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Case Study

Hungry Heart Association

A maverick reorganization by an American Heart Association affiliate paves the way for fundraising success

By Kristina Ho Vannoni

Stanford Social Innovation Review
Spring 2004

STANFORD
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HUNGRY HEART association

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How can a nonprofit reorganize to alleviate overwork and raise more money?

What are the strategic keys to a successful nonprofit reorganization?

When should – and when shouldn't – a nonprofit reorganize so that employees become more specialized?

How do such organizational changes impact the volunteers that a nonprofit relies on?

Roman Bowser, CEO of the American Heart Association's Western States Affiliate, cringes at labels like "maverick" and "visionary." But for better or worse, he'll just have to get used to them. Since 1986, when he took charge of the California Affiliate – which later became the Western States Affiliate, the largest of the American Heart Association's 12 regions – Bowser's leadership has earned him a reputation for cutting edge ideas and practices.

In the spring of 1996, for instance, to the surprise and even consternation of his relatively noncombative American Heart Association (AHA) peers, Bowser teamed up with the foundation arm of Americans for Nonsmokers' Rights, an anti-tobacco lobbying group, to go after then California Gov. Pete Wilson. The organizations ran a hard-hitting advertising campaign castigating Wilson for misappropriating revenue from a 25-cent-a-pack cigarette tax, which had been earmarked for anti-smoking programs. The ad campaign worked: Later that year, the California Legislature and the governor allocated the appropriate level of revenues to anti-tobacco education and increased funds for anti-smoking research.

Since then, Bowser has used aggressive advocacy and sophisticated public relations to ensure that elected officials carry out the anti-tobacco demands of voters and the courts – tactics that the AHA-at-large had been slow to adopt. "Roman Bowser is very supportive of publicly taking on decision makers who are not doing the right thing – even if [a confrontational approach] goes against conventional thought," said Kirk Kleinschmidt, vice president of advocacy for the Western States Affiliate.

Going against convention has become a trademark for Bowser. Around the time he was taking on Gov. Wilson, Bowser also conceived and launched an unprecedented reorganization of the Western States Affiliate, involving employees in 24 field offices across three states. His overarching goal was to increase fundraising for cardiovascular research – largely by recasting the organization along the lines of a for-profit sales force. He envisioned fundraising events sold like "products," donors as "customers," and employees

by KRISTINA HO VANNONI

ILLUSTRATION BY DAVID MUIR/MASTERFILE

forming "sales teams."

Over the next seven years, the affiliate's fundraising totals more than doubled – from $7.4 million in 1997 to $16.9 million in 2003 (chart, p. 64). A detailed examination of the affiliate's experience yields lessons for other nonprofits struggling to increase fundraising totals while aligning organizational design with strategic objectives and mission.[1]

American Heart Walkers in Saratoga, Calif., last fall. By reorganizing operations according to fundraiser, the Western States Affiliate ensured it had "experts" running each event.

PHOTOGRAPH BY AMY DARNALL / AMERICAN HEART ASSOCIATION

Eight Decades of Evolution

The mission of the AHA is to reduce disability and death from heart disease and stroke, leading causes of death in the United States. Founded by six cardiologists in 1924 as a research organization, it greatly expanded in 1948 when it brought in nonmedical volunteers with skills in fundraising, communications, business management, and community organizing. Since then, the AHA has funded $1.9 billion in research while maintaining an ongoing public education program on the symptoms and risk factors for heart disease and stroke and the benefits of diet and exercise.[2] In 2001, according to the AHA, more than 22.5 million volunteers and donors supported the organization, helping it to raise more than $470 million in revenue.

> "We had pretty anemic revenue growth – about 3 percent a year – yet the majority of our staff felt they were overworked."

Among its recent scientific achievements: Researchers supported by AHA funds have developed a blood test that detects mild heart attacks and have linked a gene to the risk of heart failure. Among its educational mainstays: AHA provided the first CPR guidelines in 1966 and has refined and revised them every six years since then, training millions of volunteers and creating a national network for basic life-support emergencies.

Over the past 50 years, the AHA has changed from a confederation of loosely affiliated county-based chapters to one incorporated organization, headquartered in Dallas. In the beginning, each local chapter was organized as an independent nonprofit, headed by an executive director and assisted by professional staff. In 1988, more than 100 local chapters merged into 51 regional "affiliates" – a number that has since been consolidated to 12.[3] The national center's key functions included setting recommendations for cardiovascular disease and stroke prevention; advocating for the reduction of cardiovascular diseases and stroke nationally; allocating funds for research; and providing technical, managerial, and fundraising training support to local affiliates. Though the affiliates have given up their independent incorporated status, affiliate leaders like Bowser still have decision-making authority.

Bowser joined the AHA in 1975 after receiving his bachelor of arts in economics from the University of Texas at Austin. Starting as a regional director for the Texas Affiliate, he quickly advanced, becoming deputy executive vice president in 1982, and CEO of the California Affiliate four years later. In the 1990s, the affiliate expanded, becoming the Western States Affiliate – serving 35 million people in California, Nevada, and Utah.

'Anemic Revenue Growth'

By the late 1990s, Bowser felt that his staff wasn't fulfilling its potential to combat disease, and in 1997 he sought an organizational solution. "We had pretty anemic revenue growth – about 3 percent a year – yet the majority of our staff felt they were overworked."

The reason, said Bowser, is that the staff was spread too thin, geographically and functionally. In each of the 24 field offices of the affiliate, an executive director supervised division directors, who were responsible for fundraising as well as educational programs and community events, such as free blood pressure screenings. Because the division directors were focused on geographical territories, the fundraisers were tailored to the local communities. One former division director said she was constantly shifting between fundraisers as disparate as a golf tournament at a posh country club and a basketball tournament at a college gym in a low-income neighborhood. The need to organize educational and community programs only added to her whiplash. In upscale areas, she would plan seminars in corporations and local hospitals, which meant forming relationships with corporate leaders and hospital administrators; in poorer areas, outreach efforts were centered in local churches, requiring relationships with the community's religious and grassroots leaders.

In Bowser's reorganization plan, most executive and division directors would be defined by one specific fundraising activity that they would coordinate in cities and towns throughout a broader territory of the affiliate, rather than by several activities within a more limited geographic area. Yet he had no precedents to draw from. He knew of no other nonprofit that had accomplished what he had in mind. Bowser, an avid reader of books on management, was influenced by the ideas of marketing expert Al Ries, whose 1997 book "Focus: The Future of Your Company Depends on It," attributes corporate excellence to concentration on a core product or service. Drawing from Ries, Bowser felt that most of the Western States Affiliate staff should focus on fundraising, with a handful of employees concentrating on educational and community programs.

The reorganization plan had two main features, the first being a switch from geographic to functional alignment (chart, p. 63). Under the old model, the affiliate was divided into three broad geographic regions: Northern California plus Utah; Central California plus Nevada; and Southern California. Each region was headed by a regional vice president who oversaw seven or eight

The American Heart Association at a Glance

FOUNDED: 1924

MISSION: To reduce disability and death from cardiovascular diseases and stroke.

NEAR-TERM STRATEGIC GOAL: To reduce coronary heart disease, stroke, and risk by 25 percent by 2010.

DEFINING THE NEED: Cardiovascular disease – heart disease, stroke, congestive heart failure, high blood pressure, congenital defects, and hardening of the arteries – is America's number one killer, claiming 936,000 lives a year and accounting for 39 percent of all deaths.

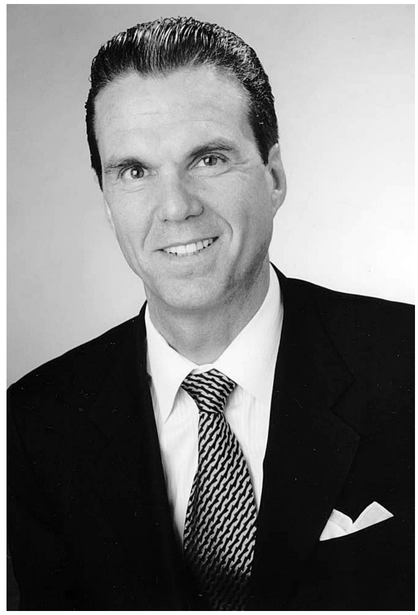
MEETING THE NEED: Last year alone, the American Heart Association (AHA) spent $407 million on research support, professional and public education, and community service programs.

RANKING: In 2003, AHA finished 16th in the *Chronicle of Philanthropy* ranking.

SIGNATURE FUNDRAISER: American Heart Walk. This year, an estimated 750,000 walkers will participate in 600 events nationwide. Reebok, Subway, and NutriSoy sponsor the event.

MAJOR EDUCATIONAL INITIATIVES: Search Your Heart, a program conducted through 7,000 participating faith-based institutions across the United States to provide African Americans and Hispanics with health screenings, referrals, and workshops on nutrition, exercise, and stress reduction. The Go Red for Women campaign offers computer-based materials to educate women about heart disease and publicizes the AHA's free Simple Solutions and Choose to Move programs that offer heart-healthy tips on exercise, nutrition, stress-reduction, and self-esteem.

ADVOCACY MILESTONES: AHA leadership was instrumental in enacting the ban on smoking on airplanes (1988); the Nutrition Labeling Act (1990); FDA jurisdiction over advertising, manufacture, and promotion of tobacco products (1996); the Physical Education Progress Act (2001) that led to the allocation of $60 million for school districts to upgrade physical education; and the Community AED Act (2002) to authorize funds for communities to purchase and place automated external defibrillators in public places.



Bowser spent three years taking corrective action after the reorganization, eliminating fundraising competition between directors and assuaging corporations.

PHOTOGRAPH COURTESY OF AMERICAN HEART ASSOCIATION

field offices and reported to Bowser. Under the new plan, the affiliate was reorganized by functional categories, with each category corresponding to a major AHA fundraiser: the American Heart Walk, a corporate-sponsored, noncompetitive walk in which participants raise money for the AHA by soliciting pledges; Youth Market, two school-based events in which children secure donations for participating in jump rope and basketball; Social Events, primarily big-ticket galas, golf tournaments, and society luncheons; and Major Gifts, the cultivation of substantial gift donors. Each of the three regional vice presidents, plus one new executive selected by Bowser, were redubbed "senior vice presidents" and put in charge of one event apiece, reporting to Bowser.

The field office employees, meanwhile, also became specialists: Executive directors and most of the division directors were redeployed as professional fundraisers, responsible for one of the four major events throughout a specific territory. For example, before the reorganization, the executive director of the San Diego field office managed five division directors who coordinated various events in and around San Diego. In the new organization, the San Diego director was assigned to Major Gifts, while two division directors took charge of the Youth Market, two became Social Market directors and one became the American Heart Walk director.

The same pattern was repeated in all of the 24 field offices: Executive and division directors were reassigned to one of the four fundraising areas, effectively eliminating geographic separation, and creating "experts" throughout the affiliate in each of the four major fundraising categories. Under the new plan, all of the directors reported to the senior vice president that oversaw their particular event.

Bowser felt that most of the staff should focus on fundraising, with a handful of employees concentrating on educational and community programs.

Previously, executive directors had been evaluated on the amount of money raised by their office and the number and quality of the office's educational and community programs. Division directors had been evaluated on multiple measures, such as volunteer management, educational program quality, and fundraising. But now, all are evaluated mainly on their ability to meet a fundraising goal.

To keep educational and community programs alive, several division directors became "program specialists," responsible for running outreach events – primarily health and education programs aimed at Latino, African American, and Asian groups, and advocacy-related events.

The new emphasis on fundraising by the majority of field staff caused some employees to believe that community involvement was a low priority. "I think that the AHA has been kind of schizophrenic in the past about whether it's a fundraising organization or not," said one senior executive. "I think this was kind of a break to say, 'We are primarily a fundraising organization.'"

Bowser disagrees. "In reality, most division directors were not conducting outreach programs. They were doing almost all fundraising. So instead of giving lip service to educational and community events, I focused the division directors on fundraising and created specialists to conduct programs."

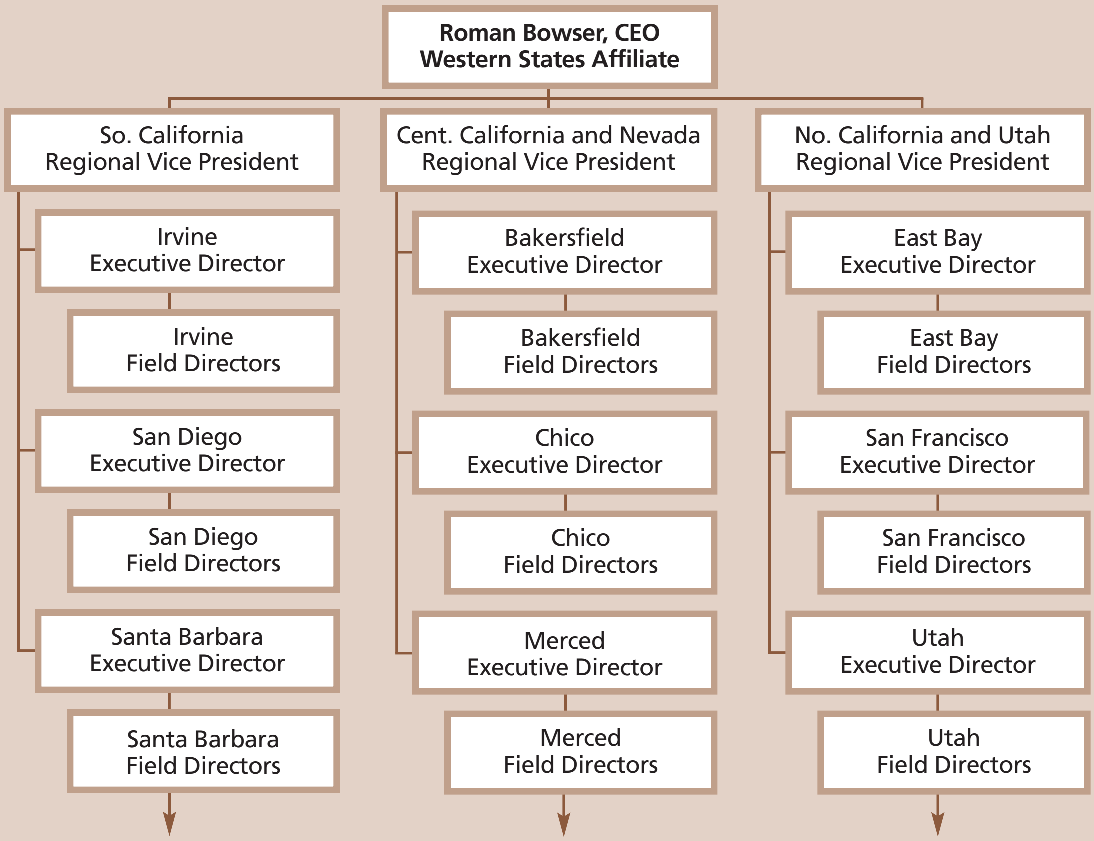
More Money, More Competition

From 1997 (the year before the new organizational structure was fully in place) to 2003 (the latest year for which figures are available), the amount raised by key fundraising events more than doubled, from $7.4 million to $16.9 million.

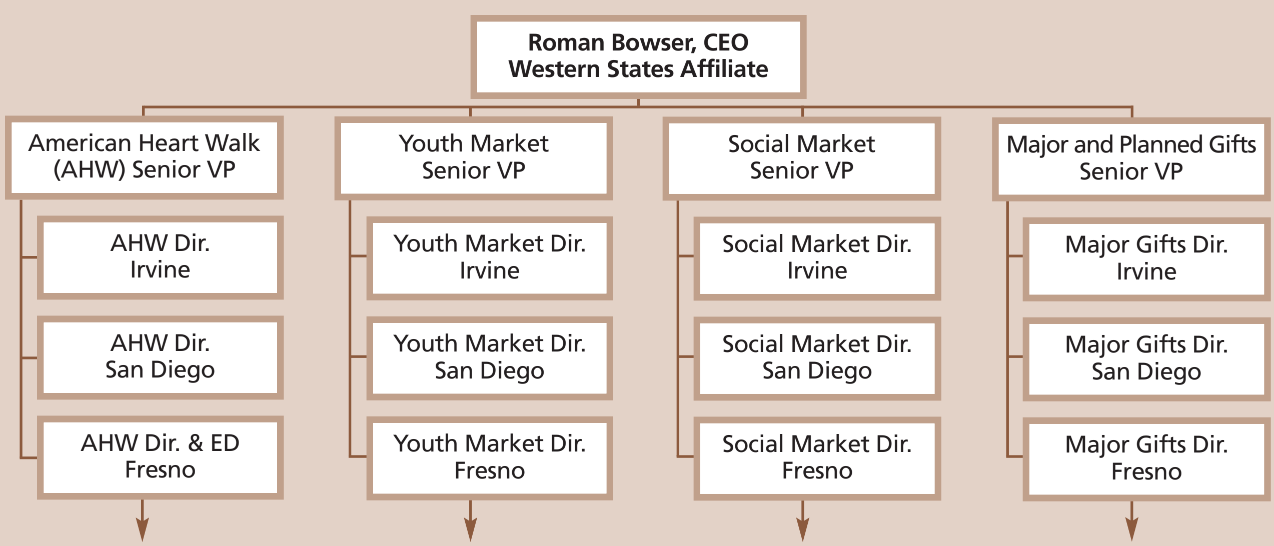
Bowser attributes some of the increase to his reorganization, and many in the organization agree. Said one division director who became an American Heart Walk director: "Instead of trying to juggle several different fundraisers at a time, I could now do one event on a year-round basis. It was a relief to feel I was doing a good job on one event, instead of a mediocre job on several."

But the first four years of increasing revenues also coincided with an economic boom, making it difficult to judge

Before Reorganization



After Reorganization



Prior to the reorganization, the Western States Affiliate was organized geographically, by region and city. Bowser reorganized the affiliate functionally, by specific fundraisers. This chart does not represent all affiliate offices.

with certainty just how much of the increase was due to organizational changes and how much was a function of the strong economy.

And there were severe internal complications. Tension set in immediately among the four people in the newly created position of senior vice president, as two of them vied to take charge of the same event – the American Heart Walk. When Bowser chose one over the other, the resulting resentment made collaboration difficult. One senior vice president attributed the discord to the stress of managing an organization-wide change while at the same time jockeying for one's own position. "Instead of coming together and saying, 'How can we make this work,' we were competing for Roman's approval," the executive said. "We didn't focus on how to solve problems."

Senior vice presidents also found it difficult to manage such a large number of direct reports, especially remotely. Compared to the original reporting system, in which one executive director managed four or five division directors, senior vice presidents managed an average of 25 specialists. The bulk of the senior vice president's time was spent on travel, conducting quarterly performance reviews, organizing training meetings for staff members, and attending senior management team meetings with Bowser. This left very little time to provide support for field staff on an individual basis. As one senior vice president explained, "It was frustrating to me because instead of managing people, I was managing a process."

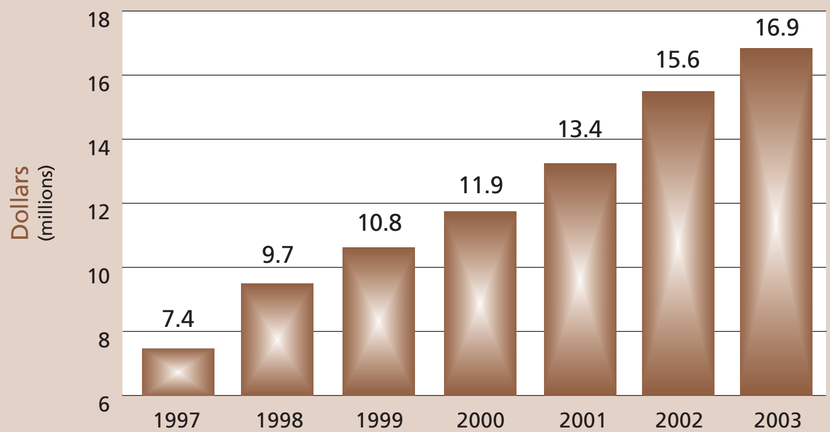
The difficulties with the senior vice presidents paled in comparison to the disruption at the executive director level. Before the reorganization, each of the 24 executive directors had been in charge of a field office, with the power and responsibility to hire, fire, and supervise their staff of division directors. Under the reorganization, they were assigned a specific fundraising task, although they often had no training or experience in fundraising. At the same time, they were relieved of their key management powers, since the division directors now reported to the senior vice presidents. And yet, they were still expected to oversee the day-to-day operations in their offices as "dotted line supervisors."

"There were times it was ridiculous," said one executive director. "I could have someone in my office who was a complete nightmare to work with, but she raised the money. So even though the senior vice president knew of the problem, she didn't have to deal with it. I did."

Before the reorganization, the role of executive director had always been a key position with little turnover. By 2000, three years into the reorganization, all but three of the 24 executive directors had quit.

Bowser believes that overall, though, the widespread departures "stack up as a positive." In the old model, he explained, executive directors were managers with no responsibility for generating revenue. "In the new model," he

Fundraising Growth: Post-Reorganization



These figures include monies raised by the Western States Affiliate American Heart Walk, Gala, Jump Rope for Heart, Hoops for Heart, and other special events. The reorganization was completed by the end of 1997.

"Instead of trying to juggle several different fundraisers at a time, I could now do one event on a year-round basis. I was doing a good job on one event, instead of a mediocre job on several."

said, "there is no place to hide. Executive directors became specialists who had to generate revenue. People who didn't want to hustle hated it and left."

The division directors also had their share of problems. Many of them were dissatisfied with the idea of focusing on fundraising to the exclusion of educational programs. "It was nice to have only one fundraising event to work on, but on the other hand, I was no longer able to create programs that addressed the specific needs of a community," said one division director who quit about a year after the reorganization. "I joined the American Heart Association to make a difference, yet I felt I lost touch with the people I should have been serving."

Even more alarming, though perhaps foreseeable, competition among the executive directors and division directors turned counterproductive. Under the old structure, one division director coordinated all of the activities with corporate sponsors in a geographic territory. Under the new structure, the executive director and division directors all contacted the same corporations, but were each "selling" a different fundraising event. As a result, they competed with each other for the same corporate sponsors. Said one executive director: "If you're an American Heart Walk director and you're presenting a menu of options to a potential sponsor, you want the money to go to your event. Even if the sponsor expresses interest in educating children about heart disease, which would be a perfect fit for our Youth Market program, I guarantee you that you will find a way to include youth education in the American Heart Walk, just to get the money."

Sponsors were frustrated too. "If you're a company trying to have multiple facets of a relationship [with the AHA]," one corporate manager recalled, "it was impossible."

Easing Tensions

Bowser spent three years following the reorganization taking corrective action. To ease the stress on the four senior vice presidents, he hired vice presidents to assist them. This freed up their time, allowing them to focus on the problems emanating from the organization's lower levels. As they became more assured in their own positions, tensions eased.

To mitigate the ire of corporate sponsors who have to deal with rival AHA fundraisers, meanwhile, Bowser has appointed division directors to serve as "account managers" for the top corporate sponsors. The account managers coordinate all of a corporation's AHA activities, so that corporate managers don't have to work with a different division director for each event.

> **"In the new model, there is no place to hide. Executive directors became specialists who had to generate revenue. People who didn't want to hustle hated it and left."**

As his executive directors headed for the exits, meanwhile, Bowser methodically replaced them with executives experienced in both management and fundraising. In 1998, he restored a significant measure of power and prestige to the position by promoting the executive directors of the affiliate's six largest metropolitan areas to his management team, which reported directly to him.

In 1999, he changed the reporting lines in the new organization so that division directors reported to the executive director in their office, in addition to a senior vice president. The adjustment was crucial, said Bowser, because unless the executive directors are responsible for the division directors working in their offices, they are likely to compete with them for potential donors – to maximize their own fundraising. Under the new structure, executive directors were more likely to help division directors meet fundraising goals by assisting them in planning presentations and recruiting corporate sponsors. The new reporting lines also acknowledged that the executive directors had a supervisory role.

Spotlight on Volunteers

Largely absent from Bowser's plan were contingencies for dealing with the reorganization's impact on AHA volunteers. The AHA calls itself a "national voluntary health agency," and executives, managers, and staff often refer to volunteers as the "lifeblood of the organization." It's not unusual for a division director to rely on dozens of volunteers to coordinate a single fundraising event, and 50 or so to work the day of an event – handling logistics, taking tickets, hanging coats, etc. Similarly, for educational events, such as the Search Your Heart program, the AHA needs a volunteer cadre of doctors, nurses, nutritionists, and other healthcare professionals to share their expertise, as well as volunteer community organizers to turn out an audience.

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In the reorganization, Bowser consolidated the local volunteer boards, and linked them to the high-profile fundraising events that were the affiliate's new centerpiece. His aim was to bolster the prestige of board membership. Some volunteers, however, were downsized out of their positions. "They were upset for the same reason that some employees were upset," Bowser said. "The spotlight was on them. We were looking for results. You couldn't just show up and have good attendance."

Volunteers also expressed dismay over the replacement of "their" division directors with program specialists who often had no connection to local volunteers or the community. Many volunteers expressed skepticism that an "outsider" would be capable of meeting the needs of their community. A San Francisco volunteer said that she found the reorganization "dissatisfying" because social ties were broken. "Part of the strength of this organization needs to be close personal relationships, that people worked hard together," she said. "That has gone by the wayside."

Bowser opted to focus on funneling money into medical research, which left some community volunteers unhappy.

The reorganization's emphasis on fundraising was also a sore point to some volunteers because the money they were raising was generally funneled to medical research, not community outreach programs. Some volunteers concluded that research was a "black hole." Said one longtime volunteer: "If the American Heart Association's goal is to fundraise for research, they're doing a superb job. If the goal is education and programs for all of our citizens, they're doing a less than superb job."

Bowser said he anticipated a loss of volunteers after the reorganization, but he doesn't view a reduction as a diminution of the volunteers' role. Rather, he believed that the post-reorganization volunteers would be more effective because, like the AHA staff, they would be more focused on specific tasks.

Lessons Learned

Even despite all of the complications, the other AHA affiliates were impressed with the changes: All of them have adopted Bowser's organizational changes in varying degrees, with the aim of maximizing fundraising through functional alignment.

What are the takeaways from the Western States Affiliate's experience?

First, organizational solutions can help alleviate overwork, and increase fundraising efficiency. When Bowser reorganized the affiliate, he understood that the old way of doing things had forced his employees to multitask in a way that was unsustainable. By rebuilding the affiliate as a fundraising machine, directors were able to focus exclusively on bringing money into the organization.

What are the strategic keys to a successful nonprofit reorganization?

In the long run, a reorganization must be evaluated not primarily on how well it is executed, but on how well it advances the nonprofit's mission. In Bowser's case, the structural changes were designed to increase fundraising, not for its own sake, but to support the overall mission of funding medical research. Bowser could have emphasized public education to change the behaviors of people at risk of contracting heart disease. Or he could have chosen heart health advocacy, by stepping up challenges to Big Tobacco. But since resources are limited, he focused on one priority – deploying most of his staff as fundraisers while assigning educational and community programs to a few specialists. This turned out to be a key to his success. Nonprofit leaders with similar restructuring plans need to be willing to jettison or downplay most areas while excelling in one.

When should – and when shouldn't – a nonprofit reorganize so that employees become more specialized?

If the goal of a nonprofit is to maximize fundraising, a lesson of the Western States Affiliate reorganization is that one way to do so is to free managers and workers from competing duties, and have them focus exclusively on raising money. In fact, Bowser believes that as competition for funds increases, functional specialization will become critical. "At first, the reorganization seemed like a radical departure," he said, "but now it seems evolutionary in that organizations that don't functionally align probably won't survive."

Another advantage: The reorganization created the opportunity for spe-

> "At first, the reorganization seemed like a radical departure. But now it seems evolutionary in that organizations that don't functionally align probably won't survive."

cialized learning. Under the old system, field office staff meetings routinely covered topics as varied as fundraising, managing volunteers, and medical breakthroughs. After the reorganization, staffers who worked on the same events met frequently to share particular problems, solutions, and ideas, and thereby developed expertise. For instance, the American Heart Walk directors discussed ways to better recruit corporate sponsors while the Social Events directors talked about how to solicit items for big-ticket auctions.

When experts communicate, "best practices" become common knowledge, part of the organizational fabric. This, in turn, serves as a foundation for economies of scale. In the Western States Affiliate today, for example, a model can be developed for an event (such as the American Heart Walk) that's usable across the entire affiliate.

Specialization has a downside, however. An organization that benefits from specialized learning, refinement of best practices, and economies of scale loses the ability to adapt or customize locally. This might have been more relevant had Bowser chosen to focus on improving community education rather than fundraising. In that case, local adaptability would have been more important than specialized knowledge, because at the local level, personal relationships are important for getting things done.

How do such organizational changes impact the volunteers that nonprofits rely on?

Bowser expects that as his employees become more focused, the volunteers will as well. Under the old system, volunteers seemed equally motivated by the social ties they formed through the AHA as by the work they did. Long-time, year-round volunteers were the norm; like division directors under the old organization, volunteers were also "Jacks of all trades," working on various programs as needed.

The volunteer best suited to the new organization, however, is someone who enjoys the power and prestige connected with spearheading high-profile events. Bowser expects more volunteers to offer their time for specific projects versus open-ended service, and to share a desire for bottom line results as well as social bonds.

After an initial reduction, the number of volunteers at the affiliate has actually increased. But in the long run, disruptions to the volunteer base may prove to be the riskiest aspect of Bowser's reorganization. Will there continue to be enough of the new breed of volunteer to support the efforts of the reorganized affiliate? If the relationships between volunteers and staff are not based primarily on local community bonds, how will a community's perception of the AHA change?

One former executive director said that the changes, while upsetting to some volunteers, aren't likely to be noticed by the "man on the street." Others are more cautionary: "You can have an absolutely wonderful staff person," said one senior vice president, "but if he or she doesn't have wonderful volunteers, then this thing does not fall into place." □

This article was derived from a teaching case used in a Stanford Graduate School of Business course on organizational design taught by Glenn R. Carroll. Carroll, who supervised this case study, is the Laurence W. Lane Professor of Organizational Behavior and Change at the Stanford Graduate School of Business, and, by courtesy, professor of sociology at Stanford. His most recent book is "The Demography of Corporations and Industries," co-authored with Michael T. Hannan (Princeton University Press, 1999).

1 This case study is based on interviews with Roman Bowser and nine other AHA sources, including current and former executives, staff members, and volunteers. (Most sources requested anonymity, and are identified by title only.) The author also examined financial statements, organizational tables, and human resources hiring specifications before and after the reorganization.
2 Yaqub, R. "A Gift for Giving," *Worth* (December 2001).
3 In addition to Western States, they are: Florida / Puerto Rico, Greater Midwest, Heartland, Heritage, Mid-Atlantic, Northeast, Ohio Valley, Pacific Mountain, Pennsylvania / Delaware, Southeast, and Texas.

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