October 2010

Four Pillars of Growth for Youth-Serving Nonprofits

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This white paper presents findings from our recent study of fast-growing youth-serving nonprofit organizations. Its focus is a natural fit for the Bridgespan Group, as understanding and helping to support the growth of promising nonprofits is central to our mission. Our hope is that this report offers useful insights for nonprofit leaders striving to increase their organizations' impact, and also for the funders that support them.

The Bridgespan Group

Nonprofit leaders, board members, and staff often must make heroic efforts just to annual levels of service and funding. In this context, nonprofit organizations that grow are likely doing something special. Those that grow the fastest are likely doing something extraordinary.

To better understand the factors critical to driving growth in youth-serving organizations, in 2009 the Bridgespan Group embarked on a research project. We identified the fastest-growing youth-serving nonprofits in the United States from 2002 to 2007. We then interviewed the leaders of a select group of the high-growth organizations and conducted a follow-up survey, all with an eye towards having those leaders identify the factors they saw as critical to their organizations' ability to grow.

Bridgespan published a similar study in 2005.[1] Back then, growth tended to be reactive or opportunistic. As a result, the leaders of the fast-growing youth-serving organizations we studied often played "catch-up"—by back-filling necessary roles, for example, or by or creating processes when it became clear that their organizations couldn't function well without them.

Importantly, this more recent study revealed a marked change in leadership behavior. We observed an increasing, emphasis on management discipline. What's more, the nonprofit leaders we interviewed seemed deeply committed to this professionalization.

With that commitment as an overarching theme, our research distilled that the leaders consistently invested in four pillars of growth: (1) preparing systematically for growth; (2) demonstrating clear programmatic results; (3) marketing purposefully to specific funders; and (4) actively engaging board members' time, talent, and financial resources.

[1] See "Growth of Youth-Serving Organizations" on www.bridgespan.org. Note that while both the 2005 and this recent study explored factors related to growth among youth-serving nonprofits, their research methodologies differed.

This report presents the study's findings in detail. Our hope is that by making the findings widely available, the leaders of youth-serving organizations might better understand what it takes to expand successfully, while funders might better understand what it takes to support them effectively. Many of the organizations included in the study doubled, tripled, or even quadrupled in size during the time period examined. At a minimum, these organizations are attracting funds at a faster rate than their peers. More to the point, those funds are opening the door to having a positive effect on the lives of many more youth in the United States.

The research period for this study largely preceded the "Great Recession." However, a focus on growth remains relevant in today's struggling economic climate. As nonprofit organizations increasingly and explicitly become part of the economic recovery, nonprofit and philanthropic leaders can apply the study's findings. In fact, some of the insights from this work may be useful in defining more sustainable paths of nonprofit growth for the future. (The sidebar, "The Economic Context of Growth," provides additional discussion.)

Economic cycles deeply influence the revenue growth of any organization—for-profit or nonprofit. The research period of 2002 to 2007 coincided with a broad economic boom in the United States, during which time the gross domestic product grew at a robust 5.8 percent per year. No doubt, this boom influenced the growth trajectory of many of the organizations we studied.

As a counterpoint, the subsequent economic slowdown has strongly affected many of the fastest-growing organizations, as well. We explored the downturn's impact in our interviews. We learned that the organizations are experiencing the slowdown in different ways.[2] Many have seen cuts in funding and have responded with budget (and staff) cuts, reduced programming, or a search for new sources of funding. A select few nonprofits have been relatively unscathed and their leaders expect them to continue growing at similar rates, despite the economy. More often than not, their leaders are waiting for clearer economic signals before planning for ambitious levels of future growth.

[2] This finding is consistent with Bridgespan's "Managing in Tough Times" research, which is accessible on www.bridgespan.org.

We began by identifying a universe of youth-serving organizations to research, defining our field of study as organizations that (a) serve youth ages 5 to 24; (b) emphasize disadvantaged populations; (c) provide direct services; (d) focus on residents of the United States; and (e) operate outside the formal education system. We identified specific organizations by National Taxonomy of Exempt Entities (NTEE) code using the National Center for Charitable Statistics (NCCS) database. The universe of nonprofits we selected excluded some youth-serving organizations that did not focus exclusively on youth or that had unexpected NTEE classifications. (The accompanying sidebar, "Organizations Excluded from the Study," provides more detail on our selection process.)

The universe of nonprofits we studied excluded some youth-serving organizations either by design or as a result of inconsistent coding in the National Taxonomy of Exempt Entities (NTEE), which is a core structural element of the National Center for Charitable Statistics (NCCS) database.

- In applying our study's definition of "youth-serving," we intentionally excluded categories of organizations that (a) serve a broad age range of participants beyond youth (e.g., organizations with a primary focus on employment or family services); (b) do not emphasize disadvantaged populations; (c) do not intervene directly with youth (e.g., organizations whose primary work is development, advocacy, research, or public policy); (d) focus outside the United States; and (e) operate within the formal education system. Their exclusion from this study by no means diminishes their contributions to youth.
- Several nonprofits that met our study's definition of youth-serving were not included in this research because their NTEE codes were far afield from what we would have expected. There are several potential reasons for such inconsistent coding, including the organizations' own selections on their Internal Revenue Service forms. For example, BELL, which provides intensive after-school and summer programs to students in grades K-8 who are at risk of failing early in their academic careers, is classified under a code for "community service clubs" and hence was excluded from our research. Similarly, Citizen Schools, which connects teacher volunteers with young people ages 9 to 14 in hands-on after-school learning projects, was excluded given its "elementary and secondary schools" coding.

It is difficult to estimate how many organizations were excluded from this study due to inconsistent coding. We have confirmed that organizations can contact the NCCS directly to change their NTEE code. Contact information can be accessed at www.nccs.urban.org. We recommend that the leaders of youth-serving nonprofits review their organizations' coding and confirm that it accurately reflects their focus. In the future, more accurate coding across youth-serving organizations will allow researchers, nonprofits, and funders greater access to quality data.

With this universe to focus our work, we set out to identify and understand the factors critical to shaping growth for the fastest-growing youth-serving organizations. We analyzed the tax filings of nearly 7,000 organizations. To ensure we would study nonprofits across the revenue spectrum, we categorized the organizations into five groups according to revenue size and identified the 20 fastest-growing nonprofits in each group (for a total of 100 organizations).[3] (Not segmenting the group would have resulted in a list of fast-growers that was dominated by small organizations, given that smaller organizations generally have greater growth potential (in percentage terms) than larger ones.) We interviewed leaders from 26 of the high-growth organizations.[4] We used a pre-interview survey and a set of structured questions to focus our interviews on the factors leaders felt played the biggest roles in their organizations' growth. We then surveyed all 100 leaders on key topics that arose during the interviews, with 47 responses. A more complete articulation of the methodology appears in the Appendix, at the end of this report.

The 100 fast-growing organizations are listed by revenue category in Exhibit 1.

[3] When calculating each organization's growth rate, we did not back out mergers and acquisitions—given that such activity is a valid way to grow. In fact, as described later in this paper, mergers and acquisitions contributed to the growth of several of the organizations we studied.

[4] The group of interviewees consisted of a balanced representation of all five revenue categories and included at least two of the top-five fastest-growing organizations in each revenue category. However, the possibility of selection bias does exist, given that our approach relied on leaders electing to participate.

	Big Brothers Big Sisters of Middle Tennessee		Arizona's Children Association	Abbott House
Big Brothers Big Sisters of the Northwest	Boys & Girls Clubs of the Big Bend	Boys' Club of New York	Aspira Inc. de Puerto Rico	Adelphoi Village
Big Brothers Big Sisters of the Triangle	Boys & Girls Clubs of Greater Oxnard and Port Hueneme			Astor Home for Children
Boys & Girls Clubs of Redlands				Aunt Martha's Youth Service Center
Boys & Girls Clubs of South Central Texas	Boys & Girls Clubs of Indian River County	Child Saving Institute		Board of Childcare of the United Methodist Church
Buena Vista Children's Services	Child and Family Connections	Childhelp	Boys & Girls Clubs of King County	
Children's Advocacy Centers of Georgia			The Child Center of NY	Cal Farley's Boys Ranch
Clay & Baker Kids Net	College Track		Children's Center for Treatment and Education	Children's Aid Society
Communities In Schools in Washington State	Covenant Kids		Elmcrest Children's Center	Children's Home Society of Florida
Community Connections	ENA (Education Networks of America)	Foundations for Home and Community	Family Service of Rhode Island	Children's Village
Crossroads Youth and Family Services	Family Guidance	Happy Hill Farm Children's Home	Edwin Gould Services for Children and Families	The Farm Inc.
Family Builders Foster Care	Fiver Foundation	Kids Hope United Hudleson Region		First Book
First Graduate	Groundwork	KidsPeace National Center for Kids in Crisis in N. America	Home of the Innocents	
4-H Club of Travis County	Neighbor to Family	National Foundation for Teaching Entrepreneurship	Robert F. Kennedy Children's Action Corps	Albertina Kerr Centers
Girls Inc. of Sioux City	Northwest Arkansas Children's Shelter			National Children's Center
Just Say Yes	Oklahoma Baptist Homes for Children	Preferred Children's Services		Police Athletic League
		TLC for Children and Families	Starr Commonwealth	
Native American Youth and Family Center	United Methodist Children's Home of the North Georgia Conference			Uhlich Children's Advantage Network
	Uplift		A World for Children	United Methodist Youthville
Owen's Educational Services	Youth and Family Services	Youth and Family Enrichment Services	Youth Development Corp. of America	

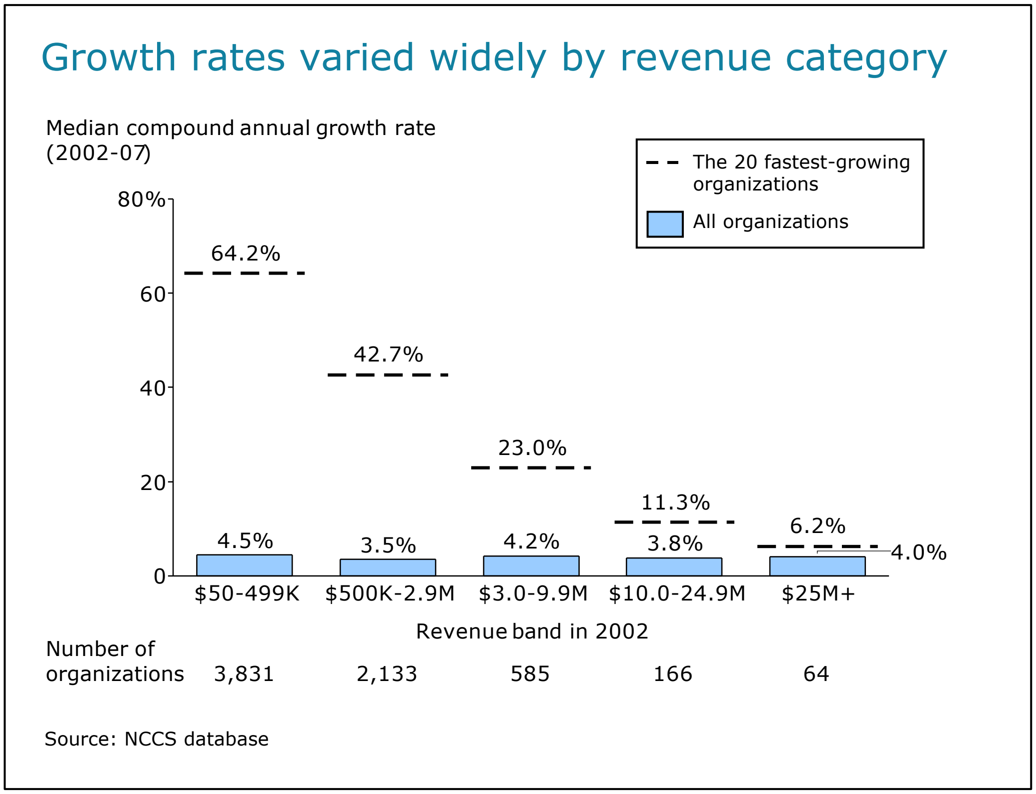
NCCS data[5]

The leaders of organizations were interviewed for this study. “CAGR” stands for compound annual growth rate and is calculated for the period 2002 to 2007.

As we reviewed this list we noted three things in particular about the selected 100 organizations: the variation in growth rates across revenue categories; the prevalence of organizations providing child-welfare and troubled-youth services and the speed at which they grew; and the prevalence of Boys & Girls Clubs affiliates.

Within each of the five revenue categories, we analyzed the growth rates of all organizations as well as of the 20 fastest growers. While the median growth rates of all organizations varied surprisingly little across the categories (ranging from 3.5 percent to 4.5 percent), as expected the median growth rates of the 20 fastest-growing organizations differed in a statistically significant way (ranging from 6 percent to 64 percent), with the median growth rates decreasing as revenue size increased. (See Exhibit 2). This observation validated our decision to segment the data by revenue category.

[5] The NCCS database is a tremendous resource. However, some data-quality issues on the individual-record level could challenge the integrity of a rank-ordered list. Accordingly, we are publishing this list in alphabetical order without specific growth rates for each organization. As reference points, we have included the minimum and maximum growth rates for each category.



Organizations that are engaged in child welfare or provide other services for troubled youth grew faster, on average, than did other youth-serving organizations. The median growth rate for all child-welfare and troubled-youth services organizations (6.5 percent) was much higher than for any other part of the field. Median growth rates among other sub-domains ranged from 3.3 percent to 4.5 percent.

Nonprofits providing child-welfare and troubled-youth services are prevalent among all youth-serving organizations and even more so in our group of fast-growers. They account for 36 percent of organizations in the field overall and 58 percent of our group of 100. We cannot be certain why these organizations are disproportionately represented in the selected 100. One likely explanation involves policy change in the child-welfare arena, including the systematic shift of case management from the government to nonprofit providers. More than half of the child-welfare organizations on the list are located in the seven states where such systemic change took place during the general time period we studied: New York, Florida, Kansas, Illinois, Texas, Arizona, and Ohio.[6]

Boys & Girls Clubs of America (BGCA) accounted for 8 percent of the overall data set, but represented 11 percent of the selected 100. During the interview and survey phases of our research, we learned that the network's headquarters promoted an explicit growth plan that focused on increasing the number of youth served at affiliates during the research period. That plan lasted through 2005 and has resulted in a doubling of the number of children served from two million in 1996 to four million in 2009. Later in this report we examine the factors that enabled some affiliates to leverage that national plan and achieve faster growth than others.

[6] "National Needs Assessment," National Quality Improvement Center, 2006.

Our research indicates that growth is rarely a windfall that suddenly visits an unsuspecting organization. Nonprofit leaders in this study indicated that growth, more often, is the reward for careful and disciplined preparation along several complementary dimensions. These leaders prepared systematically for growth and committed to demonstrating clear programmatic results, marketing purposefully to specific funders, and actively engaging board members deeply. These four pillars of growth appear to be mutually reinforcing.

In our 2005 study, we observed that growth among youth-serving organizations was often opportunistic—leaders saw and seized opportunities, and then played "catch up" organizationally to support the ensuing growth. In our latest study, growth was more often the result of strategic choice. The nonprofit leaders thought deeply about what they wanted their organizations to accomplish, made growth-related decisions consistent with their thinking, and made the necessary organizational investments ahead of growth. As a result, they were prepared for growth and less dependent on happenstance.[7]

For some, preparation meant developing and executing a formal plan. These organizations defined a vision, set strategic priorities, developed implementation steps, and relentlessly pursued those plans. For others, preparing for growth did not rely on formal planning per se, but rather involved intentionally building up capabilities to flexibly and capably identify and respond to the right opportunities. The investment logic to build capabilities was not always motivated by an explicit desire to grow, but once they were in place, growth was easier to achieve. These capabilities varied across the study group, but most frequently they included the addition of systems, processes, and staff capacity.

The Posse Foundation provides a good example of thoughtful planning and disciplined execution. Posse is a New York-based national college-access and youth-leadership-development program founded in 1989. In 2003, the organization's leaders articulated a detailed growth trajectory in a plan that has served

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[7] Please note: At the heart of the Bridgespan Group's work is helping nonprofit organizations develop strategic plans to scale their impact. We have provided consulting services to five of the 26 organizations in the interview group. We are heartened to see preparation emerge as a game changer for growth in this study.

as a roadmap for subsequent years of growth. In fact, as President and Founder Debbie Bial said in an interview, “We have followed it exactly.”

The plan mapped out a highly detailed and standardized process to open new sites. Critically, it also required that new locations have $1.4 million—in cash or pledges from sources that vary by expansion site—committed before opening, to cover three years of operations. Such pre-funding gives the sites time to reach sustainability from local funding sources, which by itself makes them stronger. But the organization also makes sure to help develop local leaders’ fundraising skills and strategies.[8] “We have a national director of development who works with them, so from day one, we’re raising money in that city,” explained Bial. Posse grew at an explosive rate of 30 percent on a compound annual basis from 2002 through 2007.

Boys & Girls Clubs of Greater Milwaukee, founded in 1887, provides another good example. Around 2004, its leaders realized that they had to “step up as an organization” if the nonprofit was going to seriously address the education and crime problems youth were facing in its community. “We realized we couldn’t just remain complacent and say ‘we’re doing the best we can do,’” said President and CEO James Clark. “We had to try to do more—to have a bigger impact and help with the problems, understanding that we’re not going to do it all.” Led by the board’s strategic planning committee, the leadership team devised an ambitious $90 million, 10-year plan it called the “Decade of Hope.” The plan articulated a strategy, and importantly, also provided critical guidelines for the strategy’s key components: “more sites, more days, more hours; enhanced programs; responsible infrastructure growth; critical community involvement; and appropriate capital investment.”

“Everyone on that strategic planning committee felt this was a stretch for us,” said Clark. “I'm a little bit of the cockeyed optimist. I said, ‘Of course it’s a stretch, but if we weren’t stretching, it wouldn’t make it worthwhile.’” And, in fact, there were significant challenges along the way. For example, managers and staff found it difficult, at first, to adapt to the new strategy’s operating model. Previously, program growth had resulted in the growth of a large, decentralized staff under the vice president of operations. That structure, Clark believed, had led to a lack of clarity around roles and a diffuse sense of responsibility for program effectiveness. The new plan called for creating a specialized central program team whose members would oversee separate “product lines” such as health, academic achievement, career

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[8] For more on funding models like this one, see the Bridgespan article “Ten Nonprofit Funding Models” in the spring 2009 edition of the *Stanford Social Innovation Review*.

development, and character and leadership. The team also would advise staff in the field about program implementation and growth. The change necessitated the consolidation of 148 overlapping job descriptions into 20 clearly defined roles, which was difficult to do. Importantly, however, Clark told us that taking that step was a critical factor that facilitated growth. Members of the central program team now have clear accountability for the success of specific programs, and that accountability has fostered demonstrable results. Shifting its operating model is just one example of the implementation challenges the organization faced. Nonetheless, the leadership team pursued its plan and Boys & Girls Clubs of Greater Milwaukee grew at an annual rate of 24 percent from 2002 through 2007.

For Boys & Girls Clubs of San Francisco, which was founded in 1891, its strategic plan is a living document that keeps long-term goals in sight while guiding day-to-day decision making. The plan sets the context for a team of senior managers and directors that meets every two weeks. At each meeting, team members deal with current issues and then also discuss a particular component of the plan. According to President Rob Connolly, the plan helps senior staff shift their focus from the status quo to the three to five goals that are "really advancing the organization." "Instead of the strategic plan sitting on a shelf collecting dust, it's up on the screen in the conference room every month," he said. "By reviewing the plan routinely in a group setting, our senior staff are reminded that they are accountable to each other. If one area of the organization fails to execute, they don't only fail me as their supervisor, but they fail each other as colleagues and the organization overall. This becomes a very powerful tool." With such goals in clear view, Connolly is able to hold all levels of staff—and himself—accountable for their objectives, no matter how challenging they are. He concedes this isn't easy: "It helps with performance management, but I wish we allocated more time to it." Boys & Girls Clubs of San Francisco averaged 22 percent annual growth from 2002 to 2007.

The leaders of several organizations said they were prepared for growth because of their advance work on clarifying objectives and priorities. In essence, a clear vision combined with their investment in planning allowed them to seize the right opportunities—even when they had not explicitly foreseen those opportunities. Just this sort of "strategic opportunism" is present at Hillside Children's Center, part of the 173-year-old Hillside Family of Agencies, based in Rochester, NY. Hillside Children's Center supports youth with emotional, behavioral, and mental disorders. Over time, its leaders have come to view the nonprofit's services as having a measurable "life cycle"—from development to slow growth to rapid growth to maturity to decline—that can be anticipated. Hillside's leaders take this cycle into consideration as they consider the organization's portfolio of programs, developing plans to scale down certain offerings as it plans to increase others. "You're paying attention and trying to adjust ahead of the curve to some of the changes coming down the road," said President and CEO Dennis Richardson. Hillside Children's Center was part of the largest revenue category of organizations, reaching $87 million in revenues in 2007, and grew much more rapidly than nonprofits of its size—at an annual rate of 11 percent from 2002 through 2007.

The nonprofit leaders we interviewed identified a variety of steps they took to build up the capabilities of their organizations. These actions include putting in place data systems and processes, and enhancing vital areas like fundraising, evaluation, and advocacy.

Consider Choices, Inc., a care-management organization focused on high-need kids in Indianapolis. Choices, Inc. provides a good example of the benefits that can ensue when appropriate data systems are in place. In the early years after its founding in 1997, the organization had to operate on an extremely limited budget. As a result, its leaders invested in a technology infrastructure for both clinical and back-office work that allowed it to keep staffing costs low. At the same time, this infrastructure provided a real-time snapshot of activities. Over time, according to Choices' leadership team, the investment helped the organization articulate a value proposition to its government customers that was based on both "rational, clear" clinical data and a lower cost of delivery. That data-based case led to significant growth in revenue—from $8 million in 2002 to $19 million in 2003—as the organization won a government contract for services in Cincinnati, Ohio. The systems investment also made Choices' services highly scalable to other locations.

After School Matters, a Chicago-based organization started in 1991 that provides out-of-school activities to teens, offers another example of the value of investing in data systems. The organization's Web-based participant-tracking program created valuable "sales data" that allowed After School Matters to show proof of need. As a result, when, in 2005, the governor of Illinois created an after-school line item in the state's education budget, After School Matters was prepared to take advantage of the opportunity. The tracking system allowed the organization to illustrate robust demand, with strong enrollment trends as well as long waiting lists with as many as quadruple the number of applicants as slots available.

Even with the tracking system, winning the funding was not easy, noted Executive Director David Sinski. The process involved developing a strong proposal that demonstrated the organization had an effective model and the capacity to scale up. However, the solid data was "very, very compelling," Sinski said. After

School Matters total revenue and support increased by more than $8 million between fiscal years 2005 and 2007, for an annual growth rate of 27 percent.

Getting business processes in shape was another step that greatly enabled growth at a number of the organizations we studied. Consider the experience of Memphis, TN-based Youth Villages. Youth Villages was founded in 1986 to help troubled children and families. Over time, the organization's leaders learned that successful expansion into new geographies required the confluence of several important factors. To facilitate further expansion, the leadership team codified these factors in a 40-point scorecard along 13 dimensions, such as political climate, funding availability, and access to management talent. Only when an opportunity received a sufficiently high—and balanced—score did Youth Villages' senior management team explore the decision to expand.

A final critical capability is building staff capacity 61 percent of organizations we surveyed attributed growth in part to specialized staff, particularly in the areas of fundraising, operations, marketing, quality assurance, and finance. This kind of hiring marked a significant shift from our 2005 study findings. In 2005, for example, we found that many of the organizations had hired a chief operating officer (COO) the growth period we researched. In the current study, many of the organizations had COOs well our research period. These organizations had moved on to emphasize investing in talent outside the "C-suite." Also, in 2005, hiring specialized staff had been a of growth. In this study, we found that hiring such staff helped growth for many organizations.

Big Brothers Big Sisters of America (BBBSA) provides a good example. Starting in 1999, BBBSA embarked on an ambitious plan to remake its organization to focus on growth with impact. As the organization invested in its capacity to meet the demands of growth, senior management made attracting specialized fundraising talent a top priority. From 2002 to 2007, BBBSA nearly tripled its national fundraising staff from six to 17, which enabled a significant broadening of its funding base to include more private sources, both individual and foundation. Over that same time period, for example, foundation funding grew from $4 million to $16 million while increasing as a percentage of revenues from 27 percent to 58 percent.

The District of Columbia College Access Program (DCCAP) provides another example. Founded in 1999 to offer counseling and financial assistance to Washington, DC, youth who might otherwise not attend college, DCCAP experienced a pivotal moment when it hired its first senior-level development director. The move "formalized the function of fundraising and moved the organization and the board to look at development in a more strategic and deliberate manner," said President and CEO Argelia Rodriguez. From 2002 through 2007, DCCAP grew at an annual rate of 26 percent.

SCO Family of Services, which has provided shelter and other services for youth and their families in Long Island and New York City since 1895, also benefited from building staff capacity. SCO serves youth and their families across 122 sites. Given the complexities of its operations, including its site and real-estate management, the organization uses a "SWAT team" approach to setting up and running most of the sites' back-office functions. Drawing on business operations, HR, and IT staff, this team manages the leases, renovations, phones, and HR systems that allow the nonprofit to move quickly into new spaces. SCO leadership believes that this team enables site leaders to focus on programs, and for the overall organization to move quickly with expansion or relocation, a trait that government funders value. "Program can focus on program, and someone else will worry about whether the lights are on," said Executive Director Robert McMahon.

Some nonprofit organizations enhance their capabilities by merging with another nonprofit—by "trading up" to more established and efficient processes or gaining access to expertise they did not previously have. Mergers and acquisitions were a significant aspect of the growth stories of a number of the fastest-growing organizations we studied. However, researching the paths these organizations took to—and through—their mergers did not uncover any significantly new insights at the level of the four major drivers we highlight in this article. (The sidebar "Merger and Acquisition Strategies" discusses this segment of our research in more detail.)

As a final note on preparation, many of the nonprofit leaders we interviewed told us that with dramatic growth came an evolution in their organization's culture. While this insight was not a major finding in our research, the topic did arise often enough to warrant some discussion and is highlighted in the sidebar, "Managing Culture during Growth."

Preparedness counts. Organizations seeking growth should make sure they are in shape for it. One way to do that is to develop and execute a formal plan for growth. Another approach is to make targeted investments in data systems, processes, and staff capacity to position the organization to seize growth opportunities as they present themselves. Organizations pursuing the latter approach might benefit from considering these investments through the lens of growth or scalability, asking: "How will this investment enable or inhibit growth in the future?"

Mergers and acquisitions (M&A) played a significant role in growth for six of the 26 organizations whose leaders we interviewed. In addition, 36 percent of survey respondents said they experienced at least one merger or acquisition from 2002 through 2007. For instance, Hillside Children's Center increased its size approximately 50 percent after it acquired a campus in Romulus, NY.

Organizations merged with or acquired others for a wide range of reasons, both opportunistic and strategic. As is often the case in for-profit M&A, the motivations included the desire to add expertise, gain efficiencies, and improve results.

When three Big Brothers Big Sisters (BBBS) organizations in the Dallas-Fort Worth area merged in 2003 to form BBBS of North Texas (BBBS-NT), one motivation for the transaction was gaining sufficient scale to allow for investing in staff with specialized expertise. "We've been able to align resources and put focused people in certain roles," said BBBS-NT CEO Charles Pierson. "For example, where you once had a person who wore three, four, five hats in each of the organizations—who did a little bit of payroll, and a little bit of HR benefits, and a little bit of something else—now you are able to come together and have one person really focused on HR who is a real expert." The organization's leaders also found they could attract senior-level fundraising talent, who, in turn, could develop funds from a broader range of sources.

Another chief driver for the BBBS-NT merger was efficiency—specifically reducing the organization's "cost per match" (i.e., the average cost of matching a youth with a mentor). Before the merger, each separate organization was losing money, and its cost per match was high. After the merger, the unified organization's cost per match dropped 30 percent, from $1,659 per year in 2002 to $1,167 per year in 2009. "We [have been] spending more efficiently, and [have become] much, much better at what we do," said Pierson.

Efficiency gains were important for other mergers, as well. MercyFirst, for example, was formed in 2003 by the merger of two 100-year-old organizations that previously served similar populations in slightly different geographies in the New York City area. "The child-welfare arena is a very difficult one to survive in, never mind do well in," said MercyFirst President and CEO Gerard McCaffery. "The days of just being a social worker and heading an agency like this [are over; that] is just no longer the case anymore. You have to be very astute when it comes to finances and how you use your dollars just to stay ahead of things."

Motivations for the MercyFirst merger included: establishing greater efficiency in line with government funders' expectations; providing a continuum of services to the children and families the organizations served; and diversifying funding sources so as to reduce the risks of losing any single contract.

McCaffery's first moves post-merger included creating a clear view of the budget and beginning to hold his staff accountable for achieving efficiencies to improve the bottom line. On the cultural front, he embarked on a long-term internal communications effort aimed at listening to staff members, attending meetings, and getting to know people from across the two organizations. MercyFirst also had to eliminate more than 40 positions as a result of the merger. "Some of that was just trying to be smart about things—where we're funded to do things and where we're not funded," he said. "In not-for-profits, there are always more things to be done than you have money to do. So you really always have to stay focused on the core of what the place is about, and then make sure if you expand, that you have the financial resources to do it. Otherwise, you just sink yourself into a hole."

It took several years for MercyFirst to fulfill the promise of the merger, in part because of the challenge of integrating an organization that had a top-down management style with another that had a more consensus-driven approach. Another challenge was the time lag in realizing the cost and efficiency savings, which MercyFirst eventually realized thanks to actions including renegotiating contracts and consolidating overhead fees in legal services and insurance.

Other organizations in our survey group had similarly positive experiences with M&A. Seventy-four percent of the leaders whose organizations had experienced a merger or acquisition between 2002 through 2007 agreed that those transactions had delivered on their promise.

Several of the organizations we studied grappled with the cultural impact of becoming a larger and more professional organization. These leaders pursued a variety of approaches for actively bringing about the cultural shift necessitated by growth.[9] For some, personnel management played a key role. Others carefully evolved their organizations' balance of standardization and inventiveness. Ultimately, many leaders had to reconcile themselves to a more "corporate" culture.

One of the most profound sources of cultural change was making difficult personnel changes, including letting go of or transitioning staff members who were no longer a good fit. Take Boys & Girls Clubs of the Gulf Coast. In 2005 its leadership identified staff members who seemed unwilling or unable to make the leap to the more professional culture the organization's growth trajectory demanded. In the words of Executive Director Sam Burke, the cultural transition required, "trying to be evidence-based, and shifting from charity as a warm and fuzzy to charity as big business." Approximately 25 percent of the full-time staff left the organization, many at the encouragement of senior leadership.

Other leaders used their organizations' culture to guide hiring and promotion choices, and also to shape the professional development of those individuals they encouraged to advance. Harlem Children's Zone, for example, has a unique culture of passion and accountability that comes straight from the top. "No one would get a job here who lacks passion," said Kate Shoemaker, director of policy. "Everybody here feels excited and strongly committed about what we do. You'll see examples in our history of two groups of people. There are those who felt, 'It was acceptable that I almost achieved the goal, and that was good enough.' Those people aren't with us anymore. The other group of folks say, 'I almost got there, I'm so disappointed that I didn't, and I have a great plan for how to make it happen next year,' or, 'I have a valid reason that it didn't happen this year.' Those are the people who stay with us."

Some leaders imposed a combination of discipline and creativity to foster cultural change. Take The Posse Foundation, a tightly controlled organization with clearly defined processes and guidelines. From codified curriculum to policy about retaining neutrality in its wall posters, it has successfully established

[9] Note: These approaches are consistent with Bridgespan's experience that simply articulating new values generally is not an effective way to bring about cultural change. Rather, more effective levers include making personnel moves, changing work processes, and redesigning decision-making processes to support the desired new culture.

consistency in programming and branding. Despite this level of control, Posse has found a way to instill a culture of innovation. The organization has instituted something called a “Koosh™ rocket,” named after the stringy plastic toy ball that it often uses as a prop in internal workshops. Any staff member can launch a Koosh rocket containing a program-innovation idea directly to Posse’s national office of training and evaluation. The national office leaders review the idea, and if they think it has promise, they give their blessing to launch a local pilot. Once the idea has been tested and proven effective, the national office team promotes its use systematically in the organization.

Leaders we interviewed admitted that as their organizations expanded, they sensed a shift from a more “family” culture to one that was much more “corporate.” Along these lines, several leaders mentioned their efforts to “lead with their brain not their heart,” in the words of CEO Chris Scarpati of the Child Crisis Center. And many of those interviewed said they had sought advice and inspiration from for-profit business frameworks and approaches, including such books as (HarperBusiness, 2001) and (Harvard Business Press, 2008).

Consider the experience of Woodcraft Rangers, which created a more formal culture as it grew. One tactic the organization used was introducing a standard operations manual. “It forced us to be more formalized and corporate in our approach, but it has taken out the real relaxed family feel to the agency,” said CEO Cathie Mostovoy. Other organizations cited the cultural shifts that grew out of more formal HR processes. Big Brothers Big Sisters of North Texas, for example, hired an experienced vice president of human resources who set about creating detailed job descriptions across the organization and a system of performance plans and reviews.

White’s Residential and Family Services provides another example. White’s was founded in 1850 and is now Indiana’s largest nonprofit social services agency serving families and children, with nine offices around the state and a residential campus in Wabash, IN. Despite its long history, however, it had no HR department as of the late 1990s. CEO Dee Gibson was handling the function himself as best he could. Subsequently, as the result of research and planning, the organization hired an HR director, a move which changed the complexion of the organization. “When you create an HR department, you begin to think more like HR, which you have to do when you’re our size,” said Gibson. “I think that’s had an impact and has caused a change in the culture and community.”

In this study we observed a strengthening drumbeat about the connection between results and growth. This finding marked a departure from sector-wide conventional wisdom, which often whispers that the connection is tenuous at best. That conventional wisdom was echoed in our 2005 study, in which we observed that “an established track record and proven results can be serious impediments to raising funds, because philanthropists tend to gravitate to what’s new and different rather than what’s tried and true.”

The experience of the 100 fast-growers suggests that demand for results has grown, although it is still not a universal norm. A full 32 percent of the fast-growers use an evidence-based practice proven to deliver positive outcomes in a randomized control trial, and many others employ promising interventions tested with less rigorous forms of evaluation. Almost all of the leaders we interviewed for this study noted that the ability to demonstrate clear results played an important role in their organizations’ ability to grow.

We also found that organizations in the study group were deeply engaged in tracking their results. They monitored a wide variety of metrics and made considerable investments to do so. Fifty-seven percent surveyed used full-time internal performance assessment staff.

Why the intensified focus on results? Eighty-five percent of our survey respondents said that staff desire to be more results-focused was a motivating factor. And board emphasis was a motivating factor for 60 percent.

Funders, not surprisingly, were another influence. Fifty-seven percent of survey respondents agreed that, since 2002, funders have increasingly focused on their organizations’ results as a condition of funding. And respondents expect this connection to intensify: 82 percent said that in the future there will be a stronger connection between their ability to show “evidence of impact” and their ability to grow on an ongoing basis.

How the organizations their results to these funders was very important. Different funders cared about quite different types of metrics, and the organizations tailored their reporting accordingly. The leaders indicated that all funders were interested in measures of inputs (the resources the organization uses to carry out activities, such as staff time) and outputs (the products of the organization’s efforts, such as the number of youth served), both also known collectively as process metrics. But they indicated that fewer funders also were interested in outcome metrics for program participants.

Type of funder, such as government versus private, was the main differentiator here. The leaders told us that private funders tended to be highly focused on and responsive to outcome measures, while state governments, in contrast, more often looked for process metrics. A few of the leaders did note, however, that a small set of state-government decision makers is paying more and more attention to outcomes, particularly in the child-welfare space. This shift has helped to propel the rapid growth of some of the child-welfare organizations in our study. (The sidebar "State Government: Going beyond Process Metrics" provides additional detail.)

Our leader interviews suggested that state governments often base funding decisions on process metrics (such as attendance, number of staff observations conducted, number of participants enrolled in a program), rather than on outcomes. We also heard consistently that government decision makers tend to favor local providers with whom they have strong relationships—making it hard for un-established organizations to secure state contracts.

Some organizations are going beyond process metrics to counter entrenched local relationships. Consider Choices, Inc. of Indianapolis, a child-welfare organization that offers a care-management model focused on high-risk, high-cost populations. Government funders pay a flat fee per participant served, regardless of the type of services needed. The organization has been able to demonstrate cost savings and positive outcomes for the young people it serves. For example, the one-stop-shop services it provides youth and families across multiple government agencies in Marion County, IN, not only reduce costs for that county by $3 million,[10] but also are increasingly moving the youth served to the home-like settings that are associated with better outcomes. Roughly three-fourths of the youth referred from the public school system demonstrate improved behavior and academic achievement. And over the past two years, 95 percent of youth who were referred to the organization's Dawn Project by a local judge did not engage in delinquent behaviors or behaviors that threatened the community.

[10] Shannon Van Deman, MBA, Janet McIntyre, MPA, and Dr. Vicki Effland, "Saving Child Welfare Money while Delivering Better Outcomes for Families," Choices, Inc., 2010.

Choices has been successful in its home state but has found it difficult to convince other state governments to sign up: “The rest of the world doesn’t get [outcomes data] yet, because, to them, it sounds kind of voodoo-ish,” said CEO Knute Rotto. But Choices and other child-welfare organizations have found some state government decision-makers who are serious about outcomes lower costs, regardless of existing local relationships. “I have found in our growth areas, [what’s needed is] a community that is either becoming enlightened or has done its homework to know what we can do for them and what they want to receive from our kind of intervention or from our services,” said Rotto.

The experience Utah Youth Village of Salt Lake City (which is separate and distinct from Youth Villages) has had with state government funders is more typical. Since 1969, Utah Youth Village has provided care for troubled children and families across Utah. The organization has long focused on results, committing, for example, to the evidence-based Teaching Family Model in the 1980s. In the early 2000s, however, Utah Youth Village leaders realized that expanding such a model within its child-welfare services would require additional revenue streams beyond state government and private donations. As a result, the organization diversified with a private-pay offering, directed at families who can afford to pay independently for services. In making the shift, the organization’s leadership learned that for its private-pay funders, the success of evidence-based practices was the best sales strategy. To make its case, Utah Youth Village cites its high discharge rate to less restrictive settings, much lower runaway rates than other common programmatic options, strong academic achievement, and a gain of five years of maturity in a typical eight-month stay. Additionally, the organization had to implement a much more client-focused marketing effort.

“The child-welfare system is full of process reports, but not any outcome data,” said President Eric Bjorklund. “In the private-pay world, on the other hand, if we make a better widget, it sells better. If you can change kids, your reputation spreads.” As its reputation has grown in both the private-pay and state-government worlds, Utah Youth Village’s revenues have grown swiftly, from $3.1 million in 2002 to $9.4 million in 2007.

College Summit, a Washington, DC-based national nonprofit that helps high schools raise their college enrollment rates, offers another example. Its president, Dean Furbush, described a deep commitment to measuring performance in all facets of the organization—from operations to fundraising to programs. For its program work the leadership is primarily focused on two metrics that they believe reflect the long-term success of participants: college enrollment and college persistence. However, the nonprofit also tracks several other data points that it views as leading indicators of program success, including: number of students registered on its Web portal; number of students who develop a senior plan; and number of colleges applied to per student. On this last data point, College Summit has learned that kids who complete four to five applications have a higher probability of going to college than those who do fewer. According to Furbush, private funders—particularly those with financial-services backgrounds—value foremost College Summit's commitment to data that demonstrates it is accomplishing its mission.

Similarly, President and Founder Bial of Posse emphasized the importance of communicating clear outcomes in sustaining the commitment of private funders. "We all know the data, and we all know the outcome measures," she said. "If our graduation rate slips, for example, we don't have an organization anymore, and everyone knows that." Board members are given an accordion-fold business-card-size information sheet with all the critical outcomes for Posse—an "elevator speech with data"—that they can keep in their wallets.

For some organizations, growth depended on collecting and communicating a variety of data. Since 1922, Woodcraft Rangers has provided programs for at-risk youth in high-need communities of the greater Los Angeles area. From early on in its history, Woodcraft has routinely undertaken externally conducted, quasi-experimental evaluations of its programs. According to Woodcraft CEO Cathie Mostovoy, the organization spent approximately $600,000 on such evaluations between 2000 and 2009. In parallel, Woodcraft has invested in a custom data system to track participant results. As funders and policymakers increasingly focused on 21st-century skills, Woodcraft was positioned with data to demonstrate its program's effectiveness via quasi-experimental evaluations and performance-monitoring data.

The ability to present multiple forms of data allowed Woodcraft to access a pool of state funds and helped drive revenue from $3.2 million in 2002 to $5.2 million in 2005. The data came in handy again in 2007 as it positioned Woodcraft Rangers to receive funding under Proposition 49, a voter initiative to institute universal after-school programs.

But even the strictest form of outcomes-based evidence has a half-life. Leaders at Big Brothers Big Sisters of North Texas (BBBS-NT), founded in 1927, have felt pressure to keep their evidence base fresh for stakeholders. Nationally, Big Brothers Big Sisters demonstrated in a 1995 Public/Private Ventures study that its mentoring programs curtailed drug use, improved school attendance, and reduced schoolyard fighting. But recently, funders and communities have been asking BBBS-NT leadership for more current research. Absent a nationally-sponsored study, the local branch has been leveraging a longitudinal study that its Austin affiliate is conducting. “We were the leader [in terms of evidence], but we’re now lagging the pack,” said CEO Charles Pierson. “We have got to get back in shape, and get back up to the front again.” The Big Brothers Big Sisters example suggests that an evidence base—no matter how robust—can go stale and may require constant tending.

In 2010, both government and private funders are emphasizing the importance of tracking and assessing results in terms that they value. Our interviews and experience suggest that demonstrating impact increasingly will become the currency of growth going forward. In fact, nationally prominent initiatives, such as the effectiveness criteria from the White House Office of Management and Budget, are likely to increase pressure on nonprofits to move beyond process and even non-experimental outcomes to evaluate impact through more rigorous methods. The sidebar “Evidence-Based Practices” explores the degree to which the organizations in this study rely on programs or interventions that clearly demonstrate positive outcomes (as determined in randomized control trials).

Organizations that seek to grow need to embrace results data. Organizations also should be attuned to the kinds of results that matter to specific types of funders. We suspect that over time funders will demand ever higher standards of evidence: the proverbial bar for results will be raised continually. In tangible terms this will mean that funders, including government funders, will expect not only process metrics but also outcomes measures. The ability to demonstrate outcomes increasingly may mean the difference between organizations that grow and organizations that stagnate or shrink.

In association with this study, Child Trends and the Edna McConnell Clark Foundation (EMCF) conducted independent research to better understand the degree to which the selected 100 fast-growing youth-serving organizations rely on evidence-based practices. That work relied on website research as well as studies of selected databases that Child Trends and EMCF maintain. For the purposes of this analysis, "evidence-based practices" were defined strictly as programs or interventions that have been determined in a randomized control trial (RCT) to have positive outcomes.

Child Trends and EMCF found that:

- Of the 100 organizations, 32 use at least one evidence-based practice or intervention.
- : Of the 32 organizations implementing evidence-based practices, 29 are using practices evaluated through a multi-site (as opposed to a single-site) RCT. Multi-site RCTs are considered to be more rigorous than single-site RCTs because they tend to demonstrate the replicability of a practice.
- : Only nine of the 32 organizations used an evidence-based practice that was developed in-house. The remaining 23 used practices that were developed elsewhere, such as at universities, research centers, or other nonprofits.
- The team estimated that evidence-based practices accounted for less than 50 percent of programs in 25 of the 32 organizations, for all of its programs in one organization, and for somewhere in between those two extremes for the remaining six.

This study's survey responses support the above finding about the emphasis on externally-developed evidence-based programs. Sixty-two percent of survey respondents reported that their organizations had adopted a pre-existing evidence-based practice model from 2002 to 2007. The primary reason cited for its adoption was to improve outcomes.

“Marketing” was not a term that emerged frequently in our 2005 study, but in our latest research interviewees used it broadly and frequently. The nonprofit leaders we interviewed noted that success in fundraising depends on shaping how funders perceive their organization. Whether marketing took the form of winning over the right government influencers through relationship building or offering private funders a crisp, clear, and coordinated message, these organizations focused their efforts on the most relevant sources of funding.

We encountered numerous stories of organizations that paid particular attention to marketing their programs to government funders at every level so as to influence, and actually shape, funding streams. For example, Big Brothers Big Sisters of North Texas, whose funding historically had come almost exclusively from special events, made an intentional push beginning in 2004 to diversify its revenue sources by cultivating state government funders. The problem, however, was that the organization’s leadership did not have any government relationships in Austin. “It was such a crummy feeling for me to go in to see the governor, or the lieutenant governor, or the attorney general, or any of our representatives and senators, and for them not know us from a goose. I’m just another face up there, rattling my pan saying give me a few pennies,” said CEO Pierson. “I made the commitment to having a year-round focus on lobbying.’’

To market itself purposefully to government funders, BBBS-NT actively recruited board members with the right relationships, including the former chairman of the Texas Department of Criminal Justice. It also created a position called honorary state chairman, which rotates to a new appointee every two years. A succession of diverse and powerful policymakers has held the position, including the attorney general, an important oil and gas regulator, and a U.S. senator. “We’ve been able to connect to some really influential political figures who have helped from the inside,” said Pierson. These efforts enabled the organization to increase its state and federal government funding from essentially zero in 2002 to approximately 25 percent of revenues by 2010.

The Family Resource Center of South Florida, which has served the Miami-Dade County area with child-welfare services since 1978, offers an example of another kind of relationship-building. After the state legislature mandated that all foster-care and related services be privatized starting in 2000, the Family Resource Center, which won one of the contracts for child-welfare services in its area, hired more than 60 staff members from the state Department of Children and Families. The employees understood the local child-welfare context and had working relationships that mattered. These relationships helped the organization position itself favorably with the remaining government decision-makers and the new privatized decision-makers, contributing to an annual growth rate of 22 percent from 2002 to 2007.

Marketing also has factored into Youth Villages' rapid growth trajectory. The organization's business-development team travels the country developing state relationships in a process akin to consultative sales. "We really try to wrap our arms around it, and say, 'Tell us what your problems are, and how we can help,'" said CEO Patrick Lawler. Sometimes it will take up to three years, and a dozen meetings, before the organization enters into a formal arrangement for a state contract.

And Hillside, like many organizations interviewed, has hired lobbyists to represent the organization at the state and federal levels. At the federal level, the focus is on building relationships within relevant federal agencies to influence policy and access funding opportunities, and on obtaining funding through earmarks. At the state level, it uses lobbyists to influence policy and secure funds in the legislature through so-called "member items," which individual lawmakers use to direct an allotted amount to their districts.

Boys & Girls Clubs of America became one of the fastest-growing youth-serving organizations largely due to federal funding from the Department of Justice, which peaked at $85 million in 2006. Building off its success at raising federal money, BGCA helped found alliances among local BGC affiliates to coordinate state-level fundraising efforts. Each alliance typically has its own director and lobbyist, and each also receives support from a BGCA-funded state coordinator who often manages four to five alliances. Such intentional planning and coordination helped BGC affiliates market themselves better to local funders. An example is Florida, which currently has 43 club organizations that operate 263 clubhouses on their own. "Seldom—if ever—do they all work together on one common proposal," said Glenn Permuy, who served as senior vice president of services to clubs during the growth period. "So by showing the state that there was an opportunity to fund an alliance of clubs at the state level, they could pick up on the synergy of all clubs pulling together. It became very attractive to the states." According to BGCA, coordinated state-level fundraising via alliances raised more than $80 million for affiliates across the country in 2009.

Several of the organizations built relationships with government funders over time by becoming a resource to legislators and policymakers rather than focusing only on their own funding. "When they talk about children in Albany, we want them to say, 'We wonder what Hillside thinks,'" said CEO Richardson.

"And a goal of ours was to have Albany calling us rather than us simply trying to get an appointment there. We were very deliberate about that, and that now takes place. We get invited to sit in on commissions and on committees of various task forces."

Chris Scarpati, CEO of Child Crisis Center (CCC), a child-welfare organization founded in 1981 in Mesa, AZ, has sat on numerous state committees. She viewed her work with the state legislature differently. "We're not lobbying—we're providing education," she said. "I often get legislators who call and say, 'Hey, Chris, can I pick your brain about this? Is this really the way the system is working in the trenches?' My role has been to bring the face of the clients to these legislators who are making the decisions."

Hiring government-relations staff and becoming a resource to government funders are not the only tactics the fastest-growing organizations have used to influence government funders. The Mockingbird Society, a foster-care organization started in 2001 in Seattle, leveraged a statewide advocacy group of youth called the Mockingbird Network to advocate for changes in Washington state foster-care policy. By having youth directly lobby legislators in Olympia, Mockingbird was able to personalize the ramifications of policy for politicians on both sides of the aisle.

Mockingbird Executive Director Jim Theofelis remembered walking down a packed hallway between hearings at the state legislature and running into a respected Republican legislator. "He said, 'I'm usually not interested in foster care, but you sent some kids to my office a couple of months ago and this one young girl told me that if this over-18 housing is not reinstated she will be homeless. I do not want to face this young girl coming back to my office telling me she's homeless. I don't want to be out in front on this issue at all, but I will handle it in the Republican caucus and make sure it goes through.'" As a result of bipartisan support, the organization helped promote significant policy changes and retain millions of dollars of critical housing and health-care funding for kids who age out of the foster-care system.

Building relationships and becoming known was no less important to several of the fastest-growing organizations that targeted private funders. President Jim Clark of Boys & Girls Clubs of Greater Milwaukee, following a career in for-profit sales, brought an explicit sales-style account-management approach to his organization's fundraising. Clark emphasized to his development staff the need to adopt an approach that clearly identifies current donors, modes of engaging those donors, and modes of targeting and securing new donors. This approach led to an "account-by-account" review where Clark and staff examined untapped major donors in Milwaukee and asked themselves, “Why haven’t we been successful?” The organization then built plans to reach specific donors to address known obstacles (e.g., lack of visibility). This effort paid off in 2004/2005 when an unexpected 20 percent drop in private giving turned into a gain of approximately 4 percent thanks to new gifts generated through the account-planning approach.

After School Matters is one of several organizations that reported using visits to its program sites as a marketing tool with private funders. “The best way to sell the program is to see it in action,” said Executive Director Sinski. The organization also prominently features its top performing arts programs at its annual showcase event at the Chicago Theatre, a professional stage.

Boys & Girls Clubs of San Francisco drove growth in private funding through compelling and coordinated marketing. To assist staff members, the organization created a marketing committee of the board that also included external experts. The new tactics included: overhauling its website with a greater number of inspiring pictures and kids’ stories, emphasizing that the Club’s members are the future workforce of San Francisco; more frequent e-mail blasts to donors with short updates and photos about its activities; and a new tagline, “The Future Starts Here,” combined with photos of 16 youth talking about their aspirations for the future, which positioned the organization as having a real impact on kids’ future potential.

For its part, Child Crisis Center created a marketing team that meets weekly to coordinate outreach and approaches across funders. According to CCC leadership, the team has helped the organization grow its private funding base by 68 percent, because it helps staff better plan for and react to funding opportunities.

Marketing naturally includes maintaining a highly visible presence in the world, even during hard times. Like most similar institutions in coastal Mississippi, Boys & Girls Clubs of the Gulf Coast was devastated by Hurricane Katrina in 2005. Unlike many other nonprofits, however, it stayed open for business after the storm. This was in part due to the leadership’s resolve to serve the ravaged community and in part due to financial support from such sources as Boys & Girls Clubs of America.

The organization benefited from an intensive communications push that included daily updates on its website. If anyone Googled Mississippi and the Gulf Coast, the local chapter was on the first page of results. “We would get international phone calls all the time because people wanted to help kids,” said Executive Director Sam Burke. The organization’s presence on the ground, combined with savvy marketing, helped lead to a massive inflow of one-time private funding from places as far afield as Qatar, whose government came through with an unsolicited $5 million contribution.

For this group of high-growth organizations, having solid results was not enough. Rather than simply waiting for lightning to strike based on results, they diligently marketed their program's results to the right funders.

> In addition to demonstrating results, organizations seeking growth need to market themselves effectively to the funders that matter to them most. The most successful organizations will bring a disciplined approach to their relationship-building and messaging efforts, thoughtfully and proactively managing perceptions.

The majority of the leaders we interviewed directly attributed part of their organizations' growth to their boards. That boards play an important role in fast-growing organizations may sound obvious, but our research suggests that there is much lurking behind this seeming platitude. The fast-growing organizations we studied seemed to do a particularly good job of connecting with directors' passion for the cause and engaging them to dedicate their time, talent, and financial resources. Board members made serious commitments to offer their expertise; they also used their own wealth, and called upon the wealth of their peers and colleagues to fuel growth.

People join boards for many reasons. Some want to learn about a field; some seek a way to reengage with a cause, meet kindred spirits, and give back. Converting a board member's interest into deep engagement and ownership in an organization's success starts with connecting his or her motivation to a meaningful initiative. Survey respondents indicated that, among board-related drivers of growth, the deep personal commitment of board members most affected growth. Commitment often manifests itself in time contributed. And when time is given, talent and financial resources very often follow.

In our research, we consistently heard stories about a key board member who had developed a singularly focused commitment to the organization's mission and a willingness to make a deep investment of time to help it move to the next level. Such well-known leaders include Dean Furbush of College Summit (formerly board chair and now president), Board Chair Stan Druckenmiller of Harlem Children's Zone, and former Board Chair Michael Ainslie of The Posse Foundation.

Sometimes that time commitment carries an organization over a significant hurdle. At Big Brothers Big Sisters of North Texas, CEO Pierson credits active board-level engagement in a "merger of equals" of the Dallas, Fort Worth, and Arlington affiliates as being critical to the merger's success. The boards of the separate organizations included several visionary business leaders who could articulate the need for the merger and sell it to others. They formed a new governing board with equal representation from the three existing boards, so all parties felt it was a true partnership.

These directors had a mission in mind. They had the tenacity to keep pushing through the merger with a relentless focus on the separate organizations' shared missions of serving more kids, more effectively. When naysayers emerged, the board members did a good job of co-opting them. "Part of that visionary board leadership was reaching out to those individuals and including them in the process," said CEO Pierson. "They said, 'We don't want you on the outside, looking in, throwing rocks at us. We want you on the inside helping us figure this out.'"

Our sense from our interviews is that the presence of such committed board members is no accident, but rather that it speaks to thoughtfulness, networking, and persistence on the part of an organization's executive leadership as well as the organization's compelling story of impact.

Matching board members' specific talents to strategic needs of the organization was critical to capturing the growth potential of the fast-growing organizations we studied. Consider the Family Resource Center of South Florida. In 1999 the organization was on the brink of insolvency. Its money problems had become so extreme that its phone was cut off for more than a week, bill collectors hounded the organization, and staff weren't paid. Under new leadership, the organization was forced to reevaluate almost every aspect of its operations. During this period, the legal and management expertise of the board became a vital asset as directors helped renegotiate facility contracts and resolve legal problems.

In particular, Executive Director Oren Wunderman credits the strong leadership and business acumen of the board chair, Barbara Garrett, a senior executive at a leading consumer goods business in Florida, who spent many hours a week helping the center get back in shape. "Barbara could look at a spreadsheet of 14 programs and immediately size up the true viability and predictability of the budgets," said Wunderman. Thanks to Garrett's skilled intervention, the center's staff was able to identify programs to terminate as well as programs that could benefit from additional funding. These efforts ultimately translated into growth. A more realistic budget—and a more transparent approach to management—helped the Family Resource Center position itself for new funding with such local grant makers as the United Way, and in the process, greatly broadened the organization's funding. For example, from 2002 to 2007 the United Way's support for the center peaked at $339,000 for five programs, up considerably from $125,000 for one program in 2001.

Boys & Girls Clubs of San Francisco's President Rob Connolly cited board member expertise as one of its top influencers of growth. In 2001 the organization began a concerted effort to strengthen its board with specific expertise. As mentioned previously, it added a marketing committee of top-notch experts in the field to help the in-house marketing director develop a successful new campaign. The organization also added an HR committee of experts to offer best practices and advice. Additionally, the organization has taken advantage of selected board members' heavy-hitting architectural and building backgrounds when constructing two new clubhouses and renovating other facilities. "I pushed to have experts on the board in as many fields as I could get—not trying to think that I or our board chair knew it all," said Connolly.

Boys & Girls Clubs of the Gulf Coast transitioned to a restructured board with greater expertise and connections in the school districts and city governments it wants to influence. "Some of them are with the bank that holds the city's or school district's funds, or are the attorneys that represent the city," said Burke. "So we have eyes and ears everywhere that are able to make those contacts. We have direct lines to the biggest companies in town and their CEOs' ears."

Effective board members routinely bring the perspective of an experienced outsider to the nonprofits they serve while making it their business to deeply understand the objectives of the organization. Our interviews suggested that the fastest-growing youth-serving organizations did more than tap the general skills and perspectives of their boards. Instead, many of these nonprofits found a way to capitalize on the specific and rich expertise of their board members. Matching this knowledge with the strategic needs of the organization often helped to propel growth.

The organizations we studied tapped board members who had time, talent, financial resources. They also sought board members who could leverage the same in others.

The Posse Foundation's board, for example, has been essential to the organization's consistent revenue growth over the last decade. It all started with one key introduction in the mid-1990s to Michael Ainslie, who was a trustee at Vanderbilt University at the time. Ainslie became the first chairman of the board, remaining in that role for 13 years. During his tenure he built the board into a powerhouse of committed individuals with personal wealth and deep connections. And today, Posse board members make important introductions and significant donations regularly. For example, in 2003, a board member introduced President and Founder Bial to the CEO of a major corporation. That corporation subsequently set up a $5 million matching challenge grant for Posse's endowment. Once that challenge was met, the board member doubled the amount, netting the organization a total of $20 million.

The Harlem Children's Zone (HCZ) board provides another example. As part of their strategic plan, HCZ's leaders set out in 2002 to redesign the organization's board so it could raise the order-of-magnitude-higher sums (through board member giving as well and through connections to other prospective donors) it would need. CEO Geoffrey Canada slowly transitioned people with significant ability to give and high-level fundraising connections onto the board until a critical mass developed. Canada says he would not have been able to do this without the leadership of his then board member Stan Druckenmiller. Druckenmiller, who serves as chairman and CEO of Duquesne Capital and appears on the list of the wealthiest Americans, had joined the HCZ board a few years prior. The original connection had occurred when he was a board member for the Robin Hood Foundation. Druckenmiller realized that people from his alma mater, Bowdoin College, were running HCZ and reached out to them. Canada then recruited him to join the board and ultimately to lead it. Druckenmiller personally has made substantial contributions to HCZ.

At Boys & Girls Clubs of Boston (BGCB), board members also have proven critical to fundraising, particularly around a recent comprehensive campaign to raise more than $100 million. After its formation from the consolidation of smaller Boston-based clubs, BGCB intentionally set about developing a board with a high profile. The board now includes professionals from financial-services firms and well-known corporations—an asset in terms of both their net worth and networks. The organization's leadership believes its board is the one that everyone wants to be on, but that position comes with responsibility.

“We had to put some new expectations on our board members and get some people who could set an example,” said CEO Josh Kraft. “People who not only have a greater capacity to give but who are willing to use that greater capacity. In other words, not people with capacity who you’ve got to really push. People who say, ‘I’m on board, and I’m leading the way.’”

Sometimes board networks, particularly those created for organizations with affiliates, have to be actively shaped. For much of the 2002 to 2007 period of our research, Boys & Girls Clubs of America was committed to a large-scale growth agenda with the support of federal funding. BGCA and its affiliates made several investments in order to enable this growth, including considerable capacity building at the board level. The organization helps its local affiliates assess their development needs using a tool it calls the Stages of Organization Effectiveness. Following the assessment, BGCA helps build the capacity that will give local clubs the greatest return on investment. “For us, the big three have always been board, staff, and resource development,” said BGCA’s Permuy. “If you have the right board in place and if you have the right staff in place, it will give you a greater opportunity to raise more money and manage that money with integrity and in the right way, which usually leads to good programs and good facilities and opportunity to market those things.” To achieve that goal, BGCA wrote specific leadership development and training goals for local staff and board members into letters of agreements with clubs. Board members’ goals included attendance at trainings held at annual national and regional conferences on topics such as networking for the clubs, guiding club staff, and becoming a more effective board member.

In sum, our research found that boards with access to capital made an enormous difference for the fastest-growing youth-serving organizations. This access often took two forms: net worth and networks. That is, organizations benefited from both the personal wealth of board members as well as their pull with other potential donors.

Boards can be a critical asset. Organizations seeking to grow need to look closely at the contributions of their boards. To be sure, gaining access to funding is a key role for board members to play. Also important, however, are personal and passionate commitment to the organization’s mission and specific skills relevant to the challenges it faces. Targeting and cultivating board members with these two latter attributes—if not access to financial resources—is well within the reach of all organizations.

These four pillars of growth may appear straightforward, but as the nonprofit leaders we interviewed attest, their execution rarely is. Nonetheless, we were encouraged that the organizations we studied managed to grow in such productive—and often sustainable—ways. Their collective experiences offer powerful insights for the leaders of other nonprofits who may be contemplating growth, as well as for those organizations that support such efforts.

This appendix provides more detail on the methodological choices we made to define the research universe and select the 100 fastest-growing organizations. It also includes a discussion of some caveats and considerations pertaining to our research.

We focused our data analysis on the years from 2002 to 2007. The last year analyzed, 2007, was the most recent year of consistently available data. We relied on a database from the National Center of Charitable Statistics (NCCS). That database contains a verified and corrected version of Internal Revenue Service (IRS) data gleaned from tax-return files.[11] The database includes basic demographic and financial information about each organization. It is widely acknowledged to be imperfect for several reasons, including data-input errors and reporting delays inherent with tax filings. Despite its limitations, the NCCS database is incredibly valuable given that it is one of the few sources for financial information across the sector.

To identify the most appropriate baseline universe of organizations for our research, we undertook the following steps:

- We defined the field as organizations that (a) serve youth ages 5 to 24; (b) emphasize disadvantaged populations; (c) provide direct services (as opposed to funding, advocacy, research, or public policy); (d) focus on the United States; and (e) operate outside of the formal education system.
- We relied on the National Taxonomy of Exempt Entities (NTEE) to filter for the organizations that met our criteria, given the use of its codes in the NCCS database. However, the match between that taxonomy and our study's definition of youth-serving was not perfect. As such, we identified the universe of NTEE codes that might be applicable and then applied relevance tests to see if a given code should be included in our research:

[11] Data come from IRS Annual Return Transaction Files—containing up to 60 financial variables transcribed from the Form 990, an annual reporting return that certain federally tax-exempt organizations file with the IRS. NCCS then verifies and corrects this information based on manual reviews by NCCS staff of Form 990s on GuideStar and reviews of IRS Statistics of Income (SOI) Sample Files. SOI files contain more than 300 variables for all 501(c)(3) organizations with $30 million or more in assets ($10 million or more in earlier years) and all organizations filing under sections 501(c)(4) through 501(c)(9) with $10 million or more in assets and a sample of a few thousand smaller organizations per year.

- To identify all the potentially-applicable codes, we checked youth-specific NTEE codes (per the NTEE's own categorization); reviewed past studies[12] that had relied on youth-related codes; reviewed the "activity codes" the IRS uses to classify domains; and checked the codes implied by National Collaboration for Youth members as well as Edna McConnell Clark Foundation (EMCF) and New Profit grantees. This approach resulted in a potential universe of more than 60 codes and more than 70,000 organizations.
- To determine the relevance of those 60 NTEE codes for our study, we conducted Internet research of the 30 largest organizations (per 2007 revenue data) in each of the codes. When a majority of the 30 largest organizations within a code met our study's definition, we retained the given code. Otherwise, we removed it from our potential universe. This approach narrowed the list to 22 codes. (See Exhibit A-1.) For later application, we also grouped the 22 codes into seven sub-domains. (See Exhibit A-2.)
- The selection process to target these 22 codes systematically excluded several NTEE codes because they did not fit this study's definition of youth-serving organizations. The organizations in the excluded codes operate in numerous sub-domains, including: employment, advocacy and research, family services, scholarships and student financial aid, charter management, school support, and school development.

♥ Our final step was to ensure that we had equivalent data for all the organizations in our universe. To do this we only included organizations that:

- Had both 2002 and 2007 revenue information (to enable the calculation of a five-year compound annual growth rate);
- Had $50,000 or more in revenues in 2002; and
- Reported fiscal year 2007 or later in the 2007 data set.

Taking these steps narrowed our research set to 6,788 organizations.

[12] In addition to our previous "Growth of Youth Serving Organizations" study, we reviewed the methodology and codes from *Who Speaks for America's Children? The Role of Child Advocates in Public Policy*, edited by Carol J. De Vita and Rachel Mosher-Williams (Urban Institute Press, 2001).

The 22 NTEE codes selected

*Included in 2005 study

• B90-Educational Services • B92-Remedial Reading, Reading Encouragement Programs • I21-Youth Violence Prevention • I72-Child Abuse Prevention • O19-Youth Dev: Support N.E.C. • O20-Youth Centers and Clubs* • O21-Boys Clubs* • O22-Girls Clubs* • O23-Boys and Girls Clubs (Combined)* • O30-Adult, Child Matching Programs* • O31-Big Brothers Big Sisters* • O50-Youth Development Programs*	• O51-Community Service Clubs, Youth Development* • O52-Youth Dev; Agricultural • O53-Business, Youth Development* • O54-Citizenship Programs, Youth Development* • O99-Other Youth Development N.E.C.* • P30-Children's and Youth Services* • P32-Foster Care* • P42-Single Parent Agencies/Services* • P45-Family Services (Adolescent Parents)* • P73-Group Homes

We grouped the 22 NTEE codes into 7 sub-domains

Mentoring	• O30-Adult, Child Matching Programs • O31-Big Brothers Big Sisters
Youth Centers & Clubs/Civic Engagement	• O20-Youth Centers and Clubs • O21-Boys Clubs • O22-Girls Clubs • O23-Boys and Girls Clubs (Combined) • O51-Community Service Clubs, Youth Development • O52-Youth Development; Agriculture • O53-Youth Development; Business • O54-Youth Development; Citizenship Programs
Educational	• B90-Educational Services • B92-Remedial Reading, Reading Encouragement Programs
Parenting	• P42-Single Parent Agencies/Services • P45-Family Services (Adolescent Parents)
Violence/Abuse Prevention	• I21-Youth Violence Prevention • I72-Child Abuse Prevention
Child Welfare and Services for Troubled Youth	• P30-Children's and Youth Services • P32-Foster Care • P73-Group Homes
Other	• O50-Youth Development Programs • O99-Other Youth Development N.E.C. • O19-Youth Development: Support N.E.C.

To account for the variations of growth rates by organization size, we categorized our research universe into five distinct revenue categories (or "bands"), as defined by 2002 revenues. We based our selection of the bands on our experience with the general growth patterns of nonprofit organizations.

To select the 20 fastest-growing organizations in each revenue band, we rank ordered the lists according to the organizations' 2002-2007 compound annual growth rates (CAGRs).[13] Recognizing that the previous filtering by NTEE code was directionally correct but imperfect, we then manually filtered those lists to make sure the organizations met our study's definition of youth-serving. The manual filtering

[13] When calculating each organization's growth rate, we did not back out mergers and acquisitions—given that such activity is a valid way to grow. In fact, mergers and acquisitions contributed to the growth of several of the organizations we studied.

involved reviewing the organizations' websites and tax filings reviews and, as needed, making direct phone calls. During this process, we filtered out several organization types including health-only organizations (e.g., hospitals) and disability-focused institutions serving a broad age range (e.g., serving adults) and/or with a limited emphasis on poverty/disadvantaged people.

NCCS data-quality issues challenge the integrity of a rank-ordered list. The NCCS itself suggests that data—when reviewed on an organizational level (as opposed to an aggregate level)—should be double-checked with the organizations in question. Organization-level review was not possible on this project.

We interviewed leaders from 26 of the high-growth organizations. This group of interviewees consisted of a balanced representation of all five revenue categories and all seven sub-domains, and included at least two of the top-five fastest-growing organizations in each revenue category. However, the possibility of selection bias does exist, given that our approach relied on leaders electing to participate.

We used a pre-interview survey and a set of structured questions to focus our interviews on the factors leaders felt played the biggest roles in their organizations' growth, with greatest emphasis on the "game changers"—events, decisions, people—without which growth of the magnitude achieved would not have been possible. The interviews also addressed the challenges to growth and the approaches used to overcome them; the role of demonstrating outcomes, if any, in growth; and the organizations' response to the recent economic downturn.

To gain a better understanding of how the fastest-growing organizations performed versus similar peers, we also conducted two interviews of leaders at Boys & Girls Club affiliates that achieved the median growth rates for their revenue band from 2002 to 2007.

To deepen the research, we surveyed the entire list of 100 fastest-growing organizations about selected issues that arose during the interviews. The response rate was 47 percent.

Studies like this one are the product of myriad choices and constraints. The data dictated many of ours, while others stemmed from our research intentions. Out of them spring some important caveats and considerations.

First, in extracting data from the NCCS database, we made numerous choices to arrive at relevant and consistent data for analysis. This study's definition of youth-serving organizations animated the selection of the 6,788-organization universe. But inconsistent coding of youth-serving organizations in the NCCS database meant that many organizations meeting our definition of youth-serving were not included in our analysis, and some that did not meet our definition were included.

Second, while we recognize the limitations of 26 interviews and 47 survey responses, we believe this research provides a robust and relevant set of insights into the enablers of rapid growth for youth-serving organizations. These qualitative insights should resonate with leaders and funders of other human-services nonprofits, since those nonprofits operate within similar funding and public policy environments.

Third, our focus on revenue growth stems from the fact that this metric is systematically available. We recognize that the IRS returns our analysis relied upon report revenues in accordance with its rules on revenue recognition, as opposed to intrinsic program- or cash-based growth. Other metrics (such as impact on beneficiaries) that may more effectively distinguish exemplary organizations are elusive for this type of research due to numerous factors, including differing measures of impact, varied programs, and inconsistent availability.

While we recognize that revenue growth is not a perfect indicator of overall organizational competence or success, we maintain that it is likely as good as any other indicator systematically available for analysis. Given that nonprofit organizations are routinely challenged to simply maintain current levels of service, rapid revenue growth is a phenomenon worthy of analysis and reflection.

This document is the product of many contributors and many “authors.” To begin, we truly are indebted to the organizations that agreed to participate in the tedious business of responding to interview and survey questions. This study also reflects the collaboration of the Edna McConnell Clark Foundation, including members of its Evaluation Advisory Committee. These contributors included Kelly Fitzsimmons, Kristin Moore, Gabriel Rhoads, Nancy Roob, and Gary Walker. We are grateful for the support of Jordan Kahn of Child Trends. And we appreciate the efforts of Mickey Butts, who helped with the writing and editing of this report. Finally, many people at the Bridgespan Group contributed to this study, including Murrayl Berner, Jeffrey Bradach, Carla Franklin, Jonathan Kartt, Katie Smith Milway, Gail Perreault, Kristen Roggemann, and Nan Stone.