



NON-PROFITS: CHANGE AGENTS FOR A MORE JUST AND EQUITABLE SOCIETY

Summary: San Juan Diego Institute understands the important role that non-profits play in building a more just and equitable society for all. We believe that non-profits offer critical support to the communities they serve, and often have the local insights and rapport that are essential for serving the Latino community and those most in need. San Juan Diego Institute provides technical assistance to help non-profits better fulfill their mission.

- We focus on:
 - 1) Building healthy operational cultures
 - 2) Providing systems for data-driven decision making
 - 3) Developing strategic priorities and plans
 - 4) Improving models for financial forecasting
 - 5) Researching demographics and mission impact
 - 6) Evaluating new markets and services

The Current Issue: There are over 1.8 million nonprofit organizations in the US¹ generating over \$2.62 trillion in revenues and \$5.99 trillion in assets.² These nonprofits provide unique and technical services to meet the board range of needs. Human and Social Service make up over 35% of all public charities. Despite being twice as numerous as the other most prolific type of charity, Education which makes up over 17% of all public charities, Human and Social Services account for less than 12% of the revenue of all non-profits.³ These organizations while prolific and important do not always operate sustainably, and many are challenged with issues of governance, operations, and financing. When non-profits in these sectors fail or respond inadequately to the needs of those they represent, the impact can be significant.

Prudent Response: Despite their incredible growth over the past decade, and persistence during the Covid-19 pandemic, non-profits often struggle to develop the necessary business practices that lead to long-term sustainability. Strong organizational governance, operational capacity, and financial sustainability often illude non-profits in many sectors. They are so engaged in the work of service others they fail to development the enterprise level systems necessary to ensure impact and healthy operations. A review of the emerging data as well as

¹ Independent Sector Non-Profit Review 2022 ([Health of the U.S. Nonprofit Sector 2022 \(independentsector.org\)](https://www.independentsector.org/))

² Urban League, 2019 Non-Profit Sector Brief (Finances)

³ Urban League, 2019 Non-Profit Sector Brief (Table 2)

our direct experience serving non-profits indicate five areas of focus to strengthen and improve non-profit organizations.

1) Building healthy operational cultures - Healthy operational cultures are a result of healthy relationships, shared mission, and effective structures to manage workflows and expectations. Improving the operational culture of non-profits begins with ensuring that the governance, and operating capacity are aligned with the organizations mission, and that there are effective ways to receive, analyze and evaluate actionable data. Years of serving non-profits demonstrates the needs for applying good business practices without stifling the entrepreneurial and service-oriented principles build into the DNA of most non-profits.

2) Providing systems for data-driven decision making - Effective non-profits move past simply responding to needs (and there are many), to proactively anticipating the needs and creating the policies and systems to sustainably address or ultimately remedy them. To a certain extent, non-profits always remain aspirational, hoping to effect change in the areas that will ultimately solve the issues they address. Creating systems for receiving good data, providing the time and resources to analyze the data, as well as having the board and leaderships support to made decisions on that data, or imperative to effective decision making. As often said, "hard decisions are made easier by having good data."

3) Developing strategic priorities and plans - Related to the above, successful non-profits often have well developed strategic filters to assist in the evaluation of data, discerning operational health and considering new areas for potential expansion. Most non-profits operate without well designed strategic plans or do little to integrate these plans into enterprise level decisions. While strategic plans are a helpful tool, they require a lot of energy and resources, and have little value if they don't merit real action on part of the organizational leadership and staff. We prefer to use the strategic planning process to develop strategic filters that assist organizations tie decision making with their mission (aspirational) and operational realities (current). As part of these processes, attention must be given to having clear KPI's or scorecards attached to the Strategic Plan so that everyone knows the current state of the plan and what impact it is making.

4) Improving models for financial forecasting - Non-profits operate in sophisticated social spaces, like health care, mental health, retirement, immigration, refugee resettlement, etc. The high level of operational and technical knowledge is often very impressive. However, unlike the for-profit world their motivators are very different, as such they often have a different relationship with finances and the tools necessary to

effectively forecast. This is not only critical to organization and program solvency, it is imperative to have good financial modeling for times of crisis or anticipated growth. Good financial forecasting is linked to both good data and good stewardship of the gifts others have given to help non-profits fulfill their mission.

5) Researching demographics and mission impact - Related to above, non-profits often have well developed narratives of the reason they exist, and the change they envision for the communities they serve. In addition to being able to "tell the story," they must also become experts on the populations they serve and the types of services and programs that make lasting impact. This is a matter of organizational integrity to their stakeholders and the people they serve. Developing models for researching and collecting data, as well as examining mission impact is an often overlooked essential in most non-profits.

6) Evaluating new markets and services - Due to the proximity that many non-profits have to those they serve, there is a natural desire to expand services and increase impact. This impulse is strong in most well-meaning non-profits and must be carefully directed as to not compromise their unique mission. In addition to having good data to evaluate the need and the means to address it, there are other fundamental questions that must be asked. 1) Are we the best equipped, or are there others better equipped to take on this mission? 2) Can we afford to take on this expansion, new service line, new territory, without compromising our ability to attend to our primary mission? Helping organizations ask these tough questions and understand the operational impact and needs to make new markets and new services a success is critical to growing in a healthy way.