



Organizational Excellence: The Key to Effective Fund Development

by Bob Jones, Ph.D.

Success in fund development clearly involves good strategy, appropriate tactics, and a well-executed plan. Relationships are not about charm and chemistry. They are about managed and intentional cultivation and stewardship. All of that being said, ultimately an effective fund development capacity is even more about being an excellent organization with a compelling story to tell of the difference you make in the world. Donors give generously only when they feel passionately and when they understand that they can and do make a difference. Simply, effective fund development is about organizational excellence. The question is: how to achieve excellence?

"There is no single pathway to excellence," observes Paul Light.¹ Furthermore, he suggests, there is little evidence of what works and why it works in the achievement of high performing nonprofits. High performance can be achieved via investments in organizational structures, systems, training, and leadership, all of which create organizations

that are naturally poised for excellence. We know that excellence in performance on mission (real and perceived) is a key component to effective fund development. Of course, the demonstrated difference we make in the world is the fuel needed to create impassioned donors.

Yet, a significant vulnerability for the nonprofit sector, particularly child and family services, is the historic failure to control the definition of who we are. As Light suggests, most often we are defined by what we are not. Increasingly with each new reform movement we are encouraged to be something else, such as "business-like." The challenge is to self-define. The realm in which to begin this discussion is one of ultimate impact or mission. A nonprofit ought to be an organization that seeks high performance in the production of public good. Light said, "All capacity-building programs have a common purpose—to develop an effective organization that delivers high quality program and service efficiency and adjusts to both internal

and external threats and opportunities so that the organization remains healthy over the longer term." A conclusion shared by the nonprofit management manual by Letts, Ryan, and Grossman², who suggest that without investments in mission-centered capacity, organizations will fail to be truly adaptive to both field of practice and community needs.

Logically one assumes the articulation of aspirations or mission is our strongest element and the natural realm of child and family service organization. However, it may well be an area of greatest vulnerability for many child and family service agencies because more and more of these agencies present themselves in terms of their activities and programs and define themselves by their services or the populations they serve. United Way and government support is increasingly targeted to programs and specific projects and is not directed to organizational capacity or overall mission.

Letts, Ryan, and Grossman suggest that one of the biggest stumbling blocks to building capacity is the popular notion of nonprofit entities as "programs and services" surrounded by barely necessary administrative burdens that are at best "to be suffered." Or in Light's words, "The greatest challenge (to capacity building) appears to be rooted in the notion that nonprofit-like means doing more with less under unyielding pressure." This is an unfortunate stereotype and a disastrous definition of who we are, yet often self-fulfilling. The sector needs a positive self-definition, one that proclaims that nonprofits are about excellent performance in pursuit of aspirations driven by the common good. Light argues that the sector must now begin to set its own agenda, engage in a dialogue about its defining characteristics, and mount a substantial effort to articulate a vision of the sector that is clear to the public at large and that speaks to our aspirations and ultimate impact.

For some child and family service agencies the boundary between nonprofit and government is also quite blurred. Over the past four decades government made increasing investments through

¹ Paul C. Light. (2002) *Pathways to Nonprofit Excellence*, Brookings Institution Press, Washington, D.C.

² Christine Letts, William Ryan, & Allan Grossman. (1999) *High Performance Nonprofit Organizations Managing Upstream for Greater Impact*, John Wiley & Sons, New York

HIPAA and Fund Development

No one yet knows the impact of HIPAA on fund development. Rest assured it will be a major factor that will require a fair amount of thought and creativity. Without a doubt we all wish to protect the privacy of our clients—and do. Many of us have been trained that “composite” stories are close to fraudulent in many philanthropic circles. They certainly are not as compelling in today’s environment. How will those competing imperatives be balanced? Will HIPAA also impact on our ability to provide tours of facilities to prospective and current donors? Thankfully, the Severson Center has begun to develop HIPAA compliance materials for our network. Similarly, members of the Resource Development Network Steering Committee will also be researching HIPAA related issues as they impact upon our development efforts.

the nonprofit sector. Many child and family service organizations grew up literally around government funding streams. In some ways, as Lester Salamon³ concludes that we became conduits for government policy. A tragic unintended consequence to this phenomenon is that the boards of many organizations have no equity stake in mission. Rather, they see the organization defined as no more and no less than the services provided. As government pulls back from child and family services and realigns its funding strategies these organizations are most vulnerable and will need to work hard on developing a compelling message of their vision and mission if they are to survive. These boards will need to move their culture to a strong one of mission-ownership, a difficult and frustrating transition for the board and the CEO.

Where to Begin?

With so many challenges one might wonder if there is any hope for child and family service organizations to survive, let alone build capacity. The answer is: There is much hope and there are tools avail-

able. In these difficult times it is often hard for professional and volunteer leaders to maintain the balanced vision to invest in capacity while enduring the pain of financial cutback after cutback.

Yet, for each individual organization the question of where to begin the process of improvement or investment is actually quite easy. This suggestion is borne out by the literature and the research. A logical first step is to simply do a self-assessment and develop your plan and then build upon current assets.

One very useful instrument for assessing organizational capacity is the McKinsey Framework for Capacity Building.⁴ It presents child and family service organizations a unique tool with which to assess capacity, clarify aspirations, and plan strategic investments in building the organization—even more to reclaim our greatest asset, our mission. The McKinsey and Company Framework for Capacity Building is available on the web from Venture Philanthropy Partners at: www.venturephilanthropypartners.org/learning/reports/index.html.

The McKinsey Framework for Capacity Building is a simple and elegant tool. In

fact, upon completion of the self-assessment process almost any focused investment of energy and resources in any one of the elements will quickly bring an organization to another element, and then the next, and so on. In many ways it is a complete systems approach to organizational analysis and capacity building.

The unintended and unfortunate consequence of our sector’s program dominated thinking and funding patterns is the failure to build the organizational capacities so vital to the achievement of a nonprofit’s mission. Worse yet, so many of our board members and major supporters don’t understand its vital importance to mission. McKinsey’s capacity framework is a wonderful tool for beginning to address that problem. It focuses organizations upon multiple pathways to effective and efficient performance, but is firmly rooted in the reality that sustainable social impact will only be achieved by striving for organizational excellence in support of mission.

The Tool

McKinsey’s Capacity Framework conceptualizes “capacity” as comprised of seven essential elements. Three higher-level elements include aspirations, strategy, and organizational skills, and they are followed by three foundational elements—systems and infrastructure, human resources, and organizational structure. Finally, a cultural element serves to connect and support all of the others. The framework is presented graphically as a hierarchical pyramid with higher-level elements supported by more fundamental elements all surrounded by a “skin,” called culture. The elements are defined as follows:

- Aspirations: An organization’s mission, vision, and overarching goals, which collectively articulate its common sense of purpose and direction.
- Strategy: The coherent set of actions and programs aimed at fulfilling the organization’s overarching goals.
- Organizational Skills: The sum of the organization’s capabilities, including such things (among others) as performance measurement, planning,

³ Lester M. Salamon. (1997) “Holding the Center, America’s Nonprofit Sector at a Crossroads,” The Nathan Cummings Foundation, New York

⁴ McKinsey & Company. (2001) *Effective Capacity Building in Nonprofit Organizations*, Venture Philanthropy Partners

resource management, and external relationship building.

- **Human Resources:** The collective capabilities, experiences, potential, and commitment of the organization's board, management team, staff, and volunteers.
- **Systems and Infrastructure:** The organization's planning, decision making, knowledge management, and administrative systems, as well as the physical and technological assets that support the organization.
- **Organizational Structure:** The combination of governance, organizational design, inter-functional coordination, and individual job descriptions that shape the organization's legal and management structure.
- **Culture:** The connective tissue that binds together the organization, including shared values and practices, behavior norms, and most important, the organization's orientation towards performance.

The higher-level elements of the capacity framework are essential to the ultimate success of any child and family service organization. Clear and compelling articulation of mission, vision, and goals are core components for organizational health. They are a required component of any attempt to attract and retain new sources of support, particularly community recognition, donor investments, and human resources (talented

staff, board members, leadership, and volunteers). Mission and vision are at the heart of a high performance nonprofit as well as the heart of any successful fund development program. Simply put, "aspirations inspire."

Management and Leadership

The key to high performance and capacity building is simple: Good management to build capacity and articulation and advancement of the mission. In Paul Light's words, "It is the leader's ability to drive a sense of mission down through the organization, upward into the board, and outward into the community, and do whatever it takes to enable the organization to follow that mission effectively ... The work of leadership is to make it easy for the organization in sum to be greater than its parts."

There is no one pathway to excellence, nor is there any single element or asset within an organization that is determinate. High performing organizations build on their available assets. It is a matter of focus and persistence in the pursuit of excellence and mission, good management, and good leadership.

In reflecting on the importance of capacity building, particularly the difficulty of doing so in these hard times, I am reminded of W.E.B DuBois' eloquent call. "The prayer of our souls is a petition for persistence; not for the one good deed, or single thought, but deed on deed, and

thought on thought, until day calling unto day shall make a life worth living."

There is actually comfort to be found in that numerous thinkers and authors are quite clear about the fact that there is neither research that currently substantiates "why" or "what" works in organizational development, nor is there a formula for success in developing a high performance organization. In fact, Light concludes, "High performers build upon *their* assets, be it strong boards, motivated staff, smart leaders, rigorous evaluation, effective fund-raising, or innovative programs."⁵ Jim Collins' research further demonstrates this phenomenon. Among the key factors the Stanford group identified with moving a company to excellence were a clear sense of purpose, a focused strategy upon that which they do well, and a defining culture.⁶ Therefore, take heart, you are where you are. You assess your situation and begin the journey of excellence.

I fully recognize that investments in organizational capacity are hard to make in an environment of reduced funding and program cuts. Yet, it may well be that exactly in such an environment the necessity of organizational capacity becomes the clearest to our volunteer leaders and to ourselves. For me the McKinsey tool is one useful way to examine organizational culture and to begin the dialogue. I recommend it to you. ▲

⁵ Paul C. Light. (2002) *Pathways to Nonprofit Excellence*, Brookings Institution Press, Washington, D.C., p. 37.

⁶ Jim Collins. (2001) *Good to Great: Why Some Companies Make the Leap ... and Others Don't*, HarperCollins.



RDN Workshop Tape Available

Relationship management with donors is hard work, but it is learnable and doable.

The Resource Development Network Steering Committee just sponsored a distance learning workshop called "The Power of Relationships." The tape and PowerPoint overheads of Barbara Ritchie's presentation are available at the Severson Center (800-221-3726). More on this topic will be available at the Resource Development Network presentation this fall at the Alliance Biennial Conference in October.



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