



Why the Best Nonprofit Organizations Steal Pages From For-Profit Business Playbooks

Being a nonprofit organization doesn't mean you can ignore good business practices.

Any business that doesn't follow good business practices will struggle. A lack of attention to costs and profits will lead to financial troubles, a loss in customers, and an exodus of good talent.

Nonprofits don't have that same Darwinian force at play. A poorly run nonprofit can limp along for years based on the good intentions of its managers and the hopeful support of its funders. However, while nonprofits don't have the same money motive and financial goals, they can still benefit from adopting many for-profit best practices.

As a business coach who works with both for-profit and nonprofit organizations, there are several good for-profit business practices that I employ to help mission-driven organizations dramatically increase their impact and reach.

1. Clarify your organizational focus and desired outcome.

At the core of strategy is choosing a clear focus for the business. Focusing creates alignment for the team and eases the daily decision-making process. Having a clear focus allows you to concentrate your energy and resources and move the needle. A business without a focus will chase too many priorities and produce lackluster results.

The same is true for nonprofit organizations. While there are many noble pursuits, if you want to truly make an impact, choose one you can advance the most and define the specific outcome you desire. Once you've made a choice, explicitly clarify all of the things you are not going to do. This will help you avoid distraction which water down your efforts.

2. Paint a vivid picture of the future you are striving for.

Stalin has been quoted to say, "single death is a tragedy; a million deaths is a statistic." It's sad, but true. Because of the way our brains work, we emotionally attach to stories not numbers. If we want to create a compelling vision of the future, it's better to describe it as a narrative rather than with numbers.

For businesses, we create vivid visions of the future by describing accomplishments in rich detail and writing them in the present tense as if we've already achieved them. For nonprofits, we take a similar approach: we focus on the core beneficiary and desired impact for them; we describe the good we want to achieve in a rich language of success.

3. Create measurable outcomes and objective definitions of success.

In business we say, "what gets measured gets managed." By finding ways to benchmark our efforts and outcomes, we can begin to keep track of our progress and success. Only then can we know if we're getting closer to our goals and desired outcomes.

The same can be done in nonprofit organizations. Once we have a clear focus and defined outcomes, we can create a set of objectives and criteria we can measure as we proceed. Without these, we don't know if our action and efforts are moving us closer to or farther from our goals.

4. Measure and track program costs and impact.

Beyond just a way of measuring financial value, money gives us a way of directly comparing otherwise disparate outcomes. It allows us to compare the value of two different types of customers or compare to the return on investment of different initiatives.

While money is not our end goal in nonprofit organizations, it can still be used to compare costs and measure value of different programs and initiatives. A program which generates more value while using less resources is better than one who consumes more and delivers less. By tracking the direct and indirect program costs and monetizing program value, you can see which programs you should double down on and which you should scuddle.

5. Balance core programs and investing in future innovation.

In business, you need to generate results now and in the future. If you only focus on driving short-term results, you'll soon find yourself with employees who are stunted and products and services that can't keep up with the competition. But if you only focus on long-term training and innovation, you'll run out of cash by the end of the month.

The same is true with your nonprofit organization. You need to invest in your staff and create new programs and services for your beneficiaries. But you can't do so in a vacuum and ignore the short-term reality of budgets and delivery. Set aside a reasonable portion of your money and resources for each.

While running a nonprofit is not the same as running a for-profit business, there are many best practices you can borrow to be successful. Many nonprofits shun running themselves like a business thinking that purpose trumps profit. Unfortunately, even though nonprofits are not driven by money, failing to adopt good for-profit business practices will often leave these well-intended nonprofits struggling to create the impact they were designed to make.

Source: <https://www.inc.com/bruce-eckfeldt/just-because-youre-a-nonprofit-organization-doesnt-mean-you-cant-act-like-a-for-profit-company.html>