV. Partnering

The National Survey of Nonprofit and Voluntary Organizations reveals that 27% of all nonprofit and voluntary organizations in Canada transfer or disburse funds to other organizations. In addition, organizations have increasingly been forming umbrella and networking organizations, though skepticism remains over the ability of organizations to form successful alliances. In some cases, funders are also imposing partnering as a condition of funding to varying degrees of success.

Crutchfield and McLeod Grant found that the successful organizations that they studied work well with and through other organizations, putting their long-term vision and desire for impact above their own self-interest to have more impact than if they acted alone. At the same time, this approach increases the organization’s overall effectiveness. In this approach, organizations give resources and knowledge away in informal or formal relationships; they find ways to share credit with other organizations, at times playing a lead and at other times playing a secondary role. For example, when YouthBuild obtained $40 million from the American government to replicate

86 Ibid, 85.
87 Crutchfield and McLeod Grant, 87-100.
88 Brock, 202-203.
their program nationally, they channelled the money through other organizations to ultimately create more impact and grow the overall funding that the sector received. YouthBuild continues to actively give away its model as a replication strategy and provides technical assistance. The authors do point out that coalition building is another tool in the kit, to be used when it is effective and dropped if it is no longer serving an important purpose.

The following tactics nurture this kind of network mentality for an organization:

1. Grow the pie for the larger cause through funding other organizations, leading collaborative efforts, and helping other organizations improve their ability to fundraise as a way to increase resources for the cause and increase overall impact.
2. Share knowledge and expertise through research, publications, and replication manuals; build the skills of allies through training programs, conferences and workshops; thus increasing influence by working as a collective.
3. Develop leadership for the larger network, field or movement, nurturing talented employees and developing the next generation of leadership. This increases both the personnel capacity of other organizations and the organization’s own social connections within the network.
4. Work in coalitions, mobilizing the network for collective aims; play both lead and secondary roles and share credit for their success.

V. Summary of Section 4

Good practices and key messages that have been highlighted in this section are:

**Government**
- Understand the organization’s relationship with government in order to maximize the potential benefits gained from it.
- Understand how to influence government

**Private Sector**
- There are many beneficial ways to partner with the private sector. However, a partnership must be clearly defined and mutually beneficial.

**Individuals**
- Foster a community of inspired individuals who can advocate for the organization and cause

**Partnering**
- Nurture networks and other kinds of formal and informal relationships with other nonprofit organizations

---

89 Ibid, 121.
90 Crutchfield and McLeod Grant, 110-111.
Possible Case Studies for the NAFC:

- Exemplary relationship with government, private sector, or other nonprofit organizations to increase leverage and impact.
- Mobilization of volunteers and advocates
CONCLUSION

The best practices discussed in this paper relate to all aspects of effective nonprofit organizations. Recommendations in the literature suggest that a key factor in many best practices is integration – volunteers should be integrated into the overall organization; staff should be integrated into evaluation processes, which in turn should be integrated into everyday functions; and fundraising should be integrated into overall strategic planning.

Other key suggestions also emerged. In Section One, the best practices of high impact organizations we highlighted were: boards are led by effective chairs and play a strategic role in the overall function of the organization; leadership is shared between executive management; staff are adequately compensated and their interests and skills are properly channelled to benefit both them and the organization; volunteer needs and interests are matched with those of the organization; and Human Resources management extends beyond traditional hiring and firing to support, develop and challenge staff in a way that promotes and strengthens the organization’s mission.

In Section Two, we identified key elements of strategic planning: effective organizations are in tune with the changing needs and interest of the clients they serve; effective strategic planning includes a stakeholder analysis, either with or without the actual involvement stakeholders; the process of identification of strategic issues should include all staff and take place in a safe environment where opinions can be voiced and debated; strategic issues feed into planning, which takes place on an ongoing basis as well as at regular intervals depending on the needs of the organization; fundraising is an integrated part of an organization’s overall strategy.

In Section Three, the good practices, related to service delivery and evaluation, were highlighted as: an organization becomes and remains effective by adapting to changing circumstances - listening, innovating, learning, and modifying their approach; good performance management uses the results of performance assessments to inform future planning decisions; increasing organizational capacity requires creative and tailored approaches to developing, sustaining and improving the delivery of an organization’s mission, for example through quality processes and benchmarking; approaches to quality management such as ISO certification and scorecards are common in the for-profit sector and may offer some useful insights and lessons to a nonprofit organization in the development of their own quality management system; sustainable organizations invest in the necessary areas including people, capital and infrastructure, and are able to adapt to changing circumstances.

Section Four discussed the external relationships, which are a critical factor to an organization’s ability to increase their own effectiveness and overall social impact: government is an important source of funding and also increasingly relies on the nonprofit sector for policy advice and service delivery – an organization’s relationship with government should attempt to capitalize on this; nonprofit organizations are finding more and more ways to partner with the private sector sectors in a mutually beneficial way that supports the mission and mandate of the organization; individuals can be crucial advocates for an organization and its cause – organizations increase the number of individual supporters by building and maintaining a community of supporters;
effective organizations work with and help other organizations in formal and informal ways to increase the impact of the sector and often as a consequence their own effectiveness.

**Choosing NAFC Case Study Candidates**

As highlighted at the end of each section, there are a number of case study criteria that could be used to conduct case studies within the NAFC. Here are the broad categories for the case studies:

- Board Governance
- Executive Leadership
- Staffing
- Volunteers
- Human Resource Management
- Strategic Planning
- Fundraising
- Evaluation
- Adaptive Capacity
- Organizational Capacity
- Sustainability
- External Relations

It would be useful to canvas all or nearly all of these categories. This suggests a dozen or so case studies. The range of case studies should be dispersed both geographically and throughout the NAFC structure. For example, we might include one national, two provincial, and ten local case studies, representative geographically across Canada.

The NAFC could work with Provincial affiliates or the board, to identify candidates. The NAFC and the IOG would then choose the case studies to use. The IOG would then with the help of NAFC:

1. Gather and analyze written material;
2. Identify interviewees (2 per case study);
3. Write up the case study;
4. Verify accuracy; and
5. Finalize.
BIBLIOGRAPHY


