

LEAP OF REASON

MANAGING TO OUTCOMES

IN AN ERA OF SCARCITY

Doubling Down on Leadership in an Era of Scarcity

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Note: The following column is adapted from a speech ([video](#), [text](#)) I gave on April 27 at the [City Club of Cleveland](#). This speech was especially meaningful for me, because of the esteem I had for this “citadel of free speech” when I was growing up on the other side of the tracks.

The City Club is only five miles from my childhood home. But for all practical purposes it was in a different world. My dad sold vacuum sweepers door to door and drove a cab. My mom cleaned offices.

Looking back on it, there’s no question I grew up poor. I just didn’t know it.

My mom was the rock. In addition to cleaning offices, she cleaned other people’s homes and ironed shirts to keep the family afloat. She made sure my brother, sister, and I—and oftentimes our friends and cousins—were well fed, clothed, and loved.

We had great places to go—the Miles Park Library, the Broadway Rec Center, the 113th and Miles YMCA, the Salvation Army Center on 93rd Street, and many places to play ball. I went to South High, which had more than its share of committed teachers. We had good, demanding coaches. Our church was Holy Name. The priests and nuns there managed to keep us out of serious trouble—often using serious smacks on the knuckles during catechism.

When I drive through my old neighborhood today, it’s a completely different story. So many elements of the connected and supportive community I knew were broken by lost manufacturing jobs and have given way to vacant buildings and empty lots.

A kid today growing up on my old street—a kid born with intelligence and drive and a caring parent—doesn’t have nearly the same opportunities I had. Based on current statistics,

that young boy or girl has less than a five percent chance of graduating from college.

Is Our Hard Work Adding Up?

That is the reason this aging Italian is still working 60-plus hours a week two decades after retiring from the business world. It’s the reason I helped to start VPP to invest in leaders working to improve the lives of children and families. It’s the reason I wrote the book [Leap of Reason](#). It’s the reason I often don’t sleep well and drive the people around me nuts with emails and postings in the wee hours.

I know there are good reasons for optimism, thanks to all of the leaders in America who are willing to walk through walls and work around the clock for the children and families they serve.

But I want to lay down a challenge to all of you—whether you’re a nonprofit leader, public servant, board member, donor, business leader, or engaged citizen. **The challenge for all of us is to determine whether our hard work is adding up to the kind of opportunities that I had ... that you had ... that every parent wants for his or her own children.**

Candidly, I fear that our hard work is not adding up to enough impact. I fear that the Progressive Era ideals that gave birth to the City Club—and for which my parents, aunts, and uncles sacrificed—are at risk of slipping away.

Diagnosing the Problem

Based on my work over the past two decades in the social sector—and especially my past 12 years of working with Venture Philanthropy Partners—I have a perspective on the factors that are undermining our progress.

As I see it, the whole system sets nonprofits up for struggle and starvation, not for solving challenges. We funders, board members, and civic leaders should be supporting nonprofit leaders to build strong, high-performance organizations. Instead, we cause them to think incrementally—month to month and hand to mouth. We often say we're focused on results. But really what we're doing is demanding more information on results without paying enough attention to what leaders actually need in order to produce those results.

[Pat Lawler](#) is a stunning nonprofit leader in Memphis, Tennessee. He runs an organization called [Youth Villages](#), which helps emotionally troubled young people—many of them kids who've been bounced from one foster home to the next—become successful adults.

Pat's results are extraordinary. Eighty-two percent of the kids in Youth Village programs across the country are rising above their heart-wrenching challenges. They are finishing school, earning a living, and contributing to their communities. That's literally twice the rate achieved by comparable programs. If that's not eye-opening enough, Pat's program costs one-third as much as competitor programs. Twice the outcomes. One-third the cost!

And yet Pat reports that he's lost more government contracts and had to lay off more people in the past six months than in his previous 32 years combined. This kills me! It should tear at all of us.

Our crazy funding system is just part of the equation.

In too many of the interactions I have with nonprofits and government agencies, I see signs that they aren't taking a hard look in the mirror and asking whether they are focused on the right things, measuring the right things,

and doing the right things for those they serve. They settle for mediocrity. And some even cause inadvertent harm.

The Earthquakes Everyone Will Feel

These challenges are not new, but they are growing in urgency. At VPP, we're seeing that nonprofit leaders are being forced to navigate and manage a huge *supply-side* problem and a huge *demand-side* problem at the same time. That means big, hairy challenges for all nonprofits—especially those that are not on track to deliver high-quality services at a cost-effective price point.

On the supply side, budgets are under tremendous pressure at every level. No matter who wins the election this year, the federal government will have to make increasingly hard decisions about what it can and can't fund. This is not a question of "if," but "when."

Around the country, state and local governments are starving. And this will only get worse when the federal government begins cutting back. After all, about a quarter of state funding and a third of local government funding comes from the feds.

In this era of scarcity, just about everything is on the table. In the [words](#) of New York Mayor Michael Bloomberg, "Towns and counties ... are starting to have to make the real choices—fewer cops, fewer firefighters, slower ambulance response, [fewer] teachers in front of the classroom."

On the demand side, seismic shifts in our society—from the aging of the population to dramatic shifts in the nature of work—are expanding the need for services, not just among the poor but among large sectors of the population. I don't have enough space to do justice to these shifts. I will offer just a few

sobering points that should give you a sense of why I'm so sure that the demand for services is going to rise in the coming years.

The economist [Alan Blinder](#), a former vice chairman of the Federal Reserve, [estimates](#) that a quarter or more of all U.S. jobs have the potential to be moved overseas within the next couple of decades. Global competition is just one factor in the changing nature of the workforce in America. Technology is another.

Automation is coming to all parts of our economy—even the service economy that has appeared largely impervious to globalization and technology. Last year, Slate magazine featured an [article](#) about a [start-up](#) that is helping restaurants replace waiters with souped-up iPads. The device, called Presto, “lets you order and pay right at your table. You select what you want to eat, the order zings over to the kitchen, and the Presto tells you how long it will take for your items to come out.”

As these trends continue to pick up steam, we're going to see a dramatic increase in the number of people who are displaced and who look to government and the social sector for support. In a *Cleveland Plain Dealer* [cover story](#), a sociologist put it this way: “We're going through this huge fundamental change. We thought we would have our parents' lives. Then came this earthquake that many people still don't see.”

When you add old Baby Boomers like me into the mix—and the vast resources my generation will use for healthcare and aging services—you've got an earthquake that everyone will see and feel soon enough.

Our society will have less money to fund services. And we will have more demand for services from a broader swath of the population. Just imagine how hard the funding

decisions are going to become! What will we fund? What will we drop? How will we decide?

Leadership Above All

So the social sector is in for a big jolt in the coming years. And, in like manner, so is our public sector. We can respond with infighting, robbing Peter to pay Paul, or continuing our incremental efforts to get better. Or we can respond by producing much greater impact, at a lower cost, for those we serve.

If we choose the path of greater impact—and I hope to God we do—our primary agent of change is going to be the courageous nonprofit and government leaders who are willing to learn, adapt, and grow.

I'm a huge believer in the notion that what makes things happen is people. In Northeast Ohio, we have some incredibly gifted leaders relentlessly pursuing high performance. I'll highlight one I've had the honor of getting to know particularly well over the past few years.

[Lou Salza](#) is the head of Cleveland's [Lawrence School](#), which serves K-12 students with language-based learning differences. Thanks to Lou's leadership, Lawrence School may be the best example of an organizational transformation I've been involved with since entering the nonprofit world. In my role as Lawrence board member and “involved advisor,” I've loved every minute of working with and learning from Lou and his team. I bet Lou would not say the same thing about me—especially the times I emphatically bring home my points with language colored by my years on 93rd and Harvard and my time in the U.S. Navy.

Over the past five years, I've watched Lou foster a high-performance culture that is also nurturing. Students who, in other school settings, are labeled as “disabled” or “broken”

are understood from a developmental perspective. They are educated with programs that use evidence-based practices. Lawrence School measures the effectiveness of these practices and is not afraid to “call it like it is” when intended results are not being met. At Lawrence, they refuse to drink their own Kool-Aid.

Their dedication to transparency, honesty, and self-critique literally saved the life of the school. And now they are positioned to influence many others in the private, public, and parochial sectors—and have an impact far beyond Cleveland.

A Call to Action

This is the kind of leader we need to cultivate all over the country. Imagine the dramatic strides we could make to solve our most important social challenges if we collectively took a quantum leap forward in our willingness and ability to support leaders like these to build and nurture highly effective nonprofit and public-sector institutions.

Each of us has a role to play. I want to be specific about how.

First, if you’re a funder, you need to provide more than program funding and more than the typical “capacity-building” grant if you want your grantees to make the leap to high performance. Leaders need funders who are willing to make multi-year investments in helping them rethink their models and strengthen their management muscle and rigor. That approach is at the core of what VPP does.

Funders absolutely have to break this misplaced fixation on an arbitrary overhead figure of 10 to 15 percent. If you do nothing else, please just ask the leaders you fund what it actually costs to get the job done!

Second, business leaders, funders, and board members have a huge role to play in providing strategic advice and counsel. [Darell Hammond](#), founder of [Kaboom!](#), a great nonprofit that has helped build more than 2,000 playgrounds in some of America’s toughest neighborhoods, is as blunt as can be. He will tell anyone that the [Omidyar Network](#), the philanthropic entity started by eBay’s founder, was “miserable to work with.” But in the past year or two, Omidyar, in Darell’s words, has gone from “worst to first.” They’re now a true partner, helping to generate ideas and helping to make those ideas successful. “When we need help, they get us the best expertise in the country.”

There are so many smart, connected people here who could help nonprofit leaders get the advice they need to navigate these turbulent times. That assumes, of course, that leaders are courageous enough to request this kind of advice.

Third, business leaders, board members, and funders can help nonprofit leaders find and develop the talent they need. As management guru Jim Collins has noted, organizations have the best chance of rising from “good to great” by getting the right people on the bus, in the right seats, at the right time. Best practices, good models, and strategic plans are wonderful resources, but they only really work as promised in the hands of the right leaders with the right perspectives, values, skills, and life experiences. You can make a huge impact if you help nonprofits raise the bar on the talent they should recruit.

But we can’t simply *recruit* our way to the right leadership. GE, for example, has invested heavily in leadership development; that’s why so many of its leaders are now running other Fortune 500 companies. That relentless focus on leadership development needs to be

adapted and inculcated into the nonprofit and public sectors.

Fourth, all of us must speak out for more-rational funding. This will mean taking on the very challenging task of pushing for public policies that pay for good outcomes rather than just paying for activities. We don't have a single dollar to waste on organizations that don't actually do what they say they do in their glossy brochures.

Pat Lawler from Youth Villages tells the story of a funder in Tennessee going with him to meet with a state commissioner. The funder, a prominent citizen and political donor, literally screamed at the commissioner when he didn't seem receptive to hearing about Youth Villages's results for kids.

I don't advise screaming at public officials. But I do believe that those who have a big voice have a big opportunity to speak up on behalf of allocating funding based on merit and reason—not on blind loyalty or faith.

Finally, nonprofit leaders (and their public sector counterparts) have to summon the courage to seek high performance. Make it a matter of pride to take this leap. Forget your damned funders. Do it for yourself. It doesn't cost money to be good at what you do. Be unrelenting in your drive to understand whether your organization is making a material difference, through performance metrics, not just feel-good stories.

Live the Play Before It Happens

At South High, Coach Frank Dillon taught every one of his baseball players to be prepared for anything. And it worked well, as he led us to the Ohio State Championship in '61!

Coach Dillon demanded that each of us “live the play before it happens.” Given that I couldn't hit a curve to save my life, I paid very close attention to anything that would improve my game as a left fielder. Before every pitch, I would see in my mind's eye the batter singling to right; I'd imagine running in to back up a throw to second. And on and on, playing out each scenario in my mind.

Today, I'm practicing the same discipline of trying to see the play before it unfolds. I'm seeing the seismic shifts in our society that are going to rock the foundations of the social sector—and the public sector as well. I'm seeing those kids in my old neighborhood losing opportunity. I'm seeing middle-class families losing jobs and homes. I'm seeing a country with slippery rungs and frayed bootstraps.

And I'm also seeing what a difference courageous leaders can make when they become more intentional in defining their approaches ... more rigorous in gauging their progress ... more willing to admit mistakes ... and more capable of quickly adapting and improving—all with an unrelenting focus and passion for improving lives.

We need to supercharge these leaders. Help them live the play before it happens. Support them. Nudge them. Reward them. Enlist them in spreading the gospel to their peers.

Investing in good leaders and helping them become great ones is the single best investment we can make. It's the proven strategy for ensuring that hard work will produce high performance—and real, enduring opportunity for the families in this community and communities all over the world.

—Mario Morino