



Six Building Blocks for Stronger Nonprofits

There are dozens of catch phrases and countless theories on how things are changing and what needs to be done to adapt in the wake of the Great Recession. But, turning ideas into practical action steps is what matters. And, from what we've seen, most nonprofits are under such serious strain they don't have the resources to test out different theories to see which one works.

FMA has worked with over one hundred clients in the past three years, and our consultants have drawn some key conclusions regarding what practical steps are working to keep nonprofits afloat – and not just afloat, but outfitted and prepared to keep sailing forward to reach their strategic goals, regardless of what new storms come up.

Based on the six building blocks for stronger nonprofits, here are the six key actions smart leaders are taking. As you think about them, rate how your organization is doing in each area. Is it well-established (5) or something you haven't even talked about yet (1)? If you score less than 24 total, you probably should think about what you can do to improve your organization's positioning.

1. Organizational practices are guided by performance measurement.

Successful nonprofits are managing their data strategically, using dashboards to track key performance indicators.

Rate | 2 3 4 5

2. Annual budgets are set through the lens of the organization's balance sheet.

Successful budget processes include the following steps:

- Assessment of the priority and relevance of all activities (zero-based budgeting)
- Development of two- to three-year business plans
- Development of multi-year, strategic budgets that tie closely to the business plan
- Development of plans to maintain operating reserves; plans to manage surpluses
- Diversification of revenue streams

Rate | 2 3 4 5

3. Funding relationships are undergoing re-evaluation.

Successful nonprofits are setting out to cover the full cost of delivering programs. They are carrying out cost per unit analyses to improve their ability to negotiate contracts that cover all costs.

Rate | 2 3 4 5

4. The environment is marked by Team Decision Making.

Successful nonprofits are finding ways to engage all senior management across the agency in number analysis, and insisting they all bear responsibility for the strategic direction of the organization.

Rate | 2 3 4 5

5. Assessment of business processes is ongoing.

Successful nonprofits are putting a 're-engineering' lens to their current activities, looking closely at all processes and considering whether they need to be fine-tuned or overhauled for maximum efficiency, including better use of IT resources and automation.

Rate | 2 3 4 5

6. Goals are set and understood across the organization.

Successful nonprofits are establishing a culture in which there is a deep understanding of the strategic nature and value of time with a clear focus on activities that align with the strategic vision.

Rate | 2 3 4 5

In our work with our clients, the FMA team is guided by these six building blocks. We believe more strongly than ever that managing these forces will enable our clients to productively weather whatever storms lie ahead. **For more information on FMA, please visit www.fmaonline.net.**

