

INVESTING IN LEADERSHIP TO BUILD A SUSTAINABLE NONPROFIT SECTOR

Kerry Sullivan

Bank of America Charitable Foundation

Today, across the United States, we face enormous challenges that require extraordinary leadership to solve. One in seven families in America is at risk of hunger, youth unemployment is double the national average, and poverty and income inequality rates have risen over the past five years. It's clear that strong, collaborative leadership across the public, private and nonprofit sectors is essential to help address these pressing concerns and help individuals and families from vulnerable communities gain economic mobility. A great example is how Houston leaders, including a range of nonprofits and public officials, joined forces to work on the issue of homelessness in a new and innovative way that helped reduce chronic homelessness by nearly 60 percent. However, in order to help leaders do more, we need to expand opportunities to bring more capital into the equation and encourage honest dialogue about true costs, intended impact and sustainability. An evidence-based approach to funding provides promise. But to realize the true potential of this approach, we need to consider investing in nonprofit leadership so they are ready to meet this change.

New technologies and innovations are changing dynamics across industries, and the nonprofit sector is no different. The sector's leadership must be able to anticipate and navigate economic, societal, and sector-wide changes if they are to support the most vulnerable people in our society. The nonprofit landscape has undergone significant changes in the last decade, and the way organizations operate now is very different today than it was ten or 15 years ago. The pace of change shows no sign of subsiding. Since the recession, nonprofit leaders have faced a huge increase in demand for their services. In fact, Nonprofit Finance Fund's 2015 State of the Sector survey found that 76 percent of

nonprofits reported an increase in demand for services—the seventh year that a majority reported increases. To cope with overwhelming demand, nonprofits have had to learn to do more with less to survive and try to meet needs. However, the reality is that traditional financing from government and philanthropic funders cannot cover the extensive financial needs of our communities, and we're called upon to look at the full spectrum of how we invest in communities in order to advance social change.

OPPORTUNITIES TO BUILD A STRONGER NONPROFIT SECTOR THAT CAN MEET COMMUNITY NEEDS

Expanding the tent of investors that support nonprofits' work. Results-based funding, impact investing in particular, has fundamentally changed the dialogue within the system and how government, private, and nonprofit sectors intersect. Nonprofit leaders must begin to rethink their business model in order to deal with the reality of today's funding experience. While the move to results-based funding is still nascent, we are seeing it shake up the way that nonprofits do business. It's a welcome change to how we deliver resources to address the intractable issues we face, but we must empower nonprofit leaders to deliver the necessary metrics through more informed dialogue with investors. In addition to answering the age-old questions of how they can create positive change in their community, take their model to scale, and make it sustainable, we need to have a more comprehensive conversation around their business model and long-term sustainability. All of this requires leadership from our nonprofit trailblazers, as well as a deeper understanding by funders and investors of the fundamental issues at stake.

Structuring and measuring programs to demonstrate outcomes. Under traditional financing models, government and funders want to see monitoring and evaluation of the programs, but they often do not provide the funding to cover this work. In many cases, nonprofits use their own capital, or dollars not included in the grant, to cover the cost of evaluation. Results-based funding turns this on its head. Investors focus on the outcome, not the model that establishes how you're going to get there. Monitoring and evaluation are at the very heart of an outcome-focused approach, and nonprofits can ask to be compensated to cover this work. While many large funders are increasingly willing to pay for evaluation to

cover their investment, this alone is not a sustainable model. Nonprofits also need to embrace a different operating model that leverages technology and data so that they can build and oversee systems to track outcomes. This often requires new managerial skills as well as additional capital investment.

HOW INVESTMENTS IN LEADERSHIP SUPPORT TODAY'S RESULTS-BASED MODEL

In any situation, nonprofit leaders must have a clear vision for how their organizations will create change in their communities, and this is pivotal in a results-based model. To help investors believe enough to invest in them, nonprofit leaders have to demonstrate that they are well-integrated in their local community and can work with government to create change at scale. Additional coaching and support, can be instrumental in helping nonprofit leaders create the networks and integrated partnerships needed for success.

I've seen from more than 13 years of Bank of America's Neighborhood Builders program that investments in nonprofit leadership deliver significant return for our communities. For example, Pine Street Inn in Boston has supported homeless people with emergency shelter for many decades. After being recognized as a Bank of America Neighborhood Builder—an award that enables high-performing nonprofits to advance their strategic planning by investing in their leadership in conjunction with flexible funding—Pine Street Inn conducted a study of their clients and found that a majority of those seeking emergency shelter were actually repeat guests who had numerous challenges. Pine Street Inn's leadership evolved their services to more effectively work on ending homelessness by no longer focusing solely on providing emergency shelter services, but rather working to move people into supportive housing—and they are expanding their services on that front. It's a longer-term solution in partnership with the city, offering a full range of supportive services that address the underlying issues at the heart of homelessness. Examples like this show that nonprofits can adapt their model to deliver an even deeper community impact when their leadership is supported to make change.

Put simply, valuing and investing in nonprofit leadership is critical to the success of the sector and how we will make the shift to focusing on

outcomes. Results-based funding offers a tremendous opportunity to deliver meaningful change in our communities. And it can be achieved if we invest in the people who will oversee this change—nonprofit leaders. By supporting nonprofit leadership, we can actually help create more effective nonprofits that can deliver the vital services, track outcomes and effectively work across sectors to achieve the ultimate goal of changing the lives of individuals and families to put them on a path toward economic progress and shared success.

KERRY HERLIHY SULLIVAN is president of the Bank of America Charitable Foundation, whose mission is to help advance economic mobility for individuals, families and communities in order to create thriving communities across the company's global footprint. In this role, Sullivan leads a team responsible for philanthropic strategy in support of the company's commitment to responsible growth through a focus on environmental, social and governance factors. The foundation is delivering on a ten-year \$2 billion philanthropic giving goal, with a particular focus of serving low-income communities and vulnerable populations.