



How to “Diagnose” Nonprofit Organizations

Recognize the Internal Functions and How They Are Integrated

To identify the most important issues in a nonprofit and which ones to address in which order, it is important to understand the most important internal functions and how they fit together. It will help you a great deal when addressing issues in nonprofits, if you can develop a systems perspective on the particular management activities in those nonprofits. That view helps to ensure that you fully examine and understand all of the important aspects of activities around the issues. A systems view helps you to more readily understand what might be the causes and effects of the issues. It helps you recognize how each issue might be affecting other areas of the organization, as well. Finally, it helps you generate useful recommendations to address each issue.

The following information seems a little academic and theoretical at first, but hang in there. It soon makes sense – especially when you are able to apply the information to an actual nonprofit organization. When you apply the information to a nonprofit, you will probably start by doing an organizational assessment. Those assessments often are organized into various parts, each of which corresponds to a particular management function or system, for example, Board operations, CEO activities, program operations, marketing, financial management, fundraising and evaluations.

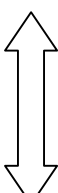
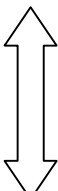
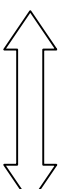
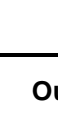
Each management system has a systematic design, although members of the nonprofit may do the activities in the system in an implicit and unsystematic manner. The activities in the system do not occur together in a step-by-step, linear fashion, but are closely integrated and cyclical in nature. Ideally, the activities in the system are aligned with each other and with the external environment.

The exact activities and how they are conducted depend on the particular nonprofit organization, including whether the activities are being designed for the first time or have been in operation for a while. For example, it is common, especially for new and/or small nonprofits, to conduct activities on a rather reactive, as-needed basis, rather than on a proactive, plan-based basis.

Overall Hierarchy of Issues in Nonprofit Organizations

The following table depicts the overall management system for an entire nonprofit organization. Notice the various function (subsystems, or rows) in the table. In nonprofits, the problems that appear in the functions near the bottom of the table (for example, with fundraising, finances, advertising, etc.) are usually only symptoms of real problems with the functions near the top of the table (for example, with strategic planning, program planning, etc.) That is why capacity building projects that focus primarily on fundraising or financial management often are not successful in the long run – the real causes of the organization’s issues were not really addressed.

Overview of Nonprofit Functions and Their Relationship

Inputs: people, money, equipment, facilities, supplies, people's ideas, people's time, etc.		
System Loop	Major Functions in Organizational Processes	Comments
Planning 	Strategic planning for organization (mission? vision? values? goals?)	<ul style="list-style-type: none">▪ All activities are integrated with each other.▪ Driving force behind all activities is leadership among Board and staff.
	Planning for programs (similar to business planning) (clients? outcomes? services? marketing? costs?)	
	Resource planning (people? fundraising/revenue? technologies? other?)	
	Revenue / fundraising development (for major activities)	
Developing 	Board, staff and volunteer development (recruiting, training, organizing)	<ul style="list-style-type: none">▪ Leadership sets direction, guides resources toward the direction, and makes adjustments to keep resources on track.▪ Strategic goals set direction for organization and suggest performance goals for Board and staff.
	Development of other resources (facilities, supplies, policies, procedures, etc.)	
	Supervision and teamwork	
	Program operations	
Operating 	Advertising and promotions	
	Facilities management	
	Financial management	
	Administration	
Evaluating 	Board	
	Individuals	
	Programs	
	Processes	
	Organization	
Outputs: community needs met by nonprofit, trained Board and staff members.		

The following descriptions are of each of the major functions listed in the previous table, Overview of Nonprofit Functions and Their Relationship.

Planning

1. **Strategic planning (mission, vision, overall goals, etc.)**
Members of the Board and staff conduct strategic planning to determine the overall purpose (mission) and direction (vision and goals) for the nonprofit, as well as the methods (values, strategies and programs) for the nonprofit to work toward the purpose and direction. The strategic planning process provides input to all other major functions in the organization, especially program planning and resource planning. If strategic planning is not done well, the entire organization can be adversely effected. Thus, you should never focus on fixing other systems unless you are sure that strategic planning has been done well.
2. **Planning for programs (who will be served, how, for what outcomes, etc.)**
Programs are designed or refined as means to implement the service-oriented strategies from the Strategic Plan. During program planning, the marketing research (or “inbound marketing”) activities are conducted to identify, for example, specific community needs for the nonprofit to meet, what outcomes are needed to meet those needs, what specific groups of clients to serve, and how to serve them to achieve those outcomes. Program planning provides input to many other functions, such as resource planning (regarding staff, funds, people), financial management, advertising and promotions, and also fundraising. Many problems commonly associated with fundraising and promotions are really the result of poor program planning. Do not focus on fundraising unless you are sure that programs are planned well.
3. **Resource planning (what people, funding, facilities will be needed)**
Planners identify what resources are needed to implement the strategic and program plans. Usually, resources include people, funding, facilities, equipment, supplies, and even certain policies and procedures. Budgets usually are developed that include listings of resources that are needed, along with the estimated costs to obtain and support the use of those resources. Resource planning directly affects the quality of all operating activities because, without adequately identifying what resources are needed, major functions in the organization struggle to be effective. Resource planning will not be successful unless strategic planning and program planning have been done well.

Developing

4. **Revenue / fundraising development (getting and developing those resources)**
Planning for programs specifies how much money the programs might earn (expected revenues), how much money they might cost (expected expenses) and if there are any deficits (expenses exceeding revenue) for the programs. The deficits often are addressed by fundraising. The planning for fundraising is often carried out by developing and implementing a Fundraising Plan, which specifies the overall amounts of money that must be raised, where it might be raised, how it will be raised, by who and when. If the planning for fundraising is not done systematically and comprehensively, nonprofits miss opportunities for funding and, instead, focus their fundraising activities on a few methods, for example, continued fundraising events. Note that fundraising will not be done well if strategic planning, program planning and resource planning are not done well beforehand.

5. **Board, staff and volunteer development (leadership and management)**
Members of the Board and staff are developed by first identifying what expertise is needed to achieve the goals in the strategic and program plans. Development activities continue by obtaining, training and organizing members to better achieve the strategic and program goals. Note that many nonprofits recruit and develop personnel as an activity somewhat apart from their strategic and program planning activities. That approach may result in the nonprofit being run more by personalities than by plans. The results of successful development of the Board and senior staff greatly influence the success of the nonprofit because Board and staff provide the leadership that drives the entire system with its phases of planning, developing, operating and evaluating. However, strategic planning and program planning must occur before development of the Board and staff to provide direction for how they should be successfully developed.
6. **Development of other resources (facilities, policies and procedures, computers, etc.)**
There usually is a variety of types of resources (other than money and people) that needed to be obtained and developed, for example, facilities, equipment, policies and procedures. Perhaps most important among these resources are policies and procedures. They form the “glue” that aligns and integrates the resources of money and people. If those policies and procedures are not integrated and up-to-date, they can cause inefficiencies in the operating activities. As a result, members of the organization experience increasing inefficiencies and conflicts. Successful leaders have learned to focus on developing a firm foundation of plans and policies from which their organizations can more reliably grow.

Operating

7. **Supervision and teamwork (making sure people operate resources and programs well)**
A supervisor is someone who oversees the progress and productivity of people who report directly to the supervisor. Thus, a Board supervises the Chief Executive Officer, and a CEO supervises, for example, the Program Director. Teamwork is about how people work together to coordinate goals, roles, leadership and communication. The activities of supervision and teamwork are critical to the success of a nonprofit because those activities ensure that goals are established in accordance with strategic and program goals, progress toward the goals is monitored, and adjustments are made among individuals to more effectively achieve the goals. Many times, recurring problems in other types of operating activities are really symptoms of poor teamwork. A common problem in capacity building is to undertake leadership development without also attending to other systems higher up on the table, for example, without also doing strategic planning and Board development.
8. **Program operations (deliver services to clients)**
This includes the ongoing activities that provide services directly to the clients. The nature of these activities depends on the types of needs met by the program. For example, health services often require highly trained program staff and technologies. Food shelves require large facilities to store groceries. The success of programs depends a great deal on the effectiveness of strategic and program planning beforehand and of teamwork in the organization.

9. **Advertising and promotions**

These “outbound” marketing activities are geared to inform stakeholders (clients, funders, community leaders) about new and current programs, and also to keep those programs in the minds of stakeholders. Many times, problems in advertising and promotions are the result of poor program planning, such as unclear identification of what specific groups of clients should be served, the needs of each group, and how the programs meet each need.

10. **Facilities management (computers, too)**

This includes identifying what major facilities will be needed, such as buildings, equipment and computer systems. The need for major facilities is identified during resource planning. Thus, problems caused by lack of facilities often are a result of poor resource planning. Problems caused by ineffective use of facilities often are a result of poor staff development.

11. **Financial management (bookkeeping, reports, analyzing, etc.)**

Activities of financial management include documenting financial transactions (bookkeeping), generating and analyzing financial statements, and making adjustments to budgets based on the various analyses. This is usually done to Board-approved fiscal policies and procedures. Many times, people report problems with finances when they really mean problems with inadequate funding. Those problems are often caused by ineffective program planning, resource development and/or fundraising activities. Problems that are truly about financial management often can be addressed by training personnel about bookkeeping, and about generating and analyzing financial statements.

12. **Administrative activities (office management, etc.)**

This includes the extensive range of detailed activities that must be coordinated and conducted on a daily basis to ensure the efficient operations of the nonprofit. Many people think of these activities as clerical, or “paperwork.” Problems with administrative tasks often are the result of poor resource planning and staff development, or lack of appreciation for policies and procedures.

Evaluating

13. **Board self-evaluation**

Members of the Board of Directors should regularly evaluate the quality of their activities on a regular basis. Activities might include staffing the Board with new members, developing the members into well-trained and resourced members, discussing and debating topics to make wise decisions, and supervising the CEO. Probably the biggest problem with Board self-evaluation is that it does not occur frequently enough. As a result, Board members have no clear impression of how they are performing as members of a governing Board. Poor Board operations, when undetected, can adversely affect the entire organization.

14. **Staff and volunteer (individual) performance evaluation**

Most of us are familiar with employee performance appraisals, which evaluate the quality of an individual’s performance in their position in the organization. Ideally, those appraisals reference the individual’s written job description and performance goals to assess the quality of the individual’s progress toward achieving the desired results described in those documents. Continued problems in individual performance often are the results of poor strategic planning, program planning and staff development. If overall planning is not done effectively, individuals can experience continued frustration, stress and low morale, resulting

in their poor overall performance. Experienced leaders have learned that continued problems in performance are not always the result of a poor work ethic – the recurring problems may be the result of larger, more systemic problems in the organizations.

15. **Program evaluation**

Program evaluations have become much more common, particularly because donors demand them to ensure that their investments are making a difference in their communities. Program evaluations are typically focused on the quality of the program's process, goals or outcomes. An ineffective program evaluation process often is the result of poor program planning – programs should be designed so they can be evaluated. It can also be the result of improper training about evaluation. Sometimes, leaders do not realize that they have the responsibility to verify to the public that the nonprofit is indeed making a positive impact in the community. When program evaluations are not performed well, or at all, there is little feedback to the strategic and program planning activities. When strategic and program planning are done poorly, the entire organization is adversely effected.

16. **Evaluation of cross-functional processes**

Cross-functional processes are those that span several systems, such as programs, functions and projects. Common examples of major processes include information technology systems and quality management of services. Because these cross-functional processes span so many areas of the organization, problems in these processes can be the result of any type of ineffective planning, development and operating activities.

17. **Organizational evaluation**

Ongoing evaluation of the entire organization is a major responsibility of all leaders in the organization. Leaders sometimes do not recognize the ongoing activities of management to actually include organizational evaluations – but they do. The activities of organizational evaluation occur every day. However, those evaluations usually are not done systematically. As a result, useful evaluation information is not provided to the strategic and program planning processes. Consequently, both processes can be ineffective because they do not focus on improving the quality of operations in the workplace.