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Jeffrey L. Bradach (*jeff.bradach@bridgespan.org*) *is the managing partner and a cofounder of the Bridgespan Group, a nonprofit that provides strategy consulting and executive search services to nonprofits and philanthropy organizations.* ***Thomas J. Tierney*** (*thomas.tierney@bridgespan.org*) *is the chairman and a cofounder of Bridgespan and a former worldwide managing director of Bain & Company.* ***Nan Stone*** (*nan.stone@bridgespan.org*) *is a knowledge partner at Bridgespan and a former editor of* Harvard Business Review*. The authors are based in Boston. For a closer look at the case studies and research behind this article, visit www.bridgespan.org.*

FEATURE

Delivering on the Promise of Nonprofits

Nonprofit leaders face unique challenges in achieving results, but a growing number are showing it can be done—by rigorously confronting questions related to strategy, capital, and talent.

by Jeffrey L. Bradach, Thomas J. Tierney, and Nan Stone

Ending violence in inner-city communities, educating disadvantaged children, stemming the loss of rain forests or marine wildlife—U.S. nonprofits are being asked to take on an increasing share of society's most important and difficult work. At the same time, the expectations being placed on these organizations to show results—by their staff members, their boards, and public and private donors—are rising. How are nonprofits responding? By being much more explicit about the results they intend to deliver and the strategies and organizations they'll create to achieve those outcomes.

Idea in Brief (Located at the end of this article)

Consider the following example. Ten years ago, Rheedlen Centers for Children and Families had a $7 million budget and a truly herculean mission: to improve the lives of poor children in America's most devastated communities. It provided New Yorkers with family-support networks, a homelessness-prevention program, a senior center, and a host of programs to meet the needs of troubled and impoverished children and teenagers. Among them was the Harlem Children's Zone, a fledgling neighborhood initiative based in a 24-block area in south-central Harlem.

Despite Rheedlen's many good programs, however, the prospects for Harlem's children appeared to be getting worse, not better. For Geoffrey Canada, the nonprofit's longtime CEO, the imperative was clear: To help the greatest possible number of kids lead healthy lives, stay in school, and grow up to become independent, productive adults, Rheedlen would have to step up its performance. So in 2002, it changed its name and sharpened its focus. Now simply called the Harlem Children's Zone (HCZ), the agency linked its original mission to a very concrete statement of the impact it intended to have: namely, that 3,000 children, ages 0 to 18, living in the zone should have demographic and achievement profiles consistent with those found in an average U.S. middle-class community.

With support from the board and major funders, particularly the Edna McConnell Clark Foundation, Canada and his team discontinued or transitioned out of activities that were no longer in line with HCZ's intended impact (such as homelessness-prevention programs outside the zone) and took on new ones (such as a Head Start program and a charter elementary school). They also diversified HCZ's funding, shook up and expanded its management ranks, and invested precious dollars in evaluating results. By 2004, HCZ had more than doubled in scope, encompassing 60 square blocks that housed some 6,500 children. In 2007, the organization added another 37 square blocks—housing 4,000 kids—to the zone. Over the same five-year period, its budget grew from $11.6 million to $50 million. Civic and nonprofit leaders in other cities have expressed interest in replicating HCZ's approach.

HCZ's is not an isolated case. During the past eight years, we have worked with more than 150 nonprofits whose executive directors and boards are committed to increasing their organizations' social impact. We have yet to find one "best way" to do that, and we wouldn't expect to. Every organization faces unique challenges and opportunities, and the decisions its leaders make necessarily reflect those realities. The one constant, however, is a willingness to rigorously confront a few essential, interdependent questions:

- Which results will we hold ourselves accountable for?
- How will we achieve them?
- What will results really cost, and how can we fund them?
- How do we build the organization we need to deliver results?

Together, these questions create a framework that executive directors can use in candid conversations with stakeholders and in developing pragmatic, specific plans for making a tangible difference, whether that is measured in more high school graduates or in healthier oceans. Although the questions look easy and generic, answering them—and acting on the recommendations—is remarkably hard for many reasons. Ironically, the dynamics driving the nonprofit sector actually undermine its organizations' ability to focus on results, despite the mounting pressure to do just that.

Idea in Practice (Located at the end of this article)

The Challenge of Delivering Results in the Nonprofit Sector

A day in the life of an executive director is filled with fund-raising, board tending, and "fire" extinguishing. Meanwhile, staff members work long hours in bare-bones facilities. These are stereotypes, sure, but like most stereotypes, they contain a kernel of truth. Leaders and employees of nonprofit organizations are constantly being pulled in different directions to serve multiple constituencies. This "scatterization" is as much a function of how the nonprofit sector is organized as it is of how the organizations themselves operate.

In the business world, market forces serve as feedback mechanisms. Companies that perform well are rewarded by customers and investors; underperformers are penalized. Performance is relatively easy to quantify through quarterly earnings, ROI, customer loyalty scores, and the like. Moreover, such metrics can be calibrated and compared, ensuring that the companies producing the best results will attract capital and talent. Managers are encouraged to invest in the people, systems, and infrastructure needed to continue delivering superior performance. And internal feedback mechanisms, from up-to-the-minute operating data to performance reviews, keep everyone focused on critical activities and goals.

In the nonprofit world, missions, not markets, are the primary magnets attracting essential resources—from donors inspired by organizations' audacious goals; from board members, who not only volunteer their time and expertise but also often serve as major funders; and from employees, who accept modest paychecks to do work they care passionately about. But missions are typically better at providing inspiration than direction. So it is not uncommon for key stakeholders to have deeply felt but divergent views about what the organization's chief priorities ought to be—and for those differences to be masked by the broad aspirations of the mission statement.

Assessing and comparing performance is also a more subjective and values-driven exercise for nonprofits than for companies. Given the diversity of the goals nonprofits pursue, there is no single quantitative or qualitative metric against which performance can be evaluated and ranked. Even when several organizations are aiming for the same goal—reducing school dropout rates, say—the absence of standard outcome measures makes it impossible to compare their performance.

Quirky, too, are the sector's funding flows, which often fail to reward high performance and are seldom reliable enough to justify significant investments in organizational capacity. A nonprofit's very success can provide an excuse for donors to stop giving, because the organization no longer "needs" their money. Both public and private funders overwhelmingly want to support programs (especially new ones) rather than overhead. So program proliferation trumps investment in existing programs, and the organization is strained on every front: Management ends up being undercompensated and overstretched. Operating systems and technology are often rudimentary.

Committing to deliver a defined set of results may sound unremarkable, but it is not easy for nonprofits given these dynamics. It involves forging new relationships with the external stakeholders who provide the funding and with the internal stakeholders who do the work—changes as profound and revolutionary as those that U.S. business leaders experienced when they embraced the quality movement decades ago.

Which Results Will We Hold Ourselves Accountable For?

The most fundamental—and perhaps most difficult—decision a nonprofit can make is to define the results it must deliver in order to be successful. That process entails translating the organization's mission into goals that are simultaneously compelling enough to attract ongoing support from stakeholders and specific enough to inform resource allocations.

One approach is for nonprofit leaders to formulate and agree upon what we call its *intended impact*. A strong intended-impact statement identifies both the beneficiaries of a nonprofit's activities and the benefits the organization will provide—that is, the change in behavior, knowledge, or status quo its programs are designed to effect. Such specificity gives decision makers a powerful lens to use when they have to make trade-offs among worthy, competing priorities. To see the difference between a mission and an intended-impact statement, consider this example from Larkin Street Youth Services, a San Francisco–based nonprofit that is nationally recognized for its work with homeless and runaway youths. Larkin Street's mission is "to create a continuum of services that inspires youth to move beyond the street. We will nurture potential, promote dignity, and support bold steps by all." The intended-impact statement drills down further: Help homeless youths, ages 12 to 24, in the San Francisco Bay area develop the self-sufficiency and skills to live independently.

Discussions about an organization's intended impact tend to be iterative, inclusive (drawing in board as well as staff members), and incredibly hard. One source of difficulty: Legitimate needs invariably outstrip any single organization's ability to meet them. So by clarifying its strategy and scope, the nonprofit is also determining what it will *not* do. Should the Natural Resources Defense Council's oceans program work to block offshore oil drilling or to promote more responsible management of fisheries? Should STRIVE, a job-training organization, focus on the chronically unemployed, who are the most difficult to serve, or on those with the best chance of rapidly reentering the workforce? These are tough choices, without "right" answers. But only by making them can a nonprofit align its limited resources with the activities that will have the greatest impact.

There is no standard template for an intended-impact statement, but organizational values, data, and a willingness to make tough decisions are all part of the mix.

Organizational values.

An especially helpful way to begin a discussion about intended impact is to identify an anchor that is embedded in the organization's values and history. Four types exist: target population (in Larkin Street's case, homeless youths, ages 12 to 24), target outcomes (self-sufficiency), geography (San Francisco), and approach (continuum of care). The organization ultimately must address all these dimensions—who, what, where, and how—in order to develop an intended-impact statement that can be acted on. But it helps to have one fixed starting point on which all the stakeholders can agree.

Data.

Objective information plays an equally critical role in developing a realistic intended-impact statement: What is the magnitude and nature of the need for our activities? What are our relative strengths and weaknesses? What resources are required to achieve the outcomes we hope for, and how likely are they to be available? Bringing hard data to bear on questions like these promotes better decision making and builds consensus. Although Larkin Street's decision to keep its direct services focused on the Bay area may have been rooted in the organization's history, it was solidly reinforced by statistics showing that there were nearly four times as many homeless youths in San Francisco as there were providers to help them.

Making tough choices.

Because hard choices, especially those with tangible human costs, need to be made, nonprofit leaders must be able to build agreement among stakeholders while avoiding the paralysis of endless discussions about what the organization should be doing. When the Harlem Children's Zone decided to hand the management of its senior center over to another agency, it was extremely difficult for many staff members—not so much because of the effect on them personally but because of the effect on the people they would no longer be assisting. What ultimately made it possible for everyone to rally around was analysis showing how much of HCZ's discretionary funding the center was absorbing—dollars that could be reallocated to help kids.

How Will We Achieve Results?

When time and money have to be allocated among various programs and activities, identifying the most effective initiatives isn't easy. Nor is the logic supporting those decisions likely to be transparent. That is why *theory-of-change work*—explaining how the organization, working alone or with others, will achieve its intended impact—is so critical. The process ensures that stakeholders understand why strategic decisions are being made as they are; it also unearths assumptions about programs and services that can then be tested and revised as necessary. A strong theory of change is broad enough to show the scope of an organization's beliefs about how social change occurs (including, where appropriate, the activities of others) but specific enough to allow decision makers to map programs and resources against it. (See the exhibit “One Blueprint for Delivering Results.”)

One Blueprint for Delivering Results (Located at the end of this article)

Like intended-impact work, theory-of-change discussions are iterative, and several options may be plausible for achieving a given set of results. For example, teacher training, curriculum reform, an extended school day, and personalized instruction might all be levers for improving graduation rates among disadvantaged youths in urban high schools. The “right” approach will depend in part on what the leaders of an organization believe they ought to be doing. An even bigger factor will be what they learn as they analyze their organization’s capabilities and economics, and gather information about what others are doing—for example, whether similar programs already exist and which ones are being funded by whom.

Several issues pop up routinely in theory-of-change work. One is the question of proof: Which elements have been shown to create positive results? Formal evaluations, which document the link between a particular program or activity and a set of positive outcomes, are time-consuming, costly, and difficult to get funded, so most organizations can’t answer this question definitively. Even so, many fields do have a growing body of academic research about what really works—for instance, studies on climate change or early childhood development. Decision makers need to be familiar with any such information, especially since what may look like a nuance—whether a tutor meets with a child once a week or twice, for example—can be central to a program’s success.

Another challenge is determining where one organization’s work begins and ends relative to the work of others. Jumpstart, a national nonprofit that mentors young children in Head Start programs who are falling behind, offers a good illustration. Jumpstart focuses on providing tutors who are well trained to support the intellectual and emotional development of their tutees. But should the organization also develop programs focused on the children’s families? Jumpstart’s leadership had to wrestle with that question because the organization’s intended impact is school readiness, and it is abundantly clear that families are crucial in helping children succeed in school. But given Jumpstart’s limited resources, and the fact that it couldn’t drive change on both fronts, the organization decided to stay focused on increasing the number of kids it could serve.

Finally, theory-of-change work highlights gaps between what is supposed to happen and what is actually occurring. It is not unusual to find, for instance, that the people using a nonprofit’s services are not the intended beneficiaries. Or an organization may discover a discrepancy between what its leaders think is required for its programs to be effective (the length of time that people participate, say) and how the programs are being delivered. This was the case for Expeditionary Learning Schools (ELS), which trains teachers to educate students through real-world projects called learning expeditions.

Multiple evaluations by independent researchers showed that the ELS model could improve student learning and performance when implemented with fidelity. For a low-performing school, that meant having ELS staff members work on-site with its leadership and faculty 30 days a year for at least three years. In 2004, ELS received significant funding from the Bill and Melinda Gates Foundation to extend its work to new small high schools in needy areas. Before expanding, however, ELS leadership wanted to assess the existing network. The results were bracing: Few of the schools were as highly engaged as they needed to be to achieve excellent results. After several soul-searching conversations, the ELS leadership team and board made the painful decision to exit schools unwilling to devote the time required to implement the nonprofit’s curricular approach. Although that decision initially reduced the size of the network by nearly 25%, within three years the addition of new schools, excited by the model’s rigor and thoughtfulness, had more than compensated for the loss.

What Will Results Really Cost, and How Can We Fund Them?

A theory of change that can’t be funded isn’t real. And yet nonprofits almost never have enough money to cover everything they are already doing, let alone surplus funds to support new activities and investments. So hard choices inevitably appear as leaders determine which outcomes they can reasonably achieve given current and potential levels of support. If they are to make the necessary trade-offs, reaching financial clarity has to be their first order of business: This entails understanding the full costs of current programs and how each is affecting the organization’s overall financial health. Does the program cover its own costs? Does it require a subsidy? Generate a surplus? Although it might seem as though such information ought to be obvious, the environment in which nonprofits operate tends to make it opaque.

What do things cost?

Nonprofits’ financial systems typically are rudimentary. Much of Finance’s time goes to preparing individual reports for multiple funders about their specific program grants or contracts. Moreover, grants and contracts usually set arbitrary limits—invariably too low—on how much of the money can be used for overhead. This pattern of constraining overhead, which we will talk more about later, both obscures the real costs of essential activities and inhibits investments in the very systems and staff that would enable the nonprofit to achieve its intended impact.

Financial clarity often leads to surprising insights. For example, a youth-development nonprofit launched a culinary enterprise, which involved building a commercial kitchen and hiring local kids to work in it. Believing that a bottle of salad dressing cost $3.15 to produce, the organization sold it for $3.50, yielding a putative 35-cent profit. However, that estimate captured only direct expenses. When indirect expenses such as the kitchen manager's salary, facility expenses, and organizational overhead were appropriately allocated, the cost shot up to $90. What looked like a money maker was in fact a dramatic money loser.

Financial clarity also allows decision makers to assess the impact of their programs on both the organization's mission and its margins. (See the exhibit "Strategic and Financial Clarity.") The objective is not to do away with those that aren't earning their keep: Many essential programs cannot fully cover their own costs. Rather, it is to determine whether discretionary dollars are being used to support activities with the greatest potential to help the organization achieve its intended impact. It's not uncommon for nonprofits to discover—as HCZ did—that they are subsidizing programs lacking such potential. Or, conversely, to find that programs not completely aligned with the strategy are nonetheless worth maintaining because they throw off cash that can be applied to other areas.

Strategic and Financial Clarity (Located at the end of this article)

Where does the money come from?

In the for-profit sector, customers drive an organization's performance. If no one is willing to pay for a product or service, we say, "The market has spoken," and shut down the product line or even the organization. In the nonprofit sector, weak market forces exist—donors do decide whom to support, for example. But funders' choices are often influenced by personal relationships or the emotional appeal of the mission rather than by organizational performance. People will give millions of dollars to their alma maters without requiring clear evidence of performance. Yet they may stop funding organizations delivering demonstrable results when their personal interests shift, a phenomenon called donor fatigue.

As a consequence, nonprofits can be quite fragile financially. For example, a Bridgespan study of 17 well-known and successful youth-serving organizations found that two-thirds experienced at least one year of declining revenues between 1999 and 2003. Nearly one-third dipped twice—and setbacks unrelated to performance led half to lay off staff and 45% to cut entire programs.

How can nonprofit leaders develop a reliable funding base? There is no simple answer, but they can begin by bringing their funding and their strategies into better alignment. We have seen them do that in several ways.

First, they very clearly articulate what the organization needs financial support for, and they identify appropriate sources to meet those needs. Larkin Street relies extensively on government funding, which has accounted for two-thirds of its revenues for many years. In contrast, HCZ relies heavily on individual contributions. The activities nonprofits pursue may lend themselves to one financial model or another (and the model may change as an organization gets larger), so it is important to invest over time in building the capabilities to attract and manage appropriate types of funding. Cultivating private donors requires capabilities very different from those needed to apply for government grants and respond to RFPs, for example.

Nonprofit leaders also must look hard at the true costs—both tangible and intangible—associated with potential revenue. Will accepting proffered funds mean executing on the donor's strategy instead of the organization's own? Will the value of the funding be reduced by the donors' excessive reporting requirements, overly long and unpredictable decision processes, or aversion to covering appropriate overhead?

Perhaps most important, both nonprofit leaders and funders need to stop pulling punches—with themselves and others—and confront the reality of what it will cost to deliver results. Knowing that a new program will require $500,000 to implement, raising one-fifth of that, and then attempting to initiate it with the hope that "more will come in later on" or that "something is better than nothing" is standard operating procedure among too many nonprofits. That is a recipe for disappointment and disillusion all around.

How Do We Build the Organization We Need to Deliver Results?

When it comes to delivering and sustaining results, having the right people in the right positions trumps having the right strategy or even a reliable source of capital. In this respect, many nonprofits are fortunate. Their leaders are passionate, entrepreneurial, and hardworking. Their ranks are filled with dedicated people motivated more by the opportunity to help others than by personal economic incentives.

But while nonprofits tend to be strongly led, they also tend to be undermanaged. As a result, they are often marked by persistent confusion about roles and responsibilities and by opaque decision making. These issues play out at every level of the organization: between the board and the executive director, between the executive director and the staff, and, in larger networks, between the center and the affiliates. As the executive director of Communities in Schools observed before bringing in a chief operating officer, "There were a whole series of issues around who had access to decisions, who would get money, who wouldn't....We had absolutely no framework for defining what were reasonable expectations and what were not."

Such confusion leads to the repeated reinvention of virtually every process, especially in organizations filled with volunteers whose institutional memory can be very short. The costs show up both in a weakened ability to achieve results for beneficiaries and in burnout among volunteers and staff members. As Rob Waldron noted when he was the CEO of Jumpstart, "We have to muscle everything we do, and eventually you just get tired!"

Creating better processes.

Staff members may feel passionate, but in Bridgespan surveys they also report feeling undersupported and underdeveloped professionally. The absence of processes for setting employees' goals and obtaining feedback, for instance, disconnects individuals and their performance from the organization's strategy. In one nonprofit that pairs mentors with disadvantaged kids, staff members were repeatedly told that the organization's priorities extend beyond the number of matches made to include other dimensions, such as their quality and presence in hard-to-serve communities. But when the time came for performance reviews, staffers were assessed and rewarded only on the first, most easily quantifiable metric. Recognizing this problem, senior leadership redesigned the process to include data and qualitative feedback on the other dimensions and began to reward people who performed well against all the priorities. This story is an exception, however. Few nonprofit directors devote so much energy to improving processes.

Building leadership capacity.

Although nonprofits are growing in scale and facing increased pressure to perform, they're not doing nearly as much as they must to attract, retain, and develop a cadre of leaders and managers. A recent study by the Eugene and Agnes E. Meyer Foundation and CompassPoint Nonprofit Services reported that three-quarters of the executive directors surveyed planned to leave their positions within five years. Among the reasons, anxiety about fund-raising and shaky financial sustainability—their organizations' and their own—loomed large. And even though many organizations need executives with specialized skills (such as chief operating and chief financial officers) to implement their strategies, the comparatively low compensation levels in the nonprofit sector can be a significant barrier to filling those positions—and to retaining talented people more generally. That is why the willingness to provide fair pay in exchange for topflight executive performance will be a key differentiator between nonprofits that can deliver great results consistently and those that cannot.

Distinguishing between good and bad overhead.

The phenomenon most to blame for inefficiencies in nonprofits is something we noted earlier: resistance by just about everyone, including the general public, to supporting overhead. The word itself is disparaging, suggesting wasteful or unnecessary expenses. But there is a difference between good overhead and bad. Investing in an IT system that can track program results is good; paying excessive rent for opulent office space is bad. Attempts to limit all overhead blur this distinction and severely undermine nonprofits' ability to invest in the people and HR processes necessary to deliver great results year after year.

Nonprofits' most common and pernicious response to this phenomenon is to both underinvest in infrastructure and underreport what they've spent—thereby reinforcing external expectations about what is (and isn't) appropriate. In the short run, staff members may be able to "do more with less," but ultimately the organization's beneficiaries suffer.

Nonprofit leaders who understand the link between developing capacity and achieving results are pushing back—by identifying the positions and infrastructure that will be required to implement their strategies, by making those needs transparent to funders, and by communicating the logic that supports those investments throughout their organizations and to their boards.

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No question, a nonprofit's journey from aspirations to impact is a challenging one. Moreover, this pursuit is largely self-imposed, as nonprofits do not typically confront the customer defections, market-share battles, and quarterly earnings reports that shape executive behavior in the for-profit world. There is still a lot of voluntarism in these organizations: Board members donate both time and money. Executives serve a cause rather than maximizing their own compensation. Philanthropists donate their hard-earned wealth. Legions of community members contribute their time. So the executive director of a nonprofit cannot simply impose her or his perspective on this diverse group of personally motivated stakeholders.

How Donors Can Help Nonprofits Achieve Results (Located at the end of this article)

Instead, the discipline of leadership must replace the discipline of markets. The executive director shoulders the heavy burden of engaging key stakeholders in a rigorous consensus-building process, in which all parties confront the fundamental questions in this article—and fully embrace the subsequent answers.

When such leadership is complemented by donors, board members, and staff members who are equally committed to excellence, the results—whether measured in clearer skies, fewer homeless families, or more college graduates—can be outstanding.

Idea in Brief

- U.S. nonprofits face mounting pressure to demonstrate the effectiveness of their programs—but the sector's orientation toward mission statements rather than market forces actually undermines their ability to focus on results.
- To push back and develop pragmatic plans for making a difference, nonprofit leaders should rigorously answer several interdependent questions, suggested by the authors as a framework for change: Which results will we hold ourselves accountable for? How will we achieve them? What will results really cost, and how can we fund them? How do we build the organization we need to deliver results?
- Successful organizations are willing to make hard trade-offs based on objective information to increase their impact.

Idea in Practice

In response to the growing pressure for nonprofits to demonstrate that they are achieving results, their leaders should be able to answer the following key questions:

Which results will we hold ourselves accountable for?

Example: Despite the variety of programs Rheedlen Centers for Children and Families (now the Harlem Children's Zone) offered to help inner-city youths, outcomes for kids weren't improving. So the organization revamped itself around a very concrete set of goals: namely, that 3,000 children, ages 0 to 18, living in a 24-block area in south-central Harlem should have demographic and achievement profiles consistent with those found in an average U.S. community.

How will we achieve results?

Example: Expeditionary Learning Schools (ELS) trains teachers to educate students through real-world projects. To achieve results in a low-performing school, ELS staff members must work on-site 30 days a year for at least three years. When the organization assessed its existing network, it found that few schools were as engaged as they needed to be to attain excellent results. ELS made the painful decision to exit sites unwilling to devote the time required to implement its curricular approach.

What will results really cost, and how can we fund them?

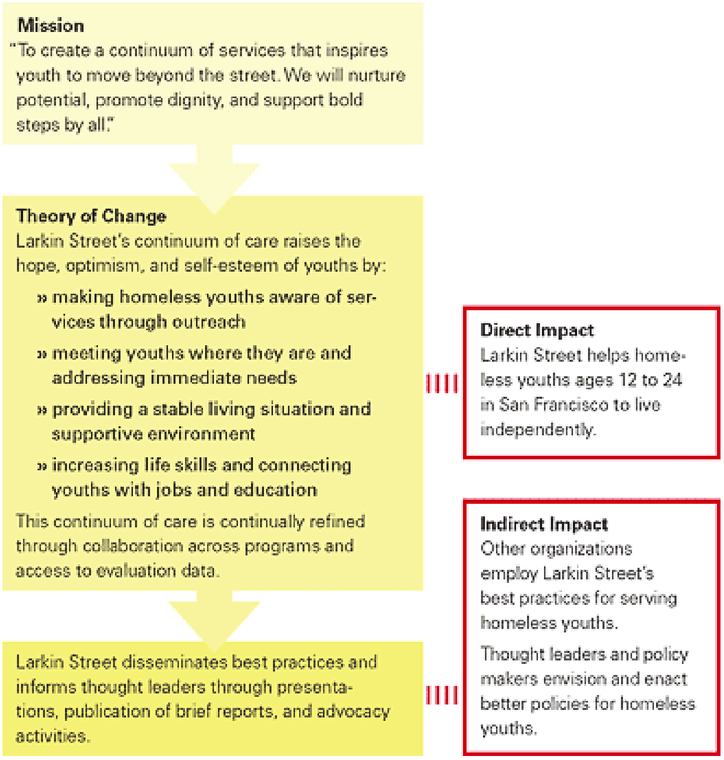
Example: Larkin Street Youth Services relies heavily on government funding. Because grants and contracts often set arbitrary limits on overhead, obscuring the real costs of essential activities, the organization has had to clearly articulate what it needs financial support for and identify appropriate sources to meet those needs.

How do we build the organization we need to deliver results?

Example: Geoffrey Canada, CEO of Harlem Children's Zone, actively engaged staff members and funders in a disciplined process of organizational change. In drawing up their plan, the CEO and his team were willing to question just about every aspect of the organization: They discontinued some activities, diversified funding, shook up and expanded management ranks, and invested money in new IT systems. After doing that, Canada was able to secure multiyear financial commitments from several major funders.

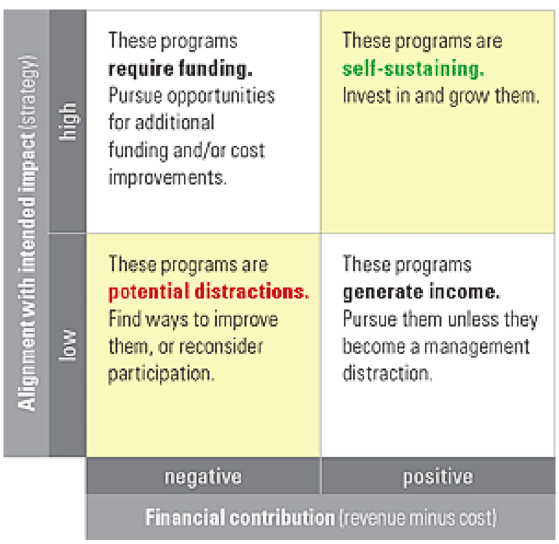
One Blueprint for Delivering Results

Since its founding in 1984, San Francisco–based Larkin Street Youth Services has become a model of innovative and effective service provision for homeless and runaway youths. The organization's theory of change, refined in 2007 and presented here, articulates its beliefs about how Larkin Street can achieve its intended impact.



Strategic and Financial Clarity

Once a nonprofit's leaders hone their organization's intended impact and get an accurate picture of its finances, they can use the matrix below to classify their programs and identify strategic options.



How Donors Can Help Nonprofits Achieve Results

The basic imbalance between philanthropists and nonprofits—one group has the money the other group desperately needs—gives donors enormous power. Whether their money actually helps the recipients deliver greater results depends on how they give it, not just how much they give. To that end, here are four guideposts for individual donors and foundations.

Understand that the results aren't "ours."

Donors can influence the behavior of the nonprofits they fund, but when they impose their own priorities, they risk compromising the nonprofits' ability to deliver results. Achieving impact through nonprofit organizations thus demands a shared understanding of priorities between donors and recipients. Such consensus building takes time and effective collaboration. Personal opinions must yield to data, and personal motivations must take a backseat to common goals.

Realize that everything takes longer and costs more.

Like nonprofits, philanthropists have an alarming tendency to underestimate what it costs to produce results. Instead of placing appropriately sized bets on well-defined strategies, donors often spread too little money among too many recipients. Sophisticated donors recognize when nonprofits are ripe for deeper investment in the form of more money over longer periods of time.

Invest in good overhead.

B-level leadership teams will not deliver A-level results. Yet donors are inclined to fund programs while minimizing overhead, including essential expenses such as basic infrastructure and leadership development. Donors must be willing to invest in capacity building for the organizations they support and hold them clearly accountable for generating results.

Remember that excellence is self-imposed.

Philanthropy exists in a world without marketplace pressures. Donors don't actually have to do much good in order to feel good. Nor do foundations go out of business because they miss their numbers in consecutive quarters. Quite the contrary: Thanks to the unfailingly positive feedback donors receive, mediocrity is easily perpetuated. Those who are serious about making a real impact must first establish the results for which they will hold themselves accountable and then align their grant making appropriately.