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First Person

Your Nonprofit Construction Manager

By Elisabeth D. Babcock

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Stanford Social Innovation Review
518 Memorial Way, Stanford, CA 94305-5015
Ph: 650-725-5399. Fax: 650-723-0516
Email: info@ssireview.com, www.ssireview.com

Your Nonprofit Construction Manager

Complex solutions need dedicated project managers, as well as the funds to pay them **BY ELISABETH D. BABCOCK**

IMAGINE THIS SCENARIO: A bank wants to build a new flagship headquarters, but the bank's leaders want to keep costs to a minimum, and so they decide to take a new approach to the project. Instead of hiring a construction manager, they compose an advertisement that says, "Wanted: Bank headquarters. Fifty stories tall. Must feature innovative architecture." They then send the ad to all the specialty contractors—electricians, architects, plumbers, etc.—they need to build the skyscraper.

After hiring the lowest bidders in each of these fields, the bankers tell them: "Okay, talk among yourselves to get the job done on time, at the lowest cost, with the highest quality. Please. Thank you."

Unimaginable? Of course. The for-profit world has long understood that complex tasks require high-quality project management. Project management is its own area of expertise, with industry-specific professional training, organizations, journals, and tools. Companies would never attempt a project that requires coordinating many distinct areas of professional skill without it.

And yet we do this all the time in the nonprofit world. We assume that when solving a problem requires better coordination between nonprofits, the nonprofits will spontaneously collaborate without additional expertise, staff, or funding. Yet in many cases what nonprofits need is to develop and pay for specialized coordination—that is, project management. "Talk among yourselves" is a poor solution to complex social problems such as homelessness, post-incarceration recidivism, and high school incompleteness. The sector also needs to be willing to pay for project management expertise.

EMPTY PARTNERSHIPS

In today's world of limited resources and rapidly growing demand for charitable services, both public and private funders exhort nonprofits to collaborate, without seriously considering whether such collaborations are really the best way to achieve their goals. A 2005 Urban Institute study of 1,192 foundations found that 69 percent sought to fund collaborations, and 42 percent stipulated collaboration as a requirement of funding.

Yet 72 percent of nonprofits have annual budgets of less than \$500,000 per year, and thus little or no excess administrative ca-

ELISABETH D. BABCOCK is president and CEO of the Crittenton Women's Union in Boston. She is also coauthor of "Achieving Breakthrough Performance," which appeared in the summer 2008 issue of the *Stanford Social Innovation Review*.



capacity. When faced with the "prove you are collaborating" exhortation, nonprofits typically respond by creating shallow relationships with large numbers of partners. Using the ubiquitous "letters of support" format, the partner organizations write letters promising that they will cooperate, but then often do little else to build a collaboration. Other organizations form deeper relationships, but with limited numbers of partners. The result is that few partnerships ever begin to create anything remotely resembling the intersectoral resource management necessary to solve complex social problems.

Development of the specialized project management expertise that is needed to make a dent in complex social ills requires investment. But funders are notoriously unwilling to pay for such skill development, or to continue funding it until it becomes true expertise. In declining to invest in project management, though, they're ignoring an important lesson from the for-profit world: Good project management pays for itself.

PROJECT MANAGEMENT IN ACTION

Consider, for example, the Program of All-Inclusive Care for the Elderly (PACE), a national nonprofit program whose sole purpose

is project management. Created in San Francisco in 1986, the PACE program now includes a network of 42 organizations operating in 22 states and caring for more than 16,000 elderly people.

PACE's mission is to keep extremely frail, nursing home-eligible elders living at home. PACE elders want to stay out of nursing homes, but cannot coordinate the nutrition, personal care, housing, transportation, medical, physical therapy, pharmacy, mental health, and social services that they need to reside safely at home.

That's where PACE steps in. Each PACE program receives a monthly stipend from Medicare, Medicaid, or a private payer for every elder enrolled. The stipends are less than the average cost of nursing home care (the average in 2007 was \$77,745 per person per year). In exchange for this amount, the PACE program pays for and manages all of the services that would normally be covered by Medicare or Medicaid.

To get care, a PACE elder attends an adult day health site a few days per week, where an interdisciplinary team coordinates his or her care. The typical PACE team includes a coordinator (usually a

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social worker), doctor, nurse, psychiatric nurse-practitioner, physical therapist, occupational therapist, clinical assistant, and nutritionist. Together this team manages a larger network of resources on behalf of the client, including pharmacies, medical specialists, diagnostic testing facilities, hospitals, transportation, home care, and meals contractors. The PACE team chooses these contract providers on the basis of their quality, cost, and ability to work with other specialists. It then uses outcome measures to decide which vendors to retain and which to terminate.

Notice that the PACE model uses classic project management tools, including client assessment, goal setting, risk management, contract management, outcomes measurement, and cost-benefit analysis. In contrast, independent hospitals, doctors, nutritionists, labs, and home care companies simply do not use these tools in the same way. We could never turn to these groups and say, "Organize yourselves and keep frail elders at home through improved collaboration." It's not that the individual organizations would be unwilling or unable to see the value in such collaboration. It's that such management is *not what they do*.

But PACE has demonstrated its ability to manage projects effectively. Independent evaluations show that PACE saves the federal government 40 percent in Medicare costs and state governments 10 percent or more in Medicaid costs. At the same time, PACE clients have better health, functionality, and personal satisfaction than similarly frail elders.

And although all PACE clients are eligible for institutional care, only 5 percent of them are in hospitals or nursing homes at any given time. More than twice as many PACE clients are able to die at home—often patients' preferred outcome—as the general Medicare population. Not surprisingly, in the Balanced Budget

Act of 1997, the federal government reauthorized and expanded the program.

In 1995, I cofounded a PACE program in Massachusetts called the Elder Service Plan of the North Shore (ESPNS). It began as one location serving 20 elders. Now ESPNS serves 970 elders out of six locations. And even though its typical client has 10 or more concurrent specialty services at any given time, ESPNS's 2006 operating margin was \$3,123,787, on annual revenues of \$29,349,121.

TOOLS FOR CONSTRUCTION MANAGERS

I apply the project management wisdom that I learned at ESPNS in my current role as president of the Crittenton Women's Union (CWU). Located in Boston, CWU helps women in poverty reach economic independence—a goal every bit as complex as that of PACE. At CWU, we developed a project management system we call Mobility Mentoring. Through our Mobility Mentoring policies, procedures, software, and staff, we coordinate the resources women need to get ahead, including housing, child care,

education, training, financial management, and social and behavioral health services.

One of our Mobility Mentoring tools is our Hot Jobs software. This software matches our clients with Massachusetts jobs that require less than two years' post-secondary education and pay more than

\$45,000 per year. Philanthropy paid for the initial development of this and other new tools, but public funding is increasing.

To build Mobility Mentoring, we developed new processes to assess and motivate clients, formulate goals, and evaluate outcomes. This research and development takes considerable time and effort, but we expect the investment to pay off, as it did with PACE. Already, we can measure increases in women's skills and earnings, and over time we expect to measure our impact on other client outcomes. Impact is our product, and our goal is to demonstrate that savings in government expenditures and increased earnings for poor families offset the cost of our product. Unless they are designed to do so, agencies cannot create or measure this kind of impact, no matter how long they "talk among themselves."

When I advocate for more project management organizations in the nonprofit sector, I am not minimizing the need for more partnerships between existing nonprofits, or even the need for more mergers. My own organization was born of a merger between two competing organizations—an event that both stabilized us financially and propelled us forward programmatically.

But organizational partnerships are best at remediating problems of scale or coordinating fairly straightforward programs. What funders and public policy officials need to realize is that the level of coordination necessary to achieve complex social goals in a cost-effective, high-quality way often calls for more than mere collaboration. It requires highly sophisticated expertise in the management and coordination of multiple resources and professional players. Until funders are prepared to call for and pay for such coordination, nonprofits will continue trying to solve complex social problems with inadequate tools. ■