

# Habitat for Humanity: The Evolution of a High-Performing Nonprofit Network

by Rick Cohen

Habitat for Humanity International struggles to find the right balance between staying true to its mission and surviving—and even thriving—in the years ahead. But the network's thrust to sustain and improve upon performance has meant rethinking its brand, cautiously exploring social innovation and entrepreneurialism, and even (more cautiously) trying out government funding. Despite the challenges, Habitat affiliates agree that in order to move forward they must evolve. As one affiliate opined, "We cannot allow the grass to grow too long under our feet."

**H**IGH-PERFORMING ORGANIZATIONS do not all look alike. The measure for one might be output; for another, impact; for a third, synoptic leaps in efficiency. Missing from most literature is the turbulence surrounding the political and economic environment that compels truly stellar nonprofits to continuously adjust, adapt, and change. Habitat for Humanity International is an example of an unusually high-performing organizational network facing the challenge of constant learning and adaptation to the complexities of operating in diverse cities and nations, while holding true to an identity at the nexus of their faith-based mission of creating affordable homeownership for those in need.

Like many of the largest nonprofit organizations in the United States, Habitat is actually a network of organizations. The Habitat groups are unified to the extent that they share a common operational model, but the diversity of the network allows for individual groups to generate new ideas and hone new techniques, which then spread throughout the

network. Successful nonprofit networks capture innovations that develop within affiliates on the periphery. Vibrant nonprofit networks like Habitat learn from their members and capture and diffuse innovations developed and tested in the field as opposed to those generated and disseminated through top-down dictates.

Earlier this year, some sixty executive directors of local Habitat for Humanity affiliates responded to a half-dozen questions on the political and economic challenges they face. Their answers were hardly uniform but they reflect how the constituent members of a geographically far-flung network try to sustain and improve upon their performance.

## Not Your Daddy's Habitat

Remember that volunteer Habitat effort in your town, mobilizing church members and potential home purchasers to roll up their sleeves and build a modest, affordable home (sort of like a modern, frequently urban barn raiser, except that instead of a barn the product was a home for a family in need)? While still volunteer and faith based, the Habitat network

is large, international, and influential. And most of the public—and perhaps even much of Habitat's internal constituency of board members and staff—may not fully grasp Habitat's reach. As one Habitat affiliate CEO told us, "When I moved to my current affiliate eight years ago, I had to put on a little show I called 'We're not your daddy's Habitat' to get people's attention that we were willing to embrace change."

As members of a strongly grassroots network, Habitat's local executive directors are grappling with how to remain true to Habitat's mission of service to the poor while adjusting to policy challenges such as the home mortgage foreclosure debacle that vaulted to the top of the nation's consciousness in 2008, as well as rethinking their brand, adapting to a new charitable language and syntax of social innovation and entrepreneurialism, and exploring new funding options. According to one affiliate executive director, "The double-edged sword is the reality that we're thirty-five years old and still building new houses with volunteer labor. The new houses are great and we

know how to do them well, but it's hard to keep that process shiny."

## Modern Habitats

Habitat for Humanity is rather more complex, multifaceted, and dynamic than its usual description as a simple, local, volunteer-oriented and sweat equity-dependent homebuilder for those in need. Some may recall that the Habitat organization is tied to a faith-based mission, but that mission, often translated in the public's understanding into a vision of tiny, local, one-house-at-a-time faith-based builders, fails to convey the size, scope, and complexity of the Habitat for Humanity International network.

For one thing, although the active involvement of former president Jimmy Carter and his wife, Rosalynn, gives Habitat something of an American cast, the Habitat network is global, with the bulk of its construction work in FY2010 occurring outside the United States and Canada. Of the total 74,960 families served by Habitat in 2010 around the world through new construction, rehab, or home repairs, only 6,707 (8.9 percent) were in the United States and Canada, as opposed to 29,617 (39.5 percent) in Asia and the Pacific, 24,939 (33.3 percent) in Latin America and the Caribbean, and 10,888 (14.5 percent) in Africa and the Middle East.

For another, Habitat has moved from localized volunteer construction to responding to regional and national issues. For example, Habitat made a major effort in responding to Hurricane Katrina. Five years after Katrina, Habitat had built 2,219 new homes in the Gulf Coast region, repaired another 994, and helped clean out an additional 2,500 in preparation for rehabilitation. Within a few years of Katrina, Habitat had turned its focus elsewhere: to the nationwide mortgage foreclosure crisis, building on its incipient funding relationship with

the federal government (Habitat had received \$35 million in HUD Section 4 capacity-building funds between FY2001 and FY2009) to volunteer for a major national role in carrying out Neighborhood Stabilization Program efforts to rehabilitate bank-foreclosed properties.

In 2009, with 5,294 housing closings, Habitat joined the ranks of the top ten homebuilders in the United States, just behind Hovnanian Enterprises and just ahead of the Ryland Group. It may be that Habitat's rise reflects the recession slowdown in the market for commercial builders, but it also mirrors the growth in Habitat productivity and effectiveness in responding to the continuing need for affordable owner-occupied housing.

As a complex network of grassroots organizations, Habitat is likely to face continuing challenges in the years ahead, particularly as charitable and government funding shrink in the face of a national economic recession that is hardly disappearing. But the network seems to have adapted to the environmental turbulence of the national and international housing development market, suggesting not only that it is here to stay but also that it may very well thrive.

## A Valuable Brand

In 2009, Habitat for Humanity ranked as the seventh most valuable nonprofit brand in the *Cone Nonprofit Power Brand Top 100* list. The arcane methodology placed a value of \$1.768 billion on the Habitat brand. The Cone report described Habitat as "an organization with great momentum due to the tangible opportunity it provides for people to roll up their sleeves and take part in the construction of one of life's basic necessities . . . [plus] a far-reaching network of ambassadors and advocates including celebrities, politicians and companies who provide support and help it earn extensive media coverage and recognition."

Habitat actually ranked even higher—fourth—in brand image, the mix of inchoate factors such as public perception, consumer familiarity, media coverage, and volunteer base. It adds up to an image (or brand) that is basically one of somewhat faith-based, volunteer do-gooders, epitomized by the Jimmy and Rosalynn Carter Work Projects in places as diverse as Birmingham, Alabama; the Twin Cities in Minnesota; Seoul, South Korea; and Durban, South Africa.

But Habitat brand's being well-known and valued sometimes counts against it. An overseas affiliate's executive director noted that "one significant funder . . . believes our balance sheet is too strong to warrant their support and commented that we would be the envy of many of the charities they do support. Others do realize that we are asset rich and cash poor and continue to support us. . . . [But some] trusts and foundations . . . feel that we assist too few people for the dollars involved to justify their support, i.e., our 'bang for the buck' is not big enough." Habitat's faith-based language resonates with charity, with slogans over the years that motivate individual donors and tithers but not necessarily government and foundation investors: a "hand up, not a hand out"; "Habitat builds homes"; "building community, one house at a time"; "building hope, one family, one home at a time." According to another affiliate director, some donors, businesses, and foundations just hear "charity" even if the Habitat product is one of fighting poverty, creating assets, and building community.

At the same time, it is difficult to get government officials, foundations, and the public to adjust their perceptions. An executive director comments, "I am always amazed at the number of people who think they know what the mission of Habitat is only to be surprised when they find out families put in sweat equity and

assume a mortgage.” At the same time, foundations and government agencies hear about the sweat equity and additional volunteer labor and do not grasp the fundamental economics of property acquisition and construction costs that make the housing costs expensive, notwithstanding the “free” labor components—economic factors that should spur foundation and government subsidies to reduce unit construction costs.

Habitat’s being a faith-based network is an additional factor that counts against it, even though, like many providers that are faith-based in their origins, Habitat affiliates are increasingly secular—or at least nondenominational—in their operations. Foundations typically give little to religion, not just because of the foundations’ missions and restrictions but also because of a belief that religious groups are relatively well supported by individual contributions, with upward of a third annually going to religious groups. As one executive director put it, “the ‘ministry’ and Christian concept can be hard for some to buy into.”

Another stumbling block for foundations is the perception of Habitat’s narrow focus on housing. According to one Habitat director, “the common argument that we hear is that we spend \$65,000 ‘helping one family,’” though when Habitat gets beyond its role as a housing organization and talks about family outcomes and family assets, the rationale has to change from a per-house subsidy to a support for families and community building. These are the programs—and the measures—that Habitat is exploring through its Neighborhood Revitalization Initiative (NRI).

The Habitat program appears to be an attempt to reposition governmental agencies and foundations—and the members of the Habitat network themselves—to see Habitat for what it really does: build and transform neighborhoods. Habitat’s

NRI brings the network’s message up to date with what Habitat actually achieves for the families and communities it assists through its Build Louder advocacy campaigns, its efforts to strengthen security of tenure for poor families (a huge issue for Habitat families in developing countries), and its emphasis on the housing and poverty problems of women and children.

## Social Innovation and Entrepreneurship

Habitat’s aspirations to high performance are based on the adaptation and replication of its small-scale volunteer model fitted to multiple cities and countries with different political and economic contexts and systems. The mission and model are still there, but the challenges are constantly emerging.

Habitat executive directors see themselves as continually adjusting to a world that requires change and adaptation. When asked where they saw themselves fitting with respect to the language of social innovation and social entrepreneurialism—and what might be the obstacles that social innovation and social entrepreneurialism present to Habitat—one of the respondents summarized the challenge of social entrepreneurialism in a broader framework:

We are changing with the times, no matter what you label it. . . . [W]e are organizing neighborhood cleanups, and we are organizing service clubs to go out and change light bulbs/smoke alarm batteries/furnace filters so that elderly homeowners don’t fall. This was necessitated by the downturn in the economy and to make sure we honor the “safe, decent, and affordable” mantra we repeat every day. If we don’t adapt, we die. The question for us then is, what is the best new path? But adapt how?

For some, it is a matter of changing Habitat’s business model from its historically low-pay, volunteer base to a more modern nonprofit operation: “The NGO sector needs to think more commercially when it comes to hiring staff, for example. Rather than paying peanuts and hiring monkeys, the sector needs to be smart in hiring appropriately qualified people to get the job done efficiently and effectively.”

For others, it is a matter of pushing at the boundaries of Habitat’s program definition and asking whether the model and the resources can accommodate certain kinds of change: “I think we have no choice but to embrace social marketing, etc. It is very hard for many of us to begin to even understand how it works. It’s important to segment our population into those groups that respond differently to new media. . . . The older we are the harder it is for us to see the potential and value of social entrepreneurship.”

But to some, “entrepreneurial” is in fact an apt description of the reality of nonprofit Habitat community developers, though Habitat tends to do little or no entrepreneurial self-promotion. For example, one Habitat affiliate director said, “I think Habitat has been [made up of] entrepreneurs since the beginning. What else do you call real estate developers, mortgage companies, and retail establishments?” Another added, “I strongly believe that the ability of nonprofits to quickly respond to environmental changes makes us social innovators . . . which should be highlighted more than it is now.”

Is Habitat truly entrepreneurial? Many Habitat executive directors cited the ReStore resale outlets operated by Habitats around the nation as a tangibly entrepreneurial addition to the Habitat model. ReStore accepts donations of reusable and surplus home accessories, building materials, and appliances,

and sells them to the public at very low cost. All of the sale proceeds fund local Habitat home construction. Because of the public's common misperception of "entrepreneurial" as "commercial," many affiliates look at the ReStore operations as Habitat's "main concept of social entrepreneurialism . . . [with a] niche market . . . [that] ensures we are different from Goodwill and the Salvation Army while meeting Habitat needs." And, "ReStore makes us entrepreneurs," according to another.

But Habitat clearly struggles with the idea of entrepreneurialism's being equated with self-sufficiency. "It is through our ReStore that we are self-sufficient. More emphasis needs to be made on ReStore advertising, donations, and making ReStores profitable," suggested one respondent. Taking a diametrically opposite view, another said, "Habitat can reposition itself by changing the language of ReStore without changing the business model. The downside is that donors may move our funding requests to the bottom of the pile because we have a successful revenue stream. We will need to be clear that the ReStores do not, and cannot, completely fund our mission."

In the Habitat network, innovation is emerging from the local affiliates within the network, like the ReStore model. The reality of social innovation is that when practiced as more than public relations, it bubbles up from the field and is not imposed top-down. Habitat execs described programs already under way with local Habitat affiliates, such as A Brush with Kindness, Apostles Build, and Women Build, as "new ways of addressing social problems with innovative approaches." And, as some respondents proudly noted, rather than being a program crafted and promulgated from Habitat's international headquarters in Americus, Georgia, the ReStore model was created, tested, and adapted by

Canadian affiliates and then replicated widely throughout the Habitat network.

While the affiliates are innovating as a matter of function and survival, the challenge may be for the Habitat higher-ups to talk about social enterprise and do better external marketing of ReStore—broadening the concept of Habitat to include the "holistic outcomes" it achieves in addition to the core "Habitat builds houses" identity. National (or international, in this case) Habitat executives have to sell the message within the network that innovation and risk taking are to be encouraged. As a Toronto respondent said, "We need to top the wonderful Canadian idea of the ReStore. . . . We are due for another."

One affiliate executive director concluded, "Within the constraints of the ministry, we must view ourselves not only as creative problem solvers but also as risk managers and innovators, if we are to navigate our ever-changing seascape." The challenge is for the Habitat network to look for and encourage the generation of innovations and adaptations based on models being formulated and tested by local affiliates, particularly those affiliates that interact with other non-Habitat players in the housing and community development field and get to benefit from "adjacent possibilities." That is the value of a high-performing nonprofit network.

### Government Funding

One area of change in the network has been Habitat's cautious but begrudging acceptance and utilization of government funding. Direct government subsidy was anathema in the early Habitat model, but that has changed over time. Habitat has become a mission-focused participant in federal programs to and through local governments, accepting and using direct subsidies, such as financing and grants, and indirect subsidies, such as

the provision of tax-foreclosed and other government properties. One Habitat affiliate executive director described an example of a successful partnership with one specific government program:

Our biggest success was in the Neighborhood Stabilization Program (NSP). Thanks to HFHI [Habitat for Humanity International], we were ahead of the issue and asking our State Housing Authority what the program would look like before they even got the money or the rules. This put us at the table during the formation of the program. We worked with our local grantee and sub-grantee, and together devised a plan where our role fit best as a "developer" and user of the funds. Being at the table during the program design process and being patient during the process were key steps to eventually using these funds to double the number of homes we could sell last year.

Unlike other comparable nonprofit housing and community development networks, however, Habitat doesn't appear to be beholden to government funding. A third or more of the respondents said that their affiliates do not use government funds, finding the strictures surrounding the uses of funds to be too constraining and inflexible. Even those that tap into federal programs expressed some dismay with the process, particularly the chaos that enveloped some of the new stimulus programs:

[The] rules changed in the middle of the game—that was very frustrating! The amount of documentation for some funds is tremendous, confusing, and time-consuming. We have one person in our office who has become the local "expert" and is



constantly checking with others to make sure we are interpreting information appropriately. This requires staffing that could be effectively used elsewhere, and there are some funds we do not pursue because they are just too time-consuming and the return is too small.

The Habitat model's high performance is based in large part on the fact that all of its affiliates, while sharing a basic, core model, do not have to march in lockstep to the tune dictated by national (or international) Habitat leaders. Rather, the affiliates assess the opportunities and make decisions about what works in their contexts, and so some can and do spurn opportunities for government subsidy. One affiliate director expressed the challenge in bold terms: "I steadfastly disagree that we 'have no choice but to make [government programs] work.' We do have choices, and one of those could be to not accept government funding. The increasing requirements are oppressive and at times impossible. It has become a return on investment exercise—are the requirements worth the money?"

For others, such as an affiliate director who uses HOME Investment Partnership Program funds for property acquisition, demolition, down payment assistance, and closing costs, the calculus is straightforward: "Quite simply, they have the funds, they make the rules, I give them what they want/need as far as paperwork to make the program work for all parties." Another affiliate director suggested that Habitat's added value is part of the government program calculus: "We'll use anything that is put in front of us, that is the simple truth. But we'll do it faster, better, and cheaper than any and all other programs because of the great leveraging ability we have to utilize volunteers and other funds."

## Moving Forward

Clearly, Habitat is a much more dynamic network than the rather simplistic image its very valuable brand today conveys. As a result of its now decades of experience building owner-occupied housing for people with little other than their own sweat as a potential home down payment, Habitat confronts a situation where it is one of the few housing and community development networks with a reach into thousands of low-income urban and rural neighborhoods across the nation, and, as a result, is being turned to for much more than small, volunteer-led projects. In order to move forward, Habitat may have to resolve the challenge of whether it wants to mobilize the entire network toward larger-scale initiatives or fundamentally maintain its diverse current structure of varying kinds of local affordable housing efforts. Moreover, it has to address whether it wants to be viewed as, fundamentally, a producer of affordable housing, or think of itself and become perceived as having a broader, cumulative impact in fighting family poverty.

Habitat's own promotional materials, as one executive director said, portray Habitat as "more construction-centric and less family-centric than I'd prefer." And according to another affiliate executive director, "In many communities we are seen as a small player in the affordable housing world, and that it takes significant dollars per family served. The foundations who see Habitat as a movement that engages large numbers of people in addressing poverty housing are more willing to fund our work than those who simply see us as an affordable housing provider." A third executive director noted, "We have not successfully converted our image from something that helps

individuals versus affecting system change. When we get to the latter, it's easier to attract funding."

To attract funding, organizations and networks have to evolve, adapt, and innovate, but does the language of social entrepreneurialism and social innovation accurately fit and describe the evolution of Habitat for Humanity? With a huge number of diverse affiliates, the issue may be a matter of understanding and living the social entrepreneurialism of a high-functioning nonprofit rather than cloaking the operation with new buzzwords that mean little to Habitat executive directors.

As a Habitat executive director from New Zealand, who may have been less than excited with what he called the social enterprise "catchwords floating around at present," suggested, "Habitat needs to search for additional ways of delivering its mission objectives with focus on these new ways of being financially sustainable—even better, profitable." As he put it, "I don't personally believe our affiliate region would associate very well with this verbiage as a 'marketing tool.' We are a Christian ministry, and our region is strongly supportive of that paradigm. At the same time, I believe that we as affiliates should constantly be pursuing an innovative and entrepreneurial approach to our ministry. We cannot allow the grass to grow too long under our feet. We have to be reinventing ourselves and keeping a fresh face on our work so that our community stays connected to what we are doing."

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