



STANFORD
GRADUATE SCHOOL OF BUSINESS

STANFORD SOCIAL INNOVATION *review*

Creating High-Impact Nonprofits

By Heather McLeod Grant & Leslie R. Crutchfield

Stanford Social Innovation Review
Fall 2007

Copyright © 2007 by Leland Stanford Jr. University
All Rights Reserved

CREATING HIGH-IMPACT NONPROFITS

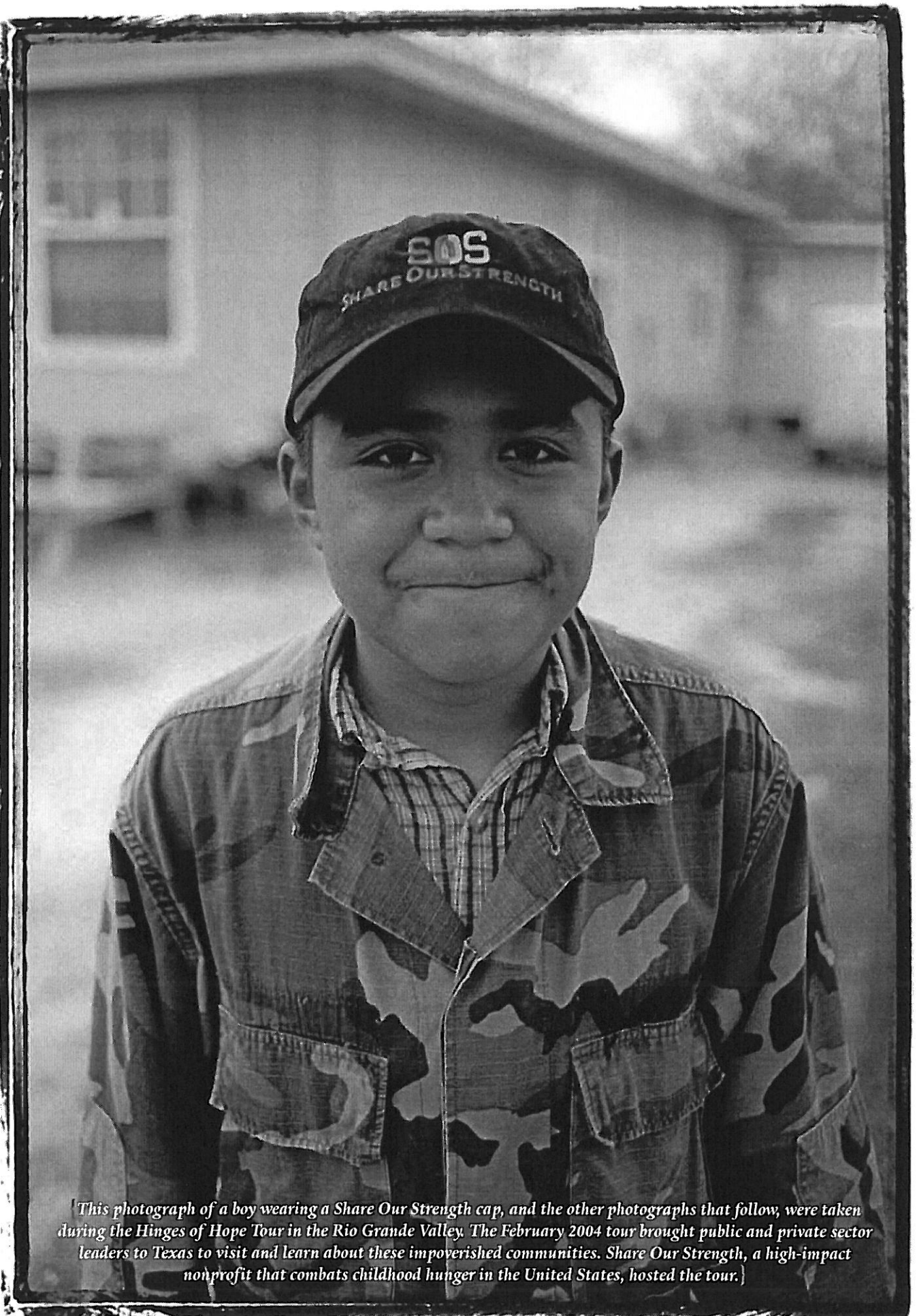
Conventional wisdom says that scaling social innovation starts with strengthening internal management capabilities. This study of 12 high-impact nonprofits, however, shows that real social change happens when organizations go outside their own walls and find creative ways to enlist the help of others.

IN FEWER THAN TWO DECADES, TEACH FOR AMERICA has gone from a struggling start-up to a powerful force for education reform in the United States. Launched in 1989 by college senior Wendy Kopp on a shoestring budget in a borrowed office, the organization now attracts many of the country's best and brightest college graduates, who spend two years teaching in America's neediest public schools in exchange for a modest salary. In the last decade alone, Teach for America has more than quintupled in size, growing its budget from \$10 million to \$70 million and its number of teachers from 500 to 4,400. And it aims to double in size again in the next few years.¹

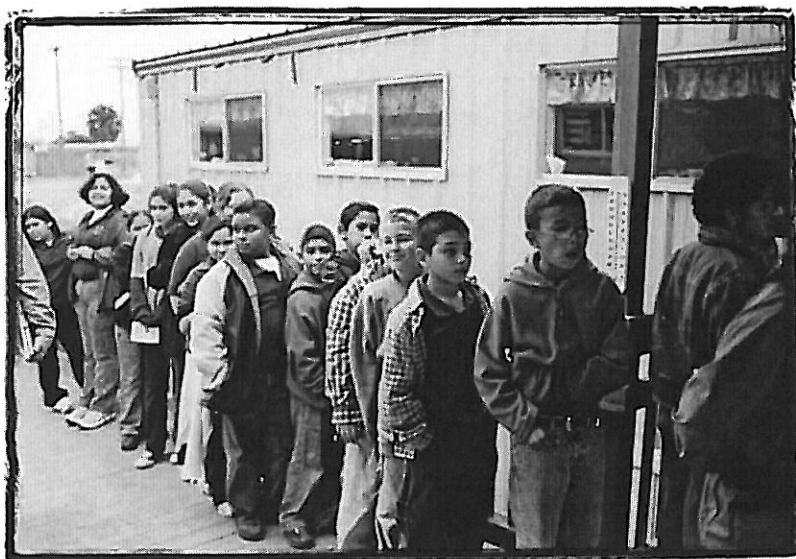
But rapid growth is only part of New York-based Teach for America's story. Although its success can be measured by such tangibles as the number of teachers it places or the amount of money it raises, perhaps the organization's most significant accomplishment is the movement for education reform it has created. Although some education leaders are critical of the nonprofit's teacher-train-

PHOTOGRAPHS BY © MICHAEL BENSON PHOTOGRAPHY

by HEATHER MCLEOD GRANT & LESLIE R. CRUTCHFIELD



This photograph of a boy wearing a Share Our Strength cap, and the other photographs that follow, were taken during the Hinges of Hope Tour in the Rio Grande Valley. The February 2004 tour brought public and private sector leaders to Texas to visit and learn about these impoverished communities. Share Our Strength, a high-impact nonprofit that combats childhood hunger in the United States, hosted the tour.



ing program, and how long these teachers stay in the classroom, using such measures misses the larger, intangible impact the organization has had. Teach for America has challenged how many Americans think about teacher credentialing, shaken up the education establishment, and, most important, created a committed vanguard of education reformers.

Teach for America has been so effective that it is now the recruiter of choice on many Ivy League campuses, often out-competing elite firms like McKinsey & Company.² Graduates who went through the program in the 1990s are now launching charter schools, running for political office, managing foundations, and working as school principals across the country. In these capacities, they can effect change at the systemic level – not just child by child or classroom by classroom, but at the school, district, and state levels.

How has Teach for America accomplished so much in such a relatively short period of time? And how have other similarly successful nonprofits had such significant social impact? Our answers to this second question are the subject of this article and the focus of our forthcoming book, *Forces for Good: The Six Practices of High-Impact Nonprofits* (Jossey-Bass, October 2007).

We grounded our findings in several years of research on 12 of the most successful nonprofits in recent U.S. history, including the well-known (Habitat for Humanity), the less well-known (Self-Help), and the surprising (the Exploratorium). One nonprofit, Environmental Defense, has helped reduce acid rain in the northeastern United States and created new solu-

tions to global warming. Another, City Year, has helped thousands of young people serve their country and changed how we think about volunteerism. Collectively, these high-impact nonprofits have pressed corporations to adopt sustainable business practices and mobilized citizens to act on such issues as hunger, education reform, and the environment. (See p. 36 for names and descriptions of all 12 organizations.)

What we discovered after closely examining these 12 high-impact nonprofits came as a bit of a surprise. We had assumed that there was something inherent in these organizations that helped them have great impact – and that their success was directly tied to their growth or management approach. Instead, we learned that becoming a high-impact nonprofit is not just about building a great organization and then expanding it to reach more people. Rather, high-impact nonprofits work with and through organizations and individuals *outside themselves* to create more impact than they ever could have achieved alone. They build social movements and fields; they transform business, government, other nonprofits, and individuals; and they change the world around them.

Myths of Nonprofit Management

We first examined the 12 organizations through the lens of traditional nonprofit management, studying their leadership, governance, strategies, programs, fundraising, and marketing. (See p. 40 for details on how we selected and studied these nonprofits.) We thought we would find that their success was due to time-tested management habits like brilliant marketing, well-tuned operations, or rigorously developed strategic plans.

But instead what we found flew in the face of conventional wisdom. Achieving high impact is *not* just about building a great organization and then scaling it up site by site, or dollar by dollar. As we got further into our research, we saw that many commonly held beliefs about what makes nonprofits successful were falling by the wayside. In fact, the vast majority of nonprofit literature focuses on issues that, although important, don't determine whether an organization has impact, such as:

Myth #1: Perfect Management. Some of the organizations we studied are not exemplary models of generally accepted management principles. Although adequate management is necessary, it is not sufficient for creating significant social impact.

Myth #2: Brand-Name Awareness. A handful of groups we studied are household names, but a few hardly focus on marketing at all. For some, traditional mass marketing is a critical part of their impact strategy; for others, it's unimportant.

HEATHER MCLEOD GRANT is an adviser to the Center for the Advancement of Social Entrepreneurship at Duke University's Fuqua School of Business and the Center for Social Innovation at Stanford University's Graduate School of Business.

LESLIE R. CRUTCHFIELD is managing director of the Ashoka Global Academy and a research grantee of the Aspen Institute's Nonprofit Sector and Philanthropy Program. Their book, *Forces for Good: The Six Practices of High-Impact Nonprofits*, was a project of the Center for the Advancement of Social Entrepreneurship and will be published by Jossey-Bass in October 2007.

Myth #3: A Breakthrough New Idea. Although some groups come up with radical innovations, others take old ideas and tweak them until they achieve success.

Myth #4: Textbook Mission Statements. All of these nonprofits look to compelling missions, visions, and shared values. But only a few of these groups spend time fine-tuning their mission statement on paper; most of them are too busy living it.

Myth #5: High Ratings on Conventional Metrics. When we looked at traditional measures of nonprofit efficiency, many of these groups didn't score well, because they don't adhere to misleading metrics such as overhead ratios.

Myth #6: Large Budgets. We discovered that size doesn't correlate with impact. Some of these nonprofits have made a big impact with large budgets; others have achieved similar impact with much smaller budgets.

As we dismissed the conventional wisdom about what makes high-impact nonprofits successful, we realized we had discovered a new way of understanding this sector – and what enables the best nonprofits to create lasting social change.³

Six Practices of High-Impact Nonprofits

The secret to their success lies in how high-impact nonprofits mobilize every sector of society – government, business, nonprofits, and the public – to be a force for good. In other words, greatness has more to do with how nonprofits work *outside* the boundaries of their organizations than with how they manage their own *internal* operations. The high-impact nonprofits we studied are satisfied with building a “good enough” organization and then focusing their energy externally to catalyze large-scale change.

To paraphrase Archimedes, “Give me a lever long enough and I alone can move the world.” These groups use the power of leverage to create change. In physics, leverage is defined as the mechanical advantage gained from using a lever. In business, it means using a proportionately small initial investment to gain a high return. The concept of leverage captures exactly what high-impact nonprofits do. Like a man lifting a boulder three times his weight with a lever and fulcrum, these nonprofits are able to achieve greater social change than their mere size or structure would suggest.

After a long process of studying these 12 nonprofits, we began to see patterns in the ways they work. In the end, six patterns crystallized into the form presented here – the six practices that high-impact nonprofits use to achieve extraordinary impact:

1. Serve and Advocate: High-impact organizations may

start out providing great programs, but they eventually realize that they cannot achieve large-scale social change through service delivery alone. So they add policy advocacy to acquire government resources and to change legislation. Other nonprofits start out by doing advocacy and later add grassroots programs to supercharge their strategy.

Ultimately, all high-impact organizations bridge the divide between service and advocacy. They become good at both. And the more they serve and advocate, the more they achieve impact. A nonprofit's grassroots work helps inform its policy advocacy, making legislation more relevant. And advocacy at the national level can help a nonprofit replicate its model, gain credibility, and acquire funding for expansion.⁴

The nonprofit Self-Help, based in Durham, N.C., presents an excellent example of how combining advocacy with service can result in greater impact. Self-Help began by giving home loans to clients – often poor, minority single mothers – who did not qualify for traditional mortgages. Although its services helped thousands of low-income families purchase a house, Self-Help's work was soon undermined by predatory lenders, which took advantage of vulnerable borrowers by adding excessive fees or charging exorbitant mortgage rates, virtually ensuring that the borrower would default.

Eventually, Self-Help organized a statewide coalition in North Carolina and lobbied to pass the first anti-predatory lending law in the country. Later, the organization established the subsidiary Center for Self-Help to help local nonprofits pass similar legislation in 22 additional states. Through its direct services, Self-Help has given more than \$4.5 billion in home loans to low-income families in the United States. But through its advocacy efforts, it has created far more value for the country's most vulnerable populations by protecting them from predatory lenders.

In nearly every case we studied, the nonprofit combined direct service programs and advocacy to enhance its impact over time. Some groups, like America's Second Harvest and Habitat for Humanity, began by providing services, such as feeding the hungry or housing the poor, and added advocacy only after a decade or more. Other groups, like the Center on Budget and Policy Priorities, the Heritage Foundation, and Environmental Defense, began with advocacy and later added grassroots programs or services to expand their impact to the local and state level. Some groups, like City Year and the National Council of La Raza, did both from the outset, despite pressure to specialize, and recognized early that advocacy and service reinforce each other.

2. Make Markets Work: High-impact nonprofits have learned that tapping into the power of self-interest and the laws of economics is far more effective than appealing to pure altruism. No longer content to rely on traditional notions of charity,

TWELVE HIGH-IMPACT NONPROFITS

Organization Year founded, headquarters	Revenue Fiscal year '05 (\$ millions)	How the organization works	What the organization has accomplished
America's Second Harvest 1979, Chicago	543*	Distributes donated food and grocery products to grassroots nonprofits; advocates for antihunger policy	Distributed 2 billion pounds of food each year through more than 200 food banks to more than 50,000 local nonprofits, feeding 25 million hungry Americans
Center on Budget and Policy Priorities 1981, Washington, D.C.	13	Researches and analyzes state and federal budgets and fiscal policies; advocates on behalf of the poor	Protected billions of dollars in federal benefits and allocations to programs for the poor by working with 26 state affiliates and 6,000 local nonprofits; established state and international budget projects
City Year 1988, Boston	42	Builds democracy through citizen service, leadership, and social entrepreneurship; advocates for national service policy	Created youth volunteer service corps that operates in 17 U.S. cities and South Africa, with 8,000 alumni; influenced adoption of AmeriCorps, which enlists 70,000 volunteers annually; helped build fields of youth service and social entrepreneurship
Environmental Defense 1967, New York	69	Addresses environmental problems with research, advocacy, market tools, and corporate partnerships	Influenced critical environmental policies, including Clean Air Act and Kyoto Protocol; helped companies like McDonald's, FedEx, and Wal-Mart Stores become more environmentally sustainable
The Exploratorium 1969, San Francisco	44	Operates museum of science, art, and human perception that is a model for new forms of education	Influenced global movement for interactive science centers and museums, reaching 20 million people through exhibits at 124 partner museums and a Web site; museum attracts 500,000 visitors each year
Habitat for Humanity International 1976, Americus, Ga.	1,000*	Seeks to eliminate poverty housing and homelessness by building homes, raising awareness, and advocating for change	Created 2,100 global affiliates in 100 countries and built 275,000 homes, which now house 1 million people
The Heritage Foundation 1973, Washington, D.C.	40	Formulates and promotes conservative policy through research and by creating affiliate organizations	Crafted policy agenda for the Reagan administration; helped lead conservative revolution in Congress in 1990s; now works with 2,500 state affiliates and 200,000 individual members
National Council of La Raza 1968, Washington, D.C.	29	Works to improve opportunities for all Latinos through national network of affiliated civil rights and advocacy organizations	Helped create more than 300 local grassroots affiliates that are involved in education, health, and civil rights for Hispanics; influenced critical legislation on immigration
Self-Help 1980, Durham, N.C.	75	Fosters economic development in low-income communities through lending, asset building, research, and advocacy	Created corporate partnerships that allowed it to provide more than \$4.5 billion in loans to 50,000 small businesses and low-income people; led national anti-predatory lending campaign and legal reform in 22 states
Share Our Strength 1984, Washington, D.C.	24	Inspires and leads individuals and businesses to end childhood hunger	Raised \$200 million for hunger-relief groups through events in 60 cities; involved 1 million volunteers in the Great American Bake Sale
Teach for America 1990, New York	41	Recruits recent college graduates to spend two years teaching in needy schools and to lead education reform	Trained 12,000 college graduates to teach 2.5 million students, creating a vanguard for education reform; influenced teacher training and credentialing practices
YouthBuild USA 1988, Boston	18	Helps low-income youths learn job and leadership skills by building affordable community housing	Recruited more than 60,000 youths and 226 affiliates to help build 15,000 units of housing; influenced national legislation to create \$645 million in federal funding

* Budget includes value of in-kind donations

or to see business as an enemy, these nonprofits find ways to work with markets and help companies “do good while doing well.” They influence business practices, build corporate partnerships, and develop earned-income ventures to achieve social change on a grander scale.⁵

Environmental Defense was one of the first nonprofits to realize the power of harnessing market forces for social change. The New York-based organization was founded in the late 1960s by a group of scientists who lobbied to ban the use of DDT, and its informal motto for years was “sue the bastards.” Over time, however, the nonprofit became known for a different – and initially more radical – approach: working with corporations to change their business processes and become more sustainable.

For example, even though other green groups criticized Environmental Defense for “selling out” at the time, the nonprofit worked with McDonald’s in the 1980s to make the fast-food giant’s packaging more environmentally sound. Since then, Environmental Defense has worked with hundreds of companies – from FedEx to Wal-Mart Stores – often scaling its innovations to change practices in an entire industry. Although these partnerships are becoming more common among environmental groups, Environmental Defense was an early pioneer in this area.

But Environmental Defense didn’t just set out to change businesses’ behavior. It went a step further, harnessing market forces to help solve larger environmental problems. Environmental Defense has been a strong proponent of market-based systems to control pollution, such as “cap and trade,” which establishes overall emission limits (on carbon, for example), and then creates economic incentives for companies to comply and reduce their emissions. Cap and trade systems helped reduce acid rain in the northeast United States and have become an important tool in the effort to fight global warming. In fact, this approach led to the passage of California’s Global Warming Solutions Act of 2006, the first statewide legislation of its kind and a model for more stringent federal emissions controls.

We found three primary ways in which high-impact nonprofits use markets. They help change business behavior on a large scale, as did Environmental Defense. Self-Help also followed this path, creating a secondary loan market and expanding its



innovative lending models through mainstream financial players such as Wachovia and Fannie Mae, thereby changing the industry’s practices and helping large companies reach historically underserved markets.

Nonprofits also leverage markets by partnering with corporations to garner additional resources for their cause, as have America’s Second Harvest, City Year, and Habitat for Humanity. All three have established large corporate partnerships through which they obtain funding, media relations, marketing support, and in-kind donations.

Some nonprofits run their own small businesses, generating income that helps fund their programs. Share Our Strength,

for instance, runs a nonprofit consulting business called Community Wealth Ventures, whose revenue it redeploys toward its social mission.

3. Inspire Evangelists: High-impact nonprofits build strong communities of supporters who help them achieve their larger goals. They value volunteers, donors, and advisers not only for their time, money, and guidance, but also for their evangelism. To inspire supporters’ commitment, these nonprofits create emotional experiences that help connect supporters to the group’s mission and core values. These experiences convert outsiders to evangelists, who in turn recruit others in viral marketing at its finest. High-impact nonprofits then nurture and sustain these communities of supporters over time, recognizing that they are not just means, but ends in themselves.⁶

Habitat for Humanity, located in Americus, Ga., exemplifies this ability to create a larger community and inspire evangelists for its cause. As founder Millard Fuller has said, he didn’t set out to create an organization so much as a social movement. From the outset, the nonprofit spread its model through local church congregations and word of mouth, building its brand from the grassroots up. That model includes enlisting supporters in the very core of its work: building homes for the poor. Participants work alongside the future residents of the home, and in the process live out their values while becoming advocates for the housing cause. These evangelists, in turn, recruit their friends and colleagues, expanding the circle of supporters outward.

In addition, Habitat for Humanity attracts what we call

“super-evangelists” like former President Jimmy Carter – people who by virtue of their personal accomplishments, famous names, and vast social networks can help take a nonprofit to the next level. By serving on the board and as a spokesperson for the organization, Carter helped propel it from a grassroots nonprofit to a global force for change.

Not all of the high-impact nonprofits we studied had an organizational model that makes involving supporters easy. Yet almost all of them found creative ways to convert core supporters to evangelists and to mobilize super-evangelists.

4. Nurture Nonprofit Networks: Although most nonprofits pay lip service to collaboration, many of them really see other groups as competition for scarce resources. But high-impact organizations help their peers succeed, building networks of nonprofit allies and devoting remarkable time and energy to advancing their fields. They freely share wealth, expertise, talent, and power with other nonprofits not because they are saints, but because it’s in their self-interest to do so.⁷

The Heritage Foundation exemplifies this network mind-set. From its founding, this Washington, D.C.-based organization

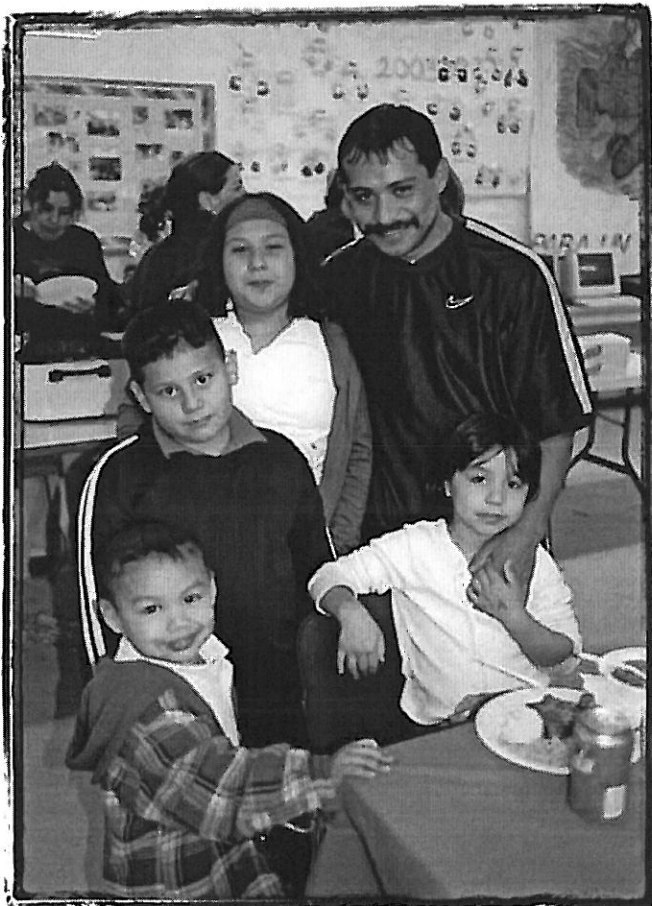
defied the traditional notion of a think tank. The foundation sought not only to cultivate a broad membership base, but also to infuse conservatism into mainstream thought. To achieve its goals, Heritage realized that it needed to build a movement, not just an organization. And so the foundation helped to seed and galvanize a vast network of conservative organizations at the local, state, and national levels.

Today, Heritage’s Resource Bank – a network of state and local nonprofits – includes more than 2,000 member organizations. The Heritage Foundation helps leaders of these state and local nonprofits raise money and freely shares its donor list with like-minded groups. It also offers extensive programs to train non-Heritage policy analysts on everything from conservative strategies to public speaking skills. And Heritage cultivates talent – not only for its own organization, but also for other leading conservative groups – by offering a prestigious internship program and job-placement service for its young acolytes. The nonprofit also frequently works in coalitions to promote conservative policy and to pass legislation. Rather than seeing other conservative organizations as competitors, Heritage has helped build a much larger conservative movement over the last two decades, serving as a critical connector in this growing network of like-minded peers.

Other high-impact nonprofits harness the power of networks. In some cases, they formalize their networks through an affiliation structure, such as YouthBuild USA or America’s Second Harvest. In other cases, they keep their networks less formal and operate without official brand or funding ties, such as the Center on Budget and Policy Priorities or the Exploratorium.

Regardless of whether they have formal or informal affiliates, all of these nonprofits help build their respective fields through collaboration rather than competition. They share financial resources and help other nonprofits succeed at fundraising. They give away their model and proprietary information in an open-source approach. They cultivate leadership and talent for their larger network, rather than hoarding the best people. And they work in coalitions to influence legislation or conduct grassroots advocacy campaigns, without worrying too much about which organization gets the credit. These nonprofits recognize that they are more powerful together than alone, and that large-scale social change often requires collaborative, collective action.

5. Master the Art of Adaptation: High-impact nonprofits are exceptionally adaptive, modifying their tactics as needed to increase their success. They have responded to changing circumstances with one innovation after another. Along the way, they’ve made mistakes and have even produced some flops. But unlike many nonprofits, they have also mastered the ability to listen, learn, and modify their approach on the basis of external cues. Adaptability has allowed them to sustain their impact.⁸



Too many nonprofits are highly innovative but can't execute new ideas. Other nonprofits are so mired in bureaucracy that they lack creativity. But high-impact nonprofits combine creativity with disciplined systems for evaluating, executing, and adapting ideas over time.

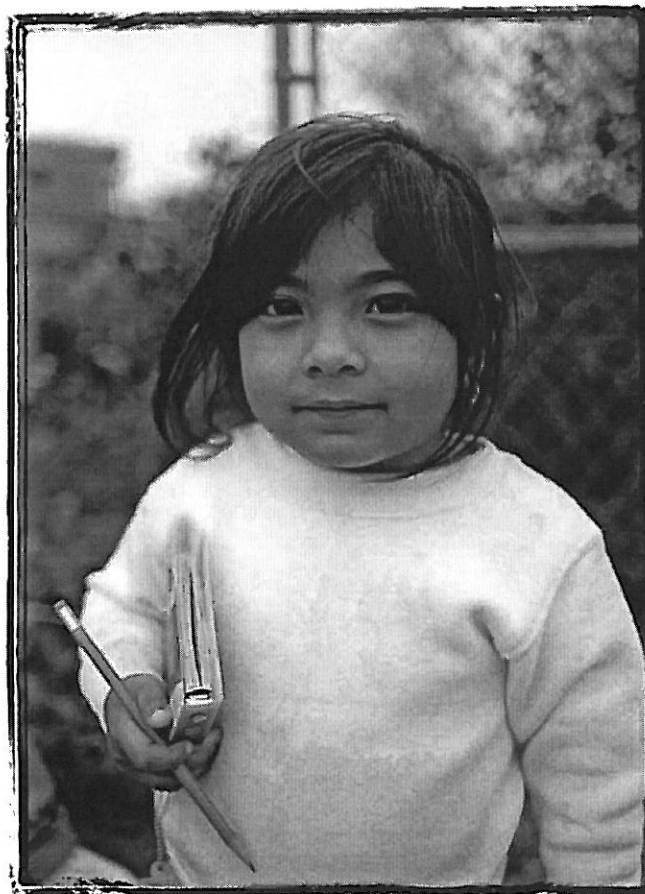
Share Our Strength has been exceptionally adaptive. Bill Shore started the Washington, D.C.-based nonprofit by mailing letters to food industry celebrities to raise money for hunger relief. Although he received a few checks, he found that professional chefs were much more enthusiastic about donating their time and talent to a local tasting event. After the success of a single event in Denver, Share Our Strength abandoned its direct mail campaign and launched the Taste of the Nation series – now a national success in more than 70 cities. It has raised millions of dollars for hunger relief, and many other nonprofits have copied it.

Over time, Share Our Strength has experimented with a number of different innovations, from participatory events to cause-marketing campaigns. Not all of these events have been successful. One failed experiment was its attempt to extend the 'Taste concept into the sports arena, through a program called "Taste of the Game." Share Our Strength solicited celebrity athletes to coach young people in a sport and asked parents to buy tickets to demonstration games – with all proceeds going to hunger relief. But the passion for antihunger issues wasn't as strong among athletes and coaches as it was among the restaurant community. After several less successful initiatives cost the nonprofit time and money, Share Our Strength developed a more rigorous approach to managing innovation. Today, the nonprofit's staff develops business plans and conducts more research before diving into new programs.

All of the nonprofits in our sample have mastered what we call the *cycle of adaptation*, which involves four critical steps. First, they listen to feedback from their external environments and seek opportunities for improvement or change. Next, they innovate and experiment, developing new ideas or improving upon older programs. Then they evaluate and learn what works with the innovation, sharing information and best practices across their networks. They modify their plans and programs in a process of ongoing learning. It's a never-ending cycle that helps these nonprofits increase and sustain their impact.

6. Share Leadership: The leaders of these 12 organizations all exhibit charisma, but they don't have oversized egos. They know that they must share power in order to be stronger forces for good. They distribute leadership within their organizations and throughout their external nonprofit networks, empowering others to lead. Leaders of high-impact nonprofits cultivate a strong second-in-command, build enduring executive teams with long tenure, and develop large and powerful boards.⁹

The National Council of La Raza (NCLR) is a great exam-



ple of collective leadership in action. The Washington, D.C.-based nonprofit was founded in 1968 by a group of Hispanic leaders, and within its first decade it appointed Raul Yzaguirre as CEO. Yzaguirre led the nonprofit for more than 30 years of extraordinary growth. He quickly developed a cadre of strong and empowered senior executives, many of whom have been with the organization for decades and who have played critical leadership roles. Yzaguirre always had a second-in-command, or COO, who helped him with internal management while he focused on external leadership. And the NCLR board has learned to share power with the executive director. Even when Yzaguirre retired and was replaced by Janet Murguía, the organization maintained its leadership practices.

Habitat for Humanity is one organization that went through a difficult leadership transition when Fuller left and started a competing housing organization. But almost all of the nonprofits we studied, like NCLR, exemplify a shared leadership model. They have strong leadership at the top, led by either a founder or a growth leader who has learned to share power. They all have long-tenured executive teams with significant responsibilities. And their boards are larger than average – with sizes ranging from 20 to more than 40 members – and share power with the executives.

Sustaining Impact Through Organization

The 12 high-impact nonprofits that we studied use a majority of these six practices. But they didn't always, and they don't all employ them in the same ways. Some initially incorporated only

{ Research Methods }

Because we wanted to identify and understand the common characteristics of high-impact nonprofits, our first challenge was to develop a working definition of “impact.” We first considered concrete outputs: Did the organization achieve substantial and sustained results at the national or international level? The second part of our definition was more abstract: Did the organization have an impact on an entire system or field?

We then needed to decide which organizations we would include in our research. We wanted to study 501(c)(3) nonprofits that exist primarily to serve the larger public good, so we eliminated membership groups such as fraternities. We wanted to understand how nonprofits scale up their impact relatively quickly, so we studied only organizations founded in the late 1960s and beyond. (We also eliminated nonprofits less than 10 years old because they hadn’t yet sustained their impact.) Last, we wanted to study nonprofits that faced similar social, political, and economic circumstances, so we excluded nonprofits founded abroad, as well as grantmaking foundations with large endowments.

We used a four-phase process to select and study organizations that met these criteria. Because there is no objective measurement of impact (such as “total return to shareholders”), we had to use more subjective criteria for evaluating these nonprofits. So we borrowed methods used in management books such as *Built to Last*.

First, we surveyed 2,790 executive directors of nonprofits that were broadly representative of the entire sector, asking them to nominate up to five nonprofits in their field that they believed had the most significant impact in the last 30 years and asking them to explain their choices.

We then enlisted 60 experts in nine different fields (e.g., arts, environment, youth development) to help us analyze the survey results, to suggest other groups, and, finally, to narrow our list to about 35 nonprofits that met all of our baseline criteria. Working with our research advisers and additional data – such as annual reports and publicly available information on their impact – we selected a final sample of 12 high-impact organizations that represented, as much as possible, the sector’s range of issue areas, business models, budgets, geographic distribution, and leadership.

We spent almost two years studying these 12 organizations. We compiled articles, case studies, and books about the nonprofits; visited their headquarters; conducted 10 to 15 interviews with their senior executives, board members, and other leaders; and analyzed internal information including budget data, compensation rates, turnover rates, and organization charts.

Finally, we looked at all the data for patterns revealing how these nonprofits made their impact and tested them with the 12 organizations themselves and with a group of advisers. The most significant themes became the six practices. —H.M.G. & L.C.

a few practices and added others gradually. Others focus more on pulling certain levers and apply them to different degrees. Yet they all converge on using more of these practices, not fewer. Rather than doing what they’ve always done, high-impact nonprofits continuously move in new directions. And by working with and through others, they find levers long enough to increase their impact.

In addition to employing these six practices, these 12 high-impact nonprofits have also mastered several basic management principles that are necessary to sustain their impact. They have all developed enduring, somewhat diversified sources of financial support, including large individual donor bases, government contracts, corporate donations, and foundation grants. Typically, they have aligned their fundraising strategy with their impact strategy. Those that are the savviest about inspiring evangelists are also able to build a broad individual donor base.

These nonprofits have also learned that they need to invest in their human resources, and so the majority of them compensate their executives very well compared to organizations of similar size. And these nonprofits have all figured out how to build reliable internal infrastructure, including sophisticated information technology systems. They aren’t afraid to invest in their own capacity – despite the countervailing public pressure to keep administrative ratios low.¹⁰ Although none of these basic management practices alone leads to breakthrough impact, a solid organizational foundation is essential to sustaining impact over time.

When a nonprofit applies all these forces simultaneously – the six high-impact practices coupled with basic management skills – it creates momentum that fuels further success. “It’s like pushing a snowball down a hill,” says one Habitat for Humanity volunteer. “At first you have to work at it and it takes a lot of energy. But once it gets going, momentum builds and it starts rolling on its own.”

Using Leverage to Advance Social Change

Why do these nonprofits harness multiple external forces, when it would be easier to focus only on growing their own organizations? It’s because of their unwavering commitment to creating real impact. These organizations and the people who lead them want to solve many of the biggest problems plaguing our world: hunger, poverty, failing education, climate change. They aspire to change the world. They don’t want to apply social Band-Aids. They seek to attack and eliminate the root causes of social ills.

It’s not enough for Teach for America to raise the test scores of students in its classrooms; the organization also wants to transform the entire educational system in America. It’s not enough for Habitat for Humanity to build houses; the organization also aspires to eliminate poverty housing and homelessness from the face of the earth. It’s not enough for

City Year to build a few successful youth corps; the organization also wants all young people to spend a year serving their community.

But for each of these 12 organizations, audacious idealism is grounded in real pragmatism. These nonprofits are not so much ideological as they are focused on achieving greater impact. As Self-Help founder Martin Eakes says, "I need to have impact more than I need to be right." If that means checking their egos at the door, or even putting their individual or organizational needs second at times, these social entrepreneurs will do whatever it takes – within reason.

"We are extremely pragmatic," says Gwen Ruta, program director of alliances at Environmental Defense. "We're all about results. It doesn't matter who we work with if we can get credible results. And we'll use whatever tool it takes to make progress: We will sue people, we will partner with business, we will lobby on the Hill or educate the public. Every one of these tools is in our tool kit, and we deploy the one most likely to get us to our goal."

Even if nonprofits master and use all six practices, they still won't be able to solve the world's largest problems. Other sectors must also follow suit. For real change to occur, government and for-profit business leaders must learn from high-impact nonprofits and the six practices that they follow. Government leaders can begin to see nonprofits not just as a convenient place to outsource social services, but also as a valuable source of social innovation and policy ideas. Business leaders can partner with leading nonprofits to devise innovative systems that harness market forces for the greater good. And individual donors and volunteers can increase the social return on their investments by supporting those nonprofits that have the most impact, rather than those that adhere to conventional, and misguided, ideas of efficiency.

We believe that without more nonprofits, businesses, and government agencies following these six practices to achieve maximum impact, we are doomed to plod along with slow, incremental change. We'll barely make a dent in global warming. We'll meagerly fund programs that only perpetuate the cycle of poverty. We'll continue to allow millions of children to grow up without healthcare. And we'll continue to make one of the biggest mistakes of all: focusing too much on process rather than on impact. □



1 All facts and quotes presented in this case – and other cases summarized in this article – are taken from interviews with organizational staff or from internal or publicly available information such as annual reports. Budget and other data generally reflect the FY '05 reporting period, when the research was conducted.

2 Patricia Sellers. "Schooling Corporate Giants on Recruiting." *Fortune*, 27 November 2006.

3 A number of articles published in the *Stanford Social Innovation Review* and books in the nonprofit sector have focused on organizational effectiveness and efficiency – or on growing the organization as a means of increasing impact. See Jeffrey L. Bradach. "Going to Scale." *Stanford Social Innovation Review* (Spring 2003): 19-25; William Foster and Gail Fine. "How Nonprofits Get Really Big." *Stanford Social Innovation Review* (Spring 2007): 46-55; and Christine W. Letts, William P. Ryan, and Allen Grossman. *High Performance Nonprofit Organizations*. New York: John Wiley & Sons, 1999.

4 See Shirley Sagawa. "Fulfilling the Promise: Social Entrepreneurs and Action Tanking in a New Era of Entrepreneurship," developed for New Profit Inc. (February 2006); Bob Smucker. *The Nonprofit Lobbying Guide*. Washington, D.C.: Independent Sector, 1999; and Susan Reese. "Effective Nonprofit Advocacy," a working paper developed for the Aspen Institute and available on its Web site.

5 See Shirley Sagawa and Eli Segal. *Common Interest, Common Good: Creating Value Through Business and Social Sector Partnerships*. Cambridge, Mass.: Harvard Business School Press, 2000; J. Gregory Dees. "Enterprising Nonprofits." *Harvard Business Review* (January/February 1998); and James E. Austin. *The Collaboration Challenge: How Nonprofits and Businesses Succeed Through Strategic Alliances*. San Francisco: Jossey-Bass Publishers, 2000.

6 See Joel M. Podolny. "Networks for Good Works." *Stanford Social Innovation Review* (Winter 2007); and "Effective Alumni Engagement: Key Themes and Promising Practices," an internal study published by Omidyar Network (analysis by McKinsey & Company, 2003).

7 See Ori Brafman and Rod Beckstrom. *The Starfish and the Spider: The Unstoppable Power of Leaderless Organizations*. New York: Portfolio, 2006; and Gerald F. Davis, Doug McAdam, W. Richard Scott, and Mayer N. Zald, eds. *Social Movements and Organizational Theory*. New York: Cambridge University Press, 2005.

8 See Christine W. Letts, William P. Ryan, and Allen Grossman. *High-Performance Nonprofit Organizations*. Hoboken, N.J.: John Wiley & Sons, 1999. The authors cite Ronald A. Heifetz. *Leadership Without Easy Answers*. Cambridge, Mass.: Belknap Press, 1994, in their discussion of adaptive capacity in the context of leadership.

9 See Gregory B. Markus. "Building Leadership: Findings From a Longitudinal Evaluation of the Kellogg National Fellowship Program." Battle Creek, Mich.: W.K. Kellogg Foundation, 2001; and Betsy Hubbard. "Investing in Leadership: Vol. 1 – A Grantmaker's Framework for Understanding Nonprofit Leadership Development." Washington, D.C.: Grantmakers for Effective Organizations, 2005.

10 See Stephanie Lowell, Brian Trelstad, and Bill Meehan. "The Ratings Game." *Stanford Social Innovation Review* (Summer 2005): 39-45.