VISIBLE BUT UNSEEN:
Forces and Opportunities Impacting Non-Profit Organizations
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"Vision is the art of seeing things invisible."
Jonathan Swift

There are unique moments in history characterized by wrenching change. Political, economic, social or technological revolutions skewer old beliefs. Behaviors shift. Institutions are radically transformed.

The present is just such a time for the nonprofit sector and necessitates a radical shift in our worldview. While we must comprehend and deal with the obvious changes, it is the subtle and unrecognized occurrences, circumstances, and facts that can become critical in the future. The further ahead we try to predict, the less effective we become, and our efforts are not of practical consequence. I have dubbed these phenomena "dreamtime." However, in my view, the nonprofit organization that wishes to be successful would do well to evaluate these less obvious factors and prepare a proactive response plan.

Throughout its 4,000-year written history, philanthropy has undergone many such evolutionary leaps. Tithing was first mentioned in Genesis and the first recorded fund drive in the U.S. was at Harvard University in 1643. In the 1889 essay on wealth published by Andrew Carnegie, he urged the rich to administer their assets for the benefit of the community, instead of bequeathing them to their families. Tax relief in exchange for personal giving was enacted in 1921 (corporations had to wait until 1935). The 1969 Tax Reform Act recognized the importance of the philanthropic sector, while mandating strict new restrictions, controls and oversight. Revisions of tax law in 1976 left the advantages of giving largely unchanged. Our government recognized the importance of a healthy philanthropic sector.

Today, internal and external pressures that require a thoughtful, as well as, rapid response are driving the nonprofit sector. The ways in which each individual organization chooses to act is critical. The right choice means adaptation and survival. The wrong choice may mean marginalization or, at worse, going under.

This paper examines the today's drivers for change, i.e., *economics*, *volunteering*, *accountability, accounting and structural* that will have the most profound and immediate effects on nonprofit organizations. Immerging concepts such as: *international expansion*, *acquisition*, *nesting*, *E-giving*, a*lliances, mergers*, *co-profits,* and *infradomes* will give readers a glimpse into where forward thinking organizations are headed today.

We will examine four major dreamtime opportunities that are emerging for nonprofit organizations farsighted enough to recognize their potential:

Driving forces of change

Nearly everyone in the nonprofit sector recognizes that nothing in our world is permanent except change. However, it is a mistake to think, as so many nonprofit executives do, that if we can simply survive the present turbulence, everything will be okay. Because they are so powerful, the drivers of change necessitate concomitant alterations to strategy and structure to ensure survival, if not success.

Economics

The nonprofit sector has experienced extraordinary growth over the last 10 years, with the number of 501(c)(3) organizations registered with the IRS increasing by 60 percent from 593,802 in 1998 to 947,274 in 2007.[1] In 2008, the number of non-profit organizations was reportedly 1.4 million.[2] This proliferation of organizations has resulted in more competition and further fragmentation of market share. The sheer number of NPOs also results in weaker entities finding it more and more difficult to demonstrate viability. In addition, the recent economic down turn is impacting even the strongest charity brands as NPOs in every sector have started to loose financial traction and has forced increasing numbers to go out of business. Paul C. Light, Professor of Public Service at New York University was predicting in November 2008 that more than 100,000 nonprofit groups nationwide will fail within the next two years, including a few "big brand-name nonprofits.[3]

Americans gave an estimated $306.39 billion to charity in 2007, according to research findings in *Giving USA*, one of the leading sources of information on philanthropy in the United States. That total represents an increase of 3.9% over the total giving in 2006.[4] Total revenue for all nonprofit organizations was over one trillion dollars in 2006.[5] However, the recession beginning in 2008 is reversing that trend. The Guidstar survey of 2,753 public charities and private foundations reported that for the period from October 2008 through February 2009, 52% of the charities surveyed experienced decreased

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[1] National Center for Charitable Statistics, http://nccsdataweb.urban.org/PubApps/nonprofit-overview-segment.php?t=pc.

[2] www.independentsector.org/media/inBriefPR.html.

[3] 100,000 Nonprofit Groups Could Collapse in Next Two Years, Expert Predicts, by Paula Wasley, *The Chronicle of Philanthropy*, Nov 27, 2008, www.philanthropy.com.

[4] *Giving USA 2002*, a publication of the American Association of Fundraising Counsel (AAFRC) Trust for Philanthropy, researched and written by the Center on Philanthropy at Indiana University, cited in "Charitable Giving Reaches $212 Billion,'' press release dated June 20, 2002 at the AAFRC website at http://www.indonors.com/pressreleases/givingusa6.02.pdf.

[5] The Nonprofit Sector in Brief, Facts and Figures from the Nonprofit Almanac 2008, National Center for Charitable Statistics at the Urban Institute, *http://www.urban.org/publications/901164.html.*

"It is not the strongest of the species that survive,
not the most intelligent, but the
one most responsive to change."
Charles Darwin

contributions and 31% of grant makers reduced the size of their grants.[6] During years with at least eight months of recession, giving declined by an average of 2.7 percent.[7] In spite of the effect of recessions, charitable contributions have traditionally remained close to two percent of Gross Domestic Product (GDP).[8] It is clear, in the extended recession we are currently experiencing, that the giving trend will be negative when 2008/2009 statistics are available.

By any account, nonprofits are big business. The sector accounts for 5% of the GDP of the United States, 8.1% of our economy's wages and 9.7% of our jobs. However, much of the power is concentrated in a few big players - One-tenth of one percent of the public charities account for more than 27 percent of the sector's assets and revenue.[9]

The more than one trillion in revenues to all NPOs in all sectors, if divided equally among all charitable organizations, would mean an average annual revenue of $700,000 for each. However, according to the *Christian Science Monitor*, in 2007 the five largest charities in the U.S. (the National Council of YMCAs, Catholic Charities USA, The Salvation Army, Goodwill Industries International, and American Red Cross) , reported revenue totaling more than $20 billion.[10] Other nonprofits, including colleges, universities, and foundations, also receive disproportionately generous pieces of the pie. For example, Harvard University's charitable income in 2000 was $5.97 billion, followed by the Mayo Foundation ($3.81 billion), Stanford ($3.78 billion) and Yale ($3.08 billion).[11]

Figures from the Better Business Bureau's National 9/11 Database indicate that support for the victims of the September 11th terrorist attacks has already topped $2.4 billion.[12]

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[6] The Effect of the Economy on the Nonprofit Sector, October 2008 - February 2009Executive Summary, http://publications.guidestar.org/nonprofit-economic-report/

[7] Giving USA Spotlight, "Giving during recessions and economic slowdowns," Issue 3, 2008.

[8] *Giving USA 2002*, a publication of the American Association of Fundraising Counsel (AAFRC) Trust for Philanthropy, researched and written by the Center on Philanthropy at Indiana University, cited in "Charitable Giving Reaches $212 Billion,'' press release dated June 20, 2002 at the AAFRC website at http://www.indonors.com/pressreleases/givingusa6.02.pdf.

[9] The Nonprofit Sector in Brief, Facts and Figures from the Nonprofit Almanac 2008, National Center for Charitable Statistics at the Urban Institute, *http://www.urban.org/publications/901164.html*

[10] Hrywna, Mark, Top 100: An In-Depth Study of America's Largest Nonprofits, in The Non-profit Times, Nov. 1, 2008 as summarized in "Charity accounts foretold economic meltdown: nonprofits plugged along in 2007 as donations lagged," http://www.entrepreneur.com/tradejournals/article/189159633_1.html.

[11] The 50 largest charities in the US ranked by total income, *The Christian Science Monitor*, November 26, 2001. Cited at http://www.csmonitor.com/2001/1126/p14s1-wmgn.html.

[12] Metro New York BBB Foundation Announces Updated 9/11 Charity Database, August 24, 2002. Cited by Philanthropy News Digest at http://fdncenter.org/pnd/news/story.jhtml?id=11700020. Based upon ìNew York BBB Announces Results on Survey 0f September 11th Charity Activity,î a press release issued by Metro New York Better Business Bureau Press Release on 8/23/02.

"Even if you're on the right track, you'll
get run over if you just sit there."
Will Rogers

Those nonprofits that are not planning and prepared may not get their $700,000 "share." Obviously, when the largest players such at American Cancer Society at $1 Billion and United Way of America at $4.2 Billion weigh in the actual per organization share is more in the range of $200,000. In these difficult times many small groups would rejoice if their total revenue reached that level.

Volunteerism

Economics is the first driving force reshaping the nonprofit sector. Volunteerism is the second. The role of the volunteer is critical to literally every charity in the world – without the volunteer most would simply perish.

In 2005, nonprofits employed 12.9 million paid workers and the equivalent of another 7.6 million full-time volunteers.[13] Statistically, the nonprofit sector is America's largest employer, although the majority of its workers do not get paid.[14] An estimated 83.9 million adults, 44 percent of Americans over the age of 21, volunteered in 2000, donating approximately 15.5 billion hours in 2000, at a value of more than $239 billion.[15] (Independent Sector calculates the dollar value of volunteer time at $16.05 per hour.[16]) It is also worth noting that the Americans who both gave and volunteered in 2000 gave twice as much as non-volunteers, making contributions of $2,295 per household compared to $1,009 by households that did not volunteer.[17]

But as nonprofits become more complex, they will, by necessity and, in my opinion, appropriately, become increasingly staff-driven. At the same time, economic pressures will force a decline in the amount of time available for people to commit to service. Finally, while Baby-Boomers (born between 1946 and 1964) have consistently been generous in terms of the time they volunteer, fewer members of Generation-X (born 1965-76) and Y (born 1977-94) have demonstrated a propensity for philanthropy or volunteerism. Those nonprofits with a high dependency on volunteers will therefore have to redouble their efforts to fill that need or experience a significant increase labor cost. Alternatively they may alter the way they impact mission and do work.

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[13] The Nonprofit Sector in Brief, Facts and Figures from the Nonprofit Almanac 2008, National Center for Charitable Statistics at the Urban Institute, *http://www.urban.org/publications/901164.html*
[14] Peter Drucker, What Businesses Can Learn from Nonprofits. *Harvard Business Review*, Vol. 67, No. 4, July-August 1989.
[15] Giving and Volunteering in the United States 2001: Key Findings. Cited at the Independent Sector website at http://www.independentsector.org/PDFs/GV01keyfind.pdf.
[16] Value of Volunteer Time. Cited at the Independent Sector website at www.independentsector.org/programs/research/volunteer_time.html.
[17] 89% Gave Last Year, 44% Volunteered. Independent Sector press release, November 4, 2001, at http://www.independentsector.org/media/GV01PR.html.

The lack of volunteers is a two-edged sword. Not only will it disengage and disenfranchise constituencies with which nonprofits once had relationships, but it will also place significantly more financial pressure on those organizations that have to pay for services that once were provided at no cost by volunteers. Lastly, getting and keeping volunteers will become more difficult, time consuming and costly. In addition, volunteers are frequently the core of an organizations donor base. Loosing volunteers not only cost more money in lost services but result in gross revenue loss as well.

Kaye Wiggins reported in Third Sector Online*, 17 July 2009, that according to a recent Government's Citizenship Survey, volunteering in England is down 2% from just one year ago. The report indicated that 41 per cent of adults had volunteered formally during the past year, down from 43 per cent in last year's survey. It also found that 62 per cent had volunteered informally - defined as "giving unpaid help as an individual to people who are not relatives" - in the past year, down from 64 per cent in 2008 and 67 per cent in 2001. The report, which for the past two years has surveyed 15,000 people about community involvement, volunteering and charitable giving, also found that 65 to 74-year-olds were the most likely to volunteer formally at least once a month. The group most likely to volunteer informally on a regular basis was 19 to 25-year-olds.

Certain causes, those in which constituents are driven by fear or potential loss will continue to attract volunteers while “milder” causes that are less directly impactful on individuals will experience greater pressure from the smaller volunteer pool. Organizations will have to learn to use volunteers in different ways.

Girl Scouts of the USA with more than 109 Councils in the United States, use volunteers as their primary delivery system for program. To accomplish this, they have extensive, consistent volunteer training programs. To maintain quality assurance, Girl Scouts of the USA has a field services division, run by a Vice President, with a staff of close to 30 council service consultants that work with the field. Training and certification programs are on going and considered to be mandatory. This process is effective and has historically been part of the Girl Scout culture since inception. An organization that does not have this culture or this level of field support will find that it is not only expensive to implement but can expect resistance from their field to what will be perceived as sweeping change.

Accountability

Accountability, the third driver of change, is rapidly moving to the front burner, especially in light of technological advances, which increase transparency for individual and corporate givers, and the enormous intergenerational transfer of wealth, estimated in the trillions of dollars, over the coming decades.

* Kaye Wiggins, http://www.thirdsector.co.uk/news/Article/920756/Fewer-volunteers-year-ago/

"Of every thousand dollars spent in so called charity today, it is probable that $950 is unwisely spent; so spent, indeed, as to produce the very evils which it proposes to mitigate or cure."
Andrew Carnegie

Enron, WorldCom, Tyco, Waste Management, Maddoff and all the rest of the for-profits that have played fast and loose with their accounting have severely damaged consumers' trust in the institutions of capitalism. It is almost inevitable that unsavory accounting practices will be revealed among some nonprofit organizations, as well, shaking donor confidence in the sector and requiring nonprofits to find new ways to present themselves, and, potentially, new legislative oversight.

Already, well-respected institutions like the American Red Cross and United Way of America have experienced the effects of increased donor scrutiny.

On September 20, 2001 the Red Cross established the Liberty Disaster Relief Fund as a separate, segregated account to fund relief services related to post-September 11 recovery efforts.[18] In October, the organization announced that a portion of the Liberty Fund would be diverted to other, non-9/11-related programs. The public outcry was such that, within a month, the organization reversed course and said the entire fund would help those affected by the attacks. And shortly thereafter, the Better Business Bureau, acting on complaints from donors and unfavorable media reports, was investigating the Red Cross to determine whether it still met Bureau standards for charities.[19] Certainly, the accountability factor played a significant role in the resignation of Red Cross President and CEO Bernadine Healy.

It is important to note that donor confidence is a direct function of the degree to which a nonprofit entity's stewardship, of both mission and money, is seen to be above reproach.

Accounting

Accounting is the fourth driver of change. Within the next four years, changes to IRS rules are also likely. It is likely that the Internal Revenue Service will be examining 501(c)(6) organizations, business leagues looking for components of their revenues that may be subject to taxation. We are not talking huge percentages. The IRS certainly will not shut down nonprofits; the government cannot afford to assume responsibility for the services that nonprofits currently provide. Nevertheless, even a tiny percentage of a $310 billion play is a substantial sum. The IRS will probably focus on issues related to closed classes (organizations that limit their services and mission support to a specific group of

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[18] American Red Cross, September 11, 2001: Unprecedented Events, Unprecedented Response: A Review of the American Red Cross Response in the Past Year, September 2002, at the American Red Cross , http://www.redcross.org/press/disaster/ds_pr/pdfs/arcwhitepaper.pdf.

[19] Associated Press, American Red Cross Scrutinized, *USAToday*, February 16, 2002, at http://www.usatoday.com/news/nation/2002/02/16/red-cross.htm.

individuals that meet certain criteria rather than the public at large) and on revenues that can be taxed without a lot of social outcry.

It is also likely that Financial Accounting Standards Board (FASB) rules will change, particularly with respect to how nonprofits present themselves relative to functional allocation of time and services and program as a ratio to gross monies received. We are already seeing accounting firms, taking a lead from FASB, less inclined to separate financial statements of related non-profit corporations. There was a time where small NPOs imbedded within or under larger NPOs were largely unnoticed and listed in audit reports as "unsubstantial." That condition is one that would not exist in today's carefully managed expenditure and risk management environment.

Indeed, state laws in places like New York are already beginning to blur the line between The chief staff officer and senior level volunteer accountability in nonprofit organizations.

Lastly recent FASB rulings on NPO merger requiring that if one organization is substantially larger than its merging partners that the accounting treatment should be treated as a "take over" rather than a merger, causes additional political stress in an environment that is already sensitive.

Alliances and Shared Services

Alliances are a less radical first cousin of mergers. The easiest way to understand the potential of alliances is to look back at the concept of "market space" introduced in the earliest years of the dot-com boom. Traditional bricks-and-mortar for-profits were interested in capturing the largest possible market share, their proprietary piece of the marketplace, and vigorously defending it against all comers. On the other hand, because the cyber-marketplace is equally available to everyone, dot-coms sought to create the most valuable possible market space by attracting the most eyeballs. They recognized that their websites were portals to other commercial sites and if transactions occurred as a result of a click-through on their banner ads, they could capture a small piece of the resulting transaction.

Similarly, nonprofits control a certain subset of assets (a brand or image, real estate or relationships). As with dot-coms, connectivity, forging alliances with other nonprofits, enhances the value of those assets. In the argot of nonprofits, it's called shared services.

A prime example is the Ann Arbor, Michigan-based Nonprofit Enterprise at Work (NEW), the nonprofit created in 1993 to manage the NEW Center, a facility that provides affordable space and shared office equipment for nonprofits. The first 20 nonprofit tenants of NEW Center realized immediate benefits, in terms of lower overhead costs and on-site cooperation with other nonprofits. As a result, NEW has diversified its services, providing expanded facilities, information and support services, shared administrative assistance, educational programs and leadership development to other nonprofits.

Many large federated NPOs institute their own form of shared services. Realizing that, in some cases, their affiliates are fiercely independent, they offer centers for handling mundane task such as, payroll, accounts receivable, accounts payable, P-cards (a credit card for incidental purchases), bulk purchasing and other services. In some cases these centers are support as part of the affiliation agreement, in others affiliates pay fees for services.

Organization wishing to explore shared services should realize that the initial cost can be heavy. In addition, agreements must be in place and signed between parties to ensure that it is will be difficult for a party to exit the service agreement. One of the principles contributing to the success of shared services is critical mass and volume; if one or more of the participants chooses out the scale economy may be lost. As the entities become co-dependent upon one another it is critical for all parties to stay in the system.

Mergers

Mergers can be immensely effective strategies for organizations struggling to meet growing client needs with shrinking financial resources. Nevertheless, some nonprofits would rather fold than consider integrating services with a "competitor." One primary barrier to NPO merger consideration is that some nonprofit professionals have a hard time separating what they think they know about for- profit mergers from the reality of a nonprofit merger.

NPO staff leaders may on some level understand that mergers are designed to decrease competition or reduce costs, as they certainly do among for-profits but feel that the loss in personnel and ultimately "control" is not worth the potential gain. In addition, unlike for-profit mergers, there is no real way to create a financial incentive for NPO senior executive to benefit financially. This results in many NPO leaders working to preserve their jobs rather than look objectively at organizational or mission impact benefits.

In the nonprofit world, however, appropriate mergers create the equivalent of greater shareholder equity by maintaining, or even expanding, services almost overnight.

American Cancer Society, The Girl Scouts of the USA, United Way of America, the American Red Cross and countless other large and small organization are currently engaging in merger among affiliates and other like minded organizations for basically the same reasons: reducing redundancy, building capacity, gaining scale economy and achieving a more stable financial platform.

Recent work by Jonathan Baker at NFP Senergy on the importance of size of non-profit organization provides some interesting support for merger. Looking at organization from 1980 – 2008 he found that the larger the organization the better if fared. Large and mid-

"Union gives strength."

size organization, those with gross revenue from $2 million to $20 million increased on average 8.5% while charities under $2 million grew on average by 3.5%. When looking at total income from all sources, large charities grew faster and more consistently than smaller charities.

Other findings from his work suggest the following key points:

- Big and Medium Charities have more consistent income growth than smaller charities reflecting greater stability of income.
- Smaller charities struggle to show real terms income growth and are more likely to lose money than big and medium sized charities.
- Big and medium charities on average show greater ability to cope with downturns
- Big and medium charities do show reduced growth but are less likely than small charities to lose income in a downturn
- Medium Charities show the greatest long term growth of voluntary income but Big charities have a slight edge in total income*

So when are mergers appropriate? When administration and other overhead starts to supersede client services, or when donors are confused by a multiplicity of services or inconvenienced by a fragmented system merger should become a strategy. When organizations are seeing multiple contiguous accounting periods of downward trend and when traditional revenue sources and techniques are declining; merger should be considered.

The largest source of private, not-for-profit cancer research funds in the United States, second only to the federal government in total dollars spent,[20] the American Cancer Society represents a prime example of a very successful nonprofit organization that has realigned its resources to optimize its potential. Under the direction of CEO John Seffrin, Ph.D., the ACS has streamlined its structure, reducing the number of its divisions from 57 to just 17, each of which is on sound financial footing. The net effect of this effort: Record increases in income and a significant increase in the number of staff who are directly interacting with the public on cancer control programs and patient support services.

Since their pioneering effort a significant number of large federated organizations including: The Girl Scouts of the USA, the United Way of America and many others have completed or currently are engaged in merger and various corporate structural shifts resulting in fewer corporate members.

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[20] American Cancer Society, Media FAQ, http://www.cancer.org/docroot/MED/med_5.asp?sitearea=MED.

"Leadership and learning are
indispensable to each other."
John F. Kennedy

When planning a merger, prepare to be confronted by the universal human fear of change. Staff members are afraid of losing their jobs. Volunteers worry that they'll lose touch with their organization. Clients fear service cutbacks.

It is absolutely critical for senior management of nonprofit organizations to recognize that the most critical factors for the success of a merger are careful planning, honest and open communication and a commitment to mission that overrides all other considerations.

Co-profits

The gradual emergence of co-profits is another key outcome of the forces of change sweeping the nonprofit environment.

Nonprofits used to shy away from UBI (unrelated business income). However, in order to increase revenues and capitalize on their constituency bases, nonprofits are increasingly coming to resemble for-profits. They are becoming co-profits. That is not to say they will become less eleemosynary, but they will be selling goods and services more aggressively than ever before.

Co-profits tend to manifest themselves in several different ways: by 1) selling things in a for-profit environment and paying tax on the income; 2) partnering with for-profit or other nonprofit enterprise to produce income that will offset costs; and 3) partnering with a for-profit to create an enterprise that produces revenue for the for-profit and offsets costs for the nonprofit.

In a marketplace of proliferating brands, for-profits are constantly looking for new ways to differentiate themselves from the competition and the wiser nonprofits are seeking new ways to enhance expertise, build revenue streams, achieve greater visibility and advance their missions. According to the 2001 Cone/Roper Corporate Citizenship Study, conducted nationally before and after 9/11, 81 percent of Americans said they would be likely to switch brands, when price and quality are equal, to support a cause.[21] When for-profits work with nonprofits, it sends a message of charitable intent to the marketplace. It says, "We're good folks."

A perfect example of a co-profit venture that fulfills all those needs for each of the parties Involved, and which I helped to create, was a joint venture among the Duke University Corporate Education Center, a for-profit, and two primary nonprofits: the American

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[21] Post-September 11th: Major Shift In American Attitudes Towards Companies Involved With Social Issues, November 11, 2001 press release, Cone website at http://www.conenet.com/Pages/pr_8.html.

Cancer Society and the Diversity Leadership Academy, funded by The Coca-Cola Company.

All three organizations collaborated to create the Duke University Certificate Program in Nonprofit Management, a leadership institute to train nonprofit executives. It should be noted that the *Financial Times* recently ranked Duke Corporate Education #3 among the world's leading custom corporate education providers, ahead of Stanford, Wharton and Harvard.[22]

Nonprofit professionals went to Duke for training, and paid a significant fee. That fee covers the cost for Duke to deliver the program, plus a profit, on which Duke will pay taxes. The American Cancer Society and the Diversity Leadership Academy will take a share of the profits and will either expend it on the training of their own executives, thereby reducing costs and improving staff performance, or they will use it in some other portion of their nonprofit budget, thereby becoming a co-profit entity in this venture. Recent cuts in program funding at American Cancer Society, Inc. and Duke University Corporate Education Center resulted in the discontinuation of this program but the economic principals and collaborative intent was successful for all parties.

Will such an activity replace traditional fund raising methodologies, hardly, but it is evident of the creative entrepreneurial approach that is becoming routine in the contemporary nonprofit organization.

Infradome and Domescapes

One of the less positive outcomes of the Tax Reform Act of 1969 was to encourage the bureaucratization of nonprofits. Smaller organizations hired their first full-time program officers. Larger ones hired more staff. As a result, the average amount a foundation spent on administration rose from 9.7 percent of grant outlays in 1969 to 16.3 percent by 1975: a level which has persisted today.[23] This number represents an expenditure of 16.3 percent just to stay compliant with governmental requirements.

If a nonprofit is operating at the peak of efficiency, if it is doing a first-rate job of Fundraising, if its stewardship is impeccable, if it is meeting its constituents' demands for impact on mission, how can it create new economies of scale?

Conceptually, the infradome is new nonprofit operational structure that looks very like a geodesic dome.

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[22] Sarah Murray, Getting right mix of office education, *Financial Times*, May 27, 2002. Survey results cited by Duke Corporate Education on its website at http://www.dukece.com/news/ranking.htm.

[23] Martin Morse Wooster. First Suppression, Then Gibberish: American philanthropy's enduring historical void, *Philanthropy*, March/April 2000. Cited on the Philanthropy Roundtable website at http://www.philanthropyroundtable.org/magazines/2000-03/wooster.html.

"I look for what needs to be done. After all, that's how the universe designs itself."
Buckminster Fuller

Invented by Buckminster Fuller in the 1940s, the geodesic dome is a structure comprised of a complex network of triangles that form a portion of a sphere or ball. Geodesic domes have proven to be the strongest structures ever devised and they can be erected very quickly, in hours, rather than months. According to some experts, they are demonstrations of what Fuller called "ephemeralization," or doing more with less. The best ones are proportionally thinner than a chicken eggshell is to the egg. In fact, these domes could, theoretically, weigh less than their component parts because of the potential lift of the inside air mass due to the air near the top of the dome being significantly warmer and trying to rise.

The infradome, in our discussion is the metaphor for the structure housing the complex working infrastructure of a typical nonprofit: fundraising, photocopying, money processing, direct response, telemarketing, referrals and all the other services that comprise the nonprofit's mission. It is "in-sourcing" in a collective environment. The infradome may house the infrastructure of one organization, or 10. Some may be health-related or environmental while others may be totally unrelated such as associations. Each organization is discrete. The infrastructure is common to all.

The consumer or constituent looking at the infradome from the outside sees what he or she expects to see; the mission and service of the nonprofit in which he of she has an interest. While there are some legal and other considerations, the concept is sound.

Conceptually it is not unlike General Motors. When most consumers deal with General Motors, they believe that they see it as the company that manufactures the particular vehicle in which they have an interest. They may not see GM at all rather they see the marketed brand - Buick, Chevrolet, GMC, Cadillac - etc. Odds are, they're completely unaware that General Motors also comprises financial services, digital entertainment and communications; satellite- based private business networks and the manufacture of locomotives, and a sub set of automotive parts manufacturing such as Saginaw Steering Gear and others. Given the recent difficulties at General Motors, this may not be the perfect example but it does serve to show the concept that many activities can be housed in a single place while presenting to the public a particular, discreet image of what the constituency is looking for in an organization.

The shared-service environment of the infradome exponentially increases the economic pressure on smaller nonprofits operating independently. For example, the cost to a small nonprofit of processing a check and writing a thank you note may be $9.00. The cost to a nonprofit within the infradome, because of the ramped-up scale, may be $4.00. The salary for the CFO of a $5 million nonprofit may be $125,000. The charities participating in a $40 million infradome (combined budgets of all the participants may be able to afford a $250,000 CFO with an appreciably diminished effect on overhead.

"Long range planning does not deal with future decisions, but with the future of present decisions."
Peter Drucker

The outcome: New Structures for Fulfillment

Given the pressures in this dynamic environment, it seems clear that new organizational, operational and governance structures are essential. Before you can envision them, you have to understand what they need to deliver: 1) increased efficiency and effectiveness in terms of impact upon mission, 2) increased capacity, relative to time and the image of long-term stability, 3) growth in relationship to cost both to mission and in real dollars.

The four important new nonprofit structures for fulfillment that offer those two critical deliverables are alliances/shared services, co-profits, infradomes and mergers.

Realizing opportunities for advancement

Who has time for planning?

A nonprofit organization is typically in the unenviable position of having to change a tire while still motoring down the highway. While reengineering itself, a nonprofit must continue to raise money, serve its constituencies, make an impact on its mission, react to spikes in funding shifts like 9/11, all the while enhancing its image and protecting its brand. That is no small task! It requires one eye on the balance sheet and the other on the horizon.

As I wrote earlier, what guides my work as a consultant to nonprofits is looking for that which is "visible, but unseen." If a phenomenon is visible, it is close enough to the horizon to have some immediate impact. It is like the warnings about lightening "if you can hear it fear it – if you can see it flee it." Other phenomena, "dreamtime" phenomena, are not visible right now but clearly one the way. They may be really important components, but they may not be close enough to the horizon to be perceived to be of practical consequence to a nonprofit organization. Most of us remember when we went to a store to buy a record or a CD. Today we order a single song online. Artist in the music business that anticipated this change and positioned for the event continue to enjoy success – others have become the dinosaurs of the music business waiting on a return to the old days that will never appear.

Dreamtime issues are intellectually stimulating. I am always happy to discuss them with my clients and among my peers. But given the exigencies that nonprofits face every day, and considering how high the stakes are, I would strongly urge, nonprofit executives to first act upon the structures and organizational changes that will keep them strong and position them for the next.

"The new electronic interdependence recreates the world in the image of a global village."
Marshall McLuhan

When that is completed consideration of the following four visible, but as-yet unseen opportunities will offer growth potential for the next 20 years or more, they are: *international expansion, acquisition, nesting and e-giving.*

International expansion

With the growing globalization of the world economy, the need for cross-national activity is likely to increase, as well, particularly among environmental and health-oriented nonprofit organizations. In today's wired world, there is simply no reason for nonprofits to automatically restrict their mission or service environment to just one country.

Moreover, the potential for international expansion is not limited to Goliaths like Oxfam and the World Wildlife Fund. An example of a smaller global nonprofit entity is iEARN (International Education and Resource Network). Founded in 1988 with funding from the New York City-based Copen Family Fund, iEARN, which encourages teachers and young people to work together online, often across borders, at very low cost, using the Internet and other new technologies, currently operates in 4,000 schools in nearly 100 countries worldwide.

Recently United Way of America affiliates voted in support of a by-law change that will allow expansion of the United Way brand and operational platform worldwide. They are currently operating on some scale in 46 countries. In this new initiative, supported by large multi-nationals corporations and donors, the United Way concept and functional concept will begin to spread worldwide. This initiative alone, due to the scale of the organization, will change the shape and rules of international fundraising forever. Organizations engaged in international fund raising, funding and program support will need to alter their way of doing business and will be well served to find a collegial way to work in concert with United Way of America.

While going global makes sense, it is also important to acknowledge the need to be selective, there are places you do not want to go. You must consider the potential return on investment. You want to go only where prospective matches or exceeds service needs. Otherwise you are expending at the expense of mission; a slippery slope indeed.

Acquisition

An increasing number of socially conscious for-profit executives have begun to move into the nonprofit sector, bringing with them notions like venture philanthropy and social entrepreneurialism. Inevitably, they will also begin to introduce to the nonprofit sector

"Any sufficiently advanced technology is indistinguishable from magic."
Arthur C. Clarke

other principles common to the corporate world, including acquisitions. A $40 million organization interested in growing quickly to a $100 million organization could choose to increase its marketing initiative, to grab more market share and squeeze out the competition. Or it might choose to acquire five $12 million nonprofits.

Some of these nonprofit acquisition efforts may be regarded as predatory, but when a larger, more powerful, financially solvent nonprofit acquires a smaller, less potent organization, both can benefit. The net result will be larger nonprofit organizations with optional donor giving options within circumscribed categories.

Nesting

The reverse of acquisition, nesting occurs when a nonprofit organization, in danger of becoming defunct, finds another, stronger nonprofit organization and, in effect, "moves in." It is not a merger, unless there is legal or structural change. Like a fledgling bird, the smaller organization shares a nest with the bigger organization to give it a better shot at viability and growth. It feeds off the advantages of the larger nonprofit organization, while maintaining a more "personal" public image to its constituents. It gives up a portion of its governance and in the process loses some control over its operations and future.

The sentiment that nothing is the same since September 11, 2001 applies to philanthropy, as well. Last year I said with absolute conviction that there is not one single program of membership acquisition, donor acquisition, fundraising and/or constituency relationship building on the Internet today that works in any context, large, small, personal, private, big, little, combined, uncombined. But I can see a small glimmer of change just beyond the horizon.

For the first time, after 9/11, the Internet broke through as the ideal fundraising vehicle for nonprofits, which collected hundreds of millions of dollars in just a few weeks. Six months after the terrorist attacks, e-philanthropy experts estimated that as much as 10 percent of the individual relief donations came through the Net. Before, online donations were said to account for less than one percent of U.S. charitable giving.[24] Those relief organizations with a substantial online presence also managed to compile one of the largest and most valuable donor databanks ever, for future fundraising and volunteer support.

And nonprofits have only just begun to scratch the surface of the Internet's potential.

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[24] Leslie Miller, Charities hope 9/11 inspires ëe-philanthropy,í *USA Today*, March 18, 2002. Cited at http://www.usatoday.com/life/cyber/tech/2002/03/19/online-fundraising.htm.

"The future has already arrived;
it just isn't evenly distributed."
William Gibson

Online retailing, while a tiny fraction of overall retail sales, at approximately 3.5%, has steadily grown from less than 1% in 2000 to 3.5% for the first quarter of 2009.[25] In its first quarter 2009 report, e-commerce retail sales totaled almost $32 billion. The 2008 annual online sales were more than $130 billion. The U.S. Department of Commerce data indicate that e-commerce grew at steady 20 to 30 percent rate from 2001 through 2007, but slowed to less than 10% in 2008 and shrank at approximately a 5% rate in fourth quarter 2008 and first quarter 2009.

An estimated 83% of people have shopped online at least once. According to Internet World Stats[26] there are currently 251 million people using the Internet in North American. Internet World Stats estimates that worldwide, nearly 1.6 billion individuals use the Internet.

As access to the Internet increases and as people become more comfortable conducting transactions online, the Web will offer compelling opportunities to nonprofits to build increased operational efficiencies, better constituency services and more effective fundraising. Therefore, those organizations that believe their primary constituencies will be among the parties that have access to and are comfortable with online shopping *must* move into the cyber market space. Moreover, they must understand that E-giving will be accomplished through the organization itself, not through smorgasbord "click-and- give" sites. They do not build donor confidence. The single most important task for an organization to consider when approaching E-giving as a strategy is to build trust. Using the power of their brand and a marketing strategy that feeds back information to their donors as to the ultimate use of their "particular gift" will be the keep to attracting, retaining and profiting from Internet giving strategies.

Looking ahead

It is a time of unprecedented turbulence in our industry. The lines between the public, private and independent sectors are becoming increasingly blurred. For-profit structures and strategies are being applied in novel ways to non-profits, creating hybrid entities, which face a whole new array of opportunities and challenges. Economic realities in the U.S. is forcing nonprofit organizations to change or wither.

If you fear change, it can be overwhelming. But if you this view turbulence as an opportunity for change, re-focus and growth, these are the early days of the best of times for the nonprofit sector and more important, your organization.

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25 http://www.census.gov/mrts/www/data/html/09Q1.html
26 http://www.internetworldstats.com/stats.htm

Creativity: the power to connect
the seemingly unconnected.
William Plomer

About the Author

One of the nation's leading strategists on nonprofit organizational structure, Dan H. McCormick is CEO of the McCormick Group (www.mcc-group.com), a consulting firm that he established 1982. A prolific writer on the subject of foundation development and leadership, he is the author of *Non-Profit Mergers: The Power of Successful Partnerships* and co-author of *Creating Foundations in American Schools*. He presents and speaks on non-profit mergers and on NPO organization structures and development at conferences each year.

Recent client engagements include: The American Cancer Society, Inc., The Girl Scouts of the USA, the United Way of America and many other large and small NPOs. For more information, contact the McCormick Group by phone at (843-838-4656) or e-mail at staff@ mcc- group.com.