NGO / NPO in the Health Sector

Critical Success Factors

Prof. A. Garcia Prat, IESE

What is a NPO?

Any sort of legal entity (foundation, association, trust, SA / Gmbh*, ...)  
- Whose objective is to **deliver a service**  
- And who by **founders’ decision** and/or mandatory purpose stated in its constitution or by laws …  
- **Reinvests all profits**  
- Sport clubs, schools, charities, …  
- Foundation / endowment  
  • funds given for the permanent support of an institution

*Gesellschaft mit beschränkter Haftung*
### The Universe of NPOs

<table>
<thead>
<tr>
<th>Funders</th>
<th>NPOs</th>
<th>Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant giving foundations</td>
<td>Service oriented</td>
<td>Persons in need</td>
</tr>
<tr>
<td>Public authorities</td>
<td>foundations</td>
<td></td>
</tr>
<tr>
<td>Corporate philanthropy and sponsorship</td>
<td>Service oriented</td>
<td>Society at large</td>
</tr>
<tr>
<td>Private citizens</td>
<td>associations</td>
<td></td>
</tr>
<tr>
<td>Members</td>
<td>Member oriented</td>
<td>Heritage</td>
</tr>
<tr>
<td></td>
<td>associations</td>
<td>Nature</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Members</td>
</tr>
</tbody>
</table>

### Critical Success Factors I

- A resounding mission (permanent)
  - Emotional appeal
    - Poverty, disease, research, environment, culture
  - Scope / Number of possible recipients/beneficiaries
Critical Success Factors II

• Specific objectives (medium-long term)
  – Need to prioritise / select

• Well targeted programs (operational)
  – Satisfying needs / wants
  – With / without visibility to public

Critical Success Factors III

• Leadership
  – Founder / President
    • Accredited motivation / ethical c.v.
    • Affected by the cause
    • Public credibility
    • Whistleblower
    • Attractive for media
    • Available / successful for fund-raising

• Reputation
Peter F. Drucker
Managing an NPO

• The ultimate test is not the beauty of the mission statement. The ultimate test is the right action
• The mission is forever, the goals are temporary
• The task of the NPO manager is to convert the mission into specific goals and actions

…but, by the way, what is success?

• to raise many funds?
• to develop many programs?
• to increase endowment?
• to reach all potential beneficiaries?
• to ease or go around bureaucratic procedures?
• to improve public image?
…but, by the way, what is success?

– to please the Board?
– to satisfy the Recipients?
– to please the Donors?
– to break even?

In NPOs, you deal with balance, synthesis, a combination of bottom lines of performance

Ralph Waldo Emerson, Success

• To laugh often and much
• To win the respect of intelligent people and the affection of children
• To earn the appreciation of honest critics and endure the betrayal of false friends
• To appreciate beauty, to find the best in others
• To leave the world a bit better, whether by a healthy child, a garden patch or a redeemed social condition
• To know even one life has breathed easier because you have lived
• This is to have succeeded
• Just like companies:....
  – Opportunities or needs
  – Strengths & competence
  – AND, on top…
  ➔ Commitment

NPOs as organizations

• Threats & opportunities
• Strengths & Weaknesses: JCIL, MSF, Banks’, etc.
• Product /service: “organized abandonment”, focus only on what you are competent to do
• Market / Target group
  – Recipients / Donors
  – Media / society at large
  – Public authorities: regulators & fiscal
• Channels
• Size
• Type
NPOs as SERVICE organizations

- Everything you have learned here is applicable:
  - Moments of truth
  - Managing queues
  - Strategy for service delivery
  - Loyalty
  - Quality attributes

The Board of a Foundation

- A mix of:
  - Several persons knowledgeable in the technical aspects of the mission, ... or none (FECEC)
  - Expert on legislation
  - Financial expert
  - Communication expert
  - Patients ??

Closely linked to the President and/or committed to the mission
Financial strategy: Conceptual framework & **Risks**

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Committed</th>
<th>Very high</th>
</tr>
</thead>
<tbody>
<tr>
<td>Predictable/ stable</td>
<td>Moderate</td>
<td></td>
</tr>
<tr>
<td>Unpredictable</td>
<td></td>
<td>Moderate</td>
</tr>
<tr>
<td>Low</td>
<td></td>
<td>Discretional</td>
</tr>
<tr>
<td>Moderate</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources of funding (exc. Services)

- Founding endowment
- Acquired endowment
- Recruited donors
- Occasional donors
- Events
- Major gifts
- Legacies
- Grants & subsidies

Risk criteria
- Safety level revenue
- Mandatory expensing
- Increase programs
- Increase endowment

Scope and cost effectiveness
- Break-even!
### Objective: 10000 responses at a return on investment of 0.8:1

<table>
<thead>
<tr>
<th>Reciprocal Lists</th>
<th>Cold Lists</th>
<th>Door drops</th>
<th>Inserts</th>
<th>TV</th>
<th>Radio</th>
<th>Press Ads</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assumed average donation value</td>
<td>15</td>
<td>15</td>
<td>18</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Response rate needed</td>
<td>6%</td>
<td>2%</td>
<td>1%</td>
<td>0.2%</td>
<td>0.02%</td>
<td>0.02%</td>
</tr>
<tr>
<td>Volume needed to achieve 10000 responses</td>
<td>166.666</td>
<td>555.555</td>
<td>1.500.000</td>
<td>5.000.000</td>
<td>50.000.000</td>
<td>50.000.000</td>
</tr>
<tr>
<td>Revenue</td>
<td>149.999</td>
<td>150.000</td>
<td>157.500</td>
<td>200.000</td>
<td>200.000</td>
<td>200.000</td>
</tr>
<tr>
<td>Net Year 1</td>
<td>-37.500</td>
<td>-37.500</td>
<td>-39.375</td>
<td>-50.000</td>
<td>-50.000</td>
<td>-50.000</td>
</tr>
<tr>
<td>Drop</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Upgrade</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Net</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Revenue year 2</td>
<td>152.999</td>
<td>153.000</td>
<td>160.650</td>
<td>204.000</td>
<td>204.000</td>
<td>204.000</td>
</tr>
<tr>
<td>Maintenance direct costs</td>
<td>20.000</td>
<td>20.000</td>
<td>20.000</td>
<td>20.000</td>
<td>20.000</td>
<td>20.000</td>
</tr>
<tr>
<td>Net year 2</td>
<td>132.999</td>
<td>133.000</td>
<td>140.650</td>
<td>184.000</td>
<td>184.000</td>
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<tr>
<td>Easy to achieve performance target</td>
<td>Very easy</td>
<td>Average</td>
<td>Not tested</td>
<td>OK at low vol</td>
<td>High test risk</td>
<td>New media</td>
</tr>
<tr>
<td>Easy to achieve volume needed</td>
<td>Depends on size of donor file</td>
<td>Very easy</td>
<td>Very easy</td>
<td>Very difficult</td>
<td>Very easy if test works</td>
<td>Difficult</td>
</tr>
</tbody>
</table>
NPOs and the Welfare State

- In developed societies Foundations complement government action
- Governments and private initiative in the social sector: prejudices. The case of Catalan local hospitals & INP
- Civil perspective & control
- Fiscal aspects
- Operational aspects

Jose Carreras International Leukaemia Foundation

<table>
<thead>
<tr>
<th>Founding endowment</th>
<th>Financial revenue</th>
<th>B.M.D. Registry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquired endowment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Very conservative criteria</td>
<td>Occasional donors</td>
<td>Fellowships</td>
</tr>
<tr>
<td></td>
<td>Recruited donors</td>
<td>Administration</td>
</tr>
<tr>
<td></td>
<td>Grants other JC Found.</td>
<td>Discretional aids</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Legacies</th>
<th>Events</th>
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<td></td>
<td></td>
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</tr>
</tbody>
</table>
LINKS

- www.charity-commission.gov.uk/
- www.cof.org/
- dsk.de/index.htm
- www.efc.be/
- www.greatergood.com
- www.komen.org
- fdncenter.org/
- www.ksg.harvard.edu/hauser/

THANK YOU

for your interest !!

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