

TROPMAN REPORT

2002 SERIES

volume 1 : number 1

CAPACITY-BUILDING IN THE NONPROFIT SECTOR

A Comparison of Resources and Practices in Pittsburgh and Denver

Building nonprofit organizational capacity has become an important objective for funders, nonprofit leaders, consultants, and management support organizations. While the first priority is always on serving our consumers and fulfilling our missions, we also recognize that truly outstanding performance in service delivery usually is associated with equally outstanding performance in management and governance. A growing number of foundations across the country now have grant programs designated for organizational "capacity-building" in areas such as planning, human resource development, board development, and financial stability.

The problem is that we lack a strong foundation of research on how to build and sustain organizational capacity. We don't even have a shared vocabulary or definition of "organizational capacity" that enable us to engage in meaningful dialogue on the topic. Most of us recognize a "high capacity" organization when we see it, but might be hard-pressed to give a definition or, more importantly, a prescription on how to develop and sustain organizational capacity. As Brookings scholar Paul Light suggests "the challenge in sorting out the current trends in the field is that the research base is just beginning to develop; hence, there are no clear guidelines yet on what works, what doesn't and under what conditions" (from *Making Nonprofits Work: A Report on the Tides of Nonprofit Reform*).

- What does organizational capacity mean in practical terms?
- What are the characteristics of a high-capacity organization?
- What factors contribute to successful capacity-building in the nonprofit sector?
- How does Allegheny County compare with another major urban area in terms of its capacity-building resources and programs?

These are the questions addressed in this study by Jane Hansberry, a doctoral candidate at the University of Pittsburgh's Graduate School of Public and International Affairs. Hansberry hails from Denver where she formerly headed the Scientific and Cultural Facilities District, an organization similar to the Allegheny Regional Asset District.

A PRACTICAL DEFINITION OF ORGANIZATIONAL CAPACITY

Hansberry assembled a panel of nonprofit experts and asked them to develop a practical definition of nonprofit capacity. The panelists included senior executives, consultants, grantmakers, and scholars. They reviewed definitions of organizational capacity drawn from consortia like Grantmakers for Effective Organizations and from the literature on the topic. The panelists synthesized and refined these definitions and through successive rounds of discussion, gradually reached consensus on the following:

A nonprofit human service organization's capacity is its long-term ability to achieve its mission effectively and efficiently through its management, governance and persistent re-dedication to achieving results.

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CASE STUDY ORGANIZATIONS:

Center for Creative Play — Pittsburgh, PA — A nonprofit play center for children of all abilities based in Pittsburgh and the only year-round inclusive, accessible play center in the country.

Strengthening Neighborhoods Initiative — Denver, CO — A five-year initiative sponsored by the Denver Foundation that helps neighborhood residents transform their communities through their own ideas and efforts.

Trustee Leadership Development — Indianapolis, IN — An organization founded in 1989 to energize the boards of nonprofit organizations.

Rochester Effectiveness Partnership — Rochester, NY — Founded in 1996 to provide in-depth training and hands-on experience in advanced evaluation methods for nonprofit practitioners and funders.

Scientific and Cultural Facilities District — Denver MSA — Similar to the Allegheny Regional Asset District, this organization provides support to scientific and cultural organizations in the seven county metropolitan Denver area.

National Arts Stabilization — Baltimore, MD — Works with communities to strengthen arts organizations by developing managerial and financial skills.

Tides Center — Pittsburgh, PA — A management support organization that provides back office administrative and management services to unincorporated nonprofit projects.

Greater Pittsburgh Community Food Bank — Pittsburgh, PA — An organization dedicated to the elimination of hunger, it works in collaboration with Second Harvest and in partnership with 350 member social service agencies and other organizations in fulfillment of its mission.

Summer Scholars — Denver, CO — A literacy program that has become a positive force for change in Denver's educational landscape.

CHARACTERISTICS OF A HIGH-CAPACITY NONPROFIT

Next the panelists were asked to draw on their experience and observations of the nonprofit sector to develop a list of characteristics of a high-capacity organization. Again, through successive rounds of discussion and refinement, they reached agreement on the following:

- **A clearly defined mission** that is relevant to community needs, is understood and embraced at all organizational levels and is periodically revisited and re-examined.
- **Capable and motivated leadership** characterized by a well-organized and able board, creative partnerships with staff, a persistence of will, an ethic of stewardship and accountability, and clear internal and external communications.
- **Results oriented programs** that are aligned with the mission and are informed by and responsive to constituents.
- **Ability to access human, information and material resources** specifically the ability to recruit, hire and retain staff, the ability to use information networks and the ability to create reliable and diverse revenue streams.
- **Adaptive capacity** that includes the ability to adapt and improve programs and practices, to respond creatively to change, to take risks and is marked by a high degree of flexibility in relationships.
- **Efficient operation and management support systems** that use and leverage resources to maximum advantage and can be adapted in response to changes both internal and external.
- **Self-knowledge** as manifested by an organizational ability to continually examine the balance of efforts with outcomes.

Interestingly, Brookings researcher, Paul Light arrived at similar conclusions in his recent national survey of 300 nonprofit experts. These characteristics are also comparable to those generated by Harvard researcher Christine Letts and her associates. This is significant because collectively we seem to be converging on a list of attributes that signify a "high capacity" nonprofit organization. In effect, we are beginning to reach consensus on a shared vision or goal for capacity building efforts. Without a shared vision, we are unable to rigorously evaluate our capacity building programs.

HOW TO BUILD CAPACITY IN A NONPROFIT ORGANIZATION

Next, the expert panel generated examples of both successful and unsuccessful capacity building efforts and extrapolated a list of factors that contribute to or impede capacity building. Some of the factors that emerged as essential to successful capacity building were:

- Effective capacity-building takes time and requires a long-term commitment from everyone involved.
- Effective capacity-building does not simply try to correct an organization's weaknesses, but builds on its assets and strengths.
- Successful capacity-building initiatives generally set realistic goals that can be measured and celebrated. They don't try to accomplish the impossible.
- Successful initiatives generally begin with a thorough organizational assessment.
- Capacity-building is not imposed on an organization, but rather embraces the organization as a partner in the effort.

Conversely, the expert panel identified several factors that in their experience characterized unsuccessful capacity-building efforts.

- Capacity-building is more likely to fail when it is not explicitly mission-driven. Organizational capacity is not an end in itself, but a means to an end. If employees and other stakeholders don't see the connection between capacity and performance, the initiative will likely fail.
- Capacity-building often fails when there is little or no input from the organization. Consultant-driven processes rarely produce long-term results.
- Capacity-building often fails when consultants are culturally insensitive or come

to the assignment with pre-conceived, “cookie cutter” approaches driven by either the funder or the consultant.

Finally, the expert panel helped Hansberry identify nine organizations where successful capacity-building had taken place. She then conducted interviews and visits to these organizations to examine and to try to explain why these organizations were successful in their capacity-building initiatives.

Despite the disparate nature of the organizations studied, five common themes representing the attributes of successful capacity building emerged. Those themes are:

- Commitment to dialogue
- Commitment to self-knowledge
- Commitment to excellent management and governance
- The will to make a long-term investment in capacity
- The ability to form strategic alliances and partnerships

These themes clearly intersect with both the characteristics of an effective nonprofit and the success factors for capacity building. The chart below helps clarify those connections.

Themes	Success factors for capacity building	Characteristics of an effective nonprofit
Commitment to Dialogue	Throughout the capacity building work, focusing on the strengths and assets — not just deficits and needs.	Capable and motivated leadership that is characterized by clear internal and external communications.
Commitment to Self Knowledge	Beginning with an organizational assessment that focuses on both strengths and weaknesses; Nonprofit’s ability to assess capacity along the way and especially in times of change.	Self-knowledge, as manifested by ongoing ability throughout the organization to continually examine the balance of efforts with outcomes.
Commitment to excellent management and governance	Thorough and systematic assessments of mission, product, outcome and leadership done periodically. Short-term and long-term capacity building goals are identified, celebrated when achieved, written and communicated to all.	Well-organized board with able and involved members. An ethic of stewardship and accountability. Clear internal and external communications. A persistence of will and continual re-dedication to results.
The will to make a long-term investment in capacity	Funders providing some long-term funding can provide the backdrop for capacity building. Strategic planning and capacity building are regarded as ongoing, not one-shot efforts	A persistence of will and continual re-dedication to results.
The ability to form strategic alliances and partnerships.	Nonprofits are partners in the capacity building process.	Adaptive capacity that includes high degree of flexibility in organizational relationships. Ability to access human, information and material resources, specifically the ability to make use of networks and information technology.

CAPACITY-BUILDING RESOURCES IN ALLEGHENY COUNTY: HOW DO WE COMPARE?

In the final phase of her research, Hansberry invited 353 human service agencies in Denver and Pittsburgh to participate in a survey regarding attitudes toward capacity-building resources in each of the two regions.

WHY DENVER? Several factors led to the choice of Denver County for this regional comparison. First, Denver is one of the benchmark cities currently used in the *Pittsburgh Post Gazette* Benchmarking Series, so it is logical to continue the comparative analysis in this study. Also, Pittsburgh and Denver are maximally different. Denver is a young city with a young philanthropic infrastructure. In contrast, Pittsburgh is a mature city with a vast and well-established philanthropic community. Finally, over the past decade Denver has been able to achieve some of what Pittsburgh and Allegheny County are striving for in terms of economic

growth, attraction and retention of young people and high tech businesses. Because of this, Hansberry believed it would be of value to see how these two regions compare with respect to their resources for building capacity in the nonprofit sector.

REGARDING TECHNICAL ASSISTANCE RESOURCES FOR NONPROFITS

Survey respondents in both regions believe that there is insufficient money available for technical assistance projects. While they would like the freedom to design their own “custom fit” technical assistance plans, they aren’t sure if foundations are willing to pay for them. Leaders in both regions were pleased with the improved level of technical assistance opportunities that colleges and universities provide, but concern remains that few culturally sensitive technical assistance programs exist. Finally, respondents seem to believe that there are sufficient opportunities for mid-level staff training and apprenticeships, but they detect far fewer opportunities for assistance to the sophisticated nonprofit.

REGARDING PERCEPTIONS OF THE NONPROFIT ENVIRONMENT

Respondents in Denver County perceive a significant level of collaboration within the nonprofit community. In contrast, respondents in Allegheny County believe there are too many nonprofits and not nearly enough collaboration. Nonprofit leaders in both regions are pleased with the educational level of the labor pool, but also believe that the nonprofit sector is losing well-trained staff to better paying jobs in the private sector.

REGARDING FUNDING POLICIES

Nonprofit leaders in both regions express concerns that foundations are not sensitive to the needs of human service agencies and are more likely to fund new programs rather than established ones. They say that lack of predictable

revenue is problematic. Nonprofit executives in Allegheny County expressed even stronger concerns that foundations frequently changed their funding focus making it difficult to maintain existing programs.

WHAT CAN BE DONE TO BUILD CAPACITY AND INCREASE ORGANIZATIONAL EFFECTIVENESS IN PITTSBURGH?

This study clearly illustrates that capacity-building is a team effort. Not only does it require serious dedication and commitment on the part of the nonprofit, but also partnership and long-term commitment from foundations, consultants, management support organizations, and educational institutions.

The Forbes Funds is committed to pursuing the following strategies:

- Facilitating regional dialogue regarding the capacity of the region's nonprofit sector and the regional resources necessary to effect lasting change.
- Continuing to study and document "best practices" in organizational capacity-building and promoting those practices throughout the region.
- Developing a network of nonprofit executives, consultants, scholars, and funders who share a commitment to developing the practice of organizational capacity-building.

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TROPMAN REPORT

2002 SERIES

volume 1 : number 2

HOW DO NONPROFITS COMPARE WITH FOR-PROFIT PROVIDERS?

An Application of Customer Value Analysis

The once clear boundaries between the public, nonprofit and corporate sectors have become blurred almost to the point of irrelevance as a growing number of for-profit firms enter markets long dominated by nonprofits — child care, education, substance abuse treatment, housing, and others. Pressured by competition for market share, the question is: **Can nonprofits effectively compete with for-profit firms with respect to cost and quality of services?**

The Forbes Funds commissioned Tripp, Umbach & Associates to explore this question in the arena of affordable housing where nonprofit and for-profit providers often compete head-to-head. The researchers chose to focus on the *senior* housing marketplace where product comparisons are easier to make and where data are more readily available.

The research questions addressed by this study are:

- What criteria do senior citizens use when searching for affordable housing?
- Do consumers perceive significant differences in quality and cost between for-profit and nonprofit providers?
- What are the implications for nonprofit organizations in terms of building and retaining their market share?

Tripp Umbach used a research tool called *Customer Value Analysis (CVA)* to analyze how consumers make decisions based on a number of different factors and what organizations they perceive best meet their demands. The tool is especially appropriate for assessing the overall perceived value of a good or a service when both cost and quality are simultaneously taken into consideration.

CVA is used primarily as a market research tool to help organizations of all types design products and services that align with consumer perceptions and preferences. Obviously, firms can realize financial gain when their products and services closely match consumer preferences. Also, CVA can help managers uncover internal issues that may affect overall quality and price. For nonprofits, the technique can be especially helpful in a context where consumers have a choice between competing providers.

THE SENIOR HOUSING MARKETPLACE

The marketplace for senior housing is growing and the competition for market share is intense. Data from the 2000 census show that the number of Americans over the age of 65 is increasing, with the fastest growing segment being those over the age of 85.

Real estate developers across the county have responded to these market demands by constructing, renovating and managing a wide variety of facilities that provide "senior friendly" design layouts with supportive services. The relatively low median income of seniors 65 and older requires that senior housing be affordable as well as appealing.

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Until 1990, nonprofit providers who were eligible for tax exemptions and special subsidies that allowed them to offer substantial discounts to low-income seniors dominated the market. Without the same financial incentives, for-profit firms were discouraged from entering the marketplace. That changed in the early 90's when for-profit firms became eligible for public tax credits as a means of subsidizing the cost of housing for low-income residents.

Today there is a growing demand for affordable senior housing and plenty of head-to-head competition between nonprofit and for-profit providers. This marketplace is, therefore, the perfect context in which to apply the concept of Customer Value Analysis.

THE STUDY DESIGN

Seven housing facilities (5 nonprofit and 2 for-profit) agreed to participate in the study. The research team conducted telephone interviews with 144 residents, 63 from nonprofit facilities and 81 who lived in for-profit facilities.

The research team developed the following list of attributes and asked residents to rate them in terms of their importance in their "purchase" decision:

EIGHT KEY ATTRIBUTES AND SUB-ATTRIBUTES

Application process & availability of housing

- Application process that is easy to complete
- Availability of the kind of unit desired
- Assistance with pre-entry application

Reputation

- Recommendation of someone not living there
- Friends or family already living there
- Church or organization affiliation

Location

- Close proximity to family & friends
- Easy access to business district, grocery store, pharmacy, etc.
- Close proximity to previous neighborhood, church, etc.
- Close proximity to public transportation

Quality of Living Environment

- Comfort with neighbors and neighborhood
- Safety & security
- Welcoming design and decorations

Design & Layout

- Apartment design that encourages ease of use and convenience
- Areas for getting together with friends and families
- Design which accommodates for people with disabilities

Management & Staffing

- General upkeep & cleanliness of housing and grounds
- Ability to respond to complaints quickly & efficiently

Rules & Regulations of Housing

- Services that encourage independence and convenience
- Policy regarding pets and/or visitors

Health Care Services

- Health care facilities on site
- Range of services (i.e., partially assisted, 24 hour care, etc)

Respondents to the telephone survey were asked to rate each of the attributes on a 100 point scale with respect to its perceived importance when they chose their housing facility. They were then asked to rate their housing facility on each attribute. Cost data are then added to the analysis in order to give an overall picture of perceived "customer value" that simultaneously considers both cost and perceived quality.

THE FINDINGS

Not surprisingly, the respondents to this survey say price is the dominant consideration in their choice of housing facilities. It is significant, however, that perceived quality of the housing facility also is quite important to consumers, thereby providing an excellent opportunity to compare for-profit and nonprofit facilities on both price and quality.

The three quality attributes that most influence seniors' housing decisions are: 1) the ease of the application process and immediate availability of housing, 2) the location of the facility and 3) the reputation of the facility. More specifically, seniors seem to look for an application process that is easy to complete and housing that is readily available in close proximity to family and friends. The least important considerations seem to be the "house rules" and, somewhat surprisingly, the health care services offered by the facility. It should be noted, however, that the survey was not conducted in assisted living facilities or professional care facilities. Therefore, these respondents are relatively healthy and apparently not concerned with healthcare support services.

A second important finding is that in head-to-head comparisons, for-profit facilities are perceived as providing better overall customer value (price and quality) in seven of the eight factors measured. Only in healthcare services are nonprofits perceived as delivering better quality. The differences are too small to be statistically significant, but the undeniable fact is that for-profits are quite competitive on the quality to cost ratio and are perceived as the quality leader in the delivery of affordable senior housing.

WHO MAKES THE CHOICE?

This survey shows that a large share (60%) of seniors made their housing decision without consulting either family or friends. This finding challenges the widely held belief that family and friends can be highly influential if not solely responsible for the senior housing purchase.

IMPLICATIONS FOR NONPROFIT PROVIDERS

Two lessons emerge from this study for nonprofits that want to remain competitive in an increasingly volatile marketplace. First, it is clear that for-profit providers of senior affordable housing are quite formidable competitors. The perceived differences in overall customer value between for-profit and nonprofit providers is not large enough to be statistically significant. Therefore, we cannot say with confidence that nonprofits are failing to keep pace in the competitive arena, but it is abundantly clear that for-profit providers are at least comparable (and perhaps superior) providers of affordable senior housing.

Second, nonprofits need to understand and use sophisticated market research techniques, like CVA, in the same way for-profit

firms do. The information provided by these techniques can help nonprofits make service delivery improvements based on consumer perceptions and priorities.

Using this study as a baseline, Tripp Umbach & Associates make the following suggestions:

- Periodically repeating this research, using the same CVA methodology, will help nonprofits measure improvements in overall customer value relative to for-profit competitors.
- Affordable senior housing providers, both nonprofit and for-profit, can benchmark their organization against the aggregate results reported here by repeating the CVA in their own organization.
- Using the results of the customer value analysis as a basis for improving the quality of their service delivery, nonprofit firms can increase their market share.

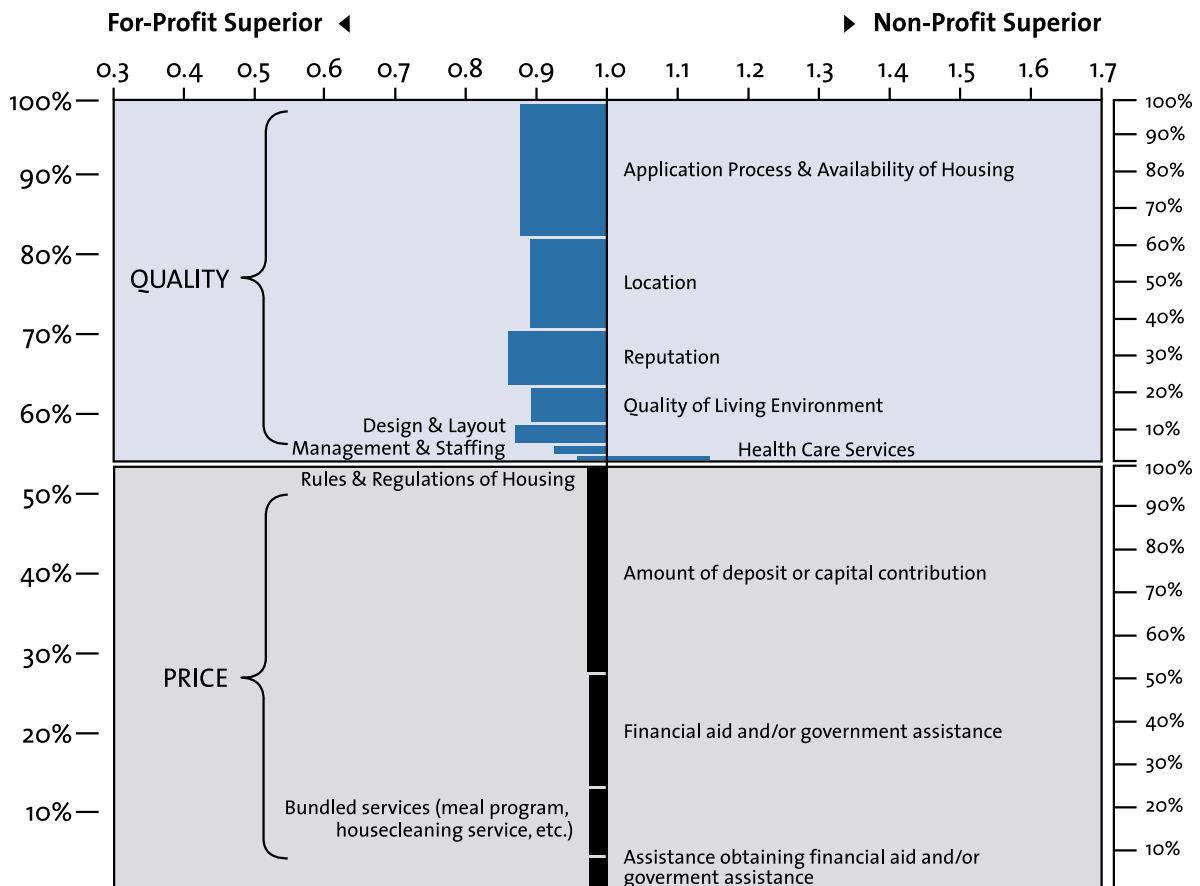
While there were few delivery models that seem to offer it all, here are some examples of "best case practices."

- Programs that promote aging in place, socialization and resident retention. These facilities usually offer some type of continuum of care services that address physical, emotional and mental needs on a proactive basis.
- Facilities that create a homelike environment. This requires more personal practices and a management structure that balances privacy with choice.

- Integration into the surrounding community. Sites located near existing service providers offer a low cost way of accessing amenities without incurring additional overhead cost to residents. (e.g. location near a college campus where residents can use athletic facilities, the library etc.)
- Programs that encourage resident interaction in the on-going success of the facility such as a resident's committee or a resident run convenience store.
- Better site design that takes into account the specific needs of seniors (e.g., enhanced lighting, shorter corridors, full accessibility).
- Facilities in which the site manager and builder are closely allied. Construction/management experience and knowledge of a full range of senior housing issues contribute positively to successful practices. Flexibility in design and management should be encouraged. Facilities appear to benefit exponentially from management that views itself as an industry leader who "pushes the envelope."

There are no simple recipes for success, and the competitive marketplace is constantly in flux. Thus, to remain competitive, nonprofits must be consistently proficient at hitting a moving target where consumer preferences and needs are changing and where for-profit competitors are continuously improving.

Affordable Senior Housing



THE FUTURE

Over the past several years, The Forbes Funds has hosted community forums emphasizing the so-called seamless economy in which nonprofit and for-profit organizations often compete and sometimes collaborate. Our web site (www.forbesfunds.org) contains links and tools for nonprofits that want to remain on the cutting edge in the new economy. Our grantmaking and technical assistance programs have emphasized strategies for success in this competitive environment.

As we look to the future, The Forbes Funds will continue to provide assistance to nonprofit organizations in their efforts to build their management and operational capacity. But we will also continue to urge nonprofit to focus on services in which they have unique competencies and comparative advantages – where they add value to the community. The study reported here and others we will conduct in the future provide a barometer of the sector's overall health.

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2002 SERIES

volume 1 : number 3

LEVERAGING HUMAN CAPITAL: *How Nonprofits in Pittsburgh Recruit and Manage Volunteers*

America's nonprofit sector has become increasingly "professionalized," but it still depends heavily on volunteer service. In fact, recent statistics from Independent Sector show that more adults are volunteering than ever before. In 1999, 109 million people (56 percent of adults) volunteered almost 20 billion hours of service to nonprofit organizations of all types. This translates into 9 million FTE employees whose contributions are estimated at \$225 billion. Moreover, volunteers give more than just their time. Research has consistently shown that people who volunteer for nonprofits also are more generous than non-volunteers with their financial contributions.

So it is obvious that volunteers provide a significant resource to nonprofit organizations. But are these valuable volunteer resources being used to their full advantage by nonprofits in the Pittsburgh region? There is a growing body of national research on "best practices" in volunteer management, but we know very little about how nonprofits in the Pittsburgh area are recruiting, managing and retaining volunteers. The following questions are especially relevant:

- What social and economic trends have an impact on volunteerism?
- How are volunteers being utilized by nonprofits in Pittsburgh?
- What are the "best practices" in volunteer management?
- What actions can nonprofit organizations in Pittsburgh take to enhance their volunteer programs from the perspectives of recruitment, retention and utilization?

The Forbes Funds commissioned the Pittsburgh-based consulting firm First Side Partners to examine these and other questions concerning volunteerism in Pittsburgh. The research team of Matthew Dooley and Maryann LaCroix Lindberg, CFRE and office support gathered survey data from 103 nonprofit organizations of all types and sizes and conducted in-depth interviews with 39 individuals directly involved in supervising volunteers. The researchers surveyed those who manage volunteers, not the volunteers themselves. The study focused on volunteers who are directly engaged in service delivery or event management, not volunteer trustees.

Volunteer programs that enjoy the greatest success are found within organizations that regard volunteers as a central component of their ability to fulfill their mission. Volunteers in these agencies are involved in virtually every aspect of the nonprofit's work and are viewed as unpaid staff and important members of a dedicated team.

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Figure 1

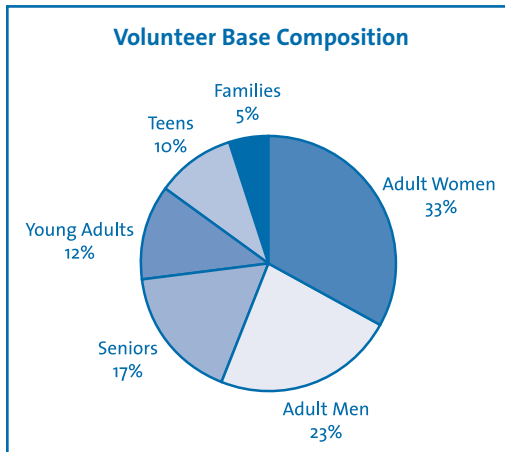
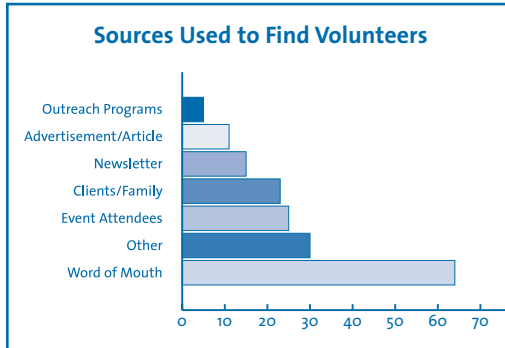


Figure 2



SOME SOCIAL TRENDS AFFECTING VOLUNTEERISM

A variety of contemporary social and economic forces affect volunteerism, some in negative ways and some in positive ways. Among the forces that constrain volunteerism are:

- **Time constraints:** Several recent studies suggest that time constraints pose the greatest challenge to volunteerism. Dual career families, greater demands for parental involvement with children's activities, single parent households and the economic downturn all have combined to place severe time constraints on individuals and families. Thus, volunteers are not necessarily available during times when nonprofits want them.
- **Perceived meaning of work:** People are increasingly dissatisfied with tedious, menial tasks. They want their work, including their volunteer work, to be intellectually challenging and meaningful. Thus, volunteers are not necessarily interested in the types of tedious tasks (e.g., stuffing envelopes) to which volunteers often are assigned.
- **Corporate downsizing:** The economic downturn has made corporations less generous with respect to their corporate philanthropy, including their volunteer programs. This source of volunteers is therefore less reliable during difficult economic circumstances.

On the other hand, there are many trends that nonprofits can leverage to enhance their pool of talented and committed volunteers:

- **Life expectancy:** People are living longer and more active lives. Retirees are looking for opportunities to continue to share their skills and knowledge.
- **Youth volunteering:** Schools at all levels, including colleges and universities, are exploring the concept of "service learning," which incorporates community service into the educational experience and makes available a cadre of young talent for special projects.
- **Young professionals:** A growing number of organizations in the Pittsburgh area provide social and volunteer opportunities for young professionals in their 20s and 30s. Many of these young people are looking for leadership opportunities and view civic engagement as part of their total professional development strategy.
- **Diversity:** Prior research has shown that minorities, especially African Americans, volunteer extensively (but not necessarily formally) in their communities. Often they undertake ad hoc tasks for individuals or families in need, not through a formal volunteer program with a nonprofit organization. Organizations in this study report difficulty in recruiting minorities for volunteer work, but they represent a valuable resource.

On the whole, these social and economic trends present a favorable environment for recruiting and retaining volunteers, but only if the nonprofit organization is prepared to make a sustained investment in a volunteer management program.

HOW DO VOLUNTEERS CONTRIBUTE?

The research team found that volunteers represent a diverse population, as indicated by Figure 1 (see side bar). Organizations in the study say that they have difficulty recruiting men (other than seniors), African Americans and Hispanics for volunteer positions. The study did not specifically pursue this issue by, for example, assessing the appropriateness of the recruitment and retention strategies used for these groups of potential volunteers.

Volunteers assist nonprofits with a variety of tasks. The most frequent assignments for volunteers are staffing special events and handling routine office work. Volunteers are also frequently used for gift solicitation (especially telemarketing), strategic planning and working directly in program delivery. Some agencies have volunteers who are extensively engaged in services such as mentoring, tutoring, meal delivery, home visitation, neighborhood advocacy, and meeting management. It appears, however, that the norm in Pittsburgh is to assign volunteers to relatively routine support tasks such as office work and event staffing.

To read the full text of this study, log onto The Forbes Funds' web site at (www.forbesfunds.org).

The majority of organizations responding to the survey have not made a significant professional commitment to recruiting and supporting volunteers. Nearly 25 percent of the organizations have no staff person who is directly responsible for managing the volunteer program. Many organizations have made only the minimal staff commitment to volunteer management. While some nonprofits provide extensive initial training for volunteers, especially those engaged in program delivery, most of the organizations surveyed provide no continuing professional development opportunities for volunteers. The researchers found that turnover among volunteers was lower in organizations that provide extensive training, perhaps reflecting the high level of reciprocal commitment between the volunteer and the organization.

While most organizations surveyed claim to have formal job descriptions for most of their volunteers, a very small percentage actually provide some type of performance review or assessment of their volunteers. All of the organizations surveyed said that they had some type of formal recognition ceremony or program for volunteers.

WHAT ARE THE BEST PRACTICES IN VOLUNTEER MANAGEMENT?

This study found three critical strategies that enhance the quality of volunteer programs:

1. Organizational Commitment

- Treat volunteers as an integral part of the organization, not an afterthought.
- Integrate volunteer work throughout the organization, not just in the menial routine tasks.
- Match the tasks to the skills of the volunteer. Just like paid staff, not all volunteers have the same skills and interests.
- If there is substantial volunteer activity, dedicate a paid staff person to manage the volunteer program.
- Provide a structure in which the volunteers can work including appropriate training, space, resources, and support services.
- Provide a wide variety of volunteer opportunities, some short-term and finite for people with limited time to donate and others involving long-term and more substantial commitment.
- Vary the times and locations of volunteer activity to allow for more flexibility in involving a diverse population of volunteers.
- Engage the CEO directly with volunteers. The commitment of the top leadership sends an important message to volunteers.

2. Communication

- Communicate with volunteers individually and collectively on a regular basis. Keep them informed of important developments in the organization, not just the issues that affect them directly.
- Listen to the suggestions that volunteers offer. Often, they have a refreshing and objective perspective on organizational processes and policies.
- Clearly outline expectations both through job descriptions and formal feedback on performance.

- Train staff to work effectively with volunteers, embracing them as part of a team.
- Show your volunteers what their work accomplishes and how the organization depends on their contributions.
- Conduct formal exit interviews when volunteers leave the organization and listen to their feedback on their experience.
- Monitor changes in volunteer interests, aspirations, and needs.
- Nationally, the more progressive organizations are using a password protected portion of their web sites for volunteers that includes targeted information, scheduling and communication.

3. Intelligent Recruitment

- Have a recruitment strategy. Understand the demographics of your community and actively seek out people who are likely to be attracted to your mission and be effective in working with your clients. Research has shown that congregations of all types are a good source of reliable and committed volunteers.
- Explore the possibility and desirability of non-traditional volunteers such as people with special needs or even persons carrying out court-ordered community service.
- Building ties with churches, synagogues or other religious institutions can be a valuable source of volunteers for any type of organization, not only a faith-based one.
- Many times former clients or members of the organizations want to give back to the organization and can be inspiring volunteers.
- If your need for volunteers is modest or sporadic, consider collaborating with other organizations to recruit and manage volunteers, perhaps a small organization that cannot justify its own full time volunteer manager.
- Use volunteer connections to build ties to corporations. Volunteers could open the door to more extensive strategic alliances with their employer.
- Ask people to volunteer. As simple as it sounds, surveys show that people would volunteer more if they were asked. The results of this survey, underscored by the individual interviews, showed that the overwhelming reason people were in their current volunteer position was because they were invited by a friend.

IMPLICATIONS

Harvard sociologist, Robert Putnam, in *Bowling Alone: The Collapse and Revival of American Community* argued that Americans no longer are engaged in their communities with the same level of intimacy and intensity as before. He suggests that American civil society is breaking down as we become more disconnected from our families, our neighbors, and our communities. Television, the Internet, generational differences, demographic trends, increased mobility, suburban sprawl and other changes have led us away from engagement with organizations like the League of Women Voters, the United Way, the Red Cross, the monthly bridge club, and even organized bowling leagues.

Many people have criticized Putnam's work for its methodology and its findings. Indeed, the recent trends on volunteering do

seem somewhat in contradiction to his conclusions. Americans still volunteer in remarkably high numbers and their engagement with the nonprofit sector is still strong.

But we cannot deny the fact that social and economic forces are having an impact on the way citizens relate to their communities and to the nonprofit institutions that serve those communities. Nonprofits must respond strategically to retain a corps of dedicated, talented and reliable volunteers. The old methods of recruitment and management may not work in today's more complex environment. We are seeing more and more research suggesting that volunteers must be incorporated fully into the human resource strategy and support systems of the organization.

The Forbes Funds remains committed to helping organizations manage their human resources more effectively, including their volunteer resources. Our web site (www.forbesfunds.org) contains not only the full report from this study, but many other links and resources related to volunteer management.

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TROPMAN REPORT

2002 SERIES

volume 1 : number 4

NEW ECONOMY ENTREPRENEURS: *Their Attitudes on Philanthropy*

During the dot.com boom several years ago, significant attention was directed to so-called "new economy" entrepreneurs and their philanthropic activities. Naturally, the nonprofit sector was quite interested in attracting some of the new wealth generated and acquired by these entrepreneurs. But also there was interest in how to engage these talented and creative thinkers in the philanthropic enterprise as advisors and strategists. At that time, there was a significant amount of anecdotal data, but little systematic research on new economy entrepreneurs and their attitudes toward philanthropy.

Today, of course, the economy has declined and many of these once-wealthy entrepreneurs are now struggling to keep their businesses alive. Nonetheless, there remains significant interest in the attitudes of private sector entrepreneurs toward philanthropy. For example, the emergence of Social Venture Partners in Pittsburgh and other cities, and the phenomenal national growth of the Fidelity Charitable Gift Fund suggest that a growing number of citizens are actively looking for alternative mechanisms for making charitable investments. Also, United Ways around the country have been experiencing a painful shift in donor attitudes, manifested in the growing popularity of "donor choice" models of giving, which effectively by-pass the traditional United Way planning and distribution processes.

Do these developments suggest that private sector entrepreneurs have fundamentally different attitudes toward philanthropy? The Pittsburgh Foundation in partnership with the Forbes Fund commissioned Campos Market Research and Droz and Associates to conduct a study to gain insight into what motivates entrepreneurs to support charitable organizations and foundations. Focus groups and an email survey of nearly 100 entrepreneurs addressed the following questions:

- What are the perceptions of high technology entrepreneurs toward charitable giving and philanthropy?
- What prompts them to give and why?
- What are their perceptions of charitable foundations?
- What is the likelihood of their becoming more involved with philanthropy and on what level?
- What types of accountability do they demand from the organizations they support?
- What type of engagement do they want with the organizations they support?

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QUALITATIVE FINDINGS FROM FOCUS GROUPS

Campos Market Research conducted three focus groups with top executives (CEO, CIO, CFO, COO, VP, Controller) of high technology companies in industries like information technology, robotics, biotechnology, venture capital, Internet support and others. One focus group ("givers") consisted of people who reported that they give on average the equivalent of \$2,000 per year to charity. Two of the focus groups ("non-givers") consisted of people who say that they typically give less than \$2,000 per year.

Interestingly, all three groups displayed similar views of charitable giving. The findings from the focus groups suggest the following:

- **There are some widely held misconceptions of new economy entrepreneurs:** Respondents consistently reported that, with few exceptions, they do not have the financial resources that many charities assume them to have. They contribute what they can and generally they want to give more to charity, but often they are surprised by what they are asked to give. They believe that charities have wildly inflated estimates of their wealth. Thus, it seems that many charities may have misconceptions about the actual wealth that is controlled by this segment of the population.
- **Charity versus Philanthropy:** Respondents in the focus groups seem to have a very narrow, and somewhat dated, notion of "philanthropy." They view philanthropy as a full-time endeavor, involving huge contributions that only the super rich can afford. They do not envision their modest contributions as being philanthropic. Nor do they see their contributions as a systematic "investment" in a cause. Surprisingly, some of them seem to make *no* distinction between making a contribution to a nonprofit organization or handing a dollar to a panhandler on the street. Very few of the focus group participants have ever served on a board of directors of a nonprofit organization, and they believe that they would need to make a significant contribution to the organization before being invited to serve.
- **Perceptions of Foundations:** Again, the participants in the focus groups seem to be generally uninformed or misinformed about the activities of philanthropic foundations and distinctions between various types of foundations. For example, they report that they would not give money to large family foundations, apparently unaware that such foundations operate on endowments and do not seek contributions from the general public. Beyond this, respondents seem to see all foundations as "old guard" organizations. They are more interested in controlling their charitable contributions and in *niche giving* rather than making contributions to large organizations that address many community needs.
- **Reasons for Giving:** Respondents seem to be motivated by one set of reasons for *personal* giving and another set of reasons for *corporate* giving. Generally personal donations are motivated by a desire to help the community, while corporate donations are motivated by self-interested outcomes such as increasing corporate visibility, good public relations, professional networking, and tax deductions.

- **Perceptions of Fundraising Approaches:** Focus group respondents believe that most fundraising approaches used by charities are pushy, inconvenient, and time-consuming. They resent being solicited by professional telemarketing firms who know nothing about the mission and programs of the organization they represent, and they suspect that charities often sell their telephone or mailing lists to corporations who, in turn, use them for other types of telemarketing.
- **The Giving Process:** The entrepreneurs in our focus groups believe in conducting at least some research on a charity before they make a contribution. They may look at Internet sites, printed literature, or simply ask a trusted associate who has had some experience with the organization. They want their charitable contributions to contribute to a tangible goal or objective, they want to know that their contribution will make a difference in achieving that goal, and they want to know what percentage of their contribution goes to that goal rather than administrative overhead. They believe administrative overhead should be 10 percent or less.
- **Charity as a Learned Behavior:** While charitable giving seems to be a learned behavior, our respondents state that their giving differs from that of their parents. The prior generation had fewer outlets for their charitable giving, and they seemed to give to the same cause year after year. Today, these respondents report that there are more choices, and they admit that they are more fickle in their giving patterns than their parents, due in part to fluctuations in their cash flow.
- **The Ideal Charitable Organization:** When asked to describe the ideal charitable organization, respondents in the focus groups stressed the importance of personal appeals (not computerized dialing), high community visibility, the ability to convey personal meaning to their cause, modern communication and information outlets like web sites, tangible and realistic goals, a clear vision for the future, and prompt expressions of thanks for contributions with no strings attached.

QUANTITATIVE FINDINGS FROM THE SURVEY

Based on the focus group findings, a questionnaire was developed by Campos Market Research and distributed via email to members of the Pittsburgh High Technology Council. A total of 97 responses were received. The modest response rate suggests that the quantitative results of this survey should be interpreted with caution, as there is a 10 percent probability of a relatively high margin of error (+/-8.31 percent).

- **Philanthropic Behavior and Attitudes:** Contrary to the focus groups, respondents to the survey seem to believe that anyone can be a philanthropist, not just the wealthy. Almost 75 percent of the respondents reported that they currently serve on a nonprofit board of directors. Over 70 percent would like to be in a position to make a major impact with their charitable contributions and 60 percent said that they would like to become more involved with the nonprofit sector in the next five years. Still, more than half of the respondents reported that they gave either nothing or less

than \$1,000 to charity in 2000. 25 percent gave between \$1,000 and \$5,000. Only 20 percent gave more than \$5,000 to charity in 2000.

- **Favorite Causes:** Respondents were asked to report what types of charitable organizations they had supported in the past and what types they were most likely to support in the future. Table 1 provides the findings. These high technology executives seem to favor contributions to:
 - Arts, culture, and humanities (although they appear less inclined to support these organizations in the future)
 - Environment
 - Education
 - Children, youth, and families
 - Religious
 - Human Services

Education and children, youth and families appear to be especially strong areas of interest in this analysis. They are among the top five current and future candidates for giving among this group of donors and they show a significant increase in future interest. The lowest ranked organizations in terms of past and future giving seem to be in the areas of aging and addiction counseling and treatment. When asked to name the most important issue facing the region, almost 57 percent named business/economic issues, followed by about half of the respondents who mentioned general economic issues and social problems.

- **Factors Affecting Giving:** Respondents indicated that they are most likely to give to organizations whose goals they understand and support. Many report that they rely on the general reputation of the organization and a “gut feeling” about the organization, but they also state that they are likely to visit the organization’s web site or review its printed literature. Relatively few respondents say that they will request an annual report and even fewer seem to rely on audited financial reports or the opinions of their financial advisor. In addition, these donors want to have confidence that their contribution will make a real difference and they want to have a personal interest or stake in the causes they support. They are far less concerned with factors like a family tradition of giving to a certain organization or being publicly recognized for their contributions.
- **Communications by Charities:** The overwhelming majority of respondents (83.1 percent) stated that a web site would be a valued form of communication from nonprofit organizations. A significant percentage, although less than half, said that case studies, newsletters, strategic / business plans and public meetings would also be valued forms of communication. Less than 25 percent mentioned traditional communication vehicles like fundraising brochures, advertisements or printed annual reports.

Cause / organization	Have supported in the past two years		Likely to support in the future		Trend
	%	Rank	%	Rank	(- or +)
Arts, culture, humanities	81.4	1	67.4	1	-14%
Environment	43.3	2/3 (tie)	50.6	4	+7.3%
Education	43.3		66.3	2	+23.0%
Children, youth and families	39.2	4	54.4	3	+15.2%
Religious	35.1	5	38.4	5	+3.3%
Human Services	27.8	6/7 (tie)	35.6	6/7 (tie)	+7.8%
Animal Welfare	27.8		29.4	10	+1.6%
Women’s Issues	24.7	8	35.6	6/7 (tie)	+10.9%
Health care	23.7	9/10 (tie)	27.5	11	+3.8%
Economic Development	23.7		33.0	8	+9.3%
Physical and/or mental disabilities	22.7	11	26.4	13	+3.7%
Political / Public Policy	17.5	12–15 (tie)	26.7	12	+9.2%
Social justice	17.5		26.4	14	+8.9%
International programs	17.5		21.2	18	+3.7%
International programs	17.5		30.6	9	+13.1%
Emergency disaster relief	11.3	16–18 (tie)	17.6	19	+6.3%
Scientific research	11.3		21.3	17	+10.0%
Anti-poverty	11.3		26.2	16	+14.9%
Anti-racism	5.2	19	22.6	16	+17.4%
Aging	2.1	20/21 (tie)	11.8	20	+9.7%
Addiction counseling and treatment	2.1		5.9	21	+3.8%

CONCLUSIONS

Our overall impression of the findings is that there is an evolutionary, not revolutionary, change in charitable behaviors and attitudes among high technology entrepreneurs. Many of them are not well informed about the charitable investments available to them, and their interest in becoming deeply involved in the organizations they support is clearly tempered by the demands of their own organizations. Nonetheless, they clearly feel an obligation to be engaged in charitable activities and want to do more in the future. Soliciting their involvement in the nonprofit sector will require attention to new types of communication, including web sites and well designed personal appeals.

The Forbes Funds remains committed to helping nonprofit organizations access and utilize resources from a variety of sources, including high technology entrepreneurs. The findings of this study can be helpful as organizations enlist the engagement of this segment of the population. The full version of this study is available on The Forbes Funds web site (www.forbesfunds.org).

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TROPMAN REPORT

2002 SERIES

volume 1 : number 5

PROFIT MAKING IN NONPROFITS: *An Assessment of Entrepreneurial Ventures in Nonprofit Organizations*

Driven by increased competition for funding at all levels, nonprofit organizations are looking for new ways to diversify their revenue streams, and they are turning with increasing frequency to various types of business ventures as a means for generating unrestricted "earned" revenue. This trend has spawned a new term describing the marriage of mission and entrepreneurial activity as a "social enterprise" or even "social entrepreneurship."

In the business sector, return on financial investment (ROI) is the widely used measure of success. Within the new realm of social enterprise, the term "double bottom line" refers to outcomes that are both mission-oriented and financial. With the creation of this new vocabulary comes the need to define success and develop strategies that can help organizations succeed if they chose to pursue a social venture.

There is a growing body of research on social enterprise, but the emphasis has been on developing anecdotes of success — case studies of nonprofit organizations that have creatively designed and managed for-profit ventures. The effort so far has been to develop a set of "best practices" for nonprofits to follow when they enter the risky world of social enterprise.

In Pittsburgh, one of the anecdotes of success has been the work of Bill Strickland, CEO of the Manchester Craftsmen's Guild and Bidwell Training Center on the Northside. Strickland has launched a wide variety of social enterprises to generate earned revenue, and his entrepreneurial strategy has attracted national attention and praise. Also, the new Social Enterprise Forum, a partnership of several foundations, will soon provide technical assistance and expert advice to selected nonprofit social enterprises.

These promising programs are more likely to succeed if we have some basic research on the actual experiences of Pittsburgh nonprofits with this new method of revenue generation.

- What are the most promising practices in the field of social enterprise?
- Do nonprofits in Pittsburgh use these promising practices when launching revenue-generating enterprises?
- Do these promising practices have an impact on the success or failure of revenue generating enterprises?

The Forbes Funds commissioned Olszak Management Consulting, Inc. (OMC) to answer these questions. The OMC team reviewed the literature on social enterprise to catalogue the wide array of recommendations for how to plan, launch, and manage a social enterprise. They also identified 52 organizations in Pittsburgh that are experimenting with entrepreneurial ventures and obtained survey responses from 25 of these organizations. The focus of the survey was to examine their experience with this approach and to document the extent to which they actually follow the "best practices" recommended in the literature. Finally, in-depth case studies were conducted with six organizations to gather additional insights on what works and what doesn't in the realm of social enterprise.

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LESSONS

The Forbes Funds is committed to using the results of this and other studies to help organizations responsibly explore their options in the realm of social enterprise.

Nonprofit organizations must remember that even in the private sector about half of all new businesses fail. In the private sector, venture capital may be at risk, but in the nonprofit sector, charitable community assets are at risk. Thus, nonprofits are bound by their fiduciary responsibility for good stewardship to take the steps necessary to mitigate those risks.

The Yale study proposes three types of services (see pg.4) needed to help nonprofit organizations plan, create and manage profitable business venture. Given the findings in the Pittsburgh study, it is easy to see how their suggestions could be applicable here.

- Investments in human and organizational capacity to help ensure that the proper skills, processes, and structures are in place to manage a revenue-generating enterprise.
- Educational opportunities for nonprofit executives to acquire the skills they need and to develop networks with other executives who are experimenting with social enterprise models.
- Tools and models that serve as market standards.

These and other resources are available in Pittsburgh. Also, The Forbes Funds web site (www.forbesfunds.org) contains tools and links to other sites on social entrepreneurship. We urge nonprofits to make full use of available resources and expertise before placing charitable assets at risk with revenue generating enterprises.

PROMISING PRACTICES IN SOCIAL ENTERPRISE

Based on a thorough review of the literature, Olszak identified seven “promising practices” and 34 specific activities that ostensibly are associated with successful social enterprises.

Pre-Planning — focuses on the organization’s readiness to take on a social enterprise. This should include a systematic assessment of internal management practice, available resources, organizational culture, and commitment to addressing the risks and demands associated with a venture. Specific pre-planning activities include:

- Secure staff/board support for pursuing a venture
- Review the mission of the organization to provide clear direction
- Thoroughly assess and develop organizational capacity to undertake a social venture
- Ensure that the CEO or a key staff member are able to devote a significant amount of time to the start-up effort
- Anticipate the changes and challenges that accompany a social enterprise (organization, management, resources, culture, funding and community response)
- Produce a well-defined strategic plan and associated financial plan
- Allocate enough time to venture planning to help strengthen organizational and operational systems

Venture Planning — this phase includes organizing the planning effort, conducting a “venture audit,” generating ideas, assessing opportunities and culminates in the selection of a venture. Specific activities include:

- Access technical and business expertise, in-house legal and tax advice AND secure senior mentors from the business community with general and specific management expertise
- Involve the entire management team and all appropriate staff in the planning and development process
- Identify a social enterprise leadership team
- Generate enterprise ideas that match resources with market demand
- Establish and apply a set of criteria to identify promising social enterprise ideas

Feasibility Study and Market Analysis — a wide-ranging effort to investigate and quantify the market opportunity for the venture’s products and services. Specific actions include:

- Research other ventures providing a similar product or service
- Determine the competitive advantage(s) of your organization in selling the product or service
- Focus research on the segment of potential customers that would be likely to make up the vast majority of sales
- Seek information about customer needs/wants through direct interaction and focus groups
- Evaluate the findings against the stated goals of the venture
- Conduct a preliminary feasibility study allowing factual information, not hunches or guesswork, to inform decisions

Venture Design — this is a comprehensive plan for meeting the financial, human resource, development, marketing and operational requirements of the venture, taking into account risks, contingencies and assumptions. Specific actions include:

- Determine the resources that are needed, when they will be needed, how long each will last and how they will be acquired (financial, management, consultants, research & development and equipment)
- Determine the requirements to operate the venture (start-up and on-going marketing, operations, production/service delivery and pricing, etc.)
- Define the capabilities required for success (include administrative capabilities)
- Design an operating structure that capitalizes on organizational strengths

- Calculate resource gaps and established targets for closing them
- Identify milestones for testing crucial assumptions
- Develop a contingency plan for unexpected outcomes

Financial Analysis — a rigorous effort to develop reasonable and compelling assumptions that underlie the projected financial position of the proposed venture and its impact on the organization. Specific actions include:

- Identify and quantify sources of financial support for the venture for a period of time (usually three to five years)
- Develop a pro forma budget and cash flow needs
- Conduct a breakeven analysis
- Establish pricing strategies
- Use common financial ratios to gauge the viability of the venture
- Establish a minimum profit margin or return on investment (ROI)

Business Plan — development of a document that communicates the venture’s design, management and physical structure, market potential, resource demands and potential for success (financial impact and other consequences). The purpose of the business plan is to convert the information collected in the venture design phase into steps that can be implemented once the plan is approved.

- Complete a comprehensive business plan

Assessment — regular review of the venture’s progress and the validity and reliability of the underlying assumptions. Specific actions include:

- Conduct a regular review of the venture’s planned versus actual performance
- Review the financial, management, marketing and operational plans on an annual basis and adjust assumptions based on new conditions

- About 3/4 of the organizations are running some type of service-related ventures (e.g. curriculum development, literacy training, office/meeting space rental) the remainder are mostly retail operations, with one organization engaged in manufacturing.
- Most of the social enterprises in Pittsburgh were established after 1995, but several have been in operation prior to 1980.
- Half the organizations staffed their ventures with existing staff, the other half used a combination of full-time, part-time or outside staffing.
- The most common source of start up funds were foundation grants. Once started, some derive operating funds from sales, but many (41%) cover operating costs with foundation money.
- Half the organizations expected to lose money or break even in the current year, but most say they expect to make a profit next year.
- Keeping in mind the “double bottom line,” the majority of respondents believe their social enterprise is a good “fit” for the organization’s skills and resources, and that it helped them move closer to mission fulfillment.
- Only about half the respondents believe the venture generated enough income to justify the time and effort spent launching it.
- Respondents indicated that their social enterprise has “halo” effects for the organization, including increased visibility and reputation in the community.

USE OF PROMISING PRACTICES OF SOCIAL ENTREPRENEURSHIP

The researchers learned that nonprofit organizations in Pittsburgh are following some, but not all, of the “promising practices.” Organizations seem to be using the early stages of planning and venture design to their best advantage, but fall short when it comes to the more rigorous analysis and actual development of a business plan. Two practices highly recommended in the literature — market research and financial analysis — are the practices that are most infrequently used. Very few organizations use common business planning tools such as breakeven analysis to account for fixed and variable costs and fewer than half the organizations report that they completed a written business plan prior to launching their social enterprise.

From the six case studies, some significant concerns surfaced regarding the accuracy of financial projections and estimates. These findings confirmed for the researchers that financial analysis is a weak link in the management of social enterprises and raised questions about the validity of profit projections reported by the 25 organizations that completed the survey.

Overall, nonprofit leaders seem to place value on the practices they relied upon the most, but the investigators could not verify that there was a correlation between those practices and success.

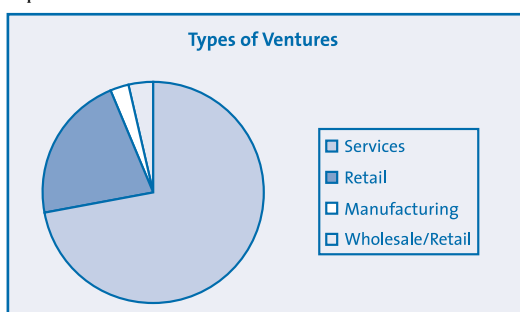
THE ROLE OF AN INTERNAL “PRODUCT CHAMPION”?

The business literature extols the value of so-called “product champions” — a staff person whose sole responsibility is to take all the appropriate steps necessary to ensure the success of a new venture or new product. Although Olszak and her colleagues did not explicitly address this question, their impression is that

THE LOOK OF SOCIAL VENTURES IN PITTSBURGH

Olszak’s survey of social enterprise activities reveals some interesting patterns:

Type of Venture. Most (72%) of the ventures surveyed are engaged in providing services. Some examples of the types of services provided include: literacy training, multi-media production, office/meeting space rental, and curriculum development. Retail ventures constituted 22% of those surveyed. There was one small manufacturing venture and another that combined wholesale and retail operations.



- Most of the organizations in this study started their social enterprise either to enhance program delivery or to generate unrestricted net revenue. Several wanted to do both.

product champions in nonprofit organizations can be instrumental in the success of an entrepreneurial revenue-generating enterprise. In general, this person may or may not be the CEO, but must be someone with strong business skills and determination to lead the venture.

COMPARISONS WITH NATIONAL RESEARCH

The findings of this study are similar to those in a recently released national study conducted by Yale School of Management – Goldman Sachs Foundation Partnership on Nonprofit Ventures. In a study of 519 social ventures, they found similar social returns reported by their survey, but more significantly their study found that sound business planning has a significant impact on the success of the venture. While they could correlate business planning to success, their study revealed that, more often than not, nonprofit organizations are not applying standard business protocols when initiating a business venture; only about half of their respondents reported completing a written business plan. The Yale study does offer one caveat regarding business planning for social ventures. They make the case that in the nonprofit sector, operating a business is not only about making money. As a result, they caution that business planning for nonprofit ventures needs to proceed using multiple lenses.

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TROPMAN REPORT

2002 SERIES

volume 1 : number 6

RECRUITMENT AND RETENTION OF MANAGERIAL TALENT: *Current Practices and Prospects for Nonprofits in Pittsburgh*

OVERVIEW

Many nonprofits in the Allegheny County region report problems in attracting and retaining top-quality professional staff. In response to those concerns, Carolyn Ban, Dean of the Graduate School of Public and International Affairs, Alexis Drahnak, and Marcia Towers assessed the severity of the problem and looked at "best practices" used by local nonprofits to meet this challenge.

RESEARCH DESIGN

Ban and her colleagues began by conducting two focus groups with executive directors or HR directors responsible for hiring in local human service and community development nonprofits. They then individually interviewed 30 nonprofit leaders in order to answer the following questions:

- How do small to mid-sized nonprofits manage the human resource function?
- How severe are the problems facing nonprofits in hiring and retaining professional staff?
- What are some best practices that nonprofits have used successfully to hire and retain professional staff?
- What motivates people to work for human service and community development nonprofits and how can managers shape their policies and programs to be more attractive as employers?

FINDINGS

ORGANIZATION OF THE HR FUNCTION:

There was wide variation in how nonprofits staffed the HR function. None of the smaller organizations (under 40 employees) had dedicated HR staff; rather, the executive director or deputy director typically managed HR. This makes sense when staff is small and there is little turnover, but it does mean that those handling HR have rarely had formal training and may lack knowledge of current HR practices. What was more surprising was that even among mid- to large-sized organizations (40 or over), one-third of the agencies studied did not have a dedicated HR staff. Some agencies outsourced all or part of their HR function, and others relied on board members or informal external consultants for HR expertise, but many wanted more information on successful strategies for hiring and retention.

RECRUITING AND HIRING:

Contrary to expectation, few managers reported serious problems in hiring and retaining professional staff, and most, particularly those in the larger agencies, were satisfied with the quality of their staff. Nonetheless, many report difficulties finding candidates for specific positions, especially in information management and development.

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Recruitment Tools

Newspaper	80%
Word of Mouth	73%
Professional Associations	26%
Internal job posting	20%
Internet	20%
Email networking	16%
Consultant	13%

Managers took two divergent approaches to employee turnover.

- Some organizations hire only at the junior level with the advance expectation that those hired will not make a career with the organization. These organizations resign themselves to the fact that their professional staff will rotate out of the organization after a few years in search of more challenging responsibilities and higher pay.
- Other organizations prefer to make a long-term commitment to their employees, investing in professional development and reasonable salary and benefit packages, reflecting a commitment to “grow from within.”

To read the full text of this study, log onto The Forbes Funds’ web site at (www.forbesfunds.org).

Two other expectations were that larger nonprofits would use more formal and sophisticated search techniques and would have fewer hiring and retention problems. Neither turned out to be completely true. Regardless of size, most nonprofits reported relying primarily on newspaper ads and word of mouth to recruit professional staff. These two approaches have three things in common: they are relatively inexpensive, they are “low-tech,” and they reach only a local or regional labor pool. Larger organizations were somewhat more likely to use professional associations to spread the word about vacancies, but only a small number of organizations (regardless of size) used the Internet or e-mail. This is surprising given that those who do use these methods report positive outcomes. An even smaller number utilized outside consultants. The less-used recruitment methods are those most likely to attract candidates from outside the region.

Interviewees also emphasized the importance of making the right selection and of carefully checking references prior to hiring in order to ensure hiring “square pegs for square holes.”

RETENTION AND TURNOVER:

As with recruiting and hiring, turnover and retention were sometimes viewed as a problem, but hardly a crisis. Most focus group participants and individuals interviewed saw turnover at the professional level as low in comparison with the turnover rate at the direct service level. Many managers understood that turnover is not always a negative for the organization. Bringing new blood, new energy and new vision to the organization were seen as the positive effects of turnover. Viewed as negative were the disruption to service delivery, the impact on programs and the time and energy spent on the recruitment and selection process. Several organizations in the study reported sweeping turnover at the professional level upon the arrival of a new executive director. Those who reported this felt it was on balance a good thing for the organization.

The literature on career paths contrasts straight-line careers, in which the individual moves up the ladder, often staying within one organization, and spiral career paths, in which individuals often need to move laterally in order to progress. The former is more typical of careers in business, while the latter is more typical of careers in the nonprofit sector. In part, this is a function of organizational size: Since small organizations frequently have little room within their staff structure for upward mobility, many accept, as a fact of life, that they will eventually lose staff to other agencies.

MOTIVATION:

Before managers can successfully retain staff, they must first understand what motivates them. Central to the debate on motivation is the issue of intrinsic motivators, such as the mission, the nature of the work, a chance for personal growth and self-development, versus extrinsic motivators, primarily salary and benefits.

- **Mission:** Most people choose to work in nonprofits because they believe in the work they do for the common good. While the missions of the organizations varied, all reflected the satisfaction of doing meaningful work that contributed to individuals or to the good of society.
- **Salary:** While a majority of those interviewed felt they offered salaries that were competitive with other agencies of similar size, doing similar work, there was recognition and acceptance that salaries in nonprofits are in general lower than in for-profit firms. This does not mean to suggest a level playing field for all nonprofits, even within the nonprofit sector, the salary differential between large and small organizations was noticeable.
- **Benefits:** Benefits varied widely among the nonprofits in this study, ranging from only basic health care to more comprehensive packages. Managers recognized that benefit packages were an extremely important way to compensate for low salaries when attracting employees. The study found considerable creativity, with organizations offering benefits ranging from flextime and a shortened workweek to free parking, monthly massages and more spacious offices. Overall, non-traditional benefits were seen as a way to make staff feel satisfied, appreciated and taken care of.

- **Opportunity for Professional Growth and Development:** Most of the organizations have some sort of professional development benefits. These ranged from funding to attend conferences or workshops to tuition for continuing education. A study of recent college graduates indicates that an interesting/challenging job and the opportunity for advancement ranked first and second ahead of salary and benefits. Organizations that place a high priority on professional development saw benefits to the organization as well as to the individual.
- **Organizational Culture and Working Conditions:** Among the characteristics that make some organizations extremely attractive are a sense of community in a supportive environment and good intra-organizational communication. Making employees feel empowered to make their own decisions and continually reinforcing that they are valued and their work is appreciated help to create positive working conditions. While burn-out is a serious issue for direct-service staff, it can affect professional staff as well, not only because of the stress of dealing with difficult client problems, but also because of uncertain funding and inadequate staffing levels.

DIVERSITY:

Two-thirds of the organizations surveyed were actively pursuing staff diversity as a goal. (Some of the remaining third felt they had already achieved a high level of diversity.) Managers define diversity very broadly, including gender, ethnicity, age and disability. Even those who rated their organization as successful report difficulties in attracting minorities. One manager commented that part of the difficulty was that in Pittsburgh "really good people from diverse backgrounds are going somewhere else." Only a few agencies mentioned age as a diversity issue. Small organizations with low turnover rates had problems achieving diversity.

One key strategy for improving diversity was to make sure that the organization's Board of Directors was diverse. Organizations also used aggressive recruitment techniques, including networking, partnering with local universities and colleges, and providing diversity training to staff.

CONCLUSIONS

Although this study found that most organizations are not experiencing a problem of crisis proportion in hiring and retaining professional staff, it did identify a number of areas where nonprofit managers can benefit from training and development when it comes to hiring and retaining professional staff.

Professionalism: While not all organizations need to hire a full-time HR staff, improving the knowledge and skills of those managing the HR function would help these agencies meet their HR challenges. There is need for formal training, informal coaching and resource materials that provide guidance on both practical skills and legal requirements.

Recruiting: Broadening the Pool: One way to improve agencies' ability to hire high-quality professional staff is to broaden the applicant pool. That means moving beyond the usual recruitment methods and using methods (such as web sites) that attract candidates from a regional or national pool. Giving small nonprofits access to basic web technology and training on its use is critical here.

Retention: Managers, particularly in small organizations, may be too quick to assume that they can't do anything to prevent loss of professional staff. Senior administrators may need support, in the form of training or informal mentoring, to help them think through the trade-offs of these two strategies and to assist them in developing strategies, such as professional development or job enrichment, to reduce turnover of their stronger professional staff.

Motivation: The fundamental lesson here is that while salary and benefits matter, people choose to work for nonprofits because they are motivated by work that is socially meaningful. Many employees also seek out positions that satisfy their desire for professional growth and that provide an opportunity to develop new skills. The most successful nonprofits have learned how to build on those motivations in order to sell themselves as organizations that directly touch the lives of people. While some managers have a good intuitive feel for the motivation of their employees, many, especially those relatively new to their positions, could benefit from a workshop that introduced them to basic theories and research findings about motivation and helped them to make the link between motivation and their recruitment and management approaches more explicit.

Management Skills and Partnership Possibilities: Finally, what emerged from this study was the recognition that hiring and retaining staff is but one in a long list of challenges nonprofit executives face on a regular basis. Many of the directors taking part in this study came up through the ranks with little or no formal management training. They are often stretched thin, as their organizations are under-staffed and they frequently are called upon to perform a wide range of functions within the organization. Small organizations, in particular, are very individualized in style, and the management skills and leadership abilities of executives are among the most important determinants of success or failure, both in hiring and retaining staff and in meeting organizational goals.

As a result, while it is clear that executive directors and senior management could benefit from formal training in HR functions, that training should not focus exclusively on the technical aspects of hiring, compensation and retention, but should place those functions within the broader context of good management including planning, budgeting and fund-raising, board relations and understanding of leadership.

One incidental finding of the study was the relative isolation of nonprofits. Many organizations, particularly the smaller ones, are facing similar challenges that could be addressed more easily through formal or informal partnerships. These include sharing of information (such as benchmarking salaries and benefits) and partnering in recruitment (by organizing joint job fairs). Consortia of nonprofits can also band together to negotiate benefits packages at advantageous rates or to offer training for professionals or direct service staff. Informal structures that create discussion opportunities on an on-going basis would be useful. In some cases, more formal partnerships that can address issues such as information sharing, organizing joint job fairs, or creating a consortia of nonprofits in order to negotiate benefits packages at a more favorable rate or to offer joint training should be considered.

Recommendations:

- Formalize/improve the way the organization manages the HR function in a way that is practical and sustainable for the organization.
- Invest in formal training for designated staff both in practical HR skills and in the legal requirements of the field.
- Focus on getting managers and HR staff "up to speed" on the use of technology in hiring.
- Consider collaborating to establish a local web site for posting job vacancies
- Focus on reducing turnover through professional development or job enrichment.
- Create formal and informal partnerships that link nonprofit leaders.

Looking Ahead:

In December 2001 the Forbes Funds convened a Roundtable to begin a dialogue on the issues related to attracting and retaining talented individuals in the nonprofit sector. As this study shows, new methods may be necessary if nonprofit organizations are to remain competitive in today's more complex environment. The Forbes Funds remains committed to studying employment trends that affect the region and to exploring new means for attracting and retaining talented professionals to the nonprofit sector. Through a grant from the Richard King Mellon Foundation, the Forbes Funds continues in its efforts to build management capacity in human service organizations, particularly as it relates to developing efficiencies and expertise in all aspects of human resource management.

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TROPMAN REPORT

2002 SERIES

volume 1 : number 7

SOCIAL SERVICES IN FAITH-BASED ORGANIZATIONS: *Pittsburgh Congregations and the Services They Provide*

Is there more than anecdotal evidence about the human and social services that congregations and faith-based agencies offer? What is the impact of these services upon communities and individuals? And in what ways are Pittsburgh's congregations contributing to the social welfare of those in need within the metropolitan area?

The Forbes Funds commissioned Buchanan Ingersoll PC to survey Allegheny County's congregations and related faith-based agencies to determine what level of services they are already providing to families and individuals. Working in cooperation with Dr. Carol DeVita at the Urban Institute's Center on Nonprofits and Philanthropy, and Dr. Hide Yamatani at the University of Pittsburgh, attorneys Gregg Behr and Melanie DiPietro designed a 4-page survey consisting of 34 questions. This survey was distributed, in November 2001, and again in January 2002, to 1133 congregations within Allegheny County. The list of congregations to which surveys were sent was obtained from American Church Lists, Inc., then cross-referenced against local telephone and denominational directories. Two hundred seventy-six unique congregations responded, yielding a response rate of 24.4%. This response rate compares favorably with other congregational surveys, as reflected by the Urban Institute's yield of 24.2% for a similar survey conducted in Washington, DC.

It must be emphasized that what follows is not an analysis of the efficacy of faith-based programs in Allegheny County, but rather a census-like survey about how congregations are contributing to Pittsburgh's social service infrastructure. Indeed, the basic premise of this report is to understand "What's going on?"

The brief answer to that question, at least in descriptive terms, is that the services supported by Pittsburgh's congregations generally mimic those provided by congregations in other urban areas.

NATIONALLY: CONGREGATIONS AND RELATED FAITH-BASED AGENCIES

Public attention to congregations and faith-based agencies as problem-solvers is not a "new thing." What is new is that leadership within the highest levels of state and federal government particularly encourages public contracting with faith-based service providers.

Policymakers turned their attention to faith-based agencies as providers of social services with the passage of what has come to be known as "charitable choice," one component of the 1996 Personal Responsibility and Work Opportunity Reconciliation Act.¹ Charitable choice has since been expanded to include a range of federal programs, such as Temporary Assistance to Needy Families (1996); Welfare-to-Work formula grants (1997); Community Services Block Grants (1998); and drug abuse treatment programs (2000).

Shortly after assuming office, President George W. Bush established the Office of Faith-Based and Communities Initiatives, along with five similar offices in the Departments of Education, Justice, Health and Human Services, Labor, and Housing and Urban Development.² These five departments have been tasked by the administration to contract with faith-based agencies nationwide.

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Certainly, this is already occurring at the state level. According to a study published by the Government Accounting Office, as of January 2002, “at least 19 states have contracted with faith-based organizations to provide some welfare-related services.”³

Researchers, too, have begun to document the social service programs of congregations and faith-based organizations. While one national survey has identified the percentage of congregations that participate in or support some type of social service program to be as low as 58%, the great majority of congregational surveys — typically conducted in urban areas — demonstrate that between 85% and nearly 100% of congregations provide some type of service.⁴ That finding is evident in Pittsburgh.

LOCALLY: CONGREGATIONS AND RELATED FAITH-BASED AGENCIES IN PITTSBURGH

Two hundred seventy-six congregations responded to the survey that was distributed by Buchanan Ingersoll PC to the 1133 identified congregations in Allegheny County. Of the respondent congregations, 153 are located within the city’s limits. Most of the responding congregations are well-established. Among all respondents, only 13% have operated for less than 25 years and 64% have operated for 75 years or more. Nineteen denominations are represented among the respondents, but 5 denominations account for 73% of the respondents: Presbyterian, Catholic, Lutheran, Methodist, and Baptist. Further, many of the congregations are small. Twenty-five percent of the respondents have more than 500 members, but nearly 50% have less than 200.

Significantly, 88% of the responding congregations operate at least one social service program. This percentage compares exactly with the percentage documented among 1376 congregations in Philadelphia.⁵ In Pittsburgh, 67% charge no fees for the services they provide. This is due, in part, to the small size of the programs. Reflecting their small size and limited resources, approximately half of the responding congregations report that they serve less than 100 people. Further, 83% operate programs in only one delivery site.

With respect to capacity, 52% of the respondents report having facilities to accommodate additional clients. This is significant, as nearly 100% anticipate serving at least as many people this year as they did last year. That said, 57% do not anticipate having enough staff to serve additional clients, and 67% do not expect to be able raise more funds to serve additional clients. The participation of volunteers is consequently critical for operating, and continuing to operate, such programs. It is thus not surprising that 68% of the respondents report relying upon 20 or more volunteers.

With respect to those served by congregations, 68% offer social services to anyone in need. Only 13% limit services to members only, and 19% provide services to those who meet certain requirements. Ninety-seven percent report that they serve some low-income families and individuals. For nearly a quarter of the respondents, virtually all of their clients are regarded as low-income families and individuals (primarily women and children), and more than half of the respondents, have low-income case loads exceeding 70 percent of their clients. Approximately 55% of the respondents turn away or refer clients because they do not provide requested services, but only 16% turn away or refer clients because they are operating at full capacity.

Among the services provided by congregations, most services can be categorized as emergency care (food, cash, clothing, counseling) or nurturing activities (mentoring, parenting support, parenting education). For the most part, congregations and related faith-based agencies do not currently provide complex or professional social services, such as job training, respite care, or substance abuse treatment.

Types of Social Services Provided by Congregations and Related Faith-Based Agencies in Pittsburgh

Service	Percentage of Congregations Providing Service	Service	Percentage of Congregations Providing Service
After-School Care	17%	Mental Health Services	5%
Child Care	16%	Mentoring/ Tutoring	20%
Child Welfare	3%	Parenting Education	24%
Clothing	32%	Parenting Support	24%
Counseling	51%	Respite Care	4%
Developmental Disabilities	3%	Senior Services	19%
Emergency Financial Assistance	50%	Soup Kitchen	7%
Emergency Food	58%	Substance Abuse Treatment	6%
Foster Care	2%	Transitional Housing	5%
Legal Services	2%	Vocational/ Job Training	2%
Medical Services	3%	No Services	12%

In comparison to the services offered by congregations elsewhere, the types of services provided in Pittsburgh are not remarkably different.

Percentage of Congregations Providing Social Services by Type of Service

	Pittsburgh Study	Philadelphia Study ⁶	National Study ⁷	Washington, DC Study ⁸
Cash assistance	50%	---	65%	52%
Food pantry/ emergency food	58%	47%	42%	59%
Soup kitchen	7%	24%	---	8%
Substance abuse treatment and prevention	6%	14%	12%	6%

Approximately 50% of the respondents support their social service programs with budgets amounting to less than \$20,000, and indeed, approximately one-third have operated such programs in recent years despite deficits. Most programs are small. And most respondents receive funding support for their social service programs from, not surprisingly, their congregations (91%), individual donors (38%), and fees (21%). Little funding has been available, or sought, from corporations, foundations and government. For those that have received funding from these sources, such funding has typically accounted for less than 10% of program expenses. That said, 36% of respondents

expressed interest in applying for funding from government sources. And, in a national survey of 1236 religious clergy, 36% also answered that their congregations would apply for government money to support human services if such money were available.⁹

Congregations as Recipients of Funding for Programs and Services by Source

	Philadelphia Study ¹⁰	Pittsburgh Study
Corporations	7%	6%
Denomination	8%	18%
Foundations	13%	13%
Government	8%	10%

NEXT STEPS

The Forbes Funds is embarking upon a three-year effort to assess the capacity of Pittsburgh’s faith-based social services and to determine what, if any, capacity building strategies are appropriate to assist these organizations in delivering high quality services to our community. Our efforts will focus not only on congregations, but on separately incorporated 501c3 organizations that are faith-based or faith-related. We are particularly interested in questions such as:

- What types of services are provided by these organizations?
- What, if anything, is unique about the services provided by these organization or the manner in which these services are provided?
- Do these organizations fill a particular niche in the social service infrastructure?
- How sophisticated are the management and governance systems that support these services?
- Do these organizations perceive a need for targeted capacity building activities to enhance their ability to serve the needs of the community?

As research continues locally to deepen understanding about congregation-based social services, as well as the services offered by separately incorporated faith-based agencies, it is critical for researchers, policymakers, and citizens to engage in dialogue about what is known and about what must still be learned.

To read the full text of this study, log onto The Forbes Funds’ web site at (www.forbesfunds.org).

¹ P.L. 104-193, Title I, § 104 (Aug. 22, 1996); 110 Stat. 2161; 42 U.S.C.A. 604a.

² Exec. Order No. 13198, 66 Fed. Reg. 8497 (2001).

³ *Charitable Choice: Overview of Research Findings on Implementation* (United States General Accounting Office, Washington, DC), GAO-02-337, January 2002, at 2 (citing Laura Meckler, *Most States Pass on Charitable Choice*, Associated Press, 2001).

⁴ Mark Chaves and William Tsitsos, *Congregations and Social Services: What They Do, How They Do It, and With Whom?*, NONPROFIT AND VOLUNTARY SECTOR QUARTERLY, vol. 30, no. 4, December 2001, 660-683 (interpreting data from the 1998 National Congregations Study, which includes data collected from 1236 congregations nationwide, states that “58% of congregations participate in or support some type of social service program” (668)); Ram Cnaan and Stephanie Boddie, *Philadelphia Census of Congregations and Their Involvement in Social Service Delivery*, SOCIAL SERVICE REVIEW, December 2001 (reporting survey results from 1376 of an estimated 2095 congregations in Philadelphia, indicating that 88% have at least one social program (568); that each congregation provided an average of 2.41 programs (569); that 552 (40.1%) congregations collaborate with secular organizations (572); that 841 congregations (61.1%) are open to collaborating with government welfare programs (571); and that each congregation-sponsored program serves 39 within, 63 without (570)); Tobi Jennifer Printz, “Faith-Based Service Providers in the Nation’s Capital: Can They Do More?” (Urban Institute, Washington, DC), 1998 (identifying 95% of congregations as providing some type of service or program in the Washington, DC metropolitan area); Carl S. Dudley and David A. Rozen, “Faith Communities Today: A Report of Religion in the United States Today,” (Hartford Seminary), 2001 (finding that, based upon data from more than 14,000 congregations representing 41 denominations, over 80% of congregations provide at least one service); Other significant reports include: Scott Anderson, John Orr, and Carol Silverman, *The California Religious Community Capacity Study: Technical Report* (California Council of Churches, Sacramento, CA), 2000; Laurie N. DiPadova, *The Impact of Welfare Reform on Charitable Organizations: The Capacity of the Charitable Welfare Sector in Utah* (Center for Public Policy and Administration, University of Utah), Aug. 2001; Virginia A. Hodgkinson and Murray S. Weizman, FROM BELIEF TO COMMITMENT: THE COMMUNITY SERVICE ACTIVITIES OF RELIGIOUS CONGREGATIONS IN THE UNITED STATES, (1993); Susan Grettenberger, *Churches as a Resource for Human Services and Social Capital Development: A Survey of West Michigan Conference of the United Methodist Church* (Michigan State University, East Lansing, MI), 1997; Kirsten A. Gronbjerg and Sheila Nelson, *Mapping Small Religious Nonprofit Organizations: An Illinois Profile*, NONPROFIT AND VOLUNTARY SECTOR QUARTERLY 27(1), 1998, 13-31; and John McCarthy and Jim Castelli, *Religion-Sponsored Social Service Providers: The Not-So-Independent Sector* (Aspen Institute’s Nonprofit Research Fund, Washington, DC) 1998.

⁵ Cnaan and Boddie, *Philadelphia Census of Congregations and Their Involvement in Social Service Delivery*.

⁶ *Ibid.*

⁷ Carl S. Dudley and David A. Rozen, Hartford Seminary “Faith Communities Today: A Report of Religion in the United States Today,” 2001.

⁸ Tobi Jennifer Printz, Urban Institute, “Faith-Based Service Providers in the Nation’s Capital: Can They Do More?” 1998.

⁹ Mark Chaves, *Religious Congregations and Welfare Reform: Who Will Take Advantage of Charitable Choice?*, AMERICAN SOCIOLOGICAL REVIEW 64, 1999, 836-846.

¹⁰ Ram Cnaan, “Keeping the Faith in the City: How 401 Urban Religious Congregations Serve Their Neediest Neighbors,” (Philadelphia) 2000.

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TROPMAN REPORT

2002 SERIES

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STAYING AHEAD OF THE CURVE: *An Assessment of Executive Training Needs and Resources in Pittsburgh*

Nonprofit managers are challenged to perform multiple functions and roles as they guide their organizations through today's complex environment. They must be highly skilled not only in the technical aspects of their organization's mission, but also in management areas such as finance, human resources, information technology, strategic planning, program evaluation, resource development, board relations, and many other leadership responsibilities. Consequently, like their counterparts in the business world, nonprofit managers need to continuously seek out and utilize the latest methods and techniques of organizational management and leadership.

Fortunately, Pittsburgh has an abundant supply of education resources for nonprofit executives, program staff, trustees, and volunteers who are committed to continuously enhancing their knowledge and skills. Learning opportunities are offered by dozens of colleges and universities, professional associations, consulting firms, private corporations, and management support organizations in our region. A few of these education programs are "generic" management training seminars, but most of them are specialized programs designed explicitly and exclusively for nonprofit professionals and volunteers.

In recent years, there has been dramatic growth in the number of training opportunities available locally and nationally. In fact, some of these programs have struggled to secure sufficient enrollment leading some observers to suggest that we actually may have an *overabundance* of educational opportunities, with supply exceeding demand. Other questions arise:

- Are the region's educational resources valued by the nonprofit community?
- Are these resources addressing the needs of nonprofit professionals and volunteers?
- What are the strengths and the weaknesses of these resources?

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WHAT TYPES OF TRAINING AND PROFESSIONAL DEVELOPMENT OPPORTUNITIES ARE NEEDED IN OUR COMMUNITY?

The Forbes Funds commissioned Tripp, Umbach & Associates to address these questions. The researchers conducted an e-mail survey of 142 nonprofit organizations of various sizes and with a wide variety of missions. Respondents were mostly mid- to top-level managers who have direct responsibility for the professional development of staff and volunteers. The selection of the research firm and design of the survey itself was a collaborative process involving the leading educational institutions in the region.

PERCEPTIONS OF TRAINING RESOURCES IN THE PITTSBURGH AREA

The survey respondents provided candid, and sometimes surprising, viewpoints on the current and desired state of nonprofit management training in our community. The following are some of the opinions expressed by the respondents:

- Executives appreciate the value of continuous training and professional development, but they lack the time, money, and energy to take full advantage of educational opportunities.
- They say they are sometimes overwhelmed and confused by the wide array of course offerings in the region.
- They perceive that many of these programs are redundant, and they lack the time to even read the many brochures and advertisements describing these programs.
- They believe the current offering of nonprofit courses in the region is uneven in quality and largely geared toward a general audience.
- Since many of the respondents to this survey described themselves as having specialized or advanced managerial skills, they believe that the courses offered frequently miss the mark because they seem to provide only basic or entry level information.
- Faced with many responsibilities and little excess time, nonprofit managers are struggling to gain the *advanced skills* they need to perform the numerous roles demanded by their organizations.
- Nonprofit executives seem to agree that the region has benefited from an extensive array of resources that support nonprofit organizations in our region.

WHAT TYPE OF TRAINING IS NEEDED IN PITTSBURGH?

The respondents expressed a desire for training covering a wide range of management topics such as planning, decision making, leadership and resource management. But their strongest views seemed to concern the *level* of the training, not the topics per se.

- Nonprofit managers say they need courses designed with a real-world focus that allow them to explore practical solutions to problems they face in their organization.
- Many respondents believe that the courses are designed around trendy topics or that they address the interests of the faculty, not the needs of the nonprofit community.
- They want to draw lessons from real world examples, including the "best practices" in the field.
- The respondents want a classroom environment that allows them to network and make new professional contacts with peers who will be beneficial to them or to their organization.
- They expressed a strong preference for training programs in which all participants have comparable levels of experience and share similar problems and priorities.
- The participants do not necessarily need to be from the same types of organizations, but they should be relatively equal in terms of position, seniority, and overall responsibilities.
- Those responding said that there are enough opportunities to learn basic skills, but relatively few opportunities to explore intermediate and advanced coursework on specific management topics such as fundraising, strategic planning and marketing.
- Respondents would welcome classes that include peer-to-peer discussion groups and even instructors who themselves are nonprofit managers.

Interestingly, respondents favor a traditional classroom setting with classmates from many different organizations. They have a mixed reaction to alternative delivery mechanisms like distance learning models. The vast majority are willing to pay a modest tuition for quality training, but cost continues to be an important consideration.

IMPLICATIONS AND NEXT STEPS

With little time and money to devote to management training, but a deep desire to learn, nonprofit managers are looking for a greater return on their investment in management training. The major educational

institutions need to eliminate duplicative, entry-level training programs and develop advanced training opportunities for seasoned executives.

Several other studies conducted by The Forbes Funds uncovered similar needs for specialized course work, advanced training and opportunities to connect with and learn from colleagues.

Evidence from this study demonstrates a strong need to continue to support the nonprofit leaders in the region. To do that, the researchers suggest that regional education institutions work together to eliminate overlapping coursework and efforts. Specific recommendations from Tripp Umbach include:

- Creation of classes that address advanced nonprofit management skills
- Increased discussion of "best-case practices" and practical, real-life case studies that are relevant to the region and its nonprofit organizations
- Improved organization and collaboration of peer-to-peer networking and problem solving resource groups
- Streamlining of institutional efforts and coursework in a way that eliminates overlapping energy and information.

A NEW APPROACH

Toward these goals, The Forbes Funds has challenged local educational institutions to adopt a so-called "cohort approach" to their nonprofit training programs. This approach will recruit cohorts of nonprofit professionals and volunteers who have comparable levels of experience and who share similar interests and needs. The institutions have been encouraged to develop educational programs that are tailored to these cohorts, emphasizing peer-to-peer learning and focusing on practical skills. Also, the institutions have been encouraged to offer programs only on topics in which they have demonstrated expertise relative to others. In other words, they are being encouraged to play to their strengths, not their weaknesses. The Fund will no longer provide financial support for generic "off the shelf" training programs that do not address specific needs.

The Forbes Funds will, on a case-by-case basis, provide partial financial support for curriculum development and scholarships. For example, Duquesne University is collaborating with The Urban League to identify a cohort of young African Americans who are interested in serving on nonprofit boards of trustees. The Forbes Funds will provide scholarships to Duquesne's Nonprofit Leadership Institute, and will help find trustee positions for participants through Duquesne's new BoardLink program. Other cohort training programs are now underway or in the planning phase at the University of Pittsburgh and Robert Morris University.

The Forbes Funds continues its commitment to developing the management and leadership skills of nonprofit professionals and volunteers. Training programs will continue to be an integral component of our capacity building strategy in the nonprofit sector. But we are also committed to continuously evaluating the training programs and other professional development opportunities for the nonprofit sector to ensure that these products meet the needs of their consumers.

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TROPMAN REPORT

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STRATEGIC PLANNING: *Positioning Identity, Values and Aspirations*

Today, perhaps more than ever before, nonprofit organizations are trying to use strategic planning to help them anticipate and respond to the many challenges and opportunities looming on the horizon. Many foundations and government agencies demand that nonprofits have a viable strategic plan as a condition of a grant or contract. Trustees who work in the business world often think in terms of corporate strategy. And there is no shortage of books, management guides, and pamphlets extolling the virtues of strategic planning in nonprofit organizations. Consequently, The Forbes Funds receives dozens of inquiries per year from nonprofit organizations seeking assistance with their strategic planning processes. It is by far the most frequently requested type of assistance in our management enhancement grants program.

But we also know, from anecdotal evidence as well as surveys, that once strategic plans are completed, they often sit **unused** on the shelf. The plan is either ignored or worse yet occasionally disseminated only externally as a kind of public relations tool, to "prove" that the organization is well managed, to get a grant, or to lure an unsuspecting donor. Eventually this approach damages the credibility of the organization with external constituencies and breeds cynicism among employees, volunteers, and others inside the organization.

The questions, therefore, are:

- What makes for effective implementation of strategies in nonprofit organizations?
- Are there easy-to-use tools that can help nonprofit organizations make a better connection between strategic *planning* and strategic *management*?
- Are there examples of nonprofit organizations that have successfully used these tools?

The Forbes Funds commissioned Dr. John Camillus to address these questions. Camillus is the Donald R. Beall Professor of Strategic Management at the University of Pittsburgh's Katz Graduate School of Business. He has conducted numerous studies on the relationship between strategic planning and strategy implementation. He is one of the nation's leading scholars on this topic.

Camillus has conducted extensive literature reviews on the topic of strategy development and implementation in all types of organizations. Most of his prior research has focused on the business sector, but in recent years he has turned his attention to the nonprofit sector. For this study, Camillus developed detailed case studies of four nonprofit organizations in the Pittsburgh region: The Andy Warhol Museum, the Carnegie Library of Pittsburgh, Gateway Rehabilitation Center, and Glade Run Lutheran Services. He also interviewed senior nonprofit managers for their perspectives on strategic planning and implementation.

THE INHERENT PROBLEM IN TRADITIONAL STRATEGIC PLANNING PROCESSES

By now, nearly all senior managers in the nonprofit sector are familiar with the traditional process of strategic planning, which begins with an assessment of the organization's mission as well as its Strengths, Weaknesses, Opportunities, and Threats (SWOT Analysis). The SWOT process is then somehow blended with the priorities of key stakeholders to produce the organization's **strategy**.

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Camillus argues that traditional SWOT Analysis is inadequate for most strategic planning contexts. First, an organization's SWOTs change as its strategy changes. Therefore, to list its SWOTs prior to developing a strategy can be problematic. Also, SWOT Analysis typically is biased toward only incremental change in past strategies. It does not usually accommodate the dramatic organizational transformations that many nonprofits need. Finally, the traditional planning process does not readily offer a way for key stakeholders to express their values and priorities and to ensure that these are reflected in the outcome.

A DIFFERENT APPROACH

Camillus has developed what he calls a *Pragmatic Planning Process* that is quite different from the traditional SWOT approach. His process begins by asking stakeholders to generate, prioritize, and cluster the key issues or choices that their organization faces. These issues often are clustered under headings like *core identity* (the organization's values and aspirations), *territory* (the geographic area it wants to serve), *consumers* (the types of clients or audience the organization wants to attract), *programs and services* (describing the service philosophy), *finances* (the preferred sources of funds), *organizational design* (the structures and processes) and so on. While these are typical headings, they are not necessarily applied to every organization. The first step is to ask stakeholders to articulate the key choices they face and then to cluster those choices under whatever headings make sense.

Next, Camillus helps the organization generate alternative responses to these issue clusters, typically along a continuum of plausible options. For example, with respect to the *core identity* of the Andy Warhol Museum, there is a plausible continuum of options. At the conservative end of the continuum, The Warhol could conceivably choose to identify itself as a traditional museum with stable and consistent programming. Moving toward alternative models, The Warhol could envision itself as a cultural center, which would likely involve a role as a participant in and driver of change. Finally, at the outer end of the

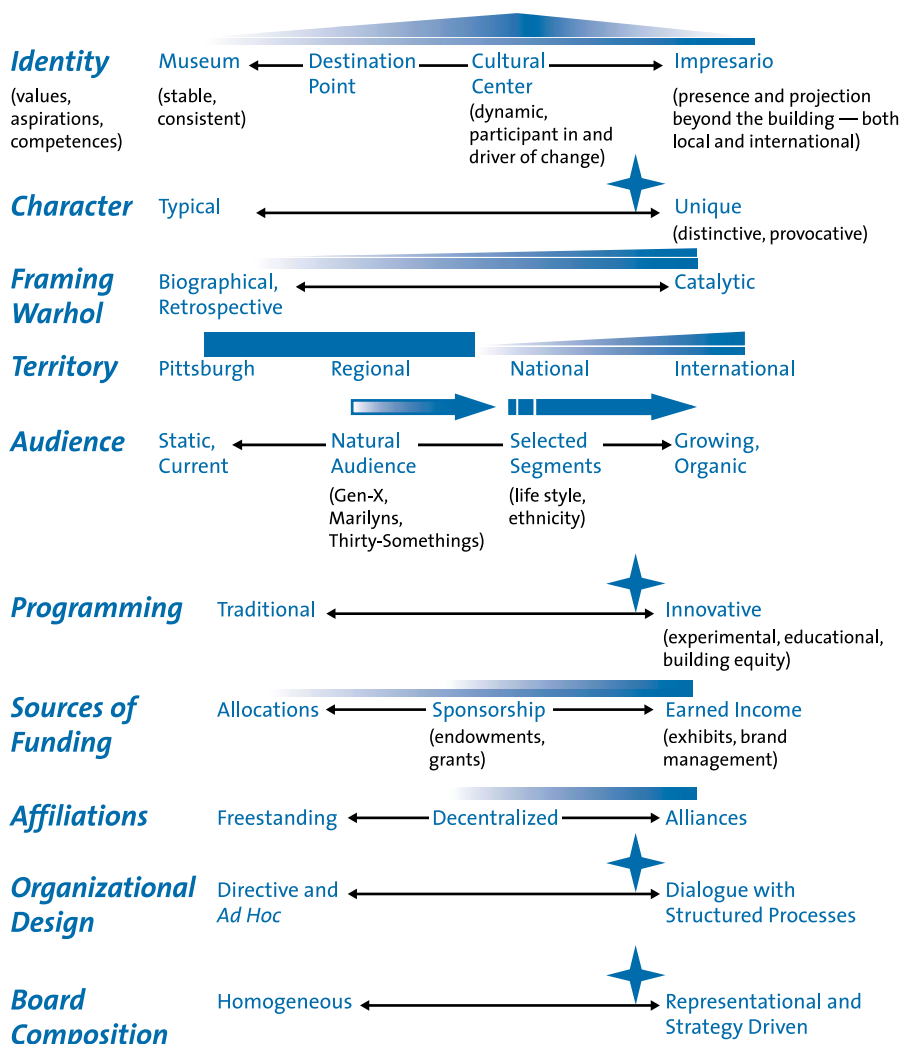
continuum, The Warhol could conceivably choose to become an impresario with a presence and projection beyond Pittsburgh. Other issues and their associated choices for The Warhol are shown below.

When the stakeholders have expressed their values with respect to each of these issue clusters, the overall product is a strategic profile of the organization as shown in the figure below. This strategic profile has the added benefit of giving organizational stakeholders a visual picture of their desired strategic profile.

Finally, Camillus helps the organization identify a set of concrete actions that will be necessary for the organization to achieve its desired strategic profile. If, for example, The Warhol wants to

Andy Warhol Museum — Strategic Positioning

Dimensions of Choice (Preferred Positioning)



N.B.:
 1. Width of bar represents relative intensity of resources/activities
 2. Darker shading indicates orientation of values

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eventually position itself as a cultural center, what actions are needed now to accomplish that? If it wants to broaden its territory, how exactly can that be accomplished? If it wants to adopt a more educational service philosophy, what changes must take place now? The specific actions identified via this process become the organization's strategy.

The key difference between this process and the traditional SWOT analysis is that the strategy that emerges from the Camillus framework is *not* rooted in the detached intellectual exercise of environmental scanning, but in the *values and aspirations of key stakeholders and leaders*. Certainly, there is plenty of room in Camillus' framework for internal and external scans of organizational strengths, weaknesses, opportunities, and threats. Data as well as values play an important role. But the planning process is not *driven* exclusively or even primarily by these assessments. Rather, it is driven by the values, aspirations of key stakeholders and practical choices available to the organization.

Camillus argues that this practical approach leads to greater buy-in to strategy implementation at the start (not the end) of the process. Also, his recommended model focuses almost immediately on practical actions needed to implement the strategy. Traditional planning processes usually wait till the end to identify actions.

DETERMINANTS OF EFFECTIVE STRATEGY IMPLEMENTATION

Camillus has found that strategies are more likely to be implemented when the following conditions are met. In the four nonprofit case studies, he found these conditions present in most cases:

- **Articulating the organization's core identity and values in evocative, memorable, and practical terms:** Each of the four organizations studied had at the core of their planning process a vision that drove the process and spurred them to action. The Carnegie Library had leaders who saw the library as a key player in the role of strengthening civilized society. Glade Run Lutheran Services used its belief in the theological tenets of the Lutheran faith as a motivator to guide its mission to help troubled children. The Andy Warhol Museum had a strong desire to function as a crucible of culture, both reflecting and fashioning society's norms. And finally, Gateway Rehabilitation Center used its skills and understanding of 12-step programs and its reputation as a leader in that field to revolutionize the organization's reach and capabilities.
- **Employing a process of strategy development that is designed with the requirements of effective implementation in mind:** While the process may vary, senior managers in this study observed three commonalities during the strategy development phase: 1) commitment of the senior management and the board to the process with a shared understanding of expected outcomes, 2) involvement of the key constituencies, particularly staff, the Board and external stakeholders, and 3) a process that initially identified significant choices and ultimately defined the actions to address to choices.
- **Integrating strategy and the strategic planning system with other elements of the organization's management system:** Strategies often are labeled in simple terms like "growth" or "diversification." But these labels run the risk of being divorced from the actual elements and activities of the organization as experienced and perceived by key stakeholders. Thus, strategies are better understood when they are not simplistically labeled, but rather expressed as actions related to things like the organization's image, its consumers, its programs and services, its location and market, its processes, and its structure.
- **Ensuring effective action planning:** An essential step on the road from strategy to performance is the formulation of action plans that support the strategic vision. Action plans serve both to guide carefully prepared and detailed actions and, at the same time, trigger changes in those plans as needed.
- **Linking measures of performance with strategic goals:** Two managers in the case studies expressed the familiar lament "What you measure is what you get" and "What cannot be measured can't be managed." The Carnegie Library and Gateway Rehabilitation Center each pay considerable attention to tracking performance measures related to strategy. In the library, task forces were set up to identify the appropriate measures and to design the procedures for generating these measures, reporting them and acting on them.
- **Providing feedback from performance to ensure appropriate modifications to action plans, strategy and perhaps even to the organization's vision:** All the organizations studied implemented a system of formal feedback to review actual performance relative to strategic goals and action plans. At Gateway, organizational units met with senior managers on a regular basis in addition to conducting performance analysis of each unit and more in-depth financial assessment. At Glade Run performance shortcomings over time led to elimination of programs. The case studies demonstrated that feedback resulted in remedial action at multiple levels, both operational and strategic.
- **Aligning the organizational structure with the strategy:** All of the organizations studied recognized and acted on the need to align strategy and structure. The Warhol set up cross-functional teams to carry out strategy. Glade Run created divisions to focus on residential and community-based programs. At Gateway a divisionalized structure was adopted. The most dramatic restructuring occurred at The Carnegie Library where structural changes were used to affect both strategic and cultural transformation. In each of these cases, the organizational structure changes supported not just the current strategic vision, but were expected to influence future evolution of strategy.
- **Emphasizing communication and human resource development:** Strategy implementation depends on the competence and commitment of the people in the organization. To implement its new strategy, the role of human resources proved to be crucial for The Carnegie Library. Because of the dramatic changes envisioned for the library, new personnel with technical, budgeting and marketing skills were recruited. This required rewriting or developing job descriptions, refining reward and compensation practices and providing management training programs for staff. Gateway used the human resource function to support strategy implementation by creating a flexible recruitment and hiring process that allowed managers filling vacancies in their units to be as actively involved in the hiring process as they chose. Through a conscious effort during orientation and training programs, Gateway sought to develop a sense of identity with Gateway

Rehabilitation Center as opposed to the individual locations/units at which employees worked.

- **Allocating resources:** Money and people are what turn thought into action. Each of the four organizations in this study had different challenges to face. The Carnegie Library needed to obtain capital funding for strategy implementation. As is often the case, tradeoffs had to be made between immediate operational needs and the strategic investments they felt were crucial, such as management training. In some cases, funds were reallocated between budget lines in order to support the new strategy. Gateway and Glade Run used an innovative method called the Analytical Hierarchy Process (AHP) to evaluate alternative capital investments according to their respective contributions to the strategic goals.

LEADERSHIP MATTERS

This study suggests methods and steps that can help an organization create a stronger link between strategic *planning* and strategic *management*. But, the planning framework provided is incomplete without two crucial elements, visionary leadership and the management system within which the strategy is conceived and realized. In the case study organizations, Camillus found that four visionary leaders were perhaps the most visible and significant factor affecting the outcome of their organization's planning.

At The Warhol, Tom Sokolowski's vision and interaction with key stakeholders facilitated the planning and implementation process. At The Carnegie Library, Herb Elish's passionate belief in the "civilizing" role of libraries, combined with his management expertise, helped energize an organization with a decades-long history of stasis. At Gateway Rehabilitation Center, Ken Ramsey's leadership style enabled a talented executive group to revolutionize the organization's reach and capabilities. Charles Lockwood's

commitment to Lutheran values defined the mission of Glade Run Lutheran Services, fundamentally affecting resource allocation as well as management style within the organization. In all of these organizations, the leadership's imprint was unmistakable.

TECHNIQUES MATTER

Camillus observes that effective planning and implementation does not emerge only from the subjective impressions and values of key stakeholders. Data and rigorous analysis also are part of the process. In his full report, which is available on The Forbes Funds web site (www.forbesfunds.org), he describes a variety of analytical techniques and tools for blending objective data analysis with subjective judgements and values.

LOOKING AHEAD

No doubt, The Forbes Funds will continue to receive numerous requests for assistance with strategic planning processes and implementation. Despite some mixed results in the past, The Fund remains committed to the value of strategic planning, particularly in the turbulent environment now confronting most nonprofit organizations.

In the future the focus of our technical assistance will be increasingly on strategy implementation and measuring the impact of strategy on organizational performance. Traditional planning models can have value, but we will continue to search for planning processes that help organizations think seriously about strategy implementation. The Camillus model is one that holds real promise.

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