

Nonprofit Startup Success Drivers



SYNERGIES CREATED

SYNERGIES IN PHILANTHROPY

Consulting | Facilitation | Training | Coaching



SYNERGIES CREATED

SYNERGIES IN PHILANTHROPY

Consulting | Facilitation | Training | Coaching

NONPROFIT STARTUP SUCCESS DRIVERS

By Tanja Sarett, CFRE, CVF

Launching and developing a thriving 501(3) nonprofit organization, including an American Friends organization, in the United States is a multi-step process. It includes chartering an intentional course of action over several years, co-created by its founders, board members, and stakeholders.

The fundraising and organizational success of the nonprofit are contingent upon its leader's shared commitment to raising funds in a competitive market. Five drivers define the fundraising success of nascent organizations:

DRIVER #1-Founding Board & Leadership

The nonprofit's success in establishing and growing the organization will hinge on its volunteer leadership, especially its founding board. The volunteer board constitutes the organization's key circle of influence and engages leaders with different talents and backgrounds.

For example, board members of thriving startup organizations lend their resources to the nonprofit and activate their contacts. The board members also give their time and share their professional expertise to help launch and then grow the organization. Most importantly, trustees are solely legally responsible for the not-for-profit's activities and finances. It is the board that stewards incoming donations and the distribution of funds. Besides, board members lead by example and fully participate in the nonprofit's fundraising efforts. In fact, they often represent the organization's most important source of funding. Externally, trustees represent



NONPROFIT STARTUP SUCCESS DRIVERS

Tanja Sarett, CFRE, CVF

the organization and are its trusted cheerleaders. As a startup organization, it is paramount to strategically select board members and invest in board development and effectiveness early on.

DRIVER #2-Theory of Change and Case for Support

In the earliest phase of a nonprofit startup, it is critical for the founding team of lay leaders and professionals to communicate the organization's vision and mission. It is about telling a compelling story that describes the pressing problems that the nonprofit will address and the change the organization desires to achieve.



The nascent phase of a nonprofit is the perfect time for organizational leaders to create an initial “Theory of Change” (TOC) model. The TOC methodology is a pathway to change. It helps an organization define and map its vision, mission, the environment it operates in, target audiences/stakeholders, urgent needs, solutions, program activities, measurable outputs, and long-term outcomes. It has a long-lasting impact on the startup's growth and effectiveness and its ability to evaluate its performance over time. The TOC also serves as the basis for drafting the “Case for Support” – a fundraising tool and document that shares with prospective donors and funders the emotionally compelling rationale for supporting the new organization.

For the nonprofit, the TOC process and the initial “Case for Support” are a great opportunity to test ideas and assumptions, align around a pathway to change, and define the nonprofit's value proposition.

DRIVER #3-Organizational Strategy & Capacity

Pivotal components of prospering startups are the organization's strategy along with the not-for-profit's internal capacity. It is about how the nonprofit makes thoughtful choices to create the desired change and what resources it requires to implement the strategic goals.



It is about the leadership's vow to set SMART (specific, measurable, attainable, relevant) goals while at the same time pursuing bold ideas. The leadership assures transparency, pledges excellence, and shifts course and pivots when needed. Plus, to achieve its mission, the board must invest in adequate internal resources and gradually expand the organization's capacity over time.

NONPROFIT STARTUP SUCCESS DRIVERS

Tanja Sarett, CFRE, CVP

Emerging organizations are advised to follow a strategic plan and an annual business plan to grow smart and scale at an appropriate pace. The board and professional staff must attend to the nonprofits' systems, processes, budgets, and the knowledge and staffing needed to fulfill its mission. A well operating organization is a prerequisite for long-term fundraising success.

DRIVER #4-Legal Compliance & Governance

From day one, a startup organization must ensure compliance with all federal and state regulations and charitable registration laws, including receiving and soliciting donations from individuals and entities.

For the nonprofit, legal compliance will entail following charitable laws and regulations in the home state of incorporation and going forward in other US States. During the federal tax-exempt application process, newly incorporated organizations can partner with a “charitable umbrella” registered 501(3) to process and receive charitable contributions.

Compliance works in tandem with governance. A well governed nonprofit organization and board governance is accountable, transparent and independent. Governance defines the internal structure of the not-for-profit and its policies. Legal requirements and best governance practices include, for example: self-assessments, financial audits, independent board, board term-limits, conflict-of-interest policies, whistle-blower policies, and organizational by-laws.

Charities outside the United States who plan to establish an American presence and raise funds in the United States must know how to navigate that terrain. Contrary to some beliefs, the IRS does not give organizations affiliated with a charity abroad special status nor does it give permission to any 501(c)(3) to simply channel funds to your NGO. There is no legal “Friends category” that the IRS assigns to a not-for-profit. It must be an organization operating independently of the NGO abroad.

DRIVER #5-Philanthropy

Critical to the nonprofit's long-term success is the availability of contributable dollars during the startup phase and beyond. It is important to ascertain that the nonprofit can gain traction in the philanthropic community.



NONPROFIT STARTUP SUCCESS DRIVERS

Tanja Sarett, CFRE, CVP

The guiding question will be: “is there are a sufficient number of prospects who have the capacity and interest to give to help the nonprofit get off the ground?”.

In the first years, seed funding is essential to support organizational development. In most nonprofit startup cases, the dollars to cover startup costs are present within the existing network, namely the founding board. Hence it is critical to focus on developing an effective fundraising board and identifying individual and institutional funders who are either already linked to the nonprofit’s founding board members or who have supported similar or related causes in the past. In the beginning years, the nonprofit has a unique opportunity to lead with a donor-centered fundraising strategy and built long-term partnerships.

Tanja Sarett, MA, CFRE, CVP, is a global fundraising consultant, facilitator, and executive coach based in New York / New Jersey. She activates team-centered innovation and creative and synergistic solutions for visionary organizations and philanthropies. Mrs. Sarett is an onsite and virtual facilitator, trainer and executive coach, an AFP Master Trainer and a 21/64 Multigenerational Giving Advisor. She brings to her work a wide range of collaborative and creative techniques from IDEO Design Thinking, Liberating Structures, the Technology of Participation, and the Agile community. Tanja Sarett is the founder of “Synergies Created | Synergies in Philanthropy Consulting and the creator of the “Virtual Donor Cultivation Events” training.