

# Opinion



Money matters

## To survive, nonprofits must be more businesslike

For good or ill, nonprofits depend on money. But many have failed to act like businesses and take the steps needed to create a solid financial foundation for themselves.

To do the good deeds they were created to do, nonprofits first must meet the payroll and pay the rent and the light bill. And as dollars become harder to find, raising and managing money takes even more time and effort.

Nonprofits can have a hard time accepting the fact that marketing is an integral part of their job; some even consider marketing and fundraising to be crass pursuits that can detract from their lofty goals. Yet by failing to balance and integrate the need to raise money with the need to provide services, nonprofits increasingly will find themselves at a disadvantage.

Crafting a strategic plan is essential for any nonprofit, and how to raise and manage money

must be part of that plan.

Poor planning - and poor management and board oversight - can create a host of problems. To cite just a few examples:

- Yale University recently lost a \$20 million gift because it balked at donor Lee Bass' demand that he pick the professors his gift would support. A general increase in restricted gifts raises many issues for nonprofits, including how to cultivate relationships with donors.

- Triangle nonprofits worry that the merger of the British parent companies of Glaxo and Burroughs Wellcome - which together hand out millions of dollars in the Triangle - will reduce that corporate giving. Dependence on a few major sources of financial support can set a nonprofit up for a big fall if it fails to anticipate the day when those sources might decline or even disappear.

### EDITORIAL

• A recent Carolina Poll found that nearly four of every 10 North Carolinians doubt that their charitable contributions are being put to the uses for which they were intended. At the same time that nonprofits are being asked to do more with less, they also must overcome widespread skepticism about how they handle money.

Nonprofits these days are feeling besieged. Not least of their worries are the anticipated cuts in spending and services by government at the federal, state and local levels.

Rather than panicking, nonprofits should seize the opportunity to put their houses in order. Clearly, many nonprofits are working hard to solicit dollars and volunteers, and to form partnerships with one another and with business and government. Through their own

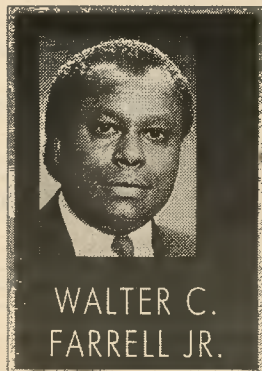
efforts and the support of funders who are concerned about organizational capacity, nonprofits are strengthening their ability to raise money and to manage and invest it wisely.

These efforts can serve as models for other nonprofits. Rather than bemoaning the onset of the Republican "revolution," the dramatic growth in restricted gifts, the dependence on major donors, and the skepticism with which nonprofits are perceived, nonprofits should do everything in their power to be as businesslike as possible.

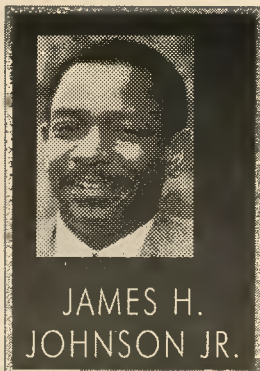
The nonprofits that will survive and succeed - like their counterparts in the business world - will be those that can reshape themselves to be more practical, more flexible, more entrepreneurial and, above all, more focused on serving their customers in the most effective and efficient way.

### Final shot

## New economic strategies key to fighting poverty



WALTER C. FARRELL JR.



JAMES H. JOHNSON JR.

A wide range of theories have been advanced to explain the steadily decreasing quality of life in inner city communities. Yet one perspective has held sway in recent public policy debates: that a deterioration in individual responsibility and family moral values, rooted in liberal social welfare policies and programs of the 1960s, is primarily responsible for the rising rates of concentrated and consistent poverty, joblessness, family

*James H. Johnson Jr. is director of the Urban Enterprise Corps at the Kenan-Flagler Business School at the University of North Carolina at Chapel Hill. Walter C. Farrell Jr. is professor of educational policy and community studies in the Graduate Program in Urban Studies at the University of Wisconsin-Milwaukee. This article is excerpted from a paper presented in March to a congressional breakfast seminar of the Consortium of Social Science Association.*

**All of the nation's assets, including the resources of government, community-based organizations, the business sector, the philanthropic community, and especially our colleges and universities, must be mobilized if we are to deal effectively with the poverty problem in the U.S.**

disruption, out-of-wedlock births, and gang-and drug-related lethal violence in U.S. inner cities.

Based on this view of underlying causes, policy makers, with widespread public support, have instituted a set of what some would consider paternalistic and punitive public policies to "change welfare as we know it" and to foster normative behaviors among the inner city poor.

We believe that the foregoing assessment of the underlying causes of contemporary poverty is a misspecification of the problem and that policy prescriptions proposed and/or recently implemented are aimed not at reducing poverty per se, but rather, at reducing dependency on the social welfare system. The current debate is generally devoid of consideration, discussion and analysis of the role that conservative policies, implemented over the past 15 years at both the fed-

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### Self-scrutiny

## Nonprofits must improve accountability



JOEL FLEISHMAN

The greatest threat to the not-for-profit sector is the betrayal of public trust, the disappointment of public confidence. The overwhelming proportion of non-profits are honorably, if not always efficiently and properly, run. A significant problem for the sector, however, is created by the few organizations that are willfully dishonest or that engage in illegal practices, and by the unethical individuals acting within reputable organizations. But a much more extensive problem is posed by the far larger number of organizations that are sloppily and inattentively run.

Because the raising of donated funds is critical to all not-for-profit organizations, those who are in charge of the fundraising are usually positioned in the most influential roles in the organizations they serve.

It is no accident that all of the recent notorious scandals in the not-for-profit sector have revolved around chief executives to whom their boards and colleagues deferred because of their proven

*Joel Fleishman is president of Atlantic Philanthropic Service Co. in New York. This article is excerpted from the Maurice G. Gurin Annual Lecture on Philanthropy that he delivered in March in Chicago at the annual conference of the National Society of Fund Raising Executives.*

**Management practices in much of the not-for-profit sector, while superior to those in the public sector, are of considerably lesser quality than those in the for-profit sector.**

skills in fund-raising, and it was their skills in fund-raising that were used to rationalize the practices that ultimately brought them down.

I urge the members of the NSFRE, therefore, to make your organizations' fidelity to the highest standards of over-all accountability an obligation of equal weight to your express commitment to the highest standards of fund-raising itself. The two are utterly intertwined, and you and your organizations will succeed at both or at neither.

How might you fulfill that responsibility?

Exert yourselves in shaping the kinds of persons chosen to serve on the boards of your organizations. Exert yourselves to raise standards of accounting, planning and stewardship in your organizations. Exert yourselves to have your organizations report more fully to public authorities and to the public itself.

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EDITOR AND PUBLISHER  
TODD COHEN — (919) 829-8989

MARKETING AND DEVELOPMENT DIRECTOR  
MARGUERITE LEBLANC — (919) 829-8991

ASSISTANT EDITOR  
BARBARA SOLOW — (919) 829-8921

STAFF WRITERS  
SUSAN GRAY — (919) 829-8917  
EALENA CALLENDER — (919) 836-2862

SUBSCRIPTIONS  
SIDNEY CRUZE — (919) 836-2876

CONFERENCE COORDINATOR  
KATE FOSTER — (919) 836-2877

Good news, bad news

## Nonprofits must work on their image

### ABOUT CHANGE

and their time to charity.

Earning and keeping that support requires that nonprofits be as open and honest as possible about what they do. Only recently have nonprofits begun to appreciate the importance of communicating better with the public and media. The Carolina Poll simply reinforces the need for nonprofits to make good communication part of their daily job and their long-term strategy.

In fact, says the North Carolina Center for Nonprofits, which commissioned the poll, nonprofits can help overcome public skepticism by being more open and communicative.

In dealing with the news media, it can be tough to know how to handle information that might seem negative. It's human nature to want

to accentuate the positive.

In a news release about the Carolina Poll, the N.C. Center highlighted the finding that nonprofits enjoy greater support in North Carolina than in the U.S. That finding, however, is based on survey data that is not statistically significant. Because of statistical margins of error built into both the state and national surveys, the tiny gap that the two surveys found in the support of nonprofits in the state and U.S. actually may have been even tinier - although it also may have been slightly larger.

Buried deep in the N.C. Center news release was what arguably was the survey's most significant and troubling finding - the high level of public skepticism about nonprofits.

Given the challenges they face today, nonprofits actually may find it more productive to tell their stories bluntly and directly, regardless

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