Fall 2010

Syllabus

Leading and Governing High Performing Nonprofit Organizations

Leading and Governing High Performing Nonprofit Organizations (LGN) is about the leadership challenges of creating and sustaining high performance in nonprofit organizations. The operating environment for nonprofit organizations is changing as dynamically as that of the for-profit sector. Yet, the knowledge of how to effectively manage nonprofits to high performance is, in many cases, just being formulated. This course explores the challenges of attaining high performance and provides management approaches for achieving it. LGN will also examine the applicability, as well as the limitations, of for-profit business approaches to nonprofit organizational challenges and identify innovative solutions. In the process, students will expand their knowledge of effective nonprofit management practices and increase their understanding of the complex environment in which nonprofit organizations operate.

Audience

LGN is designed for a broad range of students including those who, during their professional careers, are considering involvement in the social sector, whether as a manager, board member, volunteer, consultant or funder. A survey of 10,000 HBS alumni has shown that engagement with the social sector is a major way in which the school's graduates exercise their leadership in society, with 81% of alumni involved in the nonprofit sector and 57% serving on nonprofit boards, many within 5 years of graduation. Accordingly, the course seeks to better prepare students to help lead nonprofit organizations to achieve high performance.

In addition to HBS students, a limited number of cross-registrants from other graduate programs are welcome to apply for enrollment. No prior experience with nonprofit organizations is required to gain optimum value from this course.

The Opportunity and the Challenge

The nonprofit sector is an important component of American life and a growing part of the social fabric of most countries around the world. (Nonprofit organizations outside the U.S. are usually referred to as Non Governmental Organizations—NGOs.) Globally, the number of nonprofit organizations is growing more rapidly than in the U.S. In the United States alone, there are over 750,000 service-providing nonprofit organizations. The nonprofit sector in the U.S. employs over 7% of the total work force, and with revenues close to $1 trillion, constitutes 6.7% of national income. In 2007, over $300 billion was contributed to nonprofits and approximately Americans volunteered millions of hours of time to charitable institutions.

Hundreds of millions of people around the globe rely on nonprofit organizations to provide essential services in such fields as health care, education, financial services and disaster relief. While many nonprofits are quite small and operate with little or no paid staff, others are complex enterprises, many of which have annual budgets of tens or hundreds of millions of dollars.

Established nonprofit organizations may look a lot like their for-profit counterparts in the way they are organized and in the titles and functional roles of their executives. In fact, there are a great number of similarities between a nonprofit and a for-profit organization. Many of the skills required to succeed in business—finance, marketing, project management, human resources, to name a few—are also essential in the nonprofit sector. But these similarities may mask the profound differences between managing and governing a for-profit and a nonprofit. The often-heard mantra in nonprofit boardrooms around the world of "just run this place like a business" fails to recognize the unique leadership, managerial and contextual challenges of the social sector.

Until recently, theories of management practice have been relatively meager in the nonprofit sector. While this situation is improving, the dearth of knowledge is still widely recognized by stakeholders. The reasons for this include a lack of substantial funding and minimal engagement by business school scholars. Consultants from larger for-profit firms have typically engaged with nonprofits on a pro bono basis or as a much less structured part of their profession, located at the margins of their businesses. As a response to this condition, major for-profit consulting firms like McKinsey are establishing nonprofit practice areas staffed by senior partners. Bain and Company has founded a nonprofit consulting entity, The Bridgespan Group, which is experiencing rapid growth. Leading business schools such as Harvard and Stanford are allocating greater resources to improving the theory and practice of nonprofit management. These and similar efforts are committed to increasing and promulgating the knowledge necessary to more effectively manage a nonprofit organization, but the process is at its beginning.

Those involved in these efforts soon realize that, in most cases, one cannot successfully overlay for-profit management practice and theory onto a nonprofit organization. For-profit frameworks and theories must be carefully analyzed, modified and adapted for effective nonprofit use. For challenges such as managing multi-site nonprofit organizations, scholars and practitioners recognize that most business theories do not transfer very well. New approaches must be developed to accommodate the unique characteristics of the nonprofit sector. Leading and Governing High Performing Nonprofit Organizations provides insights into the most current theories and practices for attaining high performance, whether adapted from for-profit management knowledge or uniquely created for the nonprofit sector.

Educational Objectives

The goal of this course is to explore: 1) the key internal and external organizational barriers to high performance; 2) the key determinants of superior performance in established nonprofits and how to achieve them. Students will analyze and discuss the challenges and responses of nonprofit organizations and their leaders to determine common themes and approaches. The objective is to acquire the skills and knowledge necessary to lead and sustain high performance in enterprises dedicated to addressing some of the most challenging problems facing the world today.

Students will have the opportunity to use the knowledge they acquired in other MBA courses in an interdisciplinary fashion. Because the nonprofit operating environment is so different, and most would agree more complex than the business environment, students will apply their knowledge in a creative and unfamiliar way. Practitioners involved in both sectors have observed that applying their knowledge to the nonprofit sector has helped sharpen their for-profit skills.

Course Content and Educational Methods

The course consists of twenty-nine 90- minute classes organized into three parts with a total of six modules. Cases cover organizations, both domestic and international, that focus on issues from the environment, to micro-finance, to public education, to the arts.

Part I: **Building a Coherent Nonprofit Organization**

Module I: **Mission, Theory of Change and Strategy** must all be coherent with each other to achieve organizational focus and high performance. Multiple stakeholders, with little consensus as to what constitutes success, exert powerful forces that can easily cause a nonprofit organization to drift from its mission and fragment its program focus. A new nonprofit organizational framework that will be used throughout the course will be introduced in this module. (3 sessions)

Module II: **Nonprofit Capital Markets** analyzes approaches to identifying and acquiring critical resources for high performance and scale. The nonprofit capital markets are like none other. The sources of capital and the users of capital interact under conditions and standards that differ markedly from those of the business sector. (5 sessions)

Module III: **Performance Measurement and Management** first deals with measuring a nonprofit's overall effectiveness and then with using the information to manage to high performance. While more and more stakeholders are clamoring for proven results, the indicators of effectiveness are frequently complex, sophisticated and ambiguous. (5 sessions)

Module IV: **Governance** of a nonprofit organization has similarities to governance in a for-profit commercial enterprise but includes other functions as well. Nonprofit governance also involves multiple layers of additional complexity. This module provides understanding as to what constitutes effective governance and why, in the words of one expert, "effective governance of a nonprofit board is an elusive event." (4 sessions)

Part II **Scaling to Achieve Impact**

Scaling to Achieve Impact often looks very different from growing a for-profit organization. The size of a social enterprise and its growth rate are not necessarily markers of success. To achieve successful scale, a nonprofit must deepen and spread its impact, which creates innovative opportunities and at the same time perplexing challenges. (7 sessions)

Part III **Leading Change**

Leading Change examines the challenges of transforming nonprofit institutions to respond to a dynamically changing operating environment, while functioning at a higher level of effectiveness. Accomplishing organizational change may be the most important and difficult task facing for-profit and nonprofit managers alike. However, in the nonprofit sector, multiple stakeholders, an absence of established market forces, and approaches which demand a non-traditional mix of skills and resources increase this challenge. In addition, the very success of a nonprofit institution may change the environment in which it operates, requiring constant organizational change to sustain high performance through time. (5 sessions)

Leaders from a number of nonprofit organizations will be guests in selected classes throughout the course. These executives, many of whom have had careers that span business, government, and the nonprofit sector, will discuss how they have dealt with management issues addressed in the cases. Some sessions might include management from more than one organization to provide an issue with a range of perspectives.

Administrative Information

Contacts:
Professor of Management Practice
Allen Grossman, agrossman@hbs.edu or 496-8178, Morgan 141
Faculty Assistant
Kara Frigon, kfrigon@hbs.edu or 495-6291, Morgan 140

Attendance and Grading:
Attendance and active participation in classroom discussions are expected. Excused absences are only for those reasons authorized by HBS regulations (such as illness, family emergencies). If you have to miss a class, for whatever reason, please notify Professor Grossman by email in advance.

Grading:
Fifty percent of the grade is based on a student's classroom participation and 50 percent on the final written examination.

Mission, Theory of Change and Strategy

8:30AM Wed 9/1, Hawes 201

Strategic Planning at NFTE

MATERIALS

Strategic Planning at NFTE (302002)

ASSIGNMENT

1. On page 5 of the case it states, "Everyone had different ideas of what NFTE was and where to focus their attention." How has this state of affairs been created and sustained?
2. A great deal of time and energy was expended on modifying NFTE's mission statement. What is your assessment of NFTE's latest mission statement in the footnote on page 7 of the case compared to its original mission statement on the bottom of page 1 of the case? How much will this change help reduce the confusion?
3. What are the similarities and differences between strategic planning for NFTE and a for-profit organization?

8:30AM Tue 9/7, Hawes 201

PlaNet Finance: Broad Scope in Microfinance

MATERIALS

PlaNet Finance: Broad Scope in Microfinance (708441)
Note on the Nonprofit Sector (308033)

ASSIGNMENT

The Note on the Nonprofit Sector should be reviewed to provide context for the course and a common understanding of the nonprofit sector.

For the PlaNet Finance case,

1. How well does the strategy align with the mission of PlaNet Finance?
2. How would you describe the effectiveness of the strategy of the organization?
3. Which of the activities of the organization would you drop and which would you grow? How would you decide?

8:30AM Wed 9/8, Hawes 201

Absolute Return for Kids

MATERIALS

Absolute Return for Kids (309036)
Note on the Nonprofit Coherence Framework (309035)

ASSIGNMENT

Read the Absolute Return for Kids case as preparation for this class. Read the Nonprofit Coherence Framework Note after the class.

1. What is your assessment of the evolution of ARK's strategy? What factors are driving these changes in strategy?
2. What is ARK's theory of change?
3. How should the organization judge its success in 5 years, 10 years?
4. What do you see as the potential barriers to success for ARK?

END OF Mission, Theory of Change and Strategy

Nonprofit Capital Markets

8:30AM Mon 9/13, Hawes 201

PRACTICUM on FUNDRAISING

Ren Levy will lead a practicum on fundraising in the nonprofit sector.

MATERIALS

Chapter 1 from Reynold Levy's Yours for the Asking, "Fundraising: A Call to Alms, A Call to Action"

ASSIGNMENT

Read the assigned chapter to get a sense for Ren's approach to and philosophy for fundraising. Based on your own experiences, answer the following questions:

1. If you have ever asked for money, how did you feel? What made your ask successful or less so?
2. When others have asked you for money, what characteristics made the ask successful? What factors had the opposite effect?

8:30AM Tues 9/14, Hawes 201

The Dana-Farber Cancer Institute: Development Strategy

MATERIALS

The Dana-Farber Cancer Institute: Development Strategy (599104)

ASSIGNMENT

Read the Nonprofit Coherence Framework note.

For the Dana Farber case,

1. What are the primary reasons that donors give money to Dana Farber?
2. Are there any barriers to giving that Dana Farber faces?
3. What are the common and unique competencies that Dana Farber must have to raise money in its major development areas:
   a. Individual major gifts
   b. Annual giving
   c. Corporate/foundation grants
   d. Jimmy Fund
4. If you were Susan Paresky, which, if any, of the three fundraising opportunities, described at the end of the case, would you pursue and why?

8:30AM Wed 9/15, Hawes 201

United Way

MATERIALS

United Way (310014)

ASSIGNMENT

1. What are all the things that have to happen if United Way of Los Angeles (UWGLA) is to be successful in reducing homelessness?
2. What are the most serious constraints to UWGLA's efforts to address the root causes of homelessness? What should Elise Buik do to overcome those constraints?
3. How would you defend the Community Impact approach to the community and donors in the face of increased need for services and diminished funding?
4. If you were Brian Gallagher, what would be your 2 chief concerns about this national transformation and what would you do about them?

8:30AM Mon 9/20, Hawes 201

EMCF: A New Approach at an Old Foundation

MATERIALS

EMCF: A New Approach at an Old Foundation (302090)
Virtuous Capital: What Foundations Can Learn from Venture Capitalists (HBR Reprint 97207)

ASSIGNMENT

Skim the Virtuous Capital article

The following questions relate to the case:

1. What are the advantages and disadvantages of the old, Systems Reform, and the new, Institutional Field Building, funding models?
2. What impact could this shift in strategy have on existing and potential grantees?
3. How important is it for Bailin to build support and engagement from other grantmakers for Institutional Field Building? If important, what are the challenges for building support?

END OF Nonprofit Capital Markets

Performance Measurement and Management

8:30AM Tue 9/21, Hawes 201

National Campaign to Prevent Teen Pregnancy

MATERIALS

National Campaign to Prevent Teen Pregnancy (300105)

ASSIGNMENT

1. What are the key elements of NCPTP's strategy? How well does the strategy align with and drive the theory of change and the mission?
2. How much evidence does NCPTP have that they are materially contributing to the national trend of lower teen pregnancy rates?
3. What are the key challenges to measuring the organization's effectiveness? What ways would you recommend to NCTP to assess its impact?

8:30AM Mon 9/27, Hawes 201

The Harlem Children's Zone: Driving Performance with Measurement and Evaluation

MATERIALS

The Harlem Children's Zone: Driving Performance with Measurement and Evaluation (303109)

ASSIGNMENT

1. What were the key success factors for Rheedlin before the strategic planning process?
2. What impact has the business plan and the focus on measurement had on the staff? How has the culture changed?
3. Is measuring student's reading skills a reasonable indicator of the success of the organization and its programs?

8:30AM Tue 9/28, Hawes 201

Jumpstart

MATERIALS

Jumpstart (301037)

ASSIGNMENT

1. How well do the components of Jumpstart's performance measurement and management system fit together? Be specific in your analysis by referring to the framework on page 7 of the case?
2. What changes, if any, would you make to the performance measurement and management system at Jumpstart?
3. What adjectives would you use to describe the culture at Jumpstart?
4. What are the challenges of sustaining the performance measurement and management system at Jumpstart?

8:30AM Mon 10/4, Hawes 201

The Robin Hood Foundation

MATERIALS

The Robin Hood Foundation (310031)

ASSIGNMENT

TBD

8:30AM Tue 10/5, Hawes 201

Acumen Fund: Measurement in Venture Philanthropy

Review and understand the conceptual thinking for using the BACO metric. You may, but need not, calculate the BACO for Ecotact.

MATERIALS

Acumen Fund: Measurement in Venture Philanthropy (A) (310011)

ASSIGNMENT

1. If you were Brian Trelstad, would you recommend to the investment committee that Acumen invest in Ecotact, Meridian or both? Use the Capabilities Assessment Matrix (Exhibit 9) as the foundation for your argument and be prepared to present a total number from the Matrix for each investment candidate. You may also use other criteria that you think are pertinent.
2. What is your evaluation of the strengths and weaknesses the Capabilities Assessment Matrix? Of the BACO?
3. What specific recommendations would you make to Brian for improving the effectiveness of Acumen's investment criteria and metrics?

END OF Performance Measurement and Management

Governance

8:30AM Tue 10/12, Hawes 201

The NAACP

MATERIALS

The NAACP (398039)

ASSIGNMENT

1. What governance factors contributed to the NAACP crisis?
2. What is your assessment of how the new leadership handled the crisis? What were her most important actions and their impact? What else might she have done?
3. At the end of the case, what would you recommend to the chairperson, Myrlie Evers-Williams, to further strengthen governance?

8:30AM Wed 10/1, Hawes 201

The Tampa Museum of Science and Industry

MATERIALS

The Tampa Museum of Science and Industry (KSG C16-01-1629.0)

ASSIGNMENT

1. As a board member, you need to understand the "story" that financial statements tell about the health and operations of a nonprofit organization. Use the Exhibits in the case to tell your "story" about the Tampa Museum of Science and Industry (MOSI). Be prepared to cite the data in the exhibits that led to your conclusions.
2. Should the board pursue the funding of the Fowler Avenue parcel? If they decide to proceed, which of the options outlined in the case should they pursue?
3. Beyond the parcel, what recommendations would you have for the board moving forward?

8:30AM Mon 10/25, Hawes 201

Trinity College

MATERIALS

Trinity College (A) (397068)

ASSIGNMENT

1. How would you have handled the phone call from Tom Gerety in which he indicated that he was being tempted by an offer from Amherst?
2. Assess Alfred Koeppel's actions to this point. Would you have done anything differently?
3. As Alfred Koeppel, what would you do next?

8:30AM Tue 10/26, Hawes 201

Harold Morton and the Rivendell Board

MATERIALS

Harold Morton and the Rivendell Board (A) (303114)

ASSIGNMENT

1. What advice would you give Harold Morton as he is driving to attend his first board meeting?

END OF Governance

Scaling to Achieve Impact

8:30AM Mon 11/1, Hawes 201

STRIVE

MATERIALS

STRIVE (399054)

ASSIGNMENT

1. What are the essential elements of the STRIVE program? Why are they important?
2. What is your assessment of the national expansion strategy?
3. What are the key factors that STRIVE management should consider for successful scaling?

8:30AM Tue 11/2, Hawes 201

Guide Dogs for the Blind Association

MATERIALS

Guide Dogs for the Blind Association (303006)

ASSIGNMENT

You need not read the section, Guide Dog Mobility Service (GDMS) Program with Local Authorities, beginning on the bottom of page 6 and ending on page 9.

1. What are the pros and cons of the hotel and holiday partnerships for Guide Dogs for the Blind?
2. Assess the benefits and risks of creating an umbrella entity of organizations serving the visually impaired. How should Peacock measure the value created and the costs associated with this entity?

8:30AM Mon 11/8, Hawes 201

International AIDS Vaccine Initiative

Please skim the article on the Networked Nonprofit

MATERIALS

International AIDS Vaccine Initiative (310015)
The Networked Nonprofit

ASSIGNMENT

1. What key factors have enabled IAVI to lead the development of the Neutralizing Antibodies Consortium (NAC)? What is your assessment of this network? What could go wrong?
2. How do you assess the risks of IAVI creating and running its own research Labs? How should IAVI respond to the critics of this initiative?
3. An article in the November 7th, 2009 issue of the Washington Post stated, "The global recession and pressure to divert funds to other health crises are hurting the fight against AIDS..." Given that a vaccine may be decades away, what advice would you give Seth Berkley for sustaining and growing donor support?
4. What skills and competencies does a leader need to create and sustain an effective network?

8:30AM Tues 11/9, Hawes 201

Pratham—Every Child in School and Learning Well

MATERIALS

Pratham—Every Child in School and Learning Well (110001)

ASSIGNMENT

TBD

8:30AM Mon 11/15, Hawes 201

Salud Digna

MATERIALS

TBD

ASSIGNMENT

TBD

8:30AM Tue 11/16, Hawes 201

Youth Villages

MATERIALS

Youth Villages (309007)

ASSIGNMENT

1. With revenues of $93 million in 2007, what is your assessment of the 2012 growth target of $120 to $130 million, about a 7% compounded growth rate?
2. What are the barriers to growth and why do they exist? What should Youth Villages do to overcome these barriers?
3. What other recommendations would you offer Pat and Lee for increasing Youth Villages' impact?
8:30AM Mon 11/22, Hawes 201

The Bridgespan Group: Chapter 2

You will find below the Web address of the Bridgespan knowledge site, which you might find useful when thinking about the assignment.

http://www.bridgespan.org/ContentLibrary/Listing.aspx?Resource=All

Jeff Bradach plans to be a guest in class

MATERIALS

The Bridgespan Group: Chapter 2 (309020)

ASSIGNMENT

Please note that there is a written assignment for this class.

The last lines of the case are: Tierney suggested that the upcoming partner and board meeting be framed in a way that would stretch everyone's minds: "How do we dramatically increase Bridgespan's impact and build a great institution that serves society for decades? What are the most important bets we need to make now?"

1. If you were Bradach or Tierney, how you would respond to that question to the board and partners? Keep in mind Tierney's earlier line in the case, "How do we double our scale and have 100 times the impact given our limited resources?"

In your response, be sure to include resource allocation across Bridgespan's existing programs or for new programs you recommend. Also include how to think about measuring impact. Be as specific as possible for all of your recommendations--include the "what" and the "how." Write up your plan in a bullet presentation of no more than 2 pages. Be prepared to present to the class in 3-4 minutes the highlights of your ideas, which should include your rationale for why you selected them. You may use the document camera when you present if that would be helpful. The presentations will be handed in after class for credit.
Be sure to put your name on your presentation.

2. What challenges or questions about your presentation would you expect from board members or partners? How would you respond? (This question is not part of the written assignment.)

END OF Scaling to Achieve Impact

Leading Change

8:30AM Tue 11/23, Hawes 201

The Nature Conservancy

MATERIALS

The Nature Conservancy (303007)

ASSIGNMENT

1. What factors had been key to The Nature Conservancy's (TNC) success when McCormick took the job as CEO?
2. How would you evaluate the changes to the organization?
3. What are the strengths and weaknesses of McCormick's leadership of change?
4. What modifications, if any, should McCormick make now to the content and/or speed of implementation of the plan?

8:30AM Wed 11/24, Hawes 201

Repositioning CARE USA

MATERIALS

Repositioning CARE USA (509005)

ASSIGNMENT

1. What problem is CARE trying to solve with its rebranding?
2. What is your assessment of the new positioning of CARE's brand?
3. What are the organizational implications of this new branding for CARE both internally and externally?
4. What are your recommendations for CARE concerning its branding?

8:30AM Tue 11/30, Hawes 201

Planned Parenthood Federation of America in 2008

MATERIALS

Planned Parenthood Federation of America in 2008 (309104)
Managing Multisite Nonprofits

ASSIGNMENT

Managing Multisite Nonprofits article:
Read pages 321-322 up until Research Positioning
Skim pages 324 from Outward Bound USA up to page 327, Key sources of Tension
Read pages 327 from Key Sources of Tensions to the end of the article.

8:30AM Wed 12/1, Hawes 201

Mercy Corps: Positioning the Organization to Reach New Heights

MATERIALS

Mercy Corps: Positioning the Organization to Reach New Heights (307096)

ASSIGNMENT

1. What are the strengths and limitations of Mercy Corps' highly entrepreneurial approach?
2. What are Mercy Corps challenges in achieving consistent quality across all of its sites? What are they doing well in this pursuit and what concerns you?
3. How does Mercy Corps' headquarters provide the needed support and oversight for each of its RPDs and country directors? What are the variables they need to consider in designing and implementing their approach?
4. Based on the examples in the case, how should Mercy Corps decide which functions should be performed at the operating unit level and which functions should be the responsibility of headquarters?

8:30AM Mon 12/6, Hawes 201

Year Up

Please note that the Foundation Grant category in exhibit 8 includes $3,000,000 received in 2006 and approximately $7,000,000 in 2007 that must be booked in the year it is received but is restricted for spending on specific projects in the future.

MATERIALS

Year Up (308032)

ASSIGNMENT

1. Chertavian has to date been more successful than most in the sector at overcoming many of the barriers we discussed in LGN that are faced by social entrepreneurs. What are the key factors that have enabled him to do this? What might he have done more effectively?
2. Are there specific areas of his current operations or planning that concern you as you look ahead?
3. What would you recommend that Gerald do during the current difficult economic times? Should YU continue to implement Growth Phase II?
4. What is your assessment of Year UP's Social Impact goals in Exhibit 7? What will it take to achieve them?

END OF Leading Change

WRAP UP and EVALUATIONS

8:30AM Tue 12/7, Hawes 201

WRAP UP and EVALUATIONS

There is no preparation required for this class.

During today's class, we will have time for reflections, reviewing the exam, closing remarks and observations, and evaluations.

Please bring your computers for the course evaluation.