

Staying Healthy After Expansion

Thinking of expanding? Before you do, consider this advice from an expert.

BY CHARLES P. CONROY



Growth, even in response to clear-cut service needs, is risky. It brings unpredictable new stresses. If it occurs too quickly, expansion can dilute a nonprofit's effectiveness. To assure success, the organization must have administrative supports in place before, during, and after it expands.

A DRAMATIC EXAMPLE

In 1987, the Doctor Franklin Perkins School in Lancaster, Massachusetts, could best be described as a traditional residential school for children and adults with mental retardation. The school had been operating for about 90 years. It had an educational component for children through age 22 and a residential and vocational component for adults beyond 22. It served 51 children and adults at a single site—a 120-acre campus in a town of 6,000 citizens. It had an annual operating budget of \$2.3 million, an endowment of equal size, and a staff of 140.

Today, Perkins serves 102 residents from multiple sites in two towns. It has an operating budget of nearly \$8 million, an endowment of \$5 million, and a staff of 250. Rather than serving only the developmentally disabled, Perkins has expanded its services to include emotionally disturbed, psychiatrically impaired, and sexually and physically abused children.

Although still called "Perkins School," it might be more aptly described as a residential treatment center. In the last 10 years, Perkins has developed a community-based residence, a senior citizens' home on campus, a community-based vocational center, a short-term psychiatric hospital program, a day program for Alzheimer patients, and an off-campus educational center for older students. It has also constructed a 12-bed residence for young children and a swimming pool, used for both therapy and instruction.

The growth has been swift, dramatic, and comprehensive. It has affected every part of the organization. A look at how Perkins has managed this expansion may prove helpful to organizations experiencing similar growth spurts.

SEVEN KEY SUPPORT SYSTEMS

While it's hard to argue against growth that is planned, systematic, and responsive to community needs, an organization that

expands too quickly can run into grave problems. Here are seven “support systems” which must be in place during a period of expansion:

1. Finances

Before considering expansion, look first at your organization’s current and predicted fiscal situation. Analyze the following:

- assets and debt
- recent cash flow experience
- existence of a credit line
- results of the last two or three years of operation.

If you find “red flags” in any of these areas, you should rethink your decision to expand. It may be difficult to disappoint people excited about adding a new program or facility, but it is a mistake to ignore a negative financial diagnosis.

For many nonprofits, fees and grants simply do not support operations. Expanding services without a financial “cushion” to fall back on can have tragic results.

If you’re considering a new building, be sure to calculate what its operating costs will be. Heat, light, and phones are only part of these costs. Don’t forget *personnel*, which for most nonprofits is the real “high ticket” item.

Case in Point: Today, 10 years after building its new pool, Perkins has spent more to operate than to construct it! If Perkins hadn’t planned for these operating costs, the organization would have been in trouble.

2. Fundraising

Fund development is crucial before, during, and after a period of organizational growth. Don’t think of expanding any service until you have created a plan to raise money.

Case in Point: Before any program expansion, Perkins formed a fundraising group, “Friends of Perkins.” The “Friends” began a direct mail appeal, sending personal letters to friends, relatives, and others associated with the school. Many “Friends” also doubled as trustees and thus had the added credibility board members bring to fundraising.

Meanwhile, other Perkins’ employees and board members worked together to write grant proposals. Initially, the executive director led this effort. Later, a new Department of External Affairs took over the grant-writing responsibility.

In 1991, Perkins hired a full-time director of development. A year and a half later, it launched a capital campaign in preparation for the school’s 100th anniversary in 1996.

An organization that previously had not raised “dollar one” for its operating or capital needs had jumped in with both feet. Its fundraising planning paid off. Successes included the donation of a 40,000-square-foot building for a vocational center and a \$250,000 bequest to construct a children’s residence. The capital campaign netted a total of \$1.32 million. Early on, the development effort began to provide the funds and, more important, the confidence that expansion could take place.

3. Planning

As a starting point for any expansion, you need a detailed plan. Involve both staff and board members in

planning what changes are needed, how and when change will occur, and who will be responsible for each step. Continually update your plan as expansion proceeds.

Case in Point: In 1989, a cross-section of Perkins’ staff went on a two-day off-site retreat to devise a plan for growth and diversification. Each year since, the staff has gone on a half-day retreat to update that plan.

In 1993, the board began developing a five-year strategic plan for the organization. The blueprint that resulted from the board’s deliberations included:

- a new mission statement
- priority areas for attention
- clear objectives for assuring that progress is clear, tangible, and quantifiable.

An ancillary benefit of this planning has been the creation of the Perkins Consultation Service, which specializes in strategic planning. Perkins staff members have served as consultants and facilitators for strategic planning projects involving local businesses, public schools, a museum, chambers of commerce, professional and trade organizations, and colleges.

4. Community Relations

Your expansion plans will falter without community support. To invest the surrounding community in your success, form collaborations with other groups in the area. Let people know that what you’re doing will benefit the entire community.

Case in Point: A major employer in the area, Perkins also owned a large parcel of real estate. The fact that this land was tax-exempt did not sit well with all townspeople, Perkins knew. This disgruntlement was especially evident



Built entirely with private philanthropy, Perkins School’s new pool is a boon to the community as well as the school.

Are You Ready to Expand? First Check these Green and Yellow Lights

“Green Lights” For Expansion

Positive Assets-to-Debt Ratio
Strong Development Effort
Annual Fund
Strategic Plan in Place
Supportive External Environment
Technical Infrastructure
Employee Teams
High Staff Morale
Total Quality Management Program in Place

...GO!

“Yellow Lights” for Expansion

“Money Problems”
Inadequate Donor Base
Lack of Strategy and Focus
Anonymous or Negative Community Image
Operations and Technical Problems
Board Uncommitted to Fundraising
No Credit Line, Reserve Fund, or Endowment
Lack of Up-to-Date Equipment
Unwilling Staff

...CAUTION!

after Massachusetts Proposition 2½ severely limited localities' ability to raise tax monies for services. To show goodwill, therefore, Perkins voluntarily paid taxes on two parcels of land which had historically provided revenue to the town.

In addition, Perkins initiated a “good neighbor” policy, which included the following goodwill activities:

- printing town meeting agendas at cost
- starting an annual community road race
- introducing a family-oriented concert and fireworks display on the Perkins campus (an event which now draws about 5,000 people)
- developing collaborative programs in therapeutic horse-back riding, music, art, and swimming for local children.

Don't forget personnel, which for most nonprofits is the real “high ticket” item.

Perkins had another opportunity to show community spirit when a benefactor donated a facility for its vocational center. Because the building was larger than needed, Perkins offered rent-free space to the town's senior citizens group and disability commission, both of which were paying rent elsewhere. Later, the town returned the favor by applying for a grant to renovate the building. The grant was approved, and the building received new stairways, an elevator, and other improvements. Both Perkins and the town benefitted from the remodeling—and from the relationships that developed between Perkins' vocational students and the disabled and elderly people sharing their space.

5. Physical Plant

When you expand your services, you may automatically think of increasing your facilities. Don't leap into acquiring more room, however, without weighing the idea carefully. Remember that operating a new place can end up costing you more than you paid to buy or build it. Before planning new facilities, be sure you need them and that they fit with your plan and mission. If they do, look for ways to fund them so that you won't get in over your head. For example, you may find people willing to donate buildings or share space.

Case in Point: In Perkins' case, it was clear that the school needed more space to fulfill its mission properly. Enrollment of school-age children had doubled, and classrooms were bursting at the seams.

In 1990, with support from the state Department of Education, Perkins was able to purchase an off-campus building. This 12,000-square-foot, two-story structure allowed Perkins to add four classrooms and vocational space. More important, its off-campus location helped achieve Perkins' goal of educating children away from the campus's “protective cocoon.” This was a crucial “normalization” step for Perkins' students and has today been extended so that several children attend local public schools.

Several older adult residents needed a program different from their younger counterparts. To meet their needs, Perkins constructed a four-bed home with an ambience distinct from the other programs. A single donor was largely responsible for this addition to the continuum of services.

Finally, Perkins added an indoor swimming pool, showers, and locker rooms next to its gymnasium. Built entirely



A collaboration between Perkins School and the community senior center integrates disabled people with nondisabled elderly folks.

To show goodwill, Perkins voluntarily paid taxes on two parcels of recently-acquired land.

with private philanthropy, the pool provides instructional and recreational swimming for both community groups and Perkins' residents. Thus, the new facilities enhance Perkins' collaboration and community-relations goals as well as its therapeutic services.

6. Technical Needs

As you expand, your entire organization will feel the strain of new responsibilities. In some cases, you may need to add new staff to meet these expansion needs. As often as possible, however, try adding new tools rather than new people. It is usually more cost-effective to buy up-to-date equipment to do the job than to hire new personnel, who must be trained and supervised.

Case in Point: Perkins made sure all its equipment was state-of-the-art to meet the increased demands of expansion. As its facilities became more spread out, it bought new trucks, vans, a trailer, and a more efficient tractor. The kitchen received a new refrigerator and oven to ease escalating meal preparation demands.

A new computer system helped staff cope with data overload. Perkins networked its computers and added e-mail to facilitate inter-office communication. It also installed a new phone system and client management system. Clinicians were encouraged to toss away their yellow pads and keep records and progress notes on computers so that secretaries needn't retype information.

7. Human Resources

Your most important concern during expansion must be your people. Staff and board support is essential. Such support doesn't come easily, however, because people resist change until they're convinced it's in their best interests.

Be sure to involve all staff and board from the time you first contemplate expansion. They must feel it's their project. Otherwise, they won't make the extra effort required.

Case in Point: Perkins' top priority during expansion was letting staff know what was going on. It did so through periodic meetings, in-service sessions, newsletters, and other forms of communication. Perkins also developed a new position, personnel specialist, to give employees a place to turn with questions on increasingly complex benefits, health care, and working conditions.

There was little question that people felt they were "doing more." They were willing to do so, however, because they were helping an organization that valued them. Perkins showed its appreciation in tangible ways, rewarding performance with raises and benefits.

Most important, Perkins created a quality assurance committee, enlisting the entire organization in the quest for ways to improve services. Because the committee constantly sought employees' opinions and put their ideas into practice, morale soared. Nothing makes people work harder for

an organization than knowing their views are valued and acted upon.

Keeping a finger on the pulse of the staff was important throughout Perkins' expansion—and afterward. Staff commitment, combined with trustee leadership and support, made success almost inevitable.

LESSONS LEARNED

Each organization is unique but, when it comes to growth, we can learn a lot from one another. As this case study shows, expansion can help an organization achieve stability and strength that would otherwise be impossible.

On the other hand, don't let the lure of expansion entice you into starting to grow without considering your unique situation. Scrutinize the seven elements discussed here in terms of your organization. Paying attention to these support systems will ensure successful, healthy growth. Ignoring them will court disaster. ■

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