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The University of Pittsburgh

FROM

ADEQUATE

TO

OUTSTANDING

PERFORMANCE

SOME PROPOSITIONS ON NONPROFIT
ORGANIZATIONAL LIFE CYCLES

THE **FORBES** FUNDS

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In the nonprofit world, aspirations often exceed capacity. Many nonprofits obtain "adequate" results but spend much of their energy trying to survive. They operate steadily from year to year, perhaps even growing marginally, but they rarely cross the threshold to truly outstanding performance.

In stark contrast, some nonprofit organizations, even very small ones, manage to have a significant impact on the consumers they serve, and become recognized as exemplars for other organizations to follow. They are widely known and respected for the quality of the services they provide, and they actually influence the behavior of other organizations through their services and their advocacy. Their outstanding performance is not necessarily dependent on the size of their budgets or staffs. Sometimes even relatively small organizations are able to leverage their modest resources to achieve a reputation for leadership in their chosen fields.

This brief report addresses the question: **What distinguishes nonprofit organizations that achieve "outstanding" results from those that achieve "adequate" results?** Our purpose is loosely analogous to that of Jim Collins who, in his best-selling book *Good to Great* (2001), identified characteristics that distinguish "great" business organizations from those that are merely "good." Because Collins studied businesses, not nonprofits, he had the benefit of being able to measure outstanding performance precisely, which he defined as returns on investment relative to the performance of the general stock market (Collins: 2001, p. 6). Collins and his team of 20 researchers spent five years analyzing these outstanding business organizations. Collins has recently applied the principles derived from his research on businesses to nonprofits in a new monograph entitled *Good to Great and the Social Sectors*.

This report is less ambitious. Unlike Collins, we did not gather extensive data in an effort to measure "outstanding" performance precisely and quantitatively. Rather, we drew upon research commissioned or conducted by foundations, universities, and technical assistance organizations in the Pittsburgh area, as well as national and international research published in major journals and other scholarly publications. In addition, we drew extensively upon our collective years of experience in the nonprofit sector. All of the authors of this report bring to the task not only their scholarly credentials but also extensive experiences in consulting, field research,

executive leadership, capacity-building, even grant making. We used the theory of organizational life cycles as a guiding framework, and we focused specifically on the phase of the life cycle that occurs between the time when an organization achieves a stable foothold and the time at which it achieves significant impact in the community. Life cycle theories suggest that organizations move through various stages of development — analogous to the life stages of birth, growth, maturity, and death.

The result of our analysis is the following set of propositions about factors that distinguish *outstanding* organizations from those that achieve *adequate* performance.

> PROPOSITION 1: Outstanding organizations continuously adapt and refine their mission, vision, and aspirations in order to enhance their impact on their consumers and on the community at large. They understand the difference between mission *drift* and mission *growth*.

> PROPOSITION 2: Outstanding organizations develop revenue strategies that are appropriate to their mission and vision.

> PROPOSITION 3: Outstanding organizations develop and refine innovative and effective approaches to accomplishing their mission. They are what some researchers call "learning organizations."

> PROPOSITION 4: Outstanding organizations make decisions about competition and collaboration on a case-by-case basis, selecting the approach that will have the greatest positive impact on the community.

> PROPOSITION 5: Outstanding organizations are effective advocates for their mission. They know how to communicate their mission and the needs of their constituencies in effective ways to targeted audiences.

> PROPOSITION 6: Outstanding organizations have an abiding commitment to be accountable for all that they do.

While life cycle theory does not offer a prescription for progressing through the stages, Greiner (1972) says that organizations move through each phase of the life cycle by first going through some critical event. We believe that our propositions can be viewed as the "critical events" that help move organizations to a higher level of performance.

The alert reader will quickly notice that we have not included a proposition devoted exclusively to leadership or governance. This is because we believe that effective leadership is implicit and deeply imbedded in virtually every one of the propositions we have made in this report. In other words, outstanding performance begins with outstanding leadership, on the executive staff and on the board. Leadership, in turn, produces the critical events described in our six propositions.

There are no truly objective and universally applicable measures of performance in the nonprofit sector other than mission accomplishment. Therefore, our propositions are subjective, and some readers will disagree with our findings. But if this report generates some debate, then we will have fulfilled our objective, for we hope to stimulate critical thinking about nonprofit excellence and also provide some reasonable advice for organizations seeking to break out of the cycle of merely "adequate" performance into the realm of "outstanding" impact.

PROPOSITION I:

Outstanding organizations continuously adapt and refine their mission, vision, and aspirations in order to enhance their impact on their consumers and on the community at large. They understand the difference between mission *drift* and mission *growth*.

The staff and board of a nonprofit organization face a great challenge when they sense that the original mission is no longer perfectly compatible with changing circumstances. This can happen at any time — one, ten, or even one hundred years into the organization's history. The integrity with which the leaders exercise stewardship over the mission at this critical juncture will have far-reaching implications for the future of both the organization and the broader community.

There are at least four circumstances, summarized below, that can prompt nonprofit leaders to reexamine, and possibly change, the mission. While it is impossible to propose hard and fast rules, we believe that the prospects for mission growth or adaptation are possible in the first two scenarios below. Conversely, the risks of mission creep or drift are especially high in the third and fourth scenarios.

1. The organization has accomplished all or part of its original mission, and its leaders must choose: claim "victory" and close its doors, or revise the mission to take on new challenges (chance for mission growth).

2. External circumstances have altered the needs and desires of consumers, prompting the organization to revise its mission in order to continue to serve the community effectively (chance for mission growth).

3. The original mission has lost its attractiveness to funders, donors, or other important stakeholders, prompting leaders to believe that they must find a new mission consistent with donor preferences and priorities (risk of mission drift).

4. Other organizations have emerged as competitors, forcing the organization to adjust its mission, its market, or its programs (risk of mission drift).

Embedded within each of these four scenarios is a subtle but important difference between mission growth (adaptation) and mission drift (creep). Mission growth is a process of adapting and refining the organization's mission, vision, and aspirations to provide inspiration for expanded community impact. Mission drift, on the other hand, is an incremental process, sometimes barely perceptible, in which the leaders of an organization passively (or perhaps in a panic) allow the mission to bend this way and that, expanding or changing programs in response to perceived threats or opportunities. Mission drift is motivated by the drive for organizational "survival," not what might be in the long-term best interest of the organization.

Bethlehem Haven, founded in a downtown Pittsburgh church basement in 1981, initially provided basic emergency shelter and meals to homeless women. Twenty years later, the organization realized that in order to truly provide hope to those who are homeless, they needed to expand their operations to address several other issues related to homelessness. Bethlehem Haven moved from its church basement to a 21,000 square foot building. The larger facilities, along with collaborative relationships with many other social service agencies, allowed Bethlehem Haven to grow its mission successfully to include a residential program for addiction recovery, transitional housing, mental health services, medical and dental care, life skills and job training, and family re-unification services, thus making a greater impact on the problem of homelessness.

[?] SOME DIAGNOSTIC QUESTIONS *for* LEADERS:

When organizational survival is at stake, it can be difficult for leaders to assess objectively whether program changes represent strategic adaptation or unintended creep. Drucker (1989, pp.89-90) asserts that an organization's mission statement can prevent the most degenerative disease of nonprofits: splintering their limited resources on things that look 'interesting' or 'profitable' rather than concentrating on a very small number of productive efforts that are based solidly on the organization's core competencies and comparative advantages. Here are some questions that nonprofit leaders should ask whenever they are about to embark on a program or strategy that may stretch an organization's mission:

- If the original mission has been accomplished, can our organization truly leverage its competencies and track record of success to take on new and related challenges? Or, are the interests of the public better served by passing the torch to another organization? Peggy Charren chose to close the doors of the Association for Children's Television (ACT) after successfully securing passage of the Children's Television Act in 1993. Colleagues tried to convince her to take on new challenges, such as monitoring compliance in the states, but Charren believed that other organizations were better equipped to monitor compliance, and she happily passed the torch to them.

- If consumer needs and demands change, does our organization genuinely have the expertise to meet those needs as well as, or preferably better than, any other organization? Francis Hesselbein successfully re-invented the Girl Scouts when it became apparent that the organization was not responding effectively to changing circumstances and emerging needs.

- When the priorities of funders and donors change, does our organization dilute or abandon its mission by "chasing the money?" Is there another strategy, including downsizing, that our organization can follow to sustain its operations while remaining true to its mission? The Pittsburgh Center for the Arts has emerged from the ashes with new leadership and by substantially reducing its portfolio to a set of core programs that reflect its mission and are sustainable.

- Does our organization's mission statement contain a clear statement of values, operating philosophies, and aspirations for the future? Such statements can be valuable in preventing mission drift. Richard Cyert, the late president of Carnegie Mellon University, kept his trustees and his faculty on track by repeatedly referring to CMU's mission statement, which stated that the University would engage only in activities in which it had a comparative advantage.

- Does our organization have resources, including public credibility generated by past success, which can be mobilized to expand its programs, reach out to new constituencies, and widen its impact in the community? The Allegheny Department of Human Services, drawing largely on its track record and credibility, was charged with mobilizing a variety of Pittsburgh-based organizations to serve victims of Hurricane Katrina. In the process, DHS broadened and strengthened its network of partner agencies to better serve its own region's future needs.

Truly outstanding organizations understand the difference between mission *creep* and mission *growth*. Any modifications to their missions are made consciously and based on the unique strengths of the organization to deliver on an expanded or changed reason for being.

PROPOSITION **2**:

Outstanding organizations develop revenue strategies that are appropriate to their mission and vision.

Effective nonprofits need sustainable sources of income to support program delivery and growth. Nonprofit organizations typically rely on three major sources of income: 1) payments from dues or fees for service, 2) revenues from government contracts, and 3) private contributions from individuals, foundations, and corporations. According to the Nonprofit Almanac, these three sources account for nearly 89 percent of the income for 501c3 and 501c4 organizations. Endowment income, earned income from ancillary enterprises, religious contributions, and other sources combined for just over 11 percent of total income (Weitzman and others, 2002, p. 95).

Today, some nonprofit organizations are trying to diversify their income sources, giving special attention to earned income, including entrepreneurial ventures designed to make a profit. Some nonprofit leaders think that more sources of income will automatically spread financial risk and, therefore, produce greater sustainability. This may be true in some cases but not always. Some highly effective nonprofits have only a few income streams, but they manage those income sources extremely well. In some circumstances, multiple income streams can actually increase complexity and generate enormous demands on nonprofit executives who have to "keep all the balls in the air." Some types of speculative income-generating activities

can be risky. Further, each income stream has its advantages and disadvantages. For example, private contributions may offer more flexibility, but they generally require more time and administrative overhead to acquire (Hodge and Piccolo, 2005). Research has shown that nonprofit organizations employ a mix of revenue strategies, with significant variation by sub-sector (Chang and Tuckman, 1994; Gronbjerg, 1992). Individual nonprofit organizations respond to changing circumstances in ways that reflect their own unique circumstances, capabilities, and needs.

AN ILLUSTRATION:

The Human Services Center Corporation (HSCC) is a 20 year-old agency whose mission is to "improve the quality of life for children, adults and families in the Monongahela Valley through coordination of services." HSCC is a human services mall — a one-stop shop that houses 15 agencies with over 80 social service programs. HSCC also helps its member organizations identify community needs and deliver services to citizens. The annual budget of the organization is about $785,000.

Income Portfolio of the Human Services Center Corporation, 2004

Gifts from individuals	5%
Gifts from corporations	8%
Foundation grants	2%
Fees for service (membership dues & rent)	59%
Government grants or contracts	12%
United Way allocations	11%
Commercial enterprise	3%

According to Executive Director David Coplan, HSCC's current income portfolio is the result of a conscious strategy to reduce reliance on some sources of income while increasing the organization's self-sufficiency. For example, over the past few years HSCC has gradually reduced foundation grants from 15 to 2 percent of its operating budget. During this period, United Way support has also dropped significantly, from 16 to 11 percent. Conversely, HSCC has steadily increased its annual giving from individuals and corporations from 5 to about 13 percent. Additionally, the organization has moderately increased dues revenues, aggressively pursued certain types of government contracts, and completed a successful endowment campaign.

The organization tries to minimize risks associated with government funding. "We use our government funding to buy slots in our youth outreach programs," said Coplan. "We do not use it for core programming or administrative support. We don't want to build an administrative infrastructure that is dependent on government funding."

HSCC just completed a successful capital campaign that generated over $600,000 to be used as a new venture or contingency fund to finance special projects in the future. Thus, in HSCC we see an organization that is using at least three distinct income strategies.

- Risk reduction by reducing its reliance on foundation funding.

- Program-focused revenues by using the government funds to support its outreach program rather than building up administrative capacity that would be difficult to dismantle.

- Reserve funding to allow it to respond to unspecified opportunities and challenges in the future.

Here are some questions that highly effective nonprofits ask when designing their income strategies:

- Does our organization have too many or too few income sources?

- Do we know what resources are needed to sustain our mission and program portfolio?

- Do our staff and board leadership view resource planning as a long-term, intentional strategy, to be regularly reviewed and sometimes re-balanced?

- Is the board actively engaged in developing an income strategy and working hard for its accomplishment?

- What sources of income are most consistent with our mission, values, operating philosophy, and core competencies?

- What sources of income will provide the greatest level of stability for our core programs?

- How will a given income source affect others in the portfolio? Will some types of income tend to "crowd out" other sources? For example, will individuals be less inclined to make donations if they see that we derive substantial income from fees or risky entrepreneurial programs?

- How can we build a modest operating reserve that we can invest in new programs and develop opportunities for agency growth?

- What are the long-term costs and benefits of any income stream? Will some types of income have "hidden" costs, such as high usage of volunteers or high contract compliance costs? How vulnerable are our income sources?

Too much attention has been given to revenue diversification and social enterprise as panaceas for the resource problems plaguing nonprofit organizations. Some outstanding nonprofits rely on just a few traditional revenue sources while others are highly diversified and nontraditional. We believe that one difference between adequate and outstanding organizations will be the extent to which they tailor their revenue strategies to mission, ambition, and internal resource-generating capacity.

PROPOSITION 3:

Outstanding organizations develop and refine innovative and effective approaches to accomplishing their mission. They are what some researchers call "learning organizations."

Outstanding nonprofits value innovation and consciously allocate organizational resources to it. Defined as "the successful exploitation of new ideas" (DTI, 2003), innovation plays a key role in preventing organizational decline as well as in enabling nonprofits to move from good to great organizational performance. Evidence in the business sector consistently shows that innovative organizations deliver superior results and profitability. Likewise, empirical research in the nonprofit sector (Herman and Renz, 1998) suggests that "especially effective" nonprofits use more change management strategies than do less effective nonprofits.

Innovation may be encouraged by both external and internal drivers. Externally, the strong pace of economic, demographic, political, social, and regulatory change is forcing nonprofits to change their organizational processes and modes of service delivery regularly. Internally, the drive to find better ways to accomplish the organizational mission suggests a need for innovation.

Despite the opportunities innovation presents, organizations often resist due to the risks and costs associated with change. New ideas may fail, wasting precious resources. Errors are common in the learning stages of new processes, increasing the costs of experimentation. New systems may require staff training. Change also typically requires the recognition of current weaknesses, potentially undermining the credibility of those responsible for the present situation. But, while the costs of innovation may be high in the short run (when most mistakes are typically made), the costs of avoiding change may be even higher in the long run.

Therefore, the risks of embarking on innovative projects should be assessed against both the potential rewards and the steps that must be taken to reduce those risks. Risks can be reduced through preliminary research ("Has this approach been tried before? With what results?"), by partnering with other organizations that may have more experience with the innovation, and by undertaking pilot or small scale experiments.

The relationship between innovation and organizational culture is a complex one. Drucker (1994) suggests that organizations marked by deeply seated values and practices reduce their prospects for long-term success by rejecting the need to change (amidst an ever-changing environment). An entrenched culture can therefore be inimical to change and innovation. But in a culture marked by experimentation, as well as freethinking and dissent, risk taking will probably lead to higher innovation (Jaskyte, 2004; Kanter, 1983). Importantly, such an organizational culture must involve field staff, for they are typically closest to clients, constituents, and delivery processes; successfully implementing new ideas will depend on their knowledge of their clients or beneficiaries. Strong accountability links with core constituencies are likely therefore to enhance an organization's propensity to innovate.

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Of note, the benefits of innovation do not accrue only to the innovative organization. Rather, some innovations may strengthen the nonprofit sector or even society as a whole; for nonprofits can help to diffuse wider social innovation. Sokolowski (1998) found that, in Poland, health care innovations were more quickly adopted if they were conveyed by nonprofits rather than by businesses because of the generally higher level of social trust enjoyed by nonprofits.

AN ILLUSTRATION:

Pittsburgh Cares, member of the national organization Hands on Network, accepts one-day volunteers, thus reaching out to a large section of the population who want to volunteer without having to commit on a long-term or regular basis. Over the years, Pittsburgh Cares has contributed hundreds of thousands of hours of volunteer support to nonprofit organizations in Greater Pittsburgh.

Crafts with Conviction employs inmates from 23 prisons around the state of Ohio to transform donated paper, felt, and other raw materials into useful classroom items, including flashcards, journals, maps, book bags, and other educational tools and incentives. The program reduces inmate idleness and fulfills community service requirements attached to certain prison sentences. Over 6,500 inmates have participated in the program, and 750,000 community service hours have produced $2.8 million worth of supplies made from recycled materials. For this work Crafts with Conviction won the 2002 Peter F. Drucker Award for Nonprofit Innovation.

Rural Opportunities, with offices in Pennsylvania, New York, and other Northeast states reserves a set number of seats in their governing board for migrant workers, thus fostering a close relationship with those whom the organization aims to serve.

[?] SOME DIAGNOSTIC QUESTIONS *for* LEADERS:

Nonprofit managers may want to reflect upon the following questions regarding organizational innovation:

- Is our organization innovative? How has the organization innovated in the past? Different organizations innovate differently. What is our style?

- What risks have we taken? Are we willing to fail?

- Are employees encouraged to try new ideas and approaches? Do we handle failures in ways that encourage or discourage future risk taking?

- Does our organizational culture allow dissent? Do we regularly challenge our ways of thinking and doing things?

- Do employees have time to reflect upon the lessons of a project after the project is over? How do they communicate those lessons to other parts in the organization?

- Do we collaborate with organizations that may force us to think differently?

Outstanding organizations understand the need for innovation. Nonprofits that foster innovation in a sustained manner are the result of a constant, conscious effort at all levels of the organization to improve the ways in which they serve their stakeholders.

Outstanding organizations make decisions about *competition* and *collaboration* on a case-by-case basis, selecting the approach that will have the greatest positive impact on the community.

If imitation is the sincerest form of flattery, then effective nonprofits often are "flattered" by imitators who subsequently become competitors. In case after case, the life cycle of nonprofit organizations follows the same pattern. First, organizations that are market leaders are the first to detect and respond to new needs in the community. Second, these market leaders begin to refine and improve their programs, differentiating themselves from others. Then, newcomers enter the scene to meet the growing demand for the services.

Research in Pittsburgh (Kearns, 2006) suggests that competition among nonprofit organizations is most intense for funding, followed closely by competition for public visibility and by competition for clients and consumers. Competition is greatest when two or more nonprofit organizations offer similar programs with high overlap among consumers, funders, and geographic market coverage (LaPiana, 2004: p. 57). Today, nonprofits face competition from the for-profit sector as well, especially in fields like child care, home healthcare, residential treatment facilities for children, and specialty healthcare (Salamon, 2002, p. 15).

While competition is a fact of life, there are powerful incentives for collaborative strategies as well. For a number of years, Pittsburgh-based funders have encouraged nonprofit organizations to form collaborative networks, occasionally even making collaboration a condition for receiving a grant. But collaborative strategies can have hidden costs and, under some circumstances, can actually diminish the quality of services (LaPiana, 2005, p.24–28).

Thus, as nonprofit organizations strive for maximum community impact, they must make continuous, almost daily, choices to achieve their goals via collaboration or competition. The choice is never an easy one.

One consideration when deciding whether to collaborate or to compete is to differentiate between community need and market demand. The Early Childhood Initiative (ECI) was an impressive effort to improve pre-school educational programs for children in 80 at-risk neighborhoods in the Pittsburgh area. Despite the well-documented need for the ECI, a variety of unforeseen forces conspired to produce a miscalculation of the actual demand for the program by families in the target communities (Gill, Dembosky, and Caulkins, 2002). This region-wide program has now been reduced to a few target locations.

Sharing a common concern or vision can be a key reason for collaboration. For example, when human service agencies in Westmoreland County became alarmed by the number of children coming through their programs with a history of abuse, they collaborated to establish the HERO Project to develop and implement a public awareness campaign to target protectors of children and increase reporting of child abuse. Although the Blackburn Center serves as the lead agency for the HERO Project, many other community organizations, including Adelphoi, Inc., ParentWise, and Latrobe Area Hospital, work in equal partnership to accomplish the mission.

[?] SOME DIAGNOSTIC QUESTIONS *for* LEADERS:

Truly outstanding organizations will make decisions about competition and collaboration on a case-by-case basis, using the fundamental criterion — "what approach will have the greatest positive impact on the community?" Here are some questions that nonprofit leaders should ask when deciding whether to compete or collaborate (Kearns, 2000; LaPiana, 2005):

- Does our organization have an explicit philosophy (sometimes expressed in its mission or vision statement) related to when and how we will compete? How has our philosophy affected our choices regarding competition, and what are the results of those choices?

- What is the size and growth rate of the market we serve? Can the market realistically accommodate additional suppliers of a good or service?

- Are our staff and board open to collaborating on a program? Does the potential collaborating agency have a complementary culture that would facilitate our joint efforts? How will we assess impact and return on investment of our collaboration?

- How intense is the competitive environment as measured by supply and demand for programs and services that we provide?

- Can we realistically differentiate our program or service from those of competing organizations? Do our competitors have any comparative advantages over us?

- Does our organization have specific comparative advantages relative to other service providers? Will the community be better served by a competitive versus collaborative approach?

- What are the full costs and benefits of competitive and collaborative strategies?

Outstanding organizations collaborate with other organizations when they recognize that shared resources can accomplish more. At other times they will aggressively compete, recognizing that they have unique comparative advantages that can be leveraged not just for organizational growth but for greater community impact.

PROPOSITION 5:

Outstanding organizations are effective advocates for their mission. They know how to communicate their mission and the needs of their constituencies in effective ways to targeted audiences.

Outstanding nonprofit organizations are both responders to and agents of social change. Excellent organizations recognize that applying "bandages" to deeply rooted and systemic problems is not a sufficient response. Rather, they recognize that government policies can either produce change or maintain the status quo. They recognize an obligation to represent and articulate their interests in the policymaking arena. Pablo Eisenberg (2004) argues that only activism can win the big battles on issues of importance to nonprofits, and Avner (2004) notes that "to maximize the effectiveness of nonprofit organizations we must have a voice at the key policy tables on the large and small issues that affect life in our communities and organizations."

Through advocacy — particularly when it is well-informed by research and experience — nonprofits elevate important issues to public awareness and influence public policy outcomes. In a challenging and provocative inquiry into how nonprofits can increase their effectiveness, Letts, Ryan, and Grossman (1999) make the following observation: "the nonprofit sector is our arena for advocacy, through which citizens can highlight weaknesses in society and promote solutions, often bringing provocative and unsettling voices to the forefront." This observation is supported by a Tufts University research study on nonprofit advocacy, which finds that "[o]f all of the resources that an interest group can offer policymakers, information is the most specialized. It is not a commodity, but, rather, is endlessly varied, highly differentiated in quality, and constantly in demand. As such, it is a way that a nonprofit can distinguish itself from the pack" (Berry, 2003).

AN ILLUSTRATION:

According to the 2000 Census, there are 214,000 people in Allegheny County living with physical and mental disabilities. Many of them feel powerless and unable to affect any change in the public policies that affect their lives. Historically there has been a lack of organized involvement across disabilities to present a united front in addressing shared issues, such as housing, voting rights and transportation. In 2003, the **Let Our Voices Be Heard Coalition** was formed, under the auspices of Mental Health Association of Allegheny County, with the goal of engaging people across disabilities in advocating for policies to improve the quality of their lives. To accomplish this, monthly advocacy education is provided to over 200 participants at 15 different organizations; a core group of about 40 leaders meets monthly to strategize. Major events like trips to the state capitol, legislative breakfasts, rallies and trainings have attracted more than 700 stakeholders. The Coalition also focuses on increasing the representation of people with disabilities in meaningful roles on advisory boards; increasing testimony at public hearings; and educating elected officials on disability issues.

Many traditional nonprofits do not regard advocacy as central to their mission. However, for those that view advocacy not as a side bar but as a necessary and vital extension of their mission, it can result in broad-based impact on their communities, their constituents, and on the nonprofit sector. For nonprofit boards of directors and chief executives who seek to enhance their effectiveness through advocacy, here are some questions that should be answered (Petrescu, 2002; Berry and Arons, 2003; Smucker, 2005):

- Do we have a shared view of what advocacy means for our organization? Is advocacy viewed as an integral component of our organization's overall mission, or is it viewed as a diversion from its primary service delivery mission?

- How do we share information with our constituents?

- How does our organization keep informed about policy issues?

- Does our board of directors include members with expertise in government policymaking and advocacy?

- Is someone within our organization designated as responsible for organizing advocacy activities? Does the board authorize and encourage the chief executive officer to devote time to advocacy?

- What budgetary resources are committed to support advocacy activities? Is this support adequate?

While it is sometimes argued that larger nonprofits have the resources and organizational capacity for engaging in advocacy, research suggests that size is a not a constraint on effective advocacy (Reid and Montilla, 2001; Rees, 1998).

PROPOSITION 6:

Outstanding organizations have an abiding commitment to be accountable for all that they do, and they employ a multifaceted approach to accountability that embraces all aspects of their relationship to constituencies.

In daily organizational life, the urgent demands of legal and financial accountability and the obligatory reporting to donors tend to dominate the attention of nonprofit leaders. But organizations that rise to make the greatest impact make accountability work for them, by finding ways to use evaluations, information systems, standards of conduct, and mission statements to strengthen their effectiveness and thereby demonstrate positive accountability to the constituencies they value most.

Alnoor Ebrahim (2005), who has worked with nonprofits from rural India to urban Washington, DC, calls the emphasis on donor-driven accountability "myopic," and argues that the demands of routine reporting prevent nonprofits from evaluating, learning, and reporting on the outcomes that are most important to their mission.

Some organizations manage to make accountability and evaluation an asset, a process that focuses, at least in part, on what the organization most wants to accomplish. These organizations find ways to involve important stakeholders in the design of evaluation processes in order to yield new insights and strengthen relationships that are crucial to mission accomplishment. A study of Pittsburgh nonprofits, by example, found that high-performing organizations opened themselves to comments and critique from clients and peers, used program evaluations to help set organizational direction, and used frequent reference to organizational mission statements to help maintain program priorities consistent with the organization's intended purpose (Tongel and Petrescu, 2004).

Virtually all nonprofits feel the pressure of "upward accountability" to donors and regulators. Perhaps the most urgent practical question is how to comply with these accountability requirements without sacrificing the learning and mission-directed accountability that strengthens organizations' impact. The key is measuring variables that matter the most to program effectiveness (outcomes) versus variables easiest to measure (outputs). Ebrahim's research suggests that nonprofits handle this pressure most successfully when they maintain strong internal information and reporting systems that are guided by the priorities of their mission; when their field staff and representatives of the communities they serve are included in these information loops; and when mission-driven evaluation, learning, and innovation are built into job descriptions and rewarded in the organizational culture and incentive systems.

[?] SOME DIAGNOSTIC QUESTIONS *for* LEADERS:

Here are some questions that nonprofit leaders should ask in assessing how accountability standards are working for – or creating distractions for — their organizations:

- To what standards, outside of our own organization, have we made ourselves accountable: codes of conduct, professional standards, operating agreements with other agencies or corporations?

- How does our obligation to these standards square with the most important priorities of our organization and with the constituencies we are most deeply committed to serving?

- When our organization is preparing to evaluate a major program or project, or a year's or quarter's activities, what do we hope to learn from the evaluation, and how will we use what we learn? If the evaluation is for a donor, do the donor's requirements overlap with our mission and priorities for learning and improving our impact?

- Will our donors be cooperative if evaluation efforts are changed to fit our organization's information needs as well as the donor's reporting requirements?

- Is there a headline that could be written about us with which we would not be comfortable?

Thus, there are two reasons for nonprofit managers to care about accountability. The first has to do with the financial, tax, legal, and regulatory requirements to which nonprofit organizations are accountable by law. The second reason is that accountability mechanisms, when used strategically, can strengthen organizations in doing what their managers, staff, donors and constituents care most deeply about. While organizations must tend to the first type of accountability to be "good," they attend to the second type of accountability to be truly outstanding.

Summary & Conclusions

Jim Collins (2001) found that the following characteristics distinguished "great" companies from those that are merely "good."

1. Leaders of great companies tend to be relatively low-profile people who possess both personal humility and professional drive.

2. Good companies become great companies by first getting the right employees on board. Only after obtaining the best talent do they worry about vision and strategy.

3. Great companies continuously innovate by first confronting what Collins calls the "brutal facts." When their current products, services, or processes are no longer working, they change course.

4. In terms of products, great companies follow what Collins calls the "hedgehog concept" by focusing on: 1) what they can do better than anyone else, 2) what they have passion for, and 3) what contributes to their economic objectives.

5. Great companies have the discipline to maintain a clear focus on goals, expectations, and accountabilities.

6. Great companies do not achieve greatness by being the first to adopt the latest technology. Rather, they use technology as an accelerator to advance their organizational goals.

7. Great companies do not achieve greatness overnight. Rather, their march from average to outstanding performance often takes years of building momentum and laying the foundation for success.

While we have used different terminology, we believe the findings outlined in this report are consistent with many of Collins' insights from the business sector. For example, we believe that our propositions regarding mission growth, revenue strategies, judicious competition, and accountability are wholly consistent with Collin's notions of the "hedgehog concept" and the disciplined cultures displayed by successful companies. Moreover, our propositions regarding innovation and continuous learning are entirely consistent with Collin's notions of the "brutal facts" and technology "accelerators." Our ideas about advocacy are, of course, unique to the nonprofit sector and do not appear on Collins' list of attributes.

As noted earlier, we have avoided an explicit discussion of leadership because we believe that effective leadership is implicit in every proposition:

- Mission drift happens under weak leaders, but mission growth is a product of strong vision and leadership.
  (PROPOSITION 1)

- Weak leaders "chase the money" rather than consciously developing revenue strategies appropriate to the mission.
  (PROPOSITION 2)

- Only strong leaders want their employees to learn, experiment, and challenge the status quo.
  (PROPOSITION 3)

- Strong leaders know when to compete and when to collaborate.
  (PROPOSITION 4)

- Only leaders who have high public credibility can be effective advocates for their organizations and their consumers.
  (PROPOSITION 5)

- Only strong leaders hold themselves and their organizations accountable for performance.
  (PROPOSITION 6)

We hope these ideas catalyze some spirited community dialogue on how to build nonprofit capacity and help nonprofit organizations make the transition from "adequate" to "outstanding" performance. Moreover, we hope that these ideas stimulate some creative research in the scholarly community by using empirical evidence to refine or challenge these propositions. ▪

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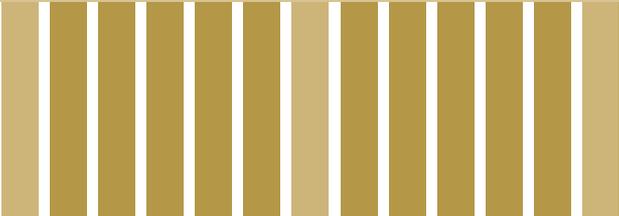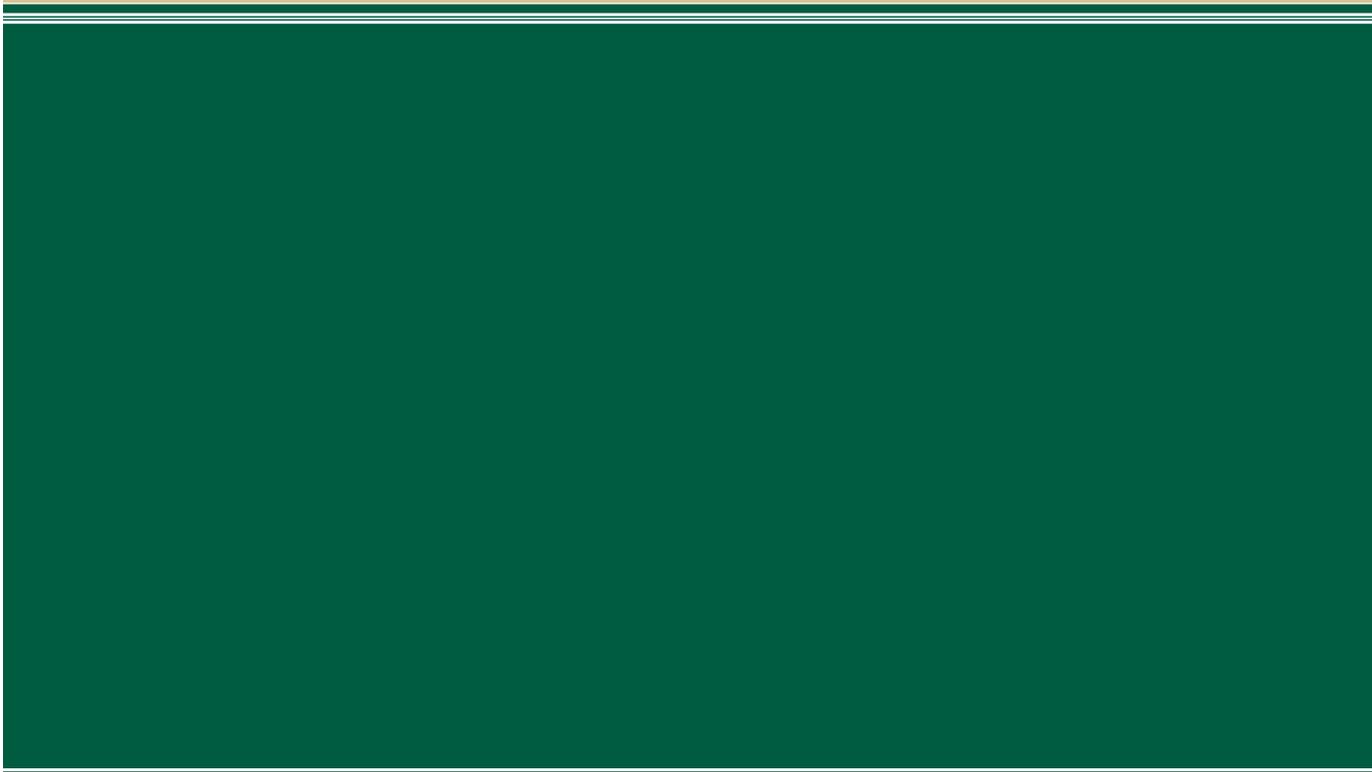as well as by celebrating exemplary practices.*

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