

Seven Areas of Nonprofit Excellence

2011 New York Times Company Nonprofit Excellence Awards

Introduction

Managing nonprofit organizations grows more complex and challenging every year. Today's nonprofit executive is regularly expected to demonstrate progress toward achieving the organization's mission, balance the books, comply with a growing number of financial and other regulatory requirements by federal, state and local governments, and help recruit and work with a strong board of directors that keeps the organization accountable while contributing expertise and leveraging resources. In addition, the executive must communicate the organization's "story" to a wide variety of audiences, practice enlightened management of staff and volunteers including policies of diversity, inclusiveness and cultural competency, explore and adopt appropriate new technology, and successfully raise needed revenues – all while assuring transparency, effectiveness and accountability to donors and the public.

Excellence in this complex field, like all professional excellence, is a continuous work in progress. Thousands of articles, books, seminars and web-based resources touch on the subject. Many focus on reducing bad practices and avoiding or correcting problems such as budget deficits and unmotivated boards, rather than promoting excellence. A growing number of programs across the nation advocate minimum nonprofit management standards, self-regulatory criteria and rating systems, but there remains considerable disagreement about the minimum criteria that define competence, much less excellence.

Excellence rarely results from only trying to avoid failure. It requires focusing on elements others have used to achieve great results. If excellence is your goal, you must study what great managers of great nonprofit organizations have done to achieve it.

How can today's managers and leaders of nonprofit organizations, as well as donors, regulators and the general public, identify key ingredients of excellent management — the kinds of practices around which there is consensus and that can serve as practical examples to follow?

The following examples of excellent policies and practices can be helpful. *Seven Areas of Nonprofit Excellence* was developed in 2006 by surveying the many standards of excellence and rating schemes for nonprofit management throughout the U.S. and identifying core elements around which there is widespread agreement. The seven areas and the examples listed within them are not offered as an all-inclusive, one-size-fits-all blueprint. They certainly should not be viewed as a checklist of all that is excellent in running nonprofits. Given the size and enormous variety of the nonprofit sector, and the evolving state of the art and science of management, this list is a foundation. We expect the list to expand over time as we all further define excellence.

Programs like **The New York Times Company Nonprofit Excellence Awards**, for which this document was developed, can encourage a growing number of nonprofits and those who observe, support and study them, to pursue excellent management and to contribute to our field's growing legacy of excellence.

1. Overall Management Focus on Results

- A well-defined mission statement guides organizational decision-making and practice.
- Program and organizational results are regularly achieved, tracked, evaluated and reported in light of targeted outcomes.
- Management structure supports mission, with top leadership guiding continuing progress in achieving mission.
- A solid grasp of major opportunities and challenges facing the organization leads to focused planning and action (e.g., through a strategic plan) to meet challenges and regularly achieve results.
- Innovative and entrepreneurial approaches are evident in management strategies.
- Expert consultants and technical assistance are used when needed to strengthen management operations.
- Impact is sustained over time and, where appropriate, scaled up.
- Regularly uses reflective learning to address mistakes.

2. Governance Structure That Moves the Organization Forward

- Top board leadership continually supports efforts to improve achievement of mission and monitors progress toward planned results.
- Board members are effectively involved in critical roles – policy oversight, leveraging resources, assuring accountability, publicly representing the organization – and expectations are understood and performed by Board members and committees; percent of board who contribute financially is high.
- Board minutes and other key documents are created, circulated and retained in accordance with document retention requirements.
- Board regularly monitors and evaluates the performance of the CEO.
- Individual member and overall Board performance is evaluated regularly.
- Board leadership assures organization-wide accountability, transparency, effectiveness and ethical behavior, including compliance with appropriate legal and professional guidelines and regulations, such as a Conflict of Interest Policy and a Whistleblower Policy.
- Board receives a quarterly review, event materials, Executive Director's report and development report.
- New Board candidates receive a recruitment prospectus and site visits.

3. Strong, Transparent and Accountable Financial Management

- Clear processes are in place for creating, approving and reviewing the annual budget at the Board and senior level.
- There is regular accountability in the form of management tracking and reporting of budget performance and cash flow to the Board, appropriate Board committees, regulatory bodies, supporters and/or other key stakeholders.
- Key financial milestones and targets are regularly monitored and met.
- If the organization is of sufficient size to complete an annual audit, the audit is prepared by qualified outside accountants and reviewed by a separate audit committee of the board in a timely fashion.
- Appropriate internal controls are in place to assure integrity, accuracy and transparency in all financial dealings by the organization and to prevent fraud and waste.
- The organization's federal Form 990 is complete, accurate, reviewed by senior management and board leadership, and publicly available.
- Local, state and federal required forms and reports (e.g., IRS Form 990, NYS CHAR 500, etc.) are filed as required and are complete, accurate, reviewed frequently by senior management and board leadership, and publicly available.
- Adequate cash reserves protect the organization against contingencies and risk.
- Annual operating and capital budgets are informed by its strategic plan, program goals and Board-directed initiatives
- Budget planning strives for modest surplus at year end.

4. Inclusive, Diverse and Responsive Organizational Practices

- Inclusive service, outreach and hiring policies and practices are integrated into the organization's structure, leadership and governance policies and practices.
- The organization has a written diversity policy.
- The organization regularly improves its cultural competence in relating to clients or constituents, volunteers, staff and other key stakeholders.
- The organization regularly assesses and responds to emerging needs and communities.

- Demonstrably committed to diversity with measurable results.

5. Enlightened Use of Human Resources

- Human resources policies and practices clearly recognize the importance and changing expectations, availability and needs of staff and volunteers.
- The organization has written personnel policies that are communicated to staff, reviewed at the Board level, and include job descriptions for each position and annual performance reviews.
- Staff has necessary education, experience and certifications to perform their duties well; professional development opportunities, either internal or external, are available to staff.
- The organization's policies and practices protect clients, employees and volunteers from harm, including regular efforts to ensure standards of prudent care.
- Salaries and volunteer compensation are within the range of community norms and within legal bounds regulating excessive compensation.
- The organization has employee whistleblower and conflict of interest policies in place to protect confidential employee reporting of suspected fraud and material conflicts of interest.
- Maintains staff diversity and staff that represents community served; has high level of staff retention.
- Performance reviews tailored to each position include broader "top-line" organization and program goals and outcomes.
- Create "stretch assignments" and a "growth pipeline" to retain talented staff by providing them with more supervisory responsibilities.

6. Regular and Effective Communications and Technology

- The organization has a communications plan and processes, assuring regular presentation of accurate information to its various publics (donors, general public, volunteers, key constituencies and stakeholders), including strategies to protect consumer privacy and confidentiality.
- Communications plan and practices regularly assess its market relative to competitors and its clients' needs and satisfaction; the organization actively and effectively "brands" itself and "tells its story."
- Communications plan and practices assure accurate and ethical communication of organizational information and activities.
- The organization provides release forms and opt-out practices, ensuring that clients, consumers and donors do not receive unwanted public exposure and can regularly communicate needs and feedback on services.
- Actively engages a range of audiences: alumnae, past board members, all stakeholders
- Technology hardware and software are regularly assessed, updated and standardized.
- The organization regularly uses technology and other resources to increase efficiency and effectiveness in accomplishing its mission, and designated staff assures that all electronic files are backed up regularly.

7. Effective, Ethical Fundraising and Resource Development

- Development plans, policies and activities are ethical, effective, regularly reviewed by the Board and accountable to donors.
- Board is involved with leveraging resources; board and CEO are familiar with the Association of Fundraising Professionals' Code of Ethical Principles and Standards of Practice and ensure fundraising professionals acting on behalf of the organization adhere to them.
- Organization complies with all local, state and federal laws and regulations concerning fundraising practices; if it solicits contributions of more than \$25,000 or uses the services of a professional fundraiser, it has registered with the NYS Attorney General prior to conducting solicitations, and outside professional fundraisers working on its behalf are licensed with the Office of the NYS Attorney General, Charities Bureau.
- Fundraising communications include clear, accurate, honest information about the organization (including its name, as registered with the Attorney General), its activities, and intended use of funds; these key communications advise potential contributors that they may obtain the organization's financial report from the organization or from the Attorney General.
- Organization expends funds responsibly; ensuring donated funds are dispersed according to donor wishes and requirements, and regularly communicate with donors regarding its activities, making such information available through multiple outlets.
- Organization works to maintain a balance between publicly recognizing charitable contributions and maintaining donor confidentiality when needed; donor names are not shared or traded with others without donor permission.