Effective Nonprofit Leaders....

1 ... keep mission, capacity and finance in balance.
These three elements are interdependent and exist in dynamic
tension. If one changes, the others change, too. This happens
in all organizations, whether seen or unseen, planned or
unplanned.

2 ... never ignore the dynamics of the “enterprise platform.”
The combination of capacity and capital comprises the
“enterprise platform,” by which mission is delivered. It exists in
every organization. It is related to, yet separate from, program
and mission. Money does not flow directly to program; it is
turned into program execution via the enterprise platform. If
the platform is weak, program execution will be undermined.
Nonprofits with similar missions and programs can have very
different enterprise platforms.

3 ... are proud of nonprofit tax status.
It exists for a reason, and it’s a commercial reason. We enter
the market when the for-profit and governmental sectors
can’t, won’t or shouldn’t, generally due to a gap or failure in
the market economy. This commercial flaw is why nonprofits
(501(c)3s) are provided two powerful tools to reliably subsidize
operations: tax exemption and access to tax-advantaged
charitable contributions.

4 ... insist on having clear, reliable, routine, management-
friendly financial information.
Effective leaders share it with their board, funders, internal
and external stakeholders and use it as a tool to effectively
communicate their organization’s financial story.

5 ... can tell their program story in financial terms, and their
financial story in program terms.
They, and others in senior roles and board positions, can
fluidly connect money and mission based on the needs and
perspectives of who they’re talking to, and what they’re talking
about.

6 ... predict how their organization will end the year
financially, on January 1.
They also know what the levers are that will make their
prediction more or less likely. They will continue to update
predictions with “actuals” and new projections to year-end and
beyond as the year proceeds. They share these routine numbers
with the board, and make course corrections accordingly.

7 ... understand that they manage in a looking-glass world,
commercially speaking.
Many of the standard rules and conventions that for-profit
managers rely on are reversed, or at best unreliable, in the
nonprofit environment: growth almost always increases the
need for fundraising and decreases “self sufficiency”; cash is not
always fungible, “surpluses” are often prohibited; expenditures
on overhead are seen as wasteful…and more. Leaders from the
for-profit world must understand these (and other) management
realities to make better decisions.

8 ... understand that they run at least two businesses.
There’s the core business, related to delivering on mission
(healing, teaching, sheltering, etc.), and then there’s the
“mission support business” (usually fundraising) that makes up
for the market flaw.

9 ... understand that growth is especially demanding in the
nonprofit world, for commercial reasons.
Growth is more capital intensive, takes longer, and is riskier
from a quality control and mission perspective than for-profit
sector growth (which is difficult as well). Increased revenue
frequently means decreased net revenue.

10 ... distinguish regular, routine operating revenue from capital
and extraordinary revenue, and manage accordingly.
They match their fixed costs to reliable revenue and understand
(and fill) the capital demands of rapid growth, incremental
growth, and routine capacity refreshment and maintenance.