

## Transcript – Episode 69 - [How the Best Nonprofits Launch, Scale Up and Make a Difference with Kathleen Janus](#)

**Dolph Goldenburg:** Welcome to the Successful Nonprofits Podcast™. I'm your host Dolph Goldenburg with another great conversation that will help your nonprofit thrive in a competitive environment. Nearly every week, I meet someone who tells me that they want to start a nonprofit soon. I always and, yes, I mean absolutely always try to convince them to join forces with another organization instead of starting something new, and you know what they do? They nod politely and walk away. And I believe when they walk away, they do not fully understand how hard it is to build a significant organization that makes a big impact. I truly believe that we have enough \$200,000 nonprofits that are stuck. They aren't growing or increasing their impact, and they aren't fully meeting their mission. So, what does it take to actually launch and scale a nonprofit organization to build and grow it so that you actually make a big impact?

To explore this topic, we invited Kathleen Janus to discuss her new book *Social Startup Success: How the Best Nonprofits Launch Scale Up and Make a Difference*. Released just a week ago, the book describes the results of her five-year study that included interviews with over 200 social entrepreneurs who founded nonprofits and as I said, made a big difference. Kathleen Kelly Janus is a social entrepreneur, author and lecturer at Stanford University. Okay. Stanford, so we already know she's a lot smarter than me, but she's an expert in philanthropy, millennial engagement and scaling early-stage organizations. Her work has been featured - get ready for this - and the Wall Street Journal, Huffington Post, Stanford Social Innovation Review, Tech Crunch, and the San Francisco Chronicle. It's interesting. I often batch interviews, and this is my second interview today with someone who has been in the Stanford Social Innovation Review. Apparently, in the nonprofit sector, that is now the gold standard for people who know what they're talking about. She is also the co-founder of Spark!, the largest network of millennial donors in the world. I typically like to read a book before recording a conversation with the author, but in this case, we're recording it a week or two before the book comes out. So, hey, let's just say we're going to fly by the seat of our pants as we have this conversation with Kathleen Janus

Hey, thanks for joining us on the podcast, Kathleen.

**KKJ:** Thanks for having me, Dolph.

**Dolph Goldenburg:** So, I've not asked an author this question in a while, so I don't feel like it's overused recently. It's a crowded bookshelf. I go to the library, and there are thousands and thousands of books. So, why'd you write this one?

**Kathleen Janus:** I hear you. I have a stack of books on my bookshelf. The reason why I wrote this book is because it's the book that I wish I had when I started my nonprofit Spark 10 years ago. There were so many things we didn't know. We were 25 years old, and we were just out of college and grad school and starting an organization that we knew was needed in this space because we wanted to engage in social causes as millennials and didn't have channels to do that,

but we had no idea what it meant to start an organization. And so, this is the playbook that anyone who wants to make a difference can use to learn better how to support the nonprofit sector, whether you're an emerging nonprofit leader, a board member, or even a donor.

**Dolph Goldenburg:** That certainly makes sense. And I know the crux of this book, which I believe, cause again, it's not about what we're doing this interview, I believe the crux of this book is really around the study that you did and the interviews with 200 entrepreneurs.

**Kathleen Janus:** Yes. So, I took a single question and really drew it out over five years. A little bit extreme.

**Dolph Goldenburg:** That is a tad bit extreme.

**Kathleen Janus:** But I was really, really curious because we started Spark, as I said, in 2004 and we were a growing organization, and we were doubling our revenue every few months and finding a lot of success in the work that we were doing. And just when we sort of hit our stride, we hit a wall. We couldn't get over this revenue hump of \$500,000 that we needed to scale. And as you said, this is the story of so many organizations. I learned in my work at Stanford wearing my research cap that, in fact, of the 300,000 nonprofits that exist in the United States, two-thirds of them are \$500,000 and below and revenue.

**Dolph Goldenburg:** I could believe that.

**Kathleen Janus:** Yeah, it's true. And many of them are small *mom and pop* community-based organizations that are doing really important work. I'm from a small town in Napa, and, \$300,000 for an organization and Napa might be plenty fine to serve an issue or a community in that small town. But for many of these organizations, they have great ideas that are dying on the vine because they can't get the funding that they need to scale their impact. And so, my research question that I referred to before was a simple question, what does it take to be successful as a nonprofit? And my study involved a survey of over 250 of the top performing nonprofits in the United States, testing out various factors from social media to impact measurement to leadership styles. And then, I went out, and I interviewed over 100 social entrepreneurs, their teams, their beneficiaries, their funders, and I asked them all this single question, what has made you so successful in your work?

What has helped you get over that hump to a level of sustainability? In the book, I define [the level] as \$2 million and above, and the results have been super fascinating. And the patterns that have emerged created a very clear set of strategies that all of these organizations are using in the very early stages to lay the foundations for success.

**Dolph Goldenburg:** So, what are those things that get people over the hump to get them from half a million to 2 million and up?

**Kathleen Janus:** So, the strategies that I talk about in the book, are first, they tend to test their ideas very early on. And this is really important because it gives them a set of impact metrics to go out and show donors, uh, before they begin fundraising. And that's what eventually gets them funded. But it's also important because it sets into motion this culture of innovation where the organization has baked into its DNA the importance of constantly testing and improving as they grow.

The second strategy I talk about is measuring impact. The organizations that say in my survey that they began measuring impacted very early on in the organizations and [grow] from the very start tend to scale much more quickly. And this again makes sense because these are the organizations that can get funded because they have data to prove that their model is working. But it also allows them to improve as they grow. Data metrics are not just about proving your model. It's about improving your model. And the best organizations know this and take this really seriously.

**Dolph Goldenburg:** How do really small organizations, so imagine you're a quarter-million-dollar organization. I know there's some quarter-million-dollar organizations that are right now listening in their car on the subway going, "We only have a quarter-million-dollar budget. How are we going to measure impact?" So, answer that question for them. How do they do it when they don't have a lot of dollars in their hand?

**Kathleen Janus:** It's absolutely overwhelming for small organizations when they hear that they have to be producing impact numbers in order to get funded. Nonprofit leaders go into this business because they care about social problems. They are not data scientists. I know I'm not a data person necessarily. It can be overwhelming. When I hear numbers, I get really scared. But what's key to remember and what I saw in these organizations that were successful in scaling is that many of these folks weren't data scientists either, but they recognized very early on the importance of measuring their impact and that it wasn't just about collecting data. It was about seeing whether what they were doing was actually working. And that was really critical because they were out there raising hundreds of thousands of dollars and they needed to know that those dollars were being effectively used. So, what they did was they didn't try and take on a hundred metrics.

They picked a few that really mattered. So, take the case of Braven, an organization that is funding low-income students and mentoring them so in college so that they can have a better chance of getting a job after they graduate. So, when Braven started their program, they were a small organization. They had a class of freshmen who they had no idea would graduate at the end of four years or would get a job. I mean, they were just in the beginning of their program, and they couldn't wait four years to get solid data to be able to [thank] to funders. So, they picked two or three things that indicated whether they were on progress towards getting those results. And so, for example, they tested attendance rates to see as a proxy whether those kids would graduate eventually. The second thing that they tested was whether the mentors would say that they would give those students a job or whether they would recommend them for a job as a proxy for whether they would actually get a job after graduation.

So, these key questions were not that complicated for them to gather data, but they were really critical to showing whether their work was having an impact. So, I think every organization needs to think about what are the two or three questions that matter and really focus on achieving those metrics as opposed to trying to get hundreds of data points, which ultimately aren't going to be that useful.

**Dolph Goldenburg:** I love that you said “data that matters” because when you were talking about tracking the attendance rate of students, I thought, okay, that makes sense. Because if you're going to go to college, you have to attend your high school and you have to graduate. That really makes sense.

**Kathleen Janus:** Another really cool thing about the way Braven did it is they didn't just stop there by saying, “Oh great, our students are attending. We're having great results.”

They tested the counterfactual, which means that they looked to see whether it was actually their intervention that was having an impact by finding a control group of students who for whatever reason couldn't take the class, giving them \$25 Amazon gift cards to participate in a survey and tracking those attendance metrics, too. And this was a really rigorous approach that foundations appreciated because I think a lot of organizations who are really stymied by impact measurement and scared by it end up using vanity metrics that really aren't telling us much of a story. So, talking about how many people have participated in their programs, for example, without really looking at, what are those programs doing for them and the long term. Are they getting a job? Are they keeping that job? Are they employed five or 10 years out? And so, really being rigorous about impact measurement and not just accepting data on its face is a trait of the most successful organizations.

**Dolph Goldenburg:** I love the fact that Braven was able to figure out how to have a control group. As someone who used to run nonprofit organizations, I'm guilty of this myself. So often we think, “Oh you know, it's not ethical first to have a control group, but what if we just choose the people that opt out?” And is that still somewhat dirty data? A little bit because you know the People's gonna opt in are more likely to succeed, and the people that are going to opt out, but is it better than no data. Yeah, it's a lot better.

**Kathleen Janus:** Absolutely. And you know, it's kind of the cheap handbag version of the randomized control trial, which is the gold standard of data measurement and understanding whether you, there's actually causation in the impact that you're having, but [our CT's] cost millions of dollars, and it's not a really cost-effective strategy for the majority of organizations.

**Dolph Goldenburg:** I think we've covered two is a three because I stopped you at data. I think you've got a third one. So, before I ask you another question, what's that third major factor of why organizations go pass on the half-million-dollar hump and to the 2 million and up?

**Kathleen Janus:** I'll run through them quickly there. It's actually five altogether.

**Dolph Goldenburg:** All right, see, I have not read the book. Have I mentioned that it's not out yet?

**Kathleen Janus:** Soon! This is just a teaser. The last three are finding a funding experimentation, which is testing different revenue streams to figure out which funding model is most effective for that particular organization. There is no one-size-fits-all funding model. News flash! Every organization has to figure out what funding model is going to be most effective for their particular mission, for their particular cause, for their particular location, and the best organizations go through a process of testing different earned income and philanthropic revenue to come up with that funding model.

The fourth strategy is that the organizations that tend to scale have a culture of collective leadership, and this really flies in the face of what we think of and have trained ourselves to think of. When we think of social entrepreneurs as heroes, celebrity leaders, I think we all as a society like to tell a good story about a celebrity leader, whether it's Steve Jobs at Apple or Mark Zuckerberg at Facebook or Scott Harrison at Charity Water as if these individuals were really responsible for the growth of their organizations or their companies. But the best organizations figure out that it's a team effort, and they worked really hard to build up their senior leadership. They work really hard to build up their staff and empower their staff, and they also have a really strong board of directors. And that board chair/executive director partnership is a critical catalyst to growth.

And the final strategy that I talk about in the book is storytelling and the importance of telling a good story and being purposeful about it and practicing it, mastering it, making it your craft because you cannot build a movement without convincing people of your story. And so, the best organizations prioritize that practice at every level, whether it's the leader or the executive director, the staff, or even the board and beneficiaries.

**Dolph Goldenburg:** What does that look like? How do they actually prioritize the practice?

**Kathleen Janus:** A storytelling one friend I think put it well. Nadine Burke Harris, who runs the Center for Youth Wellness, had a Ted Talk that had millions and millions of views. And you know, I think we all have this tendency to be really intimidated by those kinds of speakers. We all know them, and we hear their speeches, you know, whether it's a political speech or a Ted talk and we think, "Wow, they're just a natural."

But if you talk to Nadine, she talks about public speaking like it's her Olympic sport. She studies the best public speakers like Martin Luther King or Barack Obama. And she watches them and she sees, okay, well what did they do with their intonation? What do they do with their delivery? What is their narrative arc? And she tries to copy it. She also practices her speeches. She talks about how when she gave that Ted talk, her husband literally could've given the talk for her. He had heard it so many times across their dining room table. So you know, I think putting it in perspective is really important so that people realize that you have to put in the work if you want to be good. And for staff, you know, this is also the case. There are a couple of organizations that

I interviewed that do things like Ted Talk Tuesdays where they analyze a certain Ted Talk as a group and talk about the effectiveness that talk. Another organization, [www.ideo.org](http://www.ideo.org) does this storytelling roulette where they spin this wheel that looks like a Wheel of Fortune in their staff room, and every week, one staff member is put on the spot to tell the story of a project that they may or may not have participated in. The idea is that Ideo is going out selling their products, and they have to all be brand ambassadors at every single level in the organization. And so, you have to prepare people so that they're ready to go out and talk about their cause and their issue.

**Dolph Goldenburg:** I am really glad that you talked a little bit more about how you make storytelling a practice and part of your culture because I think we all understand the importance of, but we don't necessarily understand how to actualize it and put it into practice.

**Kathleen Janus:** I remember when I was writing the book, my editor asked me, "You know, can you put a chapter in the book about sales and marketing?": And I said, "Well, you know, sales and marketing is not really a thing in the nonprofit world." He comes from the business background, but you know, the reality is that storytelling is our version of sales and marketing. We have to sell what we're doing because we're selling social change, and that is a product that I think a lot of people want to buy.

**Dolph Goldenburg:** Well, you know, in the nonprofit world, I think sales is fundraising. So you know, it, it's fundraising and marketing. And I know when I was a baby fundraiser 25 years ago, I would often read sales literature. So, like at the time – we're talking pop culture sales that are true - so people like Jeffrey Gitomer, and I remember learning so much from him just about like how to cultivate major donors even though he never said "major donor" once. You know, how to cultivate major donors, how to build relationships... So yeah, I think there's a lot of crossover there.

**Kathleen Janus:** I love that. It's absolutely true.

**Dolph Goldenburg:** Kathleen, we're going to take a quick break, super short. It's only two paragraphs long, and when we come back, we're going to discuss some of the key takeaways and maybe, if you're comfortable sharing it, an example or two of how organizations that are feeling stuck in that startup phase move past it.

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Welcome back. Kathleen. I often hear from organizations. They'll call me up or they'll send me an email and they have grown to \$100,000 annual budget or a quarter-million-dollar annual budget

and are now just and have been stuck there for several years. They express frustration, but they also don't want to give up on their brainchild. You know, in a lot of cases they've invested literally blood, sweat, tears into this organization. But they also sometimes don't feel like they can afford an outside consultant like you or me because they are really pretty small. So, what can these organizations do? And if you want to give a case study or two, that's awesome, but what can these organizations do to get unstuck?

**Kathleen Janus:** So, they can read my book *Social Startup Success*. This is the dirty little secret in the nonprofit world, which is because the market beneficiaries are separate from the market funders or donors, the incentive structure is not aligned to really use market forces to understand whether your product is working or not. Um, and so as a result, the honest truth is that there are a lot of nonprofits in the United States and around the world that should probably shut their doors. You know, they've done some testing. They've probably had some impact. But the reality is that it's probably not the most effective use of dollars that we can possibly see.

**Dolph Goldenburg:** Amen sister. I cannot agree with you more.

**Kathleen Janus:** Problem is there is no incentive for them to close their doors. And we do put a lot of blood, sweat and tears into this work. And the reality is it's hard when you are seeing some impact on certain beneficiaries to say that this is something that you're going to have to shut down. So, I think what all nonprofits can do to be really honest with themselves, is to really be rigorous about impact measurement and to care about the data. And let me give you a case study of a success story in this regard. So, Raj Panjabi is the founder of an organization called Last Mile Health. He was a refugee out of Liberia when the war started, and he was getting on the plane to leave the country. His parents were ex-pats, and they had special permission. He saw the lines and lines of people who were really facing civil war and couldn't get out of the country just as the hatch was closing on his plane.

So, he went to medical school at Harvard, and he decided he was going to go back to make a difference for the post-civil war, Liberia and country that he left. He went back and started testing some ideas. So, he started working with the government, and he realized that HIV/AIDS was a big problem. He had an AIDS clinic. He started working with women's issues and realized family planning was a really important problem that needed to be solved. He started a women's health clinic, and he also used some resources to develop community-based health programs. And he realized that there were only a handful of doctors for a country of millions of people would be like the equivalent of having eight doctors in the entire city of San Francisco. And that in the rural areas, the ratio was even worse, and some people, who were HIV positive or elderly were walking 12 to 13 hours to get treatment. And so, he started training community health workers to be able to provide healthcare to those individuals so that they didn't have to make the big trek.

As he began these different programs, he was testing and measuring the results rigorously. And he quickly saw that the community health care worker program was far surpassing the results of the other programs. And so, was this women's health care clinic doing great work? Yes, it

absolutely was. Was the HIV treatment in the Capitol City important? It was absolutely important, but he couldn't ethically continue to put resources toward those programs when he saw the incredible results that the community health care worker program was having. So, he shut down literally 12 other programs to focus 100% of the organization's time on the community health care program.

**Dolph Goldenburg:** What kind of push back did he get from the constituencies of those other 12 programs?

**Kathleen Janus:** I'm sure it was hard. I'm sure he had staff that he had to let go. I'm sure he had to do a lot of explaining to government officials. You know, maybe he had worked hard to get on board with these programs. So, I think that getting to this point of, it's really emotional in the nonprofit business because we're in the business of helping people, and our decisions really affect people. But ultimately, I mean, here's the crescendo, which is that the community healthcare worker program was absolutely instrumental when Ebola hit Liberia in 2012 so those community health care workers that last mile health had trained, were on the front lines preventing the spread of a global health crisis. And so, had he not focus those resources, we might live in a very different world right now. Just goes to show the importance of really being honest, making those hard decisions and constantly testing our assumptions about what's working and what's not.

**Dolph Goldenburg:** Once you've made those hard decisions and he was able to really sell to the donors the greater impact, the organization was able to continue to grow.

**Kathleen Janus:** It was able to continue to grow. They received millions of dollars of funding during the Ebola crisis and beyond because people saw the impact of their results. And the model has been replicated in other countries around the world. And so, I think this is an example of the reason why we have social entrepreneurship [in] nonprofits. These are the incubators for government and testing ground where small and nimble organizations can try out new ideas, see what works, and then scale to meet the needs of a much broader population.

**Dolph Goldenburg:** So, Gosh, I almost hate to use jargon like this, but it almost sounds like the stuck organizations need to look at what their core competencies are, what they're doing best, focus on that, make tough choices, cut the stuff that they're not necessarily doing as well and really sell their best work to their funders.

**Kathleen Janus:** Yes, and be honest about failure. This is another big problem in the nonprofit sector. There's no incentive to talk about failure. There's no incentive for the nonprofits because they're out there raising money, and they're worried that donors won't fund them, again, if they talk about failure, there's no incentive even for the funders to acknowledge failure because they're reporting to boards of directors. They're reporting to maybe if it's a family foundation to that family, and so we need to be more open about conversations of failure. It's starting at the funding level. There are some great stories that I talk about in the book of foundations. One Foundation, the Hewlett Foundation has this greatest failure competition where the program

officers have to talk about their greatest failure in their grantmaking. The idea is that if they can be more honest with themselves about their grantmaking failures, that maybe they can be more accepting of nonprofit failures too.

**Dolph Goldenburg:** I've got to share with you that there's – and I'm not going to name the organization now or the person, but there's someone I've been trying to get on the podcast because it's one of the few funders that have a Mulligan Fund. And so, essentially organizations that have just failed horribly but have really kind of grappled with it and understood what they did wrong and you know, the funder believes that they have learned from that and it will do something very differently next time it'd be more successful, but so it is kind of, “Okay. Yeah. You know, it's a Mulligan Fund,” you know, if you can come to us and explain what you learned and you know, show how you're going to use what you learn and also share that because this is the other thing I think about failure is share that within the sector so that 12 more organizations don't try the same thing when we don't talk about failure. We keep repeating each other's mistakes without knowing it.

**Kathleen Janus:** Absolutely. There's a great research study that Alien Lee from Cowboy Centures, VC fund here in Silicon Valley did on the Unicorn. She's the one who coined the term Unicorn for billion-dollar-plus companies. And I think we all have this kind of stereotype in our head of this Hoodie wearing, college dropout that founds these billion-dollar companies. Yes, that is Facebook, but it turns out for the majority of Unicorn companies, the founders are older and they've had two or three failed companies before they finally make their hit. And so, I think this is really important context for us to remember that failure's a good thing. It's one step closer towards understanding the answer to the problem, and if we can all reframe failure as a sector in that way, I think we'll be better off and more effective with our resources.

**Dolph Goldenburg:** Absolutely. Kathleen, I know that you are on the cusp of your major book launch, so I want to be super respectful of your time. I also want to have time to ask you the Off-the-Map question. And just as a reminder, the off the map question is a question that's either tangentially or not really related to the topic that we're talking about today but gives you the opportunity to get to know our guests just a little bit better.

And so, Kathleen, my Off-The-Map question for you is how do you know when it's time to quit? So you know, we've talked about how to get your startup unstuck, but how do you know when it's time to vote to close the doors, turn off the lights and you know, hand the assets over to someone else?

**Kathleen Janus:** Hard question. Save the hardest for last. I mean I think this gets back to the question of being honest with their self and realizing that it's not about you. Take ego out of it. I laugh when I think about how much ego is involved in the nonprofit world. We're all here to solve, you know, some of the hardest social problems and you know, it's hard for all of us to take our egos out of it. And so, I think we need to be self-aware and really focus on metrics and impact measurement and be honest with ourselves about when it's time to close the doors.

**Dolph Goldenburg:** Well Kathleen, thank you. You have been a great guest. I encourage our listeners to visit your website at [www.kathleenjanus.com](http://www.kathleenjanus.com), and they will also be able to buy your book. This will air after your book comes out. So from your site, they can buy your book and also get some incredible resources. I just want to highlight a couple of those. I spent some time on your website, and one of those is the Social Entrepreneurship Survey Report, and that detail's really what it takes to go from the idea stage to \$2 million in revenue, which is really the point at which you're going to be able to scale. And the other resource that I want listeners to go to your website and download is the Social Startups Success evaluation toolkit, another resource that I think will be incredibly valuable. Now, I seem to recall that I also saw this on your website for people that buy your book, they can put in their book code and download some additional resources. I think

**Kathleen Janus:** Absolutely. I think that the best resource that I have going in that preorder bundle is my free fundraising masterclass with all of the best tips that I learned from my over 100 interviews with some of the best performing nonprofits in the United States.

**Dolph Goldenburg:** I love it. I love it. So, one more good reason to preorder your book, although the sadness is, I think this is going to come out after the book is out, so that might disappear. But one more good reason for me to go online and preorder your book. Of course, folks can also find you on Twitter and you're on Twitter at [www.twitter.com/kkelluyjanus](http://www.twitter.com/kkelluyjanus). And we're going to put all of those links in the show notes so if folks are driving or in the subway standing up and not able to write it down, we're going to make sure they've got a way to get it.

Hey Kathleen, thank you again for being so generous with your time when you're launching a book.

**Kathleen Janus:** Thanks for having me.

**Dolph Goldenburg:** Did you lose your pen or are you a hipster that's just too cool for pens? If so, there's an easy way to Kathleen's URL and link to her Twitter feed. Just head over to [www.successfulnonprofits.com](http://www.successfulnonprofits.com) where you'll find a link to buy her book on Amazon, her website, the startup evaluation tool kit and the entrepreneurship survey report. And don't forget that it's always nice to get your iTunes and Stitcher love that is expressed when you subscribe, rate and review this podcast. Special thanks to Kathleen Janus for sharing her expertise with us today, and, again, literally she's on the cusp of a book launch, so this is a busy time in her life and also to Brianna Ohonba. I never can imagine doing this podcast without her. That's our show for this week. I hope you have gained some insight that will help your nonprofit thrive in a competitive environment.

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