Making Growth Work:  
PLANNING AND MANAGEMENT GUIDELINES FOR NONPROFIT ORGANIZATIONS

BY PAUL CONNOLLY AND LAURA COLIN KLEIN

Growth: sooner or later, virtually every nonprofit organization confronts the risks and rewards of expanding beyond its original charter. This report draws on The Conservation Company’s experience to examine the benefits, dimensions, and challenges of organizational growth, and discuss techniques for managing growth in a way that maximizes a nonprofit’s impact.

Introduction: Good Growth, Bad Growth

When nonprofit executives and lay leaders talk about growth, it is usually in positive terms. There is no organization, we are often told, that cannot benefit from a bigger budget, more staff, expanded quarters, new programs, or broader outreach. If small is beautiful, big is more beautiful.

In point of fact, growth typically is desirable, and the failure to grow or remain stable may well lead to a decline in relevance and effectiveness. The client base shrinks, programs lapse, and, ultimately, the organization withers and dies.

But not always. When growth is not carefully planned and managed, bigger is not better, and more is likely to turn out to be less. Consider the case of a successful drug counseling program that decides to increase its caseload by 50 percent to reduce per-unit cost to a level closer to the “industry norm.” Additional staff is brought in, but the new hires lack the commitment and concern of existing staff. Suddenly, the program’s best feature — the close, individualized relationships between case workers and clients — is undermined. An air of impersonality creeps in. Growth, in this case, is self-defeating: rather than enhance the service, it dilutes it.

The novelist Henry Miller once wrote, “All growth is a leap in the dark, a spontaneous unpremeditated act without benefit of experience.” No, not all growth: before they begin to think about future development, a nonprofit’s managers and board members must have a clear sense of current realities. Is their organization’s mission still valid — and if it is, is the organization properly funded and structured to achieve its objectives? If, as a result of this self-analysis, expansion in one or more areas is indeed deemed appropriate, it needs to be carefully planned, paced and managed. Where nonprofits are concerned, growth should never be spontaneous and unpremeditated.

The Dimensions of Growth

In the nonprofit arena, growth is most readily seen in terms of dollars — just as it is in the private sector. Growth, by definition, implies an increase in financial

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resources — through a grant or government subsidy, a fundraising drive, or, perhaps, an increase in earned income. The very fact that the budget is bigger means the organization has grown.

In most cases, the additional funding or income goes to add staff, serve more clients or reach a larger audience, launch new programs, reach out to new constituencies, or take a successful program to scale. But a nonprofit can evolve without adding to its budget or the size of its workforce. Instead, it scales back programs of dwindling importance and reallocates its resources to more critical initiatives, much as hundreds of women’s centers around the country did in the 1970s and ’80s. An early product of the women’s rights movement, these facilities eventually redirected their emphasis from social protest to advocacy programs aimed at changing “the system” from the inside. Where once their agenda was primarily political, now they focus on such priorities as fairer treatment for women in the courts and health care systems, shelters and hotlines for battered women, and workplace assistance programs.

To be sure, the potential to grow isn’t the exclusive province of small or fledgling nonprofits. Mature operations, including those with multimillion dollar budgets and national constituencies, can also benefit from strategic expansion and diversification. The budget of New York City’s century-old Lenox Hill Neighborhood House doubled from $5 million to $10 million between 1995 and 1996 when it won a city contract to manage a large homeless shelter and a federal contract for a new child care program.

Positive growth occurs to meet an unmet demand. In many cases, growth follows one of two models: funding-drives-growth or growth-drives-funding. In the former, a funder conceptualizes a specific program and then provides money to develop or expand it; in the latter, the organization itself identifies the need to grow and then turns to the funding community for support, or to fee-paying clients or customers for revenues.

Why Grow?

In the early 90s, parents in Jackson, Mississippi, joined forces to form Parents for Public Schools. Its aim: to address the middle-class “white flight” that had been steadily eroding the quality of education in many of Jackson’s 56 public schools. Dozens of other Mississippi communities picked up on the idea; with the support of the Phil Hardin Foundation and Kraft Foods, it has since been replicated in at least 25 additional states.

The experience of Parents for Public Schools underscores a compelling driver of growth: the opportunity to get more mileage out of a good idea — either by serving more people over a broader area or taking a successful local program to scale.

Growth can also enable an organization to expand and upgrade its services as well as reach more clients or customers in an existing service area — sometimes in dramatic ways. In 1995, four years after its founding as a grassroots street-based needle-exchange program, Prevention Point Philadelphia opened a “Harm Reduction Drop-In Center” in the city’s Kensington section. Funded by grants from The William Penn Foundation and The Philadelphia Foundation, the new facility provided a range of offerings that went far beyond fresh needles for IV drug users: AIDS information, condoms, safer injection supplies, support groups, information on medical care and drug treatment programs, and HIV counseling and testing.

Often, funding earmarked for a single program has a “halo effect”: if the amount is substantial and the source is prestigious, a grant can add muscle to an organization’s long-term financial stability and boost its profile among other funding sources. This enables the organization to generate even more money and support — and, in turn, to expand its offerings even further or reach out to a broader user base.

A case in point: Leadership Education for Asian Pacifics. A $150,000 grant from the Carnegie Corporation in 1993 gave the California-based organization new credibility as a national advocacy group and improved its chances of winning funding from other major foundations.

The Challenges of Growth

Organizational growth is neither inexorable nor automatic. To be beneficial, it must result from a meticulously reasoned and closely managed process. In does not make sense for an organization to expand in a way that sacrifices program quality or jeopardizes its financial health. Before it contemplates any type of change, an organization must play devil’s advocate with itself, acknowledging that there may be cogent arguments against growth — for preserving the status quo.

The fact is, organizational growth, however desirable it may be, is almost never easy. It requires staff to move beyond their comfort zone — to assume new responsibilities or a heavier workload, or to operate in unfamiliar settings. It almost always carries a high degree of risk.

Often, of course, the risk pays off. During the past 25 years, The Trust for Public Land has completed over 1500 projects nationwide involving the preservation of wilderness, rural, and urban areas. With the encouragement and support of a major funder, the Trust went through a thoughtful strategic planning process. As a result, it is expanding significantly the volume of its activity in urban areas and changing the way it works in those settings. In the past few years it has begun working in more than 20 cities through its Green Cities Initiative. It has shifted its focus from acquisition only — for which it has a highly developed skill base — to working with local partners to ensure long-term stewardship for the parks it is helping to develop. This has required staff to develop new skills and ways of working. A senior staff member at the Trust notes that this has not been not without its challenges, but that the impact of the Trust’s work in urban areas will inevitably be greater because it is learning to move beyond acquisition on its own to working with partners to promote stewardship.

In some circumstances, staff may be thrust in the uncomfortable position of serving an altogether new population. It is one thing to run a Head Start center serving a clientele of parents and their pre-schoolers; it’s something else again to expand that effort into a job training
Growing Pains and Their Treatment

Organizational growth is rarely a smooth ride. In its early stages, it is often accompanied by a certain degree of uncertainty, angst and pain. Here are a few of the more common symptoms — and some standard responses:

Program
Growing pains: The demand for services exceeds capacity.
Response: The programmatic mix is refined, rejiggered and/or expanded. Current staff are trained and/or new staff are hired to provide new or additional services.

Management
Growing pains: A reluctance or inability to manage expansion into new and unfamiliar areas may trigger a leadership crisis.
Response: Help is enlisted from external advisers; a change in leadership may be considered.

Staffing
Growing pains: Some staff may experience mounting frustration, confusion and burnout as demand outstrips capacity, or services are redirected.
Response: Help is sought from outside management consultants; additional hiring, as well as a reallocation of existing staff, may be indicated; staff input is actively sought, and all decisions are communicated openly.

Board
Growing pains: As demand increases, programs change and the organization grows, board involvement with day-to-day operations begins to diminish.
Response: At newer organizations, the board shifts to a more active role in such governance activities as fundraising and financial oversight. At more mature organizations, the board may need to revise or expand its fundraising activities. In some cases, replacing some or all board members may be the only way to acquire requisite programmatic expertise.

Systems
Growing pains: For new and mature nonprofits alike, growth and increased organizational complexity can quickly overwhelm the capacity of existing administrative systems.
Response: For newer organizations, informal approaches to administration, accounting, etc. are replaced by more formal systems; for more established organizations, existing systems are revamped, expanded and upgraded. This may require the expertise of outside accounting, management and/or information technology consultants.

Finances
Growing pains: Growth can be a costly proposition. Program upgrades, enhanced computer systems, and additional staffing require potentially sizable investments and/or fixed costs, placing a heavy financial burden on the organization and playing havoc with its cash flow.
Response: Expenses are pared by dropping or curtailing non-essential services or otherwise managing costs more prudently and aggressively. At the same time, new sources of earned and contributed income are developed.

External Relations and Communications
Growing pains: As the organization expands and decisions are made affecting its future, there is often a risk of excluding various stakeholders from the decision-making process, or leaving them uninformed.
Response: Staff takes pains to ensure that attention is paid to new and existing stakeholders. The board should represent all appropriate constituents.
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program for unemployed youth and adults. If your staff isn’t up to the challenge, or you are not planning to hire new staff professionals who are, it may be best not to undertake it.

Or, suppose a funder has come through with a long-sought grant for your repertory theatre company — but only on the condition that you launch an outreach program for local elementary schools. No one on staff is experienced in that area; mounting plays has always been the company’s sole strength, passion and reason for being. Accepting the money and creating the program could in fact be a rational course — but only if doing so fits with your organizational mission and your decision is informed by a thorough understanding of the risks and start-up costs involved. The decision to grow is not — nor should it ever be — a “no-brainer.”

As the organization evolves and enters more competitive markets, a more entrepreneurial mindset than staff and board are accustomed to may be required. Consider a day care center with Title XX funding: if it’s the only facility of its type in the region, there is probably no need to be concerned with marketing or with maintaining usage levels. But suppose the center opens a second branch in a nearby community where other child care facilities are available. For the first time, the center is competing with other providers for funding and clients. Money will have to be budgeted for marketing; staff cuts may be necessary if usage levels drop. Envisioning this scenario, the center’s leadership may opt not to expand. If they do, it will be important to recruit and hire people with entrepreneurial skills. Service excellence is no longer enough.

Growth may also force a shift in emphasis from units of service provided to outcomes achieved. Consider: a job training program serving unemployed single parents receives funding for every client who completes a nine-week course. A new, larger grant is offered — but one based on outcomes. Now, the program will get paid for every client it successfully places in a job. Process has taken a back seat; what matters most is results.

Growth inevitably brings with it a need for additional staff and internal restructuring. The benefits must be carefully weighed against the costs. Is the funding available to hire six new program directors — and if it is, can we assume we’ll find the people we need?

Growing nonprofits also require sophisticated new administrative systems to track programs or income streams in a more orderly and productive way. City Harvest is a New York City-based nonprofit that oversees the collection of unused food from restaurants and stores and other businesses and distributes it to agencies serving the hungry and homeless. In 1995, the agency’s leaders saw that further growth would be possible only if a more efficient system could be found for tracking contributions. Also needed was a way to maximize the automation of their truck routing system for food pickups and deliveries. In other words, City Harvest understood that upgrading its management information systems could directly impact its effectiveness as well as its ability to fulfill its mission through growth.

When Is an Organization Ready for Growth?

Most organizations have pondered the costs and benefits of growth at one point or another. In some instances, this exercise proceeds to the next level, and planning for change begins. Other times, staff and board may rightly decide to keep things as they are for now.

In all cases, such organizations need to go through a thoughtful process that involves both the board and key management and staff and addresses several critical issues.

For starters, what has triggered the discussion in the first place? Has a funder put money on the table in exchange for the fundee’s commitment to launch a new program? Have clients or customers expressed a need for new or different products and services? Or has the organization on its own identified a need to expand or to move into new areas? Opinions are likely to differ on this issue, but a consensus must be reached if there is to be a solid basis for future planning.
Next, the organization must question and even deconstruct the very assumptions on which it is based. Who do we serve? What do they value? Are we delivering it? Have there been shifts in the demographics of our client base or surrounding community?

Third, is there sufficient “readiness” to grow? The fact that new client demands or funding opportunities have materialized doesn’t a priori mean the organization is programmatically ready to take the next step. At this juncture, it is important to survey the organization’s key constituencies as to their comfort with change and how they view the risk-reward ratio. Absent sufficient support from staff and board and an environment hospitable to change, any significant new initiative will mostly likely fail.

Finally, what are the obstacles to growing the organization — and can they be overcome? While there may be compelling reasons for growth, the road to growth is likely to be bumpy. Outmoded systems, insufficient funding, inadequate demand, programmatic gaps, lagging board or staff capacity — any one of these can derail the most well-intentioned plan.

Consider funding and fees. Growth is often expensive, and being overly ambitious is much like buying a house you can’t really afford. Unless you can find a way to achieve your objectives without incurring excessive costs — or be reasonably certain that the requisite funding or earned income is available — you may be taking a fiscal leap that jeopardizes the organization’s operations and very survival.

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By LEAPs and Bounds: A Growth Case History

**Background:**

Founded in 1992, and now operating with a $3.5 million budget, Leadership, Education and Athletics in Partnership (LEAP) is a community-based program whose mission is “to develop the strengths and talents of young leaders who create and implement year-round community-based programming designed to achieve positive academic and social outcomes for children living in high-poverty urban neighborhoods.” LEAP began in New Haven and now operates in Hartford and New London as well. Counselors — virtually all of whom are high school and college-age — live in the community, where they work with small groups of youngsters in academic, sports, and recreational activities.

**Driver:**

Program development and market demand. In the years since LEAP’s inception, as the program’s reputation has spread from family to family and neighborhood to neighborhood, demand for its services has increased dramatically. AmeriCorps funding and State support have bolstered LEAP’s resources. By 2001, the organization is looking to double its constituency to 2,000 children, add a fourth city, and set up computer learning centers in four cities.

**Main Issue:**

Organizational capacity. LEAP grew rapidly in its first five years, both in scope and impact. Today there is still vast potential for continued growth, but LEAP recognizes that reaching its potential will require strengthened capacity and infrastructure. An effective multi-city operation needs communication, quality control, and strong management.

**Addressing the Issues:**

Beginning in 1996, The Conservation Company worked with LEAP to draft a five-year strategic plan emphasizing four interconnected goals: strengthening organizational systems and board and staff capacity; creating tools for monitoring and evaluating the program’s impact; working with children in the context of their families and schools; and expanding its scale. To date, LEAP has taken significant steps toward bringing its administrative systems in line with program offerings, upgrading its financial management and reporting systems, formalizing staff training and communications, and professionalizing its board.
Managing organizational growth is neither art nor science. Hard work and good intentions alone will not make it work; an impulsive or haphazard approach is doomed to failure.

At the same time, there are no failproof formulas for managing growth and ensuring its success. What works for one organization may misfire for another. Nevertheless, there are general guidelines that can help virtually any nonprofit begin to organize its thinking on the issue and derive maximum benefit from its efforts:

**Plan Ahead**

No company should ever embark on a new venture without first drafting a business plan. The same rule applies to nonprofit organizations. Strategic planning enables a nonprofit to take stock of where it is today, decide where it wants to be in the long and short term, and chart a course to get there. The planning process often begins with a survey of staff, board members and, possibly, funders, clients and other key populations. It should reflect both the organization’s internal capacities and limitations, as well as its external environment. A carefully conceived strategic plan will help an organization stay on track and make the most of its resources.

**Know Your Market**

When planning a new or expanded museum, youth center or theater, it isn’t enough to say, “If we build it, they will come.” Market research can enable an organization to assess the demand for current or potential services and provide a realistic context for growth. A marketing strategy helps an organization to identify ways to meet these needs and embodies recommendations about program/product/service development, pricing, distribution and promotion. A communications strategy helps an organization refine its message and convey it to clients, funders and other constituents.

**“Show Me The Money”**

Growth can be a costly proposition. In many cases, an organization should consider ways to diversify or expand its fundraising and earned income activities to generate more revenue. Fundraising efforts might include a capital campaign, or a more aggressive or targeted approach to foundation fundraising. Earned income strategies might include development of fee-based services or nonprofit business ventures.

**Elicit Everyone’s Input**

A growth initiative is likely to affect virtually every aspect of an organization’s operations and all of its participants. Planning and managing should thus be an inclusive — not exclusionary — process. Undertake formal board recruitment, organizational development, fundraising and operations and systems planning to address barriers. It is essential to include staff members in these efforts when appropriate to elicit their contributions and help prevent burnout.

**Don’t Overlook Infrastructure**

When planning for growth, it’s important to focus on programs, but not at the expense of less “glamorous” concerns such as management and infrastructure development required to support programs, including computers, facilities, financial management and control systems, and program reporting procedures. Short-change them, and you could undermine an otherwise well-thought-out growth initiative.

**Take Advantage of Outside Expertise**

Some organizations can manage growth on their own. But most will find that resource books, courses, technical assistance or a consultant’s advice can be valuable. As a rule, the distance that consultants provide often translates into greater objectivity and accuracy in the assessment of an organization. As outsiders, they are not wrapped up in the client’s internal politics, nor need they shrink from candidly discussing those areas where the organization really needs to improve. A listing of relevant publications, courses, workshops and other resources is provided in the last section of this report.

**A Final Word**

Nonprofits today operate in a world markedly changed from what it was as recently as a decade ago. Public and private funding sources have tightened considerably, while the demand for services has expanded and intensified.

In this new environment, growth has inarguably become a more compelling issue — and a far more complex one. For nonprofit organizations today, the chief challenge may well be to expand their offerings, serve new populations, and adapt to change without forsaking their defining mission. “The fatal metaphor of progress, which means leaving things behind us,” wrote G.K. Chesterton, “has utterly obscured the real idea of growth, which means leaving things inside us.”

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Management Assistance Resources

I. Readings on Nonprofit Management

II. Readings on Organizational Growth and Change

III. National Organizations Offering Written Resources, Courses, Technical Assistance and/or Consulting Services
Amherst Wilder Foundation - Community Services Group, 919 Lafond Avenue, St. Paul, MN 55104, (612) 642-4053
Center for Strategic Communications, 72 Spring Street, Suite 208, New York, NY 10012, (212) 967-2843
The Conservation Company, 50 East 42nd Street, 19th floor, New York, NY 10017, (212) 949-0990
One Penn Center, Suite 1550, Philadelphia, PA 19103, (215) 568-0399
Foundation Center, 79 5th Avenue, 8th floor, New York, NY 10003, (800) 424-9836
Indiana University Center on Philanthropy, 550 West North Street, Suite 301, Indianapolis, IN 46202, (317) 274-4200
Indiana University Fund Raising School, 550 West North Street, Suite 301, Indianapolis, IN 46202, (317) 864-8934
National Executive Service Corps (NY), 257 Park Avenue South, New York, NY 10010, (212) 529-6660
National Society of Fund Raising Executives, 1101 King Street, Suite 700, Alexandria, VA 22314, (800) 666-FUND
N Nonprofit Facilities Fund, 70 W. 36th Street, 11th floor, New York, NY 10018, (212) 868-6710
Support Centers of America (National Office), 706 Mission Street, 5th floor, San Francisco, CA 94103, (415) 541-9000
United Way Services - Management Assistance Program, PO Box 12209, 224 E. Broad Street, Richmond, VA 23241, (804) 771-5870
ABOUT THE CONSERVATION COMPANY

For nearly two decades, The Conservation Company has provided strategic planning, program development, and management consulting services to nonprofit organizations, foundations, corporate community involvement programs, and government agencies. In particular, the firm has assisted hundreds of nonprofits in assessing their organizational needs and program effectiveness and in planning for future growth. Our expertise covers such fields as education, arts and culture, community and economic development, human services, health care, children and family issues, and the environment.

From offices in Philadelphia and New York, the firm works with clients nationally and, increasingly, globally. Our services include strategic planning, organizational assessment and development, feasibility studies, program evaluation and development, board development, restructuring and repositioning, as well as grant program design, evaluation, and facilitation. Our nonprofit clients include Children's Defense Fund, Studio Museum in Harlem, Trust for Public Land, Technoserve, and National Urban League.

Our approach

Our team approach is designed to provide maximum benefit to our clients through the multidisciplinary expertise and diverse backgrounds of our professional staff. The combined experience and skill of our principals and associates — who have held senior positions in nonprofit organizations, foundations, and government agencies, and have amassed years of experience advising and guiding nonprofits of every description — enable us to successfully complete assignments requiring both an outsider’s perspective and an insider’s expertise.

A focus on results

Our clients must operate effectively in an environment characterized by increasing demand and decreasing resources. Consequently, we work hard to understand each organization’s unique situation and potential, in order to design the most effective solution. The long-term relationships we have maintained with many of our clients speak to the quality of our work and the dedication of our staff. We are committed to serving our clients well, so they can better serve the public good.