

## **SINK, SWIM OR SOAR – THE CHOICE IS YOURS**

By Sharon J. Danosky

It has never been easy to run an effective, impactful non-profit organization. There are always budget cuts, economic challenges, staffing shortages, apathy, lack of awareness and more. Yet, amid these perennial challenges there are those organizations that do soar and scale new heights. While others, unfortunately end up closing their doors, leaving many without the protection or vital services they need. Why do some soar and others sink? In our years of working with vast numbers of non-profit organizations, we have found three key characteristics that can be the triggers to a high-performing organization or one that is floundering. These factors are:



- 1) Revenue generation
- 2) Board engagement
- 3) A strategy aligned with organizational impact.

Below are the predictors of whether your organization is at risk of sinking, simply swimming along, or is soaring toward its vision.

### **Sinking Organizations**

1. No diversified revenue base. Reliance on a single source of revenue will always put your non-profit organization at risk. Whether this is a contract from a state or federal funding agency or reliance on grant funding from a few major sources, once that funding is cut, then the organization is immediately at risk. A weak or non-existent fundraising effort compounds the revenue problem.
2. A Board that is not connected and actively engaged in the organization. Spotty and irregular attendance at board meetings is a red flag for an organization. An unengaged Board is passive and misses the critical warning signs that an organization may be in jeopardy.
3. Functioning tactically on a day-to-day basis with no strategy in place to achieve a significant impact. This is often evident when the organization is not measuring its impact or its outcomes in a meaningful way. The number of people coming through your program is not a meaningful outcome – it's a headcount. How someone's life is changed, even small changes, is an impact.

For an organization that is sinking, systems, structure and reliable funding streams need to be rapidly put into place. And this charge should be led by the Chairman of the Board with a strong team that can bring the resources together to facilitate a rapid turn-around.

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### Swimming Organizations

1. Revenue streams that are static or increasing less than 5 percent annually. This financial scenario will not allow an organization to be sustainable over a period of years. Expenses invariably increase and the inevitable unplanned for event will occur. Simply maintaining your status quo will ensure that you are going to eventually fall behind. Furthermore, this scenario allows limited opportunity for growth, which means the organization will not be able to meet the changing and increasing demands of an ever-changing environment.
2. Perfunctory attendance at Board meetings, with the primary agenda items being reports with minimal discussion. There is limited Board engagement if the meetings focus on hearing reports from staff, there is minimal committee work and the Board is not actively engaged in the governance of the organization. Other symptoms of an organization that is merely swimming is the lack of a Trustee Agreement, no Board self-assessment and a stagnant Board recruitment effort, not bringing in the vibrant new talent that keeps organizations growing.
3. Outcomes are reported but there is no strategy by which to measure impact. In these situations the organization can share its performance with stakeholders, but it does not know if it is strategically moving the needle to where major impact is occurring. This is important, because the ultimate goal of any non-profit is to create systemic and meaningful change. And unless you know what that looks like for your organization, you will not know if you are achieving it.

Organizations that are swimming can sustain themselves often for many years. It will sometimes take a sentinel event before the organization embarks on a path that will help them soar. More often than not the sentinel event is a crisis of funding which throw the organization into a situation where it is sinking. There are other triggers, as well. Changes in the leadership of the Board or the turnover of key management can also provide the trigger that will precipitate either a sink or soar scenario.

### Soaring Organizations

1. Diversified revenue sources with a strong investment in fundraising increasing revenue by 15 to 20 percent annually. The ability to generate revenue means an organization is able to set its own agenda and destiny. The organization can invest in the infra-structure that will enable it to grow. It can take on the calculated risk that makes it bold in solving societal issues. And it can set aside reserves that will allow it to withstand major cuts in any given year.
2. The Board is engaged, active and enthusiastic advocates. When Board members actively participate in setting strategy, engage in the fundraising process, advocate on behalf of the organization, serve on Task Forces bringing valuable time and talent, then an organization is able to soar. With these organizations, there is a strong recruitment process with people outside of the Board serving on Committees. Meetings are productive, often using an inverted agenda and dashboards to ensure that the discussion focuses around strategy and opportunity. Mission moments remind Board members why they are there and the positive energy keeps the engagement moving forward.
3. Impact and strategy drive the organization at every level. These organizations have a clear vision with tangible movement toward that vision. Impact is measured and goals are set to ensure that the mission of the organization is being realized every day. Strategies are set every three to five

years and dashboards mark the progress toward accomplishing those strategies. The result of this is that stakeholders are engaged and understand how the organization is making a difference.

Every organization wants to be one that soars. However, it takes investment and to do that also requires taking calculated risk. For an organization that is sinking – this may be the time to throw what is known in football as “the hail mary pass.” For organizations that are swimming, this is the time to identify the triggers that are holding you back and courageously address the issues that will lift you to new heights.

And for organizations that are soaring ... continuously re-evaluate, re-invest and re-engage. Challenging yourself to do more will keep the organization moving upward.