

Paul C. Light • New York University

FACING
THE
FUTURES

BUILDING ROBUST NONPROFITS
IN THE PITTSBURGH REGION



THE FORBES FUNDS

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THE PITTSBURGH REGION FACES TOUGH QUESTIONS as it faces the futures ahead. Will it, for example, find a way to stop its young people from leaving or slip further into the profile of a “weak market” city, with all that means for the erosion of jobs and talent? Will it close the gaps between its citizens on education, health, earnings, and poverty, or will it continue to be listed as a city of disadvantage for African-Americans? And will it play an aggressive role in helping Pennsylvania rebuild its aging economy or eventually eclipse North Dakota and West Virginia as the state with the slowest growing economy in the nation?

No one knows yet just how these futures will play out. It could be that the Pittsburgh area is on the cusp of a great revival as it continues to make the turn from an industrial-age economy to an “eds and meds” future. It could also be that the area has reached the maximum range of its geographic spread, thereby signaling an end to the hollowing-out of its inner city. It could even be that the area’s young people are starting to see the vibrant opportunities embedded in urban renewal and a low-cost of living, not to mention an expanding arts community, access to some of the nation’s greatest educational institutions, and the chance to revel in the return of the Pittsburgh Steelers and the yellow towel industry that goes with it.

FACING THE FUTURES

The Pittsburgh area faces an array of plausible futures, some hopeful, others not; some calm, others turbulent. As the events of September 11th showed, old expectations about the future can collapse within moments, while new futures can emerge without warning. Organizations, cities, even nations that do not think and plan in futures (plural tense) can easily find themselves left behind as their more agile competitors move ahead.

There is no doubt that the Pittsburgh area brings great assets in shaping the future it wants. The Pittsburgh area remains a magnet for college students, and currently ranks 6th in the nation in the number of college students per capita.¹ The region has also built a reputation for innovation in health care, strong philanthropic ties, and a commitment to collaborative problem-solving across the private, governmental, and nonprofit sectors.

¹ Coro Center for Civic Leadership, “College and University Students in the Pittsburgh Region: A 14 County Snapshot,” Report 3, January 2004.

On the other hand, the region also faces significant liabilities. It may rank 6th on student concentration at any given moment in time, but it exports a very high percentage of college-educated young people every year. Between 1995 and 2000, for example, the area exported almost 19,000 college-educated singles, while gaining less than 12,000, for a net out-migration of 7,000. And while the African-American community gained ground on a host of educational and income measures, including numbers of high-school drop-outs, citizens with a bachelor's degree or higher, full-time employment, real per capital income, poverty, and home ownership, almost all of the gains trailed the Pittsburgh area's white community, which, in turn, trailed the rest of the state, which in turn, trailed all but a handful of states in the nation.²

Moreover, much as they try to collaborate, the region's civic institutions remain highly fragmented, heavily regulated, and often tangled in a web of political, social, and economic decentralization.³ Played out over the next decades, these trends speak to a steady erosion of civic energy, rising demand for social services, and increasing conflict between the have's and have-not's in a hollowed-out city.

The question, as Ebenezer Scrooge put it, is whether this dire prognosis represents the future that will be or just one of many futures that might be. And if it is just one of many futures that might be, the question is how Pittsburgh can address its vulnerabilities, guard against unforeseeable events, and exploit the assets it already has.

Luckily, the Pittsburgh area still has a chance to pick its future. Although the area is big enough to have many of the weak-market problems associated with urban sprawl, inequality, and economic stagnation, it is small enough to have the solutions within its reach. And, as the research collected, funded, and sponsored by The Forbes Funds (among others) clearly shows, the area is paying close attention to its futures, and has engaged a wide range of actors in the dialogue about how to increase the odds of success.

² Ralph Bangs, Christine Anthon Alex, Shannon Hughes, and Christopher Shorter, "Black-White Benchmark Reports," University Center for Social and Urban Research, University of Pittsburgh, March 2004.

³ Brookings Institution Center on Urban and Metropolitan Policy, *Back to Prosperity: A Competitive Agenda for Renewing Pennsylvania*, Washington, D.C., Brookings Institution, 2003.

⁴ See Carol J. De Vita, Eric C. Twombly, Jennifer Auer, and Yuan You of the Urban Institute's Center on Nonprofits and Philanthropy, "Charting the Resources of the Pittsburgh Region's Nonprofit Sector, The Forbes Funds, September 2004, for a long inventory of statistics on the area's \$12.3 billion nonprofit industry.

SHAPING THE MOST HOPEFUL FUTURE

Shaping more hopeful futures requires more than good intentions, however. It requires tough choices, wise investments, and, more to the point of this review, nonprofit organizations that can play an active role in helping the region hedge against the inevitable disappointments embedded in the uncertainties ahead, while solving problems that undermine the opportunities for progress.

The Pittsburgh area's 2,700 nonprofit organizations are hardly the only actors in shaping the futures — the private sector, educational institutions, governments, special authorities, religious institutions, and citizenry must play their roles, too.⁴ At the same time, nonprofits occupy a special niche as the first responders to a host of social and

economic problems that impede hopeful progress, as the first providers of many of the services that attract and hold the region's workforce, and as among the area's first champions of change toward organizational effectiveness.

These roles cannot be played by just any kind of nonprofit, however. They require organizations with at least minimal levels of what I call robustness, meaning the ability to withstand the uncertainties ahead and react quickly to signs of impending change. Although engineers, statisticians, planners, and even coffee roasters have long used the term ("robustness") to describe the strength of a design, plan, or blend, I use robust here to describe organizations that are particularly adept at bending as new futures appear.⁵

All organizations have at least some robustness; otherwise, they could not survive from year to year. But organizations, and the sectors within which they reside, often vary greatly on the amount of robustness they can draw upon to address the vulnerabilities associated with increasing uncertainty, and the turbulence that goes with it.

At least in the nonprofit sector, this robustness, or the lack thereof, can be seen in a number of indicators, including board diversity, executive and staff turnover, financial accountability, information systems, strategic planning, and the willingness to collaborate. By these measures, Pittsburgh area nonprofits have both strengths and weaknesses.

Consider the following indicators drawn from a spring 2003 survey of Allegheny County's human service and community development executives:⁶

Seventy-one percent of these organizations had a strategic plan, most of which were completed within the last three years, and 58% said they had "very high" or "high" capacity to experiment with new programs or approaches. Despite these well-laid plans, however, only 38% of the executive directors said their organizations had "very high" or "high" management capacity to develop and implement new programs to meet community needs, while the same percentage said they had "very high" or "high" capacity to respond quickly to unexpected needs of the community. At the same time, 71% said they received more than 50% of their funding from one source.

Eighty-three percent of the executives said their board was "highly" or "moderately" effective in helping their organization achieve its mission, and 83% said their staff had the "right level of diversity" to achieve their organization's mission. However, 38% reported difficulty retaining top staff, 46% said the same about middle managers, 48% about board members, 61% about volunteers, and 64% about direct service personnel.

⁵ See Paul C. Light, *The Four Pillars of High Performance: How Robust Organizations Achieve Extraordinary Results*, New York, McGraw-Hill, 2005.

⁶ This research is summarized in *Greater Pittsburgh Community Threads*, published by The Forbes Funds and The Pittsburgh Foundation, April 2004.

Fifty-nine percent said they had "very high" or "high" capacity to keep up with important trends, national and local, in their field, and 45% said their organizations used objective data and analysis to make important decisions. Yet, only 31% gave the same rating to their ability to secure financial

resources to ensure uninterrupted programs and services, and just 19% said the same about generating unrestricted revenue.

One can easily spot the vulnerabilities in the results — Pittsburgh area nonprofits may know where they want to go, and may have the objective data to know where they stand in present tense, but they often lack the systems and data to think in futures tense, let alone react to rapid changes in circumstance.

The findings are echoed in other studies about the Pittsburgh area’s nonprofit sector, whether in broad studies of nonprofit operating margins (which tend to be thinnest in organizations that face the first surges in demand from economic downturns), the area’s nonprofit executive salary structure (which trails national averages by more than a quarter on average), in the difficulties attracting racial and gender diversity to many nonprofit boards, or in the conventional belief that there are just too many nonprofits in the region.⁷ Generous though the community is in giving and volunteering, many of the area’s nonprofits appear to operate perilously close to the edge.

These findings are also echoed in research on the region’s faith-based organizations. According to a 2002 Forbes Funds’ survey of 276 congregations, these organizations have only slightly greater maneuvering room than their secular counterparts in generating the financial resources to ensure uninterrupted services and generating unrestricted revenues.⁸ And, although their executives were much more likely to say their organizations were capable of developing and implementing new programs to meet community needs, they were far less likely to use objective data and analysis to make important decisions.

INCREASING ROBUSTNESS

Together, the trends speak to general weaknesses in the four pillars that are necessary for organizational robustness: (1) alertness to changing circumstances; (2) agility in how an organization responds to threats and opportunities; (3) adaptability in what an organization provides to meet emerging needs; and (4) alignment to the mission both within the organization and across a sector.

This is not to suggest that the region lacks high-performing nonprofits. The recently established Alfred W. Wishart, Jr. Award for Excellence in Nonprofit Management

⁷ These studies were all funded by The Tropman Fund for Nonprofit Research, which is part of The Forbes Funds, and can be found at <http://www.forbesfunds.org/tropman/reports.cfm>.

⁸ These and other statistics are drawn from *Building the Faith: Strategies for Building the Capacity of Faith-Based Organizations and Congregations Serving Allegheny County, Pennsylvania*, The Forbes Funds, 2004.

has not suffered from a lack of competition, nor from a lack of demonstrated performance among its winners: the Greater Pittsburgh Community Food Bank; the Greater Pittsburgh Literacy Council; Action-Housing; and Human Services Center Corporation. Nor is it to imply that all organizations have the same vulnerabilities.

Rather, the available evidence suggests that the Pittsburgh area needs to make substantial investments in strengthening the robustness of its nonprofits through capacity building and a sustained commitment to organizational excellence. In some cases, this might mean

small grants for specific activities such as strategic planning, new technologies, or board recruitment; in other cases, it might require a merger or strategic restructuring to reduce duplication and overlap. Whatever the intervention, there is good reason to believe that such investments can substantially improve the nonprofit sector's robustness in addressing the uncertainties ahead.⁹ Indeed, research by The Forbes Funds shows just how strong the area's nonprofits can become if the community invests.

Increasing Alertness

Alertness involves the ability to detect emerging trends that might alter or confirm an organization's current course. Nonprofits can generate greater alertness in several ways, from the kind of SWOT analysis of strengths, weaknesses, opportunities, and threats embedded in traditional strategic planning to more elegant forms of trend analysis used by businesses to explore landscapes of plausible futures.¹⁰

⁹ For a general argument on this point, see Paul C. Light, *Sustaining Nonprofit Performance: The Case for Capacity Building and the Evidence to Support It*, Washington, D.C., Brookings Institution, 2004.

¹⁰ Some of the most interesting work on these techniques is done by the RAND Corporation, which has a growing office in Pittsburgh.

¹¹ Dewey & Kaye, Inc, and TRIAD USA, "The Insurance Muddle: Addressing Healthcare Costs for Nonprofit Sector Employees," *The Forbes Funds*, October 2003. Unless otherwise noted, the studies cited below were funded by The Tropman Fund for Nonprofit Research, which is part of The Forbes Funds. All Tropman Reports can be found on The Forbes Funds' website at www.forbesfunds.org/tropman/reports.cfm.

¹² Still, The Forbes Funds and FISA Foundation pushed the matter forward, providing support for a grassroots campaign among nonprofits to build a regional coalition for the purposes of containing health care costs and developing wellness programs; the so-called Health Benefits Initiative is now managed by the Pennsylvania Association of Nonprofit Organizations.

¹³ Community Quality Institute, "The Use of Modern Quality Assurance in Nonprofit Management," October 2003.

Just because a trend becomes visible does not mean it can be addressed, of course. According to a January 2003 study by Dewey & Kaye, a private consulting firm, and TRIAD USA, a health care consulting group, joint-purchasing of health insurance could, and I emphasize the word "could," produce significant savings for the Pittsburgh region's nonprofits.¹¹ Unfortunately, participation in the study was so meager that the study team could not generate usable data for cost projections, suggesting that many of the potential participants lacked the basic capacity to pursue the savings within their reach.¹²

Nonprofits can hardly think in futures tense, however, if they do not have a good understanding of their present. And grounding in the present often resides in a commitment to objective measurement and evaluation that can provide the benchmarks against which to chart the futures. This is certainly the lesson from the field test of the Youth Standards Project, which was launched in 2000 to encourage the use of quality assurance methods to increase the efficiency and performance of youth-serving programs in Southwestern Pennsylvania.¹³

As the field test suggests, agencies that met the Youth Standards were better able to define their purpose ("i.e., say what they do"); evaluate and modify their programs ("i.e., do what they say"), and measure and communicate their impact ("i.e., prove it"). They also testified to marked improvements in a variety of management practices, from using logical models and process mapping

to designing implementation strategies and redrafting agreements with vendors and contractors. Presumably, they were also more alert to changing circumstances that might reveal the need to adjust an established program, reframe a fundraising appeal, or seek confirmation of an emerging need.

Quality is not the only way to improve internal measurement, of course. As another recent *Forbes*' study suggests, Pittsburgh area nonprofits might do well to consider methods for measuring the social return on investment, or SROI.¹⁴ Although there is considerable debate about the specific methodologies for doing so, nonprofits do not have to be self-described social enterprises to benefit from developing an array of measures based on financial, non-financial, community, or management impacts.

Increasing Agility

Agility involves the ability of a nonprofit to move quickly in response to an emerging trend or event, and is often revealed in the level of training, responsiveness, and energy of its employees, board, and volunteers, as well as the degree of maneuverability within the organization as a whole. Simply asked, how much excess capacity does the organization have to move against such vulnerabilities as funding crises, spikes in demand, or unforeseen events, or to take advantage of new opportunities like requests for proposals, invitations to collaborate, or new grant streams?

Almost by definition, agility often requires a bit of redundancy and at least some reserve, both of which are hard to justify in tight times. Under pressure to do more with less, almost to the point of doing everything with nothing, nonprofits operate with very tight margins, and many are barely keeping up with cutbacks, let alone the reserves that might allow them to hire a consultant to write a new grant proposal or send a staff member to a national training event.

¹⁴ See the Tropman Reports authored by Olszak Management Consultants, "Profit-Making in Nonprofits: An Assessment of Entrepreneurial Ventures in Nonprofit Organizations," January 2002, and "Assessing Social Return on Investment for Social Enterprises in the Pittsburgh Region," September 2004, as well as the report by Community Wealth Ventures, "Identifying Financing Opportunities for Pittsburgh-Based Social Enterprises," September 2003, for insights on possible measures.

¹⁵ See "Charting the Resources of the Pittsburgh Region's Nonprofit Sector," September 2004.

¹⁶ See "Profit-Making in Nonprofits: An Assessment of Entrepreneurial Ventures in Nonprofit Organizations," January 2002; see also William Foster and Jeffrey Bradach, "Should Nonprofits Seek Profits," *Harvard Business Review*, February 2005, pp. 92-103, for an analysis of the mixed record of profit-seeking ventures in the nonprofit sector.

Moreover, as already noted, Pittsburgh area nonprofits operate at or near the break-even mark, and are often highly dependent on single sources of revenue.¹⁵ Although there is clear interest in the kind of self-generated income that provides some agility, it is not yet clear just how well the area has done in developing those sources.¹⁶ Nor is it clear that the area's nonprofits have the financial capacity to respond quickly to unexpected needs of the community.

The region is alert to the problem, however, and has been working to strengthen the nonprofit talent base in which agility resides. Indeed, the Pittsburgh area has become a national exemplar in confronting the need to develop, train, and retain the next generation of nonprofit leaders. Unlike many regions in the country, in which nonprofits are pitted against each other in a constant battle for staff,

the Pittsburgh region has embraced the talent issue as a collective good that can only be increased if the community as a whole figures out a way to cover future needs.

Toward this end, The Forbes Funds began alerting the region to the need for action well before the recent recession. According to a 2002 study by a team at the University of Pittsburgh's Graduate School of Public and International Affairs, many nonprofits reported difficulties in recruiting candidates for information management and development positions early in the 2001 recession when hiring should have been easier.¹⁷ Although the sector was not in crisis per se, the study team noted the relative isolation of nonprofits in addressing the need for talent, raising the importance of collective action to replenish the talent pool as the area continues to export more workers than it retains.

Further research in 2003 showed relatively low turnover among Pittsburgh area nonprofit executives, and relatively long service in the sector. According to another study by the Graduate School of Public and International Affairs, the region appears to have one of the most educated, experienced nonprofit leadership corps in the country.¹⁸

The problem, of course, is that the leadership corps is moving steadily toward retirement, raising another round of questions about how to develop the next generation of leaders, employees, and volunteers through more aggressive use of internships and wiser stewardship of donated time.¹⁹

The Pittsburgh region does not lack for advice on how to address the recruitment challenge at all levels of the sector, from entry-level to boards. But many of the recommendations for action will take time and collective purpose to succeed. According to a recent study by Shelly Cryer, on behalf of The Forbes Funds, the Pittsburgh area knows three basic facts about recruiting the next generation of nonprofit employees:

- ¹⁷ Carolyn Ban, Alexis Drahnak, and Marcia Towers, "Recruitment and Retention of Managerial Talent: Current Practices and Prospects for Nonprofits in Pittsburgh," June 2002. *When nonprofit organizations use interns, they are more likely to believe in the talent recent college graduates can bring to their organizations. When nonprofit organizations have pre-existing relationships with colleges, they are more likely to tap them for their recruitment needs.*
- ¹⁸ Carolyn Ban and Marcia Towers, "The Challenge of Nonprofit Leadership: A Comparative Study of Nonprofit Executives in the Pittsburgh Region," July 2003. *When students have volunteered or interned at a nonprofit organization, they are more likely to consider a nonprofit sector career.*
- ¹⁹ See First Side Partners, "Leveraging Human Capital: How Nonprofits in Pittsburgh Recruit and Manage Volunteers," January 2002, and Coro Center for Civic Leadership, "The Experience: Employers & Internships," Report 6, July 2004. *When college career counselors understand the nonprofit sector and the range of opportunities within it, they can better (and more enthusiastically) serve students interested in public service careers. When they have had successful relationships with nonprofit organizations in their community, they are more likely to try to expand their nonprofit sector network.*²⁰
- ²⁰ Shelly Cryer, "Recruiting and Retaining the Next Generation of Nonprofit Leaders," New York: The Initiative for Nonprofit Sector Careers, January 2004.

The Pittsburgh area also knows that it can rarely compete with the private sector and government on pay, but has enormous advantages on flexibility, mission, and meaning. The nonprofit sector has the good fortune to meet many of its future employees as interns and volunteers in high school and college. As recent research suggests, they need to make that first encounter as meaningful and rewarding as possible, while working with the community as a whole to broaden awareness of the nonprofit sector as a destination of choice for graduates.

Increasing Adaptability

If agility involves how an organization responds to changing circumstances, adaptability involves what it does to actually alter its programs and services to meet new demands. Pittsburgh area nonprofits seem more than willing to innovate when necessary, but may not have the time or resources to do so when faced with unrelenting demand. The spirit may be willing, but the budget is often weak. Toward that point, recall that half of the human-service organizations contacted in 2003 reported “very high” or “high” capacity to experiment with programs and trying new approaches, but less than a quarter reported similar capacities to generate unrestricted revenue that can be spent wherever they need it most.

This is not to suggest that Pittsburgh area nonprofits have no options for adapting to new circumstances. To the contrary, a 2003 study by Community Wealth Ventures suggests that Pittsburgh is poised to become the “Silicon Valley of social enterprise.”²¹ Summits and workshops on social enterprise have been well attended, peer learning groups have proliferated, and local universities have launched new courses for students and practitioners alike. Pittsburgh can look with pride to the groundbreaking work of the Manchester Craftsmen’s Guild and Bidwell Training Center, and could count at least 52 organizations in 2002 that were experimenting with entrepreneurial ventures.²²

However, as Community Wealth Ventures’ research clearly suggests, the key barrier to social enterprise is financial. Nonprofits may be unable to “bootstrap” their own ventures during lean times, while access to capital may be limited. The extent to which the region can address adaptability as a collective good may thus depend upon community-wide responses to recruiting new donors and investors, creating new financing instruments, loosening government rules that sometimes restrict innovation, and/or increasing willingness among financial institutions to provide critical financing.

Increasing Alignment

²¹ See “Identifying Financing Opportunities for Pittsburgh-Based Social Enterprises: Challenges and Opportunities for Capitalizing Entrepreneurial Ventures,” September 2003.

²² See “Profit-Making in Nonprofits: An Assessment of Entrepreneurial Ventures in Nonprofit Organizations,” January 2002.

Alignment refers to an organization’s internal commitment to a common mission and commitment to high performance. It can also refer to a sector’s overall alignment around administrative and program performance. Recent research on the Pittsburgh region provides a mix of positive and negative regarding nonprofit alignment. On the one hand, the area’s

individual nonprofits have invested heavily in strategic planning, and appear reasonably well aligned and focused on mission. Recall that seven out of ten human services organizations had a strategic plan in 2003, and that more than half of the plans were relatively fresh, meaning that they had been completed within the past three years at the time of the survey.

On the other hand, even a cursory review of the conversation about the state of the sector reveals a persistent belief that there are too many nonprofits covering too much of the same population with too many of the same programs.²³ According to Robert Morris University's Bayer Center for Nonprofit Management, roughly half of the area's nonprofits have 7 or fewer employees, and 80% have 15 or fewer.²⁴

Smallness has its advantages, of course, not the least of which is the innovation that new nonprofits often produce. But it can also produce staff burnout, needless duplication of so-called "back office," or administrative functions, and a constant churning within the sector as organizations compete against each other for employees, volunteers, and, most notably, active board members.

Concerns about the resulting mis-alignment within the Pittsburgh area's nonprofit sector have led to calls for "strategic restructuring," a term used to describe a variety of techniques that lead to mergers, alliances, joint ventures, and other types of strategic partnerships. According to a recent study by LaPiana Associates, one of the nation's leading consulting firms on the issue, the area's recent experience with strategic restructuring suggests significant gains from thoughtful efforts to develop common organizational ground among competing nonprofits.²⁵ After looking at 10 recent restructurings among human services organizations, LaPiana's study team outlined five outcomes from the efforts:

1. Improved services and service delivery.
2. Decreased costs, particularly administrative.
3. Decreased competition, increased market awareness, and improved (more competitive) market position.
4. Improved organizational infrastructure, including enhanced capabilities in marketing and IT, and better healthcare and other benefits for staff
5. Increased ability to recruit staff, volunteers, and board members.

²³ That said, the size of the Pittsburgh region's nonprofit sector is roughly on par with the sectors in Cleveland and Baltimore, metro areas of similar size to Pittsburgh. See Carol De Vita and Eric Twombly of the Urban Institute, "The Precarious Billion Dollar Sector: Nonprofit Human Services in the Pittsburgh Metropolitan Area," September 2003.

²⁴ Bayer Center for Nonprofit Management, "Soft Landing: Our Return from Open Space," summary of a September, 2003, conversation, Robert Morris University, mimeo, 2003.

²⁵ LaPiana Associates, "Strategic Restructuring: A Tool for Improving Organizational Effectiveness," October 2003.

Such benefits require careful planning and financial support, however, as well as a careful process for managing the process and building trust among potential partners. Moreover, as the LaPiana team cautions, success depended in part on access to funding, the area's close-knit nonprofit community, and the urgency created by the entry of for-profit organizations into the human services field. The funding provided essential resources for planning and

process; the community ties provided the trust needed for forward movement; and the external threat sparked the instinct to find cost reductions in advance of new competition.

Strategic restructuring is only one of several techniques for realigning the Pittsburgh area's nonprofit sector, and must be coupled with careful discussion of the importance of creating and supporting small nonprofits in a big nonprofit world. But given the other challenges facing the area in remaining alert, agile, and adaptable, the social rate of return of investment in realignment will remain alluring into the foreseeable futures.

THE CAPACITY BUILDING CHALLENGE

There are two ways to measure the actual robustness of a given organization. One is to assess the relative alertness, agility, adaptability, and alignment of the organization through the kind of surveys and self-assessment used in many of the studies discussed above. The other is to ask about the relative increase or decrease in robustness over time. Simply asked, how robust are the Pittsburgh area's nonprofits and sector today, and are they getting more or less robust over time?

By the former measure, many nonprofits in the Pittsburgh area already have the basic organizational infrastructure to operate in futures tense, while others are struggling to survive the present.²⁶ There is no question, for example, that the area has many exemplary nonprofits. Nor is there any doubt that the area's high performers are as good as any in the nation. Indeed, according to a 2004 study by Marsha Tongel and Claudia Petrescu, most of the area's high performers already meet the Maryland Association of Nonprofit Organizations' Standards for Excellence without any external prompting or the promise of a seal of excellence. Many of these organizations achieved excellence the old-fashioned way by earning it through a commitment to improvement, and the hard work that goes with it.²⁷

Unfortunately, there is also no question that many smaller, younger nonprofits continue to struggle to improve and sustain performance. According to the Tongel/Petrescu study, the area's high performers are long-lived, have significant budgets, relatively low executive and board turnover, and access to resources for continuous improvement. Although smallness may increase adaptability, it rarely provides the resources to actually turn quickly to new trends.

²⁶ See Lester Salamon, *The Resilient Sector: The State of Nonprofit America*, Washington, D.C., Brookings Institution, 2003.

²⁷ Marsha A. Tongel and Claudia Petrescu, "High Performance in Nonprofit Organizations in the Pittsburgh Area," August 2004.

²⁸ Kevin P. Kearns, "Management-Capacity Building in the Pittsburgh Region," *Nonprofit Management & Leadership*, vol. 14, no. 4, summer 2004, pp. 437-452.

By the latter measure, it seems reasonable to argue that the sector as a whole has become more robust in recent years, largely through a region-wide commitment to organizational capacity building, much of which has been driven by The Forbes Funds. As University of Pittsburgh professor Kevin P. Kearns argues, Forbes broadened its mission in 2000 to support both research and action toward stronger nonprofits.²⁸

Operating through a relatively small grants budget, while working with a long list of local partners that includes The Pittsburgh Foundation, The Heinz Endowments, and an anonymous donor, among others, The Forbes Funds has been able to maximize its effect by creating what Kearns labels as a “true synergy” between its research and capacity-building agendas. In essence, The Forbes Funds is contributing to the sector’s robustness through their own alertness, agility, adaptability, and alignment.

Even a broad mix of funders can only go so far in improving a sector without broad investments in the capacity-building infrastructure, however. Unless Pittsburgh is radically different from the rest of the country, most of the area’s nonprofits launch their improvement efforts without the planning, resources, measurement, outside contact, and access to expertise needed for success.²⁹

Moreover, recent research suggests that area nonprofits may not have the resources to remedy the problem.³⁰ Although there is no shortage of technical assistance services, the region has relatively few forums for peer interactions between capacity-builders and nonprofit executives, and needs deeper research on which interventions work best for what kinds of problems.

The area also needs to challenge the false trade-off between program and organizational investment. Too many funders, boards, and executive directors still see capacity-building as a luxury that reduces resources for program advancement, when, in fact, capacity-building is an absolute necessity for building and sustaining the productivity and efficiency to generate greater social rates of return on program investments.

²⁹ See Paul C. Light, *Sustaining Nonprofit Performance*, op. cit.

³⁰ Judith L. Millesen, and Angela L. Bies, “An Analysis of the Pittsburgh Region’s Capacity-Building ‘Industry,’” October 2004.

CONCLUSION

As noted early in this essay, the Pittsburgh area has a long list of assets as it imagines a broad initiative to strengthen its nonprofit sector. It is small enough to have the kind of tough conversations and face-to-face debates needed to forge the trust and energy needed to enhance robustness sector-wide. It also has a demonstrated history of collaboration, a growing list of exemplary nonprofits to celebrate and study for lessons on how to proceed, and the educational, philanthropic, governmental, and private encouragement to move forward.

Most importantly, the first step toward increased robustness has already been taken in the research and capacity-building that has already occurred. The area by now knows the kinds of futures it faces. And it has many of the answers already in hand. The next step is to move forward with the kind of collaborative enterprise that has marked the past decade of improvement.



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