

# *Harmony*<sup>TM</sup>

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Book Review  
*High Performance Nonprofit Organizations:  
Managing Upstream for Greater Impact*

by

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## Book Review

### ***High Performance Nonprofit Organizations: Managing Upstream for Greater Impact***

Now I understand why most managers I know long ago stopped reading this self-professed “let me tell you how to run your business right” kind of stuff. Maybe I’m getting old (I am) or just plain impatient (I am), but another preachy book advising how to more effectively manage my business—from ivy-towered academics seemingly without a whole lot of “in the trenches” experience—is just about the last thing I need. Or so I thought when on my stoop arrived *High Performance Nonprofit Organizations: Managing Upstream for Greater Impact* by the Harvard-heeled team of Christine W. Letts, William P. Ryan and Allen Grossman.

And, truth be told, I wasn’t all wrong. This book, in classic textbook style, is pretty dry. Tom Peters (*In Search of Excellence*) or Jim Collins (*Built to Last*) these authors are not. The book, however, is about important, nitty-gritty stuff. No earth-shattering revelations here. But, as we all know well, the devil is in the details. It is the consistent execution of sound business practices that separates the great from the good. This might as well be the book’s mantra. Consideration about innovation, vision, and creativity—where quantum value is really added—is pretty much absent.

If you can stand the medicine, this book will make you ponder. The authors’ simple premise—that further investment in organizational capacities will yield greater organizational results—merits consideration in this time of heightened “bottom line accountability.” While this may seem obvious, the hard reality is that most nonprofit organizations (which are constantly operating on the margin) typically do not have the human or financial capital to invest in achieving such results. With pressures to keep administrative costs at a minimum (in order to maximize the allocation to programs), finding money to support these activities can prove elusive. Letts, Ryan, and Grossman hope that that will change.

The authors say that the book “grows out of an inquiry into the prospects for expanding successful programs so they can create large-scale social impact.” They aspire to “shift the focus from expanding effective programs to building effective organizations that can sustain and improve those programs.” The

missing ingredient is organizational capacity. They posit that “programs need solid organizations behind them—organizations focused on fulfilling a mission in a changing environment.” (Bet that’s news to you!)

The book is organized in three parts. Part one provides an in-depth exploration of the relationship of organizational performance to organizational capacity. Part two consists of an examination of four organizational processes that nonprofit organizations can use to improve their performance:

- ◆ Quality processes: to continually review the quality of services and to generate improvements that will benefit clients.
- ◆ Product development: to maximize the chances for creating effective program ideas by tapping the talents of employees throughout the organization, supporting the passion and creativity of staff, and studying the needs of clients intensively.
- ◆ Benchmarking: to identify and implement the best practices that respond to an organization’s particular learning and improvement needs.
- ◆ Human resources management: to attract, motivate, and develop employees to advance the organization’s goals and mission.

Part three explores how nonprofit stakeholders other than managers—boards, national service organizations, and funders—can lead the way in creating support for developing organizational performance.

Real-life examples and mini-case studies, from both the nonprofit and for-profit sectors, are paired throughout the book. The idea is to demonstrate that effective business practices can be applied in both environments; that effective business practices really are sector neutral (tell that to a board member next time she or he admonishes you to “run your nonprofit like a business”).

The authors point to Ted Turner’s \$1 billion gift to the United Nations as an example of the reluctance of funders to invest in building organizational capacity. Apparently, Mr. Turner stipulated that none of the funds were to be used to support overhead. (Can you imagine Mr. Turner applying the same principles to his own organization?)

The chapter on “Strategic Human Resource Development” corresponds well with what has appeared in earlier issues of *Harmony* (as well as the work of Christine Letts’s associate, J. Richard Hackman, at Harvard)<sup>1</sup> about employee job satisfaction. It is useful to consider that “good salaries may be important in recruiting, and important in helping to prevent *dissatisfaction*, but are of little use in motivating employees and supporting performance. . . . Achieving results is what motivates people.” Low wages for nonprofit employees are an all too common condition. We need board members, and the public at large, to recognize nonprofit employees (such as musicians) as committed professionals, not as volunteers with stipends.

About boards, the authors believe that “to succeed in building organizational capacity, as a resource for the social missions they believe in, boards need to build a culture that values organizational performance.” Boards can do that by looking beyond financial goals and considering other dimensions of performance, such as quality, innovation, and staff performance.

The authors’ comparison of for-profit venture funding and nonprofit foundation funding models is interesting. They say that “the day-to-day grant-making practices of many foundations actually undermine the ability of nonprofits to develop the capacity for sustained high performance.” Grants are given primarily to develop and test new ideas. Few “aim to invest in the broader capacities organizations need to sustain and improve the delivery of effective programs.” The good news is that some foundations have begun to reexamine this program-centered approach. The Andrew W. Mellon Foundation’s new orchestra initiative exemplifies a substantial and impressive commitment in the “building organizational capacity” direction.

In a nutshell, “managing upstream” means attempting to build effective organizations in an unsupportive environment. To succeed, nonprofits need to experiment with new organizational processes that could produce better results, and then assess what type of support is needed to advance their work. With an approach that links organizational performance and results, nonprofits can start pressing their case with funders. They need to “tell the world what it takes to build and sustain a strong organization.”

There you have it. For seasoned and capable managers this book is a good refresher (with some interesting twists and thought-provoking ideas) on how to run a business effectively. For novices, in the orchestra field and otherwise, it can serve as an instructive primer on what it takes to run a topflight organization. For board members and other volunteers, the material may prove enlightening.

### **High Performance Nonprofit Organizations: Managing Upstream for Greater Impact**

Christine W. Letts, William P. Ryan, and Allen S. Grossman

John Wiley & Sons, 1999.

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### **Notes**

<sup>1</sup> See *Harmony* Number 2, April 1996, “An Interview with Harvard’s J. Richard Hackman.”