CHAPTER 1

Leadership Concepts

ESSENCE, ENIGMA, ENERGY, AND EFFECT

This book begins with a chapter on organizational leadership because it is prerequisite for fundraising to excel. Leadership in the fundraising context is not didactic; it is a dynamic that emanates from the top of an organization, influencing strategic directions, penetrating cultural dimensions, and inspiring entire communities to be intentionally generous and thoughtfully engaged.

INTRODUCTION

The topic of leadership has become a vast economic and intellectual enterprise. Interest in the subject emanates from scholars, practitioners, consultants, and trainers in virtually every thought-discipline and social culture.

So popular is the topic of leadership that 85,743 books with the word *leadership* in the title can be found on the Amazon.com website. Of this number, 2,256 focus on nonprofit leadership. This popularity stems not only from a widespread curiosity about how to become a leader but also from the scores of divergent opinions about what *kind* of leadership is needed today.

Aspiring leaders are left to discern which among the thousands of books, hundreds of seminars, and multitude of scenarios might fit their particular situation and their organization's status. Wouldn't they all? Most certainly not!

Although most leadership books and training sessions present the basic skills, characteristics, and behaviors needed for leadership within organizations, they also tend to generalize and/or cite examples that are impractical or impossible to replicate.

Most authors offer opinions about organizational leadership largely derived from experiential observations, causing them to be presumptive rather than substantiated by replicable evidence. Many authors imply that leadership applications are transferable across sectors, in spite of different cultural dimensions. It goes without saying, that much work is needed before the topic of nonprofit leadership is fully explored and explained.

Leadership books written just for the nonprofit sector have yet one more shortcoming. They do not explore how important the executive director and other organizational leaders are to fundraising. Perhaps it's because leadership can exist without fundraising, but those of us on the front lines of philanthropy have come to know that fundraising cannot exist without leadership!

Since the topic of leadership is so expansive, this first chapter does not attempt to recite what others have written. Instead, it focuses on what it takes to be a respected and reflective leader in the position of nonprofit CEO or executive director . . . as it relates to fundraising.

It covers the dynamics of leadership for someone who oversees an organization that desires, depends upon, and seeks community involvement via philanthropic partnerships. It specifically addresses why the executive director's leadership is so essential to the success of fundraising.

This book is the first of its kind to link the role of organizational leader with the role of fundraising leader.

Chapter 1 covers:

- ESSENCE of Personal Leadership: Necessary Elements and Ingredients
- ENIGMA of Positional Leadership: Pressure of Being at the Top
- ENERGY of Fundraising Leadership: Differences Between Good and Bad
- EFFECT of Organizational Stages: Various Stages Will Alter Strategy

ESSENCE of Personal Leadership

Necessary Elements and Ingredients

> Leadership is everybody's business, and the leadership challenge is everyone's challenge. The next time you say to yourself, "Why don't THEY do something about this?" look in the mirror. Ask the person you see, "Why don't YOU do something about this?"
>
> —James Kouzes and Barry Posner

Most of us respond to leadership challenges because we see a situation we want to change or an opportunity we want to seize. Our determination to *do something* is stimulated by a sense of awe and trepidation or exhilaration and risk. Therein lies the complexity of this topic.

Since leadership is often more situational than prescriptive and generally more dynamic than static, very few authors and experts agree on what it takes. Pick up

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any leadership book (hard copy, handbook, online, or e-book), and observe the tug and pull between leadership positions and propositions.

The prevailing thought seems to be if you read "the right book" you will be on your way to being a great leader. *(No offense intended here to the many authors who have provided valuable information on this abstract subject.)*

Here are a few seemingly sure-fire *formulas* for becoming a leader:

- *The 21 Irrefutable Laws of Leadership*—John C. Maxwell
- *The 7 Habits of Highly Effective People*—Stephen Covey
- *The 4 Obsessions of an Extraordinary Executive*—Patrick Lencioni
- *100 Ways to Motivate Others*—Steve Chandler

If you can't find the right formula, you can pick up one on leadership type:

- *Principle-Centered Leadership*—Stephen R. Covey
- *Servant Leadership*—Robert K. Greenleaf
- *Strengths-Based Leadership*—Tom Rath and Barry Conchie
- *Primal Leadership*—Daniel Goldman, Richard E. Boyatzis, and Annie McKee

Or you might resonate with the more enticing or animated titles:

- *A Whole New Mind: Why Right-Brainers Will Rule the Future*—Daniel H. Pink
- *Tribes: We Need You to Lead Us*—Seth Godif
- *Unleashing the Power of Rubber Bands: Lessons in Non-Linear Leadership*—Nancy Ortberg
- *Leadership for Dummies*—Marshall Loeb and Stephen Kindel

Too many choices? You can purchase one book and get it all: *The 10 Best Leadership Books of All Time,* by Jack Covert and Todd Sattersten.

One caveat: Learning how to be the consummate leader while sitting in the nonprofit executive director's seat will require more than any book can tell you. In this seat, in addition to everything else, you must be the *leader of fundraising* for your organization.

For an executive director, leadership connotes that you will lead your nonprofit organization by inspiring a vision and empowering shared values to achieve a meritorious charitable mission, through and with others. This is, very simply, what fundraising is all about—inviting people to join you in your quest to change the world. The notion of fundraising is not as much about money as it is about mission.

Five key ingredients are needed for fundraising leadership; some inherited, some learned:

- SELF-AWARENESS: Perspective of Strengths and Weaknesses
- SENSE OF REALITY: See Through Objective Lenses
- COURAGE TO CHANGE: Create Ideas and Take Risks
- COMPASSION AND PASSION: Persistence to Make Things Right
- ETHICAL CONSCIENCE: Pursuit of Fairness, Integrity, and Honor

Self-Awareness

Perspective of Strengths and Weaknesses

> Becoming a leader is synonymous with becoming yourself. It is precisely that simple, and it is also that difficult.
>
> —Warren G. Bennis

Whatever you call yourself—executive director, CEO, chancellor, president, hospital administrator, or something else—your *position* asserts you are the leader.

When you ask people what they look for in a *positional* leader, they use adjectives like *honest*, *transparent*, *authentic* . . . they mean you need to be real, maybe even larger than life. That's where self-awareness comes in meeting others' expectations without compromising yourself.

As executive director/CEO, you are the leader everyone else wants to know. Not being known personally by the executive director is tantamount to not having importance to the organization or the mission. Donors, board members, and employees all want to be on a first-name basis with you; this is how you affirm them as followers. They not only want to relate to you but also expect to have a relationship with you. To do this, you need to be accessible, approachable, and present.

It's not as much about ego (yours or theirs) as much as it is about equity. Gone are the days when followers (donors, board members, employees) expected their leaders to be charismatic or autocratic. Sure, followers want their leaders to be strong willed, wisely informed, and influential with others . . . but they also want their leaders to hold their ego in check and to be fair and reasonable. Self-awareness comes into play when you exhibit confidence not arrogance, and when you display assertiveness not aggressiveness.

Donors in particular are motivated to give to institutions and organizations whose leaders they *know* and *trust*—two key words. Donors may be familiar with your organization, its mission, and its work, but unless they have confidence that you and your leadership team are capable of taking the organization to the next level, they will not be inclined to seriously invest their own resources.

Donors' trust comes from feeling they are part of the organization's inner circle. As such, they have a high need (which grows exponentially with increased gifts) to have regular contact, to be sought out for advice, and to give counsel. That's where you come in. To be successful in fundraising, you must be open to ideas and guidance from your donors, including how you can do an even better job!

To remain self-aware or authentic, leaders resist engaging in self-deception. Robert Terry (1993), author of *Authentic Leadership*, recommended that leaders embark on a continuous quest of being informed in the following areas and by posing questions to ensure they are seeing their real selves. These questions are not just for one's own gratification; they would make great conversations with your closest advisors and investors.

Ask yourself, about yourself:

- *Personality Preference:* What are my strengths and weaknesses?
- *Inclusiveness:* How do I look at or analyze situations?
- *Self-Correction:* Am I able to learn from my experiences?
- *Call to Engagement:* Do I want to participate and be engaged?
- *Directional Orientation:* What does the ideal future hold?
- *Ethical Foundation:* How am I living love, justice, and freedom?

Terry theorized that authenticity is linked to action. He said that authenticity informs and directs action. Without authenticity, action drifts; without action, authenticity remains idle conjecture and wishful thinking.

Leaders who are self-aware know all about action. They seem to sense what and where their place in life is and how to get there. Self-awareness is a realistic perspective of your strengths and your weaknesses.

I believe that most natural leaders have instincts that cause them to seek out their particular path and create their own destiny by selecting a course that will be satisfying and successful. Life for them becomes a series of situations that call for one response or another: leadership action or followership action. They reflect consciously on the decisions they make and the actions they take to ensure that their ego (or self-deception) is held in check.

Make no mistake: self-awareness is a pursuit, not an accomplishment.

When self-awareness is present in the leadership DNA, there is more transparency and responsiveness to outside supporters. A strong sense of self makes executive directors comfortable in any situation and, in particular, with fundraising. With nothing to hide, the authentic executive director can get face time with funders at the drop of a hat, while the phony executive director can't get calls returned. When self-awareness is present, relationships with others are naturally reciprocal.

This notion that leadership stems from self-awareness and authenticity is not a new idea, nor is it a response to the host of highly publicized CEO scandals in both the corporate and the nonprofit world. Those unfortunate indiscretions do, however, reinforce the real risk of slipping over the precipice of authenticity into artificiality and arrogance. Stories of successful leaders who have fallen from grace point out how very fragile that line is between one's strengths and one's weaknesses.

Making mistakes can also enhance our self-awareness. Parker Palmer (2000) points out that people's darkness can become their pathway to the light. It is one's ability to see both sides and to sense the balance point that contributes to self-awareness.

The popular analogy of seeing a glass as half-full or half-empty suggests that positive and negative perspectives require a delicate balance. When McCall and Lombardo (1983) did their behavioral research, they identified four primary traits upon which leaders could succeed or derail:

1. *Emotional Stability and Composure:* calm, confident, and predictable, particularly when admitting error.
2. *Owning Up to Mistakes:* rather than putting energy into covering up.
3. *Good Interpersonal Skills:* able to communicate and persuade others without resorting to negative or coercive tactics.
4. *Intellectual Breadth:* able to understand a wide range of areas, rather than having narrow (and narrow-minded) expertise.

Our strengths can become our weaknesses in a millisecond. How ironic that we learn more from the latter than the former, confirming that the discovery of self is endless questioning: "What is really going on?"

SELF-AWARENESS Checklist

- Do you have the emotional intelligence and psychological fortitude to work through all kinds of situations, with all kinds of people?
- Do you surround yourself with people who know more than you do and are not threatened by them or their ideas?
- Does your strong sense of self keep you from compromising your values, even in the face of adversity?
- Are you eager to learn, challenge, and change the world, but you accept that you must do it through others?
- Are you psychologically open and able to seek out different perspectives from diverse disciplines, functions, and cultures?

- Do you stay on course with your plan, making changes necessary to achieve or adjust your ultimate goal?
- Do you allow yourself to be vulnerable, in ways that lead to personal and professional growth?

Sense of Reality

See Through Objective Lenses

> The first responsibility of a leader is to define reality. The last is to say thank you. In between the two, the leader must become a servant and debtor. That sums up the progress of an artful leader.
>
> —Max De Pree

Quotes attributed to De Pree's 1987 book *Leadership Is an Art* are prolific and powerful. Very few authors have captured the essence of leadership practice with all its complexities without all the academic justification or jargon. He writes to the point, and every point has meaning.

De Pree's concept of artful leadership (define reality first and say thank you last) suggests that leaders have a dual role, to establish a realistic vision, and empower people to follow.

I suspect De Pree would have a hard time drawing a traditional organization chart with a square box at the top for the executive director and below, boxes neatly arranged in layers for subordinates. He might prefer interconnecting circles to describe the roles of leader-follower as a fluid ebb and tide of interactions and partnerships.

Interconnectivity is but one reality in organizational leadership, and essential to fundraising. No one can accomplish something of merit alone; if you think otherwise, you are not being realistic.

What would your organization's chart look like if you described how all your resources related to each other? Would you draw a box for yourself at the top and add more boxes for each constituent group: one for your leadership team, your board members, your committees, your fundraising volunteers, your individual donors, foundations, corporations, and civic organizations? What do you say about your relationship with your constituents? Do you describe them as customers, stakeholders, constituents, or partners?

Defining reality (where are you going) without defining resources (who is going to get you there) would be foolish. In the nonprofit world, we are first and foremost in the people business. Your constituent groups (whatever you call them) are integral to achieving your mission as dynamic overlapping investors; boxes they are not.

A sense of reality is the ability to see the world with objective lenses.

How does the executive director capture or create a sense of reality? You ask questions of others and then collectively question the answers. You become educated, build consensus about what needs to be done to solve the community's problems, and design organizational missions to address them (not vice versa). This implies you will involve more people rather than fewer, since nonprofit missions are about social impact and community benefit.

Reality checking is a *process* that starts informally and internally and extends formally and externally, akin to an internal-external needs assessment but constant.

When great nonprofit leaders ask, "What's going on here?"—they do so to formulate their decisions, not to justify them. They challenge assumptions not because they want to change them but because they want to understand them. They accept that finding reality takes time and resources and is neither an expedient nor inexpensive process. They allocate enough time to discover solutions and do not waste time belaboring the problems.

Realistic leaders are very good at looking for, and at, different sides of an issue; they examine the facts, figures, opinions, outcomes, and, yes, consequences. As such, they don't make arbitrary and capricious decisions, based on immediacy or emotion, and certainly not by themselves. They use discernment; they balance intuition and rational thought (Maxwell 1991).

Leaders are aware of two tough fundraising realities: money and time.

First reality: Your organization's need for money is one thing; the donor's desire and ability to give money is quite another.

This particular reality is often overlooked in preparing budgets and making program decisions. It's much easier to estimate what you will spend and much more difficult to project what you can raise.

The fact that you need money is a given: You will always find a program or project to implement. But the potential for philanthropy has variations and fluctuations. It is not a constant stream of available or entitled funds. You can't convince donors to give just because you have a good idea; the best you can do is to present a compelling, urgent, and relevant case for them to consider investing. And you better have defensible data to prove it!

This means that you can predict your needs, but you can't predict your donors. For philanthropy to occur, the two must match.

Second reality: It takes real time to build a fundraising program; it cannot be rushed and be successful.

This reality is hard to accept when the need for outside funding is so great. We naturally feel that our mission is so worthy that people should give to us and give now.

Without a solid investment of resources and a reasonable time frame to build the required relationships, the investment will be wasted. Not being aware of the time it takes for donors to gain confidence in your organization and your leadership could result in asking too soon or leaving money on the table. Harm done can seldom be undone. Hiring the wrong development staff will waste time and resources, too. Lost potential is a step backward making the next step forward a veritable staircase.

Fundraising is a financial investment that will eventually produce a greater return on investment (ROI) than any other revenue stream in any organization (short of the radiology department in a health care system). It pays to make the investment up front.

In fundraising, a sense of reality and authenticity are paramount. Your organization's vision must be real (relevant) and it must be resourced (achievable). It can't be a whim or a whine; it must be grounded in fact, elevated by confidence.

As executive director, everyone looks to you to say what is and what is not, where you are going or cannot go. Essentially, you provide the philosophical, psychological, theoretical, and practical leadership for all your organization's aspirations.

You will need to be both practical and pragmatic with your realism and recognize that it is the midpoint between optimism and pessimism. Too much optimism can lead to overly ambitious fundraising goals and pressure tactics with donors. Excessive optimism can lead to accepting gifts that cause mission creep. Too much pessimism can result in the rejection of ambitious plans or bold initiatives, focusing instead on the flaws and risks of pursuing them. Excessive pessimism leads to doing it the old way and missing opportunities for change.

SENSE OF REALITY Checklist

- Do you look beyond the obvious two sides and seek all sides of an issue; if something doesn't work one way, do you try another?
- Do you accept complexity and ambiguity, while establishing defensible and ethical rationales for each option?
- Are you stimulated by taking ideas apart and putting them back together, preferring innovative projects that break the status quo?
- Do you want to know where the organization stands with constituents, because you don't take them for granted?
- Do you take time to be fully informed, to think things over, and not rush into something before its time?

- Do you know how to search out the elusive truths rather than adjust to the political versions of them?
- Are you are confident about what you know? Do you see it, and say it, as it is?

Courage to Change

Create Ideas and Take Risks

> The quest for change is an adventure. It tests our skills and abilities. It brings forth talents that have been dormant. It's the training ground for leadership.
>
> —James Kouzes and Barry Posner

If play is the work of children (corroborated by social scientists), then change is the preoccupation of leaders.

Kouzes and Posner say that leaders *challenge the process*; John Gardner says they *release talent and energy*; and Rosabeth Moss Kanter says leaders are *change masters* and *prime movers*.

But the most common term for leader is *change agent*.

As executive director, it is your job is to weave the continuity and values of yesterday with the challenges and visions of tomorrow. As an agent of change, you are expected to alter the course of events. To do so, you will need more than the willingness to change; you must embrace and instill change as a *constant* in your nonprofit organization.

When executive director candidates come from outside the nonprofit sector, they are warned that this sector is not only different but also fraught with uncertainty. They are cautioned that this sector is not a safety net, even if they want to "do good."

Doing good is a concept that is being reconstructed, as a result of many convergences. The nonprofit sector is going through unprecedented change on the heels of an economic downturn. If this is not enough, there are:

- Enormous demographic shifts that are redefining participation
- Exponential technological growth and global access
- Unmitigated demand for transparency and accountability as a justification for why organizations exist
- Unparalleled competition and blurring between nonprofits, for-profits, and government
- An insatiable demand for new solutions, organizational forms, and leadership models.

It is said in many leadership chronicles that people who love breaking new ground go so far as to seek out problems that might be solved. Are you a change agent who goes looking for situations that require a leadership response and move on when the problems are solved? This would be the litmus test for today's transformational leader.

As a transformational leader, you need to feel comfortable and unapologetic for moving things forward, altering the way business has been done, making things better, capturing stronger market positions, raising more money, driving more business, and being better, bigger, and bolder.

As an executive director, you will need a change agenda, a change process, and a mantra of three little words: *challenge, innovate, and collaborate.*

1. ***Challenge.*** Competent leaders are never afraid to challenge the way things are done because they have the skills to navigate complex and ambiguous situations.

   They don't unnecessarily question to prove they are competent. Instead, they inform themselves so they can see precisely what needs to be explored and challenged. They ask, "*How can things be improved, with what I know and what I have yet to know*?" For them, a fully informed change is not resisted; it is welcomed.

   There is a lot to know, these days, about how fundraising is changing. These changes will require your attention and your ability to challenge assumptions.

   During the past 15 years, fundraising theory and practice have made a seismic shift from being institutionally focused to being donor focused. This was not by accident. As research on donor motivations, behaviors, and attitudes became available, practitioners have been integrating this knowledge into their practices. There is more to come as demographic and psychographic shifts are fully realized. Fundraising practices will only be relevant tomorrow if they utilize sophisticated research, segmentation, and targeted messaging and methods.

   How well the fundraising industry addresses the recent and future challenges, remains to be seen.

2. ***Innovate.*** Competent leaders tend to challenge how something could be not just different, but better. This requires a curious, creative mind-set that inspires others to envision new approaches, articulate new ideas, and craft new pathways.

   Innovation in the nonprofit sector is the edge that causes nonprofits to thrive versus survive. Innovation is the bending, molding, tugging, and pulling at what exists, in an effort to make it more effective or more efficient. In the end, innovation is taking apart the box, without throwing out the box; but your box is likely to have some sharpened edges!

In the nonprofit sector, innovation can be found in many forms of service, not products. Goodwill Industries has added external job placement services, going beyond their internal job training program. Girl Scouts has encouraged the formation of viral online troops, augmenting the traditional weekly troop meetings in suburbia. United Ways are expanding their fall workplace campaign to year-round activities for donors in nontraditional jobs. Other forms of innovation in the nonprofit sector include shared buildings and backroom resources, for-profit ventures, and public-private partnerships.

Innovation is not a one-time event; it is a way of life for our nonprofit sector. As executive director, you are key to incorporating a culture of *systematic* innovation in your organization if you want to release human talent and energy. A recent report from the Kellogg Foundation, *Intention and Innovation,* points out that collaboration, culture, change agents, and technology are needed to improve philanthropy, all resulting in social impact.

3. ***Collaborate.*** Instilling and growing competence (not competition) in our ever-changing world demands a higher level of strategic leadership and professional management, and the only way to do it is to collaborate—not because you have to, but because you *want* to.

   The call for collaboration is not new; in fact, it became the mandate of most private foundations during the 1990s. Weary of funding the same old problems and solutions, private funders gave the nonprofit sector an edict: collaborate or no grants. Unfortunately, most nonprofits gave collaboration lip service, until now. From trying to collaborate when we didn't want to, we learned it had to be mutually beneficial to succeed.

   Today, collaboration is not a tactic; it is a dual strategy that works in tandem with external and internal partners. External collaboration means looking differently at what we term "competitors." Ironically, there are more opportunities with counterparts than there are threats, and besides, it is more economical to trust than to compete.

   The key to collaboration is not thinking about winning, but thinking about succeeding. Succeeding is something that is best achieved in concert with others.

   Internal collaboration is similar. There should be healthy competition, with rewards, not punishments. Today's followers want their leaders to exhibit new participative leadership, not old hierarchical mandates. They want their leaders to share the agendas, not impose priorities; give them attention, not dictate results; and define problems, not enforce solutions.

COURAGE TO CHANGE Checklist

- Have you mastered specific skills but acknowledge that you cannot be superior at everything. Do you admit when another nonprofit agency does it better?
- Do you encourage new approaches and new methods that meet constituents' needs for a value exchange?
- Do you grow competency throughout the organization, encourage a culture of inquiry and a learning environment?
  - Do you use left-brain and the right-brain thinking, aligning hard facts with gentle expressions and meeting people's needs for both?
  - Are you willing to integrate innovative technology, even when you don't understand how it works?
  - Do you allocate resources for professional training, job development, and internal promotions?
  - Are you more teacher than preacher, enabling others to be challenged in the process?

Compassion and Passion

Persistence to Make Things Right

> Effective nonprofit organizations are rich savory cultural stews . . . permeating myths about the value of human worth . . . sharing deep abiding assumptions that they are about something important, something vital to society and to the existence of humankind.
>
> —Terrence Deal and Casey Smith Baluss

Today's nonprofit leaders must be more than interesting; they must be interested. As such, they will gravitate toward others, drawing them out. They will not only stir the cultural stew but also bring the ingredients to a boil, releasing the essence of human potential. If compassion and passion are a part of the mix, you have a winning recipe.

As the executive director, your job is to figure out what it takes to appreciate, motivate, validate, and congratulate others so their aspirations are fulfilled as the mission goes to work. Essentially, you need to ignite your organization to attract and retain those with passion in their bellies.

After decades of research, Kouzes and Posner concluded that CEOs and executive directors are at their best when they help people find meaning and faith in their work and help them answer fundamental questions that have confronted humans of every time and place. Their questions are simple but incredibly profound.

Ask yourself and others these questions:

- Who am I as an individual?
- Who are we as a people?
- What is the purpose of my life, of our collective life?
- What ethical principles should we follow?
- What legacy will we leave?

Great servant leaders create organizational soul by offering the gift of significance, rooted in confidence that the work they do is worthy of everyone's effort and that the institution deserves everyone's commitment and loyalty (De Pree 1987).

I do not want to imply here that being a servant leader is about religion, but it is definitely spiritual when it comes to building a caring environment where relationships and human potential are nurtured in your board members, your staff, your volunteers, and your clients and customers. Fervent attention to your organization's soul creates a tight community of converted believers.

Max De Pree agrees: "Leadership is a concept of owing certain things to the institution. It is a way of thinking about institutional heirs, a way of thinking about stewardship as contrasted with ownership."

He implies that leaders need to measure what they leave behind by way of momentum and effectiveness, of civility and values (De Pree, 1987).

Values are those things an organization believes in, that are printed and hung on the walls. Values are the template used by employees, donors, and board members to interpret behaviors and make sense of actions and events. When we resonate with a set of values, we are instinctively motivated to follow.

In this context, leaders are value centered, having compassion for what is right and passion for doing it right, hopefully spelled out in a values proposition that is broadly circulated and widely stated.

What are the cultural values that followers crave? Clues can be found in what is called the human resource theory of leadership, which highlights the interdependent relationships between people and organizations.

> Organizations need people (for their energy, effort and talent), and people need organizations (for the many intrinsic and extrinsic rewards they offer), but their respective needs are not always well-aligned. If the fit between people and organizations is poor, individuals withdraw their efforts or even work against organizational purposes. If the individual finds satisfaction and meaning in work, the organization profits from effective use of individual talent and energy (Bolman and Deal 2003).

As executive director, your actions show up in the quality of your interactions, the depth of your relationships, and the stories you share around mission.

Leadership is the responsibility to sustain and encourage faith in ourselves and to spark that faith in others.

Your challenge is to reach across boundaries and confront superficial unity to tap the richness of deep diversity, which generates amazing passion you have for the work. Passion is the magnet for donors to give their all to a cause. Be deliberate to include donors in the formation of vision and values and establish a proposition that has organization-wide ownership.

As executive director, when you share your compassion with others, you create an empathetic community and an equitable workplace.

Leaders with strong values unleash individual talent and energy and use high-involvement strategies that generate pride for the fundraising work, not apology.

You may not have had servant leadership in mind when you took the job of executive director, but it will be the most glorious and rewarding of all leadership opportunities, regardless of the type of organization you work for.

Each of the various nonprofit subsectors interprets its human compassion and mission passion in unique ways.

- The *education* subsector does so by teaching people to think critically, discover new truths, and find their meaningful role in work.
- The *religious* subsector does it by inspiring people to think beyond themselves as part of a greater universe and to uplift spirits with hope and joy.
- The *arts and culture* subsector does it by stimulating people's ideas and expressions, celebrating diversity in behavior and attitude.
- The *health* subsector does it by addressing the scientific, biological, and physical aspects of both life and death, striving to mitigate the adverse effects of illness and disease.
- The *human services* subsector does it by filling the gaps between what people need, what they can afford, and what our government provides in the way of life's essentials.

COMPASSION AND PASSION Checklist

- Do you dive deep into the lives of others, pushing away the fear of compromise or obligation?
- Do you give and ask for gifts of time, talent, and treasure before asking others to do so?
- Are you building a culture of grace and gratitude by revealing where your own compassion and passion came from?

- Do you craft reasonable, relevant, and achievable goals, making sure that people have the best chance to succeed rather than fail?
- Do you make sure that everyone in the organization has the right fit so they, too, can ascend to a leadership position?
- Are you dedicated, diligent, and determined to get the job done, even when it takes a little longer?
- Do you hire people with a history of drive who have overcome obstacles and can make a difference too?

Ethical Conscience

Pursuit of Fairness, Integrity, and Honor

> Justice is seen in the way leaders distribute resources and results. It shows up in the attention leaders give to those on the margins. It sees leadership as a service not an accomplishment. Justice asks, "What do I as a leader owe?" It is communicated in every behavior, decision, policy and procedure.
>
> —Max De Pree

Research tells us what followers look for in their leaders: *honesty, integrity, conscientiousness*, and *fair-mindedness*. Ironically, they are all tied to behaviors involving ethics; they are standards of behavior that society perceives as right.

Formally defined, *ethics* is a branch of philosophy that considers questions of personal, organizational, and societal judgments. Ethical reflection and ethical statements are central to human experience, informing that experience and making sense of it (Terry 1993).

It takes real courage and keen insight to be ethical; it requires that you not only know what to do but that you also do it. Ethical courage, it seems, is difficult to teach; one must learn it through experience. Experiencing ethical dilemmas gives you the framework and the discipline to know how to approach confusion and ambiguity.

As executive director, you can expect ethical situations to arise, but you will not be able to predict them. They come at you in a spontaneous moment of time, demanding courageous and responsible actions, with multiple options and consequences. Ethical situations are like mazes, being able to discern which path to take requires wisdom and knowledge.

Terry implied that courage is its own generator and that we can recognize it, describe it, and discern it, but we cannot predictably induce it. Courage is the frontier of risk, not the comfort of the familiar (Terry 1993).

In the nonprofit sector and particularly in fundraising, we are challenged regularly with ethical dilemmas that require us to confront or otherwise to condone. In ethics, you cannot do "nothing." Consider what you would do in each of the following situations:

1. **Board Giving.** A foundation application requires you to have 100 percent board giving to be eligible for a grant. One of your board members did not make a gift this year for confidential reasons. Do you report a 90 percent participation rate and explain why? Do you make a gift yourself on his or her behalf? Do you ask a board member to make a $10 gift so you can count this person in? Do you make the decision not to apply for the grant, knowing you don't meet the criteria?
2. **Bequests.** A large bequest is received by your organization, and it is designated for a program that you are about to phase out. Do you acknowledge that your program will no longer exist and refuse the bequest? Do you keep the program going for another year or so with an infusion of cash and hope the program has a little more life? Do you accept the bequest and bank it, hoping to have a program in the future that will fit the donor's intent?

These are hypothetical situations; the real ones cause greater angst and require more thoughtfulness. When faced with ethical dilemmas, it helps to have personal restraint and ask: What is valuable? What is meaningful? What is appropriate? Where, in your mind, are the edges of generous, lavish, unreasonable, indulgent, excessive, extravagant, and selfishness? Followers expect clear definitions and model behavior from their leaders (De Pree 1997).

In fundraising, ethics and courage go hand in hand. The public holds our nonprofit organizations to a higher level of trust and transparency because we exist for public benefit. Philanthropy is the litmus test of public trust and a belief that an organization merits a voluntary gift of time, talent, and treasure. Philanthropy is not a tax, a payback, or a purchase; it is "voluntary action for the public good."

Ethically speaking, we don't deserve philanthropy; we earn it by being conscientious stewards of our mission and the charitable conscience of community's civility.

Leaders who are grounded in ethical principles are catalysts for excellence, caring, justice, and faith. There is no other reason to do fundraising.

As a nonprofit leader, you will need a finely tuned sense of realism to be open to whatever hand you are dealt and to be able to accept the challenge of political realities, rather than be compromised by them. You must be zealous but never sell your soul. You need the competence to balance principles and politics.

As executive director, you already know that trust and truth are linked. Telling the truth and keeping promises build trust. Truth opens up an atmosphere that is free of cover-ups. Trust is not given; it is earned. Think of this as cultivating a field of grain: preparing the soil for the seeds, fertilizing and watering the plants, and finally harvesting the crops. Exhibiting responsibility and good judgment demonstrates to followers that you are a reliable and trustworthy leader.

ETHICAL CONSCIENCE Checklist

- Are you are adamant about doing things right while doing the right thing. Do you cultivate a discipline of integrity while not tolerating dishonest behavior?
- Do you openly analyze ethical situations, continuously clarify ethical principles, act with temperance, and avoid unethical temptations? Do you say "no" to individual gain?
- Do you acknowledge that ethical leadership is fraught with complexity and ascribe to both intrinsic and extrinsic applications? Do you awaken, inform, ground, and enrich your community?
- Can you take a bad situation and transform it into a teachable moment? Do you look beyond the moment, seeking permanence and sustainability?
- Are you fair and just in the distribution of your time and organizational resources? Are your values virtuous, intertwined, and aligned? Do you talk about them openly and expect others to do the same?
- Do you express yourself with kindness and caring? Does your organization have a heart, a head, and a soul?

ENIGMA OF POSITIONAL LEADERSHIP

Pressures of Being at the Top

> Leadership is one of the most observed and least understood phenomena on earth.
>
> —James MacGregor Burns

The first section of this chapter addressed the ESSENCE of leadership from the perspective of knowing yourself. This section focuses on the ENIGMA of leadership from the perspective of how others look at you. Here we examine the ironies of positional leadership from the *follower side.*

In the nonprofit world, CEOs and executive directors are the public face of our charitable organizations, our public institutions, and our philanthropic agendas by virtue of their *position*.

Talk about pressure. Just because of your *position,* you are held to higher standards than leaders who are not at the top, subjecting you to both admiration and admonishment, views that may be well founded or ill contrived, at the same time.

Across the nonprofit world, we hear people unabashedly declare: "He's a great leader" or "She's not a leader." So common and sort of flip are these statements. It's clear that the public's views of *positional leadership* are staunchly opinionated, implying there are only two kinds of leaders: good and bad. We don't hear much about those who fall in the middle.

When people make categorical statements about CEOs in leadership positions, they may not even personally know them. They decide who is and who is not a leader based on their own definition of leadership, using a lens that reflects their own experiences.

This harsh reality makes one wonder whether the years and years of for-profit leadership research of people in high-powered positions has inflated the expectations we have of our positional leaders. Have the recent nonprofit leadership studies, focusing on the impending gap of people in line for CEO and executive director positions, uncovered how difficult the job really is?

When you are executive director, everyone's eyes are on you; the board and staff alike will continuously examine your behaviors, reaffirming or questioning them at every turn. Others (all of them, individually and collectively) will determine if your positional leadership has the behaviors, styles, and skills that fit their own personal definitions of the term *leader.*

To readers of this book, it's clear we are in a very precarious position if we declare ourselves the leader just because we happen to be in the *position* of CEO or executive director, and we would be foolish to do so in today's divergently opinionated environment.

Positional leadership is not ours to have; it is ours to earn. Therein lies the ENIGMA concept. Until we earn our leadership stripes, we won't be anything more than a person in the position. The earning never ends.

What do people look for in an organizational leader that causes them to accept or reject someone's leadership behaviors, styles, and skills? We might be able to answer that with one word: *trust* in the leader and the institution.

Public trust is based as often on an organization's leadership as on its mission; at times, the two may be inextricable. When we think of the great organizations, we can name the individual leaders who founded or headed them or were high-profile proponents for a long time; the personality of the person can be inseparable from the organization's official name. There's Jimmy Carter and Habitat for Humanity. There's William Booth and the Salvation Army. There's Father Flanagan and Boys Town.

When we think of great nonprofit leaders, we often attribute a situation or a circumstance to them. The style of leadership may be different in each leader, but the great ones are seldom forgotten. They become a part of the collective history of great organizations.

In this sector, followership also has a deeper meaning. People don't gravitate to nonprofits for work; they do it for meaning. The concept of followership moves up a level from subordinate to partnership, where relationships are voluntary. For followers, purposeful leadership is *in*; iconic leadership is *out*.

When Leslie Crutchfield and Heather McLeod Grant surveyed thousands of nonprofit leaders for their book, *Forces for Good,* they discovered a new kind of positional leadership they didn't expect: *shared leadership.*

> In much of the leadership literature, the individual heroic leader was often exalted. . . . In just the past decade, theories of "collective leadership" have begun to gain traction . . . strong leadership doesn't only exist at the very top of high-impact nonprofits; rather it extends throughout the organization. . . . CEOs of high-impact organizations . . . use their leadership to empower others. (Crutchfield and Grant 2008).

As an executive director, when you empower others, you are not giving away power, you are gaining power. Collective or participative leadership is built on trust between you and your colleagues: trust that you have their back and they have yours, trust that each person has a role in the collective whole and that together you can do more than anyone could do alone.

Trust results from meeting the expectations of others, and, simply put, others expect you (the CEOs or executive director) to create that culture of trust by providing the leadership vision, values, principles, shared decision making, and mutual relationships.

Six key elements are needed for positional leadership.

- VISION: Dream is Meaningful and Achievable
- VALUES: Mandate for Organizational Success
- PRINCIPLES: Assumptions Guide Decision Making
- PARTNERSHIPS: Teamwork that Fits the Situation
- RELATIONSHIPS: Perceptiveness of Boundaries and Obligations

What does trust have to do with fundraising? Everything! If donors, board members, employees, colleagues, vendors, competitors, and all the rest don't trust you, they won't trust your organization. The litmus test is that, when asked, followers say you are one of the community's preeminent leaders.

Vision

Dream is Meaningful and Achievable

> We can teach ourselves to see things the way they are. Only with vision can we begin to see things the way they can be.
>
> —Max De Pree

Followers want their leaders to first establish the organizational vision, then establish trust that the vision has merit and substance, and then inspire them to explore how they can help make the vision a reality.

The concept of vision was not part of the old management lexicon, the word *purpose* was. The larger meaning of vision likely emerged when human potential psychologists pointed out that followers responded better to a pull than to a push.

Today, in spite of the popular acceptance that anything moving forward needs a vision, the concept may be clear, but the explanation remains vague because vision is more of a dream than a precise goal or a purpose statement.

I like to describe it as something that happens when you reflect on what the possibilities might be—futurizing, if you will. On a visit many years ago to a Naples, Florida, beach, I observed the elusive ephemeral green flash at sunset—a phenomenon so seldom observed that people who see it never forget and, with continued amazement, retell the experience to their friends.

To me, vision is created in one of those rare and insightful moments in time. You may be sitting in a beach chair, looking over the horizon, aware of the cloud formations, the light intersections, the water reflections, and the wave movements—stretching your mind between the grains of sand between your toes and the infinite space at the tip of your fingertips. At a moment like this, a vision is imagined, visualized, inspired. It may pass as quickly as it came or form a longing in your head and heart that won't go away. That euphoric idea becomes a concrete commitment to do something, to be something.

Visions are conceptualizations about possibilities and desired futures; they are expressions of optimism and hope. Our visions are unique, setting us apart from everyone else. Kouzes and Posner provide a few questions to serve as catalysts for clarifying your vision:

- How would you like to change the world for yourself and your organization?
- If you could invent the future, what would it look like?
- What mission in life absolutely obsesses you?
- What is the distinctive role of your organization?

Your first job as a new executive director is to imagine and inspire a vision that will bring people together to make the world a better place, through caring and generosity. That vision is the platform for the role that philanthropy will play in your organization.

VALUES

Mandate for Organizational Success

> In vital organizations, those groups whose purpose has both pragmatic and moral dimensions, people reach outward to serve others and inward toward their own potential.
>
> —Max De Pree

Values provide the infrastructure for the vision by giving it definition. Values express what we believe in and substantiate where we are going and on what basis.

Values are deep-seated beliefs that influence every aspect of our lives. According to Kouzes and Posner (1995), "Values constitute our personal 'bottom-line.'"

In the nonprofit sector, the values we espouse and uphold are quite different than those in the for-profit sector or the government sector because they tend to be more charitable, inasmuch as most nonprofit missions are designed to serve.

An examination of values statements from a variety of nonprofits produces similar qualities: *fairness, equity, justice, integrity, honesty,* and *trust*.

As executive director, you must have your own values and then you must create shared values. Values can't be words, they need to actualized. Conflicts arise when leaders say one thing and do another, thus the need to apply values into what is called a common purpose.

John Gardner, founder and chairperson of Common Cause and a preeminent author on leadership, observed:

> A local constituency is won when people, consciously or unconsciously, judge the leader to be capable of solving their problems and meeting their needs, when the leader is seen as symbolizing their norms, when their image of the leader is congruent with their inner environment of myth and legend (Kouzes and Posner 1995).

There is actually a form of leadership called values-based leadership, which even the Harvard Business School aspires to:

> At Harvard Business School we believe that leadership and values are inseparable. The teaching of ethics here is explicit, not implicit, and our Community Values of mutual respect, honesty and integrity, and personal accountability support the HBS learning environment and are at the heart of a School-wide aspiration: to make HBS a model of the highest standards essential to responsible leadership in the modern business world. Our values are a set of guiding principles for all that we do wherever we are and with everyone we meet.

The evidence that shared values do in fact have merit come from Kouzes and Posner (1995), attesting that a correlation between individual and organizational values has a significant payoff.

The research shows that shared values:

- Foster strong feelings of personal effectiveness.
- Promote high levels of company loyalty.
- Facilitate consensus about organizational goals and stakeholders.
- Encourage ethical behavior.
- Promote strong norms about working hard and caring.
- Reduce levels of job stress and tension.

A word of caution: When selecting words to use to describe your organization's values, try not to borrow anyone else's, for they will sound trite and rhetorical. Try for original words that define how your organization is different, not the same.

Principles

Assumptions Guide Decision Making

> True-north principles are always pointing the way. And, if we know how to read them, we won't get lost, confused or fooled by conflicting voices or values.
>
> —Stephen Covey

Having vision and values isn't enough until we say precisely how we will act on them. We need to elucidate how we will act in certain situations so participants perceive how to connect with others.

To some extent, both vision and values are intangible, while principles are tangible behaviors that define our moral compass.

In his book *Principle-Centered Leadership,* Stephen Covey suggests that principles are unlike values because they are objective and external. They are self-evident, self-validating natural laws—they don't change or shift. They serve as our 'true-north' when navigating the 'streams' of our environment.

Values, on the other hand, are like maps. "Maps are not territories," Covey points out, "because they are only subjective attempts to describe or represent the territory. The more closely our values or maps are aligned with correct principles (with the realities of the territory, with things as they really are) the more accurate and useful they will be. When the territory is constantly changing or when markets are constantly shifting, any map is soon obsolete."

In the nonprofit world, we often think of guiding principles as assumptions that provide a backdrop for our decision making. We can find examples of them in strategic plans or on posters that hang throughout the organization, helping to encourage consistency of quality in everything we do.

Partnerships

Teamwork that Fits the Situation

> The CEO of a business has formal authority, and can use a more executive style of leadership to compel people to act. By contrast, leaders in the social sector lead through influence, not authority, and must convince others to act by force of their convictions alone.
>
> —Leslie R. Crutchfield and Heather McLeod Grant

Followers trust that they will be included in the decision making, making them feel they are at the very heart of things, not at the periphery. People feel centered when they are included, and that's what gives their work meaning.

Many words describe partnerships between leaders and followers around decision making: engagement, empowerment, joint decision making, power sharing, and consultative. There's even a leadership term for it: participative leadership.

Participative leadership theory involves others in organizational decisions, in contrast to autocratic leadership theory, where others are told what the decisions are. Be assured, participative leadership does not mean all decisions are shared; it means that voices are heard before decisions are made.

The idea of participating or sharing in leadership decisions came out of the Hersey-Blanchard Situational Leadership Model, where task and relationship behavior were divided into four quadrants. Each calls for a different leadership style depending on the risk level. Throughout, the model uses a consultative approach, which first materialized in the management by objectives (MBO) concept.

Participative leadership theory is only as good as the level of *trust* that the leader and the followers have in each other, as well as in their individual competencies. A lack of trust or a lack of competence negates the value of participative decision making.

When applied, participative decision making produces enormous benefits: Followers are more likely to be invested and will work to achieve the goals; they are less competitive and more collaborative. Plus, the collective decisions are often better because they are made from differing points of view.

In today's four-generation work world, involving others in decisions is not only beneficial, it is compulsory.

1. **The Great or Silent Generation** (1925 to 1945) is nearly gone, and with them, the hierarchical layers of bosses and subordinates, replete with lines of command that were rarely crossed. This generation adapted well to autocratic leadership and at the same time welcomed participative leadership.

2. **The Baby Boomers** (1946 to 1964) are currently at the helm and will be for a while if the economy doesn't pick up. Labeled the "me" generation, they are quite comfortable making decisions on their own, while holding a lot of meetings to achieve due process. They are good team players, love social interaction, and are willing to work long hours.
3. **Gen Xers** (1965 to 1980) have a different "me." They are more resistant to those long hours and want a more balanced life. At work, they not only want to be involved in decision making, they feel entitled to it. If they are left out of decisions, they feel that leaders do not respect them.
4. **Gen Yers** (1981 to 1999) are still developing their style of leadership. As we learn more about them, we are discovering they have a more rugged individualism than any preceding generation and not only are more comfortable with ethnic diversity, they demand it.

A recent study by the Centre for Creative Leadership showed that while generational differences do exist, similarities do, too. All the working-age generations want essentially the same things from their jobs: to trust their supervisors, to be paid well, to have interesting work, to get feedback, and to have the opportunity to learn.

The challenge for leadership is appreciating/accepting significant distinctions in how younger generations value, approach, and leverage engagement, transparency, technology, professional development, and work-life balance.

Suggestions for nonprofits leaders come from a recent study (Gowdy et al., 2009):

- Acknowledge and discuss generational differences, diversity, inclusion, and cultural competency—and clarify their relevance to organizational effectiveness and the ability to effect social change.
- Develop new structures and ways of managing both staff and volunteers to meet generational needs, and adapt to changing workplace values and expectations.
- Go beyond generational and representational diversity and focus on developing organizational strategy and leveraging diverse ideas, approaches, and talents in support of the mission.

Relationships

Perceptiveness of Boundaries and Obligations

> At the heart of dealing with people is social perceptiveness—the ability to appraise accurately the readiness or reistanc eo ffollowers to move in a given direction, to know when dissension or confusion is undermining the group's will to act, to make the most of the motives that are there, and to understand the sensitivities.
>
> —John W. Gardner

Vision, values, principles, and decision making all depend on trusting relationships. Trusting relationships are the power to create, build, and grow ideas that result in institutions.

In the nonprofit sector, there are a multitude of constituent groups with whom you, as executive director, must have a relationship to achieve leadership status. I am not referring to a relationship here that has a simple description with adjectives attached to it, such as a *personal relationship* or a *long-term relationship.* I mean a relationship that shares space in the same place.

Some believe relationship building is a natural result of liking people, but I think it is the natural result of being interested in people. Liking them is easy; being interested is hard work.

Leaders who have lots of followers are generally those who are really good at following and move between the leadership and followership without pause in building their relationships with the following key groups.

1. **Board of Directors.** The more effort you make as executive director to develop a strong board, the more confidence and respect the board will have for *your* work. This does not mean running the board; it means informing the board about issues that affect their governance role. It also means treating board members as individuals who have their own distinct talents and interests, which may not be evidenced in their group meetings. When a board is treated only as a group, it is difficult to have a meaningful relationship with them.

   There is a fine line in these relationships, of course, particularly when the board members are your boss. If you think about how you want to be treated by your employees, then the boundaries of the relationships with board members will be obvious.

2. **Employees.** At no other time has it been as challenging for nonprofit leaders as now, with the potential of four very different generational groups working under one roof at the same time. This calls for a more personal leadership style, not just a participative one.

   All generations value the ear of the boss, and having an open-door policy is as necessary as walking around. Years ago, the leader would *not* have had hallway conversations with employees about their personal lives (family, health, life goals, etc.), but today, NOT being interested in people's lives beyond work could be detrimental to your leadership effectiveness.

3. **Funders.** In recent years, nonprofit experts touted relationship building with donors as the driving force to fuel philanthropy; some call it friend raising, not fundraising. New staff titles like *donor relations* have replaced titles like *annual gifts* suggesting that the donor relationship is paramount

to the donors' gift size. This is all well and good, as long as this philosophical shift is honestly calibrated and not just a response to popular thinking.

Donors, in particular, want and deserve relationships that are respectfully appropriate within the context of their role with the organization. Having a personal as well as a professional relationship with a donor might be a good idea, so long as ethical boundaries are preserved. It is important to recognize that donors are not just the means, but also the ends, in themselves (Crutchfield and Grant 2008).

4. **Community Partners.** Call it community building, mobilizing, organizing, or networking—the more you extend yourself externally, the greater the visibility, the investment, and the collaboration that is generated for your organization.

   Crutchfield and Grant call it "nurturing nonprofit networks," which is number four on their list of success factors that make up high-impact organizations. Helping peers succeed and building networks of allies also advances your organization and generates respect as a positional leader. Promoting collaboration rather than competition has its advantages. "High impact organizations share their wealth, expertise, talent, and power with other nonprofits not because they are saints, but because it's in their self-interest to do so" (Crutchfield and Grant 2008).

5. **General Public.** Relationships with the general public will not be as personal as those with whom you work every day, but they are just as important because the public can be *the* constituency with the loudest voice.

   In the same way that a corporate sponsorship opens the door to high visibility, so do speaking engagements. When the public of nongivers hear and see the organization's leaders on a regular basis, they begin to consider the importance of that leader's organization: to associate with, to volunteer at, to make a gift to, and recommend to their friends.

   Nothing is as compelling as the stories that can be told when the platform invites them. Saying something in public has wider impact than one conversation with one person.

ENERGY OF FUNDRAISING LEADERSHIP

Differences Between Good and Bad

> Leaders are the spark that ignites the fire in others when they act on positive emotions, speak to staff with a passionate voice, answer questions in an inspirational way or simply emit confidence and joy.
>
> —James Boyle

The spark that leaders exhibit is really a reflection of their soul, their passion, and their joy. Acting as ENERGY, this spark manifests itself in their social consciousness, be it a desire to champion, advocate, or be a change agent. This internal energy awakens our motivations and our ability to motivate others to do extraordinary things.

When our energy is turned on, it's as if we are wearing a sticker on our foreheads that declares we are on fire. You can see it in our walk, in our talk, in the sparkle in our eyes, the tone of our voice, the intensity of our face muscles. When we walk into a room, we seem to light it up. When it's turned off, we are virtually invisible.

So important is positive energy as a leadership trait, it is the first thing trait-theorist headhunters look for. They call it *achievement drive*—a visibly high level of ambition, energy, and initiative.

With energy deeply ingrained in our psyche, we can tap it or turn it off. Energy seems to erupt like a volcano when we are onto something, and when we run out of steam, it subsides like a wet blanket over hot coals.

Besides being ingrained, energy is also contagious, in spite of it being high or low. High energy is replete with positive thoughts, creating enthusiasm and movement. Being content and happy about our life's path helps us tap into our good energy. Positive energy works like a magnet, attracting others who want to be with you, to be like you, to do what you do.

Likewise, stress and discontentment cause our good energy to wane or dissipate, and this, too, affects others. When we work too hard and too long, we become overwhelmed; numbness begins to set in. Low energy drains others, causing obstacles and even paralysis. This condition is not uncommon in high-stress jobs. Thus John Gardner, among others, suggests that leaders need to periodically take time and space to renew their energy, to clarify their future directions, to cleanse their minds of the here and now, and to renew their zest for life.

Not all people with energy seek leadership positions, but when they do, it's magical. Their intense zest for life, their *joie de vivre* and dynamism, naturally energize the entire organization.

I am reminded of the "CUBE," a poignant teaching tool that Hank Rosso designed for The Fundraising School located at The Center on Philanthropy.

His Cube is a visual reminder that sits prominently on the classroom tables throughout the weeklong Principles and Techniques course, which shows how all the elements of fundraising come together to construct an integrated development program.

He would point to each side of the cube and talk about the fundraising elements that are needed: Institutional Readiness on the top; Dynamic Functions on the bottom; Human Resources, Markets, Constituencies, and Case for Support.

He would go back to the side titled Human Resources, take his finger and slowly slide it down to the word *leadership* and say: This is the one element on this cube for which there is little if any substitution. Without leadership (he was referring to executive directors and board of directors), you (the development director) won't be successful at raising money, at least not for long.

His point: If you don't have leadership and positive energy at the top of your organization for fundraising, the fundraiser might as well look for another job.

Any executive director who wants to stimulate philanthropy must have intense energy for philanthropy and exuberance for fundraising.

No one else can be the *source* of the positive energy that drives fundraising—not the board, not the staff, not the professional fundraisers, not the donors. Only the executive director can provide the leadership impetus for fundraising to succeed.

Fundraising must be a strategic organizational initiative that values philanthropy as a partnership with others. In the absence of leadership from the top, fundraising is relegated to mere tasks at the bottom.

To recap from earlier in this chapter: The executive director must be the lead in shaping the vision, the core values, the guiding principles, the decision-making process, and in developing key relationships for fundraising to succeed.

This delegation of responsibility is affirmed in *The Nonprofit Chief Executive's Ten Basic Responsibilities*, the 2006 Board Source manual written by Richard Moyers. It says:

> The division of responsibilities around fundraising will vary widely based on an organization's size, the relative importance of contributed income, and the types of funding that the organization receives. One principle does hold true for most organization, from universities to homeless shelter: the Executive Director is one of the most important participants in building relationships with key individual and institutional donors and ensuring effective board involvement in fundraising (Moyers 2006).

To take the lead, energy is needed—but there are two kinds that deserve attention.

- POSITIVE ENERGY: Energy That Inspires and Stimulates
- NEGATIVE ENERGY: Energy That Deters and Contaminates

Positive Energy

Energy That Inspires and Stimulates

> Leaders who can stay optimistic and upbeat, even under intense pressure, radiate the positive feelings that create resonance.
>
> —Daniel Goldman

Energy for fundraising comes from a place in your heart or your head that gives you the burning desire to carry a torch for something that is uniquely yours to champion, be it something personal, professional, or organizational—a belief that you and your community will benefit from your efforts.

The confidence that your donors will have in your institution will come as a result of their respect for your energy for fundraising. Why would others invest in ideas or issues with executive directors who are not leading the charge?

Beyond all the other leadership stuff, are executive directors expected to "ask"? Of course, they must. If they don't, why should anyone else?

The art and science of modern-day philanthropic fundraising is a process of asking not for yourself, but for others. When we ask potential donors, we are serving as conduits for those who are in need of the services that our organizations provide, be they students, artists, patients, or clients.

As executive director, you will want to acknowledge that people naturally want to give to something they deem important. It's not you they are giving to; it is you they are giving *through*. When you receive a gift, you have a responsibility to steward it; it's as if they lent it to you, to invest, with an expectation of a return.

For fundraising to be successful, it is essential that you, and all members of your leadership team, learn how to embrace fundraising, advocate for it, participate in it, and inspire it as a worthy endeavor.

The executive director's high-powered energy is the source of the organization's vision, credibility, and stewardship for fundraising.

- The executive director is the energy source of the institution's vision, when it is dependent on philanthropy.
- The executive director brings credibility to donors that the institution is well managed.
- The executive director ensures the stewardship of gifts that are made and wisely used.

The following checklist asks what you can do as well as what have you done?

POSITIVE ENERGY Checklist

- Have you established a charitable vision for the organization that is bold and palpable?
- Have you defined the precise role that philanthropy plays in your vision and goals (implying that without contributions your organization or program would not exist)?

- Are you the face and spokesperson for fundraising. Are you proud to ask people for a gift?
- Are you the go-to person for new ideas of what philanthropy might fund?
- Are you the champion for the act of philanthropy, not just for your organization, but for your larger community?
- Do you involve the board to do the same, by being spokespersons within the community and with their peers?
- Have you invited all employees to get involved in fundraising, not just the development staff?
- Do you know donors personally and well enough to receive unexpected generous gifts?
- Have you written a philanthropic values statement and asked people to embrace it?

Negative Energy

Energy That Deters and Contaminates

> Fundraising can bring out nervousness, embarrassment, or anxiety. These feelings arise when the conversation is all about money. We must deal directly with their fears . . . give them the opportunity to get over their mental blocks by having an honest, open discussion about their nervousness or anxiety about fundraising.
>
> —Gail Perry

Not all executive directors look at fundraising from a positive point of view; some still resist raising money because of the societal myths that money is power, good or bad. These views may hark back to a time when our parents taught us that the subject of money was taboo. We were warned not to discuss how much money we had or how much Dad made. We were told not to ask others for money out of embarrassment of being seen as poor. If we had to ask for help, it sent a message that we were not capable of taking care of ourselves.

When fundraising is measured only by how much money is raised (aka, the campaign thermometer) rather than the purpose it serves (what does the money do?), that's bad energy.

Fundraising is not really the functional task that it sometimes appears to be when people say, "Let's raise funds to do 'that'!" The *that* has to be defined and defended in terms of the benefits, which could be referred to as the mission product. I hesitate to use an analogy here that compares selling widgets to promoting ideas, because fundraising should not be relegated to terms like begging or selling. But when you are promoting ideas (as in fundraising), you still have to make those concepts as tangible and beneficial as any product, or people won't figuratively or literally "buy it."

When executive directors view fundraising as a degrading exercise of revenue generation, they naturally resist it. A negative attitude stems from a belief that fundraising is bad power; that is, taking or getting money. When asking for money is the equivalent of begging, who would want to participate?

Is asking for money a form of begging or selling? Is the asker the victim or the negotiator? The conduit or the steward?

After 40 years in the emerging profession of philanthropic development, I have come to see that gifting money for charitable purposes has far greater positive implications for the donor than it has negative implications for the asker.

Granted, some fundraising efforts are more asking focused, as opposed to receiving focused (for example, asking someone to be a sponsor for a charity walk). During my long career, fundraising has made a seismic shift from begging to selling, to receiving, investing, or borrowing.

Today's fundraising methods are more invitational and less implicational. When we invite someone to give a gift, we are not implying they should give. The choice is theirs. It's not a trade: "You give to my charity, and I will give to yours."

When fundraising has an underpinning of bad energy, resistance builds. If the executive director doesn't like it, no one else will either. If fundraising is not respected as an honorable way of inviting participation, it will be pure drudgery and unsuccessful.

The word *leadership* has a contextual meaning that is assumptively positive, not negative. Most say a person is a leader or is not a leader. But when someone is in a leadership position, people expect good leadership, not bad leadership. To me, saying someone is a bad leader is almost oxymoronic.

I think every executive director ought to take an oath to do no harm before he or she tries to do some good. For the balance of this chapter on leadership, we will assume that being a leader is being self-aware, trustworthy, open and honest, emotionally intelligent, authentic, valiant—good, not bad.

Never mind the favorable compliments or the cynical judgments directed at positional leadership. The plain truth is that leadership is coupled with followership, which provides the resources to fuel the leading of the organization's philanthropic agenda. As was said earlier in this chapter, in the nonprofit world, the concept of followership moves up a level to the concept of partnership, because relationships in the nonprofit sector tend to be more voluntary and much less subordinate.

With that in mind, everyone wins.

EFFECT OF ORGANIZATIONAL STAGES

Various Stages Will Alter Strategy

> We're all aware of the rise and fall of organizations and entire industries. . . . Since marketing experts acknowledge the existence of product-market life cycles . . . it seems reasonable to conclude that organizations also have life cycles.
>
> —James Gibson, John Ivancevich, and James Donnelly

Leading an organization requires a familiarity with the art and science of organizational development (OD) and an awareness of how leadership tactics change with each organization's life cycle (OLC).

Organizational leadership is akin to being at the helm of a great ship, maneuvering it deftly in the crosswinds. Armed with OD knowledge, leaders have the rudder to navigate both calm waters and stormy seas. Having an understanding of OLC, leaders use the appropriate sails to adjust to dissonance and align for synchronicity.

Today, most organization leaders use OD principles to improve an organization's problem-solving and renewal processes, through more sophisticated change and collaboration tactics, by applying behavioral science theory.

You may remember OD's arrival in the 1970s and 1980s if your degree is in business or if you were exposed in the workplace to the concepts of total quality management (TQM), team building, or learning circles. It is used (mostly by consultants) to evaluate and align how the organization's constituents function together. Experts in leadership studies, systems thinking, and organizational leadership, look at OD as a multidisciplinary ongoing approach that draws on sociology, psychology, and theories of motivation, learning, and personality.

OD emphasizes the human factors and the synergy between employees and the organization. As such, it assesses this relationship by gathering feedback from all constituents, via task forces, interviews, and surveys. Because the OD process looks for disconnect, it is neither a linear process nor a brief one. It is more holistic than static, given the need to make adjustments along the way.

Larger nonprofit organizations, such as educational and health care institutions, tend to be more aware of the theory and application of organizational development principles. Today, all graduate business programs include a course on how organizations emerge, develop, adjust, change, and grow over time. In the OD classroom, case studies on culture and change are used extensively. Most national conferences feature speakers and workshops on organizational leadership and management, and today, the majority reference life stage differences.

However, the theory of OLC organizational life stages or cycles is not as widely understood or applied concept as OD, particularly within midsize and smaller organizations or in newly formed organizations.

Organizational life cycles are the processes by which an organization moves through its various growth stages and cycles, influenced by both internal and external circumstances.

Organizational life cycles have their root in the work of psychologist B. W. Tuckman, who observed and interpreted how individuals work through phases (forming, storming, norming, performing, transforming), to become a group. He theorized that individuals who form a group apply *forming* behaviors by starting to clarify their goals. After time, a group enters the *storming* phase, when the individuals test their relationships by challenging each other. Next comes a phase know as *norming*, when group members can set group goals (as differentiated from individual goals) and establish a decision-making process that is inclusive. The group then moves to the *performing* phase, where the individuals within the group gain confidence and are able to have stronger and more productive interactions. Finally, the group enters the *transforming* phase (akin to Maslow's self-actualization), where the now-cohesive group of individuals is able to move beyond the present into the future.

But it was Richard Weber who borrowed Tuckman's group dynamic theory, turned it into a life cycle model, and applied it to nonprofit organizational behavior. He used human behavioral terms for his four growth stages: Infancy, Adolescence, Adulthood, and Maturity.

In a summary of OLC models, Quinn and Cameron wrote for *Management Science,* proposing that changes in organizations follow a predictable pattern that can be characterized by developmental stages. These stages are sequential in nature, occur as a hierarchical progression that is not easily reversed, and involve a broad range of organizational activities and structures.

The numbers of life cycle stages proposed in various works that have studied the phenomenon have varied considerably over the years. Some analysts have delineated as many as 10 different stages of an organizational life cycle; others have reduced them to three stages.

Organizational life cycle is an important model because of its premise and its prescription. The model's premise is that requirements, opportunities, and threats both inside and outside the organization will vary depending on the stage of the organization's development. The OLC model's prescription is that leaders must change their goals, strategies, and processes to fit the new set of issues. This implies that leadership culture must also change to adapt to new circumstances and situations.

Being unfamiliar with life stage concepts can create huge disadvantages. Earlier in my career, I was not aware of the predictability of organizational stages and cycles, and that lack of understanding caused missed opportunities and even erroneous assumptions. Today, as I consult, OD and OLC are the backdrop upon which I am able to diagnose internal challenges and strategic issues, which are profoundly different in each organizational stage and type. Once-popular boilerplate management assessment tools are now obsolete. No size fits all.

As part of my teaching on the subjects of leadership, philanthropy, and fundraising theory, I include a section on life stages and cycles because of the adaptation that is called for in the implementation of both ideas and systems. When students are first introduced to OD and OLC, their reaction is: "Wow, I just didn't get it. Now I know what's going on in my organization, and why."

In the United States, most nonprofit institutions are less than a century old, so the present-day diagnosis of life stages is relatively simple. An early life cycle is shorter than those that come later, with the average life stage between 10 and 25 years. Most nonprofits will be divided by only four stages: birth, adolescence, maturity, and seniority. A fifth stage is emerging, however, which will likely be accepted as a transformation period.

What those stages are called is really not very important. Different theorists, authors, and practitioners use different terms, depending on their personal interpretation and word choice. What is important is the idea of dividing organizations into life stages that are defined by different behaviors and needs.

In this chapter, we will use the simplified four-stage model to demonstrate the more obvious characteristics of organizational behavior.

Organization Life Stage Observations and Assumptions

1. Stages are not as distinct as they appear in graphic form; they are more dynamically motivated by internal and external influences (they don't manifest themselves in one fell swoop).
2. While most stages are sequential, it is possible for an organization to slide back into a previous stage rather than moving entirely into the next one with relative ease.
3. Some stages end up being longer than others because of limited resources, lack of leadership, or external market conditions. This means there could be plateaus where growth is less evident than in an earlier or later time.
4. Within each organization stage, parts of the organization could be experiencing different growth stages. For instance, a new program could be at the infancy stage, while other programs in the organization could be in adolescence or early maturity stages.

Analyzing an organization's growth stage or cycle appears elementary on the surface but it actually requires an in-depth evaluation by expert research analysts who can delineate the wide variety of intersecting factors that cause strengths to be strengths and weaknesses to be weaknesses, not just reflections of each other. The optimal way to ensure an organization's relevance in a changing marketplace is to apply external scans, market needs assessments, research mining, and in-depth strategic planning.

If you introduce a new project (at infancy) into an organization with a more advanced culture (at adolescence), the new one will have to play catch-up without compromising its own natural evolution toward stability.

So, what do organizational life and growth stages have to do with fundraising? Just like the larger organization, a development or fundraising program has its own life cycle of growth stages. The natural progression of building a fundraising program is exactly the same as growing an organizational, thoughtfully and deliberately.

Fundraising cannot be accelerated at a faster rate than other projects and programs. Like the organization itself, a fundraising program requires leadership, staffing, infrastructure, investment of resources, and time to grow relationships with clients and customers and eventually to create predictable patterns and outcomes.

The four stages covered here include:

- INFANCY: Vision and Values Create Impetus
- ADOLESCENCE: Infrastructure Demands Are Paramount
- EARLY MATURITY: Expertise and Expansion Are Evident
- SENIORITY: Transformation Needed for Sustainability

INFANCY

Vision and Values Create Impetus

> The primary question at this stage is "Can this dream be realized?" . . . the organization really is merely a dream of a better world that is inspirational and worth striving for.
>
> —Judith Sharken Simon

Vision and mission are the instigators for stage one, with dreams of what could be and should be. Although the original vision and mission may be altered throughout the course of the organization's existence, these two inextricable driving forces will continue to inspire people to step up as board members, investors, volunteers, employees, and more.

This stage is naturally entrepreneurial, with energy and enthusiasm at an all-time high. The source of energy at stage one is derived externally by new people gathering to create something that does not currently exist; their mutual energy turns into a dynamic force that results in the formation of a new organization.

At stage one, the organization will be attracting or appointing its first CEO, its first board of directors, and its first leadership team. This group (collective as well as individual leadership) will influence how the culture and the values are formed. Never again will there be as much freedom to shape organizational values and principles. Decisions will be intuitive but discerning; they will be optimistic but realistic; they will be experimental but unshakable.

The need to generate start-up funding is top of mind; asking people to invest is a birthright—no money, no mission. Raising funds for a new vision, in the opinion of some, is not only exciting, it is also relatively easy. All that's needed is a good case that resonates with people; this *shared desire* can accomplish something that has not been done (this way) before.

Others say it's difficult to start a new nonprofit venture, given the amount of capital that needs to be raised. As a measure of how easy it is, consider the growing number of new nonprofits that enter the marketplace each and every year. Regardless of your opinion about how many nonprofits are too many, we all know it's easier to raise money from foundations for new ideas than for something old.

A measure of how hard this stage is can be found in the number of organizations whose mission becomes obsolete and who get stuck in survival mode longer than they should. Currently, we are seeing more mergers, more acquisitions, more program cuts, and more closing of the doors. This proves that no stage of development guarantees that an organization is secure or impenetrable to outside forces, including threats never imagined like the recent economic recession.

The key to creating a stage one organization is to generate adequate funding and sufficient engagement to produce ample momentum to take it to stage two. Stage one is probably the shortest stage; the faster we move into stage two, the greater our chance of succeeding in the long run.

INFANCY Organizations

- Meeting agendas focus on market positioning and public awareness.
- Board members tend to be friends of the leader(s).
- Decisions are made spontaneously, not always tied to a written plan.
- Communications are intentional, upbeat, and frequent.
- People attracted to the mission are similar in personality and style.
- Attitude is "anything goes" and "we can do it."

INFANCY Fundraising

- Large start-up grants come from major funders or foundations.
- Grant proposals read like investment prospectuses.

- Fundraising is done by the top leadership, more informally than formally.
- The case for support is focused on a better tomorrow.
- Development program is not structured and often done by volunteers.
- Campaign activities call for a lot of celebrations and special events

Adolescence

Infrastructure Demands Are Paramount

> The key question at this stage is "How can we build this to be viable? . . . organizations at this stage are focused on establishing systems of accountability . . . but it also has numerous enticing intersections, choices, and challenges.
>
> —Judith Sharken Simon

The need to stabilize the organization's growth calls for more staff, space, systems, policies, procedures, and even politics.

Stage two organizations need a more centralized and unified direction. What was once external visionary leadership now shifts to internal managerial leadership.

The stage one's unfettered ingenuity and spontaneity requires stability and discipline. A new kind of leadership is called for, akin to the tough love given by our parents in our adolescent years. Tighter management practices are the answer.

Does this mean that the visionary leaders must leave? Sometimes yes, if they can't adapt to fit this more structured phase. Or no, if they are really flexible and wise enough to know it's time to surround themselves with experts in areas they are not.

Stage two requires a less individualized and more collective form of leadership to move the organization to the next level. Those fabulous founding ideas need to be solidly rooted in people power if they are to sustain the bumpy road ahead.

At this stage, the organization must grow its bench strength by expanding its organization chart vertically and horizontally: more positions of expertise on top and more support positions below. All hands on deck are needed from a multitude of functional disciplines: human resources, strategic planning, marketing, product development, customer/client relations, partner and collaboration work, technology, legal work, communications, resource development, fiscal management, physical plant oversight, and oversight and implementation of policies, procedures, and processes.

It's not just the leader who needs to change; it's the board of directors as well. The original visionary investors will not even like this next stage. It will be too process oriented for them, and they will want to move on to another venture philanthropy project. What's needed at stage two are management gurus or, as the children's nursery rhyme said, one butcher, one baker, and one candlestick maker.

In this stage, the board meeting agendas will look very different because the vision and mission have been accepted as fact and fate—no need to tweak them further; this is the true implementation phase.

The stage two organizational business model or chart, however, may need to be updated, as the revenue demands change. Funds are now needed for what is called *overhead* and *infrastructure*—both of which are questionable terms. Most people mistakenly think of overhead and infrastructure as a cost rather than an investment. This perception has been greatly influenced by the way our chief financial officers (CFOs) account the books and by the way watchdog agencies evaluate nonprofit costs. It goes without saying that overhead costs have become the executive director's nemesis. If they are perceived as too high, people think we are wasting money. If they are perceived as too low, people think we are not making good business decisions.

Exactly what is *overhead*? Organizational overhead is the ongoing administrative expenses that cannot be attributed to any specific business activity, but are still necessary for the business to function. Examples include rent, utilities, and insurance.

Exactly what is *infrastructure*? Organizational infrastructure includes accounting, fundraising, information technology, human resources, physical plant, and other common organizational elements that undergird a nonprofit's mission and programs.

Because funds are specifically needed for overhead and infrastructure in stage two, fundraising is more challenging because our case for *overhead* may appear ambiguous and even extraneous. We need to be very clear when asking for general operating support and to make a case that programs and services will not be effective or efficient without the necessary infrastructure.

When donors are close enough to an organization, they can see that general operating support is absolutely critical. Thus, at stage two, fundraising must emphasize the retaining of donors who have been supporters over time.

At this juncture, fundraising becomes a little more creative as we seek to attract greater numbers of donors who will adopt our organization as one of their favorites (meaning they will give regularly). Gone are the really large start-up grants, replaced by a multitude of smaller but loyal individual donors.

This stage of fundraising also has a focus on building infrastructure, that is, donor data-based management systems, policies for gift acceptance, and recognition programs. Methods of fundraising now include the annual fund drive, special events, a cadre of small foundation grants, and some corporate partnerships. While the fundraising methods are expanding in number, size, and style, all of them must generate as much revenue as possible to grow the administration and to cover the increased costs of fundraising.

ADOLESCENT Organizations

- The meeting agendas focus on management issues, infrastructure, and financial accounting.
- New board members are recruited for their management expertise in areas such as finance, audit, accounting, human resources, technology, and marketing.
- More staff members are hired for their knowledge, expertise, and skill set experience.
- The organizational policy book is growing in size and in content, but procedures are still determined at the department level.
- The organizational chart is much larger, requiring more than one page.
- There may be a waiting list for program and services.

ADOLESCENT Fundraising

- Professional development staff has been hired, and a development department has been established.
- The case for support is based on what the organization does and how much it costs to operate; the mission is prominent in the fundraising materials.
- Volunteers are recruited to serve on various committees, including fundraising projects.
- Special events, grant writing, and direct mail are the preferred fundraising methods.
- There is a fundraising goal, a budget, and benchmarks for the acquisition, retention, and upgrade of donor gifts.

Early Maturity

Expertise and Expansion Are Evident

> The key question at this stage is "How can the momentum be sustained?" The organization is very stable, yet the same stability may make it stale as concerns for procedure slow creativity and growth.
>
> —Judith Sharken Simon

During stage two, the organization's growth tends to slow down while the internal support systems are fully developed, course-corrected, and augmented with tools to be more competitive in the marketplace.

By the time stage three comes about, the work done internally is ready to support a different kind of growth: program improvement, program replication, and program expansion. The organization should be relatively stable and ready to push the edges in professional delivery and market positioning. Strategies include community needs assessments, long-range planning, new business development, quality control systems, evidence-based practices, and diverse sources of revenue.

There are leadership changes, too, both in how the executive director leads and in how the board governs. Gone are the days of hands-on volunteer committees to draft the first HR policy manual. Gone is the original board member who headed up the first gala. It's not that volunteers are not needed—they are, but in different roles with different responsibilities.

The most obvious change is in the expertise of the board: management know-how is not needed as much as knowledge about the external environment. Board members who have insight and exposure to more global issues are preferred, as in the following examples:

- Knowledge of health care reform if on the hospital board
- Knowledge of cultural marketing if on the symphony board
- Knowledge of gaps in service delivery if on a homeless shelter board
- Knowledge of youth development metrics if on a social service board
- Knowledge of economic and employment trends if on a college board

Executive directors also need to have subject matter expertise and/or surround themselves with leadership team members who do, including marketing, finance, and fund development.

This is the optimal time for growing earned income; the services are at their highest quality; they are competitive; and they have an optimal ROI and the highest possible effectiveness and efficiency rates. Consideration will be given to new ventures: starting a for-profit arm to generate unrelated business income, instituting sliding-scale fees where none existed, partnering with a corporation on a cause-related marketing project, collaborating with another agency to increase service delivery reach and impact.

This is also the best time for fundraising because of the multitude of options. You could fundraise to start an endowment or grow a reserve fund, entertain the idea of a capital or special purpose campaign, or establish donor-designated accounts to raise more for high-priority programs or initiatives.

Each of the organization's individual programs could have its own fundraising project, targeting donors who might increase their gifts by designating to a program rather than to general operations. A big campaign could be undertaken to fund a specific initiative with the goal of attracting new donors at the major gifts level. Segmented constituent groups can expand their niche events by recruiting more volunteers with golf tournaments, walks and runs, and galas. And because foundations and corporations like to fund specific projects, this is the best time to double the revenue from them. Growth and progress correlate with the ability to secure additional resources: more income, more programs.

Working in a stage three organization is rewarding and secure. The salaries are equitable; there are enough human and financial resources to go around; there is room for innovation and some risk; new staff and board members stimulate new ideas and possibilities (Simon 2001).

EARLY MATURITY Organizations

- The board's composition and its agenda shifts to "achieving program excellence" and "increasing market share."
- The executive director hires subject-matter experts and advocates for evidence-based practices.
- The program directors are eager to infuse revenue streams for their own department's budget and willingly step into fundraising.
- Internal and external communications are sophisticated and targeted; no longer designed to inform, they direct people to act.
- Core programs are replicated, client reach is extended, sites are expanded, and new programs are added.

EARLY MATURITY Fundraising

- The number of designated gifts is rising, as is the average size of the gifts.
- The case for support is targeted to match the donors' interest with the organization's needs. Everything in fundraising is strategic.
- The number of development professionals has increased as the numbers of donors and dollars have grown.
- There is now a comprehensive written development plan that is approved by the board of directors and the director of development serves as a member of the CEO's administrative leadership team.
- Fundraising takes place 365 days a year; there is a separate campaign for each constituency group: the board, employees, top-level donors, special-interest donors, small family foundations, large national foundations, corporations, faith-based organizations, and the organization's neighbors.

Seniority

Transformation Needed for Sustainability

> The primary questions is "What do we need to redesign?" Mature nonprofits revisit one or more aspects of their organization . . . sometimes changing them drastically, sometimes only making slight innovations, as they rediscover who they are and how they fit in the changing world.
>
> —Judith Sharken Simon

At this stage, the organization mission has been optimized; mission impact is at its peak. In the best scenarios, everything is healthy, nimble, adaptive, evolutionary, and resilient.

The upside of stage four is that change processes are strategic and continuous, keeping the organization dynamic and resilient. The downside is that if anything is taken for granted, things will start to slide in the opposite direction. That's why some refer to this as the *re-state,* a point at which relevance is the common denominator.

A stage four organization is able to reflect on its strengths and reassess where it is going next. This process of reflection has lots of *re* words: renew, reassess, rebuild, restructure, reinvent, and reorganize. It's time to do a large-scale review of what has changed along the way and how relevant its existing identity, values, vision, and mission are to today's environment.

Most of our large-scale national nonprofit organizations are at this stage, and if we look carefully, we can see evidence of massive reinvention shifts: Red Cross, Girl Scouts, YMCA, The Conservancy, and the United Way. Each has issued edicts for local chapters to reinvent themselves, to merge with smaller units, and to rebrand their organization's image. The YMCA is now "The Y." The United Way is focused on "impact." The Girl Scouts have gone viral. The Red Cross is consolidating in a hub and spoke, and the Conservancy is all about grassroots collaboration.

A major downside of stage four is the likelihood that mature organizations are siloed—individual departments have micro-organizations inside the larger entity. Things feel less personal: HR requires everyone to use the same titles; Finance requires everyone to fill out the same expense forms; Technology insists that you can't use a newer version of Word because everyone needs the same program; the front desk no longer knows who you are when your spouse calls for you; the E.D. calls you by name only if you are wearing your nametag.

Things are so compressed that if you take a day off and don't log out, you are listed as "gone missing" or "on leave."

An upside of a stage four organization is that it is a predictable, reliable, and most probably one of the most secure and financially beneficial places to work. The chances of getting hired or fired are slim. You get 12 days vacation, 11 days sick leave, and although you now have to pay for your family members, a large portion of your medical insurance is still covered. Your best collegial relationships were forged here; your best professional innovations were created here.

It is no surprise that the board is no longer as hands-on as it once was, and while the employees know *about* them, few actually know them. In stage four, board members are recruited for their business acumen: They are top CEOs elsewhere, community leaders, high-powered donors, and mostly people who have paid their dues elsewhere. When they are in the boardroom, the discussions and the decisions are at a very high level.

But back at the employee level, sometimes you will feel the innovation energy moving forward, and at other times, you can feel the innovation drain. You acknowledge you work in a big place, and change at this juncture will require something big to jar it. This stage could be the longest one of all four. Some will spend their entire careers in this safe-and-sound stage four environment.

Fundraising in a stage four organization is equally as multifaceted and extremely sophisticated. By now, with decades of fund development in place, the donor pool is highly developed, replete with major gifts in the million-dollar range (or more). Every fundraising theory and practice is in place, working together to move donors from their first gift to their largest and most meaningful gift for whatever the organization's mission is. Annual campaigns, major gift campaigns, capital campaigns, and endowment campaigns are going on, often simultaneously.

For fundraisers who relish being in the midst of constant activity, a stage four organization is the place to be. There is room for the newcomer generalist, for the senior-level specialist, and for everyone in between.

A note about the recent economic downturn: For the first time in their history, stage four organizations are being adversely affected by external changes in the marketplace and in the economy. They are facing reductions in revenue from paying clients, patients, students, subscribers, members, and, in most cases, donors. Even the seemingly impervious endowment and reserve funds have been drastically reduced to a level never imagined. The recent economic recession has hit fast and hard.

Currently, I suspect that every stage four organization is more focused on the present than it is on the future, so we must wait to see if a stage five becomes a reality in the evolution of the modern-day nonprofit organization. If so, as noted earlier, it will probably be called transformation.

SENIORITY Organizations

- The board agenda is more often at 30,000 feet than at 3,000 feet.
- There was likely a national search to recruit the current executive director, who came with impressive credentials and a solid track record.
- Department heads act like mini executive directors; they have their own advisory boards, strategic plans, financial budgets, and organizational charts.
- There are departments that are more entrepreneurial than others, causing both healthy competition and unhealthy tension within the organization.
- The culture is now historically and symbolically rooted. Everyone knows what the expected behaviors and attitudes are, without reading the official values statement.
- The financial statement is now so complex that only accountants can understand it; the CFO is the second most important staff person next to the executive director.

SENIORITY Fundraising

- The development department has grown incrementally, utilizing every known technique and method to reach every prospect and every donor.
- In large organizations, it is possible to have at least 10,000 donors and as many as 70,000.
- Highly qualified and credentialed development staff will be assigned to the four gift areas: annual, major, capital, and planned giving.
- Only a small percentage of contributions are raised for general operating expenses, and these will come primarily from benefit events and unrestricted annual gifts; the majority of the gifts are generated and designated for specific programs, projects, or departments.
- The infrastructure in the development program includes the latest technology, including social media such as Facebook, text-giving, e-blasts, e-pledge, and other social networking activities.

EXHIBIT 1.1 FUND DEVELOPMENT GROWTH CHART

	Stage ONE: INFANCY	Stage TWO: ADOLESCENCE	Stage THREE: EARLY MATURITY	Stage FOUR: SENIORITY
LEADERSHIP FOCUS	Entrepreneurial Innovation	Resource Development	Program Expertise	Organizational Alignment
BOARD FOCUS	Vision, Mission, and Values	Structure and Financials	Expansion and Professionalism	Relevance and Vitality
MANAGEMENT FOCUS	Business Plan	Policies and Procedures	Quality Improvement	Resource Distribution
FUNDING FOCUS	Start-Up Gifts: Friends of the Founder	Annual Gifts: Individuals, Corporations, and Foundations	Annual, Major, Capital Gifts and Grants	Annual, Major, Capital, Legacy, Endowment: Gifts and Grants
CASE FOCUS	Future Opportunity	General Operating and Stabilization	Programs and Projects	Market Dominance and Impact

A fundraising program has four basic growth stages. Each stage requires a different leadership approach; each is designed to build a strong integrated fund development program. See Exhibit 1.1.

Summary

This chapter has provided substantiation for and elaboration on the absolute need for the executive director to provide leadership to nonprofit organizations, as well as their fundraising program. It has pointed out the essential multifaceted ingredients of leadership that cause donors to resonate with your organization, versus resisting support for it. As complex as the topic of leadership is, there is one fundamental truth: Fundraising starts and ends with leadership. In the absence of executive director leadership, fundraising will fail.

The next chapter provides you with a background on philanthropy, including why people give, to whom they give, what share of market you might capture, and how much you need to invest in a fundraising program.

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