

# Nonprofit Lessons for the Business World:



*What Proposal Professionals  
in the Private Sector*

*Can  
Learn  
from Nonprofit  
Organizations*

*By DR. JAYME A. SOKOLOW*

Funding in the nonprofit sector comes from a wide variety of sources, including grants from foundations and corporations. Although most proposal professionals work in the private sector, they can learn important lessons about developing successful proposals from their counterparts in the nonprofit world.

## The Nonprofit Sector: An Overview

When the Frenchman Alexis de Tocqueville visited our shores in 1835, he remarked that “whenever at the head of some undertaking you see the government in France, or a man of rank in England, in the United States you will be sure to find an association.” Nonprofit organizations have played a vital role in American life for two centuries.

They include an incredible variety of institutions—soup kitchens and storefront ministries, political organizations and hospitals, museums, synagogues and mosques, public policy organizations, and research institutes where scientists study dolphins. They serve as indispensable vehicles to fulfill many of our greatest cultural, spiritual, and social needs.

US tax laws contain almost 30 separate sections under which organizations can claim exemption as nonprofit organizations from federal income taxes. Despite their great variety, nonprofit

*more...*

organizations have six basic characteristics:

- They are private organizations separate from the US government.
- They do not generate profits for their founders or boards of directors.
- They are self-governing.
- They serve a public purpose and claim to contribute to the public good.
- They have legal standing as corporations chartered under state laws with formal recognition by the Internal Revenue Service.

America's dynamic nonprofit sector includes such organizations as Harvard University, the Girl Scouts of America, Catholic Relief Services, the Metropolitan Museum of Art, the American Federation of Teachers, and the National Rifle Association. The nonprofit sector is composed of two very different kinds of organizations: member-serving organizations and public-serving organizations.

In 1998, there were about 400,000 member-serving organizations in the United States. They include social clubs, business and professional associations, labor unions, mutual benefit and cooperative organizations, political advocacy groups, and political organizations. Many of them are small and serve a local constituency.

About 1,200,000 nonprofit organizations are public-serving in character. They account for 90 percent of the nonprofit sector's employment and include religious institutions, educational organizations, service providers, social welfare agencies, and foundations. Some of them are not eligible to receive grants because they carry out lobbying and campaign activities.

Public-serving organizations vary widely in size. While many have a community orientation, others are regional, national, or international in scope.

Public-serving organizations fulfill important community functions as illustrated in the two examples below. They deliver valuable social services, promote the arts and humanities, engage citizens in politics and public policy debates, and help satisfy our spiritual yearnings. They help protect us against economic misfortune and exploitation, secure human rights and civil liberties, and preserve and promote cherished social and cultural values. They are a critically important part of our civil society.

Today, the nonprofit sector includes about 1.6 million identifiable organizations with revenues of about \$700 billion, or about 10 percent of the US gross domestic product. Nearly 12 million people work as employees of nonprofit organizations, or about eight percent of the nation's workforce. About 95 million Americans reported volunteering for nonprofit organizations, almost as many as voted in the last presidential election.

*Despite the national publicity generated by large grants from foundations, over four-fifths of charitable giving in the United States comes from individual contributions.*

## Ripples of Hope— One Nonprofit Organization's Story

Though the Simon Wiesenthal Center is now world famous, its beginnings were modest. Rabbi Marvin Hier's office had no furniture—just a telephone on the floor.

Rabbi Hier started the nonprofit organization in 1977. The name of the fledgling Los Angeles-based human rights organization was a stroke of genius. Simon Wiesenthal, the great Austrian Nazi hunter and passionate advocate of freedom, had given Rabbi Hier permission to use his name.

Under Rabbi Hier's inspiring leadership, today the Wiesenthal Center has become one of the world's leading Jewish human rights organizations. Much its financial support comes from individual donors around the world. It also receives appropriations from the states of California and New York and grants from foundations, corporations, and federal agencies.

With a membership of more than 400,000 families, it maintains offices in New York City, Miami, Toronto, Paris, Jerusalem, and Buenos Aires. The Wiesenthal Center's Museum of Tolerance, opened in 1993 at a cost of \$55 million, is a high-tech, interactive experiential museum that focuses on the Holocaust and the dynamics of racism and prejudice in America. Almost 300,000 visitors flood the museum each year, most of them young people.

The Center's Moriah Films has won two Academy awards for its documentaries on the Holocaust. Its educational programs, which have reached over 30,000 teachers and law enforcement officials around the country, were cited by the President's Initiative on Race as one of many "efforts that are successfully bridging racial divides in communities across America." Now the Center is building a \$100 million Museum of Tolerance in Jerusalem with the help of a \$40 million donation from one of its board members.

## Ripples of Hope— Another Nonprofit Organization's Story

On May 17, 1997, the Coalition for the Capital Crescent Trail won a great victory when Montgomery County, Maryland officials opened an eight-mile paved trail from downtown Bethesda to the Chesapeake and Ohio Canal in Washington, DC.

In 1988, Montgomery County bought the trail right-of-way from CSX Corporation for \$10 million under the Rails to Trails Act, which helps turn abandoned railways into pedestrian paths. One year later, the purchase became embroiled in controversy when the governor offered Montgomery County \$70 million to build a trolley line on the trail from downtown Silver Spring to downtown Bethesda. As costs for the proposed trolley skyrocketed and some residential areas opposed it, the trolley project diminished in popularity.

Meanwhile, local citizens formed a nonprofit organization, the Coalition for the Capital Crescent Trail, to encourage the County to construct a hiker-biker trail on the old CSX tracks. The Coalition is a membership organization that has built many alliances with local, regional, and national groups to become a strong voice in Montgomery County. After petitions, rallies and plenty of political pressure, the Coalition helped convince Montgomery County officials to build a trail.

Since then, the Coalition has continued to promote extending the trail, which now goes 11 miles from the edge of Rock Creek Park in Chevy Chase, Maryland to Fletcher's Boathouse on the Chesapeake and Ohio Canal, only two miles from Georgetown. Currently, the Coalition wants County officials to complete the 4.5 mile section from downtown Silver Spring to Rock Creek Park.

Although local businesses and homeowners were once a little wary about the trail, today everyone seems to think the Capital Crescent Trail is a gem. On a nice day, the beautiful, well-shaded trail attracts many enthusiasts from happy toddlers in baby carriages to energetic senior citizens walking their dogs.

### The Nation's Ten Wealthiest Foundations

FOUNDATION	ASSETS IN 2000
Bill & Melinda Gates Foundation (Seattle, WA)	\$21,124,000,000
Lilly Endowment (Indianapolis, IN)	15,241,442,000
Ford Foundation (New York, NY)	14,212,000,000
David and Lucile Packard Foundation (Los Altos, CA)	9,800,000,000
Robert Wood Johnson Foundation (Princeton, NJ)	8,700,000,000
W.K. Kellogg Foundation (Battle Creek, MI)	5,018,000,000
Pew Charitable Trusts (Philadelphia, PA)	4,800,776,253
Andrew W. Mellon Foundation (New York City, NY)	4,750,000,000
John D. and Catherine T. MacArthur Foundation (Chicago, IL)	4,500,000,000
Rockefeller Foundation (New York City, NY)	3,674,000,000

Source: The Chronicle of Philanthropy XIII (February 22, 2001)

Last year, eligible nonprofit organizations received about \$175 billion in contributions. About 85 percent of this amount came from individuals, about 10 percent from foundations, and about five percent from corporations. Despite the national publicity generated by large grants from foundations, over four-fifths of charitable giving in the United States comes from individual contributions.

Almost half of America's charitable giving went to support religious organizations. About \$13 billion went to educational institutions, especially colleges and universities, and about \$46 billion was given to private, nonprofit service organizations like the Simon Wiesenthal Center.

While these figures increased greatly during the economic boom of the 1990s, the percentage of average income donated by Americans—about two percent—has remained steady. Utah leads the nation in its generosity, while residents of New England on average donate the lowest percentage of their income to charitable causes.

One of the most dramatic changes in America's nonprofit sector has been the growth of foundations. In 1975, there were about 22,000 foundations in the United States, with total assets of \$30 billion. Today, there are almost 50,000 foundations, and their total assets are almost \$400 billion.

Most foundation grants are awarded to support projects in human services, education, arts and culture, and community development. These grants often are designed to benefit children and youth, the economically disadvantaged, and minorities.

## The Role of Proposals in the Nonprofit Sector

Funding in the nonprofit sector comes from a wide variety of sources. Member-serving organizations and religious institutions depend heavily on dues and individual contributions.

Service providers and action agencies—which include hospitals, museums, zoos, and providers of education, health care, and social services—may rely on a combination of fees, investments and endowments, direct government support, individual contributions, and grants.

For some nonprofit institutions, especially institutions of higher education, grants can be a major source of support. Most nonprofit organizations, however, are not as fortunate as Johns Hopkins University, recipient of \$45 M in grants in 1998 (see insert, below). Foundation grants are often modest in size and limited to certain localities and areas of interest.

To receive grant support from foundations, corporations, and government agencies, nonprofit organizations must submit proposals. Grant guidelines from government agencies, especially federal agencies such as the National Institutes of Health or the Department of Education, often resemble typical Requests for Proposals in their length, requirements, and specificity.

Grant proposals to foundations and corporations, however, are very different in size and content from RFP responses. In many ways, they more closely resemble the brief, tightly focused commercial proposals that businesses submit to provide products and services to other businesses.

more...

### The Top 15 Nonprofit Institutions that Received Grants (1998)

Organization	State	Dollars	No. of Grants
Washington University	MO	\$98,526,964	58
Harvard University	MA	81,033,820	379
United Way of Central Indiana	IN	63,487,632	30
Columbia University	NY	60,583,560	268
United Negro College Fund	VA	55,059,637	88
Johns Hopkins University	MD	45,171,906	161
University of Michigan	MI	43,036,967	155
Northwestern University	IL	42,989,723	100
Duke University	NC	37,735,041	94
Freedom Forum Newseum	VA	37,305,666	10
Georgia O'Keeffe Museum	NM	34,508,798	6
University of California	CA	34,219,500	195
Monterey Bay Aquarium Research Institute	CA	33,642,978	1
Stanford University	CA	33,176,478	182
University of Pennsylvania	PA	32,341,228	196

Source: The Foundation Center, Foundation Giving, 2000 (2001)

# Foundation and Corporate Grant Proposals

Although foundations and corporations provide only about 15 percent of private support to nonprofit institutions, they are extremely powerful and important components of the nonprofit sector. Their grants help provide visibility, support new initiatives and programs, and leverage other grants and individual gifts.

As in the commercial and government sectors, submitting proposals is only one part of a long process that is designed to build a mutually beneficial partnership between a nonprofit organization and a source of funding. Nonprofit organizations and their funders are natural partners.

Nonprofit organizations have the capacity to address important problems but usually lack the money to implement them. Foundations and corporations, on the other hand, have the financial resources to support nonprofit organizations but do not have the resources or the professional staff to create programs.

Successful nonprofit organizations often focus their efforts on building a network of foundation and corporate funders to support their efforts. Frequently, a proposal is not submitted until a relationship with the funder has been established.

To build partnerships, nonprofit organizations usually go through a six-step process:

**Step 1: Setting Funding Priorities:** Before seeking support, nonprofit organizations must decide which of their funding priorities will translate into competitive proposals. Although a museum may desperately need to remodel its bathrooms, foundations are not likely to fund this type of project.

**Step 2: Drafting a Master Proposal:** Before asking foundations for support, nonprofit organizations usually develop a draft master proposal so they can clearly identify the kinds and amounts of funding requests.

**Step 3: Researching Potential Funders:** Nonprofit organizations must compile detailed information about local, regional, and national funders before they can tailor their proposal to meet specific guidelines.

**Step 4: Contacting and Cultivating Potential Funders:** The most successful nonprofit organizations spend a great deal of time cultivating potential and actual funders. The more a foundation or corporation knows about nonprofit organizations that may apply to them for support, the more they are likely to respond positively to grant applications. Especially on the local level, cultivating relationships with foundations and corporations may be as important as submitting great proposals because funding decisions are often made personally by the foundation Executive Director or corporate Director of Community Relations.

**Step 5: Submitting the Proposal:** Based on the information gained from research and relationship-building, nonprofit organizations tailor their master proposals to reflect the foundation's or corporation's specific guidelines and interests.

**Step 6: Following Up:** If the proposal is approved, successful nonprofit organizations find ways to recognize this support and cement a lasting relationship with the foundation or corporation. If the proposal is turned down, the nonprofit organization evaluates whether cultivation and a stronger proposal would help next time. There may be cases where a rejection indicates that there is not a strong enough basis for a partnership.

Foundation and corporate grant guidelines vary, but usually the required narrative portion of the proposal is between five and ten pages long and includes fairly standard items. The Washington Regional Association of Grantmakers has developed a common grant application format that nicely summarizes the requirements of most foundation and corporate proposals. It includes the components listed at left.

## What Makes Grant Proposals Competitive?

What are the characteristics of competitive proposals to foundations or corporations? Evaluations criteria vary, but there are some commonalities. When seeking grants from foundations and corporations, successful nonprofit organizations take the advice listed below to heart.

Grant Proposal Component Guidelines (per Washington Regional Association of Grantmakers)	
SECTION	CONTENTS
<b>I. Executive Summary</b> (maximum of two pages)	<ul style="list-style-type: none"> <li>• Basic information on applicant</li> </ul>
<b>II. Narrative</b> (maximum of 10 pages, 12-point font, double-spaced, one inch margins)	<ul style="list-style-type: none"> <li>• Organizational background</li> <li>• Goals and outcomes</li> <li>• Organizational capacity</li> <li>• Project</li> <li>• Evaluation plan</li> <li>• Sustainability</li> </ul>
<b>III. Finances</b> (attachment)	<ul style="list-style-type: none"> <li>• Project budget</li> <li>• Applicant's annual budget</li> <li>• Applicant's previous, current, and projected year's revenues and expenses</li> </ul>
<b>IV. Attachments</b>	<ul style="list-style-type: none"> <li>• Internal Revenue Service Determination Letter</li> <li>• Resumes of key project staff</li> <li>• List and description of board of directors</li> <li>• Current letters of support</li> </ul>
<b>V. Optional Attachments</b>	<ul style="list-style-type: none"> <li>• Annual Report</li> <li>• Current articles or reviews about applicant's programs</li> <li>• Most recent audited financial statement</li> </ul>

## What Foundation Professionals Say

The following quotations from foundation professionals are found in the *Guide to Proposal Writing* (1993) by Jane Geever and Patricia McNeill. They get to the essence of what constitutes a competitive grant proposal.

*“A good proposal helps us see how our investment in you will have a long-term impact. It indicates to us your plans for future support. It says the board is committed to this project.”*

*“In a good proposal everything is up front and obvious.”*

*“A proposal doesn’t succeed. It’s the project that succeeds.”*

*“A proposal succeeds because there is a congruence of their ideas and our priorities. We are looking for unusual ways to solve problems.”*

*“The proposal should be a microcosm of the project. We are looking for a good project within our guidelines. We are not only looking for vision, but also the leadership to implement it. We are investing in leaders.”*

*“Stick with clarity and no fluff.”*

*“Provide a clear statement of the request, a clear statement of the need, and a clear statement of how the need will be met.”*

*“If it is clear, concise, and to the point, everything should be there without having to look for it. There should be meat on the bones but no fat.”*

*“People give to people. So develop relationships with the foundation’s program staff. This is essential. In a competitive environment we have too little money to fund too many good programs. An organization we know is more likely to get funded.”*

*“We are looking for partners.”*

### Personal Pre-Proposal Presentation(s).

Foundation professionals understand that the most effective fundraising technique is a personal presentation to a potential funder before a written proposal is submitted. If the presentation is effective, the chances of a successful proposal greatly increase.

**Focus on the Funder’s Mission.** Successful fundraisers carefully study foundation and corporate grant guidelines to ensure that they respond very specifically to the potential funder’s initiatives and mission. Successful applicants know that grant applications differ widely in form, style, and content depending on the grant guidelines and the type of project being described.

Large nonprofit organizations such as the Simon Wiesenthal Center have their own development offices and proposal writers. In smaller nonprofit organizations, the president or executive director typically writes the proposals.

**Build Partnerships.** To build lasting, trusting partnerships with foundations and corporations, nonprofit organizations engage their funders in the projects they are supporting. Engagement creates strong and long lasting partnerships that benefit both parties.

**Develop Master Proposals.** To make the proposal development process as efficient as possible, successful nonprofit organizations develop master proposals. These documents can be easily modified to address specific grant guidelines. Despite their variety, winning grant proposals usually answer the following questions clearly, concisely, and persuasively:

- What is the problem you are addressing?
- What is your solution?
- Why is it likely to be a sound and cost-effective solution?
- Why are you qualified to do it?
- How will you sustain your project?
- How will you measure outcomes and success?

## Resources

As the nonprofit sector has blossomed in America, so have grant proposal resources. Today, there are dozens of excellent books and guides to help nonprofit organizations win support from foundations and corporations. There are also many specialized resources to identify potential sources of funding.

The Foundation Center (<http://www.fdncenter.org>) is the best place to begin. Created as an independent, nonprofit information clearinghouse in 1956, the Foundation Center collects and disseminates information on foundations, corporate giving, and related subjects. It also offers a variety of training and educational seminars. Visit the Foundation Center’s excellent Web site or its comprehensive libraries in Washington, DC, Atlanta, Cleveland, New York City, and San Francisco. The Foundation center also has more than 200 Cooperating Collections of nonprofit resources throughout the United States.

*The Chronicle of Philanthropy* (<http://www.philanthropy.com>) is the best periodical publication

*more...*

on the nonprofit sector in the United States. Published bi-weekly, it provides timely information on nonprofit organizations, foundations, and corporate funders. The *Chronicle of Philanthropy* also provides good coverage of trends and challenges facing the nonprofit sector.

The Council on Foundations (<http://www.cof.org>) is a major membership organization of philanthropy. Its Foundation News and Commentary and Web site are excellent resources. The Independent Sector's Web site (<http://www.independentsector.org>) also contains valuable information on the foundation world.

## Proposal Professionals and the Nonprofit World

There are several good reasons proposal professionals working in the private sector should pay close attention to the nonprofit world.

First, the nonprofit sector can be a source of career opportunities for proposal professionals. Every week, *The Chronicle of Philanthropy* (<http://www.philanthropy.com>) advertises development positions at hospitals, museums, service providers, advocacy organizations, and educational institutions, especially colleges and universities.

Larger nonprofit organizations routinely hire proposal professionals. Tired of writing proposals to build the Navy's next generation submarine? If you are ready to turn your idealism into a career, consider employment in America's burgeoning nonprofit sector. You may find organizations like the Center to Prevent Handgun Violence or your local hospital very gratifying places to work. Before you apply, however, you should gain some experience as a volunteer writing nonprofit grant proposals.

And second, many proposal professionals, like many Americans, voluntarily participate in charitable causes.

Harvard University is doing very well without your professional assistance, but the same cannot be said for many small, local nonprofit organizations that depend heavily upon volunteerism. Their professional staff is stretched to the limit and financial resources are modest. These organizations typically must augment their operating budgets with grants.

Some proposal professionals have helped a favorite local charity create a master proposal. As Robert F. Kennedy said, "each time a person stands up for an ideal, or acts to improve the lot of others, they send forth a tiny ripple of hope."

Despite their importance in American life, nonprofit organizations are inherently fragile organisms that must constantly adjust to new circumstances and opportunities in order to survive. By working with the nonprofit sector to develop proposals, proposal professionals can help strengthen our civil society, make their community a better place, and enhance their professional skills.

## Lessons For The Business World

There is another important reason proposal professionals working in the private sector should pay close attention to the nonprofit world. The nonprofit sector can teach proposal professionals at large four important lessons about developing successful business proposals:

- Proposals are part of a larger acquisition process that begins with setting organizational priorities, marketing the organization to prospective funders, and then responding with a written document. The quality of the proposal often depends on the thoroughness of the acquisition process.
- Building a close partnership with a potential client is extremely important. Funders are always looking for organizations they can trust, respect, and rely on to help achieve their missions.
- Proposals, regardless of their size, should be clear, straightforward, and readable. Clarity remains an important element in the art of persuasion.
- Every proposal should identify a problem and demonstrate how its solution will address this problem. Good proposals make compelling arguments.

These points may sound obvious, but too many businesses seem to routinely develop proposals that ignore these tried and true principles from the nonprofit world.

America's most successful nonprofit organizations have developed an impressive ability to generate a wide variety of revenue sources to support their operations and programs. Last year, they received almost \$26 billion from foundations and corporations in the form of grants in addition to billions of dollars in contracts from state and government agencies. With their powerful combination of idealism and hard business sense, nonprofit organizations have important lessons to teach proposal professionals in the private sector.

## References

- The Foundation Center. *Foundation Giving 2000*. Washington, DC: The Foundation Center, 2001.
- Geever, Jane C. and Patricia McNeill. *Guide to Proposal Writing*. Washington, DC: The Foundation Center, 1993.
- Salamon, Lester M. *America's Nonprofit Sector: A Primer*. Washington, DC: The Foundation Center, 1999.
- Seltzer, Michael. *Securing Your Organization's Future: A Complete Guide to Fundraising Strategies*. Washington, DC: The Foundation Center, 1987.
- Tocqueville, Alexis de. *Democracy in America*. 1845, New York: Vintage Books, 1945. Vol. II.
- White, Virginia, ed. *Grant Proposals that Succeeded*. New York: Plenum Press, 1983.

## Web Sites

- <http://www.wiesenthal.org>
- <http://www.fdncenter.org>
- <http://www.philanthropy.com>
- <http://www.cof.org>
- <http://www.independentsector.org>

Dr. Jayme A. Sokolow is the founder and president of the Development Source, Inc., a Silver Spring, MD proposal services company that works with both nonprofit organizations and businesses. He also is the president of two nonprofit organizations. You can contact him at [JSoko12481@aol.com](mailto:JSoko12481@aol.com) or <http://www.development-source.com>.

He wishes to thank Laura Savely and Catherine Lerza for indispensable assistance in preparing this article.