

2013 Nonprofit Excellence Awards

Eight Areas of Nonprofit Excellence

Introduction

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

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

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

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

The following examples of excellent policies and practices can be helpful. This basic *Areas of Nonprofit Excellence* document was developed in 2006 and updated in 2013 by surveying the many standards of excellence and rating schemes for nonprofit management throughout the U.S. and identifying core elements around which there is widespread agreement. The eight core areas identified in this document and the examples listed within them are not offered as an all-inclusive, one-size-fits-all blueprint. They certainly should not be viewed as a checklist of all that is excellent in running nonprofit organizations. Given the size and enormous variety of the nonprofit sector, and the evolving state of the art and science of management, this list is a foundation. We expect the list to expand and change over time as we all further define excellence.

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

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1. Overall Management Focus on Results

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

2. Governance Structure That Moves the Organization Forward

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

3. Strong, Transparent and Accountable Financial Management

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

4. Inclusive, Diverse and Responsive Organizational Practices

- Staff is diverse and represents the community(ies) or population(s) served, as appropriate to the organization's mission.

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

5. Enlightened Use of Human Resources

- Recruitment, on-boarding, engagement, evaluation and retention of staff reflect the organization’s mission and recognize the importance and changing expectations, availability and needs of staff and volunteers.
- Staff and volunteers reflect the diversity of the community(ies) and population(s) served.
- The organization continually works to provide a safe and healthy work environment, protecting clients, employees and volunteers from harm and unnecessary risk, including regular efforts to ensure standards of prudent care.
- The organization has written personnel policies that are communicated to staff, reviewed at the Board level, and include job descriptions for each position and annual performance reviews.
- Staff have the necessary education, experience and certifications to perform their duties well.
- Professional development opportunities, either internal or external, are available to staff.
- Salaries and volunteer compensation are within the range of community norms, reflect appropriate skills, performance and job status, and are within federal and state legal bounds regulating excessive compensation, utilizing industry-based surveys of salaries and benefits for comparable positions.
- The organization has employee Whistleblower and Conflict of Interest policies in place to protect confidential employee reporting of suspected fraud and material conflicts of interest.
- There is a relatively high level of staff retention.
- The organization has mechanisms, including succession plans in place, to manage transitions in key leadership positions.
- Employee performance reviews are tailored to each position, are linked to broader organizational and program (mission-related) goals and outcomes for which employees are held accountable, and employees are regularly recognized when these are met.
- The organization creates “stretch assignments” and employs a “growth pipeline” to retain talented staff by providing them with increasing supervisory responsibilities.

6. Appropriate and Reliable Information Technology (IT) Systems

- Organization complies with all regulations and industry standards relating to the types of data it collects, transmits and stores (e.g., health care information under HIPAA, credit card information, etc.)
- Regularly uses reliable information technology systems that provide timely, accurate and relevant information to facilitate workflow, track the organization’s data, and increase efficiency and effectiveness in accomplishing its mission.
- Successfully manages information with regard to confidentiality, safety, accuracy, integrity, reliability, cost effectiveness, and legal compliance, including the necessary safeguards against systems breach and data loss.
- Invests in technology resources that are deemed appropriate to enhance and streamline the organization’s ability to achieve its mission (e.g., computer networking, remote access strategies, etc.).
- Designated staff has the expertise to effectively support the organization’s technology goals and operations and assures that all electronic files are backed up regularly; technology hardware and software are regularly assessed, updated and standardized.
- The organization has in place an effective disaster preparedness and disaster recovery plan that assures business continuity and defines the process by which the technology infrastructure would be rebuilt in the event of a catastrophic occurrence.
- Provides staff and volunteers with ongoing IT training relevant to their work.
- Monitors and adopts new technology that has the potential to enhance the organization’s ability to fulfill its mission.
- Engages in technology planning that is integrated into short- and long-term strategic and operational goals, and establishes goals for the information system’s physical growth and future expenditures.

7. Regular and Effective Communications and Use of Communications Technology

- Communications plan and processes assure regular presentation of accurate information to and reception of information from various publics (donors, volunteers, key constituencies and stakeholders, general public), including strategies to protect consumer privacy and confidentiality.
- Communications plan and practices are strategically integrated and central to all organizational planning, and assure accurate and ethical communication of the organization's mission, vision, values and activities.
- Communications plan and practices regularly assess the organization's market relative to competitors and its clients' needs and satisfaction.
- The organization actively and effectively "brands" itself and "tells its story."
- Promotes understanding of and familiarity with the brand by all employees, Board members and volunteers.
- Implements standards for the organization's messages and graphics that assure coherence in the organization's fonts, colors, logos, etc., in accordance with a communications plan and stated guidelines.
- The organization provides release forms and opt-out practices, ensuring that clients, consumers and donors do not receive unwanted public exposure.
- Establishes regular formal and informal strategies for gathering feedback on services from target audiences, and identifies how this input will be considered and incorporated as appropriate.
- Actively engages a range of key stakeholders and other audiences, considering their preferred methods of communication.
- Internal communications motivate, inform, and counsel employees.
- Maintains a website or web presence that provides information about the organization's mission, programs, finances, management and governing board; updates website content with information about current developments.
- Maintains an intentional use of social media as appropriate.
- Makes information available to the public as required by federal and state law (e.g., most recent Form 990, annual report, etc.).

8. Effective and Ethical Fundraising and Resource Development

- Organization complies with all local, state and federal laws and regulations concerning fundraising practices.
- Fundraising policies and activities are ethical, effective, regularly reviewed by the Board and accountable to donors.
- Board and CEO are familiar with the Association of Fundraising Professionals' (AFP) Code of Ethical Principles and Standards of Practice and ensure that fundraising professionals acting on behalf of the organization adhere to them (e.g., organization cannot compensate by commission; cost ratio – how much organization spends to raise each dollar – is consistent with guidelines; etc.).
- Resource development planning is multi-year, monitored regularly, and closely linked to fundraising practice.
- Fundraising revenue streams are as diverse as possible in an effort to strengthen the organization's sustainability, and lessen the impact of a potential loss of significant funding from any one source. Diversification may include a variety of sources (grants, sponsorships, etc.), revenues (foundations, individuals, government, corporations, etc.), solicitors, advocates, and donor levels.
- Board assumes overall responsibility for raising sufficient funds to meet the organization's budgeted objectives; 100% of Board members give annually to the organization to the best of their ability or in accordance with a written board giving policy.
- Fundraising communications include clear, accurate, honest information about the organization and its activities.
- Clearly stated policies for gifts accepted, gift alignment with mission and gift management, to assure compliance with mission and no harm to the organization.
- Expends funds responsibly; ensures donated funds are dispersed according to donor wishes and requirements, and regularly communicate with donors regarding its activities, making such information available through multiple outlets.
- Proactively engages and nurtures year-round donor relationships and reinforces value of contributions to donors.
- Maintains fundraising records and data systems appropriate to organization's size and capacity that enable accurate and transparent use of donor funds, donor preferences, interests, and giving history, while maintaining and respecting appropriate levels of donor confidentiality.