The seven elements of nonprofit capacity are closely connected, and organizations need to do some serious strategic thinking about which element of capacity to build first. Nonetheless, each element is distinct. Let us now discuss each element, using case studies from the research to illustrate the key themes.

ASPIRATIONS

Influenced by corporate models, many nonprofits have adopted the standard “mission, vision, goals” structure in articulating the big-picture objectives of their enterprises. In the best organizations, these three concepts are described in clear, succinct statements of one or two sentences each, with the goals expressed in precise, measurable terms. In less disciplined organizations, the descriptions can run on for pages. To discuss these concepts—and because mission, vision, and goals all reflect aspects of overall organizational purpose—we bundled these three elements under the term “aspirations” in developing the Capacity Framework.

Nonprofits need to spend time and effort evaluating and articulating their aspirations. Aspirations inspire staff, volunteers, and donors. They define what an organization will do—and won’t do. They help define an organization’s overall approach and set priorities for action. They are a basis for strategy, which in turn defines the necessary organizational skills that can be delivered only with the proper design of human resources, systems, and organizational structure. In short, aspirations drive everything. According to our findings, the organizations that made the greatest gains in social impact were those which tackled high-level questions of mission, vision, and goals.
THE NATURE CONSERVANCY

The Nature Conservancy, the nation’s largest private conservation group, provides an excellent case of how aligning an organization’s aspirations can enhance its impact. Under the leadership of John Sawhill, a former McKinsey partner and senior government official, the Conservancy undertook no less than three major capacity building initiatives during the 1990s, all focused on aspirations-level issues. One effort rewrote the mission statement; the second produced a new conservation vision and approach; and the third set concrete organizationwide goals.

On the surface, the organization that Sawhill inherited in 1990 was thriving, having posted record revenues, membership, and number of acres acquired. The organization’s basic strategy – protecting rare species of plants and animals by buying land – was time-honored and very attractive to donors. Despite these successes the Conservancy’s organizational design harbored a flaw that was diluting its social impact.

Although legally a single 501(c)3 entity, the Conservancy looked and behaved more like a federation, with each autonomous state office setting its goals and priorities separately and raising its own operating funds. As a result, it was very difficult to allocate resources effectively, to mobilize resources for institutionwide priorities, or to assess organizationwide progress toward the mission. With no common objective for the entire enterprise, operating units found it difficult to cooperate on conservation initiatives that crossed multiple geopolitical boundaries.

The lack of internal cooperation was especially troublesome because advances in conservation science were driving the organization to rethink its basic conservation approach. In particular, it was clear that the mission demanded that the Conservancy protect land on much larger scales than ever, making the old capital-intensive approach of buying and managing natural areas
economically unfeasible over the long term. The future of conservation would depend upon cross-border collaboration and partnership – qualities notably lacking from the Conservancy’s organizational skill base. Sawhill recognized that the Conservancy would never reach its potential until it started to act as a single institution.

Preaching the gospel of “One Conservancy,” Sawhill was careful to work with and not against his organization’s fiercely independent culture in rolling out his capacity building initiatives. He recognized that the organization would balk at any heavy-handed, top-down effort, and so from the start, he appealed to the organization’s competitiveness, challenging it to raise the bar and increase its collective impact. Even the most independent-minded managers couldn’t argue with that. From there, it was not such a great leap to secure organizational consensus that the best way to the next level of effectiveness was to focus all of the Conservancy’s resources on a common vision, conservation approach, and set of goals.

Nailing down the exact details of the vision and approach was an agonizing, lengthy process. Many parts of the organization resisted surrendering local control, even in exchange for increased impact. But by 2000, after a decade of capacity building, the Conservancy had executed a remarkable makeover. Where once its mission, vision, goals, and strategies were completely disjointed, now the Conservancy has attained a large degree of strategic alignment, with every operating unit aware of its role in advancing the overall objectives of the organization.

These efforts at aligning the Conservancy’s aspirations have had a dramatic impact on its conservation effectiveness. Having aligned aspirations, the Conservancy was able to develop new organizationwide initiatives such as Last Great Places, improve the recruiting and retention of top talent, and conduct more coordinated and aggressive fund-raising campaigns. As a result, in the decade since John Sawhill started down the capacity building path, the Conservancy has improved its performance on
biodiversity indicators, and its revenues, staff, and number of offices have tripled. Membership has more than doubled. Its traditional land protection activity—both through acquisition and other protection tools, including partnerships—now exceeds a million acres a year. Thanks to the unified goals and the common vision of success, the protection programs focus only on lands identified as organizationwide priorities. The Conservancy continues to expand rapidly, and is already well on its way to its goal of launching 500 new large-scale project offices by 2010.

The Conservancy is hardly unique, however, in having realized large impact gains from capacity building at the aspirational level. For instance, by including outcome measures such as “to decrease the Florida dropout rate by 1 percent” in its aspirations, Take Stock in Children, a Florida-based mentoring and scholarship program, simultaneously raised the bar and focused the efforts of that organization. Meanwhile, as the direct result of a donor-driven initiative to increase organizational capacity, America’s Second Harvest, the nation’s largest anti-hunger group, recently changed its mission from feeding the hungry to creating a hunger-free America. This aspirational shift has in turn compelled Second Harvest to become aggressively engaged in advocacy work, and with positive results. By exploiting the political clout of its network of local food banks, Second Harvest has been able to influence the resources allocated to federal food programs, thereby greatly leveraging its own impact.
STRATEGY

If a nonprofit’s aspirations describe at a high level what the organization wishes to achieve – its purpose and objectives – strategy represents the means for reaching those aspirations. Optimally, organizations will implement strategies that are coherent, well integrated, and linked directly to an organization’s major goals. More than simply the sum of an organization’s activities, well-conceived strategies should build on a nonprofit’s core competencies, allocate resources to priorities, and help delineate its unique point of differentiation.

Capacity building efforts that focus on the strategy component have typically sought to align an organization’s strategies with its aspirations. This exercise serves a dual purpose: on the one hand, it can play a useful role in helping eliminate programs of limited mission impact, while on the other it allows organizations to take advantage of changed circumstances or new opportunities. But strategies also have been aligned with the rest of the organization – with skills, human resources, and so forth – to ensure the greatest chance of making a positive social impact.

TAKE STOCK IN CHILDREN

Consider the case of Take Stock in Children (TSIC), a Florida-based organization committed to reducing the high school dropout rate of children in Florida’s public schools. Originally created as a program for the Pinellas County Education Foundation (PCEF) in 1991, the idea behind TSIC was to pair an at-risk elementary or middle school child with an adult mentor for one hour a week. Participants who stuck with the program throughout their school careers – and who maintained good grades while staying in school, drug-free, and out of trouble – were guaranteed college scholarships.

“We came to the conclusion that we had something unique and important to offer to the children and the communities of this state, and if we do not seize the opportunity at hand, it might not come again. The cost of such rapid expansion was uneven program quality; the benefit was that we established a new social enterprise that filled an important need.”

— Don Pemberton, Take Stock in Children
The strong interest in the TSIC program emboldened PCEF’s director, Don Pemberton, to launch a separate TSIC foundation to house the program and begin statewide program expansion in 1995. Ninety-four percent of its first class completed the program and 80 percent of those students are still in college. Although these numbers were not yet available in 1995, Pemberton knew, based on his intensive experience and research, that the program would be very effective. Through a timely partnership with Barnett Bank, the largest bank in the state, and particularly because of the commitment of Barnett’s chief executive, Charlie Rice, TSIC was able to undergo a period of explosive growth by forging alliances with local organizations willing to manage the TSIC program and local companies willing to support the organization. In the space of less than 10 months, TSIC expanded from a single entity to an operation with 31 locally managed affiliates servicing nearly 50 counties across the state.

Not surprisingly, however, this aggressive growth strategy brought with it a host of serious management issues. Without strong infrastructure and oversight — the consequence of inadequate capacity, caused by rapid growth — the quality of program delivery varied significantly with the capacity of the local partner. Similarly, some of the local partners experienced operational funding shortfalls, while TSIC lacked the systems to monitor its performance in any systematic fashion.

In 1997, Pemberton tackled these intertwined problems with a comprehensive capacity building effort to create a new operating strategy facilitated by an outside consulting firm. This effort began by clarifying TSIC’s aspirations, which in turn formed the basis for the strategies to be developed and the related capabilities, people, systems, and structure that would be required. In addition to a refined mission and goal for TSIC (to reduce Florida’s statewide dropout rate by 1 percent), this effort resulted in new performance measures applicable across all TSIC locations, an expanded, more professional staff with new skills, a new organizational structure and management processes, and targeted strategies for fund-raising and mentor recruitment.
Together these changes, affecting virtually all aspects of TSIC, constitute an entirely new business model and strategy for achieving its mission. The results speak for themselves. The number of children served has grown to 5,800 – a growth rate of 830 percent since 1995. A new board legislative committee, for example, has secured for TSIC an annual appropriation of $3 million from the state legislature, helping boost total annual revenues to $15.2 million. The headquarters staff has grown from 3 to 13, enabling far better quality control over affiliates, which themselves employ an additional 70 full-time staff. This network of partner organizations, meanwhile, has now reached 40, working in 54 counties.

Other nonprofits have proved as willing as Take Stock in Children to reassess their organizational strategies in the interests of improving impact and adjusting to new conditions. Youth Eastside Services (YES), a Seattle-area organization that reaches out to troubled teenagers, has taken advantage of the powerful technology presence in its community by building the technology infrastructure necessary to be able to leverage the Internet to reach new and existing clients with YES’s programs and services.

Meanwhile, before entering the highly competitive market in youth services in New York, the Children’s Defense Fund – New York (CDF-NY) carefully devised an alliance-building strategy that allowed it to tap into the strengths of existing organizations without threatening them. Through the clever strategy of focusing on a narrow and uncontroversial issue (child health) and becoming the acknowledged expert in that topic, CDF-NY not only managed to avoid stepping on the toes of its colleagues, but in fact was able to add value to the whole sector. On the one hand, it introduced new mechanisms and arenas of interaction between child-advocacy groups in New York, and on the other hand, it helped leverage federal funds that would be used to provide health insurance for children in New York.
ORGANIZATIONAL SKILLS

For many high-performing nonprofits, the most important component of the value chain is the process through which they develop, implement, fund, and measure programs. Crafting a successful process – one that increases social impact – draws on the full range of an organization’s skills, from strategic planning to marketing and fund-raising to program development and execution.

Think of an organization that has a demonstrated record of success in delivering a particular program, but has very limited skills in such areas as financial management or program evaluation – a common combination in the nonprofit sector. This skill gap inherently compromises the ability to improve and expand services to more clients. Donors and government agencies, for example, will be reluctant to dedicate significant resources to an enterprise with weak financial controls. Similarly, organizations that do not rigorously evaluate and measure the effectiveness of their programs have a hard time demonstrating the kind of tangible results that inspire donors.

THE VERA INSTITUTE OF JUSTICE

Closing the skill gap – strengthening the full range of organizational skills required for mission success, thereby increasing impact – has been the objective of a number of nonprofit capacity building initiatives. A telling case concerns the New York-based Vera Institute of Justice, which seeks to make the justice system more effective, humane, and just. Founded in 1961, Vera specializes in developing and testing innovative new approaches to issues of criminal and social justice, and then transferring responsibility for large-scale implementation to a government agency or a spinoff nonprofit.
In the mid 1990s, under the leadership of chief executive Chris Stone, Vera completely redesigned its core business process to ensure that it had appropriate skills and capacity to support each step in its value chain, from planning to spinoff. Over time Vera’s definition of “justice” had expanded to include, for example, environmental justice, so Stone started the redesign process by restricting Vera’s programmatic focus to five closely related areas of activity: crime and victimization; policing; judicial process; sentencing and corrections; and youth safety and justice. This focusing exercise not only helped ensure that Vera did not get involved in efforts unrelated to its core competencies, but also allowed the organization to focus its intellectual capital and skills on a common set of problems.

Stone then turned to Vera’s value chain. What made Vera effective? Several things, it turned out. Vera drew on high-quality research, its proposals were innovative, and it had clear expertise in running demonstration projects. Vera had a lot of experience in taking programs to scale, locally and nationally. As a result, Vera had amassed an impressive array of organizational skills—but was underleveraging these assets because it lacked the critical project management skills necessary to bind them together into a cohesive whole.

To address this problem, Stone reorganized the entire enterprise around a six-stage value chain, setting up separate departments for each. Research, for example, collects and analyzes data to inform new projects and evaluate ongoing efforts. Planning develops ideas for new programs and projects. Demonstration takes the innovations of the Planning team and translates them into on-the-ground reality. The National Assistance group works to take effective local-level demonstrations statewide or nationally, while International Assistance applies Vera’s findings, experience, and process to criminal justice issues overseas. The last stage in the process is Spinoffs, which is responsible for creating viable governmental or nonprofit institutions to take on full-time implementation of successful Vera demonstration projects.
Vera actively manages itself according to this process. Every quarter, for example, Stone delivers to his board a grid that captures the current status of Vera projects and programs on a single page. Along the vertical axis are the five areas of program activity; along the horizontal axis are the six stages of program development. At a glance, board members or managers can see what project is at what stage of development. Because the process is explicitly articulated in terms of the different skills required for each stage of project development, Vera has a near-automatic mechanism for identifying and rectifying skill gaps.

Vera’s capacity gains appear to have translated into better social, organizational, and financial performance. Its retooled organizational process ensures a steady stream of new projects in the pipeline – on average four new demonstration projects per year in each of its five program areas, compared with only one before its capacity building effort. Each of these innovations, furthermore, is better managed than before, with each project rigorously evaluated at each stage in the process. And Vera has been able to accelerate its deliberate strategy of spinning off projects to other entities. Before Stone arrived, Vera was spinning off a program about once every 3 years on average; the organization is now averaging one new spinoff every year. During the past 8 years Vera’s net assets have grown from $9 million to $26 million.

Vera’s experience underscores one additional point about building organizational skills. Many nonprofit managers interpret skills too narrowly, thinking of them as the capabilities of a particular individual rather than as organizational assets. The key to Vera’s capacity leap and increased social impact was the recognition that the most important part of its value chain was knowledge – its six-step process for designing and implementing projects. Vera could then go out and acquire or build the skills it needed to excel at each step in the process.
CHILDREN’S DEFENSE FUND – NEW YORK

By contrast, when the Children’s Defense Fund decided to enter the highly competitive New York child advocacy sector, the skills CDF-NY needed most related to nurturing partnerships and developing alliances. Some 5,000 separate organizations are involved in the issues of child advocacy and child welfare to one degree or another. For an outside organization, the situation was clearly fraught with peril. The opportunities to offend territorial, entrenched constituencies were legion, while it was not at all obvious what added value CDF-NY would bring to children’s issues in New York.

CDF-NY’s executive director, Donna Lawrence, and the deputy director, Sandy Trujillo, immediately recognized that their best chances of making an impact depended on cooperation, rather than competition, with the other child advocacy organizations in New York. Consequently, starting in 1995 they launched three separate initiatives intended to build a long-term, broad-based network of mutually beneficial alliances between CDF-NY and a wide range of partners, both public and nonprofit. The idea was to rally parties concerned with similar issues through deliberative, inclusive “win-win” arrangements, actively engaging partners in CDF-NY’s projects, and maintaining regular contact with them. CDF-NY could thereby create a coalition of partners that it could mobilize to advance its institutional objectives.

Lawrence and Trujillo began by leveraging existing relationships from previous jobs to assemble a coalition of city government agencies, community-based organizations, and unions around a CDF-NY initiative to increase the percentage of children getting proper vaccines. The success of this effort – the number of vaccinated children in New York rose from 52 percent in 1995 to 85 percent today – not only helped establish CDF-NY’s credibility in the child advocacy community, but also opened the eyes of Lawrence and Trujillo to the opportunities for effective advocacy that could come from mobilizing the coalition they had assembled.
Drawing on its own network, and encouraging its partners to leverage their own networks and resources, CDF-NY soon led the fight in Congress to create the Children’s Health Insurance Program (CHIP) and then played a key role in developing and implementing New York’s CHIP program that has served as model for the rest of the country. The Federal Government subsequently committed $2.5 billion over ten years to CHIP.

CDF-NY’s commitment to building partnerships resonates in every aspect of the organization. When some perceived its relationship with government as overly cozy, it diversified its base of partners by reaching out to churches and day care centers. Working under the principle that you can accomplish amazing things if you don’t care who gets the credit, CDF-NY deliberately nurtured relationships that gave partner organizations opportunities for ownership, networking, and cross-fertilization. And it maintains regular contact with coalition members through meetings, a 30,000-member mailing list, and mass faxes.

In retrospect, it is clear that key capacity building decision for CDF-NY was to hire a management team with proven credentials in New York and with the skills suitable to build a wide array of partnerships and alliances. Through exceptional inclusiveness and skillful political navigating, Lawrence and Trujillo helped to unify a diverse group of child advocacy organizations, thereby positioning CDF-NY as a focal point and leader in the child advocacy community.
HUMAN RESOURCES

People – professional staff, volunteers, board members – are the lifeblood of any nonprofit organization. An organization's human resources represent the collective capabilities and experiences of its people, and yet nonprofit organizations not only are reluctant to manage talent actively (especially compared to the private sector) but they also tend to undervalue their people. Yet, when organizations succeed in attracting talented people and unleashing their full potential, good things happen. This lesson comes through clearly in the cases of Citizen Schools, Rubicon Programs, and Powerful Schools, three organizations that focused on instituting progressive human resources practices.

CITIZEN SCHOOLS

Citizen Schools (CS) is a Boston-based organization that seeks to educate children and strengthen community ties through improved after-school programs. Its program quality depends critically on the quality of the teaching staff and volunteers, which means human resources is at the top of this organization’s capacity building priorities.

Citizen Schools was launched in 1995 by Ned Rimer and Eric Schwarz, two social entrepreneurs fresh off a successful personal experience teaching public school children first-aid and journalism. They had seen what difference they could make in the lives of children in a few short hours of their innovative after-school program, but at the time Boston offered parents few high-quality or affordable after-school options.

Schwarz and Rimer’s model for tackling this problem was based around a cadre of “Citizen Teachers.” These volunteers would help children between the ages of 9 and 14 develop skills in such areas as leadership, writing, public speaking, and using the scientific method. By framing these activities as “apprenticeships” and making them fun and educational, Schwarz and Rimer felt that Citizen Schools could meet an unserved need and at the same time improve Boston’s poor educational testing results.
Citizen Schools quickly learned that a major challenge in the after-school sector was attracting and recruiting enough talented part-time teaching staff to populate the program. Schwarz and Rimer overcame this hurdle by creating an innovative employment model that relied on staff-sharing agreements with several leading Boston-area nonprofits. Citizen Schools designed 1- to 2-year full-time positions, complete with benefits and professional development opportunities, and branded them as a prestigious “Fellows Program.” Citizen Schools then sought and secured corporate funding to underwrite the program. Under this program, each Fellow splits his or her time equally between Citizen Schools and another nonprofit organization. The Fellows now comprise one-third of the Citizen Schools staff, which has risen sharply from 13 to its current level of 57.

Citizen Schools’ overall investments in capacity building – including its focus on human resources – have been rewarded handsomely. On the financial front, it has leveraged its new strategic clarity and corporate partnerships into $3.5 million in additional funding. The program is reaching many more children, as well – from 560 in 1998 to more than 1,200 in 2000. In terms of social impact, Citizen Schools can point to some very promising trends. In early tests, for example, children who have gone through Citizen Schools demonstrate significant improvements in writing skills. Furthermore, the product is in demand. There has been a 50 percent increase in the number of licensed after-school slots in the Boston schools since 1995; fully one-third of the increase is attributable to Citizen Schools.

**POWERFUL SCHOOLS**

Other nonprofits have looked to external resources to build their human resources capacity. Powerful Schools, a Seattle-based organization that provides comprehensive education programs for small coalitions of public schools and community organizations, is an example of an enterprise that quickly and cost-effectively increased its human resources capacity by creating new volunteer opportunities for its funders and other partners. Powerful School’s active management of volunteers has been a key driver in its successful effort to build capacity and deliver its program.
Powerful Schools was launched in 1992 by a group of parents and principals concerned about the quality of Seattle's public education. Its initiatives involve mobilizing local resources – parents, writers, and artists – to supplement the regular school curriculum and after-school programs. Then in 1998, Powerful Schools became a founding member in the portfolio of Seattle’s Social Venture Partners (SVP), which operates a volunteer model of venture philanthropy in which the individual “Partners” donate at least $5,000 annually for at least 2 years and lend their expertise to capacity building projects at the portfolio organizations. Each portfolio organization selected by SVP receives a contribution of between $24,000 and $109,000, in addition to the expertise provided by SVP volunteers.

Powerful Schools’ alliance with SVP not only infused the organization with additional financial resources, but also brought a dedicated team of volunteers with the expertise to tackle a whole range of capacity building efforts. As these efforts have come to fruition over the past 3 years, Powerful Schools has been able to expand its programs, organize new fund-raising events, implement a technology plan, and devise a plan for replicating the Powerful Schools model elsewhere. In 2000, Powerful Schools expanded its program to two Seattle-area communities. Meanwhile, to provide long-term funding for Powerful Schools, three SVP partners and the chair of the organization’s board formed a development team to explore earned-income strategies. Thanks to SVP’s financial support, the executive director of Powerful Schools was nominated to participate in the Denali Initiative, a 3-year intense social enterprise development program designed for leaders with demonstrated high entrepreneurial potential and ethical standards.
RUBICON PROGRAMS

Rubicon Programs of Contra Costa County, California, is another organization that has paid close attention to building its human resources capacity. Rubicon’s mission is to help people who are homeless, economically disadvantaged, or disabled achieve greater independence and self-sufficiency. In the 30 years since its founding, Rubicon has engaged in programs ranging from housing and job-training services to mental health care and money management. It also owns three social-purpose businesses that employ low-income or disabled adults: a bakery, a landscaping service, and a home care business for the elderly and disabled.

These social-purpose businesses hold the key to Rubicon’s innovative approach to human resources. The bakery and other businesses compete in the open marketplace, and consequently need to be professionally run to be competitive. Granted, profits are of secondary importance to helping the client population, but Rubicon cannot afford to allow these businesses to lose money. As a consequence, Rubicon places great value on ensuring that it hires professional staff with relevant business skills and experience - M.B.A.s and the like. What’s more, it compensates these people well above the standard nonprofit rate, with its human resources department conducting regular salary surveys of comparable jobs in the Bay Area.

In addition to its competitive compensation policies and active recruitment of talented staff, Rubicon has adopted other human resources measures that draw heavily on best practices from the for-profit sector. It gives its managers a great deal of autonomy to run their own departments and it carefully monitors performance. All 280 Rubicon staff - managers and client-employees alike - undergo a yearly evaluation process, with the results linked to an incentive program of salary raises. In addition - and unusually in the nonprofit context - Rubicon has demonstrated a willingness to terminate staff that do not meet its performance expectations. As one outside observer noted: “Rubicon has tough standards; as a result, they have very competent managers throughout the organization.”
Rubicon’s enlightened approach to building human resources capacity illustrates a number of important lessons about nonprofit capacity building as a whole. For one, external pressures – in this case, competition – can help bring discipline and focus to the capacity building process. Second, its success in recruiting and retaining high-performing staff shows the value of nonprofits adopting for-profit models. Third, it demonstrates how building capacity in one area (human resources in this case) spills over into other areas of capacity. To attract talented managers, for example, Rubicon needed effective evaluation and incentive systems, as well as an organizational structure that would give managers the autonomy they craved. As we have seen before, building the capacity of one element cannot be viewed in isolation.
SYSTEMS AND INFRASTRUCTURE

Nonprofit managers often have an easier time understanding the importance of capacity building in relation to systems and infrastructure than they do with any other component of the Capacity Framework. At one level, this awareness reflects the fact that systems failures are often visible, immediate, and embarrassing for nonprofits—breakdowns such as sending a direct-mail solicitation to the chairman of the board of governors or using financial systems that can’t generate timely reports. Every nonprofit CEO has encountered such frustrations personally and vowed to avoid repeating them. Building capacity to improve systems is therefore rarely a hard sell internally.

A harder task is to get nonprofits to think about building capacity across the full range of systems that support the organization. An executive director can command the membership department “to fix” a problem like unwanted solicitations of board members, but that is not capacity building. Indeed, fixing the original problem without regard to other systems invariably spawns additional problems. By contrast, the enlightened executive will recognize that such failures are symptomatic of deeper troubles in the organization, and will look instead at how the entire suite of systems works (or does not work) together.

Within the context of the Capacity Framework, systems are the processes, both formal and informal, by which the organization functions—in short, how things work. Nonprofit systems can be complex, even mystifying, especially in relation to managing decisions, knowledge, and people. Systems are also one of the more obvious levers of capacity, with nonprofits already accustomed to seeking “technical assistance” from specialized external third parties. Infrastructure, meanwhile, describes the assets that support the organization, both physical and technological. Although infrastructure is often taken for granted—the nonprofit ethic of “make do with what you have” is at work here—in fact there are strong possibilities for nonprofits to add value in this area, just as with systems.
RUBICON PROGRAMS

The value of systems comes through clearly in the case of Rubicon. Since 1994, Rubicon has undergone no less than three capacity building efforts, in large measure spurred by a key supporter, the venture philanthropy group Roberts Enterprise Development Fund (REDF). REDF funded the development of the most important systems initiative – a social impact tracking system that would allow Rubicon to quantify how well it was delivering on its aspirations in terms of changed lives. Well aware that systems enhancements have far-reaching implications, Rick Aubry paid close attention to constructing a collaborative process that would lead to actual behavioral change by the staff when rolling out this initiative.

The central feature of Rubicon’s measurement system was a database to track client flows and outcomes. Before beginning to develop the software to manage this database, teams mapped the client flow through the Rubicon system and defined the key indicators that the database would track. Once the system was ready, Rubicon invested significant time training its staff in running the system and securing organizational buy-in to its value. Similar thought went to testing and actual software development.

On the surface, it might seem that Rubicon could simply have farmed out the task of upgrading its database to a few competent programmers from an outside consulting firm. But Aubry’s inspiration was to realize that this new system could and would do more than simply improve the database and better track Rubicon’s results to meet the reporting requirements of funders. In addition to meeting these criteria, the increase in data transparency has enhanced the organization’s ability to assess the suitability of its programs to the needs of recipients and then take action accordingly.
Perhaps most important, this capacity building effort aimed at measuring impact has helped fundamentally reshape the organization’s performance culture. This system and the high degree of attention paid to it by senior management reinforce the message that Rubicon is not building capacity for the sake of building capacity, but rather for increasing the organization’s social impact.

Management’s commitment to consistent communication about the system and its efforts to secure broad buy-in and usage (including a naming contest and launch party) have ensured that Rubicon’s 280 staff clearly understand the organization’s priorities. Aubry concludes: “This new system has brought about significant cultural changes internally.”

The success of its capacity building efforts leaves Rubicon poised to make the jump into taking its program to scale. Its recent rapid growth – the staff has quadrupled in 6 years – and increased financial self-sufficiency – revenues have risen from $5 million in 1997 to $12 million in 2000 – tell part of the story. So too do the results for clients. By large margins, participants reported that since being hired by Rubicon’s social purpose enterprises, they had experienced an increase in income, better housing, and decreased dependence on public assistance. As a final measure, increased capacity also helped Rubicon to serve more people: from 800 in 1994 to 4,000 in 2000.

CARRERA PROGRAM

For some nonprofits, building capacity in infrastructure is as important as building capacity in systems. A case in point is the program founded by Dr. Michael Carrera, a nationally respected expert on teenage sexuality. Carrera runs the National Adolescent Sexuality Training Center, a program of the Children’s Aid Society that attempts to influence decision-making and behavior as a means of preventing teen pregnancy.
His approach has three main ingredients. First, it is long-term and intensive, with teens engaged in the program at least 5 days a week for as long as 5 to 8 years. Second, it features a “parallel family system” to provide teens with a stable, nurturing, family-like environment. Third, it provides participants with a comprehensive range of support services, including education, employment training, family life and sex education, medical care, and counseling.

This holistic approach, combined with Carrera’s charismatic leadership, enabled the program to achieve remarkable success in three Children’s Aid Society locations where it was offered. Teens going through the program showed decreased pregnancy and birth rates, delayed initiation of sexual intercourse, increased employment experience, and access to more comprehensive health care compared to a control group of teens.

A key to Carrera’s success has been his relationship with the Children’s Aid Society (CAS), which handles the infrastructure needs of this program in the same way it manages its community school program and other similar large-scale CAS programs. CAS provides the Carrera Program with office space and back-office services such as accounting, payroll, administration, and communications. In addition, CAS’s name increased the local and national visibility of this pioneering enterprise. As Carrera says, “We have enormously benefited from the name of Children’s Aid Society, a well-known organization, helping us establish quick credibility.”

CAS also provides Carrera with ongoing funding for general operating expenses. CAS has benefited from its 30-year relationship with Carrera and is seen as a social services leader in the areas of adolescent sexuality and pregnancy prevention. Carrera thus serves as a charismatic representative of CAS’s work.
This arrangement has allowed the Carrera Program to focus on core functions for a growing institution – program development and fund-raising. In short, it has bought Carrera time to refine his approach and build his donor base without having to expend too much time and effort building the infrastructure necessary to support his model in the short run. Of course, Carrera cannot ignore capacity building forever, particularly now that he is looking to take his model to scale, but this example illustrates the value of mutually beneficial partnerships in strengthening capacity. Carrera is dramatically better positioned to take the next step in terms of building capacity than he was before he entered into his partnership with CAS.
ORGANIZATIONAL STRUCTURE

Along with systems improvements, nonprofits find it easiest to deal with capacity building efforts that address issues of organizational structure. Clarifying roles and responsibilities, creating new work groups or spinning off existing ones, developing and working with a board – most of these activities are familiar to nonprofit managers and therefore not overly threatening. Because so many people already equate capacity building exercises with reorganization, practitioners have even come to expect that their organizations will undergo significant structural modifications at regular intervals.

Structural “fixes” have to be taken with a grain of salt, however. A nonprofit can keep changing its organization chart every 3 months if it wants, but it will never achieve institutional alignment unless its organizational design supports not only systems and human resources, but also its aspirations, strategies, and skills. As with other components of organizational capacity, changes in an organization’s structure are most effective when they are integrated with a comprehensive package of capacity building initiatives.

AMERICA’S SECOND HARVEST

From its inception in 1979, America’s Second Harvest has employed a unique structural model for advancing its mission of creating a hunger-free America. Second Harvest was established to serve as the middleman between a nationwide network of local food banks on the one hand and major food producers on the other. Second Harvest collects bulk donations of food from suppliers – 400 million pounds of it each year, valued at $682 million – and then uses a state-of-the-art logistics system to allocate the food to local food banks, according to need. The food banks then distribute this food to an additional 50,000 soup kitchens, shelters, and church feeding programs, which deliver the actual service of feeding hungry people.
Second Harvest occupies a critical niche in the process of getting food from producers to the hungry. It provides a single point of contact for corporations that otherwise would have to work with hundreds of food banks. As a central repository of donated food, it can direct resources to the most needy places or respond at appropriate scale to a local food emergency. By setting national standards for food banks in areas such as food safety and handling procedures, it provides local food banks with credibility that they can leverage with local donors.

At the same time, this structure ensures that each of the local food banks retains its own identity. Food banks may well be members of the America’s Second Harvest network, but first and foremost they are proud and separate entities, with their own boards and accountable to the people in their community. Many of the food banks, in fact, are powerhouse nonprofits themselves that received only modest support from Second Harvest. The Greater Chicago Food Depository, for instance, gets only 10 percent of its food from the national organization, raising the remainder locally. In trying to maximize the impact of its entire network, Second Harvest must therefore tread carefully and respect the autonomy of the local food banks.

Yet Second Harvest is unafraid to make structural changes, even if it means spending a lot of time educating and bringing along its network. A good example is the decision process that led to Second Harvest’s recent merger with Foodchain, the country’s largest food-rescue organization. Food-rescue programs, which transport perishable or prepared foods to the hungry before they spoil, have taken off in recent years, to the point where perishable foods are now the fastest-growing segment of the food donation universe. With its clients also agitating for more fresh food and more diverse diets, America’s Second Harvest clearly understood that the food-rescue business offered a significant opportunity to increase its social impact.
But with this opportunity came challenges. At a practical level, fresh goods, with a short shelf life, pose a far greater logistical problem than bulk goods. Most of the 50,000 agencies do not have adequate refrigeration to store fresh produce, for example. Second Harvest struggled with how best to approach a move into the food-rescue business, with its options running the gamut from building in-house capacity, to relying on its network of partners to launch local food-rescue programs, to merging with Foodchain, the leading program in field.

Second Harvest chose the merger route. On the face of it, the strategic fit seems solid. The two organizations shared common aspirations, but complemented each other neatly in the areas of strategy and skills. Second Harvest saved considerable time and effort by wholly adopting Foodchain’s food-rescue model; Foodchain gained financial security and the power of Second Harvest’s food bank network. Foodchain’s small national staff (four people) ensured that integrating the two corporate cultures would not be unduly onerous.

This structural response to changing conditions in the marketplace has positioned Second Harvest for a sharp increase in its social impact. The addition of Foodchain’s local network of programs promises to increase Second Harvest’s capacity, while simultaneously eliminating competition for funds and food donations. With bulk food donations hitting a plateau, the food-rescue business will likely account for much of Second Harvest’s growth moving forward. However, in order to realize the new potential created, Second Harvest needs to complete its merger successfully and overcome the barriers and difficulties intrinsic in post-merger management.
Not all structural capacity building efforts need be as large or dramatic as America’s Second Harvest’s merger with Foodchain. For example, the “Fellows Program” at Citizen Schools and the “Powerful Writers” initiative at Powerful Schools both serve as examples of what were at their core structural inventions. Upon implementation, both of these programs turned out to generate big gains in human resources capacity and in turn increase the social impact of these organizations. In other cases, such as Vera Institute and The Nature Conservancy, spinning off parts of the organization into new, separate nonprofit entities has enabled them to stay focused on their core competencies and thus remain effective. The point is that an organization’s structure needs to be aligned with all the elements of nonprofit capacity, from the top-tier of aspirations, strategy, and skills, to systems, culture, and human resources.
CULTURE

Culture runs like an invisible thread throughout the entire subject of capacity building. How many times have we seen nonprofits go through contortions to accommodate the demands of their organization’s culture? Groups like The Nature Conservancy and Second Harvest have gone to great lengths to preserve the sense of autonomy and independence of their field units, reckoning that these are a non-negotiable part of the culture. Rubicon Programs invested significant time and effort in rolling out its new tracking system so that the organization’s culture would embrace and not reject it.

For nonprofits, culture plays an even more vital role than it does for businesses. The culture holds the organization together, an important reason why nonprofit employees are willing to accept relatively low pay and work so hard. Because of its pervasiveness and importance, nonprofit culture is difficult to change. The record is littered with nonprofit chief executives whose best-laid plans to build capacity foundered on the shoals of an unimpressed and tradition-bound culture. This is a shame, because organizations can strengthen their cultures just as they can strengthen any of the other components of organizational capacity. The trick lies in making changes to the culture in a way that builds positively on a shared commitment of staff and volunteers to the mission. In this arena, it is all too easy inadvertently to undermine the morale of staff and volunteers.

For purposes of this discussion, we want to distinguish between two aspects of an organization’s culture: its core values, beliefs, and behavior norms, on the one hand, and its performance orientation, or “performance culture” on the other. Neither of these distinct concepts is well understood in the nonprofit sector, with many practitioners operating under the assumption that culture is little more than a composite of the various personalities, experiences, ideas, and working styles of the people inside the
organization. In fact, building a strong values-based culture - or building a strong performance culture - is a strategic, intellectual, and often difficult process. It requires a substantial commitment from the organization in terms of time and resources, but the payoff can be substantial.

CITY YEAR

Consider the case of City Year, which seeks to engage people in a lifetime commitment to national service by tapping into the civic power and idealism of 17- to 24-year-olds for a yearlong program of full-time service, leadership development, and civic engagement. City Year was founded in 1988 as an 8-week summer program in Boston involving 50 people. It was a small, local service program with limited brand awareness and a culture that did little to hold the enterprise together.

Even so, by 1990 City Year’s founders, Michael Brown and Alan Khazei, were sufficiently encouraged by the results to expand the program to a full year. But first they decided that it was essential to build a cultural framework for the organization that would serve as the backbone for setting performance expectations and operating parameters, as well as creating a consistent and visible message to the public. Thus was launched the first of two capacity building initiatives explicitly designed to strengthen City Year’s culture.

Brown and Khazei started by going on an extended intellectual journey, consulting the writings of inspirational figures like Martin Luther King Jr., Robert Kennedy, and Gandhi; reading widely on topics ranging from entrepreneurship to mythology; and studying other institutions and organizations that worked extensively with young adults, such as the military, the Peace Corps, and New York City’s City Volunteer Corps. They were determined to create a culture out of the whole cloth, from the very beginning, that would not only enhance the ability of City Year corps members to serve their communities, but also inculcate in corps members a lasting sense of civic responsibility.
From these deliberations arose the core values and elements of the City Year culture, along with the most visible of all symbols of the program: the uniform that all corps members wear. It’s a bright red jacket bearing the City Year logo, an American flag sewn to the sleeve, khakis, Timberland boots, and a baseball hat. To Brown and Khazei, the uniform was a natural extension of the kind of civic service they were promoting. “We view national service as the civilian equivalent of the military, so the uniform was a no-brainer,” Khazei recalls. Another signature element of City Year’s culture with military roots is the emphasis on physical training— all corps members meet in the morning for group exercises. At the same time, the founders drew on their readings about the power of myths and common rituals, and told and retold a set of common stories that soon became embedded in the lore and values of the organization.

Brown and Khazei believed that these efforts were essential to unite a diverse organization, create an inclusive community, and promote City Year’s model of service. What’s more, distinctive uniforms would help ensure a consistent image and brand. The only problem was that the initial corps members hated it— especially the uniforms. At the very least, they wanted to wear their own baseball hats to retain a sense of individuality.

City Year quickly realized that it needed to make the culture tangible for all members of the organization. Working with The Monitor Group, a private consulting firm, Brown and Khazei launched a second capacity building effort to translate the culture’s intellectual framework into shared practice— to institutionalize the values. They interviewed corps members and team leaders, talked about the values at every opportunity, and observed the language and rituals that each team had developed.

The uniform remained a hard sell, but for reasons of brand identity and team building, City Year ultimately kept it. But at the same time, it dedicated considerable effort to introducing a series of complementary initiatives that also sought to strengthen the
culture. For example, it created and distributed “Power Tools,” a set of shared activities, rituals, and words that communicate City Year’s core values and that are applied consistently across the enterprise. It developed a handbook, Putting Idealism to Work, which captures the collective wisdom of the organization in 180 principles. It launched City Year Academy, a training program for team leaders that places enormous emphasis on how to do things the “City Year Way.” Even today, every team leader attends training every year, regardless of how long they have been with the organization.

It should come as no surprise that City Year is renowned throughout the nonprofit sector for its powerful culture and shared values, and it is by no means a stretch to suggest that much of the organization’s success derives from its investment in building its culture. City Year today has 1,000 corps members working in 13 different sites. Its revenue has grown from $700,000 in 1988 to $25 million today and it enjoys the support of prominent public and private sponsors. In the first step toward Brown and Khazei’s vision of universal national service, City Year served as the model for creating the AmeriCorps program.

CITIZEN SCHOOLS

Where City Year put its emphasis on creating strong shared values, other nonprofit organizations have strengthened their performance culture – and sometimes as the byproduct of other capacity building efforts. In 1999, for example, Citizen Schools initiated a capacity building plan in conjunction with the venture philanthropy organization New Profit, Inc., which committed $1 million in cash and significant intellectual capital over 5 years. But New Profit’s contribution came with strings attached. Only if Citizen Schools engaged in a systematic effort to hone its strategy and develop a growth plan – and only if it achieved predetermined performance milestones – would New Profit renew its support from year to year.
Together with The Monitor Group, Citizen Schools and New Profit have worked closely to clarify the organization’s strategy and develop a “Balanced Scorecard” that translated its aspirations into a set of concrete objectives and measures. For example, the new goal of Citizen Schools is to serve 15 percent of the Boston public school population by 2003 and to become a national model for after-school programming. The key to the Balanced Scorecard, though, was its comprehensiveness. It did not stop after providing Citizen Schools with goals and measures of social impact; it also included measures for financial performance, internal processes and operations, learning, and growth and innovation.

The Scorecard now serves as a tool both for managing the organization internally and for managing the relationship with New Profit. Even New Profit’s funders will only have to pay their pledged funds in later years if New Profit fulfills its own Balanced Scorecard, which in turn depends on Citizen Schools’ Balanced Scorecard. The cumulative effect of all these efforts has been to create a culture of measurement and accountability throughout Citizen Schools. With the performance expectations clearly defined – and with the organization’s financial health linked directly to meeting them – everyone affiliated with Citizen Schools comes to work knowing exactly what they need to do.

As with other elements in the Capacity Framework, enhancements in one area will often spill over into the others, and performance culture is no exception. In 1996, for example, the Carrera Program initiated a 3-year study with a professional social services evaluation firm to assess the social impact of the program. The purpose was to help validate the effectiveness of Carrera’s approach to stopping teen pregnancy, but an unanticipated benefit was the impact on the organization’s performance culture. The new emphasis on measurable outcomes led to a new appreciation of the value of good information as a management tool. As the lead evaluator commented, “The staff became attuned to looking at data every month and interpreting it. They went from data eschewers to data junkies.”

As a result, the Carrera Program has now embraced a performance culture dedicated to continual assessment of program effectiveness and organizational capacity.