

**WHAT IT TAKES TO MAKE CHARITIES EFFECTIVE. *Paul C. Light.* The Chronicle of Philanthropy, September 01, 2005**

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Five years ago, I began a long-term project designed to help improve nonprofit performance. At the time, nonprofit organizations seemed to face at least three plausible futures. They could wither together as donations and other resources dwindled. Or they might all rise together as they worked in unison to eliminate wrongdoing in the nonprofit world and improve the overall performance of charities. Or they might be winnowed into haves and have-nots in a survival of the fittest.

Even before the September 11, 2001, terrorist attacks and the enormous public scrutiny that followed, my research suggested that the nonprofit world was not suffering from a "what" crisis, but a "how" crisis. In surveys of public opinion that I conducted, Americans displayed consistent support for what nonprofit organizations did to help the needy and strengthen their communities, but they had growing doubts about how organizations spent their money and delivered services. Donors and volunteers were not saying "show us the mission," but "show us the impact."

Five years later, nonprofit organizations appear to be moving forward into the future, dividing into a collection of haves and have-nots based not on what they do, but on how they operate.

The have-nots are easy to spot. Driven to do more with less in a tight economy, they are doing almost everything with nothing, often postponing investment in the big needs, such as additional employees, as well as smaller needs, such as decent furniture. Harassed by watchdogs, government, and donors, all of whom seem to believe that every nonprofit group should spend the same percentage of resources on administration, many of the have-nots are competing against one another to see how low they can go to win the bid or the grant. The more they cut, the more they encourage their donors to believe that operating with zero overhead is not only possible, but preferable.

The have-nots are not necessarily poor performers. Indeed, many make miracles every day. Some are simply too young or too small to compete against the haves in their cities or towns. Others cannot get their message out to potential donors and volunteers. And still others have the wrong mission for the times.

Similarly, not all of the haves are high performers. Some are coasting on large endowments and inertia. Others hold unshakable monopolies in their fields, and have even been known to stifle dissent from younger, edgier competitors. And still others are just plain lucky that no one takes a closer look at their performance.

Nevertheless, the vast majority of the several hundred high-performing nonprofit organizations I have studied over the past five years share one thing in common: They earned their position by strengthening their organizational capacity to withstand the uncertainty ahead. In a word, these high-performing nonprofit groups have become robust. They have built the capacity to hedge against the vulnerabilities that surround them and are able to move quickly to exploit opportunities to make a bigger impact. Like a well-engineered bridge, they can flex and bend in the strong winds that buffet them.

Those nonprofit organizations have become robust by strengthening the same four pillars of high performance that have allowed companies such as Intel, Marriott, and Volvo, and even the Rolling Stones, to stay ahead of the agile competitors they face.

The first pillar of a robust nonprofit group is alertness to what lies ahead. Whether haves or have-nots, nonprofit organizations face many possibilities for the future -- some hopeful, some not, but none guaranteed. What makes high-performing nonprofit groups different from their beleaguered peers is that they are constantly scanning a wide range of scenarios for the future to discover new opportunities to achieve their missions.

The second pillar of robustness is agility, which often resides in recruiting, training, retaining, and redeploying a talented, flexible work force. Many of the have-nots face enormous difficulty dealing with the brain drain that is affecting the economy as a whole as the baby-boom generation prepares to retire. Although high-performing nonprofit groups face the same pressures, they are much more likely than have-nots to put succession plans in place, offer employees decent compensation, and make a deep commitment to training young workers.

The third pillar of robustness is adaptability. Although the spirit of innovation is alive and well in the nonprofit world, high performers are much more effective at garnering the resources for research and development. They manage to build reasonable reserve funds in spite of objections from donors and frequently challenge the assumptions that underpin their missions by asking themselves why they exist, whom they serve, and how they will know when they have succeeded.

The fourth and final pillar of robustness is alignment of all aspects of the charity's operations to the organization's mission. High performers use numerous techniques to assure internal alignment, including strategic planning, reorganization, and tough conversations about the mission. This alignment can be seen throughout the operations of an individual nonprofit organization as well as in the way it functions in the community it serves. For instance, if aligning the organization against intractable problems means a merger, acquisition, or alliance, so be it.

This robustness clearly costs time and money. And it demands a commitment to strengthening an organization's management and operations. Much as they care about their missions, high-performing nonprofit groups know that they must invest resources to spend resources wisely.

Unfortunately, time and money are hard to find these days, which is why so many organizations have become have-nots. Absent a commitment by all nonprofit groups to work together, inequality among organizations will almost certainly increase. Although some of the winnowing will get rid of poorly performing organizations, it will also produce a thinning of the innovative groups that often produce the biggest changes in society.

So even as individual organizations become more robust, the nonprofit world as a whole may be becoming less alert to the possibilities for the future, less agile in responding to change, less adaptable in its programs, and less aligned to its broader purpose to serve the greater good.

Today's winnowing may be inevitable, but it does not have to be accidental. Making sure that have-nots get more robust or close their doors through a deliberate process can only help all nonprofit groups carry out their missions. The same goes for disciplining all of the haves that are not doing enough to make a difference.