Spring 2006

Overcoming a Deficit During a Time of Change: Improving the Community Resource Center's Financial and Strategic Planning

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Abstract

The Community Resource Center (CRC) is a 25 year old nonprofit organization providing capacity building services to nonprofits throughout Colorado. Amidst a changing nonprofit sector, CRC has experienced a significant excess of expenses over revenue. The purpose of this paper is to understand why this financial decline has taken place and use an action research method to identify a series of possible solutions designed to strengthen CRC's organizational and financial management. Through analysis of data collected from CRC's staff, Board, and clients, recommendations have been developed. Improved pricing systems, improved financial awareness of the staff and Board, and a plan to bring new revenue sources aimed at altering internal systems have been suggested to overcome CRC's financial decline.

Overcoming a Deficit During a Time of Change:

Improving The Community Resource Center's Financial and Strategic Planning

The Community Resource Center (CRC) is a twenty-five year old nonprofit organization providing consulting services to the nonprofit sector in the State of Colorado. Although the organization has had difficult years financially, it has always found ways to overcome them. However, CRC is currently amidst a three and three quarter year downturn as a result of growing expenses out pacing revenue. Within the same period of time, CRC has nearly doubled in size and has changed many aspects of its services to clients around Colorado. The question that this paper attempts to answer is why is CRC failing financially while expanding programmatically? Financial success for a nonprofit organization does not have to mean generating substantial profits. However, for any nonprofit organization to succeed it must have enough revenue to comfortably cover its expenses. As a nonprofit organization that consults with other nonprofit organizations, CRC has been finding it difficult to "walk its own talk." By gathering data about the organization's financial history, strategic planning system, programmatic expansion process, and employee time management, a set of recommendations have been created to help CRC better balance its expenses and revenue.

Background of the Organization

The Community Resource Center's (CRC) twenty-five year history makes it an experienced nonprofit organization in the Denver Metro Area. Although it has undergone many changes in that period of time, its primary purpose has always remained the same. CRC has existed to provide support services to nonprofit organizations and community groups in order to strengthen the nonprofit sector and the varying charitable activities they bring to Colorado. CRC's origination came in the form of assisting small organizations to better promote social justice issues along the Front Range (CRC, n.d.). As CRC grew, both in funding and staff, it began to provide a broader set of services to new nonprofit organizations in all parts of the state. These services included board development, fundraising, strategic planning, and community organizing.

Throughout the 1980s nonprofit organizations began to identify new and more complex needs and CRC responded by changing its set of services to meet those needs. By the early 1990s CRC was hosting forums to bring foundations and nonprofit organizations together in rural areas. In addition, the Colorado Grants Guide began to be published on a biannual basis, providing lucrative background information on foundations and corporations that gave money to Colorado nonprofit organizations. CRC continued to grow and assist the entire sector by consistently evaluating its needs and responding by adding new programs and services. By the beginning of the 21st century, CRC had grown to include ongoing training workshops, a leadership program, community development services, and technology assistance.

Currently, CRC is made up of thirteen employees and a twenty person Board of Directors. Because CRC relies on serving nonprofit organizations from all parts of Colorado, the Board of Directors has representatives from several different regions such as the San Luis Valley, the North Eastern plains, and the Western slope in addition to areas along the Front Range. CRC's funding comes primarily from community foundations and fees for services. CRC depends greatly on getting foundations to underwrite programs that provide needed assistance to nonprofit organizations. Services such as the leadership program, philanthropy days, some of the two day clinics and direct consulting services are not paid for by the client, but rather by a foundation supporting the client.

CRC can best be described as a learning organization. A learning organization can be defined as highly participatory where information and decision making is shared among staff members to enhance innovation and awareness (Senge, 1994). In the nearly seven years in which I have worked for CRC, I have witnessed the organization make many changes. In the past several years these changes have transitioned the organization from divided to a more collaborative culture. Today, it is this learning environment that defines how CRC adjusts to the changing needs of nonprofit organizations in Colorado.

The Competitive Environment

Although CRC was one of the first nonprofit organizations to serve the capacity building needs of other nonprofit organizations in the State of Colorado, there are now multiple organizations working in all regions of the State doing similar work. According to CRC's Executive Director there are for-profit companies, independent consultants, foundations, and government agencies from all parts of the nation providing varying services to the nonprofit sector. With over 18,000 nonprofit organizations, the state of Colorado has more charitable organizations per capita than any other state in the Union (CANPO, 2001). With limited funding sources and a slow economy, the business of serving nonprofits has become far more complicated than it was in the past (CAF, 2004). In fact, even though experts have stated that capacity building is essential to the nonprofit sector (Light, 2004), there are fewer foundations providing funding for these kinds of services (CAF, 2004). This simple fact increases the difficulty for organizations like CRC to keep its costs down.

Although there do not appear to be published sources documenting which and how many other Colorado organizations offer capacity building services to nonprofits, as an employee of CRC for the past six and a half years, I have noticed a significant growth in organizations with similar missions and goals to CRC. In fact, my wife works for a for-profit business that in the past four years has moved in a direction similar to CRC's. For CRC, this has meant having to invest in a marketing department in order to keep up with the growth in competition from both nonprofit and for-profit organizations.

Although competition has grown among organizations providing capacity building services to the nonprofit sector, there have been several instances where competitors have come together to talk about how areas of service can be divided amongst organizations. For example, CRC is currently part of a loose coalition of nonprofit capacity building organizations known as the Fab Five. The coalition is made up of the Colorado Association of Nonprofit Organizations (CANPO), Metro Volunteers, the Colorado Nonprofit Development Center (CNDC), the Colorado Association of Funders (CAF), and CRC. According to the Executive Director of CRC, the "gang" meets quarterly to talk about nonprofit trends and to create agreements as to who is positioned to meet new needs that nonprofit organizations have. The overall purpose is to make sure that the competition that exists between these organizations does not in fact bankrupt any one of them.

History of the Problem

From a general perspective, a nonprofit organization's success is measured in terms of how well it can accomplish its mission (Peters & Schaffer, 2005). Unlike for-profit organizations that are designed to earn money for investors, nonprofit organizations earn a service to the public on behalf of its investors (Peters & Schaffer, 2005). However, in most cases, a nonprofit organization's ability to accomplish its mission relies on successfully raising and earning funds. Therefore, just as in a for-profit organization, one of the most important aspects of business sustainability is how well the organization is managed financially (Peters & Schaffer, 2005).

There are several funding streams that nonprofit organizations rely on in order to sustain their programming and general operating or administrative needs. According to the Colorado Association of Funders (2004) Colorado nonprofit organizations receive 79.1% of their funding from tax deductible individual contributions including Board of Directors, volunteer, and community partner donations. In addition, 12.2% of nonprofit funding comes from other sources such as government grants, in-kind donations, and corporate giving. Finally, 8.7% of nonprofit funding comes from private, community, and family foundations whose own funding tends to come from stock market investments and large individual contributions. In order for a nonprofit to be successful financially, it must attempt to have a diverse set of revenue streams that also include some portion of earned revenue from providing services (Peters & Schaffer, 2005). A diverse funding stream allows nonprofit organizations to maintain flexibility when certain sources of funding are reduced or eliminated completely (Peters & Schaffer, 2005). Naturally, funding sources for nonprofit organizations are significantly impacted by the state of the local and national economies. Specifically, corporate and foundation giving are impacted the most as stock market investments can be hit very hard during an economic downturn (Peters & Schaffer, 2005).

Since 2002, CRC has had some difficulties with its financial state. According to CRC's Financial Director, the organization has maintained a diverse set of funding streams, but expenses have increased at a higher rate than revenue, leading to a financially unstable organization. In the period between January 2002 and September 2005 CRC has shown a consistent increase in both revenue and expenses. However, expenses have increased at a 15% higher rate than revenue, leading to a significant decrease in net assets. In the same period of time CRC's staff has grown by 20% and it has expanded some of its programs. Although there are many possible reasons for this financial failure, one very likely consequence will either be cutbacks in the organizational staff and programming, or the more severe reality of shutting the organization down. Economic downturn, poor financial management, poor strategic planning, too low of a cost for services, unneeded expenses, or limited fundraising success are all possible factors as to why CRC is currently amidst this financial downturn.

Problem Statement

Since 2002 CRC's staff and programming has grown. In the same period of time CRC has reduced its net assets as annual expenses consistently outweigh revenue. The purpose of this action research project has been to determine why this trend has been taking place and to determine an appropriate set of interventions aimed at stabilizing CRC financially.

Entering and Contracting

Throughout the six and half years in which I have been employed by CRC, I have noticed that it has put considerable time into improving some of its internal functions. Because the staff is almost always involved in the development of the organizational goals, improvement, and innovations, performing an action research project is considered to be a valuable activity, especially when done by someone within the organization. As the individual performing this project I am the organizational development practitioner (ODP). My current title is Director of Community Development Services and of the thirteen staff members at CRC only the Executive Director (ED) and Director of Leadership Training have been there longer. In addition, the staff is aware of the fact that I am working on a Masters project and have shown interest in supporting it. Therefore, I am generally trusted and my project is approved of by the staff.

In order to get formal permission from the organization to perform this project, the initial ideas of this action research project were shared with the Executive Director (ED). The ED has discussed the proposed problem with me and made a verbal agreement to support this action research project. Based on the agreement, I had access to gather any and all information regarding the organization except for information related to an individual's salary and benefits. The ED also stated that any involvement of staff has been left up to each individual so long as it has not taken significant time away from their work. The ED agreed to promote this research project and has encouraged staff members to actively participate in any surveys or interviews.

In addition, I talked about this project with key employees such as the Financial Director, whose time and support I have depended on greatly, and the Director of NPOWER, the technology assistance program, who is seen by many staff to be the second in command. Both support this project and have added insight as to limiting the scope of this action research project.

Literature Review

There have been many possible factors impacting CRC's financial status over the past three years. In order to gain a comprehensive academic understanding of these factors a broad perspective of the nonprofit sector will be covered. This will be followed by more specific information about internal nonprofit dynamics and will end with detailed best practices of nonprofit financial management.

Trends in the nonprofit sector. The nonprofit sector in the United States has made some significant changes as a result of both social and political events taking place at the end of the 20^{th} century and the beginning of the 21^{st} (Light, 2004, pgs. 1-4). With a decrease in government financial support and a growing mistrust among the public regarding nonprofit efficiency, obtaining financial sustainability for nonprofit organizations required new methods (Light, 2004, pgs 5-10.). In order for nonprofit organizations to weather this growing problem, many turned to earned revenue or fees for items sold and services performed (Salamon, 2002, pgs. 423-426). It is perceived by Salamon (2002) that this financial trend led to an overall change in how the nonprofit sector was perceived by the private sector. With an opportunity to turn mission-based work into profit, came an increased competition from the for-profit community. This added financial strain on nonprofit organizations and increased costs to those being served by them (Salamon, 2002, 426-427).

These existing trends explain significant external factors impacting the financial health of nonprofit organizations around the nation, including CRC. CRC must take into consideration these trends and include them in their future financial planning. However, because these are sector-wide trends, it is important to note that CRC cannot completely control their impact on its own financial health.

Organizational culture. As the nonprofit sector makes significant changes, individual organizations, such as CRC, must be able to adapt in order to survive. According to Kotter and Heskett (1992) an organization's culture will determine its ability to react to change and use innovation and creativity to become successful. Organizational culture is defined by Kotter and Heskett (1992) as a having two levels. The first level is made up of the core values shared by the people working for and leading an organization. These values are developed over time, are highly dependent on the leadership, and are often difficult to observe. The second level is made up of behaviors, norms, and expectations that often control what employees do, how they serve their clients, and how they interact amongst themselves (pg. 4). As in the first level, leadership plays a significant role is sustaining, creating and changing behaviors that define the culture. Because an organization's culture has a direct relationship to its performance, the ability to adapt to change is also impacted (pg. 11).

One of the cultural theories studied by Kotter and Heskett (1992) is the Adaptive Culture Theory. This concept states that organizations that have the ability to adapt to change will have long-term growth and positive performance (pg. 44). Adaptive cultures use innovation, creativity, and active leadership to allow their organization to respond to changes externally in their market and internally within the company (pg. 45). Even though this theory has flaws, in times of change it can support an organization's ability to alter systems that keep it from moving ahead (Kotter and Heskett, 1992, pg. 46-47). Therefore, how CRC adapts to the obvious changes that are taking place in the nonprofit sector relies heavily on how well its culture can be innovative and able to take risks.

Nonprofit management. Because so much of what determines organizational culture depends on an organization's leadership, how it is managed has an extraordinary impact on performance and productivity. According to Light (2002), the top nonprofit executive directors in the United States point to five key elements of properly managing an organization. These elements are to keep the organization focused on the outside environment, be clear about who is responsible for what in the organization, use the Board of Directors to guide and support the organization, keep accurate and relevant records of funding, and sustain both short and long-term strategic planning (pg. 96-98). Light (2002) also suggests that it is the ability to develop an effective strategic plan and process of creating a strategic plan that makes the other four elements possible. Barry (1997) reports that strategic planning is important because it gives an organization a map that determines momentum and focus, evolves problem solving systems, impacts teamwork and commitment, improves communication and marketing, supports organizational confidence, and develops a path by which a nonprofit organization can function.

Without a strategic plan, an organization will miss opportunities and have poorer performance (Barry, 1997, pg. 9).

Just as important as having a strategic plan is the process by which it is created and sustained (Light, 2002). Many organizations only visit their strategic plan once every one to three years. Light (2002) supports the concept that strategic plans should be visited every six months and altered significantly every year (pg. 99). However, no matter how often a strategic plan is viewed, it must be effective for the organization. Including organizational stakeholders, analyzing the current organizational situation internally and externally, setting a direction, refining and adopting the plan, and implementing it are the crucial stages to creating a strategic plan that will improve organizational performance (Barry, 1997). Therefore, CRC's success in the future depends very much on its ability to not only create an effective strategic plan, but to visit and refine it on a consistent basis throughout each year.

When it comes to successfully planning the long-term financial future of a nonprofit organization, the relatively new concept of social entrepreneurship can be used to explain the process. According to Brinckerhoff (2000) social entrepreneurship is the act of using business sense, risk, and investment in order to accomplish the bottom line of a nonprofit organization, its mission. Social entrepreneurship combines the approaches of for-profit business planning with the need to assist the nonprofit and its client stakeholders in addressing the relevant social issues. Brinckerhoff (2000) states that social entrepreneurs find better ways to implement their missions by taking careful risks, creating business plans that are based on the organization's strategic plan and market, and by accurately assessing the organization's financial needs. Brinkerhoff (2000) believes that a successful nonprofit organization is able to diversify its income to include earned revenue in addition to more traditional systems of funding such as individual contributions and grants. Robinson (2002) agrees, stating that earned revenue is important for a nonprofit organization because it allows for flexibility, requires organizational focus and builds organizational leadership in the areas of marketing, accounting and customer service, all areas helpful to a nonprofit organization (pg. 13-15). However, a large part of what makes earned income successful lies in an organization's ability to price its services correctly.

McLaughlin, (2002) states that there is an art involved in pricing services, and that there are two dynamics from which to work. First is to consider the perceived value of the service being provided. Understanding how much a potential client is willing to pay for a service is of utmost importance. The second dynamic to consider is how much a nonprofit organization must charge in order to sustain the service provision. Therefore, the key to properly pricing a service is to build a perception that the service being provided has great value, or to reduce the cost of providing a service (pg. 153-164).

The concept that mission-based management and financial-based management should be simultaneous for a nonprofit organization is also supported by others. According to Peters and Schaffer (2005) a financially successful nonprofit organization cannot function on a mission versus money system. Nonprofit organizations must think of these concepts as reliant upon each other. Without a mission money is not needed, but without money a mission is not possible. Understanding how CRC plans for its future, what steps it takes to assess its past, and how it prepares for the earned income aspect of the organization are important elements to the understanding of the financial problems it has been facing. More specifically, however, is the role financial management plays in determining the success or failure of a nonprofit organization's sustainability.

Nonprofit financial management. According to Peters and Schaffer (2005) the most important aspect of a nonprofit's financial management is dependent on its leadership. Regardless of how qualified an accountant or fundraiser may be, it is up to the organization's executive director and program managers to maintain an organizational culture that is intentional about its financial management. According to McFarlane (2005) financial planning also includes paying close attention to what sources of funding will best support a particular program of an organization. Government and foundation grants can include limitations on how programs are implemented using those funds. Attempting to design a program's implementation plan to fit within the confines of a particular funding source can result in poor or under-funded services. Therefore, CRC's financial planning may be restricted by what kind of funding opportunities it has available to it.

A large part of determining the financial future of a nonprofit organization lies in its ability to develop an accurate budget (Ruegg, et al, 2002). Nonprofit organizations that have shown a consistent operating loss often do so because of a poor connection between the budget developed at the beginning of the year, and the reality that an organization is faced with at the end (Ruegg et al, 2002, pg. 11). Although there are many budgeting formats, Ruegg, et al (2002) state that there is an eight step process to creating a successful budget that includes organizational planning, income and expense projections, and organizational support (pg. 26-31). In order for this process to be successful the organization's staff and Board should be involved. The level of involvement depends greatly on the organizational culture. If managers have autonomy, they should also be highly involved in the development of the budget that pertains to them (Ruegg et al, 2002, pg. 32-33). In addition, McLaughlin (2002), states that successful budgets are those that can be used as tools for a manager rather than a restrictive device.

Budgets should capture what an organization wants to do and combine it with what it can afford to do. In order to assess how well CRC develops its budget, understanding the process and how employees view it is an important aspect in determining why CRC has had financial difficulties and what can be done to improve them.

Determining the factors that dictate an organization's financial health requires more detailed information. According to Konrad and Novak (2000), financial statements can provide a wealth of information for a manager. However, for a nonprofit organization there are several key variables that must be analyzed in order to determine financial positioning. "There are several tools that can be used to analyze financial statements: horizontal and vertical analysis, ratio analysis, ratios for current viability, ratios for long-term financial health, efficiency ratios, and ratios particular to NPOs [nonprofit organizations]" (pg. 113). By analyzing financial statements such as income statements, balance sheets, and statements of functional expense, these tools can be used to determine what an organization is doing well and what it needs to improve. Gathering these financial documents for CRC since 2002 aided me in identifying specific aspects that have led to losses in cash assets.

Method

Action Research

In order to create change at CRC, this project has used an action research method. According to Coghlan and Brannick (2005, pg. 3-4) action research is defined by four characteristics. First, it is engaged by focusing on "…research in action rather than research about action" (Coghlan and Brannick, 2005, pg. 4). Secondly, action research requires collaboration and participation from the various individuals, departments, and leaders impacted by the results of the project itself. Thirdly, action research allows the process and results of data collection to improve upon whatever problem the organization is facing. Finally, action research depends on a process that allows the organization to collect data, learn from it, re-collect it, plan around it, take action using it, and evaluate the results. This process demonstrates how action research uses information, participation and flexibility to solve, or at least improve upon, a problem being faced.

Rationale. Because CRC is an organization accustomed to collaboration and group problem-solving, action research is a natural method in completing this project. However, there is also another reason why the process that action research uses would support CRC's situation and typical operating method. Cummings and Worley (2005, pg. 26) state that recent trends have demonstrated the effectiveness that action research can have on social change issues. Because CRC is an organization that supports nonprofits in order to create a more just society, it has a great appreciation for methods that are highly inclusive and bring about equity both within and outside the organization. The action research method not only allows for multi-level involvement, it requires it (Cummings and Worley, 2005). This is something that CRC appreciates and has little difficulty in implementing given its relatively small size and collaborative culture.

Action research model. Of the various action research models that exist, Pearce, Robinson and Sandberg's six step model (Regis University, 2005) appears to be the best fit for this project. This model relies on getting individuals involved in the action research project who are directly impacted by the problem being solved (Regis University, 2005). The purpose in getting these individuals involved is to help in identifying and confirming the problem so as to produce ownership around the solutions that have been recommended. In the six and half years that I have worked for CRC I have noticed how important it is that staff understand and have the

Pearce, Robinson and Sandberg's Six-Step Action Research Model

Step #	Activity
Step 1	Recognize the problem.
Step 2	Diagnose the situation.
Step 3	Involve members, gather data, confirm the problem, gain ownership.
Step 4	Involve members select solution.
Step 5	Plan intervention and implement.
Step 6	Evaluate the change.

Note. From "Appendix A: Models of Action Research" by Regis University, 2005, *Graduate programs: Master of Science in management*. Retrieved September 15th, 2005, from Regis University Web Site: http://regis.edu

opportunity to be involved in any changes that take place in the organization. In order for this action research project to be successful, it has required at least senior staff members to have oversight over the project. Because the Pearce, Robinson, and Sandberg model emphasizes staff, or stakeholder, ownership, this model presents the best method for success (Regis University, 2005).

Validity

Validity refers to data collection methods that accurately gather information (Regis University, 2005). However, there are several ways to ensure that a data collection method is valid. According to Borkan (1999, pg. 193), valid qualitative data collection requires reflexivity, depth of description, accuracy, rigor, intellectual honesty and searching for alternate hypotheses and interpretations.

Reflexivity. Reflexivity is based on the idea that in the collection of data, the person or persons conducting it must pay close attention to the impact they are having on the results (Borkan, 1999, pg. 194). Although it will be difficult to measure my impact, confidentiality agreements should allow those providing data with enough security to give sound information. In addition, my experience has been that employees of CRC prefer working on organizational problems internally rather than with outside consultants. This should help employees give accurate and honest information.

Depth of description. Depth of description refers to data gathering methods that ask for relevant information in a way that is understood by those providing it (Borkan, 1999, pg. 193). The literature review touches on a number of concepts that have be used to identify questions relevant to financial and strategic planning. In addition, my collaborative team has members from three different programs within the organization. Their review and ownership of this action research project ensures that data gathering tools are easily understood by the general staff, and that the data collection is accurately obtaining information.

Rigor and intellectual honesty. According to Borkan (1999) rigor and intellectual honesty refer to being thorough in the pursuit of data gathering. In order for validity to be achieved, the process of data gathering must be comprehensive, consistent, tireless, and honest in its interpretation. One way to ensure this is to use triangulation. Triangulation is exploring a situation through research using many different methods and approaches in order to gather the most comprehensive collection of information (Regis University, 2005). Surveys, interviews, observation, or secondary information are each limited in their ability to provide comprehensive understanding of the data available when used alone. However, by combining these approaches to gathering data, the information can be far more reliable and accurate adding to its validity.

This action research project has used triangulation by interviewing, surveying, observing, and gathering secondary data from staff members, Board members, and clients in order to gain a comprehensive understanding of their views and actions regarding financial planning, strategic planning, and satisfaction with CRC.

Searching for alternate hypotheses and interpretations. Remaining open to alternate interpretations of the data gathered is an important aspect when ensuring study validity (Borken, 1999, pg. 194). Therefore, as part of data collection, the results of the interviews, surveys, and secondary data analysis have been shared with the staff through the collaborative group and during interviews. My interpretations have also been shared and input gathered as to the perceived accuracy of these interpretations. By opening the opportunity to staff for their interpretations regarding the data collected, has added to the face validity of this action research project.

Data Gathering Methods

In order to use a method that allows information to guide how future data are collected, the order in which they are collected is very important. This project began with printed documentation, or secondary data. According to Nadler (1977) secondary data are valuable in that what they present are rarely biased if the researcher does not alter them. Therefore, secondary data can add face validity to a project by partly relying on information generated by the organization itself. The problems with secondary data are that they are rarely comprehensive. Relevant information may not exist because accurate records have not been collected.

Next the staff, board and clients were surveyed. Surveys are effective data gathering tools when looking for large amounts of data and attempting to gain information from a large number of respondents (Nadler, 1999). Therefore, surveys were used to gather trends, insight, and suggestions. In turn, the information gathered from the surveys was used to design more in depth questions for the interviews.

Finally, staff and Board interviews were held and observation of CRC's staff retreat took place, allowing for more profound thoughts on the reasoning and possible solutions regarding CRC's financial difficulties. Interviews provide rich data and allow for a greater variety of information (Nadler, 1999). The interviews brought further clarity and direction for the final analysis of the problem.

Overall the rationale to this order is dictated by a process that takes general data and uses it to obtain more specific information. Between each data-gathering activity, the collaborative team came together to ensure the implementation of the Pearce, Robinson, and Sandberg action research model step of involving members in data gathering and problem confirmation. Sustaining staff ownership and data collection validity were major parts of what the collaborative team brought to this project.

Secondary information. Secondary data have both advantages and disadvantages. On one hand, the information is not impacted in the process of gathering and analyzing it. On the other hand, the information may not be complete nor easy to obtain (Nadler, 1977). There are several items that would be valuable to have in a documented format that CRC does not have. For example, CRC does not have client trends from the last three years. The client database only goes back two years. These data would have been valuable in identifying the impact long-term sector trends have had on CRC. Fortunately there are several sources of secondary data that CRC does have, and all of it was accessible.

First, all independent audits that CRC has undergone since 2002 were gathered to determine financial trends such as asset depletion, expense increases or decreases, and revenue increases and decreases. This information was important in both stating CRC's financial health as well as indicting what parts of the financial situation led to that level of health. This information was obtained from the Finance Director.

Secondly, data were needed to be collected regarding the competitive environment of nonprofit organizations providing services to other nonprofit organizations. Through Guide Star, an internet-based organization that provides access to the public financial information of nonprofit organizations, some aspects of financial health was determined regarding CRC's competition. This information was used to measure whether CRC's financial downturn was closely connected to nonprofit sector realities or internal management failures. Although this is not by any means a way to exactly determine the reason for CRC's financial health, it was partially used to justify recommendations aimed at CRC's planning and CRC's marketing.

Finally, Board minutes were collected from January 2002 through September 2005. These minutes were analyzed to better understand how CRC's staff communicated with the Board, what concerns the Board shared with staff regarding financial well-being, and what suggestions have been made by the Board to improve the organization. In addition, the minutes were analyzed to determine the level of awareness the Board had regarding CRC's programmatic and financial status.

Surveys. There were three surveys completed in this action research project. One was conducted with the CRC staff, one with the CRC Board of Directors, and another with a random sample of clients. All three surveys were conducted using Survey Monkey, an electronic format that allows surveys to be accessed via the internet, for respondents to remain anonymous, and for the data gathered to be summarized. The staff survey included all 12 staff members, excluding myself, and was designed to gather information regarding current problem identification and opinions on strategic and financial planning processes. More specifically, questions attempted to get information about how aware the staff was regarding circumstances facing CRC, their level of involvement in strategic planning, the processes used for pricing, the process regarding budget development, how much pro-bono work staff members provide, and views on organizational leadership. Surveys are best used in identifying trends that exist among respondents (Nadler, 1977). Therefore, the survey primarily used fixed-response items in order to quantify and summarize the staff opinions on these topics. It was estimated that this survey would take about 20 to 25 minutes and could be completed wherever on-line services were available. All respondents were requested to complete it within fourteen days.

The survey conducted with the CRC Board of Directors covered fewer topical areas due to the fact that the Board is not as involved in day-to-day functions of the organization. CRC's Board primarily approves or makes final changes to the budget and to the strategic plan. Therefore, the survey only covered these topics. The Board survey was sent to all 20 existing members and was designed to gain information about the awareness Board members have regarding CRC's financial situation, opinions about the strategic planning process, how organizational leadership impacts financial stability, and budgeting. This survey also took about 20 minutes, could be completed wherever on-line services were available, and required respondents to complete it within fourteen days.

Because CRC's financial success partially relies on how well clients are being served and returning to CRC for additional support, it was important to gather data from them. One of the values of conducting a survey is that it enables the data gatherer to get broad collection of information from many respondents (Fink & Kosecoff, 1998). However, with over 6,000 clients in CRC's database, the respondents were limited to a subset of all clients. Therefore, sample clients that have received services from CRC within the past two years were surveyed to give information regarding their experience and satisfaction with CRC. This survey included a random selection of 954 respondents, roughly 54% of existing clients from over the past two years. The random selection was done by downloading the full list of clients from CRC's database and then selecting half the indicated clients on each page. The half chosen on each page was done by taking the first half on the first page and the second half on the second page. This method alternated throughout the entire document of downloaded clients. This approach allowed for a large sampling of CRC's clients within a period of time that allowed for accurate information about CRC's current services. The survey gathered information regarding how a client first heard about CRC, how they paid for the service, how satisfied they were with the service, whether or not the client had used one of CRC's competitors, and whether or not they recommended CRC to others. This information was used to identify why certain problems exist and provided direction for possible solutions to the problem in later stages of this project. The survey was designed to take 15 minutes to complete in order to increase the percentage of respondent participation. It could be completed in any location that had access to on-line services, by anyone who had email capability, and was completed within a twenty-one day period.

All three surveys explicitly stated confidentiality, and because of the Survey Monkey operating system, confidentiality was sustained. The results of the survey were only demonstrated in a compiled format so that no one individual's answers could be traced to that person. Content validity for all three surveys varied. Content validity is defined as having assurance that the questions asked are understandable and mean what they are intended to mean from the perspective of those being surveyed. The staff survey was analyzed by members of the collaborative team and minor changes were made to strengthen its content validity. However, the survey was not tested, but rather reviewed, by collaborative team members leaving the possibility that misunderstandings or misinterpretations still existed in the survey. It should be noted that many of the survey questions were designed to resemble the same language used during CRC staff meetings, and therefore, were likely understandable to those surveyed.

Surveys sent to CRC Board members and clients were not tested for content validity due to limited access to those participants prior to survey release. Like the staff surveys, Board survey questions used language often involved in Board meetings and were likely understood by those participating. Client surveys, on the other hand, did not intentionally use language deemed understandable to clients. However, the client survey did have many question formats resembling CRC client evaluations. These client evaluations have been used for the past three years to gather feedback from all clients after services have been provided. At this point, CRC has not received any input that the questions were misinterpreted or misunderstood. Although this does not guarantee content validity, it can assure some question familiarity.

Interviews/ observation. There were two sets of interviews conducted and one observation of the 2005 CRC staff retreat in the data gathering section of this action research project. One set of interviews included the CRC Program Directors. The second included executive committee members of the CRC Board of Directors. The observation approach allowed me to gather notes based on discussions that took place during the staff retreat which included topics such as program development, 2006 goals and objectives, and recommendations for improvement regarding problems that CRC is facing. Interviews were conducted by myself, done in person only, and recorded through an audio system that interviewees were aware of. Interviews are an excellent way to gather rich and in-depth information (Nadler, 1977). However, interviews are also time consuming. Those being interviewed consisted of Program Directors and Executive Committee members of the Board. Program Directors are far more involved in strategic planning, price setting, program expansion, and organizational awareness, and therefore their insight enhanced the purpose of an interview. The same is true with the Executive Committee members.

All six Program Directors at CRC, were interviewed. The purpose of these interviews was to further explore CRC's financial and strategic planning processes, leadership dynamics related to financial stability, opinions on how CRC has expanded over the past three years, and what possible solutions could exist regarding financial recovery. These interviews lasted for no more than one hour and took place over a period of two weeks. Many of the questions used in these interviews were generated by trends discovered in the surveys. The interviews addressed those trends and both expanded upon them and developed staff ownership over the issue.

The CRC Board of Directors has four Executive Committee member, but one of them is very new to the organization and was not interviewed. The Executive Committee members of the Board meet on a monthly basis to manage the activities of the larger Board. This Executive Committee made up the group I interviewed, and they were interviewed separately. The purpose of these interviews was to further discuss the results of the Board surveys and to go more in depth into strategic and financial planning. Because many of these Board members run nonprofit organizations themselves, questions pertaining to budgeting and pricing procedures were also included in these interviews as a way to identify some possible recommendations. These interviews lasted for no more than 45 minutes and took place over a period of two weeks.

Confidentiality was discussed before each interview. I explained that the content of the interviews was not associated with any names or positions. In addition, any information gathered as a result of the interview that is specific to an individual was not shared as a separate statement, but rather combined with other interview results. However, there is one aspect of confidentiality that was not overcome. I, the interviewer, know the identity of each individual. Therefore, any individual who felt uncomfortable with an interview was given the option to refuse certain questions or refuse the interview entirely.

Finally, I observed CRC's annual staff retreat which was intended to include all staff members. The retreat was designed to go over CRC's programmatic lifecycle, its strategic planning through future program goals and objectives, and to discuss any problems that existed within the organization and how they could be addressed. I asked permission to limit my participation in this meeting so as not to influence the discussion and shared with the staff that I was observing the meeting as a data collection method for my action research project. The purpose of this observation was to gain insight as to the lifecycle process, the content of the goals and objectives developed, and to understand some of the problems identified by staff within the organization and what solutions were recommended in a group setting.

Overall, the data gathering methods for this action research project depended on various formats in order to ensure validity. By gathering information relevant to subjects covered in the literature review, data were used to assess and develop recommendation for the problem at hand. Through a collaborative team and data collection methods that kept stakeholders involved, ownership was ensured, adding to the success of this action research project.

Results

Because of the broad scope this problem presents, a wide range of data was gathered using various forms and sources for data collection. The data gathering took place between October 10th and November 22nd, 2005 and involved the collection of secondary data, staff, board, and client surveys, staff and board interviews, and the observation of CRC's staff retreat. The information collected was shared with the collaborative team for further analysis and discussion, but did not result in any alterations of the data. The following section analyzes the key findings of the data collection and identifies trends and discrepancies found throughout.

Secondary Data

Secondary data were collected in order to identify both present and historic information pertaining to CRC's financial trends, record keeping, decision making and awareness, and to gain a limited perspective as to CRC's nonprofit competitors in the State of Colorado. Secondary data were collected from CRC's Financial Director, computer records, intranet account where databases are stored, and from the internet using Guidestar.org. The information was then analyzed for trends, discrepancies, and for gaps in record keeping.

Financial analysis. There were two primary sources used to gather information regarding CRC's financial circumstances between the period of January 1st, 2002 and September 30th, 2005. For the period between January 2002 and December 2004, independent audits were collected that gave a thorough breakdown of CRC's financial status. These audits included a balance sheet, which presented a snapshot of CRC's assets versus liabilities as of the end of that year, an income statement which provided more detailed information regarding revenue and expenses, and both positive and negative findings as a result of the audit. For the period between January and September 2005, CRC's own internal accounting records were collected which presented a balance sheet and an income statement, but not positive or negative findings as these financial records have not yet been independently reviewed.

Although there is an enormous amount of information that can be taken from CRC's audits and 2005 financial statements, the following section will only analyze those findings that demonstrate trends related to expenses and revenue. CRC's total net assets have varied throughout the years studied. According to CRC's Financial Director this variance has taken place as result of differing recognition of restricted funds from a Microsoft grant. Because there is a flexibility allowed regarding how these restricted funds are recognized, total net assets do not demonstrate the organizations health in terms of revenue and expenses. However, what is very clear when looking at CRC revenue and expenses, is that both have increased over this period, but at different paces. Between the years of 2002 and 2004 revenue increased by 44% while expenses increased by 47%. Although this does not seem like a large difference, it resulted in a $81,577 loss, and 2005 looks to show a loss as well. According to CRC's Executive Director and Financial Director (personal communication November 12th, 2005), the amounts CRC has lost are not of major concern, but rather it is of concern that showing consistent loss can lead to losing future funding from foundations, individual contributors, and corporations who want to donate to financially health organizations.

One of the major reasons why expenses have out grown revenue in this period has been because of the combination of a 60% growth in salary expenses and a 61% decrease in Foundation revenue. According to CRC's Financial Director, this kind of organizational expansion met with a decline in a fundamental source of revenue has impacted the organization. In fact, if it was not for the 48% increase in fees for service, CRC may have had to lay off staff, borrow money or cease to exist. This kind of organizational expansion must result in an equal or greater growth in revenue, something that simply has not yet happened.

One positive note to CRC's financial health has been the fact that its administrative costs have remained relatively constant in comparison to the organization's expenses. According to Konrad and Novak (2000), for a nonprofit to remain attractive to funders, it should keep its administrative costs below 25% of its overall expenses. CRC has managed to keep its administrative costs well below this mark meaning that most of it revenue goes to providing direct services to clients through staff consulting, training, and publication development.

Overall, CRC's financial circumstances since 2002 can be characterized as demonstrating enormous growth in both expenses and revenue. The growth in expenses can largely be attributed to an increase in salaries as the staff composition went from seven FTE's and three PTE's in 2002 to thirteen FTE's in 2005. Many staff stated in interviews that if it were not for the corporate donation from Microsoft in 2003, CRC's circumstances would have been very different. Although this is true, it is hard to say what the impact would have been given that there would have been less revenue, but also fewer staff and therefore expenses. The increase in staff led to a notable growth in fees for service—a revenue source that has the opportunity to continue to grow.

Board minutes analysis. CRC's Board of Directors meets every other month starting in January and ending in November. At these meetings the Office Manager or Administrative Coordinator kept minutes and posted them on CRC's server for staff and Board to review. At the beginning of each Board meeting minutes from the previous meeting were read and accepted by the Board. These minutes were collected, for this project, from CRC's server for the years of 2002 through the September Board meeting of 2005. Of the twenty-three Board meetings that took place during this period there were no records in CRC's server for seven of them representing a possible problem in using these data to determine existing trends. However, of the minutes that were collected an analysis was made regarding decisions and discussions related to strategic planning, financial reporting, staff attendance, and staff reporting.

Throughout the analysis of CRC's Board minutes, there are several key findings that have specific relevance to CRC's financial circumstances. In every Board meeting of which I had minutes, a financial update was given by either the Executive Director or, in most cases, the Financial Director. The update included information about CRC's revenue sources, expenses, and the difference between them. These updates also included a comparison to CRC's projected budget for that year and a brief analysis as to any budgetary discrepancies. One notable aspect of these updates was that even when the information being shared demonstrated negative information particular attention was paid to the positive aspects of CRC's financial positioning. For example, in September 2004, CRC's Financial Director and Executive Director indicated that CRC was facing a $60,000 deficit, but spent much of their report pointing to some anticipated sources of revenue that would diminish this deficit before the end of the year. According to these minutes, there was some discussion regarding the Board's concerns, but few recommendations were made. CRC ended 2004 with a $59,000 deficit, possibly indicating that the information provided to the Board was not comprehensive.

The collected minutes also demonstrated the Board's concerns regarding a lack of revenue. Throughout all four years of the Board minutes collected, there were consistent discussions regarding a lack of individual contributions including donations made by Board members themselves. In four separate instances, the Board challenged itself to raise more funds for CRC. In addition, there had been several discussions regarding pricing of services. In two instances, the Board indicated a concern that some of CRC's services were priced too low. These discussions primarily revolved around the Grants Guide, the Community Development program, and the Leadership program. Finally, there has been some Board discussion regarding a lack of corporate donations. Some Board members expressed a desire to increase corporate collaboration, but there was significant debate around how that would work. Overall, the Board has shown concern regarding CRC's revenue sources and has offered some advice as to how to improve it.

Another trend that was often observed among Board meetings was that there were consistent discussions regarding CRC's strategic planning. Between 2002 and 2005 the Board had eight discussions that pertained to CRC's future planning and direction. In most cases these discussions resulted from a particular programmatic opportunity that broadened to entail organization-wide decisions. In addition to these eight discussions, CRC also had annual Board retreats and a 2003 meeting pertaining to the creation of a new mission statement which also directly impacted CRC's broader direction. This indicates that CRC's Board has played a standard role in determining the direction of the organization.

Finally, other relevant information gathered from CRC's Board minutes included the fact that on average only 30% of CRC's staff attends Board meetings, and in most cases staff only attended when presenting or reporting to the Board. In many cases, the Executive Director, Financial Director, and Administrative Coordinator were the only staff members attending. On the other hand, the Board attendance has been good with an average of 73% attendance. With many of CRC's Board coming from outside the Denver Metro Area, this attendance rate is impressive. The fact that staff has not been actively attending Board meetings could indicate that there is a lack of communication between the Board and the larger staff, and that the administrative leaders of the organization are the only ones representing CRC to its Board.

Competition analysis. Although there are many organizations that compete with CRC through various services to nonprofit organizations in Colorado, most of them are for profit businesses or individual proprietorships. Because for profit organizations are not required to make their financial information public, data could only be collected for nonprofit competitors. Data was collected using 990 forms, an IRS tax form providing financial information of nonprofit organizations designated as 501 (c)(3)'s. Data were collected about The Colorado Association of Nonprofit Organizations (CANPO), MetroVolunteers, and the Colorado Nonprofit Development Center (CNDC). Their 990 forms were collected from Guidestar.org online with the intention of understanding whether or not these nonprofit competitors were facing similar financial difficulties to CRC over the same time period. Through this process it was discovered that 990s for 2004 could not be obtained making the analysis difficult to compare to CRC's financial information. Therefore this data does not provide sufficient information to use. However, one area of comparability was that among these competitors, two showed a decrease in assets and one showed an increase. This has some relevance because all of them provide training and/or consulting to nonprofit organizations, and yet they have had difficulties making their programming financially feasible. This could mean that there are economic realities that make nonprofit capacity building unprofitable, or that there simply is not a strong enough market to sustain so many competitors. Overall, this information lacks validity in that it does not use enough data nor consider enough factors, and therefore will not impact any recommendations made.

Surveys

Surveys were distributed to CRC staff, Board, and clients using Survey Monkey, an online format. CRC staff and Board were given two weeks to respond to the survey, and clients were given three. The purpose of the staff and Board surveys was to gain general information about CRC's views on its planning, financial awareness, culture, budgeting, and pricing. The purpose of the client survey was to understand how they have used, heard of, and paid for CRC services, as well as to understand whether or not they were content with those services and how they were priced.

CRC staff analysis. Currently there are 12 staff members at CRC not including myself. Of those, all 12 responded to the survey, but for most of the questions asked only 11 responded providing a response rate of 91.7%. Of the three surveys conducted, the staff survey is by far the lengthiest, and asks for the most comprehensive information. There are five primary sections to the survey involving strategic planning, pricing, financial awareness, organizational culture, and budgeting.

The strategic planning section of the staff survey was designed to determine how useful CRC's annual goals and objectives development was, what staff considers when developing them, and how often they are viewed. Respondents were asked to rank several possible considerations from most important to not important when determining these goals and objectives. As seen in table 2 alignment with CRC's mission was considered to be very important by 70% of the staff, while 30% felt that it was important. Financial feasibility was considered to be very important by only 50% of the staff, and probability of success was

Table 2: Staff Development of Goals and Objectives Considerations

Considerations	Very Important	Important	Partially Important	Not Important
Mission alignment	70%	30%	0%	0%
Financial feasibility	50%	20%	30%	0%
Last year's goals	10%	10%	50%	30%
Probability of success	40%	50%	0%	10%

Note. Data collected from CRC staff survey. Percentages based on 10 respondents.

considered very important by only 40% of the staff. This information indicates that there are many aspects considered by staff when developing effective goals and objectives. However, least important is the use of last year's goals and objectives which could mean that the staff is not incorporating the program actions of the past into their future actions. When asked how often staff look at their program's goals and objectives 75% responded that they either look at them only once a year or not at all. By taking these two points together it is clear that the staff are putting energy into developing something that serves very little purpose for them as they implement their program through out a year.

The pricing section of the staff survey also provides some revealing information. According to the survey 81.8% of respondents play a role in determining the pricing of their services. When pricing these services there were four primary considerations used. How much it costs to provide the service was most often chosen by the staff with 80% followed closely by what a nonprofit organization can ethically charge (70%). The third and fourth primary considerations were what competitors charge, and what staff understands to be acceptable by the market (60%). The consideration least chosen by respondents was what research indicated regarding pricing for services to nonprofit organizations (30%). These data indicate that the staff focuses most of its attention on abstract or internal information rather than research when determining prices for its services. Given that most of the respondents chose many of the options provided it is possible that there is no particular format for determining pricing other than correlating it to the cost of providing a service.

The staff survey also indicates that CRC considers itself to be highly collaborative, and that its leadership was responsive to new ideas or suggestions for improvement. When asked if staff felt they were given an opportunity to bring up new ideas directly to other employees for implementation, over 90% felt they could, and none felt they should keep new ideas to themselves. In addition, 90% of the staff strongly agreed or agreed that they were involved in the future planning of CRC. These data are relevant because they show how recommendations for improvement are expected to include input from most, if not all, of the staff, and that when staff are aware of problems, they do feel that they have an opportunity to overcome those problems.

The financial awareness and budgeting sections of the survey demonstrated that CRC's staff sees room for improvement. When asked to rate CRC's financial stability since 2002, 54.5% of the respondents stated that it was not good meaning that CRC has had small losses each year and overall has decreased its net assets. An additional 18.2% rated it as poor and one respondent (9.1%) did not know. Given the financial data analyzed in the previous section, CRC's staff is very aware of its financial difficulties, but even in a collaborative culture has not developed suggestions to improve upon it. One of the reasons why this may be the case is demonstrated in the budget section. When asked if the staff had enough information to properly develop their program's budget, 63.7% felt they had partial information or not enough. In addition, 54.6% disagreed or strongly disagreed that the budget accurately predicted expenses. The percentages were even worse for accurately predicting revenue (63.7% disagreed or strongly disagreed that the budget accurately predicted revenue). With the majority of the staff lacking confidence in CRC's budgeting process and not feeling like there is enough information to develop it, it is likely that they feel they can not develop recommendations to improve CRC's financial stability.

Overall, the staff survey provided a wealth of information that is better understood when compiled with information gathered from the interviews. However, these data indicate clearly that strategic planning appears to be more of a formality than a necessary activity. According to Light (2004) nonprofit organizations need to utilize their strategic plan on a regular basis rather than just once a year. For CRC this is not happening. In addition, with the primary pricing method being based on the costs for providing a service, it would be remarkable if the staff were pricing correctly given that most of them feel unconfident with how expenses and revenue are determined when developing a budget. The staff clearly feels comfortable making suggestions for improvement, but at this time does not seem to have enough information to make those recommendations.

CRC Board analysis. Currently there are 20 members of CRC's Board of Directors representing various regions of Colorado. Fifteen members responded to the survey representing a 75% response rate. From additional information received from CRC's Executive Director, I learned that some of the Board members were not able to respond to the survey because they were out of the country. The survey asked respondents to answer questions pertaining to CRC's organizational culture, strategic planning, budgeting process, and financial awareness.

Table 3

Board and Staff Survey Comparison of Financial Awareness and Budgeting

Question and rating	Board	Staff
How would you characterize CRC's financial positioning?		
excellent	7.7%	0%
good	38.5%	18.2%
satisfactory	38.5%	0%
not good	15.4%	54.5%
poor	0%	18.2%
do not know	0%	9.1%
CRC's Budget accurately predicts expenses.		
strongly agree	0%	0%
agree	100%	36.4%
disagree	0%	45.5%
strongly disagree	0%	9.1%
do not know	0%	0%
CRC's Budget accurately predicts revenue.		
strongly agree	0%	0%
agree	76.9%	18.2%
disagree	23.1%	45.5%
strongly disagree	0%	18.2%
do not know	0%	18.2%

Note. Data collected from staff survey and Board survey. Thirteen of the fifteen Board respondents answered these questions and eleven of the twelve staff answered these questions.

Because the Board of Directors is supposed to guide the direction of the organization and the staff is supposed to implement that direction, the most relevant information gained from this survey pertains to discrepancies when comparing the staff and Board surveys. The most interesting discrepancy relates to the Board's perception of CRC's budgeting process and financial awareness. Table three compares the results of Board and staff surveys when asked to share their views on CRC's financial positioning since 2002 and how well the budget predicts expenses and revenue. When comparing the fact that 84.6% of the Board responded that CRC's financial situation was satisfactory, good, or excellent, to the fact that only 18.2% of the staff ranked it in this range, it becomes clear that there is a discrepancy of either knowledge or perspective. In addition, the Board is far more confident in the accuracy of the budget to predict expenses and revenue. Given that many staff members are not attending Board meetings, and that financial reports to the Board have emphasized positive aspects of CRC's financial positioning, it is likely that the Board is not being given enough information and therefore lacks an accurate depiction of CRC's financial circumstances. Because the Board is expected to make long-term decisions for the organization, this presents a problem for CRC's financial future.

Other relevant data gathered from the Board survey related to strategic planning. When asked what role CRC's strategic plan plays in assisting the Board to perform their duties, 86.7% stated that it guided their decision-making, 40% stated it assisted them in understanding CRC's role in the community, and 33.3% stated it helped them understand the details of different programs. Although it was clear that the CRC staff found purpose in CRC's strategic plan, it was also obvious that they did not use it on a regular basis. The fact that the vast majority of the Board felt that the strategic plan guided their decision-making points out that there again may be a difference between what information the Board is using when compared to what the staff is using.

Overall, the Board survey points out a difference between staff and Board perceptions of CRC's financial circumstances, and how it utilizes its strategic plan. CRC's Board of Directors is expected to make broad and long-term decisions that guide the organization, but without the right or relevant information, this duty may be difficult to accomplish. In part, CRC's financial difficulties have not been improved because the Board has not been given an opportunity to address problems they are apparently unaware of.

Client analysis. According to CRC's database system 1,754 individuals and organizations have been served through various CRC programs since January 2004. Of the 1,754 clients 954 were independently chosen from a database with no attention paid to any particular database variable. The client survey had 137 respondents, representing a 14.4% response rate. Although this is not a high response rate, the information gathered does indicate some interesting trends relevant to this action research project.

The client survey was useful in understanding how services have been paid for. When asked who paid for the individual or organization's services with CRC, 64.7% stated that their own organization paid and 8.3% responded that a foundation paid. This is particularly interesting in regards to pricing. CRC needs to understand that its pricing development should be based on what organizations can pay rather than what foundations may be willing to pay. Additionally, 9% stated that there was no fee associated with the last service they received from CRC. Because CRC's database arranges clients as individuals or organizations that have used a service where fees are involved, the fact that some clients were not required to pay shows that CRC does provide a fair amount of pro-bono work. This is further upheld by the staff survey that indicated 54.6% of the staff spends over 30% of their time providing services to clients at reduced or no cost. Although CRC attempts to balance its need to accomplish its mission with financial stability, the amount of pro-bono work being provided could represent an imbalance for the organization.

Also interesting was the fact that most respondents demonstrated that they were pleased with the services they received from CRC. Ninety-one percent of the respondents either strongly agreed or agreed that CRC's services had value to their organization's success, 90% strongly agreed or agreed that CRC's services were comprehensive and applicable to their organization, 91% strongly agreed or agreed that they would use CRC's services again within the next year, and finally 98% strongly agreed or agreed that they would recommend CRC's services. Although it must be acknowledged that those responding to this survey may have only been clients content with CRC's services, these data suggest that CRC is serving its client base well and that it can expect to have many of them return next year.

Finally, there was some interesting information related to CRC's marketing efforts. Because 82.2% of the respondents stated that they had purchased a Colorado Grants Guide, it is important for CRC to understand how relevant that service is to building a client base. Additional marketing efforts could benefit by utilizing this publication to distribute information about other programs CRC offers. The client survey also pointed out that the various marketing techniques that CRC is using are successful to some extent, but not as effective as client-to-client recommendations. Thirty-three percent of respondents heard about CRC's services through a colleague or friend. The second most common way in which clients heard about CRC was through a referral from another organization or funder. This means that even though CRC spends a significant amount of money on newsletters, email blasts, and its website, most clients come to CRC as a result of recommendations.

Overall, the client survey data suggest that (a) CRC's pricing development should be based on what nonprofit organizations can pay, (b) CRC is providing pro-bono services to number of clients, (c) clients are content with CRC's services, and (d) marketing efforts are no more valuable than individual and organizational recommendations in attracting new clients. However, the client survey responses only represent a small percentage of the views of CRC's clients, and although the data gathered have some value, it is important not to emphasize it beyond its merit when determining recommendations.

Interviews and observations

Staff and Board interviews provided detailed information relevant to determining why CRC has been facing financial difficulties, what could be done to improve upon those difficulties, and how those improvements may impact other aspects that make CRC successful. In addition, the 2005 staff retreat held on October 17th revealed additional information pertaining to CRC's strategic planning and possible recommendations that could improve upon CRC's financial difficulties. The following section focuses on common themes that resulted from these interviews and retreat.

Staff interview analysis. The Program Directors (4), the Financial Director, and the Executive Director were interviewed. The interviews took place over a two week period using a tape recorder and averaged 45 minutes in length. All interviewees were asked the same questions with the Financial Director and the Executive Director being asked some additional questions relevant to their particular duties and responsibilities. The following analysis highlights categorical trends that appeared in the interviews. The categories used are measuring success, planning, financial analysis and recommendations, pricing, competition, and programmatic expansion.

When asked what measures the success of their program, the interviewees had three consistent answers. One was that evaluations gathered from clients helped them understand what services were successful and which needed to be further developed. Two was that their program was able to earn enough revenue to cover its costs. Three was their program supported CRC's mission to support nonprofit organizations. However, many of the interviewees (all but two) believed that CRC's system for evaluating success among clients and constituents was poor and needed to be further developed. In addition, all but one of the program directors felt that they had a comprehensive understanding of what constituted costs for their department. Even though the interviewees felt that their program was successful, they also felt that they did not have enough information to be able to accurately assess their program.

Information gathered from these interviews shed light on several interesting aspects related to strategic planning. Five of six interviewees felt that the development of their goals and objectives was extremely important for the implementation of a successful program. However, the interviewees also indicated that their goals and objectives were specifically designed to measure the services they were providing and not the financial realities of their program. Some showed a concern that programmatic goals and objectives should include financial benchmarks, but most felt as if they did not have enough information to do this. In addition, CRC's lifecycles exercise, which measures the movement of each program through a continuum starting with new and continuing to mature and then declining, was seen as useless by the interviewees because it lacked a clear set of criteria to allow for future planning. Finally, none of the staff interviewed kept a detailed record of how they spent their time each week, and many of them admitted that keeping track of their time would be valuable to their planning process.

When discussing CRC's financial stability, all but one interviewee felt that CRC required some vast improvements. According to these interviews, the primary reasons behind CRC's financial woes have been because programmatic expenses have increased at a higher rate than revenue. Revenue sources such as foundation grants, government grants, and individual donations have decreased or remained the same while both program and administrative costs have increased. Although there were many suggestions as to how to improve CRC's financial stability, there were three recommendations that showed up consistently among interviewees.

The first, and most commonly identified, recommendation was that CRC needed to create a new funding source. With differing levels of financial sophistication, the interviewees pointed out that CRC's programmatic expansion had not properly taken into account such a large growth in expenses and that a new source of funding would be necessary. The most common suggestion for building a new funding source was to start a well planned and administered individual donor program. Other suggestions included becoming a membership organization and generating revenue through membership fees, and focusing on increasing corporate donations.

The second suggestion brought up by many interviewees to increase financial stability was to increase the awareness of CRC staff around expenses and revenue. Many staff members felt as if they did not have the necessary knowledge to ensure enough billable hours and develop accurate pricing in order to generate the revenue needed to cover expenses. If staff knew what their program expenses were on a monthly basis, they could change how they earned revenue to prevent the organization from continuing to lose money. Much of this suggestion hinged on the idea that staff were providing services for too little cost and too often for no cost while not adjusting the expenses of their program to compensate. As part of this suggestion, all of the interviewees felt that pro-bono services should be restricted to a specific amount each month, and that that amount be based on what each program can afford.

The final suggestion to improve upon CRC's financial situation was to better utilize outside consultants in order to serve more clients. Currently several of CRC's programs have too much work and not enough staff. However, there is not enough work to justify hiring more staff, and so several interviewees felt that by contracting with consultants, CRC could continue to serve more clients, receive a portion of the fees, and not increase its expenses. This suggestion would therefore increase revenue without increasing expenses something many of the interviewees are looking for.

In addition to these recommendations, the interviewees pointed out some interesting concerns related to CRC's pricing system. Although there were several different perspectives, it was commonly addressed by all that CRC did not have a consistent pricing system and therefore resulted in poor pricing efforts among staff. Over half of the interviewees felt that this led to pricing services below what their market value may be and was therefore costing CRC revenue and possibly even clients who were fed up with inconsistent pricing. All of the interviewees felt that a pricing system was necessary and that it needed to be more in line with the costs of providing services.

One of the most consistent responses that came from the interviewees was their reaction to CRC's competition. When asked how they thought CRC was impacted by its competition, the interviewees all said that they did not feel that for profit or nonprofit competitors impacted CRC in any significant way. All but one interviewee felt that there was enough demand for capacity building services to keep CRC very busy, and that because CRC was one of few that covered the entire state, it had far fewer competitors than some may think. There were also some comments that CRC had overcome potential problems by working with nonprofit competitors to eliminate duplicative services.

The interviewees also had some insightful comments about CRC's programmatic expansion over the past three years. Most of the interviewees felt that CRC's expansion had been necessary and valuable to the organization's ability to accomplish its mission. However, the interviewees also felt that several programs had been started without an effective plan in place to ensure that the program was financially feasible. Some of CRC's newer programs have costs that cannot be covered through fees for service or even underwriting from foundations or corporations. The interviewees would have liked to have seen CRC better analyze some programs before they were implemented rather than after.

Overall, the staff interviews provided a lot of information as to why financial problems exist at CRC, what aspects do not contribute to financial difficulties, and most importantly what can be done about them. The interviews were pleasant and often the interviewee had much more to say but ran out of time. As the staff survey suggested, the desire to develop solutions and implement suggestions was a high priority of the interviewees who felt comfortable with the idea of changing certain aspects at CRC.

Staff retreat analysis. On October 17th, 2005 all but one CRC staff participated in a half-day retreat to go over its program lifecycle chart, its projected goals and objectives for 2006, and to discuss some possible changes necessary to improve both services and financial well-being. The agenda was developed by the Executive Director with input from the staff. I observed this meeting by taking notes on the content, and by gathering all the handouts. Key information that arose from this meeting focused on marketing, budgeting or financial planning, and pricing of services.

With the Communications Manager leaving CRC, there was consistent discussion about how marketing efforts would be carried on. Some staff felt that someone would need to be hired to replace the position, while others felt that marketing could be sustained by a collaborative effort among program directors. The staff agreed that marketing was an important aspect of CRC's future success, but that who was going to coordinate it, how it was going to be conducted, and which programs were going to be prioritized all needed to be answered in the near future.

The marketing question has relevance to CRC's future for obvious reasons and clearly impacts CRC's revenue sources. Without an effective marketing plan, CRC could face additional financial difficulties in 2006.

There were several discussions related to budgeting and financial planning. Although many staff felt that CRC's budget was wildly off target, many also felt that CRC was only a few major grants away from having enough revenue to cover more than its expenses. Several staff mentioned that there had been a lot of discussion regarding CRC's financial problems, but that they were not sure what specifically could be done to improve it. Some suggestions were made regarding developing an effective individual donor program, while others focused on better financial planning. There were suggestions regarding development of a business plan in addition to goals and objectives in order to guide programmatic measures with a financial context. Most of the staff felt that there needed to be a better understanding of programmatic expenses and revenue in order to develop plans that generated an accurate budget. As observed, it was clear that the staff wanted to improve the financial performance of their programs, but did not have enough financial understanding to develop an effective plan.

Finally, there was also discussion regarding CRC's pricing system and pro-bono work. Of the staff who participated in this discussion, all agreed that pro-bono work was costing CRC revenue opportunities, but that it served a purpose. Some of the suggestions were that there needed to be a consistent method by which pricing was developed around an accurate understanding of the cost of a service. One specific suggestion stated that each staff person should aim for 16 billable hours each week and limit their pro-bono work to 16 hours per month. This suggestion was based on the research a program director had done when calculating costs of their services and how their time was spent between pro-bono, administrative, and contract development.

Overall, the staff retreat developed many recommendations, but few resulted in an implementation strategy. From my perspective, the staff is waiting for someone to create policies and formats in which these recommendations can be implemented. The staff is very optimistic that changes will take place to improve CRC's financially functionality, but until requirements, criteria, and policies are executed, nothing will change.

Board interview analysis. Three members of CRC's Board of Directors were interviewed. All three of the interviewees sit on the Executive Committee and therefore meet with the Executive Director once every two months in addition to the regularly scheduled Board meetings. The interviews averaged 35 minutes in length and took place over a period of three weeks. All interviewees were asked the same primary questions covering the areas of CRC's financial well-being, strategic planning, impact of competition, and recommendations for improvement. The following analysis highlights trends that resulted from these interviews.

Because the Board is responsible for setting CRC's overall direction and planning, it is very important that their views on financial well-being and strategic planning be gathered. When asked what their views were on CRC's financial well-being, all of them felt that CRC had many of the same struggles other nonprofit organizations have but that overall the organization was doing well. One of the interviewees who had been on the Board for many years stated that in comparison to other periods in the organization's history, CRC was doing quite well. When asked why they thought the staff ranked CRC's financial well-being much lower than the Board had in the surveys, the interviewees stated that the staff was probably pressuring themselves too much, but that it was also possible that the Board did not have enough information. Overall the interviewees felt that CRC's financial situation could improve, which is true for most nonprofit organizations. I found this information to be interesting in that it showed the difference between staff whose experience is closely connected to the organization and the Board whose experience entails a broader look at the nonprofit sector.

Strategic planning was seen as an important aspect of the Board's duties by the interviewees, and for the most part they felt as if they did have enough information to guide the organization programmatically and financially. However, all three interviewees indicated that they trusted in the staff and the Executive Director to make the right decisions for the organization when implementing and reacting to the strategic plan. The interviewees saw their role as not developing the strategic plan, but rather providing advice on how to improve it or coming up with new ideas for the organization. It is possible that data analysis indicating that there was a lack of communication between the Board and staff was in fact the result of a Board that believes in leaving most of the organization's planning to the Executive Director and staff. The interviewees all agreed that their role was not to manage the organization, but rather to provide oversight.

When asked about how competition impacts CRC, the interviewees felt that CRC provided a unique set of services around Colorado that were not matched by other organizations or consultants. In fact they shared that part of the reason they had joined the Board was because CRC was unlike any other organization. Two of the interviewees also felt that CRC had such a broad set of services, that competition could only impact parts of CRC rather than the entire organization. The interviewees pointed out that services such as the Colorado Grants Guide, the Community Development Program, and Philanthropy Days were unique to CRC.

When asked about whether or not CRC was pricing its services effectively, all three interviewees felt that many of its prices were far too low, and that the organization could be charging nonprofits and foundations more. The interviewees' experiences working with other nonprofit organizations, or organizations in which they work, told them that the pricing was too low. However, one of the interviewees also pointed out that CRC needed to be careful not to price out some of the grassroots organizations that have been served throughout CRC's history.

Among several of these sections, the interviewees had recommendations for improvement. Like the staff, all three interviewees felt that CRC needed to find additional funding sources such as an individual donor base. The interviewees also indicated that they felt the Board should be held responsible in developing a strong base of individuals. Another recommendation made by one of the interviewees was that along with serving small nonprofit organizations, CRC needed develop some larger contracts with bigger and more established organizations. By bringing in some of these larger contracts, more revenue could be generated to cover some of the losses often associated with working with small organizations. Two of the interviewees felt that CRC's marketing needs to continue to grow and be focused on new clients who have yet to hear of how CRC can help them.

Overall, the Board interviews demonstrated that even though there is room for improvement among CRC's financial circumstances, the organization is doing quite well when compared to the sector-wide experience of the interviewees. Increasing the price of services, marketing to larger organizations, and establishing an individual donor base seemed to be the agreed upon recommendations of the interviewees to take CRC from doing well to doing very well.

Summary

The data gathered through this project has shed light on a variety of themes directly impacting CRC's financial well-being. Of these themes, there are several that appear to be of more consequence than others. Most important is that CRC's staff acknowledges that there is a problem with CRC's financial stability, but that in order to solve this problem they require more information related to budgeting and financial benchmarking. In addition, both the staff and the Board feel that in order to close the gap between expenses and revenue, how staff spends their time, and how they price their services must be addressed in a way that continues to support CRC's mission while increasing revenue. Data gathered from the staff, Board, and financial audits also show that because CRC has expanded or created programs that do not generate enough revenue to cover their expenses, new funding sources must be identified and tapped. Although the Board feels confident that the staff will continue to improve the organization, more effective communication between the staff and Board could be helpful in ensuring the implementation of possible interventions.

Discussion

The following recommendations are designed to improve CRC's financial circumstances by changing and introducing new internal activities. Because there has been little information gathered as to the external factors impacting CRC, and because data analysis has shown that many of CRC's staff and Board feel that solutions lie within the organization, these recommendations focus on systems and opportunities that staff can implement when ready. From the outset of this project, CRC staff and Board have shown a great interest in developing solutions to a problem that ultimately threatens the organization's future. As CRC embarks on its 25th year, recommendations that could allow the organization to continue for another 25 years seem fitting. It is my hope that this project has contributed to the ongoing success of this crucial organization.

Collaborative team

As noted previously, this project's collaborative team was made up of three senior staff members and myself. The team met three times to discuss data gathering methods, data results, and suggested recommendations. In addition to the formal meetings, I had private discussions regarding this project with all three collaborative team members on several instances. Their insight, judgment, and experience assisted me in utilizing the analyzed data to generate the following recommendations. Although there was much discussion during our meetings, these recommendations are endorsed by all three members of the collaborative team, and it is their belief that the staff and Board will endorse such recommendations as well. The collaborative team has also shown interest in initiating the implementation of these recommendations, as well others that could result from the analyzed data, throughout the first half of 2006.

Recommendations

A seemingly endless list of recommendations could have resulted from the data gathered. However, CRC's ability to manage its revenue versus expenses while still remaining focused on its mission, its ability to uniformly and effectively price its services, and its ability to generate new funding sources, are the three most common lessons learned through examining the available data. Therefore the recommendations made address each one of these lessons by explaining what aspects of the original problem statement it addresses, how data support it, what it is, and how it will be evaluated.

Recommendation 1: Implement a balanced scorecard. The most common concern that staff mentioned in their interviews and surveys was the fact that they did not have enough information regarding the connection between financial and programmatic benchmarks. Because CRC's Program Directors are required to assist in the development of their own budgets, and because they generate yearly goals and objectives, it is appropriate that there be a system in which these two aspects can be measured in relation to one another. The balanced scorecard concept represents a method in which strategic planning can be used to govern the direction of an organization while measuring its performance. The balanced scorecard is a tool designed to analyze the success or failure of an organization's strategic plan by integrating the performance measures set for customers, internal processes, employee learning and growth, and finances (Niven, 2003). Possibly one of the reasons why most of CRC's staff does not consult with their yearly goals and objectives is because there is not a quantifiable way in which they can be measured. In addition, with most staff members not being clear as to what financial goals have been met, or even how those goals are measured, many have not been able to manage their programs' financial health. The balanced scorecard tool, or a variation of it, could represent a process for not only measuring these items, but helping to manage them as well.

The primary idea behind the scorecard lies in its ability to compare the performance measurements of customers, internal processes, employee learning and growth, and finances in relation to its strategic plan. Although there are many ways in which performance measurements can be determined, Niven (2003) prescribes a format that takes into account what objectives, measurable outcomes, targets, and initiatives have been set by the strategic plan in each of the four areas. Niven (2003) suggests ensuring that each performance measure determines how it will support the organization's overall vision and strategy. For example, in the customer performance area the overall question is, "To achieve our vision, how should we appear to our customers" (Niven, 2003). The objectives, outcomes, targets, and initiatives would be developed to support that vision. This works by having each performance measurement objective, for instance, be similar regardless of whether an organization is relating it to its finances, or its customers because they are all based on the same strategy and vision. The reason why this may work for CRC is because currently the staff uses a different set of measurements to determine financial health versus those used to evaluate how well clients are served. For example staff, in most cases, learn about CRC's financial circumstances through an accounting document presented at staff meetings. However, they learn about their ability to serve clients successfully through an evaluation or direct feedback. This results in having a lot of information that is seemingly independent of each other when in fact they all relate. The balanced scorecard is both simple and complex in that it creates a way to compare these measurement points to the organization's overall purpose.

There are three primary components of the balanced scorecard that help integrate these various measurement points. First, the balanced scorecard represents a measurement system that goes far beyond what a simple financial measurement system can provide. It does this by ensuring that all performance measurements (including financial) are compared to the organization's overall strategic plan (Niven, 2003). Performance measures relating to customers, internal processes, employee learning and growth, and finances, are all compared to the organization's strategic plan as a means of integrating their impact. To look at these performance measures independently only limits an organization's ability to properly analyze whether it is successful or not (Niven, 2003).

Secondly, the balanced scorecard guides an organization's strategic management system. By integrating differing performance measure perspectives it, "…serves to guide all employees' actions toward the achievement of the stated direction" (Niven, pg. 20, 2003). The results of the scorecard's measurement component allows employees to better understand and articulate the goals of the organization so that they know what to do when changes are needed. For CRC, this would mean understanding what the financial impacts are on the implementation of program goals and objectives and visa versa. Currently, CRC staff understands that there is a relation between the two, but there are no readily available measures to evaluate this connection. This lack of understanding has resulted in uninformed decision making, assumptions, and ultimately a nearly four year trend of financial decline.

Thirdly, the balanced scorecard is a communication tool. By informing employees as to the relationships between various performance measures, they are better able to make suggestions that are less vague and more clearly speak to the vision and strategy of the organization (Niven, 2003). Because CRC holds many of the characteristics of a collaborative culture, opportunities for more profound discussion represent a powerful benefit to the organization. If CRC's frequent staff meetings were to include analyzing how financial performance measures impact its ability to serve customers, new directions could be set based on CRC's larger strategic plan. Instead, I have noticed that CRC's staff meetings are comprised of program updates and then financial updates, with very little discussion on how those updates may relate to one another. In addition, the obvious lack of information the Board has regarding CRC's financial aspects can be overcome by presenting them in relation to its larger strategic plan. Perhaps by integrating these performance measures into a more comprehensive report, the Board can make more informed decisions that will have direct impacts on CRC's ability to stay on track with its mission while improving its financial health.

Although the balanced scorecard offers an attractive approach to solving some of CRC's largest problems, it is important to compare its potential attributes and flaws. The balanced scorecard approach is clearly designed to create linkages between organizational decisions and actions with strategic goals, therefore guiding decisions based on information measured in relation to the overall organizational mission (Hendricks et al, 2004). However, according to Malcolm (2005) many organizations using the balanced scorecard approach are unclear as to what specific performance measurements should be used and what role performance targets play in guiding a decision or action. In fact, the most common disadvantage to a balanced scorecard system is that they become far too complicated often incorporating too many, and too complicated, metrics, or too many people are involved making the system's analysis unclear (Schwartz, 2005). Other problems include not having the right people involved at the right time. Because the balanced scorecard requires consistent, accurate, and evaluative information, it requires individuals who have little bias, access to relevant information, and who understand the impact measurements have on an organization's success. According to both Schwartz (2005) and Malcolm (2005) having the right information is very difficult and often done with considerable subjectivity. With the wrong people managing the balanced scorecard, the chances of success and long-term commitment significantly decline leading to potential problems in effectively implementing the scorecard.

Another factor to be considered when studying the balanced scorecard is to understand which environments it tends to work best in. First, according to Kaplan and Norton (2001), pioneers in the balanced scorecard theory, organizations open to a broad change in process implementation tend to be most able to utilize its benefits. This is true because a balanced scorecard requires changes in process from often uni-lateral to multi-lateral as it considers the impacts of various performance measurements (Kaplan & Norton, 2001). In addition, studies have shown that larger more bureaucratic organizations tend to achieve more success using the balanced scorecard than do small organizations (Hendricks et al, 2004). This may be true because the balanced scorecard attempts to unify many factors around one strategy, something that larger organizations may have more trouble accomplishing without a system such as the balanced scorecard.

Although these suggestions both challenge and support the use of the balanced scorecard, most research seems to point to the implementation strategy as the deciding factor of whether or not it will be helpful for an organization. According to Williams (2004), the balanced scorecard needs to be introduced slowly, with caution, and in some cases at one level of an organization at a time. For example, limiting the balanced scorecard to one department or among upper management only can keep it from overwhelming an organization. Malcolm (2005) states that the key to a successful balanced scorecard lies in first obtaining the support of senior management. Next is to then tailor it to the needs of an organization through staff training and communication, patience, and maintaining a system that is basic rather than complicated. Malcolm (2005) also states that underestimating the cost of implementing a balanced scorecard usually leads to a short lived commitment from management.

Therefore, in order to offer the balanced scorecard as a recommendation for CRC, a more specific description must be made as to how it would work and be implemented. As a recommendation, the balanced scorecard addresses many of the problems identified from data gathering. First, it allows CRC to take many of its various measurements such as program performance and financial stability and combines them into one set of meaningful information that relates to how well it can continue to meet its mission. Second, it allows for this information to guide necessary changes and decisions from an organization-wide perspective. No longer would adjustments be made on how many trainings are provided each year, for example, without understanding how that would impact customer needs or financial health. Thirdly, it allows for more comprehensive communication among staff and with the Board regarding the future direction of the organization and how that may impact the overall mission. However, to implement such a recommendation would require a laborious process not far removed from doing an action research project. In fact the similarities are uncanny. According to Niven (2003), the process of implementing a balance scorecard requires building a team within the organization that can assess the need for a balance scorecard through data gathering such as interviews, surveys, and secondary data. Schwartz’s (2005) warning that failed balanced scorecards are a result of lack of staff-wide commitment could be overcome by ensuring a very collaborative process of implementation. From there the information would need to be analyzed and recommendations made as to how the organization’s strategic plan should be developed or altered to allow for quantitative measurements in the areas of customers, internal processes, finances, and employee learning and growth.

Another part of making a balanced scorecard approach successful for CRC, requires understanding how its basic theoretical design changes when used for a nonprofit organization. Although the balanced scorecard concept was originally used to help for-profit organizations improve their management systems, there are certain alterations that can be made to make it a more applicable approach for a nonprofit. Characteristics of a nonprofit’s balance scorecard differs from that of a for-profit in that the organization’s mission is paramount (Niven, 2003). Unlike most for-profit organizations, a nonprofit’s primary accountability is to its charitable and/or educational mission. This means that in order for a balanced scorecard to be effective, it must be consistently related to the organization’s mission. Of course, like a for-profit organization’s scorecard, this means having the strategy of the organization remain central in comparison to its four performance measurement categories. This is true because the strategy should represent the goals and objectives necessary to accomplish its mission.

Another aspect that changes with a nonprofit scorecard is that the performance measures related to customer satisfaction become more important (Niven, 2003). Although nonprofits and for-profits both serve customers, a nonprofit differs in that it was created for the very purpose of serving its customers. Its charitable and/or educational mission must be built around the needs of its customers, whereas a for-profit serves customers in order to make money for an investor or group of investors. In order to elevate the status of customer performance measures, it is important to first define who the customers are, and to then to determine how value can be created for them (Niven, 2003). Circumstances such as increased competition, new services, or even a funding crisis can all impact or be impacted by the value customers have for a nonprofit (Yang, 2005). Understanding the connection customers have on these and other factors is key to determining effective performance measures (Yang, 2005). By answering these questions, objectives, outcomes, targets, and initiatives can be set that measure the organization’s ability to meet the needs of its customers.

As a result of putting more emphasis on the needs of the customer, the performance measures of internal processes and finances also change their focus. Internal processes are now measured on their ability to develop organizational structures that best meet the needs of customers (Niven, 2003). For example, CRC could look to their evaluation methods, pricing systems, and fundraising efforts in relation to how effective they make CRC in serving its customers. Similarly, financial measurements would be analyzed in relation to their ability to balance financial stability with customer value. As demonstrated in the next recommendation, pricing a service should be based on a combination of value to the customer and cost to the organization. By setting objectives and targets that measure CRC's ability to balance financial sustainability and customer needs on a regular basis, it can more successfully plan and make alterations that support its larger strategy and therefore its mission.

Finally, a nonprofit's balance scorecard should measure its ability to foster employee learning and growth by comparing it to its ability to adjust to customer demand (Niven, 2003). Understanding the skills, abilities, and circumstances that a staff has or faces is an extremely important part of planning. For example, one of the common responses I heard in doing interviews was that certain departments had too much demand and too few staff to meet it. The result was that customers were lost because CRC could not serve them. This certainly reveals information as to the circumstances that staff are facing, and could lead to initiatives designed to increase the capacity of the staff. Ensuring that CRC is able to grow and learn from these circumstances is made possible by the balance scorecard because it demonstrates how this one problem impacts the finances, customer needs, and internal processes, therefore highlighting the need to address it.

To evaluate the successful implementation of this recommendation at CRC, the balanced scorecard would first need to be developed internally with staff investment and buy-in. In addition, it would have to show that the information it is providing to staff results in better meeting the needs of customers, financial health, internal process development, and staff development. Finally, it would have to empower the Board in regards to understanding the impact they have when decisions are made to expand a department or change a set of services. Ultimately, continuing to get feedback from customers through evaluations, interviewing staff as to how the scorecard may improve their ability to do their job, and observing whether CRC can continue to accomplish its mission in a way that makes it financially viable, are all ways in which this recommendation should be evaluated.

Recommendation 2: Create a unified pricing system. With CRC's fees for service representing over one third of its overall revenue, how those services are priced will most likely have a profound effect on CRC's financial health. According to data collected from staff interviews, the staff survey, and the staff retreat, CRC's pricing system is determined by using various sources, usually based on a vague understanding of what it costs to provide the service. Although the staff survey indicated that there were many aspects considered when determining prices, it was clear that there was not a formal process or system. Many of the staff and Board members indicated that they felt that the lack of a system resulted in pricing CRC's services too low. In addition, some staff felt that the lack of a formal pricing system led to more pro-bono work or work for greatly reduced prices. Therefore, it is recommended that a unified pricing system be developed based on research information regarding comparable and appropriate pricing strategies for nonprofit organizations and organizations providing services rather than products.

According to Mohammed (2005), too many organizations price their services based on the cost rather than value, hurting the organizations' abilities to earn revenue. McLaughlin (2002) agrees, stating that pricing on cost alone tends to eliminate an organization's ability to control how much revenue it will earn. Although CRC uses more than just cost to determine its pricing, only 30% of the staff looks to what the market dictates is affordable. According to Robinson (2002) nonprofit organizations need to determine their pricing based on the market value of their services. In many cases, there are services that are far more valuable than others and pricing must include understanding how unique they are (McLaughlin, 2002). The first step to effectively pricing services is to create a list of every primary and secondary service an organization provides and dividing them into different valuations (Docters et al, 2004). For CRC this is an enormous list including all of the various training topics, consulting activities, publications, help-desk services, and events that CRC facilitates. Although every Program Director most likely has this list for their department, looking at these services in terms of their value and how unique they are to CRC's market has not yet been done. Services such as the Colorado Grants Guide, Philanthropy Days, and nonprofit startup consulting are all programs that only CRC provides in Colorado, and pricing them should consider how unique they are. Therefore, CRC should create a list of its services and categorize them on scale from unique to common. Evaluating how unique a service is should be based on how many other organizations and individual consultants provide this service, where they provide the service, to whom they provide the service, what characterizes the service, and what are the possible outcomes of this service. If staff are unsure about how unique a service is, research should be done to determine this information. By determining how unique a service is, CRC will be able to determine a major component of its value.

The value of a service does not entirely depend on how unique it is. It must also be based on how much in demand it is among customers (Cottle, 2004). One way to do this is to determine what the results are of such a service for the client (Cottle, 2004). For example, one of CRC's services is to assist nonprofit organizations in developing an effective proposal to a foundation. Because this service can result in better proposals, and therefore more funding, its value is easily measured, and therefore, has a clear worth. On the other hand, services such as assisting a client in developing a strategic plan are not as easily measured because the results have fewer quantifiable outcomes and therefore may appear to be worth less. CRC needs to determine what the quantitative and qualitative outcomes are for its services and determine prices based on what clients know they will gain from these services. Services that are high in quantitative results and that are unique should be priced at a higher end while those services that are high in qualitative results and that are commonly available should be priced lower. This is not to state that qualitative results are worth less, but rather that they present a larger risk for the client, and therefore, are more difficult to determine value for (Docters, et al, 2004). Services that present a risk for the client must be priced lower, because risk reduces the value of the product or service for the customer (Docters, et al, 2004).

Another aspect to consider when determining price is what clients are able to pay. Many nonprofit organizations do not receive enough general operating revenue to be able to afford training and consulting for their staff and/or board. Because many foundations find it difficult to see the direct benefits of capacity building services, few of them fund such activities (Light, 2004). However, CRC's client base has consistently grown throughout its existence, demonstrating that nonprofit organizations do see the value in capacity building and are willing to pay for it. Therefore, CRC must sustain a pricing system that takes into account the size of an organization's budget. Larger organizations that have more funding for general operating costs are likely to pay more for CRC's services, while smaller organizations less. Each service CRC identifies and puts a value on should have a range based on the size of the client's budget in order to remain affordable to smaller organizations and to receive the full value of a service from larger organizations.

Finally, CRC must consider the cost of the services it is providing. Certainly there should not be services that offer such little value to customers that it cannot cover its own cost. Therefore, using aspects of the balanced scorecard, each service should start with an initial price based on what it actually costs to provide it. If that price turns out to be too high, given its value, then it should not be provided without a clear alternate source of funding to subsidize it. This process may also help CRC realize that some of its services can only go to mid-size and larger nonprofit organizations because a lower price for small organizations compromises CRC's ability earn revenue. There is no doubt that in many cases serving smaller organizations alone will not generate revenue for the organization. In those cases, CRC should look at what is anticipated from mid-size and larger organizations and determine if the combination of them offsets the losses attributed to working with small organizations. In addition, CRC should continue to ensure that individual donations and foundation grants be used to subsidize the costs of services that cannot generate their own self-sustaining revenue. This way CRC should still provide the service as a way to remain financially stable while accomplishing its mission.

Overall, CRC must develop a unified pricing system based on a combination of cost and value. Although this approach uses for-profit concepts, and therefore may seem to fall outside of the values of a nonprofit organization, recent changes in the nonprofit sector as described by Light (2004) and Salamon (2002) have required it to further depend on for-profit practices. CRC's unwillingness to adopt business practices when determining pricing is a large reason why a pricing system was not possible. The result has been that when the process of determining an appropriate price for a service is unclear, many staff indicate that they simply charge low prices or do more pro-bono work. Because this has, in part, cost the organization revenue, leading to its deficit over the past several years, a pricing system must be created. By listing all services, determining how unique they are, and identifying what clear outcomes result from those services, value can be obtained. By comparing this value to what differing organizations can afford and what CRC must receive to cover its own costs, CRC can create prices for its services that the entire staff understands and is able to use with every client. By being consistent and, more importantly, aware of pricing policies, pro-bono work and highly discounted prices that diminish CRC's revenue can be reduced.

Because the implementation of a pricing system requires adaptation for both the CRC staff and its clients, a strategy must be laid out in order to optimize the chances for success. The key to implementing this particular recommendation lies in how it is introduced and developed. I believe that the desire for a pricing system already exists among staff. According to staff surveys, there is a clear understanding that CRC's financial circumstances are not acceptable, and staff interviews showed a particular desire to implement a pricing system. However, the recommendation offered here will require some work from the staff. Listing services and rating them according to client value is both time consuming and laborious. Therefore, I suggest that a unified pricing system be developed over a period of at least six months, and that the results of the pricing system not be passed on to clients until an informal market feasibility study is conducted. According to Robinson (2002), effective pricing of services for a nonprofit organization requires an accurate market evaluation. Assessing how much a nonprofit organization can charge its clients is an essential part of sustaining an active constituency (Robinson, 2002). For CRC this will mean conducting a feasibility study to determine what clients are willing to pay for, and how much they are willing to pay. Although there are many ways to conduct a feasibility study, CRC will most likely have access to direct client communication such as focus groups, surveys, and interviews. Because so much of what CRC charges for also has some underwriting through foundation grants, it may be decided that some services that rate high in value are priced lower as result of client feedback. However, every element of research that I have conducted states that nonprofit organizations must charge for services based on their value and cost or pricing remains too low and the organization fails.

If this recommendation is to be implemented there are three aspects that can be studied to determine if it is, in fact, effective. How the amount of pro-bono work is impacted, what client reactions are to CRC's pricing, and how many programs are continuing to show a loss each year will need to be analyzed in order to evaluate this recommendation. Pro-bono work being provided by staff should go down by a considerable amount. Given that over half the staff, who provide services to clients, spends over 30% of their time doing pro-bono work, it is my hope that a pricing system reduces it to all staff providing less than 20% of their time doing pro-bono work. Anything less would not represent a complete success. Next, if CRC's customers show disapproval of CRC's pricing and client numbers drop, then it would be clear that this pricing system is either not being used correctly, or is erroneous in concept. Finally, a new pricing system should increase revenue. In many cases even small adjustments to pricing can have an enormous impact on an organization's financial bottom line (Mohammed, 2005). CRC's departments should individually show an increase in profit or at minimum a decrease in loss. After one year, CRC should conduct a study surveying its staff and analyzing its financial statements to determine how much fees for service have increased as a result of pricing changes and if a reduction in pro-bono services has been realized. In addition, CRC should add questions to its client evaluations to gain feedback regarding the pricing of its services.

Recommendation 3: Hire a development director. One of the most common themes identified through staff and Board interviews, was the fact that CRC needed a new revenue source. In most cases, the staff and Board felt that CRC's weak individual donor revenue source was a major flaw the organization was facing. Because nonprofit organizations are required by the IRS to earn revenue through public sources such as contributions, government grants, or public foundation grants, this is a significant opportunity where CRC may be loosing ground. Although foundation revenue appears to be rising in 2005, previous years showed that it had been decreasing for CRC. Currently, the Executive Director (ED) does much of the fundraising for CRC through grant writing, asking individuals, and responding to government requests for proposals (RFP). Although this is a large part of the ED's duties, he also has many other responsibilities which take away from his ability to put the necessary effort needed to raise large amounts of money. One way in which CRC could address this situation would be to dedicate an entire full time position to organizing, planning, and managing a fundraising campaign.

Depending on the nature of a nonprofit, a development director position can have varying responsibilities. However, according to CANPO (2004) a development director "works closely with the Executive Director and the Board of Directors to develop a comprehensive fundraising strategy to expand philanthropic support for the organization." Dedicating a full-time position to this activity would allow CRC to focus specific attention on fostering and managing an individual donor program while still being able to engage and identify new foundations interested in funding the organization. During the staff retreat it was made clear that CRC was only a few major donations away from being financially sound. However, this has apparently been the case for several years and yet neither the staff nor the Board has been able to fill this gap. Having a development director may help CRC change this trend. This analysis does not indicate that either the staff or the ED have been incompetent, but rather that they are currently unable to meet the time-consuming job of maintaining an effective individual donor program along with other fundraising activities.

Although a development director would enable CRC to focus more attention on bringing in new sources of funding, there is a significant expense involved in adding a position that is typically well paid in the nonprofit sector. According to CANPO (2004), Colorado nonprofit organizations with budget sizes in the same range as CRC pay development directors between $45,000 and $50,000 per year plus benefits. Although I was not permitted to gain data on staff salaries, my educated guess is that few of CRC's staff earn that much. In addition, there would be the question of whether or not CRC could find sufficient funds to account for the time before the development director is able to generate their own incurred expenses. One way to address CRC's lack of funds would be to take advantage of its 25 year anniversary. Currently, the ED, with support from the staff and Board, is planning multiple activities and one large event in 2006 to celebrate CRC's 25 years of serving the nonprofit sector. Many staff and Board members are expecting that this will bring in a large amount of money, possible enabling CRC to pay a development director for six to nine months. Although it may seem that this money could represent the needed funds to make CRC financially viable again, this approach would be short sighted, and most likely, the funds would not last beyond 2007. If CRC is to develop a new funding stream that can add to its financial viability for years to come, it should invest in developing fundraising systems that, if managed properly, can effectively last and grow.

In order to make this investment work for CRC, it will be important for the development director to focus on specific aspects of CRC's fundraising failures. One way to do this may be to better understand CRC's current relationships with clients. Because CRC is a nonprofit organization, the term client has many different meanings. A client can be an individual who donates, an organization that pays for services, a foundation that underwrites programming, or a group of people who receive services at no cost. These are all clients because they receive some value by working with an organization whose bottom line is to serve the nonprofit community. Unfortunately, CRC has not been able to generate enough revenue from clients to consistently sustain the organization. What data gathering has shown is that CRC's weakest relationship with its clients has been in the area of individual donations. The most consistent relationship between CRC and its clients has been one of fees for services. Even in the cases where foundation clients are making donations to CRC, they are usually specifically linked to a set of services. CRC has not been able to make an effective case to its clients that there are reasons to fund CRC's mission and purpose as a whole rather than certain services. This particular issue is the reason why individual donations that are made for CRC's general operating are low, and therefore represent a fundraising weakness that a development director would need to focus his or her attention on.

According to Broce (1986) developing an individual donor program is a fundamental fundraising strategy for many nonprofit organizations for several reasons. For one, a vast majority of funds made available to nonprofit organizations in Colorado come in the form of individual donations (CAF, 2004), making it an important opportunity for CRC. In addition, having individual donors is a major part of how a nonprofit organization connects with the public, which in turn impacts its ability to accomplish its mission (Broce, 1986). Finally, an effective individual donor base allows for funds to be generated throughout the year which can often help the organization get needed financial support even in times when grant dollars are low (Broce, 1986). Because an individual donor program requires managing many variables, it is often most successful when there is an individual or group of individuals dedicated to it (Broce, 1986).

Most individual donor programs consist of managing an updated database with names, contact information, how much they have given in the past, when they gave, and any other data relevant to their ability to give. However, keeping an accurate database requires more then consistent data-entry, it depends on the ability to maintain ongoing relationships with donors (Broce, 1986). Many development directors spend a lot of time corresponding with donors through newsletters, emails, phone calls and one-on-one visits. Through these forms of communication, the development director needs to be constantly demonstrating how individual donors impact the community, something that CRC obviously has not been able to do. With trends in the nonprofit sector indicating that individuals are becoming more skeptical about the efficiency of nonprofit organizations, it is essential that they clearly define how donations are impacting the interests of the public (Salamon, 2002). The ability to clearly define what CRC's outcomes are is not a simple job because of the plethora of services it provides. The amount of time and energy required to maintain an individual donor base clearly supports the need to have a development director.

Unfortunately, what is not clear is whether or not an organization like CRC can build a donor base. When interviewing the staff it was clear that the fact that CRC does not directly help people on low incomes, with disabilities, or who are deemed at-risk makes it difficult to show its impact in the community. CRC serves hundreds of organizations around Colorado that do serve people in need directly, but that one degree of separation makes the process of developing an individual donor program more complicated. However, most of the staff felt that CRC's state-wide visibility and one-on-one contact with many people added to is ability to raise funds. Overcoming the fact that CRC is a consulting organization would simply be another challenge for the development director. One way to do this would be for CRC to collect testimonials from client organizations as to how the services they received helped them better serve their cliental. These testimonials could help bridge this degree of separation by directly connecting what CRC does to help people in need. Another way would be to publish an annual report indicating precisely what impact CRC has on the nonprofit sector. By utilizing performance measures that demonstrate how CRC's clients have been served, CRC may be able to support its statement that its purpose is to help nonprofits accomplish their missions. Providing a general picture as to how CRC is serving the community directly, will create incentives for individuals to make general donations.

Overall, creating a development director position at CRC requires taking some financial risk. However, building an effective individual donor program offers the possibility of new funding sources, identified by the staff as a greatly needed solution to current financial problems. As indicated in the balance scorecard recommendation, it is important to look at how a decisions regarding one aspect of an organization impacts another. Hiring a development director means more than simply spending money to raise money, it could also mean building awareness in the community, specifying CRC's programmatic outcomes, strengthening its database, and opening up time for the ED and other Program Directors to improve CRC's services to customers.

Through these potential benefits, benchmarks can be created to evaluate whether or not adding a development director to CRC's staff is successful. Clearly, the development director will need to show that (s)he is able to raise more revenue than their position's expenses. In addition, there needs to be measurable benefits to the organization as a result of opening up more time for the ED and Program Directors. Benefits such as improved programming, increased client capacity, and more accurate evaluation of client feedback would need to be demonstrated. Finally, CRC should have better tracking of its clients, donors, and funders through an improved database. All of these benchmarks should be measured by comparing CRC's accounting records, client evaluations, and database size and accuracy of 2006 to those of 2005. A development director would be a successful decision if it can be shown that all of these improve and/or grow at a rate higher than they did between 2004 and 2005.

Conclusion and Unintended Outcomes.

CRC's inability to increase revenue at a rate equal to or higher than its expenses between the period of January 2002 and September 2005 destabilized the organization. Without improvements to the organization's financial management and strategic planning, it would soon reach a point where loans would have to be taken, staff laid off, or the organization shutting down. Through data collection and analysis, it was evident that CRC understood what problems it had, but was unsure what to do to change them. The lack of a pricing system led to lower than appropriate fees for services and too much pro-bono work. The staff's inability to connect financial indicators to programmatic indicators led to unilateral decisions that brought inappropriate expansion, costing the organization vital resources. The ongoing depletion of foundation grants and low revenue growth rates led to an increased strain on valuable programs unable to operate entirely on fees for service. These primary issues led to a set of applicable recommendations that will unify CRC's pricing system, combine and compare varying performance measurements to the strategic plan through a balanced scorecard system, and increase revenue sources through new fundraising activities. Although all three recommendations can lead to increasing revenue, they are also designed to impact internal systems allowing CRC to better serve its clients. To develop recommendations that only impacted financial elements would have taken away from CRC's bottom line to enable Colorado nonprofit organizations in accomplishing their missions. These recommendations will require a significant amount of work to evaluate, but CRC's collaborative nature and desire to problem solve will assist in measuring the effectiveness of these changes.

Although these recommendations all relate to one another and could play significant roles in improving CRC's financial stability, the balance scorecard recommendation is of the most importance. Both the unified pricing and development director recommendations require an ability to measure CRC's true cost of providing services and its impact on clients. These measurements can be discovered using the balance scorecard which is why it represents the most important recommendation. Without the balance scorecard, the effectiveness of a unified pricing system or a well managed individual donor base cannot be completely understood. The balance scorecard will take time to implement as it requires an entire project within itself to correctly apply to the needs of CRC. Once performance measurement methods have been established, goals and objectives can be set to guide the development of a unified pricing system and an individual donor campaign. I am currently predicting that the balanced scorecard recommendation will begin implementation within the first six months of 2006, and that the unified pricing system will be implemented shortly thereafter. Because the development director's salary would most likely require funds obtained as a result of CRC's 25th anniversary, the position would probably not be hired until the fall of 2006. All of these recommendations have been presented to the collaborative team and the ED of CRC, and so far there are plans to present them to the Board of Directors in June for implementation authority. Fortunately, in the meantime, there have been two CRC staff, in addition to myself, who are planning on beginning the process of creating the balance scorecard system at CRC. The initial results of that process will be part of the June presentation to the Board.

Each of these recommendations, if and when implemented, will have varying indicators measuring their ability to stabilized CRC's financial health. The most important indicator of success will be a stronger knowledge among all staff members and the Board of Directors regarding the connection between CRC's programmatic and financial goals. As indicated in the results section, the staff lacks an understanding of how to integrate goals for effective service delivery with financial sustainability. For example, new programs will not be suggested without having a clear understanding of what is needed for it to be financially feasible, or the Board of Directors will not approve budgets without quantifiable information supporting the development of that budget. Because much of the literature studying the balanced scorecard suggest keeping the system simple, CRC will most likely have monthly reports integrating financial goals with customer evaluations. An indicator of success will be communication between staff that include programmatic decision making based on varying factors. This should result in fewer unprofitable programs and better client surveys.

Ultimately the unified pricing system recommendation will be successful if it leads to higher revenue for services that require fees for services. More specifically indicators should show fewer pro-bono services being offered and increased billable hours to equal or more clients. Because there is a risk involved in increasing prices, a sustained cliental paying, in general, more for services will demonstrate that the prices are in line with what clients value them. If CRC loses clients in the fees-for-service programs, then prices are too high, or the programs are not cost effective, and other funding sources will have to be considered. A sub-indicator of the success of this recommendation will again relate to staff communication. Having a unified system should result in less time debating how to price services for each client, streamlining decisions, and maintaining consistency.

Finally, the recommendation to hire a development director should lead to a variety of results, mainly the development of an annual individual donor campaign. Turning what is currently well below 5% of CRC's revenue, into a 10-15% source of revenue would indicate a successful implementation of this recommendation. Also, indicators such as having the development director document that they have earned two to three times their cost within the first two years would demonstrate success. Finally, having a development director should be able to show that other staff positions have more time for program improvement, marketing, and professional training or growth. With the successful accomplishment of meeting these indicators, the implementation of this recommendation would strengthen the organization.

Interestingly, there were some unintended outcomes that resulted from the simple implementation of this action research project. Before the project was chosen there had been several discussions between key staff members about CRC's financial woes, but little had been done to improve them. It is my belief that any hesitation on the part of staff to address these financial circumstances had entirely to do with a lack of information. However, as this project began to start, so did an organizational culture to discover existing problems and develop systems to overcome them. For example, since this project started, CRC has implemented a staff timesheet that tracks billable hours and measures them against an agreed upon standard. This process was discussed almost immediately after surveys and interviews were conducted, and was implemented as of the first of this year.

Another possible unintended outcome was the commitment shown by staff to strengthen CRC. I have always observed intense commitment by the staff, but with this project came a desire by many to change their habits, acknowledge faults, and develop new and creative ideas. This commitment was both a gift and a curse to me as the implementer of this project. At varying times I found my self begging specific staff members to restrain their attempts to make changes in the organization until all of my data was gathered. The simple act of conducting an interview led some staff to come up with such fantastic ideas that they began implementing them immediately. However, for the most part, CRC remained patient and waited to make changes that were supported by the data I had gathered.

The final unintended outcome that I have observed has been a change in me as an employee. This action research project empowered me to manage my department in a manner comfortable with earned income. I have realized that although community development is about serving people who often do not have the resources to overcome issues they are facing, there are individuals and organizations willing and able to pay for social justice. I have realized that CRC's mission and strategy should not prevent it from accurate pricing, but rather support the need for communities to invest in their success and equality. This project has helped me manage the financial sustainability of a program while supporting the charitable intention of our mission.

Overall, this action research project has informed me as to many aspects of CRC I would have never otherwise understood. I imagine that many organizations suffering from financial difficulties come up with an infinite number of recommendations for improvement. However, I feel confident that this project has identified some profound problems and potential solutions that will assist in its sustainability. The commitment of CRC's staff, leadership, and clients has rarely wavered making it an organization flexible enough to be successful. It is this reality that will allow CRC to exist another 25 years and overcome additional problems that it will undoubtedly face in the future. I am truly honored to be a part of this organization, and to have had the opportunity to lead a project such as this.

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