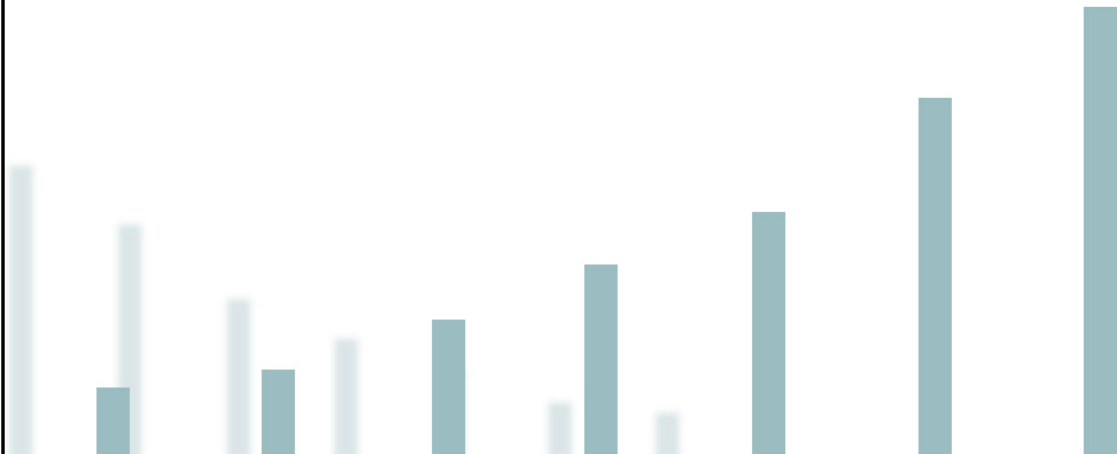


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# Harlem Children's Zone (formerly Rheedlen Centers for Children & Families)

A Case Study in Learning to Grow with Purpose



*As they grow, many non-profit organizations struggle with the issue of defining the set of programs they should offer to maximize their impact. Most organizations have at least a broadly defined social mission -- for example "create a more just society." But translating broad visions into well-defined strategies is a big and difficult task, and not one that is a natural counterpart to day-to-day management activities. It takes hard analytic thinking about the impact you intend to have, combined with a deep understanding of the underlying economics of your organization, to build and follow through on a strategy that can really make a sustainable difference. Most non-profit leaders simply don't have the wherewithal—time, information, discipline or resources -- to devote to the task.*

*As a result, many non-profits grow opportunistically. They see the need to help; they see a way to provide help; they do it. The problem is, all too often, they end up offering a broad and diffuse set of services that do not support and reinforce their central mission. Such "mission drift" is common. It is also dangerous to a non-profit's long-term health. Why? Two reasons:*

*First, organizations that suffer from mission drift gradually lose their ability to gain ground on their primary goals. Because resource allocation decisions are often made on the basis of perceived program need rather than potential impact, they divert their most precious resources—management energy and general operating monies—from their most powerful and productive activities toward programs that are on the periphery of their service spectrum or that do not deliver results that would warrant those resources if weighed directly against other "investment" alternatives.*

*Second, if they are not able to demonstrate that they have a focused mission and a viable long-term growth plan, promising organizations cannot attract the level of general funding they need to grow and prosper over time. Small, static organizations can often survive with limited funding that is targeted at one or another specific program. Dynamic organizations need funding that gives their leaders more leeway in how resources are deployed. They need funding that supports the big picture over the long-term.*

*Harlem Children's Zone was grappling with these very issues when Bridgespan first started working with them. The New York City based nonprofit, which was then*

*called Rheedlen Centers for Children and Families, was experiencing steady, even dramatic, growth under the leadership of its CEO, Geoffrey Canada, and by all accounts it was extraordinarily successful. Our challenge was to help Canada evaluate the myriad programs Rheedlen offered, sharpen its strategic positioning, and create a solid growth plan and performance measures he and his managers could use to drive the organization forward and attract broad-based, long-term funding.*

*By the end of our engagement, Canada had focused Rheedlen's mission on a specific geography, set of recipients, and menu of services. He had made hard choices about many valued programs. Last not least, Rheedlen had leveraged its new "business plan" to attract more than \$10 million in multi-year support for its strategy. Ultimately, all of these changes were reflected in the decision to rename the organization Harlem Children's Zone as of April 2002.*

*The Rheedlen case is particularly noteworthy because of the key role the Edna McConnell Clark Foundation played in the organization's change process. Clark, a recognized leader in the youth development field, was a long-time supporter of various Rheedlen programs. The Foundation was also engaged in its own change program, designed to fundamentally alter its grant-making approach from targeted, limited funding to larger, longer-term institution-building grants. Clark saw Rheedlen as a very attractive candidate for one of these new grants. At the same time, its officers understood that all its chosen grantees were likely to need help if they were to employ these larger sums effectively. As a result, Clark was committed to helping the grantees develop sound business plans with well-defined financial projections and performance milestones. This commitment was reflected in Clark's selection of Bridgespan to help Rheedlen with its business planning process.*

## **The Organization**

Rheedlen Centers for Children and Families was founded by Richard Murphy in 1970 to help truants on the Upper West Side of Manhattan. The organization had always grown steadily, but in the 1990s, under the new leadership of Geoff

Canada, the pace picked up dramatically. In 1990, for example, 1500 children were receiving services; by 1999, that figure had jumped to 6000. In 1999, Rheedlen was a \$10 million agency, sponsoring 16 different services including family support networks, a senior center, and a host of programs aimed at improving the lives of troubled and impoverished children and teenagers.

Prominent among the newer initiatives was the Harlem Children's Zone (HCZ). Launched in 1996, the HCZ both drew on Rheedlen's accumulated experience in the services it provided and represented a significant departure from past practice. The Zone set strict geographical boundaries for the provision of services; its program set was designed to have a cumulative impact on a designated population; and its geographic focus (Harlem) excluded the service areas of many of Rheedlen's traditional programs.

## The Complication

Geoff Canada was committed to Rheedlen's continued rapid growth, and he felt that the HCZ was likely to be the best model for its future. But he also had unresolved questions about specific aspects of the organization's growth, and he lacked critical information to drive fully informed decisions: How, for example, could he best hone and monitor Rheedlen's program mix inside the Zone? What was the best way to strengthen the organization's infrastructure? What would the implications of focusing on the HCZ be for the programs that Rheedlen offered outside of the Zone?

## The Critical Questions

Rheedlen needed a comprehensive business plan that would provide focused direction for its growth and management and also demonstrate to potential donors that the organization was on a sure path with measurable performance milestones. To create such a plan, three key questions had to be addressed:

- What specific objective(s) did Rheedlen have for achievable impact, and how did it envision realizing that impact – what was its “theory of change?”
- What program and service offerings, with what capacities, would be required to maximize Rheedlen's ability to generate its intended impact?
- What operating infrastructure, performance metrics, and funding levels would be required over time to enable Rheedlen to reach its full potential?

Working collaboratively with Canada and his management team, Bridgespan pursued multiple streams of analysis to inform these questions. Not surprisingly, Canada and his managers found that no single piece of analysis provided a one-stop answer to any of the questions. Instead, taken together, the analyses painted a picture of Rheedlen – its current context, its strengths and weaknesses, and the possible ways in which it could move forward – that had not previously been available.

## Bridgespan’s Approach

Our work was designed to develop clarity around four major issues: the organization’s actual performance by program; its goals, desired impact and theory of change; its economics; and the organizational capabilities that a new strategy would require.

### **THE ORGANIZATION’S ACTUAL PERFORMANCE BY PROGRAM, RELATIVE TO EACH OTHER AND TO NON-RHEEDLEN PROGRAMS SERVING THE COMMUNITY.**

Step one was to assemble a thorough fact base about each of Rheedlen’s programs relative to its expectations for the program’s performance. For example, with the HCZ Rheedlen was pursuing a geographically based strategy; but there was no readily available information about how many of its clients actually lived in the target area. Similarly, a key assumption in Rheedlen’s existing theory of

change was that children in the Zone would receive multiple services; but no data existed about whether that in fact was happening.

Equally important, because Rheedlen was open to establishing alliances with other nonprofits in the community, it needed good information about what other service providers were operating in the HCZ, how big they were, and whom they were serving. Without that knowledge Canada and his managers were poorly equipped to judge how they could best focus their own resources to meet the needs of the community.

To gather this information, we analyzed the enrollment data for every Rheedlen program over multiple years, both within and between programs. We also gathered extensive primary data, interviewing more than a hundred other local providers to understand their service mix, geographical scope, and enrollment levels.

## **RHEEDLEN'S GOALS – ITS DESIRED IMPACT – AND ITS THEORY OF CHANGE.**

This workstream centered on a series of structured discussions with Canada and other Rheedlen program heads. Rheedlen's existing mission was to improve the lives of disadvantaged children. But practically speaking, what did that mean? What, ultimately, did the organization consider to be "success"? What was it willing to be held accountable for achieving? What types of interventions, with whom, were critical to getting it there? Which children, specifically, did Rheedlen most want to target? Which ages? What kind of "improvement" did the organization aspire to achieve? At what point was the agency's job "done"? Was the desired outcome on-track performance relative to the appropriate peer group, or simply better performance relative to those not participating in a Rheedlen program? And what, if any, services were critical to provide to non-youths—parents, for example, or other members of the community—in order to achieve the results desired for the youth themselves?

Developing a robust theory of change depended on a deep understanding—and first-hand knowledge—of what types and "doses" of intervention and other services

truly have a positive impact on the lives of children. Progress in this area was therefore critically dependent on the knowledge and expertise that the program staff from Clark brought to the discussions to complement the perspectives of the Rheedlen managers running the various programs.

### **THE ECONOMICS OF THE ORGANIZATION AS A WHOLE AND OF ITS MULTIPLE LINES OF SERVICE.**

When this project began, Rheedlen was running 16 programs, ranging from early-intervention initiatives, to after-school programs, to a senior center, to a community organizing program. Each of these programs was supported by multiple, often overlapping funding sources, each of which had its own reporting and accounting requirements. Inevitably, these factors had created a complex financial structure, which concealed the organization's true operating economics.

The first challenge was to create a P&L for each program, documenting its total costs relative to its specific revenues including earned income, government contracts, and restricted grants. What we found was not in itself surprising: not only was the organization as a whole receiving substantially less in program-specific funding than it was incurring in program-specific costs, but this deficit was also very unevenly distributed among programs. The value of this information lay in the opportunity it created for management to assess the degree of alignment between their desired priorities and the reality of where Rheedlen's resources were being deployed. As Canada and his managers studied the numbers, the potential to reallocate funds to achieve higher impact began to become apparent: For example, in some instances large draws were being made from unrestricted funds to support programs that were not mission-critical.

As part of our work on this issue, we also calculated each program's average cost to serve its participants. As with the analysis described above, the value of the information did not lie in observed variations among the programs per se.

(Differences were inevitable given the many factors affecting the programs.)

Rather, what management found useful was the opportunity the data afforded to systematically compare each program's performance to (a) expectations specific to

that program, and (b) management's judgment of the relative impact of each program per dollar spent.

## **THE ORGANIZATIONAL CAPABILITIES REQUIRED TO IMPLEMENT THE NEW STRATEGY.**

As our work progressed, a picture of the new Rheedlen began to emerge. Rheedlen was already straining its support systems, and it soon became clear that its technology, space, and overall management strength would need to be enhanced to accommodate its growth. In addition, we could see that the organization would need to put new assessment protocols in place and create the capability to collect, analyze, and report key information in order to meet internal and funder demands for performance data.

In general the critical questions on this dimension pertained less to what had to be done than to what the specific investments appropriate in what time frames should be. To address these questions, we tapped into the expertise of both Rheedlen and Clark staff members, consulted outside experts on evaluation systems and information technology, and targeted and benchmarked other relevant organizations.

## **Key Decisions**

Armed with the information described above, we worked closely with Rheedlen to develop an integrated business plan that could chart the organization's future. The resulting plan laid out a clear path for a nine-year period, separated into three distinct phases. Although it is unusual for an organization to look that far ahead, the time frame was a logical outgrowth of Rheedlen's theory of change and its dedication to effective operations. The first phase would be devoted to refining the basic program model, while the second and third would involve systematic expansion of the HCZ to two adjacent geographical areas.

The business plan summarized several decisions with respect to the organization's mission and mix of programs. It also called for several significant changes in



Rheedlen's organizational structure and operating procedures. In addition, for the first time, Rheedlen established a comprehensive set of performance metrics that could serve as both internal tracking measures and indices for existing and potential donors.

Among the highlights:

- Recognizing that early intervention could prevent many of the problems the organization was addressing among older youth, Rheedlen set targets for program reach weighted toward younger children. The new goals called for 80% participation among the 0-2 year olds living in the HCZ, 70% among the 3-4 year olds, 60% among the 5-11 year olds, 40% among the 12-14 year olds, and 30% among the 15-18 year olds.
- To achieve those participation goals, Rheedlen determined that it had to add certain programs to its mix. Of particular importance were programs that would address the needs of children in the pre-school and elementary school age brackets. These included plans for a 64-child capacity Head Start program to open in 2001, another Head Start program to open three years later, and a charter elementary school, focused on science and technology, serving grades K-5.
- To free up managerial and financial resources that might be more productively deployed elsewhere, Rheedlen also identified three existing programs that could be transferred to other qualified agencies. These were: the Jackie Robinson Senior Center, a recreational and nutritional center located in Harlem just outside the HCZ; El Camino, a drop-out prevention program working with families in the Clinton section of Manhattan; and Neighborhood Gold, a homelessness-prevention program located in a city-owned apartment building in Central Harlem.

This decision is worth pausing over, because it is one of the most difficult a nonprofit leader can make. Rheedlen was justifiably proud of the Senior Center, El Camino, and Neighborhood Gold, and choosing to relinquish its operating control was emotionally trying. Ultimately, however, Canada concluded that the resources required to support these programs would have

far greater impact if they were directed instead to services for the children Rheedlen held itself accountable for helping.

- To align its management structure and build an infrastructure to support its new strategy, Rheedlen planned several important organizational changes: creating a new COO position to oversee all line functions; hiring three new senior program managers; developing in-house capabilities in human resources and facilities management that were either being done on a part-time basis or outsourced; and investing in an overall technology upgrade, including the introduction of organization-wide email and voice-mail systems.
- Rheedlen committed to designing a comprehensive, multi-year outcome-evaluation system for its programs and established specific goals and metrics for each program over multiple years. Leveraging their own distinctive expertise, Clark staff played a particularly significant role in working with Rheedlen to establish these targets and to design a system for collecting and evaluating performance data.

## Results

As indicated in their comprehensive, long-range business plan, Geoffrey Canada and his management team know what they are trying to do and what it will take to get there. While the full results of Rheedlen's plan won't be known for several years, noteworthy signs of progress are already apparent:

- The Rheedlen Board of Directors formally approved the plan and authorized management to proceed in implementing Phase One;
- Over \$10 million in multi-year funding commitments have been received, including a \$5.7 million grant from Clark for implementing the plan;
- Changes in the basic management structure to strengthen Rheedlen's operational structure and infrastructure have been implemented;

- New positions in senior management and specialized support have been filled, including a COO, two new Senior Program Managers, a Director of Communications, and fiscal, MIS, and development staff.
- When new Head Start contracts were delayed indefinitely by New York City's Administration for Children's Services, Rheedlen applied for and received authorization to launch two Universal Pre-Kindergarten programs, which will serve 40 4-year olds at Harlem's PS 207. They also launched Parent Corps, discontinued Neighborhood Gold and El Camino, and arranged to transfer the Jackie Robinson Center.
- Outcomes measures have been defined for both HCZ and non-HCZ programs, and internal capability to collect and assess relevant data (such as report cards) has been developed.
- To reflect its new strategic focus, Rheedlen formally changed its name to Harlem Children's Zone, effective April 2002.

## Geoff Canada, President/ CEO Harlem Children's Zone

*"We wanted to grow. We planned to grow. But we had reached the end of our ability to manage growth. I didn't want the limit on our future to be the fact that we weren't able to think about it strategically. So we welcomed the opportunity to work with Bridgespan.*

*Truthfully, the process was harder and more time consuming than I'd expected. When we worked with consultants before, it usually involved spending a day with them, talking about a particular issue. I thought the work with Bridgespan would take an hour or two a week at most. Instead it was four to five hours a week of thinking, and talking, and working through the issues that came up. If someone had asked me before we began whether I had that kind of time available for planning, there's no way I would have said I did. And if they'd told me that was what it would take, there's no way I would have gotten involved. But I didn't know, and no one told me, and I'm glad that was the case, because the payoff has been tremendous.*

*For one thing, we came out of the process with a blue print for change and growth that's like a Bible for us, we follow it religiously. The details of the business plan—like the new organization structure and management positions—allowed us to take our goals and turn them into concrete actions we could undertake without being overwhelmed. The plan also enabled our board to align itself strongly with our strategy and strengthened its capacity to raise the major new dollars we'll need to support our goals.*

*Just as important, working on the plan with Bridgespan really improved our ability to think strategically. For example, we'd always had solid information about our program costs; but the financial analysis that was part of the business planning process helped us see these programs more clearly and concrete in terms of their comparative costs. It created a pause moment, when we could step back and look at how each of the programs related to our mission. The data alone didn't drive our decisions about which programs to eliminate and which ones to deepen. Those*

*decisions will always be a matter of judgment. But it did help us look ahead and think strategically, because it presented concrete information about where the agency was in the context of where we wanted it to go.*

*When two organizations begin to work together, there's always a process of feeling one another out. I don't know any way to short-circuit that. For us, this meant getting Bridgespan to give us the data they were going to present before we met with them, so we could understand and reflect on it. Once that happened, our meetings became really productive, because we could use them to talk about best practices, lay out ideas, and trouble-shoot. We started getting the kind of value from our strategic thinking and planning we were really hoping for.*

*Most executive directors, people in my position, are caught between the desire to plan for the future and the things we have to do right now to survive, and almost always, we shortchange tomorrow for today. What we need to do is shift our thinking, but I couldn't have said that before going through this process. Time spent up front on planning is priceless, but I had to live that to learn it. Business planning is the way you get answers to the questions you have to answer in order to grow. It's a way of opening doors you didn't even know were closed."*

## **Paul Carttar, Partner Bridgespan Group**

*"Superior strategic decision-making requires at least four basic things: clear aspirations, sound judgment, good information and a readiness to commit yourself and your team. Going into this project, Geoff Canada had all but one of these—good information.*

*In lacking key information Geoff was hardly alone. Compared to the private sector, the availability and quality of data in the nonprofit sector tend to be pretty low, particularly when it comes to the kinds of external market and "customer" information that typically inform crucial resource-allocation decisions. So going into the engagement, we knew that data collection and analysis were going to represent major challenges in Bridgespan's work.*

*Because we recognized that we couldn't say for sure up front which particular types of analysis would prove most helpful in illuminating the decisions Geoff and his team had to make, we made a conscious decision to attack the critical issues with multiple approaches. A good example pertains to the question of where Rheedlen should supplement or expand its program offerings and where it should cut back to achieve its goal of increasing the impact generated by its resources. To address this question, Bridgespan invested significant time assembling an extensive fact base on Rheedlen's activities and those of other service providers active in the same neighborhood.*

*Predictably, some analyses were more valuable than others. For example, the cost analyses that allowed the management team to see precisely where its discretionary dollars were going were enormously powerful, as was the demographic data that showed that a minority of the children Rheedlen was currently serving lived within the boundaries of the HCZ. In contrast, the analyses undertaken to determine Rheedlen's share of the services it provided were significantly less powerful, primarily because they tended to reaffirm management's perception of its dominant "market" position in the HCZ. (They did make it clear, however, that Rheedlen might be able to exit certain "low share" programs without unacceptable repercussions for existing participants.)*

*Rheedlen was Bridgespan's third client and the first with whom we undertook a nonprofit business planning process. It was an auspicious venture for Rheedlen, Bridgespan and the Clark Foundation. Combining sound information with his deep knowledge of his community and team, Geoff was able to drive a decisive business planning process that is already enabling Rheedlen to dramatically increase the impact it generates for Harlem's youth. As such, it represents a strong model for other nonprofit leaders and funders to emulate."*

### **Mike Bailin, President Edna McConnell Clark Foundation**

*"By any measure, the experience of business planning at Rheedlen was both powerful and transforming. But not just for Rheedlen; this work has had an equally*

*great effect, albeit in different forms, on the Edna McConnell Clark Foundation (EMCF) and the Bridgespan Group. Better yet, this was exactly what we all had hoped would come from the experience.*

*For EMCF, our primary goal in providing planning support to Rheedlen and connecting the organization with the Bridgespan Group was to test and learn what would happen when a small social service nonprofit, which seemed positioned for major growth, undertook business planning. At the time, the foundation was in the early, developmental stages of a new approach to grantmaking – which we call institution and field building. The focus of this new approach was to strengthen individual nonprofit organizations so that they could deliver better services to more young people.*

*The process also was meant to be one of discovery and learning for the Bridgespan Group. Before this opportunity arose, their experience in working with neighborhood-based social service agencies such as Rheedlen had been limited. Again, from the Foundation's perspective, we saw this as a chance for Bridgespan to better prepare itself for the future by becoming adept at providing this type of consulting to small nonprofits in the social service sector.*

*Finally, as the case itself attests—and no additional commentary is necessary here—business planning proved incredibly valuable, enlightening and enormously beneficial to Rheedlen.*

*That said, a little dose of reality is warranted, lest anyone think that this process is a cakewalk. There is much to commend Bridgespan and Rheedlen for in terms of how they worked together throughout the process and especially their ability to overcome hurdles, barriers and other roadblocks, but planning is anything but easy. To those who have heard it said that watching the making of sausage or legislation is not for the faint hearted, we'd add a third process – business planning at small nonprofits.*

*Nevertheless, for all the reasons demonstrated in the case, there is no mistaking or overstating the value of this kind of work. All of us, EMCF, Bridgespan and Rheedlen, developed a deeper understanding and richer appreciation for the challenges of business planning. And while we three might be the immediate*

*beneficiaries, in the longer term, the real winners will be other social service nonprofits and the people in communities across America whom all of us are working hard to serve better.”*