

THE NONPROFIT DILEMMA

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Insights & Strategies for
Purpose-Driven Leaders

DC Armijo



MILFORD BOOKS

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Credits & Contact Information

Published by Milford Books LLC (milfordbooks.com).

Cover design: James Jones

Interior design: Phillip Gessert

Editing: Sarah Busby, Lisa MacDonald

Indexing: Sandy Blood



For inquiries, please visit: <http://nonprofitdilemma.com>

- Names: Armijo, D. C., author.
- Title: The nonprofit dilemma : insights and strategies for purpose-driven leaders / DC Armijo.
- Description: [Milford, Michigan] : Milford Books LLC, [2024] | Includes bibliographical references and index.
- Identifiers: ISBN: 979-8-9898584-0-8 (trade paperback) | 979-8-9898584-2-2 (hardcover) | 979-8-9898584-1-5 (kindle) | 979-8-9898584-3-9 (ebook) | 979-8-9898584-4-6 (audiobook) | LCCN: 2024901646
- Subjects: LCSH: Nonprofit organizations--Management. | Nonprofit organizations--Finance. | Charities--Management. | Associations, institutions, etc.--Management. | Leadership. | BISAC: BUSINESS & ECONOMICS / Nonprofit Organizations & Charities / Management & Leadership.
- Classification: LCC: HD62.6 .A76 2024 | DDC: 658/.048--dc23

To the many people working in nonprofit organizations who have dedicated their lives to meaningful work. Thank you for all the amazing things you do. You are an inspiration to me and many others who are driven to make the world a better place.

To the love of my life, Shannon, and our phenomenal daughter, Norah. Thank you both for tolerating me. You make *my* world a better place.

We live in a world in which we need to share responsibility. It's easy to say, "It's not my child, not my community, not my world, not my problem." Then there are those who see the need and respond. I consider those people my heroes.

—*Beloved educator and television host* FRED ROGERS

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FOREWORD

I ABSOLUTELY ADORE the title DC Armijo selected for this book. The word “dilemma” is so freeing. It allows us to be transparent with the truth that nonprofit organizations are fraught with perplexing situations and hard choices. Amazingly, at the same time, DC takes us on a journey of learning and skill-building that leaves us thinking, “I can do this.”

I could have really used this book a decade ago when I first entered the nonprofit space as a senior leader. Before that, I spent my career in governmental spaces: local government, state government, and public universities, which are quasi-governmental. While government and nonprofits strive to benefit the public, governmental spaces are distinct in that they are much more hierarchical, more regulated, and, in many ways, more political. The rules are ever-present, and the cultures are inarguably different from those desired in nonprofits. In these governmental spaces, I first learned how to lead. And many of those skills did not easily transfer to the nonprofit space.

I have a clear memory of sitting in my new office that had been refreshed to my liking (they had let me choose my own carpet, wallpaper, and furniture! No standard issue gray filing cabinets? I was definitely not in Kansas anymore). I sat idly, resisting the temptation to twiddle my thumbs or drum my fingers, as I wrestled with the thought, “What exactly *is* my job?!” *The Nonprofit Dilemma* guides leaders at various stages of leadership on a journeyed response to that very question.

Nonprofit organizations are vital to addressing community needs, promoting civic engagement, and advancing social justice. However, nonprofit leaders face complex and interrelated challenges due to limited resources, accountability pressures, diversity gaps, and power dynamics. How can nonprofit leaders navigate these challenges while leading with equity, integrity, and effectiveness? The book you are holding offers new insights into these challenges and the dilemmas we leaders seek to untangle.

Leadership, especially in the nonprofit space, is about people, purpose, power, and passion. As a relationship-driven leader, I have found that success in any nonprofit rests on the foundation of its people. Those people are inspired by a connection to the organization's purpose. Centering purpose and building purpose-driven teams have been essential to my career success. Power for good and power for ill both exist inside organizations. Effective leadership requires understanding and accepting both the affirming and problematic roles that power plays in your organization. Lastly, passion is the fuel that keeps leaders moving forward. On my most weary days, my passion for the purpose of my nonprofit keeps me going. Just as it is easy to embrace someone for whom we feel passion, we must embrace our roles and organizations to lead successfully.

With a fresh take on nonprofit leadership, *The Nonprofit Dilemma* provides actionable advice for anyone looking to improve their leadership game. It explores many people, purpose, power, and passion topics; and provides a practical framework for effective leadership. As an equity leader, I also believe it is subtly and directly grounded in the principles of equity, inclusion, and social change; values that I hold dear.

Whether you are a new or experienced nonprofit leader, this book will expand your leadership skills, enhance your organizational effectiveness, and advance your social impact. *The Nonprofit Dilemma* is more than just a book; it is a call to action. In this regard, DC is a kindred spirit seeking to catalyze change. This book affirms our shared desires and values. Interestingly, these are only strengthened across our differences; differences in our careers, genders, races/ethnicities, and cultures—the beautiful tapestry of who we are and what each of us brings to our perspective on leadership.

DC and I invite you to join this community of practice—a movement of leaders committed to creating a more equitable and just world. I hope this book inspires you, challenges you, and supports you on your leadership journey.

RENÉE BRANCH CANADY, PHD MPA

Author of *Room at the Table: A Leader's Guide to Advancing
Health Equity and Justice*

CEO, Michigan Public Health Institute

P R E F A C E

AS I WRITE this, I am sitting in the gazebo in our backyard amid the buzzing of bumblebees in the morning sun. After a long career working in the nonprofit sector, I decided to take a few years off to write down all I have learned about nonprofit leadership (including the lessons I learned the hard way). I didn't come to this decision out of vanity, to launch a consulting business, or even with a desire for the book to be a profitable venture (few are). I started this journey with one simple aim—to help *you* succeed as a nonprofit leader.

Maximizing mission impact while being a good organizational steward isn't easy. Nonprofit leaders are motivated by personal meaning in their work and are deeply committed to their organization's mission and its health. They must continually strike the right balance between these competing aims. The nonprofit sector needs leaders who strategically use their limited resources to create organizational leverage. Passionate leaders who thoughtfully motivate their employees and effectively partner to advance their organization and its cause. Leaders who are catalysts for change. *Better leaders build better nonprofits*. And this offers a brighter future for us all: one that is kinder, healthier, more equitable, and more sustainable.

Helping nonprofit leaders and their organizations flourish is about the only thing that could inspire me to write a “business” book. While I've read dozens of them over my career, I find the genre tedious. They promise paradigm-shifting insights, novel management techniques, and business acumen targeting every topic imaginable. The payoff seldom lives up to the hype. Even the best books have been only superficially helpful in solving the challenges I faced as a nonprofit leader. I've done my best to make this one different.

—DC ARMIJO, in a quaint Michigan village

INTRODUCTION

IN THE EARLY 1900s, the following advertisement may have appeared in the *London Times*:

Men wanted for hazardous journey. Small wages. Bitter cold. Long months of complete darkness. Constant danger. Safe return doubtful. Honour and recognition in case of success.

Ernest Shackleton had reportedly posted it to recruit a crew for his 1914 exploration of Antarctica. Historians have struggled to verify this account and have yet to prove that the ad ever appeared in the newspapers of the day. The anecdote may be nothing more than the fanciful creation of an early Shackleton biographer. Even so, the blunt, crisp description of the dire odds facing the recruits remains captivating over one hundred years later.

Why would someone sign up for such a perilous job? Low self-esteem? (“Can’t do anything else; I might as well do this.”) Perhaps it was desperation to get away by any means necessary, especially with the added allure of adventure. Or maybe it was the chance to be part of something important? Even if a biographer created the ad *after* the harrowing journey, I imagine motivations varied widely among the men boarding that ship in 1914.

Few nonprofit organizations engage in activities as hazardous as Shackleton’s. However, most nonprofits have missions that require shared sacrifice, and many face discouraging odds of success. Also discouraging are the “small wages” common in the sector. Yet, many nonprofits offer the chance to be part of something meaningful, and the possibility of “honour and recognition in case of success.” Wouldn’t you want to be part of the team that solved one of society’s toughest challenges? Whatever your motivation for wanting to be a nonprofit leader, recognize that it will be

challenging, will require sacrifice—and, at times, it will be up to you to inspire your colleagues to soldier on.

Wherever you are on your leadership journey, this book was written with the express intent to provide the ideas, tools, and advice needed to help you succeed. I am by no means an expert in *all* of the challenges that confront nonprofit organizations; however, I have spent much of the past thirty years contemplating and working on many of them.

I grew up in a household marked by chronic illness and poverty.¹ Clothing, meals, healthcare, and holidays were provided by nonprofits, government programs, and Good Samaritans. By the age of sixteen, I was living on my own and working nights as a cook in an all-night diner. By twenty-four, however, I had earned two degrees, including a master's degree from the top hospital administration program in the country. Education was my ladder out of poverty, and I was eager to use what I had learned to help others. I spent the next twenty-five years working for nonprofit organizations and have had a meaningful and impactful career. In those organizations, I've served a variety of executive and governance functions including fellow, director, SVP, COO, CEO, trustee, and board member.

I started this writing journey because I felt I must have learned valuable lessons in the nearly fifty thousand hours I've spent working, partnering, and volunteering with nonprofits—lessons that strengthened my skills as a nonprofit leader. In my desire to create something of value for you, I spent the last two years contemplating which leadership issues are most prevalent across the nonprofit sector. I also sought the input of many nonprofit leaders I had worked with.

Books meant to advance organizational leadership generally fall into two groups. First, there are academic books written by university professors that are heavily researched, highly theoretical, and usually difficult to read and apply. This literature offers valuable ideas, grand designs, and novel strategies. However, much of it is delivered in a form that will chal-

1. My dad was unable to work during most of my childhood. He was severely ill with complications from Crohn's disease, was often hospitalized, and later died of leukemia. My mom, a licensed practical nurse, raised my brother and me, prayed for and tended to my father as he recovered from more surgeries than anyone should endure, and worked at the local hospital when she could.

lenge the attention span of the busy practitioner (i.e., someone who works in the nonprofit sector rather than studies it).

There are also leadership-focused business books written by consultants or retired executives that attempt to deliver practical advice about a specific topic (e.g., strategic planning, finance, how to talk with your employees, how to lead meetings, etc.). They are usually written in more accessible language, with some offering provocative ideas that start management fads (e.g., *Radical Candor*, *Good to Great*, *The Seven Habits of Highly Effective People*, *The Five Dysfunctions of a Team*, etc.). These books employ simple and efficient principles and mental shortcuts to common problems, promising pragmatic value to the reader. They are usually also chock-full of case studies meant to entertain and convince us of the accuracy of the author's worldview and the utility of their ideas and methods.

This book falls into the latter category, offering practical advice to help those working in nonprofit organizations. While it offers plenty of ideas, tools, and methods, I skipped the case studies in favor of providing useful advice across a broader range of issues. I trust the reader to judge the value of the advice based on their own knowledge, experience, and gut instincts. While the material is well-researched, I've resisted the urge to treat topics academically. I wanted to keep the lessons of *The Nonprofit Dilemma* accessible, although complex topics are sometimes nuanced and, well, complex.

As the title suggests, this book introduces the idea that nonprofit leaders face a recurring dilemma. Although we'll explore strategies to navigate many leadership dilemmas, there is one challenge common to all nonprofits that I'm referring to here. It's something that arises because of their very nature. That challenge is the relative priority between two competing aims: executing the organization's mission and improving its financial health. These aims are intertwined, of course, because financial health is necessary to produce mission impact in the future. While not always mutually exclusive, most leadership decisions favor one objective over the other. This dilemma is present regardless of industry or mission and is in the background of nearly every decision a nonprofit leader makes.

For example, spending to deliver impact *today* negatively impacts financial health, but saving to ensure the organization survives to deliver impact *tomorrow* reduces what you can accomplish today. This is what makes nonprofit management uniquely challenging. Unlike for-profit

organizations, where financial health is *always* the goal, in nonprofit organizations, leaders are confronted with the same dilemma every day—which aim to prioritize? While this book delivers many practical management techniques, I hope it also fosters a candid discussion about this dilemma and its many implications.

Of course, the ultimate goal of any nonprofit should be impact. But achieving that goal over time (and at scale) requires financial health. When we prioritize financial health, what we are implicitly saying is that we value the organization's future potential over the impact it can make today. The trade-offs and sacrifices implicit in these kinds of decisions can be complex and convoluted. So, throughout this book, we'll examine them with the goal of making you the best steward of the nonprofit organization you love and lead (or hope to lead one day).

Who should read The Nonprofit Dilemma?

This book is written for three audiences: aspiring nonprofit leaders, nonprofit executives and managers, and nonprofit board members. Each chapter begins with a section centered on the needs of *Future Leaders*, followed by one targeting the needs of current *Executives and Managers*, and ends with a section focused on helping nonprofit *Trustees*.² If you are a student or work in a nonprofit and aren't yet a manager or executive, then you are a future leader! Thank you for choosing a purpose-driven career (one motivated by personal meaning and commitment to a cause). I hope the many insights and strategies in this book help you achieve your career aspirations.

Constructing the book in this way helps ensure that the content is tailored to the needs of each audience. It also helps me, as an author, to be concise and worry less about the experience and knowledge each reader is likely to have or what challenges they are likely to encounter. Below, I've

2. While not legally accurate, I use the terms trustee, board member, and director interchangeably. In all cases, I am referring to a person serving on a nonprofit board who is charged with providing oversight of the organization's operations, making strategic decisions like selecting a CEO, and ensuring that the nonprofit complies with legal and ethical standards. In some cases, this person may also hold fiduciary duties related to a charitable trust, foundation, or endowment.

outlined what I see as the defining attributes of each of these audiences. Not every attribute will apply to you, but I'll share them for context.

<i>Audience</i>	<i>Defining Attributes</i>
Future Leaders	<ul style="list-style-type: none"> • Students and those who are early-to-mid career • Still have directional career choices • Likely passionate and hopeful about the future • Naïve about some aspects of leadership • Hungry for knowledge, coaching, and development
Executives & Managers	<ul style="list-style-type: none"> • Mid-to-late career • Focused on finances, strategy, or operations • Decisive and confident (perhaps overly so) • Busy and pragmatic (looking for solutions) • Potentially jaded about future possibilities
Trustees	<ul style="list-style-type: none"> • Late career • Governance and mission focused • May not have had the experience of being a nonprofit executive • May feel ill-equipped for some topics and thus reliant on the perspectives of the CEO or other board members • Have a higher tolerance for theoretical and abstract conversation

Table 0.1 Defining Attributes of Reader Segments

View each section heading as a signal that the content will be particularly relevant for that audience. That said, you won't get much out of this book if you just read the sections that target your current role. The sections for *Executives and Managers* and those for *Trustees* build upon the concepts introduced in the *Future Leaders* sections. There are benefits to this approach. For example, many trustees have not served as nonprofit executives. Developing a deeper understanding of the strategic and operational challenges facing executives will help these trustees provide more valuable input to their executive team. Another benefit is specific to aspiring leaders. The sections focused on managers, executives, and trustees

provide future leaders with a sneak peek into the likely challenges, considerations, and motivations of the current leaders in their organization.

By allowing the reader to explore the concerns and perspectives of different roles, I hope to help these different audiences better understand and communicate with one another. Improving cross-functional communication is essential to creating a more efficient and effective nonprofit sector. It's also important to remember that roles change. Today you may be an aspiring nonprofit employee, but next year you may find yourself in a boardroom presenting to your trustees. Or perhaps you've just become a manager. Something in a *Future Leaders* section may help you better connect with and mentor the team that now reports to you.

Two other audiences may find value in these pages. One is employees of nonprofits without current management duties or aspirations. These are usually technically focused employees most interested in honing their skills and delivering the unique value they provide. Even if you have no desire for a formal leadership position, these pages have concepts and ideas that will help you better translate the organization's strategy into success and improve your value to the team. The other audience for *The Nonprofit Dilemma* is philanthropic or government leaders who partner extensively with nonprofits and are looking for ways to help them be more efficient and effective.

It's been my experience that well-meaning philanthropic or government funders can (at times) constrain the solutions to tough problems. I'm talking about things like overly specific funder priorities, favoritism for individual organizations or certain thought leaders, or restrictive beliefs (sometimes ill-informed) about what works and what doesn't. Instead of encouraging creativity and innovation in the nonprofit sector, these constraints have the unfortunate effect of limiting progress on the very things funders care about. Perhaps the ideas in this book will help some in the funder community think differently about their relationship with nonprofits.

If you're reading *The Nonprofit Dilemma* after a long career, some of what is offered may seem self-evident—things you learned long ago. However, future leaders may not yet have learned these simple truths, and we should do all we can to equip them for success. There is real value in describing concepts and frameworks more clearly—even those we *believe* are widely understood. This book's foundational content may be helpful

when explaining your own decision-making or mentoring promising employees.

Identifying leadership challenges

This book is full of ideas, lessons learned, and opinions. You can expect to learn why everything starts with clarity of purpose; how there's tension between mission and fiduciary goals in the background of most decisions; and why the best business development strategies create leverage.

You can also expect advice and tools to help with a myriad of leadership challenges:

- Selecting the right strategy and executing it.
- How to build a purpose-driven team and empower them to be successful.
- Where to focus your team, your board, and your own energies.
- The best ways to tackle common governance issues.
- How to write winning grants and attract donors.
- What to focus on when measuring and communicating impact.
- Finding and embracing values that differentiate your nonprofit.
- How to deal with the inevitable “brilliant jerk” (and the not-so-brilliant ones).
- How to build effective partnerships and motivate your collaborators.

In my eagerness to deliver value to you, I'll relay my opinion on lots of issues in a frank manner. On some particularly complicated topics, I may argue both sides of an issue and leave it to you to decide which is most compelling. But in most cases, I'll take a position. At times, you may disagree with my perspective. That's fine. My carefully considered opinion may very well be wrong. As a leader (or aspiring one), you should also remain open to the possibility that your opinion might be due for a refresh.

Our experiences, belief systems, and biases shape our attitudes and opinions. How strongly we cling to those in the face of evidence that clashes with them is a direct reflection of our leadership potential. As leaders of purpose-driven organizations, we must have the courage to peri-

odically (and honestly) assess our convictions and the soundness of their logic. We all know it takes confidence to express an opinion. But “kicking the tires” on that opinion and seeking to better understand opposing viewpoints is a fundamental aspect of leadership maturity. It takes *introspection* to recognize confirmation bias (the tendency to favor information that confirms your existing beliefs). It takes *humility* to question what you “know” to be true. And it takes real *courage* to actively seek out evidence and perspectives that might lead you to different conclusions. My job as an author is relatively easy—to share what I have learned and my perspective on the challenges facing nonprofit leaders. Your job as a leader—deciding on and owning a particular course of action—is much more difficult.

Throughout *The Nonprofit Dilemma*, I’ll ask questions to encourage introspection. While writing, I imagined discussing these topics with a trusted colleague. I’ve always found that asking questions was a useful way to encourage introspection and foster a mutual understanding. As we embark on this journey together, let me start by asking some big picture questions:

- *What is preventing you from changing the world for the better? Is it a person? Is it resources? Is it fear?*
- *Maybe you feel you are already changing the world for the better. If so, what’s preventing you from doing more?*
- *Is there some aspect of your organization that is distracting or constraining you? Are you struggling to attract the right talent? Or motivate the right stakeholder?*

Whatever the barrier is, be honest with yourself about it. As you read this book, look for ideas and tools that will help you overcome that barrier. I’m rooting for you.

I hope you enjoy *The Nonprofit Dilemma* and that it ignites (or reignites) your passion for nonprofit leadership. I also hope it comes in handy on your journey to better the world (or at least your little corner of it)!