

# LEAP OF REASON

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## MANAGING TO OUTCOMES IN AN ERA OF SCARCITY

**Let's Get Down to Business—But Without  
the 'Business' Rhetoric**

**Mario Morino  
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In the midst of the holidays, the *Wall Street Journal* published a [special report on philanthropy](#). In appropriate journalistic fashion, the editors framed the report around a provocative question: Should philanthropies operate like businesses?

In a [letter to the editor](#), I expressed my concern that it is deeply counterproductive to Hamlet over whether to be or not to be business-like. I feared the report would rekindle contentious arguments about the relative virtues of businesses and nonprofits, a dynamic described so well by [Tynesia Boyea Robinson](#) in her [essay](#) in *Leap of Reason* and by [Mindy Tarlow](#) in the Urban Institute's recent ["Tough Times, Creative Measures"](#) symposium (page 5).

In the extended, unedited version of my letter, here's how I put it:

*[Strong performance] is about leaders defining their approaches, rigorously assessing progress, and quickly adapting and improving. These practices are not the sole province of business! Good leaders in any sector want to augment good intentions and intuition with the best data they can get their hands on. They can't sleep at night when they don't know whether they're on course to achieve the results they seek. They're obsessed with finding ways of doing better what they do for those they serve.*

In this era of scarcity, we can't afford to bog down in squabbles over semantics. We can't afford to waste precious time on unproductive debates over "business versus nonprofit" or "mission versus metrics." Instead, we have to take the best of both worlds and effectively blend them to make us much more effective. And we must do it with urgency as a result of the harsh fiscal realities at the local, state, and national levels.

In this column, I will share some key milestones, and unfortunate missteps, in my attempt to understand and navigate the complexities of the social sector. And I will offer ideas for how you—no matter where you are in your journey—can play a significant role in strengthening this sector and improving lives.

## Learning the Hard Way

In the '90s, I was the quintessential well-intended businessperson making the transition to the nonprofit world. I naively stepped into the middle of the "nonprofit versus business" battleground. Although I've never been accused of being a corporate "suit," I regret the corporate-sounding jargon I bandied about. I spoke often of the value of being "business-like" and the need for results. People who didn't know me saw me as a brash, arrogant interloper. I offended far too many wonderful nonprofit leaders who had dedicated their lives to making a difference for others.

Looking back now over speeches and interviews I gave during that time, I clearly see that I did not meaningfully comprehend the nonprofit ethos, the social complexities inherent in what nonprofits do, the inadvertent and pervasive acceptance of mediocrity, and the stunning lack of support for leaders with the courage to manage for greater impact. I can see that the spirited, even angry, exchange over words and approaches kept too many of us from appreciating the respective merits of what we all brought to the table.

## Learning from the Best

Fortunately, I found great teachers and mentors. They helped me understand why language was so much more charged and important in the social sector than in my former world. And they helped me gain a much more sophisticated sense of the ecosystem in which nonprofits operate.

- Thanks to the influence of [Jim Collins](#) and his monograph [Good to Great and the Social Sectors](#), I further cut down on my use of business terminology. Collins stressed in his monograph that nonprofits should not run like businesses; they should run like well-run nonprofits. He said that the key for all organizations—public, private, and nonprofit alike—was to be disciplined and intentional in planning, decision-making, executing, and assessing progress.
- Similarly, true community champions [Billy Shore](#), [Bob Templin](#), and [Gary Mulhair](#)

taught me that one reason the business-versus-nonprofit comparison is so weak is that nonprofit leaders almost never have the benefit of the kind of strategic support that business leaders take for granted. They helped me understand the great need for building the capacity of nonprofits to do much more for those they serve. We force nonprofit leaders to swim upstream. And if that's not bad enough, we also tie anchors around their legs!

- My experiences with [Steve Denning](#) and the global growth-equity firm [General Atlantic, LLC](#) taught me that the task at hand was to invest to build great organizations, rather than provide \$5,000 and \$10,000 “capacity building” grants that, at best, would tinker around the edges of a nonprofit’s effectiveness. Through my work with GA, living and applying their investment approach, I saw the value of “investing” millions of dollars and high-level strategic assistance over multiple years, anchored by a trusting relationship, to enable good and great leaders to build stronger, more effective organizations. It was this very premise that led to the creation of [Venture Philanthropy Partners](#).
- [Michael Bailin](#) confirmed that I wasn’t crazy to think that foundations could become more effective, too. Mike led a transformation at the [Edna McConnell Clark Foundation](#), paving the way for traditional foundations to rethink the way they fund and support nonprofits for greater results.
- Through my hands-on work with [Sister Kit Collins](#), [David Domenici](#), [Henry Fernandez](#), [James Forman](#), [Maria Gomez](#), [Lori Kaplan](#), [Donald Hense](#), [Darin McKeever](#), [BB Otero](#), [Lou Salza](#), [J.B. Schramm](#), and others, I learned that when donors provide the right kind of encouragement and support, great leaders can redefine what is possible for them and their organizations. These leaders proved to me that management discipline can and

should augment, rather than stifle, intuition and a deep commitment to mission.

- [Carol Thompson Cole](#), [Charito Kruvant](#), [Steve Seleznow](#), [Shirley Marcus Allen](#), [David Sylvester](#), and others on the VPP team and board helped me learn the social realities of communities—especially the many layers of cultural, class, and racial distinctions with deep historical roots—that make nonprofit and public-sector work dramatically different from, and often more complex than, operating a business.
- [David Hunter](#) helped me to see that if, in the name of politeness, we condone mediocrity in nonprofits, we’re not doing anyone any favors. Nonprofits that, even unwittingly, fail to do what they say they do not only squander precious resources and tarnish the image of other nonprofits in their communities; they can cause actual harm to those they purport to serve.
- And helping round out my understanding of the ecosystem in which nonprofits operate, [Lee Schorr](#) helped me understand that “if you don’t understand the role of public policy and funding for nonprofits, you’ll be toast!” Those words hit home and hit hard. And, wow, was she ever right!

## Applying Knowledge

We published *Leap of Reason* to get nonprofit leaders, boards, and funders to think differently about achieving social impact. The book is a plea to nonprofits and funders (and those in the public sector, too) to put greater emphasis on disciplined, talent-first, information-based management, while never losing their strong sense of mission, in an era in which reason is going to take on greater urgency.

To augment and further affirm what we wrote in *Leap of Reason*, which was based on VPP’s work with its portfolio of high-performing nonprofits, we spent quality time from September to December with the leadership and staff of eight stellar organizations that exemplify the discipline of “managing to outcomes”: [CEO](#), the [Cleveland](#)

[Clinic](#), [Congreso](#), [Friendship Public Charter School](#), the [Lawrence School](#), [Roca](#), the [Strive Partnership](#), and [Youth Villages](#). These organizations show in basic and dramatic ways that our preaching in *Leap of Reason* can be practiced in real life—and that the value of doing it is significant.

But let's get real. These leaders, for all they've done, are lonely. The deck is heavily stacked against widespread adoption of the remarkable achievements of these exemplary organizations. As the eminent foundation expert [Bill Dietel](#) concluded at the Urban Institute's "[Tough Times, Creative Measures](#)" symposium, "Unless there is radical change in how we find the human talent required, unless there is radical change in how we get this sector funded ... then there is very little hope."

Consider these daunting data points:

- The vast majority of public funders simply do not reward leaders who can show that what they do works and results in more lives improved. In the words of Pat Lawler, Youth Villages' inspiring CEO: "I meet with secretaries and commissioners of child welfare and juvenile justice ... all the time—they do not care anything about [outcomes]. Their words say they do, but their actions say they do not."
- In a recent meeting with one of the nation's top philanthropy authorities, we had a hard time naming more than a handful of foundations that are ready and willing to make the kinds of investments in nonprofits necessary to support the adoption of an outcomes-focused management approach.
- Hope Consulting's [Money for Good](#) report found that "while [individual] donors say they care about nonprofit performance ... only 3% of people donate based on the relative performance of a nonprofit organization."

We can pretend the above isn't true. We can hide behind our ideological debates. We can continue to condone mediocrity. We can take tiny, incremental, safe steps.

Or we can face up to the urgency and take the lead of newscaster Howard Beale from the movie "Network" and scream to all those who care about the social sector, "WE'RE MAD AS HELL, AND WE'RE NOT GOING TO TAKE THIS ANYMORE!"

Let's not squander any more time, energy, and other resources with endless studies and mindless board discussions. Instead, let's join together to put our energies into helping good organizations become great ones!

## A Role for Everyone

No matter how you are connected to the social sector, you can do something to advance this cause.

If you sit on the board of, work in, or financially support a nonprofit, ask the hard questions: Does what we do work? How do we know? How can we improve, do more, be better, and at lower cost?

The next time you're in a board meeting or at a fundraiser and a stirring story of a child is featured to pull your emotional heartstrings, give that child the respect he or she is due. But then shift the discussion from the heart to the mind by asking: How many of those served have lived this same story and had this same benefit? How lasting has it been? And what material difference has it created?

As Cleveland Food Bank President and CEO [Anne Goodman](#) puts it, "Stories substituting for facts is like fingernails on a chalkboard to me." Lawrence Head of School [Lou Salza](#) has another formulation that I love: "We must be willing to shine the ... light of data on impressions, perceptions, and anecdotes and find out if they stand up—if they have substance that goes beyond the incidental to the systemic."

Some years back, a fundraising professional called to ask for a donation. She began by sharing the story of a young girl who had benefited from a music outreach program. The story was riveting and emotional. When the pitch ended, I said, "That's wonderful. Can you tell me about the other students in the program? How many enjoyed similar academic and development achievement?"

How many didn't? How many dropped out of the program?" My questions were greeted at first with stone cold silence, followed by her timid response, "We don't track that information."

Anne Goodman is the opposite kind of leader. As she told me, "I love tough questions. I love showing [donors] the outcomes and efficacy [of our work]."

If you're connected to a foundation, think seriously about how to redirect scarce funding away from borderline programs to organizations that have reasonable clarity on what they're trying to achieve and are demonstrating a well-grounded theory of how their efforts can lead to the desired change. Be a creative funder willing to think big with your grantees—not just pester them for more information on results. Provide more than just program funding, and more than the typical "capacity-building" grant. Consider multi-year investments to help nonprofit leaders strengthen their management muscle and rigor.

If you're an individual who makes donations, large or small, remember that donations from individuals are by far the largest source of funding for nonprofits—and are especially valuable because they are unrestricted, flexible funds (unlike most gifts from foundations). Your personal donations should go to those making a true difference. Be more diligent with your money by looking for evidence that the organization is effective and truly tracks what it does.

I've long been hesitant to drink the Kool-Aid that suggests that foundations and individual donors should encourage nonprofits to merge and consolidate. I have to admit that in light of dramatic funding and structural shifts, nonprofit leaders, board chairs, and funders have to give consolidation much greater consideration. Instead of blindly encouraging more nonprofits to start up, I now believe we should be looking at effective ways to advance constructive coalitions, collaborative efforts, co-locations, and consolidations via mergers and acquisitions. What are the top ten opportunities in your region?

One colleague ventured that more should be done to identify and "put out of business" those

nonprofits (and public services) that are performing poorly and certainly those that are causing harm. This is harsh, but for those involved in the United Way, community foundations, and regional coalitions, maybe this is the charge to take on. Wouldn't it be crippling to communities to see the organizations achieving the most in material, meaningful change have their funds cut or eliminated, while those with poorer performance and less social impact live on simply because they have better stories or more-influential supporters? Although I shudder to think about all the ways this next idea could easily go wrong, what if we could develop an "impact index" that would allow regions to rank their nonprofit, public, and private-sector organizations?

## Rolling Up the Sleeves

Last month, I had the privilege of meeting with [Ellen Schall](#), Dean of the Robert F. Wagner Graduate School of Public Service at New York University. When I walked in, Dean Schall had a copy of *Leap of Reason* in her hand, opened to the chapter with a long list of ideas for sparking quantum change in the social sector. After hello, she launched right in: "How can we help? Which of these can we take on?" And we're now in discussions to do just that.

I hope that you will follow Dean Schall's lead and that of the great practitioners we are finding. I hope you, too, are fed up with a dysfunctional funding system that allows stories to substitute for facts. I hope you are ready to replace loyalty-based giving with more-impactful, merit-based giving. I hope you are willing to roll up your sleeves to support great leaders doing meaningful work and waiting for the chance to be better and do more. The future of our communities is at stake!

—Mario Morino