

# Managing at the leading edge

Six lessons from America

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March 2004



# Aim and context

**Aim:** To identify learning about management and governance from leading edge nonprofits in USA

**Context:** Nonprofit sector is huge

USA and UK sectors have different histories and cultures

Many opportunities to learn from each other



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# The six lessons

1. **Build organisation capacity**
2. **Manage performance**
3. **Create strategic alliances**
4. **Exploit changing patterns of funding**
5. **Lead with integrity**
6. **Strengthen governance**



# **1. Build organisation capacity**

**2. Manage performance**

**3. Create strategic alliances**

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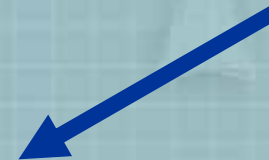
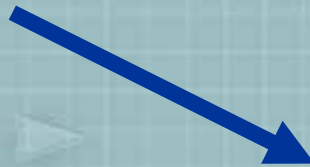
# Definition of capacity

## Internal Capacity

- Mission
- Board
- People and skills
- Infrastructure
- Technology

## External Capacity

- Innovation
- Partnerships
- Diversified income
- New initiatives



**GREATER IMPACT**



# Rationale for capacity building

**Strong nonprofits**



**Increased social capital**

**Lack of capacity**



**Major bottleneck on growth**

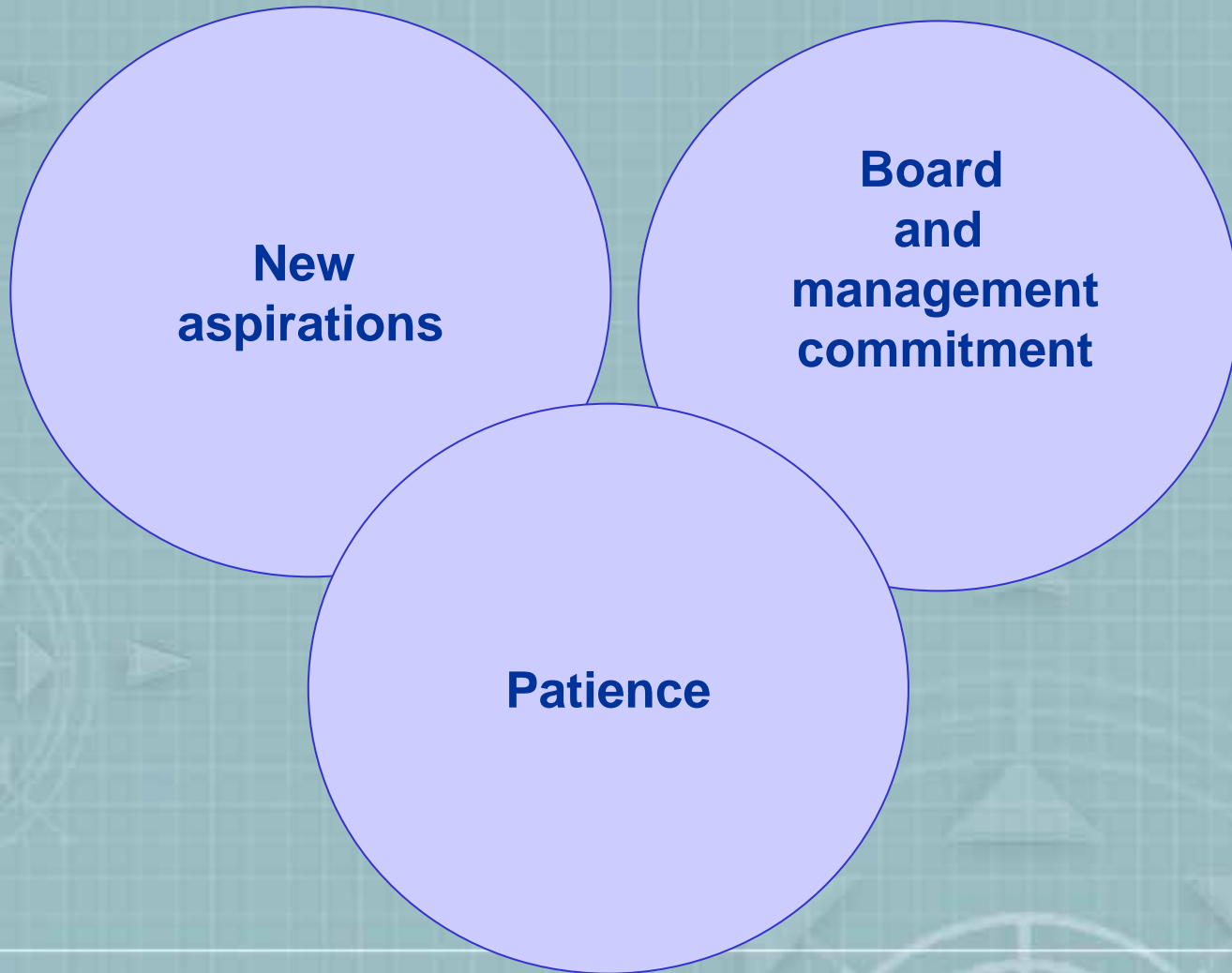
**Donors, watchdogs**



**Constraints on investment**



# Keys to capacity building



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# Why manage performance?

Funders want evidence of results

Growing demands for accountability

Counter press cynicism

Informs resource allocation decisions

Boards want results oriented organisations



# What are organisations doing?

1. **Gathering outcome information**
2. **Using range of measures**
3. **Developing a corporate 'dashboard'**
4. **Distinguishing direct and catalytic impact**
5. **Establishing Board Performance Committee**



# Learning to date

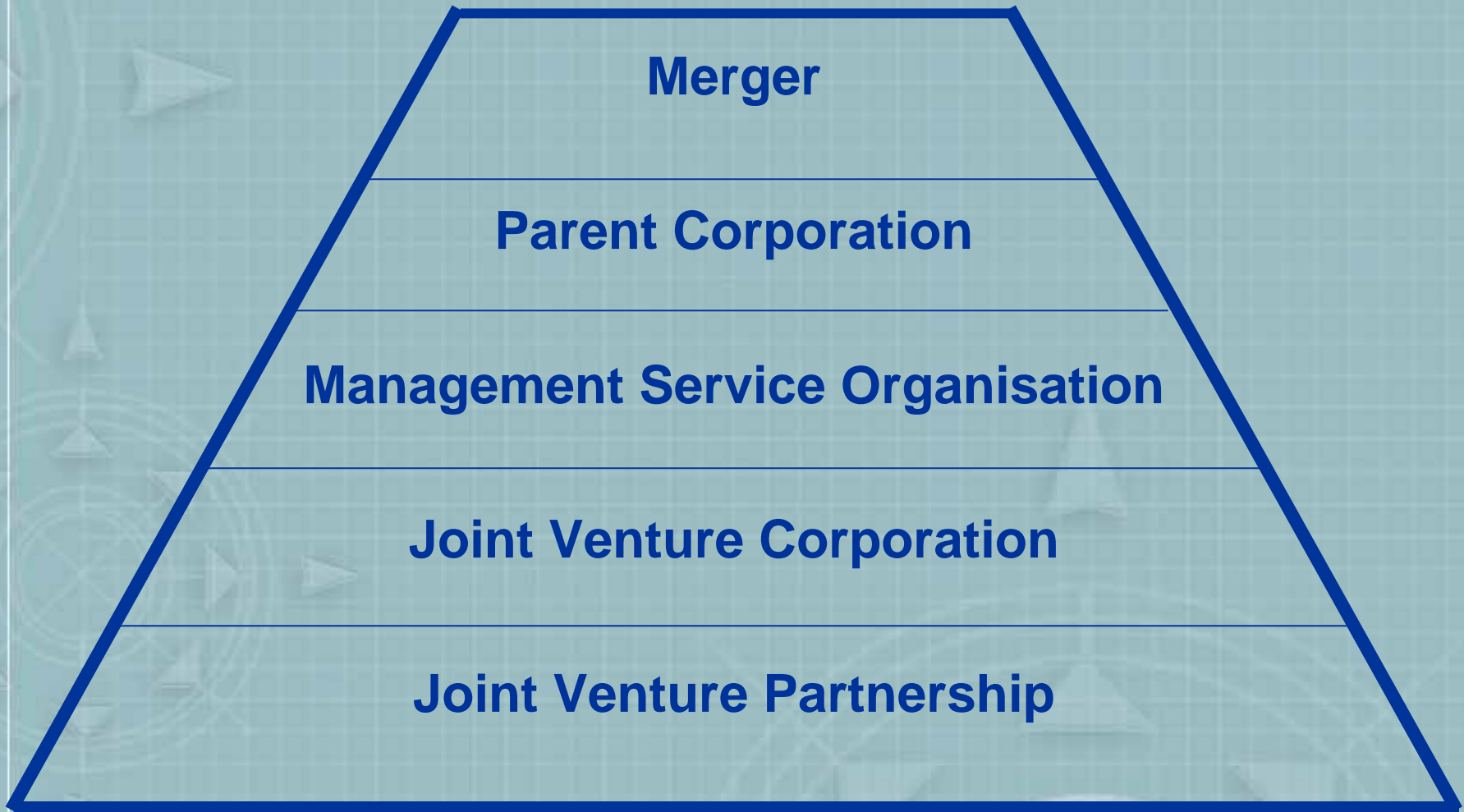
- **Outcome measurement is valuable**
- **Commitment from the top is essential**
- **Use pragmatic measures - avoid perfectionism**
- **Identify own outputs and outcomes**
- **Mix quantifiable and qualitative**
- **Trial and improve**



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# Types of strategic alliances



# Keys to successful alliances

- **Leadership of the alliance**
- **Alliance strategy**
- **Realism about resources**
- **Open communications**
- **Admit failures and celebrate achievements**



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# Sources of finance are becoming more diverse

## NEW SOURCES

- Programme related investment
- Venture philanthropy
- Community development finance institutions
- Loans and equity investments

## NEW TRENDS FOR TRADITIONAL SOURCES

- Greater wealth of small number of donors
- Growth of bequests
- Growth of non cash donations



# Capitalise on new funding sources

- **Fit source to suit different revenue and capital requirements**
- **Prepare for ‘high engagement’ funders combining:**
  - **Funding**
  - **Strategic coaching**
  - **Practical support**
  - **Tough accountability**



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# Key actions of effective leaders

- **Embody the organisation's values in word and deed**
- **Mobilise around the mission**
- **Focus people on results**
- **Build small teams**
- **Invest in leadership and management development**



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# Keys to high performance

- **Maintain clarity over unique role of the board**
- **Structure boards around governance tasks**
- **Strive to enhance board performance**
- **Deepen Chair – Chief Executive relationship**
- **Continuously review Board performance**



## In conclusion

- **Much in common with UK**
- **Much we can learn from USA**
- **Much the US can learn from us**
- **Create opportunities to share the wealth**



# Project sponsors

## Lead sponsor

Zurich Financial Services

## Supporting sponsors

Paul Hamlyn Foundation

Calouste Gulbenkian Foundation

The Kings Fund



## Compass Partnership books:

*Managing Without Profit*, Mike Hudson, (DSC, 2000) sets out the theory and practice of creating highly successful nonprofit organisations.

*Managing at the Leading Edge*, Mike Hudson, (DSC, 2003) describes what can be learned from the management and governance of nonprofit organisations in the USA.

Both are available from [www.dsc.org.uk](http://www.dsc.org.uk)

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