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Nehemiah Communications is a company that specializes in growing nonprofit organizations and small businesses by providing customized communications and operational services.

Snatching Defeat from the Jaws of Victory

Among businesses and nonprofit organizations, there is a sad truth about which no one likes to talk about. It is that success kills as many organizations as failure. Failure is understandable when an organization cannot get enough revenue, does not have the proper staff, and/or does not have a clear mission. It is easy to sympathize with those involved in such failures; but no one likes to think about the organizations that are highly successful, well funded and have great talent to call upon but end up closing or—in order to survive—shrinking to a fraction of their former glory.

As one who has been in the business of helping organizations grow for over 10 years, I have long been intrigued to see organizations seemingly snatch defeat from the jaws of success! This article is written in memory of those organizations that did not make it and should have remained on top of their fields, and it is written to help healthy businesses and nonprofits avoid similar fates.   Here are five myths your business or nonprofit should consideration.

Myth 1: Since we are successful, we can radically change our direction and achieve the same success.

I know of two organizations that fell into this thinking trap. The first organization had been very successful in doing large scale events across the country. People knew them, and they were the largest organization in their field. They were so successful that they were on the verge of going international. They faced a few ongoing challenges—the biggest of which was the high entry fees to their events.   Money from the entrance fees was used to rent the large venues needed to house their events and to pay for costs related to bringing in talent to perform at the event. Since the organization had a charitable purpose, its leadership decided to drop entrance fees under the belief that making the events free-of-charge would increase their other revenue streams, i.e., higher attendance would result in an increase from free will offerings and outside donations would support any deficit. This did not happen and within five years most of their staff had to be let go. While they continue to operate, they are no longer the dominant organization in their field, and many people do not know they even still exist. They had changed their financial model, and once it was changed they did not have the ability or organizational wherewithal to change it back.

The second organization was the largest organization of its type in its region. Their events were highly popular, and people flocked to volunteer to help the organization. Through good financial discipline, the organization grew dramatically within a three-year time frame. Even with its large budget, there was a year's worth of operating budget in the bank, and the organization had numerous other assets with high dollar values. This organization's collapse was due to a shift in their leadership and operational focus. A small part of their operations had focused on youth programs. New leadership believed that for its long-term future it would be best to focus on its youth programs and either reduce or quit offering its other programs —even though most of its funding and volunteer support was not from the youth programs. The fall of this organization was even faster and more dramatic than its rise, as volunteers

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and donors rapidly left the organization because they did not understand or support the new direction.

They also had little competition in their original mission but had lots of competition in their youth programs.

Organizations have to understand that there are many elements to being successful and altering any significant piece can have drastic consequences. Moreover, the bigger the organization the more work that needs to be done before making changes. The best way to avoid unhappy consequences from organizational changes is to conduct pilot projects and survey donors and volunteers to test if new approaches will be successful. It is best to pilot new ideas on a small scale. If the pilot seems successful, do it again on a slightly larger scale and with a different group of people.

Avoiding the consequences of Myth 1:

Here are some questions to ask when evaluating the results of a pilot test:

- Did our supporters and customers respond better or worse than usual to the new program/product/service?
- Did we generate more revenue than normal for the organization?
- Do we have more (bad) or less (good) competition after we make the change?
- Does the new direction have the potential for an expanded funding base and did we see the new base respond positively to our pilot?

Myth 2: Leadership is not important if we have a good mission.

With the speed of change occurring in this age of information technology, never has leadership been more needed to navigate the difficulties of keeping your organization in forefront of the minds of customers. Organizations routinely have to adapt to changes, and effective leadership is at the heart of successful changes. I created a quote some years ago to document a reality I saw: "Incompetency sufficiently advanced is indistinguishable from evil." What I mean by this is that people will question the moral integrity of an organization's leadership if it is incompetent in fulfilling its mission. Staff will question the leaders, and turnover rates will increase. Bad feelings will build up within the organization and then spill out to all others involved including donors and clients. One large national organization with which I am familiar had a sustained 25% turnover in staff due to the constant change caused by lack of leadership. Competent employees could not tolerate the environment and since they had other options, left the organization. Eventually, the organization was largely staffed by employees that no one else would hire; thus Increasing its incompetence to the point that the general public grew to distrust this organization. Just because the organization has a good mission does not mean that the organization can survive without quality leadership. Quality leadership is a combination of many qualities: experience (think life lessons, not years doing a certain job), technical knowledge, track record of success (are there fruits from their efforts), detail oriented and able to motivate others within and external to the organization.

Avoiding the consequences of Myth 2

Here are questions to ask:

- If you are experiencing frequent setbacks and little organizational progress is being made, should the problems that you are experiencing been foreseeable?
- How do the top people (staff and volunteers) respond to the individual?
- Does the leader solicit feedback from others?
- Are top people being attracted to join the organization or are they leaving? Are under performers making up a larger or small portion of the organization?
- Does the organization appear to be moving forward or backward?

Myth 3: It is good for leadership to outsource activities it does not want to do.

This myth needs to be qualified with *sometimes.* The myth is sometimes true, but not always. It is good and natural for people to want to spend most of their time on things they enjoy doing, and outsourcing administrative functions is one way of freeing up time for what you do best. It is an important option that all organizations need to consider from time-to-time, and it is an especially important for small and young organizations. The challenge is to find low-cost ways to outsource routine needs to low cost high volume experts. I have for years outsourced our staff's payroll services since it was a time-consuming function that I disliked and for which there were inexpensive outsourcing options available. I was spending hundreds of dollars a month on payroll functions. Instead, I was able to hire a company for less than $75 a month to handle this work. However, sometimes there is no low-cost outsourcing solution. I have seen businesses trying to outsource key operating functions at great expense just because a manager did not want to be bothered. One example is a company that outsourced its customer service department. This company saw customer satisfaction and revenue go down as expenses went up! More frequently, nonprofit organizations like to outsource their fundraising needs because staff and boards dislike "asking for money." There are rarely positive outcomes when organizations spend a significant amount of their operating budgets on services that the leadership does not want to do.

Avoiding the consequences of Myth 3

Here are the key questions to ask in determining what to outsource:

- Will outsourcing enhance our customers' experiences?
- Will outsourcing increase or decrease expenses? If it increases expenses, will there be a revenue increase that can more than offset the expense? How certain is this increase in revenue source?

Myth 4: We are growing fast and will continue to do so forever.

People who watch the stock market are suspicious of stocks that grow too long too fast. Healthy high growth stocks often take a *rest*. They seem to have no growth or even pull back before resuming their growth. While no one consciously believes their organization will grow nonstop, often owners and leaders will run a growing organization as if it will grow forever and without interruption. This mindset is made more problematic because most organizations are lucky if they have three full months of operating capital. Indeed, many only have a month of operating capital on hand at any one time—a dangerous position if the unexpected happens. For example, my company had its main server and its back-ups systems go down in a massive crash in 2010. Even after the insurance company reimbursed for the direct expenses, it still took us almost four months to make up for the one month's disruption. We had planned for such an event, but when our backups failed, we were faced with an event for which we could not have prepared. No matter how well prepared you are, there are always external events that can set your organization back. The second problem high growth can cause is a lack of financial safeguards. Losses and negative cash flow can start to get extreme before they are noticed because the organization has the mindset that any problem is thought of as just a *temporary setback*. Also, most organizations do not have sufficient safeguards in place to protect against things like embezzlement until after they are a victim.

Avoiding the consequences of Myth 4

Here are questions to ask to safeguard your financial viability:

- Do we have sufficient cash reserves to operate if there was an external event that caused an extended disruption in the organization's revenue?
- Are we adequately insured to protect against things such as theft, fire, onsite injury or data loss?
- Does our organization have proper safeguards to detect embezzlement of time or money?

Myth 5: We should get rid of leaders who are difficult to work with.

Most businesses and nonprofits have a certain level of optimism in their DNA, and this is a good thing. Who would want to work or be part of an organization where everyone thought it had no potential for growth? Often there is a great deal of internal pressure to *force out* people who seem to be frequent dissenters of a group's general optimism. Dissenters may feel like the odd person out and misunderstood, and it is unlikely that they will want to remain very long in a leadership role. A speaker once said something I have never forgotten. He said that one of the traits of very successful boards is that they have at least one person on the board who is *negative* on many key issues. This is true, because when board members and executives know that their decisions will be questioned, they are likely to think more carefully through decisions and their implications before they are even presented. This process weeds out marginal and bad ideas before they occur.

Avoiding the consequences of Myth 5

Here are questions to ask in thinking through how to retain dissenting leaders:

- Is your board diverse enough that there is a healthy variety of opinions?
- Are there people on the board that raise challenging questions about your decision making?
- How can you support those you need that may have different views from the majority?
- If you do not have a dissenter, can you create or find one?

Conclusion:

My goal in writing this paper is to have something to give to people right after a great success. My intent is not to take away from their victory or dampen their spirits, but to keep them *level*. The greatest compliment I have for my wife is that she keeps me level. When my ego soars, she reminds me of who I am. When tragedy or failures occur, she lifts me up. My desire is to remind leaders what has gotten them to this point and to encourage discipline and levelness of mind about themselves and their organizations. I am often reminded of this famous quote from George Patton:

> *For over a thousand years Roman conquerors returning from the wars enjoyed the honor of triumph, a tumultuous parade. In the procession came trumpeters, musicians and strange animals from conquered territories, together with carts laden with treasure and captured armaments. The conquerors rode in a triumphal chariot, the dazed prisoners walking in chains before him. Sometimes his children robed in white stood with him in the chariot or rode the trace horses. A slave stood behind the conqueror holding a golden crown and whispering in his ear a warning: that all glory is fleeting.*
> *- Gen. George C. Patton*

If your organization has recently had a notable success, I congratulate you! These five myths are given to help you and your organization have a bright future and avoid failing at the very moment that success is evident.

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