Planning for Growth
By Paul Connolly and Laura Colin Klein

Organizational expansion is neither inexorable nor automatic. To be beneficial, it must be well planned and closely managed.

When people talk about organizational growth, it is usually in positive terms. After all, wouldn't any organization benefit from a bigger budget, more staff, expanded quarters, new programs, or broader outreach? If small is beautiful, isn't big more beautiful?

In point of fact, growth typically is desirable, and the failure to grow may well lead to a decline in relevance and effectiveness. But not always. When growth is not carefully planned and managed, bigger is not necessarily better, and more may turn out to be less.

Consider the case of a successful drug counseling program. In order to reduce per-unit cost to a level closer to the "industry norm," the agency decides to increase its caseload by 50 percent. Additional staff is brought in, but the new hires lack the commitment and concern of existing staff. Suddenly, the program's best feature – the close, individualized relationships between case workers and clients – is undermined. An air of impersonality creeps in. Growth, in this case, is self-defeating. Rather than enhance service, growth has diluted service.

Why Grow?

In the nonprofit arena, growth is most readily seen in terms of dollars – just as it is in the private sector. The very fact that the budget is bigger means that the organization has grown.

Usually, the additional money goes to add staff, serve more clients, launch new programs, reach out to new constituencies, or take a successful program to scale. But it is entirely possible for a nonprofit to evolve without adding to its budget or the size of its workforce. Instead, it scales back programs of dwindling importance and reallocates its resources to more critical initiatives. That's what dozens of women's centers did in the 1970s and '80s. An early product of the women's-rights movement, these facilities redirected their emphasis from social protest to advocacy programs aimed at changing "the system" from the inside. Where once their agenda was

primarily political, now they focus on such priorities as fairer treatment for women in the courts and health care systems, shelters and hotlines for battered women, and workplace assistance programs.

The experience of a group called Parents for Public Schools illustrates one important force for growth: the opportunity to get more mileage out of a good idea – either by serving more people over a broader area or by replicating a successful program in new locales. Parents for Public Schools was born in the early 1990s, when parents in Jackson, Miss., joined forces to combat the middle-class "white flight" that was threatening the quality of education in many of Jackson's 56 public schools. The program's success inspired dozens of other Mississippi communities to pick up on the idea. With the support of the Phil Hardin Foundation and Kraft Foods, it has since been replicated in at least 25 additional states.

Growth can also enable a local organization to upgrade its services and reach more clients within an existing service area, sometimes in dramatic ways. In 1995, four years after its founding as a grassroots street-based needle-exchange program, Prevention Point Philadelphia opened a "Harm Reduction Drop-In Center" in the city's Kensington section. Funded by grants from The William Penn Foundation and The Philadelphia Foundation, the new facility provided a range of offerings that went far beyond needle exchange for IV drug users: AIDS information, condoms, support groups, information on medical care and drug treatment programs, and HIV counseling and testing.

The Challenges of Growth

However attractive organizational growth might appear to be, it makes no sense for a nonprofit to expand in ways that jeopardize its financial health or that compromise program quality. Before the leaders of a nonprofit contemplate any type of change, they must be willing to play devil's advocate, acknowledging that there may be good reasons for preserving the status quo.

The fact is that organizational growth is almost never easy. It inevitably requires staff to take on new responsibilities, assume heavier workloads, or operate in unfamiliar settings.

In some circumstances, staff may be thrust into the uncomfortable position of serving an altogether new population. It is one thing to run a Head Start center serving a clientele of parents and their pre-schoolers; it's something

else again to expand that effort into a job training program for unemployed youth and adults. If your staff isn't up to the challenge, or you are not planning to hire new staff professionals who are, it may be best not to proceed.

Or, suppose a funder has come through with a long-sought grant for your repertory theater company--but only on the condition that you launch an outreach program for local elementary schools. No one on staff is experienced in that area; mounting plays has always been the company's sole strength, passion and reason for being. Accepting the money and creating the program could in fact be a rational course, but only if doing so fits with your organizational mission and your decision is informed by a thorough understanding of the risks and start-up costs involved

Often, of course, the risk pays off. During the past 25 years The Trust for Public Land has completed more than 1500 projects nationwide involving the preservation of wilderness, rural, and urban areas. With the encouragement and support of a major funder, the Trust went through a thoughtful strategic planning process. As a result, it has been significantly expanding the volume of its activity in urban areas and changing the way it works in those settings. In the past few years it has begun working in more than 20 cities through its Green Cities Initiative. It has shifted its focus from acquisition only – for which it has a highly developed skill base – to working with local partners to ensure long-term stewardship for the parks it is helping to develop. This has required staff to develop new skills and new ways of working. A senior staff member at the Trust notes that this has not been not without its challenges, but that the impact of the Trust's work in urban areas will inevitably be greater because it is learning to move beyond acquisition on its own to working with partners to promote stewardship.

As an organization evolves and enters more competitive markets, staff and board may need to develop a more entrepreneurial mindset. Consider a day care center with Title XX funding: if it's the only facility of its type in the region, there is probably no need to be concerned with marketing or with maintaining usage levels. But suppose the center opens a second branch in a nearby community where other child care facilities are available. For the first time, the center is competing with other providers for funding and clients. Money will have to be budgeted for marketing; staff cuts may be necessary if usage levels drop. Envisioning this scenario, the center's leadership may opt not to expand. If they do, it will be important to recruit

and hire people with entrepreneurial skills. Service excellence is no longer enough.

Growth may also force a shift in emphasis from units of service provided to outcomes achieved. Consider: a job training program serving unemployed single parents receives funding for every client who completes a nine-week course. A new, larger grant is offered – but one based on outcomes. Now, the program will get paid for every client it successfully places in a job. Process has taken a back seat to results.

Growth invariably brings with it a need for additional staff and internal restructuring. Therefore, the benefits must be carefully weighed against the costs. Is the funding available to hire six new program directors – and if it is, can we assume we'll find the people we need?

Almost invariably, growing nonprofits also require new administrative systems to track programs or income streams in a more orderly and productive way. City Harvest is a New York City-based nonprofit that oversees the collection of unused food from restaurants and stores and other businesses and distributes it to agencies serving the hungry and homeless. In 1995, the agency's leaders saw that further growth would be possible only if a more efficient system could be found for tracking contributions. Also needed was a way to maximize the automation of their truck routing system for food pickups and deliveries. In other words, City Harvest understood that unless it upgraded its management information systems, the effectiveness of its programs would be diminished and it would be unable to benefit from growth.

These are some of the key questions that the board, management, and staff must ask before embarking on a plan for growth:

1. What has triggered the discussion in the first place? Has a funder put money on the table in exchange for the organization's commitment to launch a new program? Have clients or customers expressed a need for new or different products and services? Or has the organization on its own identified a need to expand or to move into new areas? Opinions are likely to differ on this issue, but a consensus must be reached before there can be a solid basis for future planning.

2. How would this decision impact our mission and our clients? Whom do we serve? What do they value? Are we delivering it? Have there been shifts in the demographics of our client base or surrounding community?

3. Are we ready to grow? The fact that new client demands or funding opportunities have materialized doesn't necessarily mean the organization is programmatically ready to take the next step. At this juncture, it is important to survey the organization's key constituencies, to discern how comfortable they are with the prospect of change. Absent sufficient support from staff and board and an environment hospitable to change, any significant new initiative will most likely fail.

4. What are the obstacles to growing the organization – and can they be overcome? While there may be compelling reasons for growth, the road to growth is inevitably bumpy. Outmoded systems, insufficient funding, inadequate demand, programmatic gaps, lagging board or staff capacity – any one of these can derail the most well-intentioned plan.

Keep in mind that growth is expensive, and being overly ambitious is much like buying a house you can't really afford. Unless you can find a way to achieve your objectives without incurring excessive costs – or be reasonably certain that the requisite funding or earned income is available – you may be taking a fiscal leap that jeopardizes the organization's very survival.

Nonprofits today operate in a world markedly changed from what it was as recently as a decade ago. While the demand for many services has increased, public and private funding has tightened and competition from for-profit entities has intensified.

In this new environment, growth has inarguably become a more compelling issue – and a far more complex one. For nonprofit organizations today, the chief challenge may well be to expand their offerings, serve new populations, and adapt to change without forsaking their defining mission. "The fatal metaphor of progress, which means leaving things behind us," wrote G.K. Chesterton, "has utterly obscured the real idea of growth, which means leaving things inside us."

The Flip Side of Growth: When Organizations Face a Downward Spiral

Ironically, the very attributes that drive growth can sometimes lead to organizational dysfunction later on. For example, the formal hierarchy and operating systems that allow for extensive programming for diverse

constituents can harden into a kind of organizational straitjacket – a rigid structure and outmoded set of procedures that get in the way of effective operations.

As long as clients and funders continue to provide at least minimal levels of support, organizations can languish for some time. Such stagnant organizations can generally be identified by these characteristics:

- a fixed menu of longstanding or even obsolescent programs entrenched board and staff leadership
- fragmentation of staff into fiefdoms focused primarily on individual program goals, rather than overall mission
- few or no new revenue sources
- outdated systems and procedures
- inadequate planning

All it takes is one significant change, internal or external, to send a stagnating operation into a downward spiral. Market needs stop being met; programs lose credibility; key staff and board members start to leave – one by one at first and then in droves; turf battles drain the energy of those who remain. As long-time funders pull out, cash flow slows to a trickle and then dries up altogether.

Stagnating nonprofits typically are in denial that they are becoming less effective. Therefore, leaders must be on the lookout for internal and external risk factors that can undermine operations and thwart the fulfillment of a worthwhile mission. These include:

Decreased Client Demand. Established programs can outlive their relevance and usefulness. Consider the recent history of Outward Bound Inc. For three decades, culminating in the 1980s, it was the dominant player in what could be called the "self-actualization-through-roughing-it" market. At its peak, in 1986, more than 13,000 people a year were testing their mettle, grit and survival skills through Outward Bound wilderness outings. Funding growth- a mix of foundation, corporate and government dollars-was robust. But since then, according to an article in The Wall Street Journal (July 7, 1997), enrollment has dropped by a third and revenues have leveled.

Although the group faces what appear to be serious problems, the article explained, the root causes are relatively straightforward. For one thing, it lost touch with its markets: the 16-21 set, for whom the personal growth

message has lost its luster, and the booming corporate market, which demands shorter sessions and a more behavioral orientation than Outward Bound provides. Meanwhile, competitors like the National Outdoor Leadership School and Project Adventures, Inc. began offering attractive new programs that have eroded Outward Bound's client base.

Accelerating Costs. As a result of inflation or supply shortages, an effective program sometimes becomes too expensive to continue. Consider an after-school program that relies on volunteers from a local private college. As their tuition costs have soared in recent years, some volunteers have had to withdraw from the program to take paid jobs. The program will need to address this change or make significant cutbacks to its services.

Loss of Income. The pressure to constantly prospect for new funding sources and generate earned income is a common fact of life. Sometimes, the loss of a large government contract or foundation grant can hamstring a major program. But a healthy nonprofit can often find ways to make up the difference, do more with less or make changes that do not weaken core programs.

For example, Philadelphia's Atwater-Kent Museum, an older city history museum that was faced with the loss of public funding, moved quickly to reassess its role in the community. It launched an aggressive membership campaign, set up a school outreach program and transformed itself from a repository of artifacts into a true cultural resource. Its efforts resulted in attracting new private sector support. A less flexible and motivated institution might well have been forced to close its doors.

Heightened Competition. Competition was once associated principally with the private sector. Today, it is a reality for nonprofits, which often vie with each other – as well as with for-profit service providers – for revenue, fee-paying customers and "market share."

Consider WQED, a public television station in Pittsburgh. In the early and mid-1990s, WQED was blind-sided by the up-and-coming cable industry, which was able to provide seemingly similar services at a lower cost to sponsors. "Local companies...that put up money to sponsor nationally produced public TV shows... have found such plugs to be costly. Many viewers can tune in to cable networks like the Discovery Channel to see the kind of programming once exclusive to public television," reported The Wall Street Journal (January 17, 1994). While WQED's problems were complex, its

failure to recognize and address competition certainly contributed to its difficulties.

Stale Leadership. A nonprofit may lose its way when its chief executive stays on past the point of providing fresh insights and approaches. This situation can prove disastrous when the leader is unaware of the need to chart – or is incapable of charting – a plan to address some compelling crisis, such as new competition or a loss of funding. The problems arising from leadership burnout can become even worse in the absence of a succession plan.

Some nonprofits become so focused on daily operations – program participation rates, accounts payable, hours of operation – that they give short shrift to long-range planning. Provided that revenue streams continue to flow and some viable purpose continues to be served, these organizations can idle in neutral almost indefinitely. However, by occupying themselves exclusively with current activities and the minutiae of internal operations, they forfeit opportunities to grow or to improve the services they provide.

Other organizations do attend to planning, but base future projections on past revenue and service levels. To an extent, this approach makes sense; history can tell us a lot. But trend is not destiny, and managers who take their cues mainly from the past can undermine their organization's short- and long-term effectiveness.

The truth is that the most successful nonprofits look to the past and the future, all the while keeping close watch on what's happening now. They understand that no enterprise can afford to follow the same course in perpetuity, no matter how sound its original mission. Each year, the ground shifts a little, the marketplace imposes new demands, new players emerge in the field, and staffing and systems need to change. To stay vital, an organization must continually monitor itself and the outside world for developments that could affect its operations, viability and effectiveness, readjusting programs and priorities accordingly.

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