

# Board Builder:

## What's your Endgame?

In this issue of *Board Builder*, we present a groundbreaking essay by Alice Gugelev and Andrew Stern. Not-for-profit leaders who ask “How do you scale up?”, they write, are most likely posing the wrong question. By asking a different question, and by focusing on a different kind of goal, leaders can maximise their ability to achieve significant social impact.

The question that Gugelev and Stern pose to not-for-profits is this: what is your endgame?

### Introduction

The Reciprocity Foundation works with homeless youth in New York City. Like many other not-for-profits, it works tirelessly to make a deep and highly focused impact on a relatively small population. Its founders believe that transforming the lives of 90 young people in a profound and long-lasting way is more meaningful than working with thousands of young people in a superficial way. They worry that if an organisation like theirs attempts to expand – by opening new locations in New York State or across the United States – it likely will dilute its impact and reduce its overall sustainability.

Yet the magnitude of the challenge that Reciprocity has targeted prompts a crucial question: How can a not-for-profit that operates at such a modest scale even scratch the surface of a social problem that is growing exponentially? More than 20,000 homeless young people live in New York City alone, and there are an estimated 1.7 million homeless minors nationwide. Wouldn't all of them potentially benefit from the Reciprocity program?

In recent years, the Reciprocity Foundation has adopted a new approach to dealing with the challenge of scale. Instead of expanding its base organisation, Reciprocity partners with large social-service agencies to train their staff in the Reciprocity model and to deliver programming at their sites. “It's a way of covertly scaling – of growing our impact without having to add office space, increase funding, or replicate staffing,” says Taz Tagore, cofounder of Reciprocity. Such partnerships enable Reciprocity to broaden its impact and deliver high-quality outcomes that benefit the sector as a whole.

The scale of an organisation, in other words, does not necessarily equal the scale of its impact. In fact, most not-for-profits never reach the organisational scale that they would need to catalyse change on their own. High structural barriers limit their access to the funding required to grow in a significant and sustainable way. Given those barriers, it's time for not-for-profit leaders to ask a more fundamental question than “How do you scale up?” Instead, we urge them to consider a different question: “What's your endgame?”

An endgame is the specific role that a not-for-profit intends to play in the overall solution to a social problem, once it has proven the effectiveness of its core model or intervention. We believe that there are six endgames for not-for-profits to consider – and only one of them involves scaling up in order to sustain and expand an existing service. Not-for-profits, we argue, should measure their success by how they are helping to meet the total addressable challenge in a particular issue area. In most cases, not-for-profit leaders should see their organisation as a time-bound effort to reach one of those six endgames.

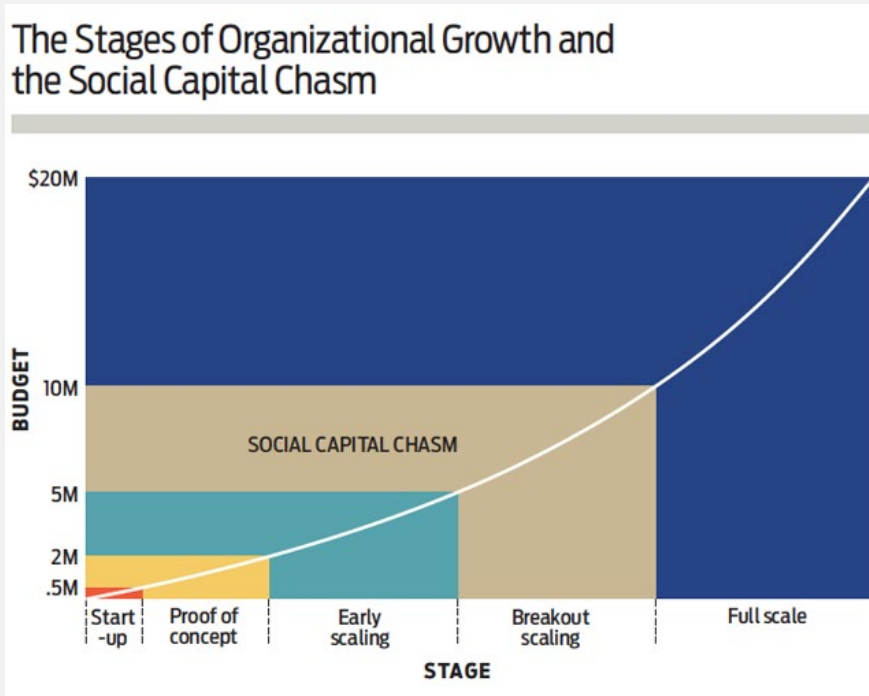
So what is your endgame? Is it “continuous growth and ever greater scale”? In light of the enormous challenges that exist within the social sector, that is an easy and compelling answer for not-for-profit leaders to give. But it may not be the right answer.

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## The Problem of Organisational Scale

In the not-for-profit sector, organisations persistently face what we call a “social capital chasm” – a gap that yawns wide between them and the budget of US\$10 million or greater that they need to achieve full scale.

The not-for-profit sector, of course, has undergone a great deal of change in the new millennium. A new generation of not-for-profit leaders is implementing revenue-generating models that promise to alter the scale at which their organisations can raise funding. Have they made headway in narrowing the social capital chasm? It may be too early to tell; growth takes time. But early evidence does not offer much cause for optimism.



## Inside the Social Capital Chasm

There are several structural factors that distinguish the not-for-profit sector from the for-profit sector. Because of those factors, we argue, a well-functioning “social capital market” to support not-for-profits through each stage of growth has not yet emerged – and may never emerge. Here, we point to four challenges in particular that make it difficult for not-for-profits to scale up.

### Lack of ownership or equity

For structural reasons, not-for-profits find it difficult to attract the sort of managerial talent that helps lead for-profit companies through periods of significant growth. They cannot offer deferred compensation packages that involve equity (in the form of stock options, for example), and therefore it’s hard for them to recruit high-calibre people during their early growth stages. For not-for-profit founders, similarly, there is no financial incentive – no “exit value” – that would encourage them to keep expanding an organisation until it reaches a given scale. The not-for-profit sector also lacks the kind of incentive structure that would promote scale-enhancing mergers and acquisitions. There are no shareholders to reap the benefit of such transactions. Instead, there are senior managers, who often have little to gain and much to lose when two organisations become one.

### Nonalignment between funding and service

In the for-profit sector, the success of an organisation depends on its ability to develop a product or service that will drive revenue. Its ability to achieve commercial “impact,” therefore, aligns with its ability to raise money. ▶

## Australian NFP Endgames

### Australian Women’s Health Network

#### Endgame: open source

“AWHN’s endgame is ‘open source’. We are positioning ourselves to be the go-to place for any question or enquiry that relates to a broad understanding of the contributors to health for women and girls.”

Marilyn Beaumont, Chair, national board, Australian Women’s Health Network

*The Australian Women’s Health Network (AWHN) is a national non-profit health promotion peak organisation. Its vision is health and well-being for all women, and its mission is to stand up to advance women’s health and well-being. <http://awhn.org.au/>*



Rich Leimsider, vice president of fellowship programs at Echoing Green, describes this challenge: “In the social sector, you have to win two games simultaneously: a product game (delivering real social impact) and a revenue game. And since the product users are not always the same people as the revenue providers, that’s pretty hard to do.”

## Bias against investment in growth

The now-common (and sometimes accurate) depiction of large-scale not-for-profits as bloated and bureaucratic institutions has led to a trend in favor of supporting smaller not-for-profits. Critics routinely malign large-scale not-for-profits – those that, say, break the \$US50 million annual revenue barrier – for being inefficient in their allocation of resources. Partly as a result, a general norm has emerged in the social sector that requires 85% or more of an organisation’s capital to go toward funding programs rather than operations (also known as “overhead”). This norm strongly limits organisational growth, which hinges on investments in structures, processes, and capabilities.

Too often, funders want to contribute only to programs that deliver direct, immediate impact. As other observers have noted, this bias among funders destabilises the sector and hinders the ability of organisations to scale up.

## A skewed grant funding structure

Instead of supporting an organisation’s overall mission, funders often prefer to provide grants to programs that target a particular issue over a limited period of time. Corporate foundations, in particular, often allocate capital to efforts that align with their own institutional goals but not necessarily with the broad goals of the not-for-profits they fund. The International Institute of Rural Reconstruction, for example, can easily acquire one-time grants to install solar lights in schools, but it struggles to secure multiyear grants to train teachers or to operate schools. Fundraising thus becomes a continuous scramble to meet annual targets, and not-for-profits focus on applying for small, piecemeal grants – an effort that taxes their resources and further limits their ability to grow.

## From Scaling Up to Enabling Impact

Given these structural barriers and the unlikely prospects for overcoming them, most social-sector organisations will struggle to reach the breakout-scale stage, let alone the full-scale stage. Without the capital needed to develop certain core capabilities, they will most likely end up with an empty bank account and a great deal of unrealised potential. For that reason, not-for-profit leaders should shift their focus from the scale of their organisation to the impact that their organisation can help to achieve.

Paying close attention to social impact is, of course, a common characteristic of not-for-profits today. Leaders of not-for-profits routinely develop not just a mission statement and vision statement, but also a statement that outlines the organisation’s “intended impact” and its theory of change. Along with the use of traditional for-profit tools – from strategic plans to impact metrics – these statements have become widely recognised signs of a well-run not-for-profit organisation. Many intended impact statements cover a specific period (five or ten years, for example), a certain number of beneficiaries (say, 10,000 children), a particular location (such as Kerala, India), and a particular issue (such as vaccination). Here’s a noteworthy example of that approach: “Over the next decade, Harlem Children’s Zone’s primary focus will be on children aged 0-18 living in the Harlem Children’s Zone project, a 24-block area of central Harlem. ... Harlem Children’s Zone’s objective will be to equip the greatest possible number of children in the HCZ project to make a successful transition to an independent, healthy adulthood, reflected in demographic and achievement profiles consistent with those in an average middle-class community.” Other not-for-profits create broader impact statements. Habitat for Humanity, for instance, has announced its intention “to eliminate poverty housing and homelessness from the world, and to make decent shelter a matter of conscience and action.” ▶

### Australian NFP Endgames

#### Western Chances, Vic Endgame: replication

“Western Chances’ endgame is replication. Western Chances aims to develop best practice within the organisation so that other communities can adopt and adapt the model to suit their particular needs.”

Terry Bracks, Chair, Western Chances

*Western Chances supports talented and motivated young people in Melbourne’s west who might not otherwise have an opportunity to pursue their dreams. Over 10 years it has provided more than 4000 educational scholarships and opportunities. <http://westernchances.org.au/>*



The move toward developing intended impact statements has led the not-for-profit sector to become significantly more focused and, arguably, more effective. But these statements typically lack two crucial elements. First, they often fail to account for the overall scale of the problem that a not-for-profit aims to confront. As a result, they fail to reckon with the gap between what the not-for-profit can achieve and what the problem actually requires. A not-for-profit might cite an intended growth rate in the range of 10% to 15% annually, for example. In the for-profit world, such a growth rate would be quite impressive. But it will hardly make a dent in a social problem whose scale would require a growth rate of 500% or even 1000%.

Second, and more important, these intended impact statements do not specify how the organisation in question will contribute to solving that broad social problem. Is there a plan to replicate programs through a franchise model, for example? Is there a path toward persuading government agencies to take over

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a given program or service? Not-for-profits, in short, should take into account not just the direct impact they hope to achieve, but also the sector-wide change they ultimately aim to create. We believe that every not-for-profit should define not only its mission, its vision, and its intended impact, but also something that is no less critically important: its endgame. Again, by “endgame,” we mean the specific role than an organisation intends to play in confronting the total addressable challenge in a certain issue area. In our research on not-for-profits, we have encountered very few organisations that clearly define that role.

## Endgames that Organisations Can Play

How do not-for-profits determine what their endgame should be? They can begin by thinking about the essential characteristics both of the social problem they have targeted and of the operational model they use. Those factors should inform which endgame they pursue, as well as the capabilities they build as their organisation matures. We have developed a framework of six endgames for a not-for-profit to consider.

### Open source

A not-for-profit that chooses an open source endgame invests in research and development in order to develop and refine a new idea or intervention. It then works to spread an idea or intervention by serving as a knowledge hub from which other organisations can draw resources. In some cases, a not-for-profit that pursues an open source model will also engage in advocacy efforts.

A classic example of the open source model is Alcoholics Anonymous (AA) – a framework for dealing with addiction that any religious group or other not-for-profit can adopt and implement. The AA organisation, in fact, doesn’t run any AA meetings. Instead, it operates a resource centre that provides instructional and inspirational materials to local AA groups, and those groups host meetings for participants. In sum, the core competency of an open source organisation is effective knowledge management.

Plotting an Endgame: Six Options

| ENDGAME             | CHARACTERISTICS  | CORE APPROACH   | FUTURE ROLE   |
|---------------------|--|---|---|
| Open source         | A breakthrough idea that is easy for other organizations to adopt and integrate                            | Conducting research and development, and sharing knowledge  | Serving as a knowledge hub for research related to a breakthrough idea  |
| Replication         | A breakthrough product or model that is easy for other organizations to adopt and deliver                  | Defining a replicable operating and impact model, demonstrating its efficacy, and sharing it with other organizations | Providing certification of franchise programs and training services, and serving as a center of excellence                      |
| Government adoption | A model with high coverage potential, along with a capacity for integration into public sector programs    | Delivering results at a sufficient scale and level of efficiency to make a case for public sector involvement         | Offering services to government agencies, and maintaining research and advocacy efforts   |
| Commercial adoption | A product or service with profit potential that solves a market failure or reduces market risk             | Demonstrating the impact and the profitability of a product or service, and reducing associated risks                 | Maintaining advocacy and monitoring efforts, targeting hard-to-reach market segments, and working to ensure commercial delivery |
| Mission achievement | Defined and achievable outcomes related to solving a discrete problem                                      | Maintaining a focus on targeted intervention  | Applying (where relevant) unique assets and capabilities to additional issue areas  |
| Sustained service   | A strong organization, with a proven ability to sustain funding, that fills a market or public service gap | Creating a cost-effective model, building a strong organization, and making efficiency improvements.                  | Continued provision of a core service at an ever-increasing level of efficiency   |

### Replication

A not-for-profit with a replication endgame seeks to expand usage of its product or model without having to expand its organisation. To pursue this endgame, the not-for-profit needs to demonstrate the efficacy of its approach and then to find other organisations that can deliver its product or model. In many cases, other organisations are able to implement that approach more effectively than the original organisation because they have a stronger existing ►



infrastructure or because they enjoy greater trust within a certain community. In some cases, not-for-profit founders pursue a replication model because other parties have approached them about starting a similar organisation elsewhere, but they have neither the motivation nor the ability to extend their model to other locations. Once other organisations adopt its product or model, a not-for-profit that pursues a replication endgame can serve either as a certification body that maintains quality standards or as a centre of excellence that demonstrates best practices to potential replicators.

## Government adoption

In the government adoption endgame, a not-for-profit proves its concept and demonstrates that its intervention can be delivered at a significant scale. Then it mounts an advocacy effort to influence policy and budget decisions. Once government adoption occurs, the not-for-profit can continue to serve as an advisor or service provider to government agencies. The scale of delivery required to confront many (if not most) social problems is high enough that government involvement often becomes indispensable.

## Commercial adoption

A not-for-profit with a commercial adoption endgame aims to alleviate either a market failure or a market inefficiency, such as uncertainty or lack of information. Sometimes a not-for-profit organisation can explore ways to fill gaps in production or delivery that occur when start-up costs or strategic risks are too high for commercial interests to absorb. Such ventures need to have a revenue-generating component that a for-profit enterprise could exploit once a not-for-profit provider has reduced the real or perceived risks associated with it. In recent years, for example, many universities have created centres where engineers and other faculty members can develop and test product or service prototypes that a commercial provider might ultimately adopt.

Or consider the field of microfinance. Early pioneers such as BRAC and the Grameen Foundation showed that it was possible to provide financial services to the poor and to do so profitably. Commercial banks subsequently moved in to serve the higher end of the microfinance market. Not-for-profits continue to serve harder-to-reach segments, to prepare borrowers for the broader market, and to conduct research and development on new products. They also help to ensure that the quality of service provided by the commercial microfinance market remains high.

Most not-for-profits will struggle to reach the full-scale stage. For that reason, not-for-profit leaders should shift their focus from the scale of their organisation to the impact that their organisation can help to achieve.

Another form of commercial adoption occurs when a not-for-profit incorporates an earned revenue component that ultimately results in all or most of its revenue coming from commercial activity. With the pioneering efforts of organisations such as Ashoka and with the recent emergence of the impact investing movement, we have seen a growing emphasis in the social sector on the pursuit of market-based solutions. Donors, moreover, are now more likely to include revenue generation as one of their grant criteria. The Spark Fund of the Global Alliance for Clean Cookstoves, for instance, states that it requires each grantee to “demonstrat[e] how the business will achieve sustainable growth over the long term.” Sometimes it is the founders of not-for-profits who drive this quest for commercial viability. Examples of that trend include Digital Divide Data, a digital content services provider that receives most of its revenue from paid clients, and Riders for Health, a health-care logistics organisation that aims to double its impact while moving toward a sustainable earned revenue model.

## Mission achievement

A not-for-profit that uses a mission achievement endgame has a well-defined and plausibly achievable goal. Organisations that focus on the eradication of diseases such as polio and malaria are good examples of this model. ▶

### Australian NFP Endgames

#### Lentara UnitingCare, Vic Endgame: mission achievement

“Our endgame is mission achievement: social equity.”

Mark Heintz, Chair, Lentara UnitingCare

*Lentara is part of the UnitingCare network, one of the largest providers of community services in Australia. <http://www.lentarauc.org.au/>*



One organisation that is pursuing this endgame today is End7, a not-for-profit whose mission is to stamp out seven neglected tropical diseases by 2020. That mission gives End7 a singularity of purpose that helps align its near-term activities with its long-term strategy.

In most cases, once a not-for-profit attains its goal, it should wind down. Too often, though, not-for-profits in this category enter a period of drift as they try to stay alive even after they achieve their mission. An organisation should continue beyond that point only if it has an especially valuable asset or capability that it can deploy for another social purpose. The March of Dimes, for example, was founded to fight polio through a combination of patient aid programs and vaccine research. Then, after Jonas Salk and Albert Sabin developed vaccines that effectively ended the polio epidemic in the United States, the organisation redeployed its core assets – an extensive grassroots network and a trusted brand – to serve a new mission: preventing birth defects and infant mortality.

## Sustained service

The decision to sustain a service indefinitely seems to be the default endgame for most not-for-profits – yet it's not always the right endgame. This model makes sense only when a not-for-profit can satisfy an enduring social need that the commercial and public sectors cannot or will not satisfy. With respect to commercial adoption, not-for-profit leaders can test whether the risk-return profile of their product or service would meet the needs of a for-profit company. Regarding government adoption, they should evaluate whether public sector institutions are unwilling to adopt their intervention or simply lack the capacity for doing so. (In the latter case, a not-for-profit may want to engage in advocacy efforts to help build that kind of public sector capacity.)

Efficiency is an essential characteristic of not-for-profits with a sustained service endgame. Typically, they must strive to create an ever-greater impact using the same amount of resources, or even fewer resources. For that reason, they need to develop world-class leadership and world-class operations.

## The “End” as a Beginning

“Death is the destination we all share,” Steve Jobs said in his commencement address at Stanford University in 2005. “No one has ever escaped it. And that is as it should be, because Death is very likely the single best invention of Life. It is Life’s change agent.” The purpose of a not-for-profit, like the purpose of an individual life, should derive from its inevitable conclusion. To be sure, a minimum level of scale is essential for a not-for-profit to develop its capabilities. But scaling up is not its reason for being.

Not-for-profits need to account not just for the impact they hope to achieve, but also for the sector-wide change they aim to promote. “Scale,” in this context, takes on a new meaning. Indeed, for some organisations, achieving impact on a large scale will involve slowing the growth of their budget and transferring services to other providers. In any event, a not-for-profit that defines its endgame early will tend to make better use of resources during its initial stages of growth.

Each of the six endgame options that we have outlined has a defined life cycle and a predictable budget trajectory. Once an organisation has achieved a proof-of-concept and a minimum scale, its budget should shift to match the endgame it is pursuing – and only in the sustained service model should budgets continue to increase. ▶

### Australian NFP Endgames

#### Our Watch, Vic Endgame: mission achievement

“When it comes to ending men’s violence against women, there can be only one end game and that is ‘mission achievement’. Open source, replication and government adoption are strategies that we will use along the way. It may take a generation to get there, but the vision of Our Watch must be fulfilled – an Australia in which women and their children live free from all forms of violence.”

Natasha Stott Despoja, Chair, Our Watch (formerly Foundation to Prevent Violence Against Women and their Children), Australia’s Ambassador for Women and Girls

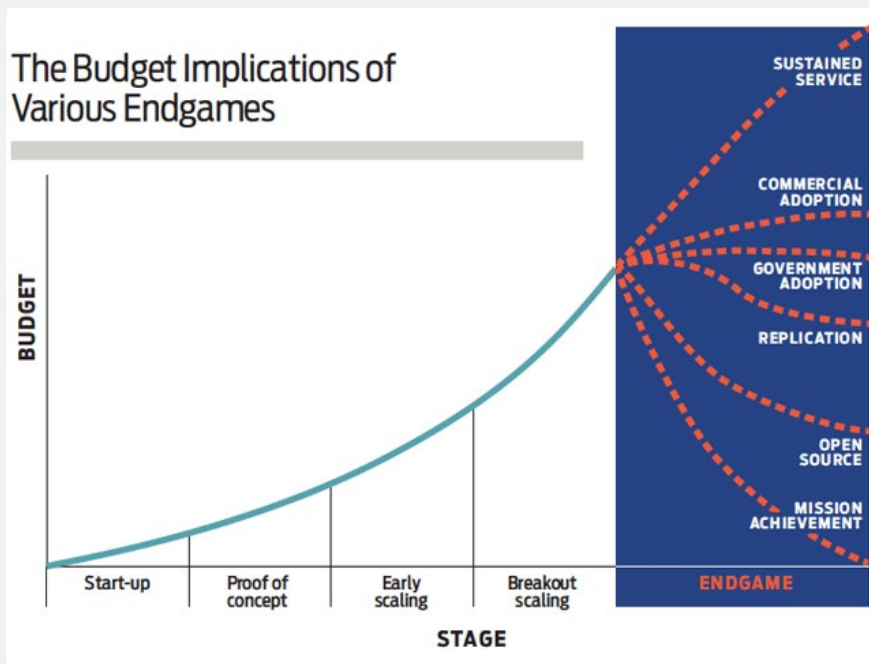
*Our Watch has been established to drive nation-wide change in the culture, behaviours and attitudes that underpin and create violence against women and children. Our Watch’s vision is an Australia where women and their children live free from all forms of violence. Its mandate is to stop violence before it happens. Its purpose is to provide national leadership to prevent all forms of violence against women and their children.*

<http://www.ourwatch.org.au/>



In each of the other endgames, the budget of a not-for-profit won't rise steeply over time; instead, it will level off or even decrease. With the open source, replication, or mission achievement endgame, funding will drop significantly as a not-for-profit evolves into a knowledge hub (open source), becomes a centre of excellence (replication), or declares "success" and winds down (mission achievement). In the case of government or commercial adoption, budget trajectories will vary depending on the niche that an organisation fills and on whether it plays a continuing role in service provision for the government and commercial adopters of its intervention.

The hard truth is that a not-for-profit is likely to be most effective if it pursues an endgame that centres on creating a movement through an open source or replication model, or if it works to promote government or commercial adoption. (Mission achievement is a special case that applies mainly to not-for-profits that work in certain issue areas.) Adopting one of those models isn't easy. Creating a movement requires not-for-profit leaders to be collaborative in a way that an early-stage organisation – an organisation that must focus on sustaining its own operations – will find especially challenging. Government adoption often means working with a large bureaucracy, and commercial adoption



poses the risk that a not-for-profit will appear to be "selling out" to the corporate sector. As we have noted, however, not-for-profits that reach one of these endgames are often able to achieve ongoing impact by other means.

**“The purpose of a not-for-profit, like the purpose of an individual life, should derive from its inevitable conclusion. To be sure, a minimum level of scale is essential for a not-for-profit to develop its capabilities. But scaling up is not its reason for being.”**

## Game Changers

Analysing not-for-profits according to their endgame represents the next stage of maximising impact. Not-for-profit leaders need to define their endgame early, therefore, and funders need to help them bring that endgame to completion.

There are social sector leaders today who resist the common tendency to focus primarily on "scaling up." These leaders understand that increasing the size of their organisations is not the only means, or even the best means, of achieving impact. In our research, we have encountered several high-performing not-for-profits that are pursuing endgames that align closely with their capabilities and their circumstances.

Consider Root Capital, a lender to smallholder farmers in Africa and Latin America. In 2013, Root Capital had an average outstanding loan portfolio of about \$US70 million, and its cumulative loan disbursements came to \$US574 million. The addressable global demand for smallholder financing is \$US20 billion to \$US40 billion per year. To reach just 10% of the lowest estimate of addressable demand, therefore, Root Capital would need to increase its annual loan portfolio by nearly a factor of 30. Recognising the need to collaborate with other parties to achieve its mission, Root Capital has decided to pursue activities that advance a commercial adoption endgame. To help catalyse the broader market for agricultural finance, it serves as a research and development platform that develops new financial products, it encourages commercial banks to serve the top end of that market, and it works with other agricultural lenders to create industry standards and responsible lending practices. Willy Foote, founder of Root Capital, says that in its effort to create such partnerships, the organisation aims to be "pathologically collaborative (but not suicidally collaborative)."

Another successful not-for-profit that has adjusted its scale – and its strategy – is mothers2mothers (m2m). The mission of m2m is to prevent mother-to-child transmission of HIV, and its core intervention involves enabling "mentor mothers" to provide education, psychosocial support, and referrals to health-care and other services. At one point, ►

m2m operated 800 direct implementation sites and reached about 15% of the 1.2 million HIV-positive pregnant women in the world. But in 2010, the organisation redefined its endgame. Leaders and board members at m2m realised that the organisation would need to increase its budget sixfold (to more than \$US120 million per year) before it could reach all HIV-positive pregnant women through its existing service delivery model. Today, m2m strives to reach those women not by serving them directly, but by encouraging governments to adopt its Mentor Mother program and by helping local NGOs and other partners to replicate that program. To promote government adoption, the not-for-profit also advocated successfully for inclusion of its program in a UN global plan for eliminating HIV infections among children. In addition, m2m maintains facilities for research and training purposes, and in some cases it acts as a local implementer.

## Ends and Means

For stakeholders in the social sector, asking “What’s your endgame?” is only a first step. To play their part in maximising social impact, they need to change how they manage their own organisations and how they interact with other organisations. Not-for-profit leaders, we believe, must reckon with three basic imperatives.

### Define your endgame early

The start-up routine for not-for-profits should include the creation not just of mission and intended impact statements, but also of an endgame statement. Endgames aren’t necessarily mutually exclusive, nor is the right endgame always fully evident when an organisation’s founders begin to act on their initial idea or inspiration. But deliberate reflection on a not-for-profit’s endgame will help set the organisation on a path toward maximum impact and prevent it from focusing exclusively on organisational growth. Not-for-profits should make clear to funders, beneficiaries, and supporters which endgame category they fall into, and under which circumstances their organisation will dissolve, merge, or change scope. Going through this exercise can also help not-for-profit leaders clarify their theory of change.

### Focus on your core

With a defined endgame, not-for-profits can spend more time on the core activities that will advance their mission. For some organisations, having that sense of focus will mean being “pathologically collaborative” about knowledge sharing. For others, it will mean building strong relationships with government agencies or commercial banks. Focusing on core activities allows an organisation to make seemingly difficult decisions more readily. If the ultimate goal of a not-for-profit is to transfer its operations to local partners, for example, then opting to engage in direct implementation would not be in its best interest – even though taking that step might expand its reach in the short term.

### Prepare your team

Not-for-profit leaders are not just stewards of their mission but also stewards of the people who join their organisation. Both stewardship roles are important. Yet the purpose of a not-for-profit is, first and foremost, to achieve a social goal. Not-for-profit leaders, as their organisation nears its endgame, need to communicate with their team about the likely inevitable reduction in the size of its budget and its staff. Managed properly, that process will create a sense of purpose that will motivate staff members during their time at the organisation. ▶

## Australian NFP Endgames

### Women’s Community Shelters, NSW

#### Endgame: mission achievement

“At Women’s Community Shelters we dream that in 10 years we will be announcing the closure of our shelters because the government programs are working and we simply don’t need as much crisis accommodation.”

Gina Anderson, Chair, Women’s Community Shelters

*Women’s Community Shelters aims to ensure that more women who have become homeless will have access to short term (up to three months) emergency accommodation and support in a safe, comfortable and secure environment. It also acts as intermediary to help profile the shelter movement to a much wider audience and act as a point of donor engagement for this very important sector. [www.womenscommunityshelters.org.au](http://www.womenscommunityshelters.org.au)*





Funders of not-for-profit organisations, meanwhile, face a different set of imperatives.

## Fill the gap

Making a large impact, as we have emphasised, does not necessarily mean attaining a large scale in financial terms. But not-for-profits do need a minimum level of funding to develop certain core capabilities. In our research, we have noted a gap between the point at which not-for-profits can easily secure early-stage foundation funding and the point at which they can access commercial or government funding. Funders can help grantees move forward by filling the social capital chasm and by working with them to develop sustainable growth strategies.

## Invest in catalytic impact

Funders, as they evaluate grantees, should consider the total impact on a field that each grantee makes – or has the potential to make. Traditionally, they have paid attention to impact that is direct (delivering health care to beneficiaries, for instance) or indirect (lowering infant mortality). But they should also consider the catalytic impact that a not-for-profit can achieve by pursuing an endgame such as government adoption or commercial adoption. Similarly, funders should base their grants less on small-bore considerations (“What level of funding do you need for a particular program?”) than on broad issues related to mission achievement. Some funders have started to take this approach. The Skoll Foundation, for example, has repositioned its portfolio to target certain sectors (education and economic opportunity, water and sanitation), and it provides funding (in the form of Innovation Grants) to not-for-profits that have the potential to remake those sectors.

## Provide endgame support

Funders, recognising that the social capital chasm threatens the ability of not-for-profits to reach their true potential, should commit to supporting grantees until they reach their endgame stage – and then through that stage. Instead of providing piecemeal assistance to a multitude of not-for-profits, they should help the most promising ones to achieve large-scale social change. As part of the grantmaking process, moreover, funders should explicitly ask each not-for-profit, “What’s your endgame?” With that information in hand, funders can more easily discern when a grantee should make a shift toward (for example) commercialisation or replication.

In the end, the goal of a not-for-profit is not to increase its budget (or even its reach) indefinitely. Its true goal, rather, is to achieve social impact. Analysing not-for-profits according to their endgame represents the next stage of maximising impact in the not-for-profit sector. Not-for-profit leaders need to define their endgame early, therefore, and funders need to help grantees bring that endgame to completion.

Perhaps at no time in history has the social sector held so much potential. A new generation of purpose-driven professionals are flowing into the sector, and they come equipped with new business models and new tools to mobilise social changes. To achieve the true promise of social sector work, however, these and other not-for-profit leaders must start a dialogue about which endgame they will pursue. ■

### Australian NFP Endgames

#### Embark

#### Endgame: replication

“Our endgame is replication – 100 community energy projects by 2020.”

Taryn Lane, Communications & Community Liaison, Embark

*Embark aims to accelerate the uptake of community renewable energy projects by providing practical capacity-building tools, seed funding and investment funding. [www.embark.com.au](http://www.embark.com.au)*



## About the authors

### Alice Gugelev

Alice is the director of the Social Enterprise Accelerator and the director of the Sustainable Development portfolio at the Global Development Incubator (GDI), which has offices in New York and Washington DC. The GDI Accelerator aims to increase the scale, reach and impact of growth-stage social enterprises and not-for-profits through a two-year partnership with management teams, boards, funders and a broad set of stakeholders.

Alice is also the co-founder and executive director of the Muskoka Foundation and the “Do Good As You Go” movement, and chief strategy officer and investor for AppMakr, the world’s largest DIY mobile app development platform.

Before her entrepreneurial ventures, Alice worked with the Bridgespan Group in San Francisco on high school education reform with the Gates Foundation, and started Bain & Company’s pro-bono practice in Asia. She also worked with the World Bank in Southeast Asia on its regional HQ strategy.

In the for-profit world, Alice spent six years with Bain & Company in Singapore and Bangkok, and five years on the trading floor managing assets and liabilities for Fortune 500 companies in the US and Asia. After the currency crisis in 1997, she started the fixed income derivatives desk in Southeast Asia for multinational corporations with the Bank of Tokyo-Mitsubishi.

Alice is a graduate of the Stanford Japan Center. She holds a double major BA in International Economics and East Asian Studies from Columbia College and an MBA from Harvard Business School. Alice will be visiting Australia in November as a special guest at the Board Builder Conference 2015.



**Alice Gugelev**  
Director, Sustainable  
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Development Incubator

### Andrew Stern

Andrew is the president and executive director of the Global Development Incubator and a former partner at Dalberg Global Development Advisors. He has significant experience in building social enterprises and launching new initiatives.

Andrew is a board member and former co-chairperson for mothers2mothers, an internationally recognised health program preventing HIV transmission from mothers to children. He’s been involved with the organization since 2003 when he spent four months in Cape Town working with the founder to develop mothers2mothers’ first organisational and programmatic strategic plan. Andrew previously served for two terms on the executive committee of the Aspen Network of Development Entrepreneurs (ANDE), a program at the Aspen Institute that supports organisations who invest in and build small and growing businesses in developing countries. Andrew has worked with many impact investors and social enterprise funders, and has advised numerous social enterprises in developing their strategic and organisational plans.

Andrew holds an MBA from Harvard Business School, a Master’s in Public Policy from Harvard Kennedy School, and a BA in Economics from Princeton University.



**Andrew Stern**  
President &  
Executive Director, Global  
Development Incubator

## Board Builder Conference 2015

We’re thrilled to announce that “What’s Your Endgame?” co-author Alice Gugelev will be visiting Australia in November as a special guest at Board Builder Conference 2015.

To receive more information about Board Builder Conference 2015 as it comes to hand, [register your interest](#).



# Pat's Tip

## Board exercise: how to plot your own endgame

“Our mission is to solve the world’s problems. Our endgame is mission achievement.” Can you imagine sitting on the board of *that* organisation?

Okay, it’s an unrealistic mission statement, but how many of us as board members of not-for-profits have clearly articulated our mission? And what role is our organisation going to play in the overall scheme of things – the big picture, the grand plan, the final solution? What’s our endgame?

In the words of Alice Gugelev and Andrew Stern: “By ‘endgame,’ we mean the specific role than an organisation intends to play in confronting the total addressable challenge in a certain issue area.”

**Here are some provocative questions for your board, aimed at helping you to work towards defining your endgame.**

- 1** It may sound obvious but you need to have a board that will ask the hard questions of itself and the CEO. What does success look like? Will what we are doing lead to success?
- 2** Who else is doing work similar to or the same as us? Map them – do we overlap? Do we compete?
- 3** Challenge the status quo through your strategic planning process. A good strategic planning process should ask “What’s our purpose?” and “How do we best get there?” It also needs to ensure that the work doesn’t drive the mission. The mission must drive the work.
- 4** To put it another way – what is your focus? Beware of having a focus that is too broad or too narrow to really make a difference. Setting unrealistic expectations can mean setting up for failure.
- 5** Are we doing what we do to survive or thrive? Does survival lead to unintended consequences (create dependencies, false expectations)?
- 6** Who would really miss you if you didn’t exist? How would the people you currently serve be supported?



**Patrick Moriarty**

Executive Director,  
Institute of Community  
Directors

All boards should be asking these questions. Is yours?

## Australian NFP Endgames

### The Australian Charities Fund, NSW Endgame: mission achievement

“Our end game is mission achievement through open source – to make workplace giving available to every working Australia and for it to be the widely recognised and embraced form of giving for employers and working Australians.”

**Jenny Geddes, CEO, The Australian Charities Fund**

*The Australian Charities Fund is the architect, driver and thought-leader of workplace giving as the most effective and efficient way to channel donations from both employees and employers to the charitable sector and increase their capacity to achieve social change. [www.australiancharitiesfund.org.au](http://www.australiancharitiesfund.org.au)*



# The last word

## Endgame: A Play in One Act, by Samuel Beckett

HAMM: Did your seeds come up?

CLOV: No.

HAMM: Did you scratch round them to see if they had sprouted?

CLOV: They haven't sprouted.

HAMM: Perhaps it's still too early.

CLOV: If they were going to sprout they would have sprouted.

*(Violently.)*

They'll never sprout!

*(Pause. Nagg takes biscuit in his hand.)*

HAMM: This is not much fun.

*(Pause.)*

But that's always the way at the end of the day, isn't it, Clov?

CLOV: Always.

HAMM: It's the end of the day like any other day, isn't it, Clov?

CLOV: Looks like it.

*(Pause.)*

HAMM *(anguished)*: What's happening, what's happening?

CLOV: Something is taking its course.

### Australian NFP Endgames

#### Refuge of Hope, Vic | Endgame: replication

"Our endgame is replication. In the case of our organisation, this will take the form of us testing or piloting ideas on a small scale, and partnering with other organisations to deliver successful ideas on a larger scale (with governments, corporates and philanthropy the likely funding partners)."

Dr Sonja Hood, CEO, Refuge of Hope

*Refuge of Hope's mission is to assist the wellbeing of immigrants, refugees and international students from Latin America living in Melbourne. Refuge of Hope provides guidance, advice and support on a range of issues including personal welfare, social and emotional needs, homelessness, finances, general safety and security.*  
[www.refugeofhope.org.au](http://www.refugeofhope.org.au)



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