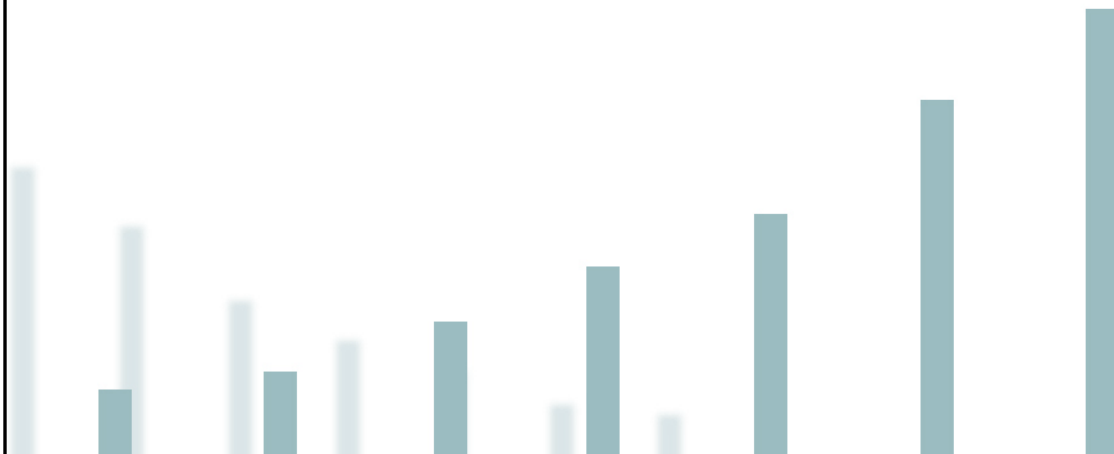


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From Aspirations to Impact: Making Mission Strategic

The Bridgespan Group



Many David-sized nonprofit organizations have Goliath-sized aspirations. Habitat for Humanity, a good-sized organization in terms of the nonprofit sector, but a small one given its mission, wants to “eliminate poverty housing and homelessness from the world, and to make decent shelter a matter of conscience and action.” NRDC’s chief priority is arresting global warming, even though it’s entire budget is only 1% of what the major car companies spend on advertising each year. Harlem Children’s Zone strives to “improve the lives of poor children in America’s most devastated communities.”

Developing practical, workable ways to achieve audacious and inspiring missions like these has always been a key ingredient in successful nonprofit leadership. But the challenge of mapping limited resources against seemingly unlimited needs has never been more critical than it is today.

The 1990s were a period of unprecedented growth for nonprofit organizations. From 1987 to 1997, the number of U.S. nonprofit organizations of all sorts increased by 65%. Funds to support this growth came from federal and state government agencies, with government payments jumping nearly 80% over the same time period.¹ But money also poured into the sector from a widening circle of individual and institutional philanthropists, whose portfolios were rising along with the bull market of the dot.com era. Now, this pattern has been sharply reversed. Philanthropic resources have contracted, and government funding at very level has been shrinking dramatically. Yet the needs that many nonprofits address are as great as ever, if not greater.

The consequences of this squeeze are increasingly evident throughout the nonprofit sector. From small, neighborhood organizations to large, multi-service agencies, nonprofit leaders and their boards are reordering priorities and reducing programs and staff. The premium on getting these decisions right is great, and the

¹ The Independent Sector’s New Nonprofit Almanac & Desk Reference; Figures are in constant 1997 dollars

stakes are high, for the individuals these organizations serve and for society overall.

Getting critical decisions right—allocating time, talent and financial resources to the activities that have the greatest impact—is what strategy is all about. Yet relatively few nonprofits, even the most successful, have strategies in this pragmatic sense of the word. They have missions that define their reason for being. They have programs and activities that contribute toward the fulfillment of their missions. They may even have formal, long-range strategic plans. But when Monday morning choices have to be made among competing alternatives, all of which do some good, determining those that will do the *most* good can be a difficult, if not impossible task. (For a brief discussion of why this is so, see the Appendix, “The Challenge of Nonprofit Strategy.”)

Together with nonprofit organizations in a variety of fields, we have been wrestling with this problem for several years. In the course of this work, we have developed an approach that can help bridge the gap between a nonprofit’s mission and its day-to-day activities and programs. This approach hinges on two simple, but powerful concepts, intended impact and theory of change.

A nonprofit’s *intended impact* is a statement or series of statements about what, specifically, it is trying to accomplish and will hold itself accountable for within some manageable period of time. Its *theory of change* explains how this intended impact will actually happen, the cause-and-effect logic by which resources—the organization’s and those of others—will be transformed into the desired social results.² Although these terms may sound disconcertingly abstract, the effect of using them is anything but. By enabling an organization’s leaders clarify what “success” will look like in the near-to-medium term, they provide an objective standard for making tradeoffs that are truly strategic: tradeoffs that reflect the aspirations of the organization’s mission as well as the constraints of its bottom

² The term “theory of change” has been used for years in a variety on fields and with a wide range of meanings.

line. To illustrate, consider the experience of Harlem Children's Zone, formerly Rheedlen Centers for Children and Families.

What Will We Hold Ourselves Accountable For, and Why?

Rheedlen Centers for Children and Families was founded in 1970 to combat truancy on Manhattan's upper West Side. The organization grew rapidly during the 1990s under the leadership of its second executive director, Geoff Canada. By the end of the decade, it had become a \$10 million agency, serving 6,000 children, and sponsoring 16 different programs ranging from its highly regarded Beacon Schools to a senior center, family support networks, and a program to prevent homelessness. Among its most prominent activities was the Harlem Children's Zone, a promising initiative launched in 1997, which included seven programs ranging from a baby college to a neighborhood revitalization effort focused on stabilizing city-owned buildings.

In 2000, the agency was experiencing both the rewards of this remarkable growth and the dark side. Canada and his colleagues had been extremely successful in developing a diverse set of programs to advance Rheedlen's mission: "improving the lives of poor children in America's most devastated communities." External interest in these programs was running high among experts in the youth-development field, and among potential funders as eager as Canada himself was to see the organization expand geographically and programmatically.

At the same time, all these moving pieces were straining Rheedlen's organizational capacity, management systems, reporting structure, and finances. The agency simply didn't have the economic or managerial resources to accomplish everything it was trying to do. As a result, it was becoming increasingly apparent to Canada that if he and his management team wanted Rheedlen's good work to continue they would need to make some hard choices about their activities and programs. To do that effectively, however, they would also need a clearer definition of success than the mission statement alone could provide.

To develop this definition, Canada and his team engaged in a series of discussions designed to answer two specific questions. What were the results they aimed to achieve *and* would hold themselves accountable for within a specified period of time? And why did they believe they would be able to deliver those results? In other words, what were Rheedlen's intended impact and its theory of change?

Simple Questions, Hard Answers

Given Rheedlen's diverse portfolio of programs, the questions that came up first centered on causality. As between children and communities, which was the end and which the means to the end: Were stronger neighborhoods a vehicle for improving children's lives, or were healthy children an essential element in rebuilding the social fabric of devastated communities? This question represented a critical fork in the road, because the agency's resource-allocation decisions would be shaped by the answer the management team chose. Putting themselves on the hook for improving kids' lives would point to very different program priorities than improving devastated neighborhoods would.

With the tradeoff posed this starkly, Canada and his colleagues had little trouble differentiating ends from means: the kids were the reason for Rheedlen's existence. At the same time, they were convinced that even the most dedicated child-raising efforts would fail unless they were reinforced by the social infrastructure of a healthy community. This belief had led to Rheedlen's involvement in neighborhood programs such as the senior center, and it was a fundamental premise in the creation of the HCZ project. The community wasn't Rheedlen's primary focus, but it was an essential part of its theory of change.

Intended-impact, theory of change work is an iterative process, informed by the participants' values and beliefs as well as by hard data about their organization's operations and economics. One question inevitably leads to another, and the discussions often toggle between the two as well as between the organization's

mission and its existing programs. (For questions that can be helpful in this process, see Exhibit 1, “Structuring Productive Discussions.”)

At Rheedlen, the discussions revolved around questions such as, “Which children: participants in specific programs, all children of a certain income status, all residents of a target community?” “What kind of improvement: a smooth transition to the next stage of development, or becoming a successful adult; objective achievement or relative improvement?” “What particular activities, at what level of intensity, would be necessary to produce these improvements?” “What resources would those activities require, and where, *realistically* would they come from?”

The answers that Canada and his management team ultimately developed were summed up by their decision, in 2002, to rename the agency the Harlem Children’s Zone. Over the next decade, HCZ’s primary focus would be on children aged 0-18, living in a 24-block area of central Harlem. Their goal would be to equip as many of these children as possible for a successful transition to an independent, healthy adulthood, with success defined as demographic and achievement profiles comparable to those in an average middle-class community.

This is a compelling impact statement. It spells out HCZ’s definition of success, and it establishes the time frame within which it intends to deliver on that goal. Its links to Rheedlen’s mission and values are apparent; yet it is focused enough to provide the platform for making strategic choices and allocating scarce resources. In fact, from a Monday-morning decision-making perspective, only one element remains uncomfortably nebulous: HCZ’s beneficiaries. Zero to 18 is a long time, and children need very different supports and services at different points in their lives. When Canada and his staff had to allocate resources, how should they prioritize? Where did they believe Rheedlen’s human and financial resources could have the greatest leverage?

The answers to these questions emerged as the team drilled into the key levers of their theory of change: the importance of early intervention in a child’s life and a critical mass of parents and children engaged in common activities. As Canada thought about how these principles informed Rheedlen’s programs, the last piece of the puzzle fell into place. For the next few years, their highest strategic priority would be reaching families with children aged 0-5 living in the HCZ project. (See

Exhibit 2, “The Characteristics of A Coherent Intended Impact Statement and A Sound Theory of Change.”)

The Value of Strategic Clarity

As Canada and his colleagues began to review Rheedlen’s existing program portfolio, the value of the newly clarified impact statement came into sharp relief. Equipped with an objective and measurable definition of social impact, as well as with financial analyses that mapped each program’s full costs against its related revenues, they could evaluate how each program affected Rheedlen’s mission as well as its economics. The purpose of these evaluations was not to identify money losers: virtually all of the programs were receiving less in program-specific funding than they incurred in program-specific costs. Rather, it was to illustrate where Rheedlen’s limited stock of unrestricted revenues and managerial capacity was being invested, so that the team could determine whether they were allocating these resources to the most mission-critical activities.

Informed by these evaluations, Canada and his managers made a number of strategic decisions. For example, they resolved to transfer three of the existing programs, including the senior center, to other agencies. All three programs were performing successfully, and the decision to relinquish operating control was painful for members of the management team. But when they considered the tradeoffs, it became obvious that the resources these programs were consuming could have far more mission-related impact if they were re-directed to the children and families HCZ was committed to serving.

At the same time, they reiterated their commitment to the existing Beacon School centers, even though the facilities housing them are located in host schools outside the 24-block Zone. The Beacon centers provide essential safe havens for Harlem-area young people and their families, some of whom are residents of the HCZ. The educational, recreational and youth development activities the centers offer are a fundamental element in HCZ’s theory of change. Last but not least, no other organization could run the programs as well as HCZ.

The new level of clarity about HCZ's priorities also shaped Canada's plans for the agency's programmatic growth and geographic expansion. For example, it is common knowledge that Head Start and a sound elementary education are essential factors in bringing poor children to parity with their middle-class peers. Yet there is neither an adequate supply of Head Start seats nor a good primary school within the boundaries of the Zone. Addressing these gaps, in conjunction with the city, would have to be part of HCZ's mid-term agenda if Canada and his team were to achieve the ambitious goals they had set. Similarly, as Canada thought about potential geographic growth, the neighborhoods immediately adjacent to the existing project became the obvious first choice. Given the importance of developing a critical mass of parents and kids, this is clearly where the highest-impact opportunities are likely to be, when and as HCZ's performance makes expansion appropriate.

Making Mission Strategic

Developing strategic clarity—making mission strategic—is a process of inquiry and analysis, not a formula. The only universal answer to the question, “What is the right degree of focus for our activities?” is “It depends:” On the impact your organization aspires to have. On your assumptions and beliefs about how that impact can be generated. And on the actual resources, human and economic, you can marshal to do the work. Consider two organizations, located in the same city, and dedicated to the same goal: ensuring that disadvantaged youngsters succeed in school. Both provide individual tutoring, but one concentrates on building reading skills while the other serves breakfast, offers after-school activities, and runs a drop-in center in addition to its academic services. Although we can say with certainty that the first organization has a more limited set of activities than the second, we can't say that it is more appropriately focused. That would depend on its intended impact and theory of change, as well as the presence or absence of other organizations providing complimentary services.

The practical reason to engage in a series of intended-impact, theory-of-change discussions is to develop a set of strategic priorities that are focused enough to be

actionable and broad enough to reflect the organization's mission. Often, one of the most challenging aspects of the process is finding the best place to start. Based on our experience with nonprofits in a variety of fields, we see three potential ways to anchor these discussions. One is to begin, as Rheedlen does, with the beneficiaries your organization seeks to serve. Another is to start with the social benefits it strives to create. The third is to work from the underlying assumptions that drive your programs—in other words, your theory of change. Which option is best usually depends on the organization's mission and institutional history, as well as on the passions and values of its leadership, present and past.

Larkin Street is an excellent example of a nonprofit whose strategy is organized around a particular set of beneficiaries. The San-Francisco-based organization works to help homeless youth exit life on the streets. In 18 years of operation, it has grown from a small neighborhood effort into a nationally recognized community-based nonprofit, serving more than 2,000 youth annually. In 2002, nearly 80% of the youth enrolled in Larkin's case management services exited life on the street.

Emergency housing is part of the equation that produces these impressive results. But it is only a part, because Larkin Street's staff has learned that a safe place to stay is only one of the things a kid on the street needs—and not always the most important. Unlike a homeless shelter whose mission may begin and end with providing beds, Larkin Street has chosen to create a series of innovative programs ranging from treatment for kids who are HIV positive to education and job training for hard-to-employ teens to counseling for youth battling mental health disorders or substance abuse. What gives this broad program portfolio its coherence is that all of Larkin's initiatives are designed to meet the evolving needs of a specific set of beneficiaries, the kids adrift on San Francisco's streets.

In contrast, a specific set of social benefits provides the rationale behind Nurse-Family Partnership's strategic choices. Founded 16 years ago by a doctor at the University of Colorado, NFP works to improve the health and prospects of first-time pregnant teens and their children. The program matches each enrolled mother-to-be with a nurse practitioner who provides health care and life lessons for the

duration of the girl's pregnancy and the first two years of her child's life. The impact has been extraordinary for both the mothers and their children. Compared to peers, NFP's teen mothers have fewer repeat pregnancies, incidences of child abuse are lower, and their children perform better in school. NFP focuses not on addressing all the needs of its beneficiaries but on addressing those needs that must be met to ensure these successful social outcomes.

Sometimes, however, an organization simply cannot specify one group of intended beneficiaries or one set of benefits without compromising its mission. Many environmental and public advocacy groups, whose activities are devoted to serving the common good, fall into this category. In such situations, the organization's leaders often find it most helpful to begin with their existing programs and articulate the assumptions that led to their development and inclusion. In other words, their strategic clarity comes from making their theory of change explicit. Great Valley Center in Modesto, California provides a good example.

Carol Whiteside, a long-time senior state official and former mayor of Modesto, founded GVC in 1997 to support organizations and programs that actively promote the sustainable development of the Central Valley. As Whiteside defines sustainability, the term encompasses a productive economy and a sound civil society as well as a healthy environment. By the late 1990s, all of these had become increasingly urgent concerns. Long overshadowed by San Francisco to the east and Los Angeles to the south, the Central Valley had become the state's fastest-growing region as well as one of its most diverse, and it was experiencing unremitting pressure for development.

To achieve its mission, GVC has put together a portfolio of programs that, from afar, looks as diverse as the Valley's residents do. With programs ranging from leadership training, to economic techniques for encouraging land conservation, to the uses of technology for economic development, it seems to defy the very idea of strategic clarity. But when Whiteside explains why each of these programs is so important to GVC's mission, the logic that links them becomes apparent. In one way or another, all are designed to encourage active citizen participation in policy decisions, engage the Valley's diverse population in public affairs, or develop local leaders who can work together knowledgeably to chart the region's future. Civic

involvement is both a key lever in GVC's theory of change and the focus for its program strategy.

Although intended-impact, theory-of-change work usually ends with some sort of written business plan, we have found that the process itself is often as valuable as the product that ultimately emerges. This is especially true for successful organizations that have been around for an extended period of time. In new or very small nonprofits, where the level of organizational complexity is small and goals and priorities are clearly understood, even a fairly broad mission statement may provide sufficient guidance to keep everyone moving in the right direction. As an organization matures, however, and the scope of its activities expands, this shared understanding often fragments, and the links between particular programs and the mission get lost in the mists of institutional history. Everyone genuinely believes that they are advancing the organization's chief priorities and working on its most important tasks, and yet the impact of their decisions becomes significantly less than the sum of the parts.

Intended-impact, theory-of-change discussions can be particularly helpful under these circumstances, because they enable complex organizations to create a common language for discussing what they are trying to achieve and a common set of criteria for evaluating choices and making tradeoffs. As a result, individual staff members are in a better position to make decisions that are aligned with the organization's overall goals. They are also more likely to understand the logic behind the resource-allocation decisions made by others in the organization, even if they don't necessarily agree with them.

Risking Strategic Clarity

The willingness of an organization's leaders and board to set and hold themselves accountable for objectives that reflect their strategic priorities is the dynamic that transforms an intended impact statement from an expression of good intentions into a strategic decision-making tool. HCZ, for example, has established ambitious targets for the number of children it will serve over the next few years and the number of families it will enroll in multiple programs. Nurse-Family Partnership

aims to increase the number of states in which it has a state-wide presence from two to at least eight over the next six years. At GVC, gains in sustainability will be measured in terms of objectives such as the conservation of agricultural land and growing diversity among the Valley's elected officials.

And yet, as Rheedlen's experience demonstrates, establishing priorities can be wrenching on several dimensions, not least the fact that it compels you to say what your organization *won't* do as well as what it will. By choosing to focus on a specific set of children and families, Geoff Canada and his management team were also "choosing" not to serve seniors, or equally needy children living in other parts of the city. Similarly, by deciding to emphasize land conservation, Carol Whiteside and her team were deciding not to devote GVC's resources to equally important issues such as the quality of the Valley's air and water.

Questions about what's in—and out—of the scope of an organization's activities are among the thorniest that nonprofit leaders committed to developing strategic clarity have to confront. Decisions to terminate existing programs that aren't well aligned with your intended impact and theory of change can be hard emotionally: because they are legacies from the organization's past, for instance, or because their staffs are filled with loyal, long-serving employees and volunteers. And these decisions can be difficult for financial reasons, because the programs are attached to steady funding streams, or they create the promise, often elusive, of someday generating more in revenue than they cost to provide.

Nevertheless, *not* deciding is also a decision and seldom a particularly good one. It is hard to argue that organizations engaged in the important work most nonprofits undertake shouldn't try to maximize the good they can do with their always-limited economic and organizational resources. Yet, practically speaking, this is the very argument many nonprofits run the risk of making, if they cannot explain clearly, to themselves or to their supporters, what their priorities are, why the organization's programs and services contribute to these larger goals, and how they know that they are making progress.

Such absence of clarity is especially problematic in today's environment, when the drumbeat of accountability is mounting on every side. The factors that make it so difficult to quantify social outcomes and to prove cause-and-effect linkages

between today's programs and tomorrow's results are real. And they will not go away. But neither will the growing demand for measures, which will demonstrate that social resources are being invested intelligently on society's behalf. This makes it all the more important, in our view, that nonprofit leaders take the initiative in developing strategic clarity so that they—and their organization's measures—can speak for themselves instead of reading from someone else's prepared script.

Change is never seamless, nor painless. Some of the organization's staff and key constituents will probably have to practice new behaviors. Others may have to adopt new ideas. A few are likely to feel, and may actually be, dis-empowered by the realignment of programs and norms. But in our experience, the biggest downside to strategic clarity is not organizational and leadership challenges such as these, but rather the risk of losing essential funds. Donor behavior is a huge factor in creating and perpetuating mission drift, because donors—both private and public—favor new programs over existing ones and are more likely to fund individual programs than an organizational overall. If we are truly to move toward more effective social outcomes, therefore, it is not only the nonprofit organizations that will have to change but also those who finance them.

Exhibit 1: Structuring Productive Discussions

To clarify your intended impact, ask:

- Who are our beneficiaries?
- What benefits do our programs create?
- What are we trying to maximize?
- How do we define success?
- What won't we do?
- What would make us obsolete?

To clarify your theory of change, ask:

- What are the most important elements of our programs' content and structure?
- How do these lead to the outcomes we desire?
- What assumptions led us to choose these particular program elements?
- What is the minimum length of time our beneficiaries need to be engaged to achieve these outcomes?
- What else do our beneficiaries need to achieve these outcomes?

Exhibit 2: The Characteristics of a Coherent Intended Impact Statement and a Sound Theory of Change

A coherent intended impact . . .

- Links in a compelling way to your mission and vision for social change.
- Specifies the outcomes you seek to create for your beneficiaries and how they will be indicated.
- Affords sufficient control over outcomes to enable real accountability.
- Is realistic and achievable, given your capabilities.
- Is measurable on an accurate, timely basis.
- Provides an effective platform for making strategic tradeoffs, especially those related to program focus and resource allocation decisions.

A strong theory of change . . .

- Identifies the key needs of your chosen beneficiaries.
- Examines all the potential leverage points to meet those needs.
- Frames alternative pathways to achieving the desired impact.
- Links your activities to your clients' needs through a chain of cause-and-effect relationships.

Appendix: The Challenge of Nonprofit Strategy

Strategy, it is often said, is about choosing what to do and what *not* to do, and indeed the successful execution of every effective strategy involves making choices and tradeoffs. But while every organization makes choices every day, the act of choosing does not, in and of itself, mean that it has a strategy.

Strategy is centered on having a clear understanding of what your organization is trying to accomplish as well as a fact-based picture of the resources required to achieve your objectives. Consequently, its essential components are the same, whether the organization is a nonprofit agency or a for-profit business. They include not only your definition of success (the goals for which your organization will hold itself accountable), but also the activities you will pursue to achieve your goals, the resources required to perform those activities, and the measures by which you will track and evaluate your performance. Developing an effective strategy can be more challenging in a nonprofit than it is in a business, however, because of the kind of value each organization seeks to create.

For-profit companies exist to create wealth for their owners and for society more broadly. While many businesses have aspirations that go beyond the bottom line, the generation of financial value is the standard by which their performance is ultimately measured and success defined. A for-profit business that does not return a profit will go out of business sooner or later, and probably sooner. Because financial goals can be quantitatively defined, determining whether a particular course of action is creating value, or on track to create value in the future, is relatively straightforward. So is measuring and evaluating a company's performance relative to that of its peers. When tradeoffs have to be made, the criteria for making them are well and widely understood.

Nonprofits, in contrast, exist to create social value. They seek to address compelling human and environmental needs that other organizations, whether businesses or government agencies, are not meeting. They are, literally, not about profit, but about mission: promoting a more just and equitable society, eradicating hunger, preserving and protecting the wild places of the earth. Such broad and

visionary goals do not exempt nonprofits from the iron laws of economics. On the contrary, their leaders and boards often spend huge amounts of time seeking essential resources. But neither do they make it easy to define “success,” especially in the near-to-medium term. What constitutes a just and equitable society, for example, and when—if ever—would objective observers agree that society was just and equitable *enough*? Ironically, it is often easier for nonprofit leaders to see the impact of their decisions on the organization’s bottom line than it is to evaluate their impact on its mission.

Narrowing an organization’s mission, so that it becomes obvious what will constitute success and how that will translate into measurable performance goals, is one way to achieve the clarity an effective strategy requires. Sometimes, especially if a nonprofit is just beginning its work, this can be a sensible approach. Often, however, constraining an existing organization’s mission to something finite and “realistic” is implausible, undesirable or both. In such cases, another and in our experience better approach is to develop focus, not around the organization’s mission, but rather around its intended impact and theory of change.