

# The Spiral of Sustainable Excellence

by Paul C. Light

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**Editors' Note:** This article is adapted from a book by Paul Light entitled *Sustaining Nonprofit Performance: The Case for Capacity Building and the Evidence to Support It*, published in 2004 by the Brookings Institution Press.

IMAGINE A NONPROFIT'S LIFE AS A JOURNEY UP and down a development spiral. All organizations would start with a simple idea for some new program or service and then move up the spiral toward greater and greater impact, progressing through five landings, or stops, along the climb: (1) the organic phase of life, in which they struggle to create a presence in their environment; (2) the enterprising phase, in which they seek to expand their size and scope; (3) the intentional phase, in which they become focused more tightly on what they do best; (4) the robust phase, in which they strengthen their organizational infrastructure to hedge against the unexpected; and (5) the reflective phase, in which they address longer-term issues of succession and legacy.

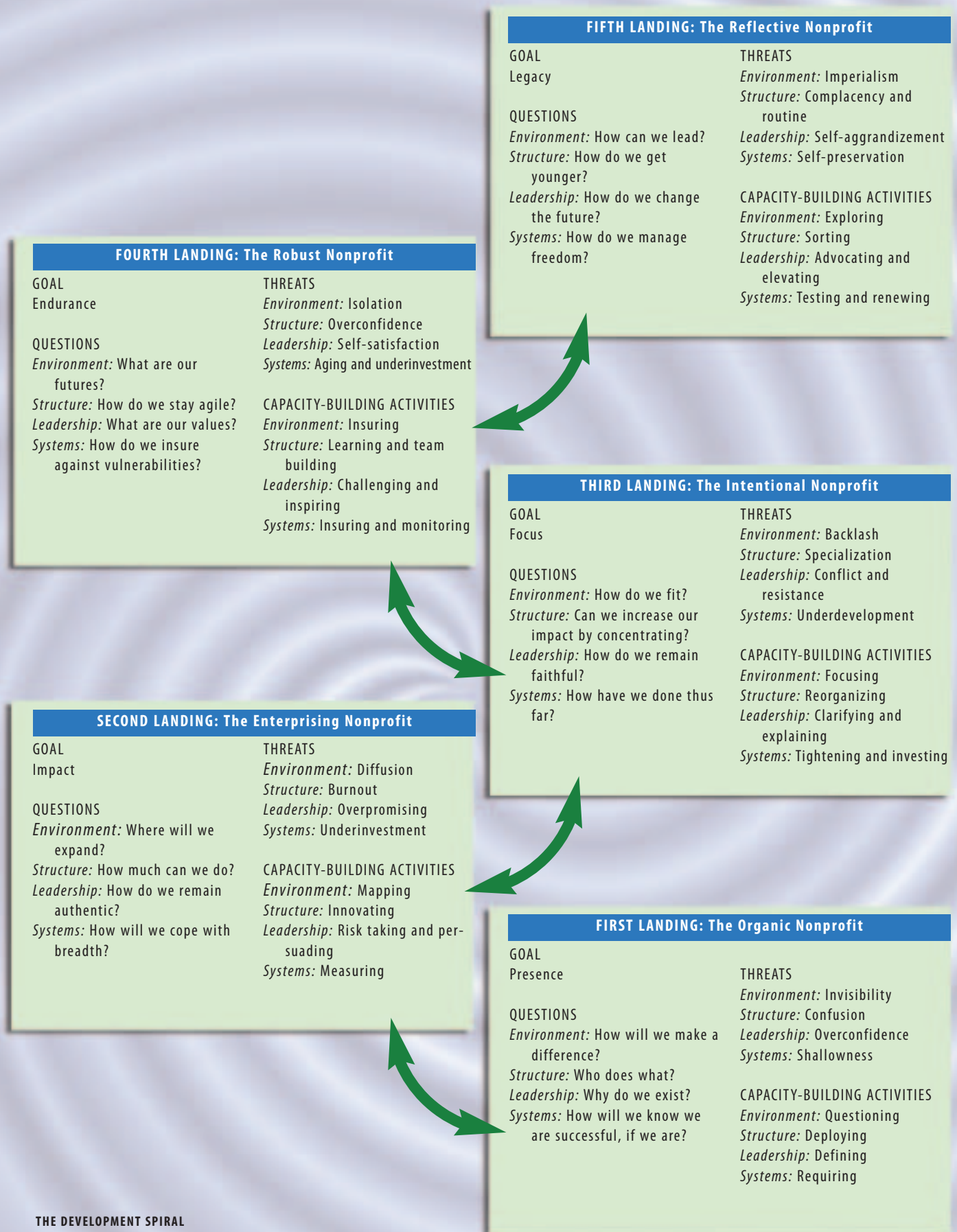
Viewed as a spiral, nonprofit development would be anything but a fixed march ever upward. Many nonprofits would linger at one stage or another, perhaps for long periods, without any guarantee that they would advance. Some organizations would make it up the first flight and remain at the enterprising stage, for

example, while others would stay at the reflective landing for what might seem like an eternity. Others might quickly move to the enterprising stage, only to get knocked back by a financial meltdown or executive turnover. Some would make the difficult climb from the enterprising stage to intentionality by focusing their attention on the programs they care about most, while jettisoning and spinning off others. Still others would enhance their capacity to withstand crises and shocks, handle risks, recruit and retain the most talented employees for the long term, and shape the future through their advocacy. And relatively few would reach the reflective stage, by expanding their mission to include broad questions of long-term legacy. Unlike the standard S-shaped life-curve we often use to describe the inevitable confrontation with organizational mortality, the spiral enables a more deeply textured description of how organizations actually live.

Viewed as a spiral, nonprofit development also varies in both direction and speed. Some nonprofits rise quickly through the stages, perhaps because of a large grant or unexpected gift; others move slowly, if at all, from one stage to the next. More important, some nonprofits move down the spiral from time to time, perhaps because of a crisis or shock, a leader's depar-

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#### THE DEVELOPMENT SPIRAL

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ture, a change in government or donor priorities, or an investigation. Some would even deliberately jump down the spiral to their organic roots now and again to rethink why they exist, whom they serve, and how they intend to make a difference in the world. Indeed, an important part of being a reflective nonprofit is being acutely aware of the organic history of the organization.

### Observing Nonprofits

This image of a development spiral did not spring full-blown from my imagination. It emerged from site visits to 25 high-performing nonprofits identified through a 2001 random-sample survey of 250 members of Grantmakers for Effective Organizations (GEO), the Alliance for Nonprofit Management, and the Association for Research on Nonprofit and Voluntary Action (ARNOVA). Those surveyed were asked to identify high-performing nonprofits for further study. This reputational approach produced a list of more than 450 nonprofits, of which 250 were surveyed, and 25 culled for the site visits discussed below. The site visits covered nine cities—Atlanta, Chicago, Indianapolis, Los Angeles, Minneapolis, New York, San Diego, San Francisco, and Washington, D.C. The site visits began with a trip to Chicago on September 14, 2001, and concluded in March 2003 in Atlanta.

The 25 nonprofits were hand-picked to provide a wide range of experience, expertise, size, and geographical representation, and included well-known national, regional, and local organizations.<sup>1</sup> They included large organizations and small, young organizations and old, and a wide variety of missions—from AIDS education to international relief—but it is easy to argue that all were achieving significant program impacts. However, at least eight of the 25 were achieving those impacts in spite of significant organizational frustrations, and none was perfect in every way.

According to their responses to my 2001 survey of 250 high-performing nonprofits, which is summarized in *Pathways to Nonprofit Excellence*, eight of the 25 had budgets under \$1 million, seven had budgets from \$1 million to \$10 million, and 10 had budgets over \$10 million. Four of the 25 were both young (seven years old or younger) and small (under \$1 million); five were young but larger (over \$1 million); four were middle-aged (between seven and 15 years old) and small; two were middle-aged and larger; and

10 were older (more than 15 years old) and larger.

The following observations were made after half- to full-day visits with each organization: seven of the 25 high performers did not appear to have a current strategic plan and two more paid little attention to the plan they had; 10 had yet to develop a diversified funding base; 10 were struggling to clarify board and staff responsibilities (no doubt in part because nine did not do any board training); 13 had accounting weaknesses of some kind; 14 did not have clear job descriptions in the files; 14 did not provide disability insurance to their employees; 14 held five or fewer board meetings a year; and 17 did not have a system for measuring outcomes.

The question is not whether nonprofits can achieve program results in spite of organizational weaknesses, budgetary shocks, staff turnover, or even terrorist attacks. Nonprofits make miracles happen every day. Rather, the question is what would help them to move up the developmental spiral toward sustainable high performance. Simply asked, what kinds of capacity building are appropriate and effective in moving up the spiral, and how does their impact vary at different landings along the way?

My research reveals that some forms of capacity building are much more important for moving from the organic to the enterprising stage or for stopping the fall backward, while others are much more appropriate for the climb from intentional to robust. As such, successful capacity building depends in large part on picking the right improvement effort at the right time.

Like most organizations today, nonprofits face an uncertain future. No one knows what might happen to the economy as the federal budget deficit rises, how far Congress might go in tightening accounting and expenditure rules, whether young Americans will ever get into the giving habit, how nonprofits will handle the baby boom retirements, and how many more nonprofits the sector can absorb with a shrinking labor force. And that is just a sampling of the *known* unknowns.

No matter what happens to the sector as a whole, individual nonprofits can never be quite sure what the future holds. This was certainly the case for the 25 high-performing nonprofits. The Nature Conservancy was about to enter a period of remarkable turbulence following a *Washington Post* investigation of its management and operat-

ing practices; the San Diego Opera was little more than 18 months away from a \$10 million bequest from McDonald's heiress Joan B. Kroc; the Pacific Repertory Theater in Carmel, California, had mailed its annual fundraising appeal only days before the September 11th attacks and was behind \$65,000 by the time the interviews were conducted in November; CARE was about to launch a new branding campaign to change its focus from delivering food to ending global poverty; and Open Hand Chicago was about to merge with two other AIDS nutrition programs to keep up with an ever-changing epidemic. Some of these events were completely unexpected; many others involved at least some advance warning. The reality is that change will come, and if change is inevitable, the question is what nonprofits can do to improve the odds that they will survive the inevitable surprises, exploit the upturns, and shape the environment to their favor. Organizations do not have to be old and large to hedge against surprises and exploit good fortune. Indeed, being old and large can produce a notable sluggishness in doing both. But they do need to know where they are in organizational time and place to pick the right course. If they do not know where they are, they cannot know how far they must go and what they must do to get there.

### Sorting Destinations

Nonprofits cannot be blamed for all that goes wrong as they move up or down the spiral, nor can they be given absolute credit for all that goes right. As the diagram suggests, nonprofits move up and down a developmental spiral in part by asking the right questions, addressing potential threats, and choosing the right strategies for building organizational capacity. As my admittedly skeletal map of the spiral on page 17 suggests, each landing has its own goal, key questions, threats, and suggested capacity-building activities for either moving upward or holding steady.

**The Organic Nonprofit.** Whatever their ultimate goal—be it to end poverty, feed the hungry, change public policy, or produce great art—every organization starts with the same simple goal: to exist. I believe the most important questions are asked at this very first landing: How will we make a difference? Who does what in the organization? Why do we exist? How will we know we are successful, if we are? The answers

do not have to be perfect, or even complete. But they must be asked if the organization wants to create early momentum toward impact, and asked frequently if the organization is to claim any purpose but survival.

Organic nonprofits face inevitable trade-offs between passion and caution. If start-ups had to wait until their programs and systems were perfect, they would never launch at all. Yet if they launch without asking hard questions about their ability to deliver on the promises they make, they almost certainly will disappoint or disappear. They must be visible enough to attract support, while creating the capacity to produce results. This often involves difficult choices and trade-offs for organic nonprofits. Friends of the Chicago River, an environmental advocacy group incorporated in 1988, faced this investment dilemma. Asked whether he thought start-ups should first work on management or program, a senior executive said, "It's a constant juggling act of nurture this here, nurture that there. It takes a lot of skill to develop strong programs without having the management stuff in place. You have to operate a lot by intuition, which can put you in harm's way."

Growth eventually provided the resources for long-overdue investment. "In the beginning years, our bookkeeping and administration were really a mess," this executive explained just before switching metaphors. "We all agreed that if we had to slip on something, it was going to be on certain types of paperwork. We waited until we could afford to take those on, until our programs were stronger and people were saying, 'Wow, you guys are doing a lot of great work.' Then we could say, 'Now we have to fix up our infrastructure a little bit.'"

Unfortunately, some organizations get stuck in this landing because they launch without testing the load-bearing assumptions that support their basic program goals—for example, whether the world will behave as they hope. Too many also launch without making the basic decisions about tracking impacts and accounting for time and money. And too many launch without creating basic expectations for governing the organization. Although their leaders must work hard to build identity, these young nonprofits must outline the organizational infrastructure that will hold them together as they confront a turbulent, competitive environment. This means

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investing in simple reporting routines, clarifying board and staff responsibilities, and building basic operating systems, all of which respond to simple capacity-building interventions.

This is how Second Helpings grew into one of the country's most innovative food banks in less than a decade. "We have gone from infancy to toddlers to feeling like 11-year-olds," a senior executive told me. "We are ready to be grown-ups but do not know how to react to it. The board started out as a working board, and that was necessary—we needed their bodies, we needed their hands, we needed their money, and we drained their heads. The board also had to grow up."

At the same time, Second Helpings felt it was not old enough for strategic planning. "We are still too young to have a strategic plan," the executive explained. "When your middle name is still 'Tweak,' how do you develop a strategic plan? We have to remain flexible. We have a mental idea of where we want to go, but only look 24 months out." Would that most nonprofits could do as well without a plan: in July 2004 Second Helpings launched a \$2.2 million capital campaign to buy and equip a new building; six months later, it moved in.

**The Enterprising Nonprofit.** Assuming that they garner enough support to grow, many organic nonprofits advance to the enterprising landing, where they promptly get stuck. Having achieved enough credibility to compete for resources, enterprising nonprofits face a number of challenges as they seek to expand their impact. Some find it nearly impossible to say no to the funding they need to survive, while others branch out into fields well beyond their original program intent, and still others become the hot nonprofit that donors just have to fund. But what goes up in the enterprising stage often comes crashing down as the next hot nonprofit shows up.

There is nothing wrong with stretching the organization into what I call the "zone just beyond possible," particularly if the organization is making a measurable difference through its work. But the stretching can create confusion, under-investment in core administrative systems, and employee burnout as the organization tries to meet all the deadlines it has accepted. Having started out with a clear sense of direction, enterprising nonprofits often evolve into multi-service agencies that have drifted far

from the core mission they once embraced.

Growth is not harmful if it takes a nonprofit where it wants to go, however. Nonprofits have a better chance of getting where they want to go if they have a careful map of their environment, if innovation fits with their program goals, and if their leaders work to reconcile new initiatives with the old. They are also much more likely to expand gracefully if they have the measurement and tracking systems to know where they are at any given point in time and what they did to get there. This means investing in more elegant analysis of environmental threats and opportunities, internal organization, board and staff development, and measurement, all of which respond to capacity building.

The most significant differences up and down the spiral involved strategic planning. Although almost all of the 25 organizations had a strategic plan, the enterprising-intentional organizations clearly devoted more energy to the effort. If not quite a fear of planning at the enterprising-intentional stage, there were definitely concerns about costs, readiness, and implementation. Simply put, enterprising-intentional organizations worried that they simply could not afford to plan.

Consider Pact as an example. Having grown steadily over its first decade, Pact finally mustered the energy to launch its first strategic planning process in 2001. As one board member explained the effort, "I think it is symptomatic of the fact that the board recognizes that this organization in its growth has tried to do so many different things and tried to do them very well that it stretched very thin. We're on the verge of what could be exponential growth, which either will be great or will kill us, and we're not looking for death here."

Enterprising nonprofits face the challenge of planning for the future while dealing with the day-to-day complexities of running an organization. Much as they want to be strategic, enterprising nonprofits have to be tactical to survive. For example, one interviewee said, "When your organization is in rescue mode, a strategic plan is kind of nice but won't fix your problems. It is like you want to be flying at 30,000 feet, but you're stuck on the ground." Another commented, "If things are bleeding, it is not the time to look five years in the future. You have to figure out if you are going to survive until tomorrow."

**The Intentional Nonprofit.** Deep review of mission, priorities, threats, and opportunities can help move organizations that feel stuck at the enterprising stage. The reason so many nonprofits linger in this phase is that they cannot find the focus needed for intentional action. Becoming intentional often involves a confrontation with the dependencies created during the enterprising phase, particularly for organizations that grew by stretching well beyond their original program goals. Often, nonprofits can only become more intentional by releasing staff, board members, programs, and leaders, thereby creating the organizational capacity to invest in the activities they care about most.

Letting go requires a mix of courage, commitment, and measurement. Intentional nonprofits can face intense board and employee resistance, as well as a community backlash. They may find it difficult to reassign employees who were hired for their specialized skills, nearly impossible to combine units with very different program histories, and intensely stressful to spend scarce resources on organizational infrastructure. Intentional nonprofits often discover that each of their enterprises has its own language and culture and almost always conclude that streamlining, reorganizing, downsizing, and focusing are easier said than done. Organizations that move from enterprise to intention take a hard look at everything. A senior executive at the Nature Conservancy observed, “The challenge is to stop doing things that we’ve always done that are not contributing toward the mission. The first step is to use ‘zero-based planning’ and take a fresh look at everything we’re doing. We’re not going to get rid of people, but we are going to change what people do. We would like to grow from 3,000 people to 10,000, but we want the 10,000 to be doing the right things and have everything aligned so they have the incentive to do the right things.”

A senior executive at the San Diego Opera echoed the sentiment: “If you are going to really move an organization forward, you have to be on a constant learning curve. You have to be a perpetual student. If you don’t want to do that, then you won’t turn an institution around.” To move forward, however, the San Diego Opera first had to move backward. It was doing eight operas a year when the new executive team arrived in the mid-1980s and immediately dropped down to four, which several executives described as

“pruning the rose bush.” It also adopted its first strategic plan, which it updates every three months. As one executive explained, “You have to have a long-range plan in the world of opera, especially for a company at this level. We’re competing for the same artists as the New York Metropolitan Opera, San Francisco, Paris, Vienna, and we have to offer those contracts at least four years and sometimes five years in advance. So how do you do that if you don’t have a plan, if you don’t know how much money you will have coming in? That’s when you get yourself in a big hole.”

The move from enterprise to intention does not have to be done alone. It is often done through mergers and strategic alliances with other organizations that are also spread too thinly or through expansion in a particular line of work. It is also often done with the support of a community foundation or venture philanthropy that is ready to commit resources to a more focused future. Such investments are rarely made without the underlying evidence to show program impacts and organizational productivity, however. To the extent that organic nonprofits set high expectations for evidence of impact and that enterprising nonprofits further the effort by adopting more sophisticated systems, they both raise the odds that they will attract the energy, if not the funding, for the next move upward.

**The Robust Nonprofit.** Once at the intentional stage, nonprofits often begin to take steps toward robustness. As I define the term in my new book, *The Four Pillars of High Performance*, robustness involves “the ability to withstand, even exploit, uncertainty.” Nonprofits exist in a world of many futures: some favorable, some threatening. Robust nonprofits prepare for uncertainty by hedging against vulnerabilities and shaping the environment for maximum effect. At CARE, for example, the global campaign against poverty involved two very different planning efforts. The first dealt with internal structure and systems, while the second turned to the mission itself. “The first strategic plan was more inward looking,” a senior executive explained. “That is, we were trying to increase our fundraising, build up our systems and our structures, and make us more effective within. Programmatically, we had changes going on, but the second strategic plan was much more outward looking. It was more concerned with how we were interacting with the

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world and what we were contributing to the world rather than focusing inwardly on our structures.”

Hedging against uncertainty involves more than fretting about surprises. It requires a basic willingness to think in futures (plural) tense, which, in turn, requires an agile organizational structure, concentration, and insurance against surprises. It also requires a greater focus on the longer term. Robust organizations must be able to run sprints, particularly when reacting to surprises, but their great strength is the marathon.

Unlike the elementary planning that helps organic nonprofits test their program assumptions, for example, robust organizations prepare for multiple futures simultaneously. Most set aside at least some funds for the worst case, deepen their insurance against a range of catastrophes, and often create contingency plans for acting quickly to stem the financial damage from cost overruns and surprises such as rapid escalations in healthcare costs. They build financial systems that operate in real time, meaning that they can get accurate revenue statements at a moment's notice, and often create early warning systems, or signposts, that show trouble ahead. As they build, robust organizations also engage in basic risk analysis, weighing new program costs against potential benefits.

Robust organizations are perfectly capable of innovation, however. They often take enormous leaps of faith. But those leaps are well informed by careful analysis and measurement. Robust organizations are just as likely to believe in luck as their peers, but they often create the luck they need by building the organizational structure for maximum opportunism. “We all make our luck,” said an executive with OMB Watch, a good-government advocacy group. “Or maybe a better way to put it is that we have to position ourselves to seize the opportunity when lucky situations come about. We have to have proposals ready, be ready to engage the policy fights, be ready and knowledgeable about a range of issues. Maybe I’m being cavalier, but the luck comes from other people respecting the work we do. The timing of it is fortuitous, which I call luck.”

Much as robustness helps organizations cope with uncertainty, it can also breed isolation and hubris. The more robust the organization becomes, the less accountable it can become. It can lose its sense of direction, drift toward imperialism and self-righteousness, and abuse the opportunities

that come with independence. Hence, even as they protect themselves against uncertainty and stay lean, robust organizations must continue to challenge and inspire themselves, while investing in basic accountability systems. The more they face into the environment through measurement, formal and informal contact with their markets, benchmarking against other organizations, and strategic thinking, the better.

**The Reflective Nonprofit.** As they push themselves to confront their own role in shaping the future, robust organizations eventually reach a more reflective position. Instead of seeing themselves as victims of uncertainty and surprise, reflective organizations focus on their own contributions to the future through advocacy, example, and legacy. Some even try to put themselves out of business by embracing audacious goals like eliminating global poverty or cooling the earth to normal temperature.

Having achieved the independence of robustness, reflective organizations often return to the organic questions that sparked their initial journey, challenging themselves to merge their present capabilities with their past intentions. They often do so by exploring the future through even more advanced planning techniques such as computer-assisted simulation, streamlining their administrative structures through organizational assessment and staff rotation, preparing for inevitable departures through succession planning, and renewing their management systems through upgrades and innovation.

This is certainly what Chicago’s Heartland Alliance has done in recent years to expand its reach while integrating its programs. “I think we’re highly accountable and never satisfied with what we’ve achieved,” said a senior executive there. “And we seem to be consistently asking the questions, ‘How do we do better?’ ‘What do we have to do differently?’ So, it’s that ‘Yes, but...’ answer. Yes, I think we’re a high-performing organization, but I think we have to be even more high performing.” Moreover, as this executive argued, growth is a very shallow measure of performance:

To me, high performance is always a mix of qualitative and quantitative factors. Expansion just by virtue of doing more programs or having a larger budget is not necessarily a sign of organizational

effectiveness or even organizational growth. It can be a measure of failure. It's "What are the qualitative underpinnings behind quantitative growth?" "What are our outcomes as a result of that growth?" "Are we just touching people's lives or helping to achieve change in people's lives?"

That's the difference. I mean, one can greatly expand the number of lives you touch, but do nothing else, and that, to me, is not effectiveness.

Absent this self-discipline, reflective organizations can easily become imperial organizations, imposing their will on the rest of the field, while absorbing resources that might better go to other organizations. Not unlike large corporations, they may become so focused on self-preservation that they forget what brought them into being in the first place.

Nonprofits do not have to be large to be reflective, however. To the contrary, they may be quite small relative to the organizations against which they sometimes compete. They almost certainly act younger, whether by constantly streamlining, incubating new organizations within their own midst, fostering deliberate board and staff turnover, undertaking constant benchmarking against other organizations both inside and outside the field, entering new collaborations and strategic alliances, and contemplating mergers and spin-offs, all of which face the organization in the outside world. Reflective organizations remain reflective in part by revisiting the techniques that helped them move upward through the organic, enterprising, intentional, and robust landings.

## Next Steps

No matter how hard they try, nonprofits cannot prepare for every possible surprise or shock. They are often one economic crisis from a painful trip back down the spiral. Although endowments and insurance can make the trip a brief one, nonprofits can and do rise and fall on the developmental spiral with regularity. Indeed, one of the ways in which robust and reflective nonprofits prepare for misfortune is to plan for it. They do so by investing in renewal even during good times. They do not take success for granted or assume that their organization is working well just because they do not hear any complaints.

Tempting though it might be to swear allegiance to one metaphor or view of organizational development, the 25 site visits provided

support for a much more pliable view of organizational growth and decline. Many organizations did age up the spiral by obtaining experience and growth, but some aged downward by expanding too far. Some organizations did compete against others for survival, but many also found great strength in collaboration. And most organizations did build structure and systems as they advanced upward, but some also dismantled structure and systems as they worked to innovate and learn.

More important, most described their organization as moving through some kind of developmental process. Based on a careful reading of their annual reports, strategic plans, tax statements, program evaluations, and Web sites, as well as 73 interviews with board members, executive directors, and senior staff, all 25 organizations had reached the enterprising stage at some point in their history, 17 had moved up to the intentional stage (leaving eight behind), nine had moved up to the robust landing (leaving another eight behind), and three had reached the reflective landing (leaving six behind).

This sample size was much too small to draw absolute conclusions about how organizations move up and down the spiral, however. In addition, the 25 organizations were handpicked to feature variety, not similarity. Nevertheless, I remain convinced that further work on this particular metaphor of development has great potential for helping nonprofits pick the right capacity-building strategies for the future. If we are to meet nonprofits wherever they are, as many funders and capacity builders promise, we must get much better at mapping the many places nonprofits can be at any point in time.

## Endnotes

1. The 25 organizations interviewed were CARE, Doctors without Borders, Environmental Defense, the Girl Scouts, the Nature Conservancy, OMB Watch, Share Our Strength, Big Apple Circus, Friends of the Chicago River, Heartland Alliance, Lakefront Supportive Housing, Vital Bridges (which was named Open Hand Chicago at the time of the site visit), Indianapolis Children's Museum, Second Helpings, Los Angeles Alliance for a New Economy, Pillsbury Neighborhood Services, San Diego Opera, Pacific Repertory Theater, Asian-Pacific-Islander Wellness Center, Pact Adoption Alliance, Community Coalition, Tree Musketeers, Ancona School, Instituto del Progreso Latino, and Calvary Women's Services.

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