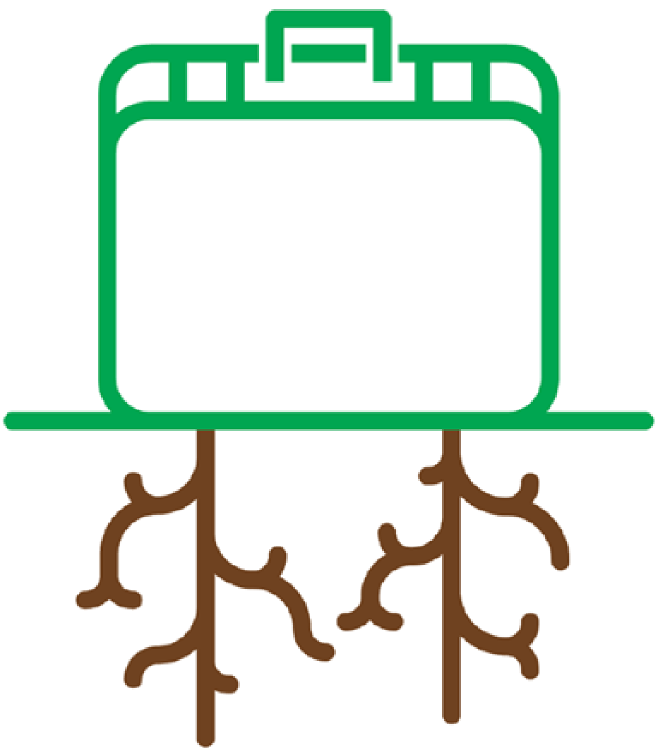
Fundamentals of Nonprofit Management

A six-part series on the timeless principles of leading, sustaining, and expanding a nonprofit organization.



Stanford SOCIAL INNOVATION Review

Informing and inspiring leaders of social change

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FUNDAMENTALS, **NOT FADS**

The experience of prize-winning social sector leaders highlights the enduring lessons of nonprofit management. Part one of a six-part series.

By Kim Jonker & William F. Meehan III Spring 2014

In conjunction with the launch of our series on managing nonprofit organizations, we are pleased to announce that Helen Keller International is the 2014 recipient of the Henry R. Kravis Prize in Leadership.

If you were to look for a single nonprofit organization that exemplifies a commitment to management fundamentals, an organization that has resisted the allure of fads, you'd be hard pressed to find a better candidate than Helen Keller International (HKI). Founded in 1915 by Helen Keller and George Kessler, HKI is one year shy of reaching the century mark, and it has endured and grown over that period in part by following the five managerial principles that we will explore in this series.

HKI works in 22 countries to prevent blindness and to reduce malnutrition. HKI's reach is broad. In 2012, the organization reached nearly 200 million people. That year, for example, HKI provided 50 million children with vitamin A supplements—an intervention that has been proven to reduce child mortality by 23 percent. Each year, HKI delivers preventive treatment for river blindness to 80 million people in Africa. Another HKI program, a partnership with private-sector organizations that involves fortifying cooking oil and wheat flour with vitamins and minerals, reaches 94 million people in West Africa. Through efforts of this kind, HKI has achieved significant impact. In Bangladesh, for instance, the organization's homestead food production program led to a decrease in anemia rates from 64 percent to 45 percent. The fortified cooking-oil program in West Africa, meanwhile, prevents an estimated 14,300 deaths per year.

A capacity for innovation has definitely contributed to that record of achievement. But innovation is only part of the HKI story.

(Illustration by Mikel Jaso)

If you're based in Silicon Valley, as both of us are, it's hard to argue against the idea of innovation. The assumption in this part of the world is that if you want to change things, you need to develop a new business model or a new technology. And that spirit infuses the social sector not only here but also globally. At myriad conferences, you hear constant chatter about "new ideas": impact investing, high-impact corporate social responsibility, venture philanthropy, hybrid legal and organizational forms. These ideas have some merit, to be sure. But in most cases, they are likely to have only a limited impact on the way that we build and sustain organizations in the social sector.

In our experience, the managerial issues that social sector organizations struggle to resolve—the issues that complicate their efforts to make a bigger impact on the world—are perennial. The latest fads in social innovation won't solve them. Instead, they require a relentless focus on timeless fundamentals.

Nine Prizewinners

In April 2013, we facilitated a daylong retreat for the first 9 recipients of the Henry R. Kravis Prize in Leadership. (Helen Keller International is the 10th winner of the prize.) Each year since 2006, the Kravis Prize has been awarded to an individual or an organization with a track record of demonstrated social impact. In each case, the impact that prizewinners have made in the world has been significant, transformative, and proven (through external impact evaluations). That impact, moreover, has been broad as well as deep: Collectively, those first 9 prize recipients have positively affected the lives of more than 560 million people in 75 countries on five continents.

At the retreat last year, we encouraged Kravis Prize leaders to discuss the practices that had enabled them to make such a large impact on the world, along with the challenges that they confront in working to sustain and increase that impact. Two important insights emerged from that discussion. First, what allows each Kravis Prize winner to excel is its commitment to one or two mission-driven core competencies. Second, and more intriguingly, the challenges cited by Kravis Prize leaders are the same ones that virtually every social sector organization faces today. In short, outside of their areas of core competency, even these high-performing organizations wrestle with basic and enduring management challenges.

Five Perennial Issues

The challenges that every nonprofit organization faces, we believe, involve the need for improved execution in five areas of fundamental concern: mission focus, fundraising and development, board governance, succession planning, and performance measurement. When we have seen well-performing nonprofits lose their way, usually one (or more) of these five perennial issues lies at the root of the problem.

Mission Matters Most. Leaders of a for-profit corporation can assert with ease that their mission is to maximize shareholder value. But nonprofit leaders lack such an inherent clarity of purpose. Mission creep, therefore, remains the greatest threat to nonprofit organizations. Countless external and internal stakeholders can lead a nonprofit astray. Many funders, for example, exert subtle but fierce pressure on nonprofits to broaden their mission to accommodate a particular grantmaking interest.

Mission creep remains the greatest threat to nonprofit organizations. Countless external and internal stakeholders can lead a nonprofit astray.

Among Kravis Prize recipients, there is general agreement on the need to say “No, thank you” to funders whose grants might cause mission creep. “Once, when I tried to protect us from mission creep, I lost a multi-million-dollar funding opportunity,” says Sakena Yacoobi, founder and CEO of the Afghan Institute of Learning. “That was significant for us, because our total budget is only $3 million. I said to the funder, ‘I’m not going to do what you are telling me to do, since it is outside the scope of our mission. I am doing what our beneficiaries need me to do.’ And I lost that funding.” The price of saying no can be perilously high. But smart nonprofit leaders understand the cost of saying yes. Mission creep can stretch the resources of an organization so thin that it loses the ability to pursue its core goals.

Fundraising Is Fundamental (If Not Always Fun). For any nonprofit, the effort to achieve greater scale requires money. And that means investing in development. A standard rule of thumb: Every dollar spent on development will raise four dollars in funding for an organization. It’s a lesson that’s not lost on Kravis Prize winners. Consider Johann Koss, founder and CEO of Right to Play, who grew the budget of his organization from $2 million in 2001 to $42 million in 2013. “In 2002, we were very fortunate to raise an additional $5 million, but we resisted pressure to spend it all on programs,” Koss explains. “Instead, we reinvested 40 percent of it in development.” He and his team used that money to hire a director of development and several major gift officers. Right to Play exemplifies another cardinal rule of fundraising: Start with your board. “Expectations of board members regarding development are very explicit: Every board member is expected to make Right to Play one of their top three priorities for charitable giving, and also is expected to help us raise money from others,” Koss says. “Every year, the board chair and I have a conversation with each board member about what they’ve given, what they’ve raised from others, and plans for next year.”

A Better Board Will Make You Better. Members of a nonprofit board must engage directly and deeply in the work of their organization. Otherwise, board meetings will degenerate into rubber-stamp exercises that deprive nonprofit leaders of much-needed strategic guidance; board members, for their part, will feel that their time has not been well spent. Leaders at Mothers2mothers, a Kravis Prize organization, take that lesson to heart. Its board members “talk and argue to such an extent that meetings can be exhausting!” says Andrew Stern, founding board chair. “They come to our two-day-long meetings to guide the organization’s strategy and to make critical decisions. They are not attending in order to listen to updates, nod, and then go home.”

An equally important matter is board composition “Our board has a diverse composition of professional backgrounds, with representatives from the private sector and from various segments of the global public health landscape,” Stern notes. “The board also has notable diversity in terms of appetite for risk. Roughly half of our members are conservative; the others have a ‘go-getter’ perspective. Our diversity creates rich and ultimately very helpful discussions and balances our decision-making.”

Nothing Succeeds Like Succession. Intentional succession planning is important for any organization. For a social sector organization led by a dynamic and visionary founder, it’s an absolute imperative. Founder transitions are fraught with potential challenges—challenges that pivot around primal, life-and-death issues much more than institutional and organizational ones. The same personality traits that drive many founders (an urge to push past apparent constraints, for example) make it hard for them to see their mortality as something that they must plan for.

Which is why it’s never too early to begin succession planning. Leaders at one Kravis Prize organization, Landesa, are standard bearers of that best practice. They identified Tim Hanstad as the future replacement for founder and chief executive Roy Prosterman in 1992—13 years before he took the reins as president and CEO. During the intervening period, Hanstad served as executive director. “We had done so much succession planning for so long that by the time Tim took over, the transition was incredibly smooth,” Prosterman says. (After Prosterman stepped down, he took a seat on the Landesa board. Crucially, however, he had the wisdom to declare that he would never become the board chair.)

Clear Measurement Counts. In conducting due diligence for the Kravis Prize selection process, we have observed how rare it is for organizations to obtain substantive data on whether their intervention actually works. More than 75 percent of the 800-plus nonprofits that we have researched over the past nine years do not have impact data that one could deem reliable. In our view, too many nonprofits fail to appreciate the benefits of rigorous performance measurement.

The gold standard of evaluation methods is the randomized controlled trial (RCT). Many nonprofits are reluctant to embrace RCTs: Not only are RCTs expensive to conduct, but they also risk turning a spotlight on organizational failure. Yet some Kravis Prize recipients are using RCTs to transform their organizations in positive ways. Pratham, for example, has completed 11 RCTs over the past 12 years. “RCTs have been tremendously helpful in letting us zoom in on a strategy that works,” says founder and CEO Madhav Chavan. “The data give us impetus to act. Yes, the RCT process is expensive, but the value is enormous. The RCT process builds internal capacity. After we started doing RCTs, we acquired a better understanding of how to think of impact with a mindset that constantly tries to maximize it.”

These five issues are matters of eternal vigilance for all social sector organizations—prizewinners and non-prizewinners alike. They are conceptually simple but very difficult in practice, because they hinge on perennially challenging trade-offs: Should we accept a generous grant, or should we decline it in order to protect our core mission? Should we spend money on programs, or should we invest in fundraising capacity? The ability to manage such trade-offs, rather than a knack for embracing the latest fads, is what spells success or failure for most nonprofits.

This entry in the “Fundamentals of Nonprofit Management” series appears in a slightly different form in the print edition of the Spring 2014 issue of Stanford Social Innovation Review.

MISSION MATTERS **MOST**

To thrive, a nonprofit organization must develop—and adhere to—a clear statement of its core purpose.

By Kim Jonker & William F. Meehan III Feb. 19, 2014

An old Sicilian proverb says that a fish rots from its head. A nonprofit organization, similarly, rots from its mission.

Nonprofits are, by definition, mission driven. The leaders of a corporation can assert with ease that its purpose is "to maximize shareholder value." From that core purpose, any stakeholder can infer how its performance will be measured and how its leaders will make strategic trade-offs. But nonprofits lack such inherent clarity of purpose. In addition, they usually have multiple stakeholders who have various and conflicting expectations. A mission statement, therefore, is one of the most useful tools that nonprofit entities (including foundations) have available to them. A clear and well-focused mission statement can serve to guide all major decisions that a nonprofit organization must make—especially decisions about which new programs and projects to undertake, which to avoid, and which to exit. Yet this tool frequently goes unused.

Most nonprofits today have missions that are simply too broad. Over the past 16 years, nearly 1,000 students in the "Strategic Management of Nonprofits and Social Ventures" course at the Stanford Graduate School of Business have participated in a class exercise on the topic of organizational mission. In the exercise, they examine the mission statement of a particular nonprofit group, and they also interview that group's stakeholders. Each year, at least 75 percent of these students discover that the mission statement that they are evaluating lacks rudimentary clarity and encompasses so many activities that even a large, resource-rich organization would struggle to do them all, let alone do them with excellence. What's more, very few stakeholders know and understand the mission of their organization, and very few of them feel any degree of passion or commitment toward it. Many of these organizations suffer from the leading virus of the social sector: mission creep.

Mission creep can stretch an organization so thin and so far that it can no longer effectively pursue its goals. In the private sector, it would seem preposterous for a coffee-roasting company to jump into the biotech business or to start manufacturing baseball gloves. Yet nonprofits routinely extend their operations in equivalent ways—they expand their programs far beyond their organizational scope and far beyond their core competencies—and no one raises an eyebrow.

How, then, can a mission-driven organization make pursuing its mission a number-one priority?

Develop an Effective Mission Statement

A strong mission statement that reflects an organization's true mission is the first, best tool to ensure that an organization will resist mission creep.

In "Curbing Mission Creep," published in the winter 2008 issue of SSIR, we used the first winner of the Henry R. Kravis Prize in Leadership—Roy Prosterman, founder of Landesa (then called the Rural Development Institute)—to illustrate the power of an effective mission statement. A clear focus on its mission has enabled Landesa to resist the temptation to expand into countries and environments where it lacks appropriate skills and resources. In the article, we outlined seven characteristics of a well-honed statement of mission: It is focused. It solves unmet public needs. It leverages unique skills. It guides trade-offs. It inspires, and is inspired by, key stakeholders. It anticipates change. And it sticks in memory. The vast majority of nonprofit mission statements, in our view, violate one or more of these guidelines. That failure can have serious consequences: A mission-driven organization with an ineffective mission statement will struggle to develop a durable theory of change and a useful logic model, it will deploy its resources inefficiently, and it will get distracted from its core purpose (if indeed its people understand what that purpose is).

Even some Kravis Prize winners that have achieved extraordinary impact have less-than-extraordinary mission statements. At a daylong retreat held in April 2013, we spent time working with Kravis Prize recipients to assess and improve the mission statements that help define their organizations.

Sakena Yacoobi, founder and CEO of the Afghan Institute of Learning (AIL), bravely volunteered to subject her organization's mission statement to a process of critique and revision. AIL is a rare example of a nonprofit that has produced an extraordinary impact despite having a suboptimal mission statement. Over the past 17 years, AIL has provided transformative education and health care to 11 million people in Afghanistan and Pakistan. As a result, it has achieved significant reductions in infant and maternal mortality rates in the areas where it works. AIL's original mission statement had fallen prey to excessive wordiness; it was a full half-page long. Its usefulness was therefore limited—not least because staff members, donors, and other stakeholders simply couldn't remember it. In addition, there was an opportunity to incorporate language that would be more focused and more inspiring. So we helped develop a new and pithier mission statement for AIL: “to provide education, training, and health services to vulnerable Afghan women and children in order to foster self-reliance, critical thinking skills, and community participation throughout Afghanistan and Pakistan.”

Closely related to the issue of mission statements is the question of whether and when to create vision and values statements. The trend now is for nonprofits to develop mission, vision, and values statements all at once. Our against-the-grain view is that organizations should stop wasting time on vision and values statements, and funders should stop expecting nonprofits to provide such information in grant proposals. A mission statement is critical—but vision and values statements are much less so. When an organization combines those three elements in a single communication, stakeholders are apt to lose sight of what matters most.

A “vision” is exactly what it sounds like; it’s a description of a desired end state. We’ve never seen a mission statement and a separate vision statement that weren’t redundant and, therefore, potentially confusing. If you think that your vision is an essential part of your mission, by all means include it in your mission statement. But for many nonprofits, it’s not essential. A statement of values, meanwhile, can serve a very important internal function. But these days, the values of every organization are pretty much the same. We’re all for diversity. We’re all for leadership. We’re all for collaboration. We’re all for excellence. So why make a special point of it? As with vision, so with values: If you believe that a certain value helps define your organization, then put it in your mission statement.

In general, the effort of trying to convey an organizational mission in two, three, or four sentences— and to do it in a way that is compelling to both internal and external stakeholders—is a very good exercise. It forces you to consider the key underlying compromises that characterize your organization.

Resist the Pressure to Go Astray

There are countless external and internal pressures that will cause mission creep in the absence of strong and intentional pushback. Funders typically want to see the focus of their grantmaking reflected in the mission of the organizations that they fund, and that expectation results in subtle but fierce pressure on nonprofits to broaden the scope of a stated mission. During our discussion with Kravis Prize recipients, we observed that a prevailing theme was the need to say ‘No, thank you’ to funders whose grants might foster that kind of mission creep. “Once, when I tried to protect us from mission creep, I lost a multi-million-dollar funding opportunity,” says Yacoobi. “That was significant for us, because our total budget is only $3 million. I said to the funder, ‘I’m not going to do what you are telling me to do, since it is outside the scope of our mission. I am doing what our beneficiaries need me to do.’ And I lost that funding.” The price of saying no can be very high. But smart nonprofit leaders understand the cost of saying yes.

Funders are generally to blame for the onset of mission creep, but nonprofits usually have internal stakeholders who are complicit in that process. “I call them ‘mission whores,’ and they are at work within most organizations,” says Oley Dibba-Wadda, former executive director of FAWE. “They are internal stakeholders of an organization who are willing to ‘sell out’ by excessively broadening the scope of the mission in order to obtain funding or other advantages.” In our discussion with Kravis Prize recipients, most of them could cite instances when a member of their organization had faced the temptation of mission creep and needed to be reined in by colleagues.

Kravis Prize recipient Soraya Salti, CEO of INJAZ al-Arab, notes that INJAZ recently made a decision to focus exclusively on entrepreneurship education for young people in the Middle East and to shun pressures to expand into start-up funding and incubation. “INJAZ staff and stakeholders at some of our regional chapters were enthusiastically pushing for INJAZ to expand in this [proposed new] direction,” Salti recalls. “They had good reasons: In the Middle East, there is a significant unmet need for funding and incubation for our graduates who desire to use their entrepreneurship education to start businesses. Plus, one of our key donor’s funding criteria [were] shifting from education to new jobs and number of enterprises created. But we ultimately decided that being a seed funder was not our core competency and [that] we should stick to education and matchmaking, because those are the things we do best.”

Embrace the Opportunity to Go Deep

Although nonprofit leaders must learn to say “no” to attractive funding opportunities or compelling programs that are not aligned with their mission, they must also learn to say “yes” to challenges that take their mission to the next level.

During our retreat with Kravis Prize recipients, most of them cited instances when they had said “yes” to an opportunity to tackle an outsized challenge that was aligned with their mission. In each case, they noted, that decision had enabled them to increase their impact dramatically. They also recalled that the decision was far from straightforward, and that it would have been much easier to take a more incremental approach. It is in these instances that pressure from funders can have a positive effect. Madhav Chavan, founder of Pratham, offers an example of that dynamic: “We have many long-term donors who noted our success with elementary education but kept asking, ‘What about vocational training? Wouldn’t this complement Pratham’s other programs?’ Our management team came to realize that they were right—that we needed to launch vocational training services because it was part of the continuum of education and supported our mission”

In very special cases, creating separate organizations that take the form of brand extensions (as they are called in the corporate world) can help a nonprofit to avoid mission creep even as it pursues new and appropriately aligned initiatives. Consider the case of Pratham, which has an admirably brief and well-focused mission statement: “Every child in school and learning well,” There were clear and compelling reasons for Pratham to develop wrap-around services, such as vocational training and children’s-book publishing, that would complement its learning programs for elementary school children. Yet because these initiatives were beyond the explicit scope of its mission statement, Pratham launched separate organizations—one called Pratham Books and another called the Pratham Institute for Vocational Training. Each of those organizations has a separate board, with Pratham essentially functioning as a holding company for these distinct but closely aligned entities. The mission statement for Pratham Books, incidentally, not only reflects that group’s connection to Pratham’s core mission; it also offers a prime example of what a well-crafted mission statement looks like: “A book in every child’s hand.”

FUNDRAISING IS FUNDAMENTAL

(IF NOT ALWAYS FUN)

Overcoming a reluctance to ask people for money is a crucial step that every nonprofit leader must make.

By Kim Jonker, William F. Meehan III, and Ernie Iseminger Feb. 26, 2014

To scale up, a nonprofit organization of course needs money. There's never enough of it. Despite its importance, though, the work of raising money is widely perceived as one of the least pleasant and most difficult aspects of nonprofit leadership. As a consequence, development has become one of the most under-appreciated functions in the nonprofit world.

Most nonprofit leaders, in fact, are uncomfortable with asking people for money. What's more, in conducting due diligence for the Henry R. Kravis Prize in Leadership over the past several years, we have observed an unfortunate inverse correlation within the nonprofit landscape: The organizations that have the most compelling logic models and the most impressive record of impact (as demonstrated by external impact evaluations) tend to be the worst at raising money—and vice versa. At many bold and extraordinary nonprofits, people cease to be bold when the topic of fundraising comes up. All too quickly, they throw up their hands and say, in effect, "I tried it once. It didn't work."

Consider FAWE, a Kravis Prize winner that promotes girls' education in 33 African countries. FAWE has been responsible for securing educational opportunities for 12 million African girls who otherwise would not be able to attend school. It didn't attain that level of impact by being the kind of organization whose people give up easily. But FAWE has struggled to gain traction when it comes to undertaking bold fundraising efforts. In 2010, for example, the organization launched a major initiative aimed at raising money from US donors. Its leaders invested a great deal of time and energy in the initiative, and they even brought on-board two costly US-based fundraising consultants. But in the end, they had little to show for their effort. "We understand that philanthropy is much stronger in the US than anywhere else, but after so much wasted effort we could only conclude that it is simply not a good use of our time to try to raise money from American donors," says Oley Dibba-Wadda, former executive director of FAWE.

Let's face it: Raising money is difficult, and for most people it's not very pleasant, either. But nonprofit leaders who want their organizations to grow must redouble their commitment to fundraising, even if their initial efforts on that front have been unsuccessful. Here are three tried-and-true principles that effective fundraisers have learned to follow.

Spend Money to Raise Money

Many social entrepreneurs can't imagine getting to the point where they have the resources to justify asking somebody for a lot of money. It's a classic chicken-and-egg problem. Kravis Prize recipient Roy Prosterman, founder of Landesa, explains how his organization struggled with that challenge: "We spent more than 20 years working out of a small apartment on an annual budget of less than $2 million. In fact, for much of that time, our budget was less than $200,000. We were so accustomed to our shoestring budget—on which we still managed to achieve significant impact—that it was difficult to imagine a major step-up." But winning the Kravis Prize gave him and his organization the impetus to change course. "Our credibility and profile increased, and we invested in development functions. All of this led to various sources of new funding that fueled big efforts to scale," Prosterman says. Today, he notes, Landesa has an annual budget of about $13 million.

Once a leader like Prosterman demonstrates that a model has impact, he or she often must take on the role of salesperson: To replicate a model on a large scale requires resources, and that means selling the model to donors. To manage this transition and to raise money successfully over the long run, a nonprofit leader simply must hire fundraising professionals and spend money on development functions. A typical nonprofit should have three or four development officers, and each of them should have a portfolio that involves handling relationships with 50 to 250 donors and prospective donors. According to one broadly accepted metric, every dollar spent on development will raise four dollars for an organization. That won't happen right away. It's typically a 12- to 18-month process that requires a fair amount of patience. But given the payback that an organization is likely to reap within two years, it's a no-brainer.

Kravis Prize recipient Johann Koss, founder of Right to Play, expanded his organization's budget from $2 million in 2001 to $42 million in 2013—and he did so by investing in fundraising resources. "In 2002, we were very fortunate to raise an additional $5 million, but we resisted pressure to spend it all on programs," Koss says. "Instead, we reinvested 40 percent of it in development." With that money, he and his team hired a director of development and several major gift officers, along with development personnel who target donors across Canada, the United States, and Europe.

Go Where the Money Is

Willie Sutton, a famous US criminal of the early 20th century, was asked why he robbed banks. “Because that is where the money is,” he famously responded. Nonprofit leaders should seek out donations in much the same spirit. Most of the money in US philanthropy comes not from foundations but from individuals. In 2012, according to a report issued by the Giving USA Foundation, only 5.7 percent of the $316 billion of that was spent on philanthropic giving in the United States came from corporations, and only 14.5 percent came from foundations. In fact 72.4 percent of the total came from individuals—a sum that would be even higher if it included giving by foundations that have living founders. (The remaining 7.4 percent came in the form of bequests, and most of that money also came from individuals.)

The organizations that are most successful at fundraising rely overwhelmingly on donations from a relatively small number of individuals. They might also pursue a mass-marketing strategy that involves direct-mail campaigns and the like, but that’s a difficult and time-consuming affair. The real money lies in tapping high-net-worth donors with whom an organization has a deep relationship. Targeting a small number of individual donors has the additional advantage of minimizing the need for laborious grant applications to foundations, and it makes organizations less vulnerable to political shifts that lead to cuts in government funding. “The major gift officers that we hired helped us to cultivate relationships with individuals,” Koss says of fundraising efforts at Right to Play. “Individuals’ giving currently comprises approximately 38 percent of funds raised, and will continue to increase in the future.”

A cardinal rule of nonprofit fundraising is to start with members of your board. There should be an expectation that board members will not only make a major financial gift to your organization, but also help to identify, cultivate, and approach other potential donors. If members of your board aren’t contributing in these ways, then you need to get a new board. The organizational culture of Right to Play reflects that principle. “Expectations of board members regarding development are very explicit,” Koss says. “Every board member is expected to make Right to Play one of their top three priorities for charitable giving, and also is expected to help us raise money from others. Every year, the board chair and I have a conversation with each board member about what they’ve given, what they’ve raised from others, and plans for next year.”

Sometimes it’s not enough to go where the money is; you also need to go where the money will be aligned with your mission. For that reason, nonprofit leaders should consider taking money only from funders that form a good fit with them. Like it or not, your funders will shape your future. Do not assume that you will be strong enough to resist pressure from them. An unaligned funder will chip, chip, chip away at your sense of mission. “It’s incredibly difficult, but we have turned down big money either because the funding had too many strings attached or because the funder’s expectations would have taken us off-mission,” says Robin Smalley, cofounder of the Kravis Prize-winning organization mothers2mothers. “My experience is that funders really respect it when an organization puts mission and constituents’ needs first. I feel blessed because our funders are people who genuinely care about the same things we do: the mothers and babies we serve.”

Conquer Your Fear of Asking for Money

To overcome the discomfort that you feel when talking about money, start by changing your mindset. If you really believe in your organization’s mission, then think of it this way: You’re doing potential donors a favor by inviting them to support your work. “Of course, every nonprofit leader is uncomfortable asking for money,” says Koss. “By definition, our passion is making change in the world, not asking for money. The best way to deal with this is by talking mostly about the passion: Bring the donors along on the journey.”

You have to ask people to make a donation; it won’t just happen automatically as a result of cultivating a relationship with them. Be specific and concrete. And ask for the actual amount that you hope to receive. There are some fundraisers who believe that you should ask for twice as much as you want, so that if you get half that much, you’ll still be happy. That’s one approach, to be sure, but it’s not one that we favor. How authentic will you seem to donors if you play that kind of game with them?

You need to make a plan for each of your top prospects, and the plan should include a detailed survey of their interests, their passions, and the sequence of steps that you will take to cultivate them. It’s a game of chess, not checkers: You need to think three, four, or five moves ahead, and that means planning your fundraising activity 12 months, 24 months, or even 36 months in advance of when you hope to make a formal “ask.”

If the circumstances are right, ask for a matching gift that will help you raise additional funds from others. Make sure that the terms of the match are reasonable and not too restrictive, and that the match reflects your priorities as an organization. Sometimes a donor will urge you to accept a matching gift that suits the donor’s priorities, and not yours. In that case, we advise you to say no. In structuring a matching gift, remember: The easier it is to explain, the better off you are. A one-to-one match ratio, for example is always the best way to go.

Thank your donors for their gift, and take care to be a good steward of that gift. Thanking people isn’t just the right thing to do; properly done, a thank-you also sets the stage for the next gift. Indeed, the best fundraisers always assume that the first gift is never the last gift. Stewardship, meanwhile, is by far the most ignored and overlooked aspect of fundraising. If you thank your donors and steward their donation with care, you’ll find that asking them for money gets easier, not harder.

A BETTER BOARD WILL MAKE YOU **BETTER**

High-performing nonprofits benefit from having a board of directors that functions as more than a rubber stamp.

By Kim Jonker & William F. Meehan III Mar. 5, 2014

Most nonprofit boards are ineffective. We suspect that few people in the nonprofit sector would argue with that proposition. Although some of them might sit on a board that they believe performs at a high level, they're unlikely to deny the larger point: Like government inefficiency, technological change, and failed diets, the ineffectiveness of nonprofit boards is something that we just accept as being practically inevitable. But exceptional nonprofit boards do exist. And any board can improve its performance if its members are willing to confront the people, process, and behavioral challenges that drag competent people into an abyss of ineffectiveness.

When a nonprofit has a mediocre or inattentive board, it becomes all too easy for the entire organization to head down the wrong strategic path—to make bad choices about program areas, or to venture into geographic locations that don't make strategic sense. Weak board governance, in short, can significantly diminish the impact that a nonprofit has on its beneficiaries and ultimately cause it to founder and even die.

In conducting due diligence for the Henry R. Kravis Prize in Leadership, we take special care to examine board governance. We look at the composition of each organization's board, and ask questions about how the board operates. With the majority of organizations that we examine, we get unsatisfactory answers to those questions. To take an egregious example: Through the Kravis Prize website, we learned about an international poverty alleviation organization that had developed an interesting logic model. Yet for nearly a decade, the board of this organization consisted only of a handful of the founders' US-based childhood friends, none of whom had any substantive experience or relevant professional expertise in international poverty alleviation. How, we asked, could that group of people amount to anything other than a rubber-stamping "yes" board?

Organizations with boards that are consistently effective, we have discovered over the years, attain that level of performance because their leaders heed three enduring principles.

Emphasize Engagement

To be truly effective, members of a nonprofit board must engage directly and deeply in the substantive work of their organization. That's the only way that they can provide valuable and timely input.

First and foremost, board members must engage with the mission of their organization. Take Helen Keller International (HKI), recipient of the 2014 Kravis Prize. Its mission is to prevent and treat blindness and malnutrition, and it has become a rare example of highly effective governance in part because its board members have such a solid grasp of that core purpose. "HKI has in its organizational DNA a deep sense of mission and focus," Kathy Spahn, CEO, explains. "The board takes the initiative to periodically review our mission as part of strategic planning. HKI is somewhat unusual in that we require our board members to visit our programs in Africa and Asia at least once every three years. They come back not only inspired and passionate about our mission, but also with a deep understanding of what is involved in executing on that mission. For example, they learn that dispensing a Vitamin A capsule is not as simple as it sounds!"

Every other year, the HKI board works with staff to conduct an organizational effectiveness assessment and to set goals for the future. A primary area of focus in this assessment is "mission effectiveness," as HKI leaders call it. "At the board level, HKI sets measurable standards and mission-critical targets," Spahn explains. "We are self-reflective and open to criticizing ourselves, and that frees us up to speak about HKI's challenges and how to address them."

To ensure that board members remain engaged during meetings, HKI leaders build their meeting agenda around high-level strategy discussions "We had an important discussion in a recent board meeting about whether we should enter Kenya—the pros, the cons, the trade-offs—and the board members gave HKI their best strategic guidance," Spahn says. A crucial part of that approach, she notes, involves keeping the minutiae of committee work off the agenda: "Committee reporting is done beforehand within the committees and also provided in written form, so that in board meetings we can discuss and engage."

If board members don't engage directly and deeply in the substantive work of an organization, then board meetings will degenerate into a staff-driven, pre-baked exercise. (Allow us to unveil a nasty secret of the nonprofit world: Staff members often like it that way.) Most board members, of course, are bright people who have a wealth of experience. But they often lack expertise in the day-to-day work of the organization on whose board they sit. So how can they engage with that work? Start by taking a page from the HKI playbook, and make field visits to see program activity firsthand. Next, be willing to ask stupid questions at board meetings. And keep asking stupid questions until you figure out what the “smart” questions are. Then make staff members answer your questions. There’s nothing wrong with causing a good discussion to break out in the middle of a board meeting!

Leaders at mothers2mothers, a Kravis Prize organization, take that lesson to heart. Its board members “talk and argue to such an extent that meetings can be exhausting!” says Andrew Stern, founding chair of the mothers2mothers board. “They come to our two-day-long meetings to guide the organization’s strategy and to make critical decisions. They are not attending in order to listen to updates, nod, and then go home.”

To build a board of fully engaged members, an organization must also address the perennial (and perennially contentious) issue of terms and term limits. In general, we believe in limiting terms—but not in term limits. Each year, board members should evaluate their own, and each other’s, commitment to their organization. And they should be ready to hold candid conversations with non-contributing or disruptive members. To be sure, it’s difficult and uncomfortable to ask a fellow board member to step aside. Yet a governance committee is supposed to do just that. The alternative of imposing formal term limits will have the unfortunate effect of forcing out board members who continue to contribute at a high level. In fact, many of the best nonprofits have two or three board members who maintain their passion for an organization for a couple decades or more. For organizations that aren’t able to manage board tenure on a case-by-case basis, we suggest a compromise: Invite each member to serve two three-year terms, followed by a year off and then (for those who are worthy of returning to the board) by another two three-year terms.

Tend to the Top

One of the most important responsibilities of a nonprofit board involves hiring and evaluating an organization’s CEO or executive director. But too many nonprofits lack even a basic process for evaluating their top leader: It’s just too awkward, apparently, to talk about performance. Nonetheless, every nonprofit board needs to develop a thorough and objective process for assessing the performance of the person who leads their organization.

Kravis Prize recipient Johann Koss, founder and CEO of Right to Play, undergoes an especially rigorous ongoing evaluation process. It unfolds on a quarterly schedule, and the Right to Play board leads the effort. In the first quarter of each year, the board conducts a performance appraisal. In the second quarter, Koss works with the board to develop and refine a talent management plan that covers contingencies (an “if I get hit by a bus,” emergency, for instance) as well as provisions for long-term succession. In the third quarter, Koss receives a 360-degree review in which he gets feedback from a group of stakeholders that includes not only board members, but also his 10 direct reports. In fourth quarter, Koss and the board work collaboratively to create goals for the following year. “Some CEOs or executive directors might view such an intensive and time-consuming process as burdensome, but because the resulting content is substantive and honest, it is extremely helpful to me and ultimately to our whole organization,” Koss says, “Our process gives me tremendous clarity about how to leverage my strengths and how to address my weaknesses. Consequently, I can lead more effectively.”

Being clear and explicit about the respective roles of board members and top leaders is another common attribute of effective nonprofit boards. When Spahn was interviewing for the CEO position at HKI, for example, she worked to clarify those roles before she accepted the job. “This clarity has been very helpful in our working relationship,” she says. “The board is highly involved, but they don’t cross the line into micro-managing. The board chair and I have an excellent partnership; there is no power struggle because we are in charge of different things. I am in charge of managing the organization, and he is in charge of leading the board in its governance of HKI and in setting policy.”

So who, more generally, is actually “in charge”—the board (led by the board chair) or the executive director? In our experience, a certain amount of ambiguity around that question can make an organization stronger: Although clarity about roles is important, it’s often beneficial if both parties believe that they shoulder ultimate responsibility for the organization’s impact and effectiveness.

Cultivate the Right Composition

What’s the right mix of people for a nonprofit board? Perhaps the best answer to that question lies in the venerable idea of “the 3 W’s”: work, wisdom, and wealth. The goal, in other words, should be to attract board members who bring one or two or even three of those assets to their organization.

Many nonprofit directors focus on contributing their work—their time, their energy, their advice. And, other things being equal, that work will be most valuable when it helps to create a diversity of viewpoints. The composition of a board, therefore, should be as balanced as possible. “Our board has a diverse composition of professional backgrounds, with representatives from the private sector and from various segments of the global public health landscape: policy, on-the-ground implementation, academic medicine,” says Stern, of mothers2mothers. “The board also has notable diversity in terms of appetite for risk. Roughly half of our members are conservative; the others have a ‘go-getter’ perspective. Our diversity creates rich and ultimately very helpful discussions and balances our decision-making.”

Effective boards also typically have a few members who contribute their wisdom—a special talent or expertise that helps an organization to achieve its mission. Kravis Prize recipient Soraya Salti, CEO of INJAZ al-Arab, notes that her organization relies on a regional board that consists mostly of CEOs and other business executives from the

Middle East. “One of the goals of INJAZ is to harness the mentorship of Arab business leaders to help inspire a culture of entrepreneurialism among Arab youth who otherwise might face unemployment,” she says. Because the INJAZ model depends on leveraging corporate volunteers who provide education and training, having a board filled with business leaders is pivotally important. “INJAZ board members act as ambassadors in their own organizations,” Salti explains.

As we noted elsewhere, a key responsibility of any nonprofit board is to provide wealth to an organization. At least some board members should be in a position to give generously and to solicit generous donations from others as well. At INJAZ, each member of the regional board is expected to commit $50,000 annually to the organization, and donations from that group typically make up roughly 15 percent of total revenues. To ensure a high level of commitment to fundraising, leaders at Right to Play involve board members heavily in discussions of the organization’s budget. “Our budget discussion is central because our board members need to take ownership,” Koss says. “We start the budget discussion for the following year in May-June, and then 7 hours of our 10-hour November board meeting is devoted to the budget—how to raise funds, and what the consequences are if we don’t.” At HKI, meanwhile, the expectation is that board members will not only support the organization with an annual gift, but also include the nonprofit in their will. “Fueled by their site visits,” members of the HKI board have become “passionate fundraisers,” Spahn notes. “They can speak firsthand about what they’ve seen and our impact on lives.”

NOTHING SUCCEEDS LIKE **SUCCESSION**

One test of a nonprofit organization hinges on whether it can manage a difficult leadership transition.

By Kim Jonker & William F. Meehan III Mar. 12, 2014

Many nonprofit executive directors, and indeed many other leaders as well, first consider the notion of their professional mortality when they reach their late fifties or sixties. All too often, they react with denial, and with an urge to rear back and tighten their grip on power. At about the same time, other responsible parties within an organization will begin to consider when and how to replace a top leader who is nearing the end of his or her prime. The result is a primal human conflict that looms as one of the most difficult challenges that a nonprofit organization will face. In the end, however, the need to plan for the future of an organization must win out.

Intentional succession planning is imperative not only in organizations with an executive director who is heading toward retirement age, but in every kind of organization. That's particularly true in cases where a dynamic and visionary founding leader remains at the helm. The need for a "founder transition"—a transfer of power to a more professionalized second generation of leadership—often comes far earlier than the moment when a founder is inclined to embrace it. The failure to manage such a transition successfully is what kills most entrepreneurial ventures, be they social or commercial. In any context, founder transitions are fraught with potential challenges, and those challenges pivot around highly emotional life-and-death issues that are at least as much personal as they are institutional.

Succession planning, in fact, is one of the most frequently requested topics of discussion at the annual retreat for recipients of the Henry R. Kravis Prize in Leadership that we facilitate. Even the remarkable people and organizations that have won this prize struggle with handling leadership transitions. In part, that is because many Kravis Prize organizations have founders who are still active.

The dominant personality traits of those who build great social organizations include a visionary approach to society and an ability to see through constraints—the constraints of time, in particular. Many nonprofit leaders talk about the future of their organization in the present tense, as if their vision for that future had already come to pass. And with those traits comes a deep reluctance to see one's mortality as something to plan for.

Nonprofit leaders can delay or neglect succession planning, but succession itself is unavoidable. Here, then, are three principles that typify nonprofits that are not only effective but also enduring.

Get Real

Stakeholders in an organization should find out if their founder or executive director has a realistic sense of when and how succession should occur. Kravis Prize recipient Sir Fazle Hasan Abed, founder of BRAC, is one visionary leader who was able to develop realistic expectations in this area. BRAC, founded in 1972, is the largest nonprofit in the world. It reaches more than 100 million people per year in Bangladesh and across the world through anti-poverty, health care, and education programs. Abed served as executive director of BRAC until 2000, but he started identifying potential successors as early as 1990. Since 2000, BRAC has had three executive directors, and BRAC International (which oversees programs in 11 countries outside Bangladesh) has had three directors as well. Abed now serves as chair of the organization. "I have tried to ensure succession at BRAC without thinking about myself," he says. "I wanted to address succession from the inside by gradually taking steps backwards and seeing how things worked out. I believe an organization can have more than one leader; in fact, leadership roles should be well dispersed throughout an organization."

The oldest Kravis Prize recipient organization, Helen Keller International (HKI), established a track record of smooth leadership transition as far back as 1920. Its founder, George Kessler, was a New York wine merchant who began to develop what would become HKI after he survived the sinking of the Lusitania by a German U-boat in 1915. While he was recovering from that event in London, he resolved to devote his remaining years to helping soldiers who had been blinded in combat. He and his wife began to organize a fund for that purpose, and they asked Helen Keller, the deaf and blind woman who had become an advocate for the disadvantaged, for her support. She enthusiastically agreed, and the Permanent Blind Relief War Fund for Soldiers & Sailors of the Allies was incorporated in 1919. (The organization later changed its name to Helen Keller International, and its mission evolved to encompass the prevention and treatment of blindness and malnutrition in other populations.) The next year, Kessler died. What kept the organization from undergoing a succession crisis is the fact that early on Kessler had brought in "centers of influence" to help him pursue its mission. In addition to involving Keller, he had enlisted support from another center of influence—the Wall Street lawyer William Nelson Cromwell. In 1920, Cromwell succeeded Kessler as president. "Cromwell was already highly involved in the organization when Kessler died. Consequently, the succession happened very naturally and very smoothly," notes Kathy Spahn, the current president and CEO of HKI. To this day, Cromwell's law firm, Sullivan and Cromwell, remains a force that provides leadership continuity to HKI: Attorneys from the firm have served on the board of the organization for nearly 100 years.

Start Early

You cannot begin succession planning too early. Even a time horizon of 10 years or more isn't too long when it comes to setting a leadership transition in motion. At Landesa, leaders identified Tim Hanstad as the future replacement for founder and chief executive Roy Prosterman in 1992—but Hanstad didn't officially become president and CEO until 2005. During the intervening 13 years, Hanstad served as executive director, and in that capacity he honed his skills and developed his credibility among various Landesa stakeholders. "We had done so much succession planning for so long that by the time Tim took over, the transition was incredibly smooth," says Prosterman. The Landesa approach, we believe, sets the best-practice standard in this area.

After stepping down from his executive position, Prosterman took a seat on the Landesa board. Crucially, however, he had the wisdom to declare that he would never become the board chair. We generally believe that the former founder who has served as chief executive or executive director should not become the board chair, and should consider stepping away from the board altogether. An effective board must have a safe environment in which to think critically, to reconsider what was done in the past, to challenge sacred cows. Yet most founders, consciously or not, will want to protect their legacy.

That said, we recognize that there are exceptions to every rule. Fazle Abed, as we noted, stepped down as executive director of BRAC but continues to serves as chairman of that organization, and by all accounts that arrangement appears to be working. "BRAC has benefited from the long-term commitment and continuity of its leadership," says Susan Davis, founding president and CEO of BRACUSA. To emphasize that point, Davis notes that the founding chair of BRAC remains on the BRAC board and that the board elected a former BRAC deputy executive director to serve as its vice chair.

Deliberate, advance succession planning is important not only for the founder or executive director role, but also for other key positions on the senior management team of an organization. Focusing only on the founder "does an organization a disservice," Abed argues. "BRAC now conducts succession planning at every level. We learned that we must pay attention to the pipeline." Abed cites an occasion when that lesson was brought home for him: "We were taken by surprise when a critical member of the senior management team passed away unexpectedly in 2010. He had been my right-hand person since 1976. Fortunately, we had some bench strength. But we learned firsthand the importance of succession planning."

Use Your Board

Board members must understand that one of their primary responsibilities involves hiring, evaluating, and (when necessary) replacing the chief executive of their organization. The task of replacement becomes especially difficult when there is a founder at the helm and when board members' respect for that founder compromises their ability to act with resolve. Long friendships can be put at risk, tight-knit boards can unravel, and organizations can lose their focus—all because a board is unwilling or unable to ensure a strong transition to the next generation of leadership.

The board—usually through its chair—must initiate a conversation about succession in situations that involve a founder or long-standing executive director. In doing so, board members should understand that they are entering very complex psychological territory. Expect resistance: passive resistance, active resistance, and every other kind of resistance. At this point, a board leader's responsibility to the organization may conflict with his or her personal regard for the founder or executive director. Not infrequently, an effective succession process will harm that personal relationship.

Yet a contentious relationship between a founding leader and a nonprofit board is by no means inevitable. Kravis Prize recipient Johann Koss, founder and CEO of Right to Play, has worked productively with the board of his organization to develop a formalized succession planning process. Every year, as part of his performance review, the board collaborates with Koss to update a talent management plan that covers contingencies (an "if I get hit by a bus" emergency, for instance) as well as provisions for long-term succession. "The planning is beneficial to the organization in many ways," Koss says. "Having conversations with my board on succession planning helps me assess talent within the organization on a regular basis. It also forces me to think proactively about how I can coach and develop my direct reports so that they have the skill set necessary for promotion."

CLEAR MEASUREMENT **COUNTS**

A commitment to impact evaluation is the mark of a nonprofit organization that takes its work seriously.

By Kim Jonker & William F. Meehan III Mar. 20, 2014

Rigorous performance measurement has become the Holy Grail of the social sector: It's a lofty goal that inspires a noble yet meandering journey—a journey that features many false paths, and very few signs that might tell seekers whether they are making any progress. And the seekers face conflicting incentives that make the journey still more difficult. (Grantees and funders, in other words, don't even agree on what the object of their quest looks like.) There are notable exceptions, of course. But our overall assessment of the situation as it stands today is a variation on an old joke: Nonprofits pretend to measure impact; funders pretend to believe them.

In conducting due diligence for selection of the Henry R. Kravis Prize in Leadership, we have observed how rare it is for organizations to obtain substantive data on whether their intervention actually works. More than 75 percent of the 800-plus nonprofits that we have researched over the past nine years do not have impact data that one could deem reliable. In our view, too many nonprofits still fail to develop rigorous performance measures, and too many funders not only fail to demand clear measurement but also decline to pay for it.

When nonprofits do attempt to measure performance, they tend to become preoccupied with metrics that demonstrate how busy their staff members are (the number of activities conducted, the number of people reached, and so on), and they give short shrift to more relevant metrics that indicate whether their programs are actually improving people's lives. In general, there is a tendency to ignore the wisdom of Einstein's dictum: "Not everything that counts can be counted, and not everything that can be counted counts."

In a social sector that lacks a market-like mechanism to separate the wheat of effective intervention from the chaff of mere good intentions, performance measurement is essential. Below are three broad principles that nonprofit leaders should follow in gauging whether and how their organization is making an impact.

Be Brave

Nonprofit leaders commonly claim that they don't have the money to invest in impact evaluations—that they must devote their scarce resources to programs that help beneficiaries. In our view, if a nonprofit can't afford to conduct an impact evaluation, then it's not ready to scale up in a significant way: If you can't demonstrate that your logic model works, why should anyone fund you? We find complaints about an excessive focus on evaluation to be largely a smoke screen.

Several Kravis Prize winners provide notable exceptions to the general pattern of measurement avoidance. These organizations stand out for their willingness to accept the costs—and to embrace the risks—that impact evaluation often entails. Since 1975 (just three years after its founding), BRAC has been a trailblazer with respect to conducting rigorous evaluations. The organization "invested very early in creating internal evaluation capacity, and that has continued to be a priority over the past 30 years," says Kravis Prize recipient Sir Fazle Hasan Abed, founder and chairman of BRAC. The organization maintains a research website that features more than 1,000 publications related to the evaluation of BRAC programs, and Abed notes that BRAC's research and evaluation department has become "a particularly strong place to prepare for senior leadership." (The current vice chair of BRAC, for instance, came from that department.)

Abed and his team also understand that nonprofits should use performance measurement not as a one-off exercise to appease funders, but as an essential management tool. "Many at BRAC feel that there is too much evaluation work being imposed by funders, and not enough originating with nonprofits that want to improve. Everyone should be asking: Impact evaluation for what end? Funders and their grantees need to shun gimmicks," says Susan Davis, president and CEO of BRAC USA.

BRAC has a distinctively "failure-focused" approach to using evaluation as a management tool. By regularly identifying points of difficulty, the organization is able to adjust its programs continuously. In 1979, for instance, BRAC launched an oral rehydration program to treat diarrhea, a leading cause of death in children under the age of five. During its initial phase, the program was not meeting its goals, and an evaluation identified a host of challenges. Health workers, for instance, weren't using the program methods at home with their own children—a clear sign of a more systemic problem. BRAC brought in an anthropologist who discovered that there was an underlying gender issue: BRAC hadn't persuaded men in the program's target households to use the treatment. The evaluation process also led BRAC to develop an incentive payment structure for health workers who promoted the oral rehydration therapy. "The program became enormously successful mainly due to continuous monitoring and evaluation of program effectiveness," says Abed.

Be Rigorous

Scholars, practitioners, and others have made enormous progress in analyzing the conceptual underpinning of rigorous performance measurement. (For a good summary of that development, see "Advancing Evaluation Practices in Philanthropy," a series of articles published as a special supplement to Stanford Social Innovation Review.) The key concepts are as straightforward as they are powerful: Start with a mission-focused theory of change. Outline a logic model that shows a clear connection between your intervention and your desired outcome. Recognize that an analysis of costs and benefits lies at the core of any viable measurement methodology. And leverage the lesson that it took decades for development economists to discover about measuring approaches to poverty alleviation: Prioritize micro over macro.

Randomized controlled trials (RCTs) are the gold standard of evaluation methodologies. They not only incorporate all of those key attributes but also address the counterfactual—by demonstrating what happens in the absence of an intervention. Yet many nonprofit leaders are reluctant to embrace randomized evaluations. The RCT process, they say, is expensive and time-consuming; it can compromise a nonprofit's ability to control its own programs; and it can turn an unwelcome spotlight on instances of failure. (We acknowledge, by the way, that RCTs aren't the appropriate evaluation tool for every kind of program. Our main point here is that use of RCTs is much less common that it should be.)

Pratham, another Kravis Prize recipient, has overcome those challenges, and today it uses randomized evaluations to transform its operations for the better. Over the past 12 years, the organization has completed 11 RCTs. "Randomized controlled trials have been tremendously helpful in allowing us to zoom in on the strategy that works, and to change the model when it didn't work," says Madhav Chavan, founder and CEO of Pratham. By way of example, he cites a Pratham program in India that uses volunteers to help teach children to read. "We had previously thought that volunteers by themselves tutoring kids after school would make a difference. But when you look at the change in learning profiles for the kids, fully relying on volunteers does not work," Chavan explains. "We had suspected this was true, but once there was data, we acted. We changed our model completely based on these studies."

In addition to enabling improvements in program strategy, RCTs can bring great benefits across a nonprofit by instilling a "measurement mindset," as Pratham leaders call it. "The RCT process is expensive, but the value is enormous because it builds internal capacity," Chavan argues. "After we started doing the RCTs, our entire organization started understanding data much better, and we acquired down the line a better understanding of how to think of impact."

Chavan and his team have successfully navigated the control-related challenges that come with the RCT process. He recalls working with evaluators from the Abdul Latif Jameel Poverty Action Lab (J-PAL) at MIT: "When we were first approached by J-PAL, an evaluator looked me sternly in the eye and said, 'Madhav, if you say yes, remember that I will take control of your organization!' When we broke for lunch, one of my colleagues said to me, 'Do we really want to get into this? Who is this guy? The university people, what do they know?' But we said, 'Let's take the risk.' You have to trust them. You have to let the evaluators take over to prevent data contamination. If you start by doubting your evaluators, you are finished before you start."

Whether a nonprofit undertakes an RCT or another type of evaluation, it should consider inviting a third party to conduct the evaluation externally. Kravis Prize recipient Vicky Colbert, founder and executive director of Escuela Nueva, notes that her organization has benefited significantly from 12 external evaluations that it has undergone over the past two decades. "As Escuela Nueva has grown over the years, data and analysis from external sources have been extremely helpful in paving the way for us to scale," Colbert observes.

To cite one example: A research initiative led by Patrick McEwan, a faculty member at the Stanford University School of Education, evaluated the effectiveness of an Escuela Nueva (EN) program in Colombia. McEwan found that the program had positive and statistically significant effect on Spanish and mathematics achievement among third-grade students and on Spanish achievement among fifth-grade students. Yet his research also uncovered troubling variations in program implementation from one school to another: Less than one-half of schools in the program were using official EN textbooks, and one-third of those schools did not have libraries. Colbert and her team used that information to adapt the EN program. "Stakeholders, both internal and external, are less likely to dispute [program] changes when they are a response to real data," she says. "The improvements that we made, coupled with the many evaluations that demonstrated that our approach really worked, gave us momentum to scale."

Be Strategic

Effective evaluation enables an organization to exert influence across the nonprofit sector and to generate momentum for a particular type of intervention. The 2014 Kravis Prize recipient, Helen Keller International (HKI), treats the evaluation process as a way not only to refine its own programs, but also to inform and shape the work of others. In just the past year, CEO Kathy Spahn notes, HKI programs have been the subject of 32 evaluations (many of them conducted by external evaluators). "Whether the data demonstrates success or highlights challenges, we share lessons learned directly with our partners," Spahn explains. "We also publish our results in peer-reviewed journals and other publications." Andrew Fisher, executive director of the Lavelle Fund for the Blind, a long-time funder of HKI, praises the organization's sector-wide impact: "We have made some of the largest grants in our history to HKI in part because HKI is a leader in its field, known not only for effective implementation but also for the rigorous evaluations that it disseminates throughout the eye-care field." HKI, for instance, was a pioneer in using PEC (post-event coverage) surveys to verify the reach of its Vitamin A supplementation program and to determine how best to target hard-to-reach populations. The organization then shared its findings with partner groups such as UNICEF and the Micronutrient Initiative.

In another example, HKI's Homestead Food Production program in Bangladesh underwent both an internal evaluation and an external evaluation conducted by the International Food Policy Research Institute. On the basis of those evaluations, the program became a featured best practice in a high-profile review called "Millions Fed: Proven Successes in Agricultural Development." This review, funded by the Bill & Melinda Gates Foundation and developed in response to the 2008 food crisis, greatly heightened interest in Homestead Food Production and led others to adopt similar approaches.

Leaders at BRAC have made a similar commitment to sharing lessons that emerge from their evaluation efforts. After an impact evaluation revealed that a BRAC microfinance program was not reaching the poorest people in its target population, for example, BRAC developed a new program called Targeting the Ultra-Poor. From the start, BRAC approached evaluation of this new program with the goal of sharing lessons with the nonprofit sector as a whole. To showcase program results, the organization helped form a broad community of practice that includes the Consultative Group to Assist the Poor, the Ford Foundation, the London School of Economics, and Innovations for Poverty Action. "BRAC has compelling evidence that not only guides our own work but also influences others to invest in what works to eradicate extreme poverty," Abed says.