

What Nonprofits Can Learn From the Best Well-Run Businesses (and Vice Versa!)

7 min read

The image is a podcast cover for 'Path to Profit'. It has a dark blue background with a bar chart on the right side showing an upward trend. The title 'NONPROFIT FUNDRAISING: LESSONS FROM THE BEST FOR-PROFIT BUSINESSES' is written in white, bold, sans-serif font. Below the title are two circular headshots: Stephen King on the left and Jennifer Lehman on the right. Their names and titles are listed below their photos. The 'Path to Profit' logo is in the top right, and the 'GrowthForce' logo is at the bottom right.

**NONPROFIT FUNDRAISING:
LESSONS FROM THE BEST
FOR-PROFIT BUSINESSES**

*Path to
PROFIT
PODCAST*

Host:
Stephen King
Podcast Host, CEO, GrowthForce

Guest:
Jennifer Lehman
President & CEO, Mission Advancement

GrowthForce

Key Takeaways

- **What's the Primary Difference Between Nonprofits and For-Profits?** Both nonprofits and for-profits need to generate revenue, and a successful nonprofit needs to be run just like a successful for-profit.
- **3 Essential Lessons From the For-Profit World:** In the for-profit world, some types of customers generate better profit margins than others, and the same is true in the nonprofit world, as well.
- **Storytelling Fundraising (Marketing) Is Key:** Nonprofits can leverage the power of storytelling with impact statements. Impact statements help donors understand exactly what their dollars can do...

Think about it...Everyone's goal is to break even at the very least, and at the very best have a surplus or profit at the end of the year. Since both types of organizations operate with the same goals in mind, nonprofit and for-profit leaders can learn a lot from each other in terms of how to effectively raise money and generate profits.

In a recent episode of Path to Profit, GrowthForce CEO Stephen King talked with [Jennifer Lehman](#), the President and CEO of [Mission Advancement](#). She shared the best practices that any nonprofit can take from the for-profit world in addition to discussing some of the [most effective fundraising strategies for nonprofits](#)

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Whether you're at the helm of a nonprofit or a for-profit business leader serving on a nonprofit board, Lehman offered important lessons for any business leader to learn.

What's the Primary Difference Between Nonprofits and For-Profits?

Both nonprofits and for-profits need to generate revenue, and a successful nonprofit needs to be run just like a successful for-profit. Despite the name "nonprofit," the goal of every charitable organization's leaders should be to end the year with a surplus.

"Nonprofits do turn profits," Lehman said. "Everybody's goal is to break even at the end of the year and even to have surplus at the end of the year. It's just what we do with it that makes the difference."

So, what's the real difference between nonprofits and for-profits, and how does it affect the way they are run?

According to Lehman, the most significant difference between the two is that the for-profit world almost always has only one set of customers. For example, a sandwich shop has a single set of customers that buys and eats their sandwiches. As a result, for-profit business owners clearly understand who their target market is and how to reach them.

Now, nonprofits differ in that they serve two distinct groups of customers. The primary customer group is made up of the people whom the mission serves. Primary customers include the people we refer to as the focus of the mission. In a homeless shelter, for example, the people being housed at the shelter make up the organization's primary customers.

Nonprofits, Lehman said, also have a unique set of customers, the funding base. Although some organizations have a bit of overlap between the funding base and the primary customer, most of the time, they are two distinct sets.

For the most part, Lehman noted, "*The funding base looks different, thinks different, and has different needs and desires as far as how they interact with your organization.*"

She went on to explain that, "*what [her organization teaches] is this whole concept of thinking [of] this other customer base as just as important, just as relevant as your primary customer.*" She said, "*Who is serving them, speaking to them, and engaging them in your mission has everything to do with how you grow, how much money you can raise, and how you can scale as an organization.*"

When for-profit business leaders participate on nonprofit boards, it's essential that they, along with their executive directors, are strategizing with both customer bases in mind. They should be thinking both about how they are going to reach more of their primary customer base, in addition to considering how they should be talking and marketing to their funding base.

Nonprofit Fundraising: 3 Essential Lessons From the For-Profit World

1. Some Revenue Channels Are More Impactful (Profitable) Than Others

"If your job is to fund your mission, you have to spend time and energy with funders who can move the needle for you in significant ways," Lehman said.

In the for-profit world, some types of customers generate better profit margins than others, and the same is true in the nonprofit world, as well. By identifying the most profitable revenue streams, business leaders also identify where they should focus their resources to generate the best ROI.

According to statistics from Giving USA's 2021 Annual Report on Philanthropy ^[1], **nearly 80% of giving comes from individual donors**, while only 15% comes from foundations and a mere 5% comes from corporations.

Lehman explained that all nonprofit leaders should take a look at their philanthropy landscape and look at how their donated revenue dollars breakdown. If your donations tend to be heavier on the corporation or foundation side of giving, then you're not tapping into the vast majority of the philanthropy market.

"Individual donors are the most sustainable and scalable part of your philanthropy strategy," Lehman remarked. *"That's where your time and efforts should be spent."*

2. Your Existing Donor (Customer) Is Your Best Donor (Customer)

"Your best customer is your current customer," Lehman said. "We hear that a lot in the for-profit space. In the nonprofit space, in the donor base, it is no different."

She continued, explaining, *"One of the things that we see nonprofits do, that I think is extremely inefficient and can really stagnate your growth, is they're always looking for new donors. They're always looking at new acquisition strategies, how to get more people in their pipeline, and those are noble efforts, but at the same time, they're forgetting about their current customers."*

Lehman explained that the most successful nonprofits look carefully at their donor base, and see that some donors are more important to your mission than others. So, it becomes necessary to segment your donor base and develop different strategies for how you interact and engage with those segments.

Read More: [Raise More Money By Showing Donors the ROI of Their Gift](#)

Typically, a very small portion of donors make up the majority of an organization's revenue, and this means that focusing on donor retention in this particular segment is vital and very different from spending the majority of your time and other resources focused on donor acquisition strategies.

"If your number one job is to retain that customer base, that donor base," said Lehman, "you can meet an extraordinary amount of your budget for next year just through retention strategies."

By focusing on donor retention, rather than acquisition, nonprofit leaders are much more likely to see a better ROI on their fundraising spend because existing donors are usually repeated donors.

As Lehman described, *"If they've said 'yes' once, there's a reason, and there's absolutely no reason to believe that they won't say 'yes' again if they believe that your organization is doing good work and their dollars are being stewarded well."*

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3. Storytelling Fundraising (Marketing) Is Key

In the for-profit world, marketing focuses on storytelling – it's not just about presenting a product and a price. For-profit marketing focuses on identifying the customer's pain points and demonstrating how specific products or services can solve problems, heal pain, and leave the customer feeling better than ever before.

Read More: [The Nonprofit Annual Report: Do Your Numbers Tell a Story?](#)

In nonprofit fundraising, marketing shouldn't be any different. According to Lehman, "*Being able to tell your story in quantifiable ways, helps you with that donor engagement conversation, with pulling the curtain back and showing the donor what that really means to your organization.*"

Nonprofits can leverage the power of storytelling with impact statements. Impact statements help donors understand exactly what their dollars can do, how they can make a very real, tangible difference in the world. For example, you can bring your mission and a donor's money to life by telling a donor that a recurring gift of \$500 per month provides regular meals to X number of families.

These types of statements can be used to inspire giving. Impact statements, however, are not only useful when asking for donations, but they also bring missions to life. Additionally, they can and should be used to acknowledge gifts and cultivate long-lasting relationships.

For example, Lehman recommends that nonprofit leaders take the time to sit with their existing donors and let them know that the \$5,000 they gave helped to house a family for an entire year. This shows donors the very real reward and impact of their generosity, and that can have an incredibly positive effect on your donor retention rate.

Remember That It Doesn't Hurt to Ask: Approaching Donors During Difficult Times

Lehman also pointed out how nonprofit leaders should continue their fundraising efforts – even during difficult times. For-profit businesses have continued to sell their products and

services through the pandemic, and nonprofits (whose missions are more important now than ever) shouldn't stop fundraising either.

Asking your donor base to step up and help you out during difficult times is completely acceptable and something that nonprofits should be doing. For donors, giving during tough times actually amplifies the positive feelings of being generous and doing a good thing. So, by asking for help, you're providing donors with the much-appreciated opportunity to be generous.

Plus, individual giving in 2020 during the pandemic actually increased by about 10% in the United States. [2] "*Philanthropy was not only stable and resilient, but it grew because history tells us that we are, first of all, an incredibly generous culture and country,*" Lehman said. "*In difficult times, we have weathered those storms very well.*"

It Starts With Your Numbers: Are You Confident In Your Accounting Function?

Whether you run a Nonprofit or For-profit, having actionable financial intelligence is crucial to making strategic decisions for long-term success.

This is a lot easier with the right team and technology in place. Consider outsourcing your back office to a remote, expert team. Not only is it cost-effective, but it helps free up the minds of you and your employees to focus on profit (or mission) driving tasks- rather than being bogged down by administrative tasks.

Hiring and managing an in-house accounting department is a costly distraction in both time and money. With cloud-based accounting and bookkeeping, you'll typically spend less money and gain more time to grow your organization.

Read More: [Cost Analysis: Outsourcing vs. In-House Accounting](#)

[1] <https://store.givingusa.org/products/2021-annual-report?variant=39329211613263>

[2]

<https://philanthropynetwork.org/news/giving-usa-2021-year-unprecedented-events-and-challenges-charitable-giving-reached-record-47144>