

Grants and Foundations Review™

What is a Purple Cow and What Does it Have to Do with Nonprofits?

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by Cassandra O'Neill

In Seth Godin's book *Purple Cow*, he states the case that businesses can no longer rely solely on good marketing to be successful. He talks about how once that was true, but not anymore. Today, businesses need to be remarkable to be successful. The marketplace is filled with brown cows, and the only way to stand out is to be a purple cow. He talks about how to be remarkable, and why more companies aren't doing it.

What does this have to do with nonprofits? Times have changed equally for nonprofits and the old strategies of relying on grant funding has come and gone. There is the same need for nonprofits to be remarkable and to give up what is not working. Some of the reasons that more nonprofits aren't doing this parallel why more businesses are not becoming purple cows.

His book describes the old way of doing business: A company develops a product, develops marketing strategies, buys television and print ads, and makes a lot of money. He calls this the television industrial age. But it's no longer working. Why? Basically because everyone has everything they want, and that kind of marketing designed to convince people they need a product no longer works. If you want to know more, definitely read the book.

If that doesn't work, what does? Creating a product or service that is remarkable, and getting it to the early adopters who will educate the rest of the market. He gives a lot of examples of how this works. Television and print ads that are designed for the general public will not impact early adopters, and no longer impact the general public. Things have to be done differently for a company to have commercial success.

How does a company do this? It involves marketing in the design process and integrates marketing throughout the company. Godin argues that marketing is a function that needs to be part of all employee job functions, not just certain people or a department. Also he suggests that businesses stop doing what doesn't work, and invest the money into something that does. What a concept!

Why aren't more companies doing this? This is something I've often wondered about. Customer service is almost universally so bad that a company that has good customer service really stands out. He lists fear as one reason that people don't stop wasting money on ineffective ads. There are other reasons why big bureaucracies aren't quick to completely change what they do and how they do it, but fear is definitely a major factor. He suggests the radical concept of being honest, and admitting that the things that used to work are no longer working.

What does this have to do with nonprofits?

There are some relevant similarities and differences between this situation in the for-profit world and the situation facing nonprofits.

What is similar? The old way of generating revenue for nonprofits is no longer working. Yet organizations are spending enormous amounts of money on things that don't work, and not doing things that would work better. Agencies are spending enormous amounts of money developing and submitting grant proposals, the majority of which either don't get funded or weaken the organization because they cost much more than the funding they receive. A tiny percentage of proposals that are submitted actually get funded, and they are extremely expensive to write.

How much does it cost to write a grant? The average federal grant takes a minimum of 200 hours to write and costs at least \$20,000 if you calculate the cost of the agency staff involved in writing and submitting it. This is an enormous cost, especially when multiplied by the number of grants that are submitted in a year. It is incredibly expensive and the "opportunity costs" are even higher. Opportunity costs are what an agency is NOT doing that would help them more. All the resources are devoted to writing grants the majority of which do not get funded, lock the agency into expensive programs that cost more than the amount of funding, are totally unsustainable, and do not relate to an agency's strengths or mission.

What would work better? Focus on organizational strengths, focus on community strengths, and collaborate in ways that provide stable funding sources for core competencies. Giving up the reliance on pursuing grants as the primary way to generate revenue would require a significant change in the way agencies operate, and people are afraid to make changes. Fear is definitely a factor in why agencies don't stop the drain of resources in pursuing grants and instead do things that will be more beneficial. Of course, there are also other barriers to fundamentally shift how organizations operate.

Groupthink also seems to be a factor. People think that it must make sense or be true if everyone else is saying and doing it. I sat in a meeting with 20 persons recently to hear about the opportunity for a state to receive \$10,000. I calculated that the salaries of those attending the meeting and travel costs equaled \$5,000. One more meeting and the state would have spent more than it could get, yet everyone acted as if it was a good deal. This is a common posture that agencies take when meeting with funders, that everything the funder says is "brilliant." There is a real lack of honesty in discussions between funders and fund seekers which is very expensive for fund seekers. The fund seekers are afraid to jeopardize their chances of future funding and so they are not honest. This is costly as it often locks agencies into spending more than they get back in their pursuit and implementation of grants.

Nonprofits are facing the effects of what I call the "grants-industrial complex" in much the way for profit organizations are facing the effects of the television-industrial complex. What do I mean by this? Well, there is a huge industry that is giving people the message that grants are a good thing to help nonprofits to meet their mission, that they should pursue them, that it is easy to get them, and that all you have to do is search foundation directories and write a good grant. There are even promises of free government money in every email inbox that gets SPAM.

Are grants a good thing? It depends, obviously, but sometimes they are and sometimes they are not. The way that funding is distributed through grants and contracts requires a focus on the short term and limited ability to focus on the long term or anything sustainable.

Grant funding is often driven by a deficit and dependency model. You say what your problems are (the needs section) and then how grant funding will solve the problem. People are defined as defective with needs that will exist forever. This framing results in a major focus on problem

definition, with the solution being programs funded by grant money. The social sector is enormous, as it includes schools, colleges, and universities which are also reliant on and pursuing grants as if there is no way to meet their mission and impact communities without being funded by a grant. What if we focused on what we could do better with the resources we have? Would anyone say the solution to our health care problems is more money? No, we spend twice as much as other countries and have worse health problems and huge numbers of uninsured. We need to focus our vast resources on doing more with what we have available.

How can an organization in the social sector be a purple cow? Is it by being remarkable in service provision. No. The social sector marketplace does not always reward quality with higher revenue. It is very unusual for a government funder to rate the quality of the service providers and pay more for a higher quality. In part, this is because there isn't agreement on how to measure quality, and politics can get in the way. However, some agencies are remarkable, they have low staff turnover and receive the benefits in higher quality and lower personnel costs.

Another way to be remarkable is to generate reliable revenue sources which do not come with the strings and micromanagement inherent in grants. There are many ways to get funding that are actually much more likely to promote sustainability and maximal impact that are not grants and contracts, and that are based on the unique resources of an organization, the staff, the clients, and the community.

When they work well, grants can be remarkable by providing funding for agencies to expand or improve. If grants are to remain as a method that agencies pursue to raise funds, which I believe they will, then organizations should make a commitment to apply only for grants that will facilitate remarkably and strengthen the organization.

Organizations in the social sector that take steps to become remarkable need to stop what isn't working, and do something new. They need to integrate relationship development, partnership building, and make choices based on increased sustainability into all aspects of their operations, the way that Godin recommends that marketing be integrated into for-profits. Of course, some organizations are doing this, fundraising, friendraising, developing for profit revenue streams, and fee for service programs. However, it is not the norm. What would happen if the social sector started using its collective resources to become remarkable?

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