

Best in Breed, Best in Show

While putting in the obligatory treadmill miles, I reward myself with some television viewing. One of my favorite times to walk is on Saturday morning when Animal Planet schedules dog shows. Watching a group of terriers circle the show ring seems to inspire me to do even more steps.

One Saturday morning while trudging along during the Hound Group, I had an epiphany. Nonprofits were a lot like dogs. In the world of dogs, there are little ones like Chihuahuas and Pomerans as well as Great Danes and Mastiffs. In the nonprofit sector, we have small community based organizations as well as Johns Hopkins. There are working dogs like a St Bernard, there are sporting dogs like a Chesapeake Bay retriever and there are non-sporting dogs like a Chow. In nonprofits, we have food banks, rowing clubs, and groups that support more people writing more poetry.

In order to put some order to the dog world, the American Kennel Club recognizes that there are different breeds of dogs and recognizes there are breed standards. If someone asks how tall a dog should be, the AKC will say "It depends". For a Chihuahua, the ideal height might be six inches; for a Chow, it will be three or four times that. If some asks what color a dog should be, once again the answer is "It depends." Is the dog a Boston terrier (black and white), and Irish setter (reddish) or a Golden Retriever?

At the dog show, there are prizes for the Best in Breed. The overall winner is Best in Show. Being best in show does not mean being the tallest dog, the cutest dog, or the smartest dog. Best in show means that the winning dog better represents his breed than the competitors represent their breed. When a beagle wins Best in Show it means that he is a better beagle than the poodle is a poodle or the cocker spaniel is a cocker.

To date, no one has put much structure to the world of nonprofits. I have been asked such questions as "How much should a nonprofit raise from fundraising?" My answer is "It depends." Organizations that are funded by government to do a specific function may not do much fundraising. Same is true for organizations that provide services for a fee. But some organizations may need to fundraise 100% of their revenue. I've been asked "How much should a nonprofit have in reserves?" And once again, the answer is "It depends." If an organization's mission is to protect treasures for future generations, then they need lots of reserves to ensure this happens. Other organizations are focused on short term efforts and those groups don't need a lot of reserves. Younger organizations will have fewer reserves than older groups just as young adults are expected to have fewer savings than older folk.

It pains me when organizations such as Charity Navigator, the Better Business Bureau, and the United Way try to rate all nonprofits using a few key variables such as percent of expenses going toward program. This is the equivalent of a dog show awarding best in show based on the length of a dog's tail. A program providing community mental health services with 87% of expenses going toward program is not necessarily any better than an after-school program that only has 83% program expenses. Nor is the community mental health service provider worse than the arts group with 92% program expenses.

Because there is no nonprofit equivalent to the American Kennel Club, each nonprofit needs to figure out their own breed standard. This can be done by developing comparative benchmarks using data from other organization's annual IRS financial reporting (easily accessible on www.Guidestar.org.) If a nonprofit doesn't know what a good set of financials look like, what breed standards are; they are never going to achieve financial success.

For a sample comparative benchmark report, contact me at (insert email).

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