Back in the June edition of Fundraising Well, we shared the beginning of Blackbaud CEO, Marc Chardon and Outcome Guide, Hal Williams' "The Imperfect Storm" blog series that has been running on The Huffington Post. In this issue, we'll feature the remainder of the series, focused on how organizations can thrive in a new reality. You can download The Imperfect Storm whitepaper to read the full article.

The Imperfect Storm (continued)  
by Marc Chardon and Hal Williams.

Shift #2: Nonprofits need to define themselves by their results.

When you look at the websites of many nonprofits, as we do a lot, it's pretty easy to see these organizations help a lot of people in need. Ironically, what you can't tell is just how many of these people tangibly improved their lives as a result of what the nonprofits did for them.

One website, speaking of its work mentoring young kids, might give you numbers of how many people were matched up through their programs. That's pretty typical. But having a mentor is not the same as getting to grade level in reading, nor is it a promise that a child will be successful in some new way. Just like signing up for a workshop doesn't guarantee that, by the end, you'll have lost weight or stopped smoking.

Why do we make this point? Because we think nonprofits should cut to the chase and focus on achievement.

The traditional approach to outcomes muddies as much as it tries to clarify how nonprofits show the human gains they achieve. Moving to a clear report card of results, published annually, puts nonprofits in the outcome business, which is where they should be. But many nonprofits are running on the hamster wheel, trying to please funders who ask for a variety of different measurements of success, many of which don't move the organization toward a clear picture of true results. This is progress going in the wrong direction. Why?

First, nonprofits seeking grants get wrapped up trying to remember and repeat the language the funder uses. Is it a goal, an outcome, a result, a benefit or a target? And to show progress, are they establishing a benchmark, an indicator or a milestone? Given that one funder's benchmark is another's indicator, the nonprofit has to keep learning new terms just to comply with the language requirement. They'll do it because they want the money, not because it is essential to their mission, their work. What's even more serious is how outcomes have become their own form of compliance. Instead of looking for the core logic of a program, nonprofits want to make sure they have the right words in the right columns on the chart. They perfect the document rather than the program.

Shift #3: Nonprofits need to ride for their brand.

Another major change in this imperfect storm is from the many to the one. Although many foundations and other funds have emphasized the importance of groups working together in partnerships, networks, and collaborative ventures, the emerging philanthropic focus is on which groups deliver the best results. The best get the money, the investment in their programs to improve human lives and conditions. We see foundations and individual donors alike shifting from sprinkling support among many groups to figuring out which ones are achieving the greatest impact. Then, funders are choosing to support these specific organizations in a bigger way.

This sea of change is about moving from blending in to standing out.
The nonprofit sector is filled with people who have good hearts, who believe in service and sacrifice. There's a shared belief in the importance of the work, whatever form the work takes. It's about doing good. Given this shared belief, it is painful for some to accept nonprofits must benchmark themselves against their peers. They must understand the quality and caliber of their work in the context of the results other organizations produce. This ability to differentiate is an essential part of fundraising, and even when organizations aren't competitive in what they provide, they're always comparative, like it or not.

The need to show a distinct identity and story is all about the brand, something we're delighted to see emerge as a topic of serious conversation (although the investment in brand still seems to lag). The concept of branding is often misunderstood, seeming fuzzy and intangible. In summary, brands exist to define and protect what's unique about an organization, product or service. A brand is not a logo, nor is it a carefully crafted mission or vision statement. Nonprofits universally spend too much time worrying about the words in their statements when they should be thinking about the promise they're making to the public, to their donors. That promise is the brand -- a promise that provides a framework or discipline for how the organization behaves and communicates. The value of the brand is what consumers think it is, not what our wordsmithed mission and vision statements proclaim.

**Shift #4: Nonprofits need to use data to both improve their stories and to tell them.**

Traditionally, nonprofits collect information to report back to funders, regulators and other stakeholders. Although they may say and think they do, these same organizations rarely use the information they collect to make better decisions that improve outcomes -- especially in the real time of someone who receives whatever service is being provided.

The key is not data; it's the meaning that comes from the data. Technology companies working with nonprofits achieve their highest value not by helping groups report on how much money was raised but instead by helping them use data trends and patterns to increase how much money is coming in. This work involves making sense of data and the results of statistical modeling to define what new steps the nonprofit can take to best increase revenue. Many nonprofits used to look at technology companies as being about the database they provided (the house the data lived in). Now, enlightened nonprofits understand the experts who help understand what their data are saying add a layer of value to their technology investment that cannot be matched. These partners help nonprofits find the gold.

A brief example shows the power of this approach. When donors move from one place to another, most are lost for years until the nonprofit catches up with a change of address. In a few cases, however, the donor takes the time to tell the nonprofit she is moving and to provide a new address. The donor's high level of engagement that prompted the call tells us that she is highly likely to give more than she does now, if the interest and engagement is reciprocated. Call this person -- from a regional or local affiliate or office if you have one and, if not, from headquarters. Welcome her to the neighborhood, and remind her you're there as well, doing the great stuff her money makes possible. This is money in the bank. Sadly, these kinds of donors get lost more than you think.

On the nonprofit programs side, analytics now look at early benchmarks that suggest earlier intervention helps participants more quickly achieve success. Historically, for example, teachers waited until several months of school elapsed or many tests were taken before they offered to help students at risk of failing a course. But when you ask teachers how soon they can know which students are at risk, most of them say they can tell within two weeks. They see early signs, many of them pointing to how engaged the kid is in the classroom. Early identification as a data point can lead to intervention at a moment when it's both less costly and far more likely to work.

**Shift #5: Nonprofits need to start and end with customers.**

As we explore the final shift in The Imperfect Storm, we turn to customers. Peter Drucker once noted that a product (good or service) is almost never defined by the customer in the same terms as it is defined by the people who deliver it. However, we continue to look at nonprofit work in terms of the work plans and quality standards that go into a program. We somehow see the participants as the object of the program, but not a core part of what it is and should be.

In successful business, there's a clear distinction between two factors: product discovery and product development. Whether for-profit or nonprofit, a group that goes right from problem statement to the specification, design and building of a product misses the boat. The first step is discovering what customers or participants believe they need and can use. That's product discovery, and it's especially important when customers cannot readily articulate the need nor have any idea of easier options.

A business searching for the best electronic health record is no different than a low income family struggling to find software that helps their kids achieve in school. In both cases, discovery is essential because products are successful only when people choose to use them and use them in ways that work. Most social programs are completely dependent on their participants to change their behavior. When and how they're prepared to make this change is
critical discovery. Without it, product development is highly likely to rely on assumptions that prove not to be true.

In addition to customer understanding and customer relationships, comes customer importance. In fundraising, we've seen a shift from the historical, campaign-centric efforts to a new focus on the donor. In a campaign-centric world, the organization needs a certain number of people to give money, and if one drops out, another is found as a replacement. In the donor-centric approach, when a donor drops out, we have to find out why, and how to get them back onboard. The focus is on the individual rather than on overall totals that often don't take into account how many people substitute for others through the years.

We've observed that nonprofits tend to spend little time talking with the people who drop out of their programs. As long as the person can be replaced with another, the numbers still work. If the focus is on the participant (just like with donors), an alarm bell should ring when a person stops coming to a program. When someone has occupied a seat, a bed, or some other precious real estate for the majority of a program, the opportunity cost the nonprofit pays is very high. Why did the person leave?

We close this initial series of blogs with a question: what predicts whether an organization will take action to achieve in tough times? Because we're both in the data business, it's tempting to say that knowledge predicts progress. Organizations first define and understand what they should do, and then they do it. But this is seldom the case. Information alone is almost never enough to prompt change. The key to taking action is energy -- the positive energy available to persons and organizations. Energy brings needed stamina to handle the weather and keep on sailing. It brings enthusiasm and optimism that are so usefully infectious. And it yields the ability to regenerate and transform what's needed to reach and surpass safe haven.

In future posts, Marc and Hal will go deeper on these themes, offering specific advice on steps to take. They'll begin that journey with a look at what they call "Supporter Shift" and a discussion about how to engage tomorrow's donor. Follow the series on The Huffington Post. In the meantime, download the full paper that inspired The Imperfect Storm blog series.
How Effective is your Donor Giving Program?
Join Blackbaud's Kristin Ludwig, Ph.D and Thomas Pollak from The Center on Nonprofits and Philanthropy at the Urban Institute, as we dive into the results from the 2012 Fundraising Effectiveness Project.
• August 23, 3:00 p.m. ET

recently reported that charitable giving increased 1.6% for the three months ending June 2012 as compared to the same period in 2011.
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