

Around the Sector: The Five Hundred-Thousand Dollar Question with Sherry Quam Taylor

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The W&O Blog occasionally goes outside the firm to seek helpful insight from other experts and innovators in the nonprofit sector. This guest post is by Sherry Quam Taylor of QuamTaylor LLC. Sherry provides organizational and development counsel to equip nonprofit leaders with tangible strategies to grow into the next phase of their mission.

Nonprofit organizations are so often staffed with sacrificial leaders striving hard toward achieving admirable missions. They are full of passion and great ideas to make an even greater impact in the world. At the same time, many are struggling to grow beyond their initial successes. Research indicates that 74% of the 1.4 million charitable organizations registered in the U.S. never reach the \$500,000 mark in revenue. Most of these never hire more than five employees (*Source: Urban Institute's Center on Nonprofits and Philanthropy*). This leads me to ask:

Why is the \$500,000 mark such a sticking point? The same approach, tactics, and methods that once served the organization well during start-up will not propel them to the next phase of growth. Something has to change. It often it takes an outsider's perspective to bring clarity to problem areas and processes that may have worked at one time, but aren't working anymore. Often the solutions are not too far out of reach, but leaders are too overwhelmed or in too deep and are blind to the issues.

What are some of the most common areas holding back organizations from growing past this threshold? Many executive directors voice similar challenges and concerns about this growth plateau. If this sounds familiar, there are an initial four questions I'd advise you to ask:

1. Are you always reactive and never proactive? Often, when organizations start, a leader has no option but to be reactive. Ten volunteers appear and want a task, a donor emerges and needs financial back-up, or a speaking opportunity arises – and it's tomorrow! But there comes a time when a leader has to make a conscious decision to become proactive by pressing pause and putting a strategy in place that will grow the mission and organization long term.

2. Have you stretched your staff too thin for too long? When nonprofits are small, the staff count is, too. Although each staff member likely will wear multiple hats, there comes a time when a leader must determine if the organization's mission can grow without adding additional manpower. One solution is to implement a six-month timesheet initiative to identify the sticking points. What recurring tasks are drowning your staff? What

percentage of staff time is spent on revenue-generating activities? What time-intensive tasks could you outsource? A leader must treat every hour of time as a valuable resource that should be spent wisely.

3. Are you treating all your donors the same? Each of your donor groups has different needs. A constituent that gives a \$10,000 annual gift and one that gives \$25 per month need to be treated differently to ensure retention. Is it time to invest in software to help you plan and track donor engagement? Are you customizing each donor's experience with your organization? If you are not, then you will likely see donor retention fade. On the other hand, through strategic engagement, reporting, and expressions of gratitude, you can remind and affirm donors why they chose to support your organization in the first place.

4. Did your mission drift over the years? When organizations are small and growing, it is common to have a donor, volunteer, or business come alongside to offer free advice or services. This well-meant assistance can be extremely valuable, almost crucial at times. What seemed like a simple request, however, can turn into a hassle that can push your mission off-course. For example, a donor has an idea to start a retail business where proceeds would benefit your organization through the use of your volunteers. Soon it turns into a giant management headache where valuable staff time and focus is being pulled away from your mission. You know your organization's needs the best. Don't be afraid to tell people the best way they can support you.

The formula to grow a nonprofit organization is complex and multi-faceted, but solutions will become clear with patience and counsel from someone who's been through the process successfully. As I tell all of my clients, together, we can do this.

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