

American and European NGOs

- Differences and Similarities
- Ken Phillips, Organization Futures LLC
- May 2009

The diagram illustrates the flow of funds from various sectors into stacks of coins. On the left, six colored blocks represent different sectors: Professional (red), Marketing (orange), Empowering (green), Business (yellow), Religion (cyan), and Government (magenta). Three green arrows point from these blocks towards three stacks of coins on the right: a tall stack of red coins, a medium stack of orange coins, and a shorter stack of grey coins.

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Global Trends

1. Serious economic crisis in financial sector, stock markets, housing values, employment and confidence
2. Many rich donors now have no money
3. Many other people have stopped spending what money they have
4. Even more increased competition for funds
5. Increasing use of technology

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Different? Similar?

American NGOs

1. Many small volunteer NGOs
2. Many large professional NGOs
3. An accepted part of society
4. Much skepticism about nonprofits
5. 50% government funds
6. 90% individual donations
7. Most people volunteer
8. Lots of sharing and collaboration
9. Professional support associations
10. Evaluation and accrediting agencies
11. Experienced board members
12. Fundraising as profession
13. Raising money is hard

European NGOs

1. ?

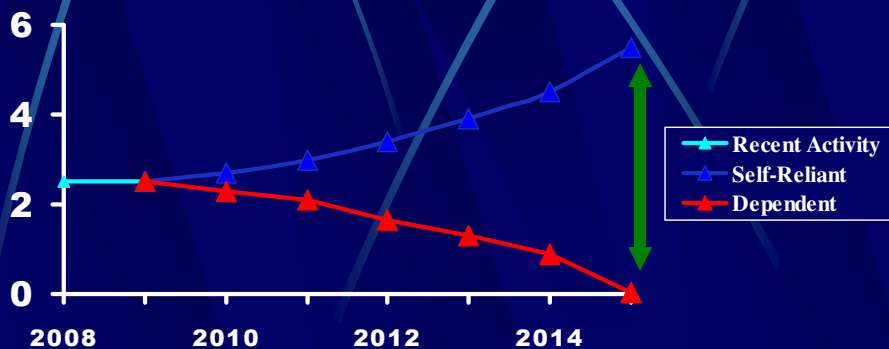
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Same: What Is the Future?

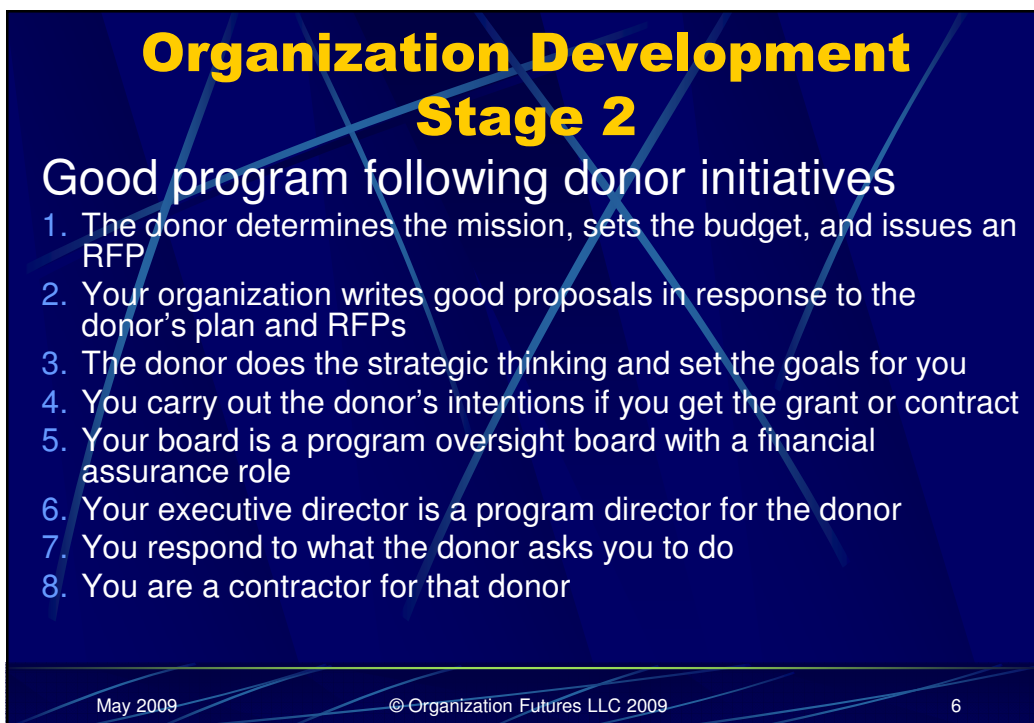
- ◆ Today's choices determine tomorrow's results.
- ◆ Organisations that don't grow die!!



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Organization Development Stage 3

Taking control of your destiny by initiative

1. You determine your mission, plan the budget, and seek donations for the mission
2. Your organization finds and develops new markets of donors
3. You do the strategic thinking and set the goals for yourself
4. You carry out your organization's mission
5. Your board is a strategic board with a fundraising role
6. Your executive director is the organization leader and fundraiser
7. You play a strong leadership role and get others to follow you
8. You are more independent with a diversified base of many different donors

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Organization Development Stage 4

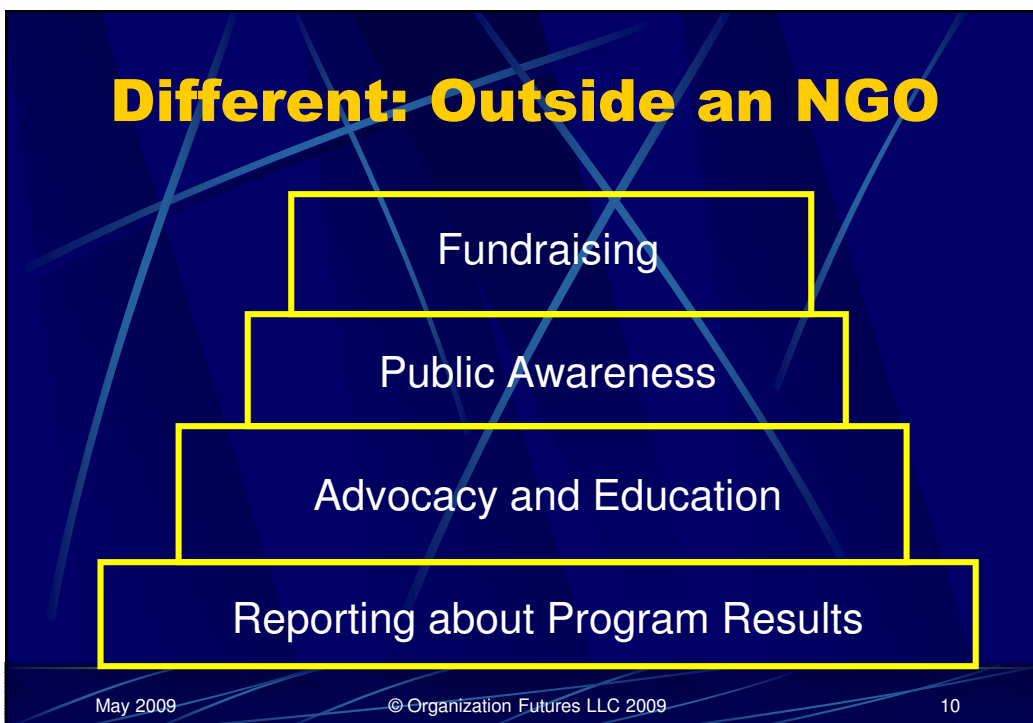
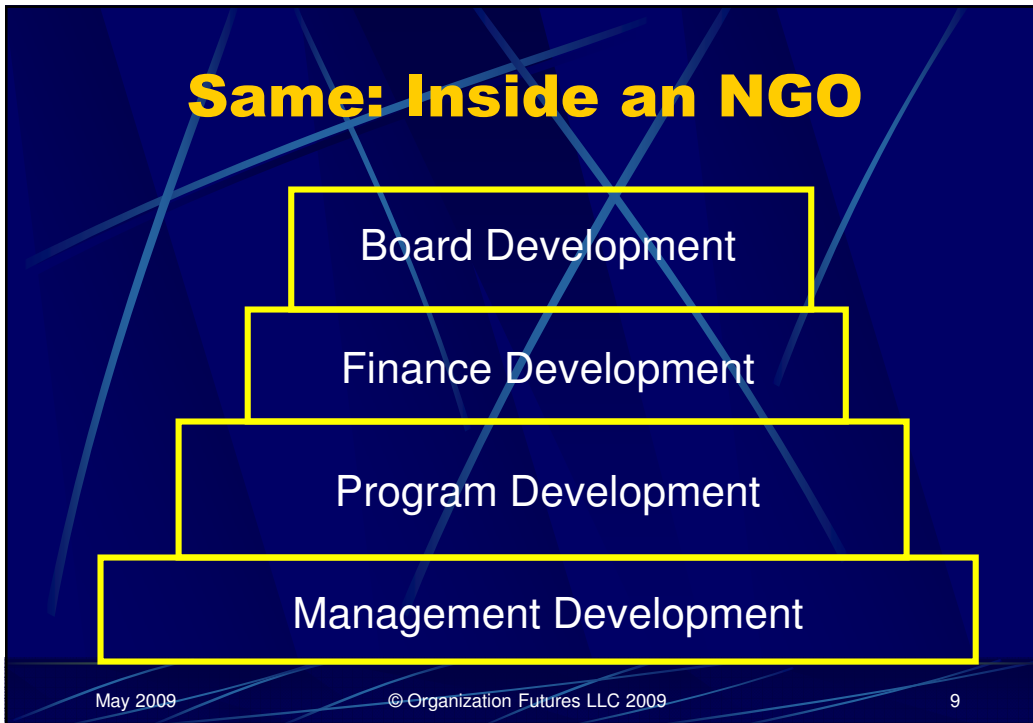
Expanding your reach and impact

1. You find ways to Scale Up for wider geographic impact
 - Coverage, Branches and Services (going regional, national or international)
 - Advocacy and Education
 - Volunteers and Financial Support
 - Internet based rather than geographic-based
2. You find ways to Scale Up for broader program impact
 - Adding related services on your own
 - Diversifying through partnerships and affiliations
3. You find ways to Scale Up for bigger organization impact
 - Replication through improved efficiencies
 - Using mergers to add related services
 - Getting others to do your work (wholesaling rather than retailing)
4. You find ways to Scale Up to generate bigger revenues
 - Using fee for services approach
 - Expanding through franchising
 - Leveraging through volunteer fundraisers

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U.S. giving hits record \$296 billion (2006)

- Giving by individuals
 - \$222.89 billion or 75.6 %
- Charitable bequests
 - \$22.91 billion or 7.8 % or 83.4% from individuals
- Foundation grantmaking
 - \$36.5 billion or 12.4 %
- Corporations and corporate foundations
 - \$12.72 billion or 4.2 %
 - Giving USA

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U.S. giving hits record \$306 billion (2007)

All subcategories of public charities saw increases in 2007

- Religion: \$102.32 billion, up 1.8 percent after inflation
- Education: \$43.32 billion, up 3.4 percent
- Human services: \$29.64 billion, up 5.4 percent
- Health: \$23.15 billion, up 2.4 percent
- Public society benefit: \$22.65 billion, up 2.9 percent
- Arts, culture and humanities: \$13.67 billion, up 4.8 percent
- International affairs: \$13.22 billion, up 12.9 percent
- Environment and animals: \$6.96 billion, up 7.7 percent
 - Giving USA

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Different: Involvement

- “About 65 percent of households with incomes lower than \$100,000 give to charity. That is higher than the percentage who vote or read a Sunday newspaper.”

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Massachusetts Example

- \$2.4 billion state-contracted human service provider sector (all sources)
- State has a Purchase of Service system
- Legislative and executive mandates
- Blue Ribbon Task Force to study ‘fair and rational’ system for contracting for service
- Testimony at State Budget Hearings
- Lobbying and a NonProfit Day at State House
- “I care. I vote.”

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NGO Significance in MA

- 9,713 reporting charitable nonprofits in 2004 in MA (6.5 million population)
Plus 12,182 additional charitable organization not required to file
 - Increase of 51% in number in 10 years
 - Increase of 56% in expenditures and 141% in assets
- Human service organizations, largest group, 25% of sector
 - Then Arts, Culture and Recreation, and Education and Research.
 - Increase of 42% in number and 75% in revenues in 10 years
 - \$6.8 billion or 4% of total charitable nonprofit assets
 - \$5.6 billion in expenditures or 11% of all nonprofit expenses
 - Employment grew 18% and added 15,000 jobs in 5 years
 - while overall employment declined
- Institutions of higher education are 1% of reporting charities
 - But 57% of assets and 21% of expenses
- Hospitals are 1% of all reporting charities
 - But 12% of assets and 31% of expenses.

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THE MASSACHUSETTS HUMAN SERVICES & ONPROFIT SECTOR

- The 12,182 additional charitable organizations include booster clubs, local PTAs, youth soccer, little leagues and numerous other small organizations that play an active role in our communities.
- Charitable nonprofits benefit us in ways that cannot easily be quantified. They are tools for community building, fostering a civil society and strengthening our social fabric, as well as essential to improving the quality of life in our state. Massachusetts' residents have placed and will continue to place their trust in the responsiveness, performance and quality of services provided by these organizations.
 - Providers Council, 2008

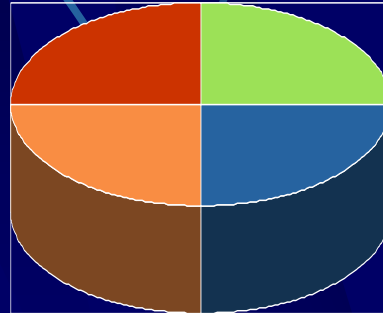
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Why Are Organizations Not Raising More Money?

1. Unproven Results to Participants
2. Questions of Trust and Reliability
3. Weak Value to Donors
4. Lack of Total Organizational Fundraising



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Lessons about Fundraising

1. Fundraisers represent the totality of the nonprofit.
2. Giving is based on trust, confidence and respect.
3. Giving occurs because of the value the donor receives and her total experience.
4. Donors want to know the difference that their individual gifts actually make.
5. Donors, as well as participants, want to be involved in planning and evaluation.

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Lessons about Evaluation

1. Results that matter are
 - ✓ Measured, long-term, sustained impacts.
2. Core management functions are
 - ✓ Assess stakeholder needs in planning
 - ✓ Design programs with progress indicators
 - ✓ Monitor during implementation
 - ✓ Assess your own organization
 - ✓ Review ethics and standards
 - ✓ Learn, document, share and use lessons

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What Are the Strategic Issues You Face?

1. Getting support for your fundraising
 - What does this mean?



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Challenges

For American NGOs

1. Funding
2. Public Image
3. Trustworthiness
4. Strategic Planning
5. Measuring Progress
6. Proving Results
7. Management
8. Internal Culture
9. Board Development

For European NGOs

1. ?

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Stages of Charity

1. Karl Polanyi on traditional societies
 - Reciprocal, redistributive, market
2. Early pioneer days – no one else to help
 - First sector – family, kin, tribe
3. Alex de Tocqueville on American NGOs
 - Private organizations as solutions
4. In crisis, depression, war and disaster
 - Surge of NGOs to meet unfilled gaps

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Clues how US charity grew

1. **Borrowing ideas from religion**
 - Using morality and guilt in fundraising appeals
2. **Borrowing ideas from government**
 - Contracting services to go government work
3. **Borrowing ideas from business**
 - Strategic planning, management, public relations, branding, indicators, value added, competitive advantage
4. **Becoming professional**
 - From volunteer to staff; best practices; salaries
5. **Really using marketing approaches**
 - Understanding donor motivations, market development and niche marketing, and empowerment through relationship building
6. **Open to new approaches and new technologies**
 - With the internet there are no geographic borders
7. **Joining associations**
 - Sharing, learning, standards, and building power together

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USA

1. The new world
2. Democratic traditions
3. Self-reliance
4. Upper mobility dream
5. Individualism
6. Depression – guilt and shame
7. “I am responsible”
8. Separation of church & state
9. Religion in America
10. Capitalism / The Super Rich
11. Open to innovation
12. Increasing role and importance of civil society and nonprofit sector

Europe

1. The old world
2. Monarch traditions
3. Redistribution
4. Class struggle continues
5. Collective solutions
6. Depression – protests
7. “You are responsible.”
8. State religions
9. Age of Reason in Europe
10. Socialism / Communism
11. Slow to change
12. Lagging support for civil society and nonprofit sector

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We add value to donations

Value added = activity that increases the worth of a product or service and for which the customer is willing to pay. (From Answers.com)

1. We compete and that produces better results
 - Innovation, harder work, lower costs, better services
2. We add and combine revenues
 - \$1 in donations + \$1 in volunteer time + \$1 in fees + \$2 from government = \$5 compared to \$1 donated (US data)
3. We have expertise
 - Mission driven, highly motivated, professional, specialised, independent
4. We provide important extras
 - Public education, citizen involvement, advocacy, volunteer insight

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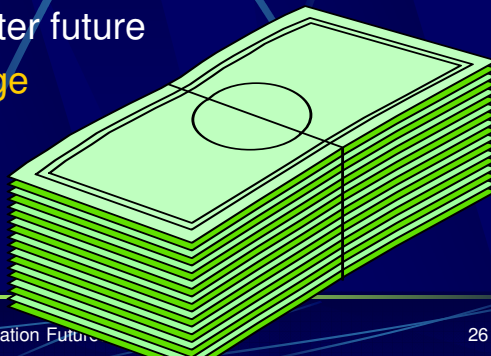
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We tap into motivations

We understand the motivations of donors

- My civic responsibility to help society
- My moral obligation based on religious beliefs
- My personal responsibility to family and community
- My investment in a better future
- Gives me a better image
- My debt for a good life
- Makes me feel good
- Geopolitical reasons



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We develop niche markets

We see the problem

1. Illness / disease
2. Youth recreation
3. Children in other lands
4. Survivors
5. Controversy
6. Education funding

We find the solution niche

- Families
- Parents
- Would be parents
- Each other
- Advocates
- Classmates / Nostalgia

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We use benchmarking

- Circles of competition
- Track how your top 3-5 competitors work
 - Program activities and results
 - Overhead costs
 - Fundraising growth
 - Fundraising methods
- Get data from their public reports
- Become a donor to see how they treat you
- Track them regularly
- Identify what they do well and how they do it
- Use the information to set your own improvements



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We use competitive advantage

Competitive advantage is a position a firm occupies against its competitors.

The two forms of competitive advantage are cost advantage and differentiation advantage. Cost advantage occurs when a firm delivers the same services as its competitors but at a lower cost. Differentiation advantage occurs when a firm delivers greater services for the same price of its competitors.

A firm possesses a **sustainable competitive advantage** when its value-creating processes and position have not been able to be duplicated or imitated by other firms. (From Michael Porter)

1. We track what other organizations in the same sector or close to the same sector of work are doing and we research what current and potential donors value in this work.
2. We learn what we do best that is most liked by donors.
3. We exploit our competitive advantages to help more in better ways.

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Obama's Campaign

1. Howard Dean (2004)
 - Built on growing experience of response to 9/11, Katrina, Tsunami, etc (caring + technology)
 - 50 state strategy, no one left out, donate now, small gifts matter – possible only through the internet
 - "The tools were there, and they built it," says Joe Trippi, who ran Howard Dean's 2004 campaign. "In a lot of ways, the Dean campaign was like the Wright brothers. Four years later, we're watching the Apollo project."
2. Obama strategy (2008)
 - Get people excited, involved and committed
 - Combine proven and innovative fundraising techniques
 - Capture every name and email in every way
 - Call them to action

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Business lessons we can learn from Obama

- He ran a campaign based on 'change' to differentiate himself from his leading competitors;
- He used social technologies to scale his organization and connect with his constituencies; and
- He created a grassroots community (my.barackobama.com) to market his campaign, support his constituencies, and raise capital.

Barry Libert, chairman of Mzinga

Obama raises \$1 billion

- "He said he wanted to run our campaign like a business," says Myers. And in a good business, the customer is king. Early on, before it had the resources to do much else, the campaign outsourced a "customer-service center" so that anyone who called, at any hour of the day or night, would find a human voice on the other end of the line."
- At nearly every event this year, Team Obama set up little tabletop trinket shops, known as "chum stores" because all those little Obama-branded doodads aren't only keepsakes; they are also bait. Every person who buys a button or hat is recorded as a campaign donor. But the real goal of the chum operations was building a list of workers, supporters and their e-mail addresses.
 - Time Magazine

Obama

- "What I didn't anticipate was how effectively we could use the Internet to harness that grassroots base, both on the financial side and the organizing side. That, I think, was probably one of the biggest surprises of the campaign, just **how powerfully our message merged with the social networking and the power of the Internet.**"
- "As somebody who had been a community organizer, I was convinced that if you invited people to get engaged, if you weren't trying to campaign like you were selling soap but instead said, 'This is your campaign, you own it, and you can run with it,' that people would respond and we could build a new electoral map."
- The chum stores, the e-mail obsession and the way Obama organizations sprang up organically in almost every congressional district in the country meant that by the time Obama's field organizers arrived in a state, all they had to do was fire up an engine that had already been designed and built locally.
 - Time Magazine

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One week in March

- Appeared on the Jay Leno Show and announced plan to ask 13 million people on his campaign e-mail list to go door-to-door to raise support for his agenda (1 in 23 Americans)
- A press conference, a weekly radio talk
- Emails to 60,000 people on his list in one congressional district to support a candidate in an off-year election (1 in 3.5 households)
- Several speeches
- Emails to supporters to call legislators to pass the budget and to log on and report the response
- A TV ad blitz
- Canvassing by 10,000 volunteers in 50 states to generate 100,000 pledges in one day
- 2 fundraising events in one night that raised \$3 million
- Held an 'internet town hall meeting' and received 100,000 questions – added 100,000 emails to his list!

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The New Web

1. Newsletters
2. E-cards
3. Shopping
4. Pledges to do something (value, mission related)
5. Petitions (be part of something bigger)
6. Forward it to others to sign too
7. Download material
8. Contests
9. Content submission contests
10. Get others to do these also
11. Enable them, empower them to be involved (viral marketing, other)
12. Automatic but relevant responses
13. Ask for support after the relationship is developed and people are empowered
14. Monitor opt out rate, not frequency

From Blake Groves, Convio

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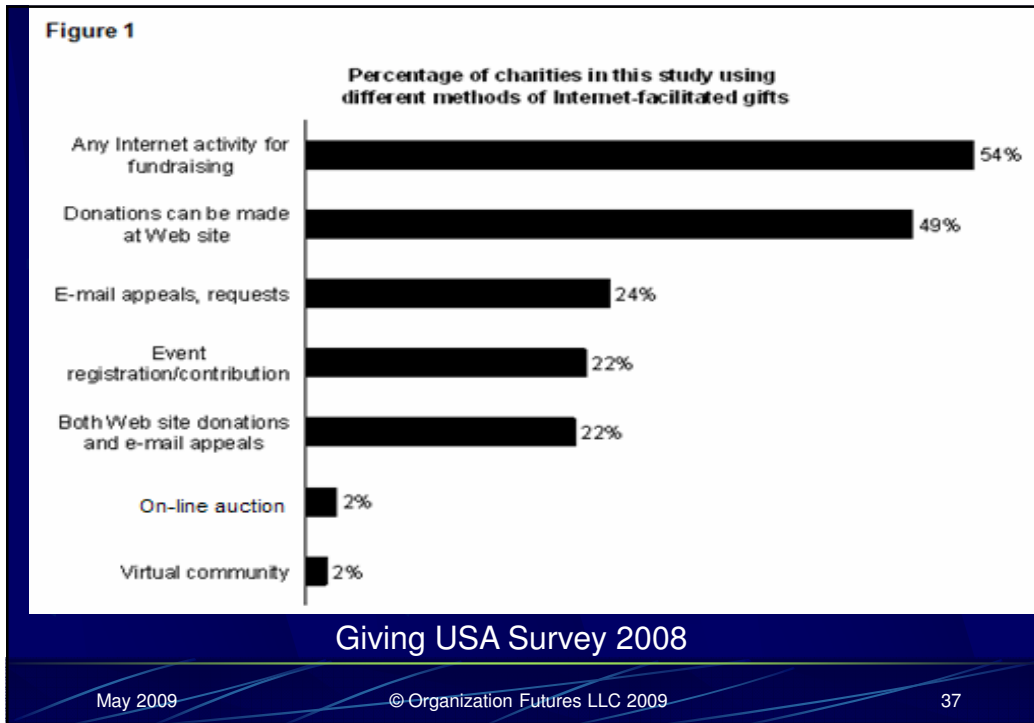
Internet Leverage Study

- “The value proposition for on-line marketing is different, a new opportunity. It requires a new approach. It can be a lever for relationship.”
- Change in average gifts for Surveyed NGOs
 - \$314 in regular donor program
 - \$694 with added email connection
 - \$877 after building online relationship
 - Blake Groves, Convio

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West Broadway Neighborhood Association

Year	1992	1993
● Culture	negative	positive
● Planning	ad hoc	3 year strategic plan
● Participation	limited	open / extensive
● Activities	complaining	many / results focus
● Influence	little	significant
● Members	25	200
● Revenues	\$3,000	\$200,000

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- Strategic Planning
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 - Ken Phillips, Partner
 - Organization Futures LLC
 - 10 Tappan Street, Roslindale (Boston), MA 02131, USA
 - Telephone: +1 617 327 5701
 - Skype: ken.phillips.of
 - NGOFutures@aol.com