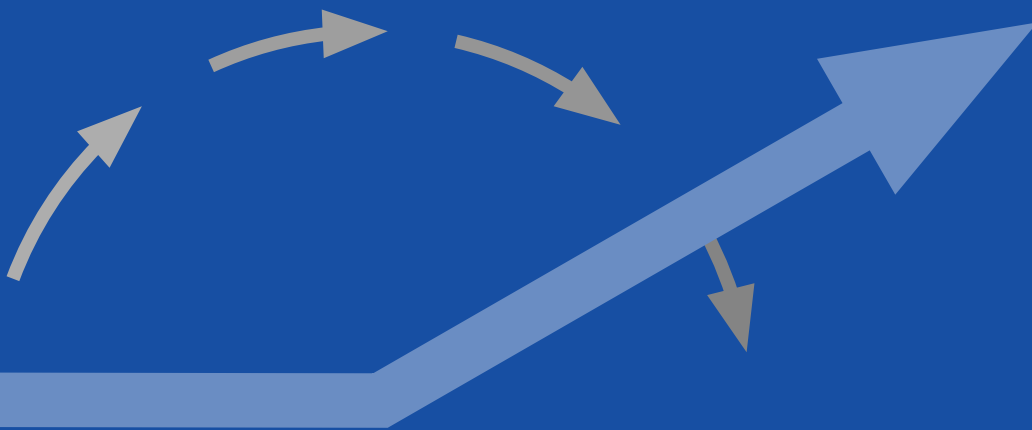


NONPROFITS FROM GOOD TO GREAT

How international nonprofits may grow to respond appropriately to global problems



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EXECUTIVE SUMMARY

Today civil society is playing an increasingly visible and effective role in tackling global challenges. Nonprofits are enabling solutions that the public and the private sectors have not had the resources or the will to solve. But although significant progress has been made within the UN's Millennium Development Goals (MDG), the development is stalling or going the wrong way in other cardinal areas. The challenge seems to be, that as long as the nonprofits remain small-scale in terms of impact and revenue, it is unlikely that they will deliver in a significant way on the promise of a better tomorrow.

The question is therefore how international nonprofit organisations can grow in order to achieve the scale required to respond appropriately to societal and global problems?

Based on evidence gathered amongst four successful nonprofits, the overall conclusion of the research project is that the nonprofits managed to scale by adhering (fully or partially) to six interrelated concepts unified in the Nonprofit Flywheel Framework (Figure 1.). One organisation did not adhere to one of the concepts and another did not adhere to three. In both cases the lack of adherence was found to have a negative impact on the scaling and thereby the nonprofits' ability to respond appropriately to societal and global problems.

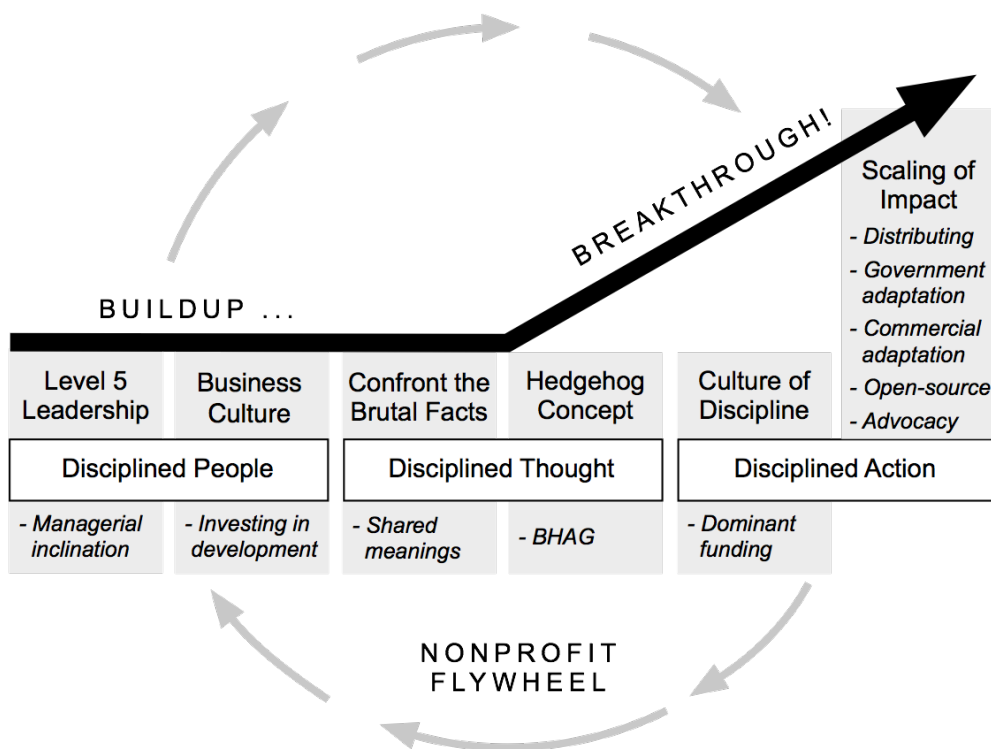


Figure 1.: Nonprofit Flywheel Framework

Starting with the CEO, the person heading the organisation had a character that combined personal humility with professional will. Secondly the nonprofits became professionalised through an adaptation of business culture with a common language that allowed them to set ambitious organisational goals. People not in favour of the new culture were helped off the bus. Thirdly the nonprofits confronted the brutal facts and created shared meanings of them. Fourthly they focused on what they could become the best in the world at while at the same time following their passion and their economic drivers (Hedgehog Concept). Once they had defined their Hedgehog Concept they set one single ambitious goal to guide them. Fifthly they created a culture of discipline with fanatical adherence to the Hedgehog Concept and slashed bureaucracy along the way. Last but not least it was found beneficial to remain self-implementing organisations that show intentions of scaling the impact, but wait until the timing is right.

The research implies that if all six concepts of the Nonprofit Flywheel Framework are adhered to, the benefits will not only be the scaling of the organisation to new heights, but also a scaling of its impact. With this powerful combination of scaling both organisation and impact, the literature suggests that the nonprofit can start delivering results at the needed scale and thus respond appropriately to societal and global problems.

In Chapter 5 concrete recommendations on scaling nonprofits can be found.

*Whether you think you can,
or you think you can't,
you're right*

- Henry Ford

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1. INTRODUCTION

We live at a time where civil society is playing an increasingly visible and effective role in tackling global challenges. Nonprofits ranging from informal community groups to international non-governmental organisations are enabling solutions that the public and the private sectors have not had the resources or the will to solve (World Economic Forum, 2013).

Although significant progress has been made within the majority of the United Nations' Millennium Development Goals (MDG) agreed upon by all the world's countries, the development is stalling or going the wrong way in other cardinal areas (UN, 2014). As an example economic growth has lifted hundreds of millions out of poverty since 1990, while the global emissions of carbon dioxide (CO₂) has increased by more than 50 % in the same period (Stern, 2014; UN, 2014). Combined with the enlarging ecological footprint of the world's growing population as well as deforestation, the ecological capacity of the planet is already exceeded by 25 % (Dumitru, 2014). As more people move out of poverty and adopt a lifestyle with a higher consumption and as the world's leaders can't seem to agree on treaties to tackle the climate change, CO₂ emissions are expected to continue to increase. The impending damage caused by the rise in global temperature can quickly reverse the positive development in poverty eradication, as there is a negative relationship between temperature and income (Dell et al, 2009). As the poorest will be the most vulnerable to these damages they may soon be facing a time of massive flooding, extreme biosphere destruction and significant water strain - possibly as early as 2030 (World Economic Forum, 2013). Damages like these are expected to lead to conflicts and decreased growth rates together with increased emigration and displacement (Stern, 2014). As though climate change and conflicts weren't enough, emigration is further advanced by the rising inequality measured by the '*Gini coefficient*' (Keating, 2011: 1). While inequality between people worldwide has stabilised in the 20th century, inequality between countries has risen dramatically throughout the same period. The result is that for an increasing number of people living in poor countries, the best way to improve the living conditions, it seems, is to move (Keating, 2011).

The uniqueness of civil society may very well be enabling solutions to these challenges, by leveraging capabilities and altering the focus of other sectors. But as long as the nonprofits remain small-scale in terms of revenue and impact, it is unlikely that they will deliver in a significant way on the promise of a better tomorrow (World Economic Forum, 2013). Due to a considerable amount of conflicts and humanitarian crises, the number of refugees and internally displaced people has, for the first time since World War II, exceeded 50 million people worldwide (UNHCR, 2014). Climate change is posing another historically paramount challenge with no solution in sight. In this light the nonprofits' efforts

do not correspond appropriately to the enormity of world’s collective societal and ecological problems (Gugelev & Stern, 2014).

What if the nonprofits were able to scale themselves and their impact to match the world’s challenges more adequately? Only few nonprofits have achieved the scale – financial as well as impact wise – to deliver significantly towards solving societal challenges. This is despite an increasing demand for nonprofit services and capabilities such as conflict prevention, reconciliation, advocacy for changing habits, etc. (Gugelev & Stern, 2014). On a global level more than half of the registered nonprofits have less than \$100,000 in annual funding and only 7 % have budgets of \$1 million or more (Gugelev & Stern, 2014). Gugelev & Stern talks about a ‘social capital chasm’ (Gugelev & Stern, 2014: 4) as even the successful nonprofits in the US seem to have a hard time breaking the \$10 million barrier (Figure 1.1.).

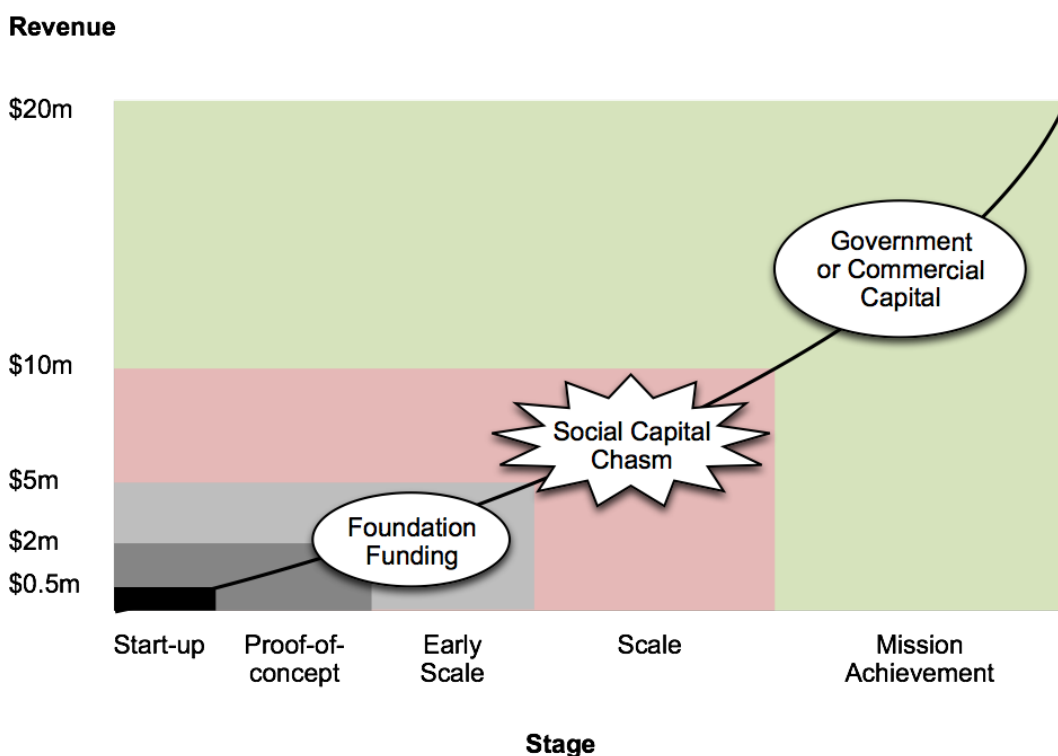


Figure 1.1.: The social capital chasm (Gugelev & Stern, 2014: 4)

This chasm stimulates a mismatch between civil society and the private sector, where venture capital is available for successful start-ups who want to scale up. The result is that there are 225 for-profit organisations with revenue above \$50 million for every one nonprofit organisation at the same level in the US. The question is therefore how nonprofits can scale-up in order to respond appropriately at the societal problems.

In my investigation of the issue I will strive to answer the following overall research question:

How can international nonprofit organisations grow in order to achieve the scale required to respond appropriately to societal and global problems?

If more nonprofits achieve large-scale, as defined by \$50 million annual revenue, it will create a better balance between the private, the public, and the civil society sector and thus allow nonprofits to deliver impact that meets the societal and global needs in a more substantial way (Nygård, 2012; Bradach & Grindle, 2014).

In my definition of international nonprofit organisations I will limit it to autonomous organisations that work directly or through partners in more than one country and which do not distribute its surplus to owners or shareholders. Even though governments and government agencies fit the latter criteria, they will not be considered as nonprofits, as only organisations within the civil society sector will be included. The nonprofit term will thus contain organisations also labelled non-governmental organisation (NGO), civil society organisation (CSO), not-for-profit organisation, charity, etc. “Civil society sector” and “nonprofit sector” will be used interchangeably.

To understand the interests of the sponsoring organisation one must take a closer look at its context. Looking at the macro context of sport for development and peace (SDP), the field is showing signs of maturity after a decade of significant growth and international attention (UNOSDP, 2014). This is evidenced by the entrance of some of the largest players from the broader world of sports (e.g. The International Olympic Committee (IOC) and The Fédération Internationale de Football Association (FIFA)) and by several acclaimed pioneer organisations’ downturn in revenue and/or recurring losses (e.g. Cross Cultures Project Association (CCPA), PeacePlayers International (PPI), Skateistan) (UNOSDP, 2014; CCPA, 2013; PPI, 2013; Skateistan, 2013). According to Grant’s (2010) industry maturity framework this suggests that cost efficiency achieved by scaling will constitute a key success factors in the years to come. As nonprofits become more efficient, one must expect that in most cases it will influence their effectiveness positively. As the framework is developed for the private sector it does not consider the scaling of impact. However one could argue that scaling impact is another way to achieve effectiveness, leaving us with two options in this phase of the life-cycle: scaling the organisation or scaling the impact to achieve a higher effectiveness.

There is currently only one publicly disclosed SDP organisation (i.e. Right To Play) with annual revenue in the proximity of the large-scale defined earlier. With a 13 % increase of its annual revenue to 25 million euro in 2012, Right To Play is currently trying to both scale the organisation and its impact (Right To Play, 2013). In doing so they have engaged the impact scaling advisors at the

Bridgespan Group in the development of a new five-year strategy with the goal of *'building the organization to sustainable scale'* (Right To Play, 2013: 2). With the societal challenges, the maturity of the market, and the declared scaling strategy from the market leader, the relevance for SDP organisations to focus on growing the organisation and its impact seems obvious. In order to improve the chances of success the challenge must therefore be assessed in a proper and careful manner, which makes the research project at hand quite relevant. In doing so I will investigate successful international nonprofits to gain insight on how they have managed to grow the organisation to the required scale.

1.1. TERMS OF REFERENCE

The collective terms of reference (ToR) for the Management Challenge (MC) are made up by the different objectives of the three primary stakeholders. In the following I will visit the objectives of Henley Business School, my sponsoring organisation GAME, and the group of nonprofits under investigation in order to provide clarity of the task.

The Henley Business School's ToR are coherent with common research standards, however special attention must be devoted to personal meta-reflections and the management of stakeholders. In undertaking my MC I will ensure to build upon existing knowledge and use this in a cautious and sensible way as academic standards prescribe to secure that my final recommendations and conclusions will rest on solid and sound data from the research. I will also be highly attentive to the needs of the stakeholder groups and I will record meta-reflections in my personal learning journal along the way to provide background for the last chapter of the MC.

As the sponsoring organisation GAME's Board of directors has expressed a clear interest in the investigation on how to grow a nonprofit. Although the investigation will be carried out in other organisations the output of the MC will feed directly in to GAME's strategy process being finalised at the end of 2014. As it is the Board's responsibility to support and review the performance of the managing director (MD), they will also have an interest in the personal development of their MD, as the organisation's future will thus be in better hands.

A third stakeholder is the group of nonprofits under investigation. As I plan to interview CEOs and directors in successful international nonprofits I have to make sure to deliver on their expectations. They are expected to show special interest in 1) not exposing their organisations to harm and 2) gaining valuable information on how to continue the positive development of their organisations. The first will be dealt with by anonymising the organisations and by focusing on trust building before, during, and after interviews, as it is crucial to the research that the interviewees feel confident and

open up to share internal information. Parallel with this the second interest of gaining insight will push for this openness, as it is evident that profound knowledge will not emerge unless the interviewees are willing to share.

I expect that the research and its findings will provide profound knowledge on how to scale nonprofits, as suggested in my overall research question. This insight will be of benefit to all stakeholders involved. For the nonprofits already large-scale, it will be a reminder of what got them there in the first place and for the aspiring nonprofits it will be a path to follow in order to become large-scale.

With this coherence in terms of reference and objectives together with a clear mandate from my Chair and Board in GAME I am ready to proceed with the investigation. In the next section I will outline the structure and content of the report.

1.2. STRUCTURE OF THE REPORT

Following the introduction will be a review of current thinking on how to scale nonprofit organisations (Chapter 2). The purpose is to gain insight on what is already known about growing a nonprofit in order for the investigation to build on this informed fundament. To avoid that this research project becomes simply a replication of existing knowledge I will be critical and point out where the current thinking falls short. To provide structure and perspective throughout my investigation I intend to develop a conceptual model based on relevant sources from the review.

In the proceeding chapter (Chapter 3) I will describe and justify the chosen research methodology for the investigation as well as the concrete research techniques I intend to use to obtain the empirical data that will allow me to test the conceptual model in reality. The chapter will also include a critical assessment of the benefits and limitations of the research methodology and research techniques as well as a description of how the data will be presented and analysed.

Chapter 4 will present the data in a systematic and meaningful manner with reference to the conceptual model developed in Chapter 2. A thorough analysis of the data will be carried out with the hope of finding patterns amongst the interviewees' accounts of their organisation's growth. These findings will then be discussed in the context of the current thinking reviewed in Chapter 2 and the conceptual model, before gaps and weaknesses are addressed.

If the data are consistent this may lead to the creation of new profound knowledge, which will be presented as conclusions in Chapter 5 as an answer to the overall research question defined in Chapter 1 and with strong reference to the findings in Chapter 4 and the review of current thinking in

Chapter 2. Based on the conclusions I will be able to develop recommendations, which link back to the research question and the stakeholder objectives.

2. REVIEW OF CURRENT THINKING

In my review of current thinking I have tried through literature to identify how nonprofits can grow in order to achieve the scale required to respond appropriately to societal and global problems. I have looked for one theory capable of structuring the view of reality as suggested by Van de Ven (2007), but haven't found one applicable to inform the research topic. What I have found is numerous articles exploring singular elements of nonprofit leadership behaviour claiming to be influential in growing a nonprofit. These elements include among others internationalisation strategies, impact scaling, and leadership development (Bennett & Ali-Choudhury, 2010; Bradach, 2010; Gugelev & Stern, 2014, Werker & Ahmed, 2008). Literature taking an integrative approach to the different aspects of growing a nonprofit however seems very scarce.

Without a broad scope, there is a high risk of assigning disproportionate significance to behaviour, which in reality may be caused by other far more important behaviour. Using Plato's *'Allegory of the Cave'* (Jørgensen, 2002: 23) where a group of prisoners mistake shadows on the wall with actual objects, one could say, that we could very well be looking at shadows, and not the true origin of the movement itself (Jørgensen, 2002).

As I was advised early on about this potential limitation in the existing literature, I have decided to include literature from the private sector in my review. Together the relevant academic and practitioner literature from the two sectors will form the basis for the development of a conceptual model, which will take an integrative approach to scaling an organisation. It will encapsulate what is already known about as well as what needs to be known about the research question. In Chapter 4 this model will be tested in the reality of the nonprofit sector and accordingly adjusted, as it may not be possible to validate all elements of this presumably composite model.

The three primary search words I have used in my literature search are "nonprofit" (incl. non-profit, not-for-profit, ngo), "international", "scaling", and "leadership".

In the following I will assess the most relevant literature I have been able to identify starting with literature on how to successfully scale a nonprofit before moving on to the more recent debate on scaling impact, while finishing off with an assessment of the more integrative approaches including the ones found in the private sector.

2.1. SCALING OF NONPROFITS

In their article *'How Nonprofits Get Really Big'* Foster and Fine (2007) point out how rare it is for a nonprofit to get really big. At the time of writing only 144 of the nonprofits founded after 1970 in the

US had reached the benchmark of \$50 million in revenue. This is equivalent to less than one-tenth of 1 percent of the total number of nonprofits established in the period. An updated report from the well-acknowledged Bridgespan Group indicates nevertheless that the number of large-scale nonprofits is accelerating (Bradach & Kim, 2012). Over a five year period, the members of the exclusive \$50 million club has increased from 144 to 201 (+40 %). In Foster and Fine's research the single biggest nonprofit founded after 1970 had annual revenue of \$698 million. Five years later five of the nonprofits broke through the \$1 billion mark indicating that not only are more nonprofits getting bigger – the biggest are also increasing their size significantly. As the problem definition of this report focus on international nonprofits, one could argue, that looking at US organisations will be less relevant. But as six out of the seven biggest nonprofits on the list are international organisations the findings are indeed relevant.

So how have this small group of nonprofits been able to grow significantly bigger than the rest?

Most of the members of this elite group got big by doing two things. They raised the bulk of their money from a single type of funder such as corporations or government – and not, as conventional wisdom would recommend, by going after diverse sources of funding. Just as importantly, these nonprofits created professional organizations that were tailored to the needs of their primary funding sources. (Foster & Fine, 2007: 46)

Foster and Fine elaborate further and describe how 90 percent of the successful nonprofits rely on a single dominant source of funding with corporate, government, and service fees being the most frequent sources amongst the ones disclosing their revenue streams. This is indeed unconventional wisdom in the sector, as most nonprofits have a goal to diversify their funding base in order to spread the risk. However being highly dependant on one source of funding may be an effective way to motivate the organisation to build a strong relationship to the funder, as this will undoubtedly be needed with a high reliance in terms of funding. An important observation is that Foster & Fine didn't find, that the successful nonprofits had only one major donor, but rather that they had one major source of funding. This allows for spreading the risk by having several different donors within the same category (e.g. several different corporate donors) while still specialising on this one source of funding.

The theory resonates with Bennett and Ali-Choudhury (2010) who've looked at internationalisation amongst British charities. They have found managerial inclinations and participation in networks at an early stage to be crucial when scaling the organisation's activities overseas. Networking can in this regard be seen as an early stage of the relationship building emphasised by Foster and Fine.

Surprisingly two thirds of the respondents replied negatively or neutral to the question on whether they would like to expand their foreign operations. The authors reason that most of the respondents did not want their charities to be seen as “foreign” by their domestic donors. This illustrates that diversifying across several sources of funding (e.g. private donations from Brits and foreign foundations) may indeed cause trouble. If the nonprofits main donor had funded the international activities in the first place there would have been no stopping to the adventure, given the success of the activities. An important remark to the study is that the charities were not selected because they were particularly high performing, still one must assume they had a capacity above average in order to find time and resources for an internationalisation. The findings are therefore only of partial relevance to the problem under investigation but they do serve to support the argument of the benefits of a single dominant source of funding. A critique of the studies presented so far is that they are primarily quantitative in their methods, keeping a certain distance to the subjects. The consequence is that one only gains a limited understanding of the leadership behaviour that creates and regulates the environment in which the scaling and internationalisation strategies are formed.

2.2. SCALING OF IMPACT

A more recent debate that has gained much popularity is the debate on how to scale the impact of a nonprofit. Bradach ignited the debate in 2010 by asking *'How to get 100X the results with 2X the organization'* (Bradach, 2010: 27). He thereby suggests that disruptive strategies that can deliver transformational impact rather than mere scaling of the organisation's size are more desirable for the greater good of the world. In recent articles on the subject Bradach & Grindle (2014) as well as Gugelev & Stern (2014) and Shore et al (2013) all propose high-level strategic paths capable of scaling the nonprofits' impact in order for them to play a transformative role in the pursuit of the greater good. Bradach & Grindle present nine strategies to deliver this transformative scale once the organisation has achieved proof-of-concept while Gugelev & Stern suggest six different *'End-Games'* (Gugelev & Stern, 2014: 1) that each will enable the nonprofit to reach an overall solution to a given problem after it has proven its initial concept. The academics' tend to agree on at least four plausible paths, as they all describe 1) distributing through existing platforms, 2) government adaptation, 3) commercial adaptation, and 4) open-source approach as plausible avenues to scaling impact. A point of disagreement is concerning advocacy, which is widely used to scale impact in the nonprofit sector, but at the same time an approach that needs continuous resources to be maintained. Bradach & Grindle (2014) supports advocacy as a way to scale impact, while Gugelev & Stern do not recognise it, as they have a preference for self-sustained End-Game concepts. In this regard it seems a bit naïve to think that a nonprofit can dissolve once the tracks for mission achievement are laid out, as the need to balance the private sector still remains. In this light advocacy seems to be a viable path to scaling

impact and it should therefore be included in the investigation along with the four commonly accepted paths.

Gugelev & Stern are nevertheless open to distributing proven concepts to other organisations:

In some cases, other organizations may be able to use the original organization's approach as effectively, or even more effectively, if they have a stronger existing infrastructure, or greater community trust and legitimacy to deliver the program in a certain location. (Gugelev & Stern, 2014: 6)

Not only is the reach increased, the effectiveness may also be improved. A critique of this approach can be drawn out of Werker & Ahmed's (2008) work, as they are cautious about the trend that more nonprofits are focusing on their core competencies while outsourcing other functions, just like governments and businesses have done over the last two decades. They argue that as a result, many nonprofits are becoming fundraising institutions, which either partner with or subcontract to other nonprofits in the recipient country. The problem seems to be that by giving up self-implementation the bigger nonprofits begin to play the same role as the donors. With administrative costs at around 10 percent and monitoring and evaluation at around five percent of total costs, this quickly adds up when several organisations are taking their bite as the funding moves downstream towards the beneficiaries.

This suggests that the impact scaling organisations may be seen as less great in the eyes of the donors if they become central organisations without direct implementation. Quality and the sustainability at community level may arguably also take a hit by impact scaling paths such as commercial adaptation, not to mention that the open-source approach has its own flaws. Bradach's (2010) use of Wikimedia with its 345 million unique visits a month is however a quite strong case of the open-source approach, that serves as a light house example of what can be achieved if the full potential of scaling impact is unlocked.

In the light of the financial crisis the theory of impact scaling fits well with the general critique of the market driven mechanisms influencing our world. After all, growth seems not to be the solution to all our problems (e.g. climate change). This could be part of the reason why the theory has found strong academic proponents. One can easily be seduced, when the choir of well-acclaimed institutions such as Stanford Social Innovation Review, Bridgespan Group, and The Global Development Incubator all praise the scaling of impact and not the scaling of the nonprofits themselves. But while scaling impact may seem tempting and a convenient way of solving the world's problems, there is no guarantee that it will actually work for the majority of nonprofits. The contrary may rather be the case, as Gugelev &

Stern (2014) suggest that the nonprofit could very well cease to exist even before mission achievement if the paths of government or commercial adaptation are successfully pursued or if the open-source End-Game is effectively applied.

While empire building doesn't resonate well in a mission driven sector focused on the greater good of the world it is however not comprehensible if highly capable organisations pull out or fold at too early a stage. In this light impact scaling seems to be an intriguing new path for nonprofits to follow, but as there is little evidence of the theory's sustainability including the community level sustainability after the programs are set loose, more research in the field is needed before the theory can become an industry standard. The concept should therefore be included in the conceptual model to allow for the investigation to assess its presence and influence in successful nonprofits. If not assessed properly but pursued anyways, there is a high risk of moving blindly down a path that can create a loose-loose situation for the nonprofits and their beneficiaries.

2.3. THE HOW

Even though research lately has been tuned in to scaling organisations and impact in the nonprofit sector as illustrated above, the views presented so far are predominantly based on quantitative studies with a positivist approach looking at the nonprofits from the outside and in. With a strong focus on financial records the literature provides answers to "the why" and "the what", but when it comes to "the how" the field is not nearly as developed. The question is therefore if the literature can teach us how to grow a nonprofit from an internal perspective?

In the article *The Effective Organization* Kramer & Stid (2014) argue, that there is indeed a good reason to take a closer look at organizational inefficiencies in nonprofits in order to address societal challenges more adequately. Based on a framework developed for the private sector by Bain & Company, Inc. they have used diagnostic surveys to gain insight of the internal realities in 42 nonprofits.

(...) for the most part, they [the nonprofits] are strongly led but under-managed. Many nonprofits have inspirational and visionary leaders who attract hard-working people with great passion for the cause at hand. However, these same leaders often find it difficult to implement and codify the kinds of mechanisms that would help these highly motivated people be as productive as possible.

(Kramer & Stid, 2014: 4)

This picture seems all too familiar. The lack of strong management is a hard self-inflicted blow to a sector, which has been given an increasingly significant role in solving the world's most pressing problems. With the increasing size of the nonprofits this managerial vacuum can no longer be justified.

Werker & Ahmed (2008) have already suggested that the jury is out on the question whether the nonprofits are just an ineffective cost-driving layer that can be cut out of the process.

If the quest is to achieve large-scale it appears meaningful to look at how the organisation can become more effective will be a good place to start. Kramer & Stid (2014) have analysed the nonprofits within five areas seen to be crucial in order to become a fully effective organisation, identified as 1) leadership (clear vision, priorities, and cohesive leadership team), 2) decision making and structure (clear roles and organisational structure supporting objectives), 3) people (talent and incentives aligned to objectives), 4) work processes and systems (superior execution and systems), and 5) culture (high performance values).

They found that there is significant room for improvements across all five areas, as:

Organizations need to establish and communicate clear priorities, make roles and responsibilities explicit, create clear connections across organizational silos, and develop the talented people they attract, or they will fall short of their full potential for impact. (Kramer & Stid, 2014: 2)

However two areas stand out more clearly than the rest, being 3) people and 2) decision-making and structure. When asked to identify what weaknesses are holding the nonprofits back from achieving their full potential for impact, '*coordination across organization boundaries*' and '*Leadership transitions and succession*' (Kramer & Stid, 2014: 5) are the highest scoring. With a complex governance structure with international alliances and branch organisations being the reality in many nonprofits, it is not surprising that decision-making and structure is causing trouble. Neither is it surprising that leadership succession is an issue as golden handshakes are seen as misbehaviour leading to some CEOs staying around for too long. In the private sector it is common that a founder of a start-up sells her shares once the business has reached maturity in order to move on and nurture new ideas with the acquired resources. Without the option of selling the shares or a golden handshake the weakness must be overcome in some other way as it is also posing a threat to the earlier described End-Game theories. Which nonprofit would want a commercial or government adaptation, if the result were, that the entire staff, including the CEO, was left without a job?

This seems to be one of the shortcomings of Kramer & Stid's work. While they do a fine job diagnosing the nonprofits' challenges, they do little to provide answers as how these can be solved. Yes, leadership transitions and succession is a challenge, but how can the nonprofits get it right?

The same cannot be said of Jim Collins' book *Good to Great* (2001), which in detail describes what it takes for a for-profit organisation to make the leap from good to great. In his book Collins presents his

'Flywheel Framework' (Collins, 2001: 12) based on more than 2,000 pages of interview transcripts. The framework is broken into three broad stages labelled 'disciplined people', 'disciplined thought', and 'disciplined action' (Collins, 2001: 12). These three stages each consist of two key concepts including the central and wide acclaimed 'Hedgehog Concept' (Collins, 2001: 90) with its notion of finding out what you as an organisation can be the best in the world at.

2.4. CONCEPTUAL MODEL

Due to the extensive empirical data and in-depth analysis Collins brings forward in his overall framework with its underlying concepts it is relevant to include his work on how to scale an organisation in my research. This will allow for further investigations as to what parallels can be drawn between the nonprofit and private sector. On this background I will use Collins' (2001) straightforward approach with support from Shein's (2010) more abstract work as my key literature. As I intend to use Collins' Flywheel Framework as the fundament for my conceptual model for the further investigation I find it relevant to present the framework's six underlying concepts in the following with a few references to other academics wherever it serves to enhance the model and relate it to the nonprofit sector (Figure 2.1.).

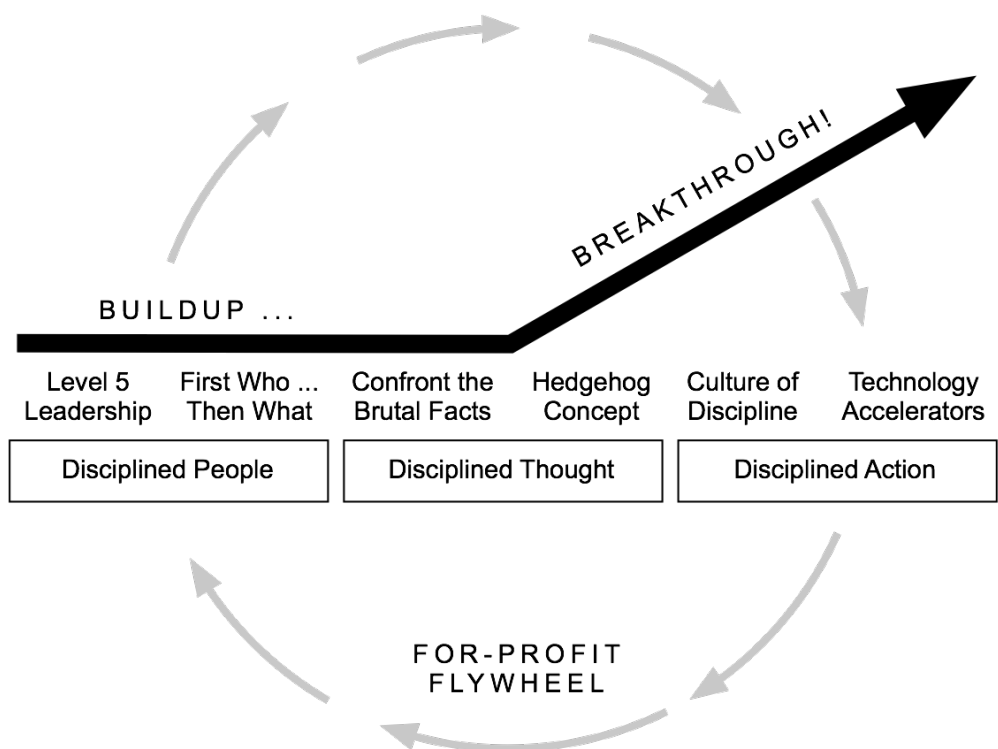


Figure 2.1.: Flywheel Framework (Collins, 2001: 12)

Collins and his research team found that in order to become a truly great organisation that outperforms both the market and the direct competitors and continue to do so over a long-term

period, the 11 companies who were carefully selected all distinguished themselves from the direct comparisons in six different areas. These findings lay ground for the six underlying concepts to be discussed.

1. **Level 5 Leadership:** First of all Collins found that the type of leadership required to turn a good organisation into a great one is '*a paradoxical blend of personal humility and professional will*' (Collins, 2001: 39). Larger-than-life leaders with big egos were not to be found in any of the great organisations, although they seemed to crowd the comparison companies. Rather than '*a genius with a thousand helpers*' (Collins, 2001: 47) the leaders built strong management teams with collective leadership responsibilities. As an added benefit this acted as a talent pool from where successors could be found. Jacques (1998) value similar attributes in his description of the five transitions a manager must go through in order to evolve as a mature and experienced leader. Although Collins does not reference Jacques, inspiration to coin the 'Level 5 Leadership' term is likely to derive from him, as Jacques published his findings while Collins was taking on his own research.

The professional will Collins (2001) describes has several similarities with Bennett and Ali-Choudhury's (2010) recognition of managerial inclinations. The Level 5 Leadership concept therefore seems of high relevance to the nonprofit sector and as it is already conveniently placed at an early stage in the conceptual model (Figure 2.3.) it will be broadened to include managerial inclination as well.

2. **First Who ... Then What:** With all the debate about strategy, one could suspect, that the leaders would start out by defining a clear vision and strategy. This turned out not to be the case. Instead Collins found that the leaders focused on first getting the right people '*on the bus*' (Collins, 2001: 44) and the wrong people '*off the bus*' (Collins, 2001: 44) before finding out where to drive it. The strong focus on people followed by decision-making corresponds well with Kramer & Stid (2014), why the concept will encompass both views in the conceptual model.
3. **Confront the Brutal Facts (Yet Never Lose Faith):** Collins and his team learned that the great organisations encouraged dialogue and debate, '*lead with questions, not answers*' (Collins, 2001: 88) and '*build red flag mechanisms that turn information into information that cannot be ignored*' (Collins, 2001: 88). As information can be more easily ignored, than one should think, Shein (2010) offers assistance on how to make it stick. In Shein's research on organisational

culture 'shared meanings' (Shein, 2010: 15) is one of the underlying forces influencing an organisation's culture. Shared meanings emerge when group members interact with each other, suggesting that the information that needs attention must be brought out in the open and acted upon. As the term deepens the understanding of the concept it should be included in the conceptual model (Figure 2.3.).

4. **The Hedgehog Concept (Simplicity within the Three Circles):** The good to great companies all transcended 'the curse of competence' (Collins, 2001: 13). Instead of looking at their core competences they focused on what they were 'deeply passionate about' (Collins, 2001: 96), what drove their 'economic engine' (Collins, 2001: 95), and last but not least what they could 'be the best in the world at' (Collins, 2001: 95), as illustrated in Figure 2.2. The Hedgehog Concept is whatever appears in the overlapping part of these three circles and constitutes what the organisation should excel at.

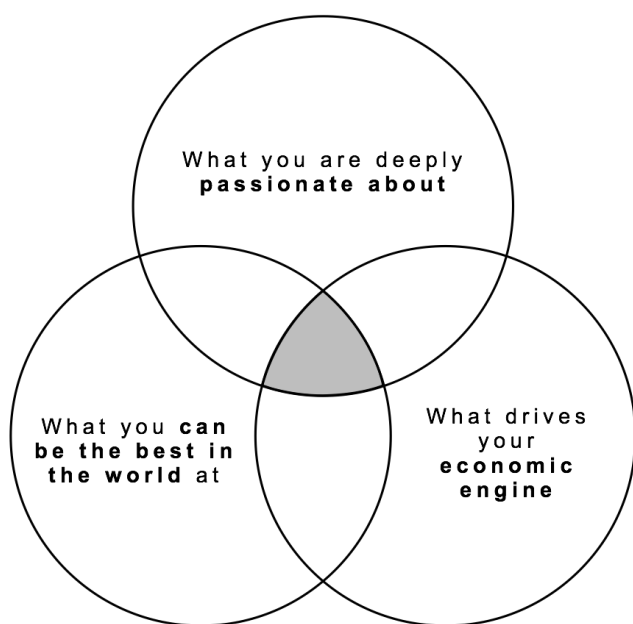


Figure 2.2.: The three circles of the Hedgehog Concept (Collins, 2001: 96)

Once the Hedgehog Concept is defined the growth is facilitated by an ambitious goal, described as a 'Big Hairy Audacious Goal' (BHAG) (Collins, 2001: 200). These gigantic simple-to-understand goals help to stimulate progress while respecting the Hedgehog Concept.

5. **A Culture of Discipline:** Once the Hedgehog Concept is in place, Collins argues that an organisation must show 'fanatical adherence' (Collins, 2001: 133) to the concept and discipline

to say “no” to opportunities that fall outside the three circles. This is achieved by building a culture of self-discipline - not bureaucracy. This approach finds solid support in Foster & Fine’s (2007) work with consideration to the big nonprofits abstaining from diversifying the funding base. The perspective is also backed by Whitbread who describes ‘*mission creep*’ (Davidson, 2010: 35) as any nonprofit’s biggest challenge. On a more abstract level Shein (2010) talks about the importance of alignment of subculture and how ‘*shared assumptions*’ (Shein, 2010: 26) around mission, goals, means to achieve goals, and measuring results must take root in order to create an effective organisation. This view has already been presented by Kramer & Stid (2014) who stresses a clear vision and alignment to the organization’s objectives. In my research I have not been able to find evidence, that the people in the great or effective organisations work longer hours. They simply appear to prioritise and spend their time on the right things.

6. **Technology Accelerators:** The great organisations all used technology to accelerate their growth, however they did not use it to ignite their transformation from good to great. By seeing potential and not by acting out of fear, they used carefully selected technologies and eventually became pioneers in its application.

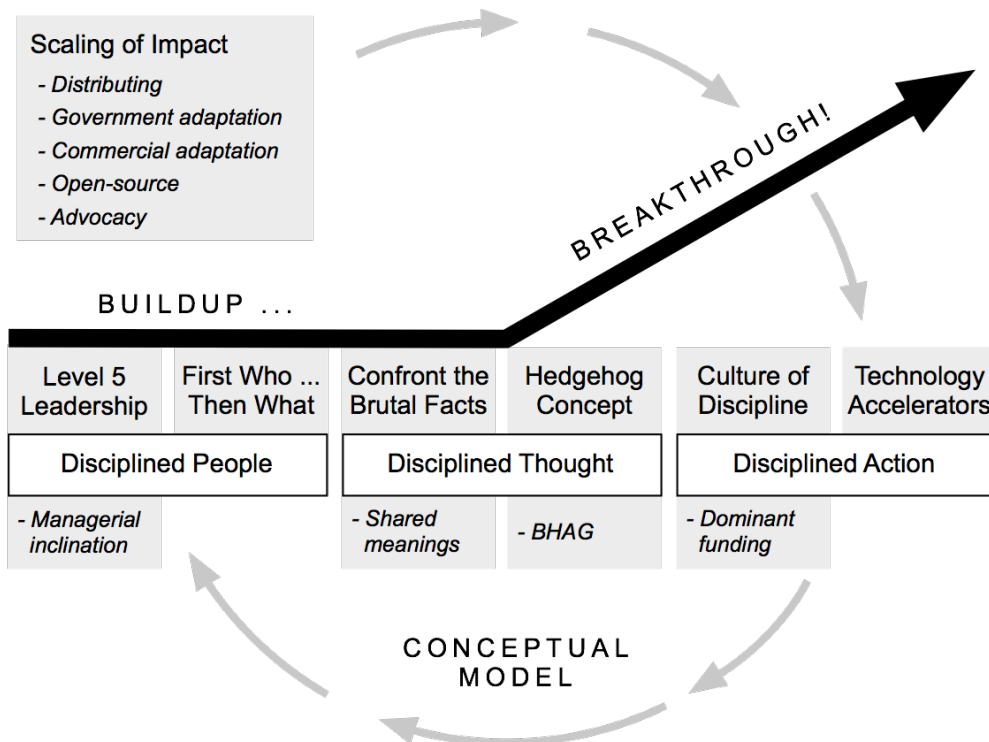


Figure 2.3.: Conceptual model

The above seven concepts collectively form a conceptual process model derived from the literature (Poole et al, 2000). It can be seen as a step-by-step guide on how to scale a nonprofit, although the process may take several years. The build-up starts with the right leader, then the team, followed by an awareness of the realities. Breakthrough can be achieved once the sense making has resulted in the definition of a strong concept succeeded by a dedication to adhere to the concept together with the appliance of carefully selected technology.

It has not been possible to identify at which stage Scaling of Impact should take place, which explains its loose place in the upper left corner. Neither has it been possible to make it probable that all Collins' (2001) Flywheel concepts are applicable to the nonprofit sector. The investigation will thus need to enlighten these aspects. While the conceptual model summarises what is already known about the research question, the following detailed research questions frame what needs to be found out (Table 2.1.)

DETAILED RESEARCH QUESTIONS	
1.	Do successful nonprofits have a CEO practicing Level 5 Leadership?
2.	Do successful nonprofits set the team before they set the goals?
3.	Do successful nonprofits have a culture of facing the facts?
4.	Do successful nonprofits focus on what they can become the best in the world at and set extremely ambitious goals?
5.	Do successful nonprofits display a culture of discipline and say "no" to opportunities that fall outside their primary focus?
6.	Do successful nonprofits use technology to accelerate the scaling?
7.	Do successful nonprofits scale their impact? And if so, which scaling paths are more effective?
8.	Are there any other highly influential factors that have contributed to the scaling of the success nonprofits?

Table 2.1.: Detailed research questions

An important note is that according to Collins (2001) the transformation of the companies never happened due to one grand change program. Collins found that greatness grew slowly through a devoted effort to honour all the concepts and – as a flywheel – built momentum turn by turn.

As I will be using Collins (2001) as key literature and the basis of my conceptual model, it is important to be familiar with the criticism of his work. This relates in particular to the fact that several of the companies Collins base his research on have declined during the financial crisis and that they could possibly just have been lucky to reach greatness in the first place. Furthermore many of Collins

findings are in fact already well established and accepted theories within the field, however Collins fail to reference these, as has already been pointed out above (Raynor et al, 2009; Sattersten, 2009). Collins answers the former critique with his book *'How the Mighty Fall: And Why Some Companies Never Give In'* (Collins, 2009), in which he convincingly reasons that a *'silent creep'* (Collins, 2009: 1) away from the Hedgehog Concept is indeed what is causing the failure. The latter critique reveals that Collins himself is not as humble as the level 5 leaders he has interviewed, but the fact that other academics have already presented similar theories, doesn't make them any less relevant. The contrary is rather the case.

With the fundament for the conceptual model still standing after having consulted the critics it will now be exciting to investigate whether the model is capable of illuminating why some international nonprofits manage to grow to a scale that allows them to respond appropriately to societal and global problems. To operationalize the research question it will however first be necessary to briefly define a few key terms.

2.5. DEFINITION OF KEY TERMS

As stated in Chapter 1 I intend to investigate successful international nonprofits in order to establish best practice for scaling in the nonprofit sector. In defining "successful" it will be necessary to establish what success looks like in the nonprofit sector. In this regard my initial approach was to look equally at financial and impact indicators. In the search for impact indicators, I have examined annual reports, websites, nonprofit ratings, etc., but as it has been extremely challenging to find adequate and comparable indicators, I have been forced to focus more on financial indicators and base my assessment of impact on indirect indicators, as explained in the following.

The criteria used to identify success are thus 1) the nonprofit's ability to generate sustained growth defined by an average annual growth in revenue of at least 20 % during the past five years, 2) an annual surplus for each year in the same period, 3) annual revenue above \$50 million (large-scale), and 4) a sustained international top-rating. The last criterion is added to make up for the lack of impact indicators. To assess this the Global Journal's (2013, 2012) lists of the world's top 100 nonprofits as well as Dalberg Global Development Advisors' (2007) rating of UN Global Compact's partnering organisations will be used, as they base their assessments on impact and efficiency amongst other criteria. It has however not been possible to gain access to the actual data used by these organisations and it is therefore unclear how they have overcome the challenge. To limit the risk that the conceptual model is tested by interviewing nonprofit leaders who have inherited a success I will only include organisations, who have increased the number of criteria they meet within the last 10 years. On this background successful nonprofits will be defined as nonprofits that live up to at least

two of the four criteria and who have increased the number of criteria they meet within the last 10 years.

With the review of current thinking, the conceptual model, and the definition of key terms in place, I will now turn to the empirical investigation of the research.

3. THE INVESTIGATION

3.1. OBJECTIVES OF THE INVESTIGATION

The objective of the investigation is to answer the overall research question as defined in Chapter 1. To inform, guide and operationalize the investigation I will test the conceptual model with its eight detailed research questions as defined in Chapter 2 in selected successful international nonprofit organisations.

If some or all of the first six detailed research questions derived from the private sector are rejected by the data this will allow for a debate on whether 1) the conceptual model and/or the rejected underlying concepts are unsuitable for the nonprofit sector or if 2) the concepts rejected hold a potential for the further scaling of the nonprofits and their impact.

The objective of the last detailed research question is to see if any unforeseen findings will emerge, thus combining the deductive methodology with an inductive element. If new themes emerge and if these are validated across the different nonprofits under investigation, this will call for an adjustment of the conceptual model to better suit the reality of the sector.

Last but not least it will be a personal objective to gain insight on the likelihood of being able to combine a big job in the nonprofit sector with a big family job at home.

3.2. RESEARCH DESIGN

To meet the rather broad objectives caused by the wide scope of the research question, the overall research strategy is to carry out a partly longitudinal research study at the leadership level in selected nonprofits where the conceptual model will be tested. The approach will first and foremost be deductive, as the testing of the conceptual model will be the main focus. A flexible research design drawing upon a qualitative methodology will nevertheless allow for an inductive element, as new themes which aren't already captured by the conceptual model are expected to emerge during the investigation. Choosing this type of research design will deepen the understanding of the subject, but limit the generalisability, as the sample population will be reduced compared to a fixed research design with a qualitative methodology. The robustness of a finding may not seem very high if merely four organisations validate it, but as the conceptual model rests on the review of current thinking, the robustness will be acceptable. This still leaves new emerging themes, which aren't supported by the literature quite fragile.

The research techniques applied to collect the empirical data will be an interview study with semi-structured individual interviews. The interviewees will be leaders in successful international

nonprofits. These in-depth qualitative interviews are expected to provide insight on nonprofit scaling and leadership behaviour beyond what my review of current thinking has been able to shine light on. The purpose of the interviews will be to test the conceptual model and to allow unforeseen findings to emerge. The research strategy becomes partly longitudinal by not only asking what the nonprofits are doing today, but also what they have done in the past to achieve the current scale. As it may be difficult to recall what exactly took place when, the interviewees will be helped by the selection criteria including their financial performance in the past, in order to refresh their memory (Appendix IV).

A critique of the chosen technique is that it will be of a self-evaluating character, which poses at least two potential weaknesses. First of all several of the detailed research questions are concerned with the organisational culture with question three and five giving explicit mention to culture. In dealing with culture the research design poses a weakness, as Shein (2010) describes how '*basic underlying assumptions*' (Shein, 2010: 24) defined as '*unconscious, taken-for-granted beliefs and values*' (Shein, 2010: 24) are important elements in forming the organisation's culture. This indicates that the interviewees may be less likely to touch upon these elements in an interview, as they are possible blind to them.

Secondly a Level 5 Leader may very well be hesitant to name the ambitious goals, which she has fulfilled on behalf of the organisation. As Level 5 Leaders tend to '*look out the window to attribute success to factors other than themselves*' (Collins, 2001: 39) and ascribe much of their success to pure luck it may prove difficult to get them to talk about what *they* did in order for their organisation to reach large-scale.

These weaknesses will be dealt with through 1) a persistent interview technique, where questions are repeated to encourage the interviewees to mention the taken-for-granted as well as their own achievements if any, 2) including board members among the interviewees to permit a board perspective on the CEO's achievements and character, and 3) a critical analysis and interpretation of the data that will allow for findings to emerge between the lines.

The self-evaluating aspect can however also be seen as an element of interpretivism in the research design. By embracing this philosophical position better suited for the social world, the research will stand a good chance of contributing to the further understanding of the topic, as it moves beyond the positivism predominating the current thinking, as illustrated in Chapter 2.

3.2.1. Selection of Nonprofits

The actual selection of the four particular nonprofits to become target of the investigation will consist of three stages. It is important to point out that it will not be the goal to find the most successful

international nonprofits, but rather to identify four nonprofits that meet the definition of “successful” as defined in Chapter 2. In the first stage I will make a shortlist of successful international nonprofits. This list will be made through a combination of inputs from knowledgeable people with a broad network across many different nonprofits (e.g. Thomas Ravn-Pedersen, Head of MDG Campaign), my own knowledge from the sport for development and peace field, as well as Global Journal (2013, 2012) and Dalberg’s (2007) ratings of highly acclaimed nonprofits.

Once the shortlist of 10 to 15 organisations is complete I will in the second stage scrutinize their publicly available financial records in order to assess whether they meet the criteria.

In the third and final stage I will select four nonprofits based on the analysis as well as the organisations’ willingness to participate in the research. I hope to overcome the latter barrier by contacting the leadership in the highest prioritised organisations, and explain the nature of the research together with an offer to share the final report with its recommendations subsequently. Last but not least a preference for heterogeneity in the organisations’ size will also influence the selection, as it will make the findings more applicable to GAME if at least one smaller organisation is included.

3.2.2. Data Collection, Analysis and Presentation

I intend to use semi-structured individual interviews preferably carried out face-to-face. This will create adequate conditions for trust building as described in Chapter 1. If trust is built early on in the interview, it will give room to more probing and persistent questions later in the interview. Preferably the interviewees will touch upon the detailed research questions without leading questions, but in case they don’t the interview guide should ensure that the conceptual model’s broader topics of people, thought and action are brought up (see Figure 2.3.). Open questions like the one below are preferable and will be used as an outset:

- *What do you see as the top five factors that contributed to or caused the upward shift in performance?* (Collins, 2001: 239)

The data collection is intended to consist of 12-15 interviews recorded with duration of 45-60 min each. I plan to interview two to four persons within each organisation to allow for validation of the empirical data through a minimum of one other person’s perspective. The interview guide used will be a slight modification of the one used by Collins (2001) (Appendix I). This will allow for almost ideal comparison with Collins (2001) Flywheel Framework, while allowing filtering out irrelevant questions such as *‘the short-term pressures of Wall Street’* (Collins, 2001: 240).

In analysing the data the interviews will first be transcribed in full. The data will then be reduced through coding using thematic analysis with the codes indicated in Table 4.2. This will help to make it possible to overlook the large amount of data. If any new themes emerge, these will be given a separate code during this process.

Once coded Miles and Huberman (1994) suggest that the data is displayed through a visualisation. To provide such a visual overview I will use a matrix cross-case comparison, as the matrix both rate the presence of a given factor in the organisations under investigation as well as the influence of the factor. With inspiration from Wilson et al (2002) I will first assess the extent to which the concepts and emerging themes are present in the case. If there in some cases are insufficient data I will not rate the factor. Secondly I will rate whether the factor appears to be influential in scaling the organisation. While doing so I will be careful to take account of data consistency across interviewees. I will also recognize that although a concept may be fully or partially absent in an organisation, the data may still support the concept, if benefits at the same time are reduced or absent.

From noticing patterns and clustering across the sample organisations as well as the occasional use of counting, the data will be prepared adequately for conclusions to be drawn in the following chapter (Chapter 5). Although the chosen research methodology is primarily qualitative, the flexible research design gives room for a quantitative element such as counting, which Collins (2001) draws upon. Direct quotations from the interviewees will also be used in Chapter 4 to illustrate important points. In my commentary to these quotes I will strive to use both description and interpretation to unfold the meaning.

With the objectives of the investigation, the research design, and the research techniques in place, I am now equipped to carry out my investigation. In the next chapter the empirical data derived from the interviews will form the basis for the findings and analysis.

4. FINDINGS AND ANALYSIS

In this chapter I will present the results of the investigation after a brief account of the key steps followed with special attention to deviations from the planned procedure.

Based on the three stages described in the previous chapter four international nonprofits were selected. All four organisations either showed significant growth or were large-scale organisations with a top-rating, as illustrated in Table 4.1. Two of the organisations (i.e. Org. A and Org. B) met all the criteria defined in Chapter 2 while the other two (i.e. Org. C and Org. D) met two of the criteria. All four organisations had increased the number of criteria they live up to within the last 10 years.

SELECTED ORGANISATIONS				
Organisation (2014)	Selection criteria			
	1) Growth	2) Surplus	3) Large-scale	4) Top-rating
Org. A				
Org. B	*	*		
Org. C				
Org. D				

* = Org. B only has a three-year record, as it was founded in 2010. The criteria for growth and surplus are both met in this period.

Organisation (before scaling)	Selection criteria			
	1) Growth	2) Surplus	3) Large-scale	4) Top-rating
Org. A				
Org. B				
Org. C				
Org. D				

Table 4.1.: Selected organisations

Prior to the selection of the above four nonprofits two organisations meeting criterion one and two were contacted, but as they could not allocate the needed time to participate in the research, they were dropped again.

In collecting the evidence 12 people were interviewed through a total of 11 interviews. Only two people were interviewed from Organisation C, while four representatives were interviewed from Organisation D. From Organisation A and B three in each organisation were interviewed. The reason

for the low number of interviewees in Organisation C was busy times due to an upcoming event. This is consistent with the internal reality of the two organisations declining the invitation to participate in the investigation. Making contact to these smaller organisations and getting through to the right person was found to be more difficult than in the large-scale nonprofits. As none of the three organisations have reached large-scale this could indicate that they are indeed trapped in the social capital chasm.

All interviewees across the four selected organisations had been part of and/or played a central role in the recent scaling of the nonprofit. The interviewees were either CEO's, members of the leadership team, board members during the years of transition, consultants advising the CEO, or key employees involved with the organisation's niche-strategy. In Organisation B and D it was not possible to interview the CEO of the international organisation under investigation, however two members of the international board was interviewed in each organisation to compensate for this. Nine of the interviews were conducted face-to-face, while the last two were carried out through Skype (video).

The collected data from the interviews amounted to a total of 59,183 words and more than 100 pages of transcript (See Appendix II for an example of interview transcript). The raw data was coded using the codes in Table 4.2. resulting in 313 quotations being copy-pasted into the preliminary matrix cross-case comparison (Appendix III). Where new emerging cross-case themes appeared, new codes were defined and assigned to the relevant quotations. A total of four new themes emerged, which were labelled 1) Adaptation of Business Culture, 2) Networked Leadership, 3) Taking Relationships Seriously, and 4) Investing in Development. As some of the emerging themes were only present and influential in a few of the organisations and as other themes were overlapping (e.g. Adaptation of business culture & Investing in development), three of the four new themes were dropped again, leaving Adaptation of Business Culture as the only one to be adopted in the final matrix cross-case comparison (Table 4.2.).

4.1. RESULTS OF THE DATA ANALYSIS

In this section I will analyse the evidence by deliberately going through the conceptual model guided by the detailed research questions. The purpose will be to either validate or reject each concept's influence on scaling a nonprofit in order to respond appropriately to societal and global problems. The data is presented in Table 4.2. based on the analysis following the table.

FINDINGS

Detailed research questions and code	Organisations			
	Org. A	Org. B	Org. C	Org. D
1. Do successful nonprofits have a CEO practicing Level 5 Leadership? (code: L5L)	***/++ CEO a winner locked on target	**/++ Selflessness and will inherited from founder	**/+ Egoless CEO. Strong will not revealed	DI
2. Do successful nonprofits set the team before they set the goals? (code: FWH)	**/+ Wrong people off the bus	**/+ Standard model of excellence	DI	**/+ One account of headhunting
3. Do successful nonprofits have a culture of facing the facts? (code: BRF)	***/++ Build complaint and red flag mechanisms	***/++ Creates shared understanding of structural inefficiency	**/++ Increasingly attentive to own org. needs	*/++ Coercion obstructs confrontation of facts
4. Do successful nonprofits focus on what they can become the best in the world at and set extremely ambitious goals? (code: HDG)	***/++ Changed focus and became best in the world	***/++ First movers with narrow focus	***/++ One of its kind with narrow focus.	*/++ 10 focus areas although narrow focus in DK
5. Do successful nonprofits display a culture of discipline and say "no" to opportunities that fall outside their primary focus? (code: CDS)	***/++ Keeps pushing for more simplification	***/++ Theory of Change helps focus	*/++ Have been forced to opportunism	*/++ Bureaucracy building in intl. org.
6. Do successful nonprofits use technology to accelerate the scaling? (code: TCH)	*/-- Not present	*/-- Not present	***/0 Sophisticated online platform increases reach	*/0 Not present
7. Do successful nonprofits scale their impact? And if so, which scaling paths are more effective? (code: SCL)	**/+ Advisors to UN. Focus yet on own implementation	**/+ Scaling of 'signature programs'.	***/+ Reach scale through partners and members	***/+ Stopped service deliveries. Implements via partners
8. <i>New emerging theme:</i> Adaptation of Business Culture (code: BZC)	***/++ Use business approach to reach growth	***/++ Use 'business language' to set growth goals	**/+ Social entrepreneurship	**/++ Focus on growing private donations

The colours refer to the presence and not the influence of the concept.

Table 4.2.: Findings displayed using matrix cross-case comparison (Wilson et al, 2002: 14)

SCORING SYSTEM

Rating of presence of Concept

*, **, *** The extent to which the concept is present in the case.
*** indicates that the concept is fully present, * indicates that it is not present.
eg: * indicates no Hedgehog Concept, *** indicates effective Hedgehog Concept.

DI The data is insufficient to rate the case on the concept.

Rating of influence of Concept

+, ++ The concept appears to be influential in scaling the organisation.
++ = the case supports the concept; + = data consistent with concept but inconclusive.
Criteria used in assessing include:
a) Data consistency: consistency of story from different interviewees
b) Theoretical fit:
i. where the concept is fully or partially absent, benefits are reduced or absent
ii. where the concept is present, benefits are present, or there is some other plausible reason for their absence
iii. a plausible casual explanation links the concept to the benefits obtained
For a ++ score, a) and all three points under b) need to be addressed.

-, -- The concept is not influential in in scaling the organisation.
-- indicates clear evidence, - indicates some indication.

0 While there is no or insufficient indication that the factor is influential in scaling the organisation, there is equally no or insufficient indication that it is not.

Table 4.3.: Scoring system for matrix cross-case comparison (Wilson et al, 2002: 16)

4.1.1. Level 5 Leadership

Clear indications of the CEO's showing personal humility was encountered numerous times across the nonprofits. An example of this is that the CEO's interviewed used the word "we" much more frequently than the word "I". A word count reveals that "we" was used more than 60 percent of the time whereas "I" was used less than 40 percent of the time throughout the CEO interviews. This finding stands in sharp contrast to Collins' (2001) reference to larger-than-life leaders who in comparison use "we" as little as 27 percent.

A critique of using counting to evidence humility is that an egocentric CEO could still use "we" in the majority of the interview when describing failures while using "I" in the remaining parts of the interview when describing successes. This critique does not stand however as the interviews were

carried out in an uplifted tune of success evidenced by the organisation's significant growth and/or international top-rating, making it difficult to use "we" so frequently without giving credit away.

Together with the direct quotations there is little doubt that humility is present amongst the CEO's in both the successful nonprofits, as evidenced quite clearly here:

Yeah, I think the analogy we often use, and sometimes we use it even as a tagline ... it takes a team to win a game. And that the game is not your organisational success, but actually an impact you want to achieve, and with your organisation you want to contribute to. (CEO in Org. C)

The quote illustrates how the CEO not only shuns personal fame by crediting the team, but he is even uninterested in empire building as it is the achievement of greater good that concerns him. It was however not possible to find professional will to balance out this humility in Organisation C and D, as the Level 5 Leadership concept prescribes, but its absence is judged to be reducing the benefits and the evidence is thus supporting the concept. In Organisation A and B professional will and ambition was on the other hand very explicit with clear origin of the CEO:

The first thing is quite easy, that's [name of CEO]. You have to, when you start up something, then you have to have somebody who sees a future, who sees a vision or a thought or a goal you want to reach at. And no doubt that [name of CEO] in that regard has had it from the beginning (...) he's a winner. (Consultant to Org. A)

On this background and with respect to the data limitations (i.e. only two of the four CEO's were interviewed), the evidence supports the concept that successful nonprofits have a CEO practicing Level 5 Leadership.

4.1.2. First Who ... Then What

It was not possible to find evidence that successful nonprofits set the team before the goals are sat. One interviewee in Organisation B ascribed part of their success to a 'standard model of excellence' (Board Member 1 of Org. B) where a strong board and board chair hires a strong CEO, who then hires an excellent senior management team in order to build a strong organisational culture. This might be a sign of dedication to get the right people on the bus, but as the practice was not evidenced by other sources and as the organisational goals were sat prior to the recruitment of staff, it is not coherent with the conceptual model.

The nonprofits did comply with or show understanding of the concept when it came to getting the wrong people off the bus, although execution was found to be slow:

There were four directors out of six who were simply not good enough. And they were then substituted out, but it took a bit of time, but they were substituted out. And we sat of course and talked a lot about that. (Consultant to Org. A)

We have carried the old employees with us because it was important in regards to continuity. We have to dare to pose the tough questions and carry out that cleansing, which must take place. And I also think ... we have started to talk about it and support our employees in it. (Member of the leadership team in Org. B)

When it came to getting the right people in the right seats, all four organisations were found to favour internal advancement over external headhunting. This could indicate that the nonprofits are missing out on the opportunity to build the strongest possible team. This has already been evidenced by Kramer & Stid (2014) who pointed out that the nonprofits can improve effectiveness by focusing more on people.

Based on this evidence the successful nonprofits did not set the team before they sat the goals, although they did focus on getting the wrong people off the bus. This calls for an adjustment of the conceptual model, as the concept should be dropped.

4.1.3. Confront the Brutal Facts

The data indicates that all four organisations were confronting their brutal facts, although Organisation D was obstructed at times, as the organisation's biggest member used coercion to disregard facts when these compromised its funding interests. It is assessed that this caused benefits to be reduced for the nonprofit and the concept is therefore supported by the specific case.

The brutal facts faced by the other nonprofits included the loss of 85 percent of the funding base (Org. A), the inefficiency of having seven different offices on the same street (Org. B), and acknowledging that the organisation was climbing the wrong mountain (Org. C). Great courage was shown from the organisations, as the discomfiting information was not only faced but also acted upon, once shared meaning had been established:

(...) we were climbing the wrong mountain. Let's say we were growing, growing in impact, growing in budget, growing in activities, but we were at the same time somehow in a hamster wheel, walking quicker and increasing speed, but not necessarily in a sustainable way and increasing impact as we wanted, so that was the point both from an organisational and strategic level as from a personal leadership level, that I wanted to reassure that either this is the right mountain, that

we're climbing or we should walk a bit back, go to the basecamp and choose the other mountain and climb that one. (CEO in Org. C)

The quote reveals that, although the efficiency was increasing, the organisation was not getting to where it wanted. By facing the brutal facts, the organisation is now in a transition likely to send it towards further growth. On a meta-level the case also illustrates that the investigation design seems to function, since a design with a more narrow focus on inefficiencies as suggested by Kramer & Stid (2014), would not have given room to such a finding. It would rather have given answers on how to climb the wrong mountain faster.

The data thereby supports the concept that successful nonprofits have a culture of facing the facts and creating shared meanings of them.

4.1.4. The Hedgehog Concept

The successful nonprofits did not only focus on what they can become the best in the world at. They also showed dedication to follow their passion and their economic drivers, by having a vision and mission that *'a lot of people resonate to'* (Board Member 1 of Org. B). As for the former circle, Organisation A narrowed and focused its service deliveries during the years of scaling and is now recognised as the best humanitarian relief organisation in the world. Organisation B is also seen as the leader in its field, but continues to invest in new niches where they *'want to be the best'* (Board Member 2 of Org. B).

Organisation C had a clear Hedgehog Concept, but deviated from it (see section 4.1.5.), while Organisation D experienced difficulties from the lack of a Hedgehog Concept. With 10 different focus areas pointing in different directions and with too strong a focus on what has driven the economic engine historically, Organisation D has not succeeded in becoming best in the world in any given field. The reason for this is not lack of opportunities, as potential Hedgehog Concepts reside in the organisation, but rather an unwillingness to face the brutal facts and acknowledge that change is needed, as already described.

Both Organisation A and B used one single BHAG to stay on course, exemplified by a goal of an ambitious increase of revenue and a ground-breaking change in the organisational structure. The concept is consequently supported.

4.1.5. A Culture of Discipline

This concept with its fanatical adherence to the Hedgehog Concept was the most clearly evidenced

concept, as illustrated in Table 4.2. Organisation A and B gave the fact that they were self-implementing high value in regards to being disciplined:

If something goes wrong, then it says smack, and then we're responsible. That is disciplining, so I would dare to say, that by being self-implementing, we have a good discipline. (CEO in Org. A)

Although the choir of well-acclaimed practitioners all seem to root for impact scaling and not self-implementation, these organisations stayed the course. Not because they were dinosaurs, but because they found it disciplining for the time being. This may very well be one of the reasons why their dominant donors have increased their funding. As suggested by Werker & Ahmed's (2008) they were not seen to be an ineffective cost-driving layer that could be cut out of the process.

One might voice critique of the high influence assigned to Organisation C's Hedgehog Concept in the previous section; if the concept was present and the influence was high, then why has Organisation C not grown to become large-scale? It appeared from the data, that the Hedgehog Concept was present and helped the nonprofit connect with high-level donors (e.g. FIFA, German government, etc.), but its full potential was not unfolded, as the nonprofit only showed sporadic adherence to it, cautiously illustrated by this quote:

(...) we [the nonprofit sector] have to respond sometimes to opportunities just to survive (...) And that makes it sometimes a little bit difficult to be consistent with the things you do and the things you don't do. (CEO in Org. C)

On the other hand fanatical adherence would be an accurate way of describing Organisation A and B's relationship to the concept. While Organisation B developed a Theory of Change to create shared meanings around mission and means to achieve goals all inside the Hedgehog Concept, then Organisation A slashed bureaucracy and gave room for continued improvements of the quality of its activities. Layers of management and the amount of staffs at Headquarters were reduced to allow for an even stronger implementation in the field. At a first glance slashing bureaucracy may sound counterproductive if the goal is to discipline people, but the point is rather, that with a clear purpose and goal, self-discipline will increase.

As a clear Hedgehog Concept was not evidenced in Organisation D, adherence to it was not possible. Indications of bureaucracy building were furthermore found, as sign-off procedures were being enforced increasingly strictly. According to Collins (2001) this development is distancing the nonprofit from the concept.

Summing up, the concept is supported as benefits from adhering to it were found in two organisations while absence of the concept were found to limit the scaling in the two remaining nonprofits.

4.1.6. Technology Accelerators

The concept was not present in the data besides the data from Organisation C, where data consistency was low with only one account of the concept. The concept is therefore not influential in determining scaling, as it was possible for all nonprofits to scale without the use of technology as an accelerator. The concept is therefore dropped and the conceptual model should be adjusted accordingly.

4.1.7. Scaling of Impact

The nonprofits showed dedication to scale their impact in a number of different ways in order to deliver results at the needed scale. Organisation D had taken the consequence and had stopped its service deliveries in order to operate completely through partner organisations. Organisation C was strongly committed to get the entire football sector attuned to a triple bottom line approach. Using the terms from the review of current thinking the organisations were found to favour all five paths for impact scaling including distributing through existing platforms, government adaptation, commercial adaptation, open-source, and advocacy.

Organisation A and B did not scale impact on a broad scale yet, but they both showed intentions of wanting to scale their impact more systematically in the near future through advocacy and '*signature programs*' (Board Member 2 of Org. B). Both organisations took pride in being self-implementing organisations. Being self-implementing is in this regard in direct contrast to the current thinking on how to scale impact.

This suggests that the nonprofits still have some ways to go, if they wish to leverage their impact through impact scaling in order to respond appropriately to societal and global problems. Time may however show, that using impact scaling as an accelerator once the organisation has achieved large-scale, could be a comprehensive way of overcoming the risk of losing quality and sustainability at the community level as described in Chapter 2. Getting the timing wrong when trying to scale the impact could on the other hand be what is keeping Organisation C as well as the nonprofits declining to participate in the investigation tremendously busy.

On this background the concept is supported by the evidence, however it should be placed at the end of the process model.

4.1.8. Adaptation of Business Culture

An emerging theme with strong presence and influence in the successful nonprofits was the

adaptation of business culture during the early years of their scaling. The interviewees described the process as a professionalization of the organisation with introduction of terms such as growth, bottom line, return, equity, deficit, surplus, etc. These terms provided a language the organisations could use to set tangible organisational goals. One interviewee attributed '*a clear growth strategy*' (Member of the leadership team in Org. A) as much as 50 percent of the reason for the successful scaling of the nonprofit. Such a clear growth strategy could be seen as a BHAG, but it was enabled by the change in language, which signalled a move '*from being an NGO to being a business focused NGO*' (Consultant to Org. A).

To speak of growth may seem inappropriate when the task is to make a positive difference in the lives of some of the poorest people in the world. As already illustrated by one of the nonprofits, the focus should be on impact and not organisational success, one might argue. This has also been a topic for debate in some of the other nonprofits, where Organisation A and B have experienced resistance amongst the employees in their adaptation of a business culture:

There has naturally been something about increased growth and not growth for the sake of the growth, but growth to be able to help more kids. (Member of the leadership team in Org. B)

So back in 2008 I went up to the lunchroom and said come on friends, let's go for the billion [DKK]. It was of course a fresh and dandy move because it felt for most like an insane amount, but I didn't think it was. But then some of the humanitarian people were offended that I could go for a financial goal. And then I had to say, yes for Christ sake, it's just a goal for how much we achieve. Come on, we have to help more people every year. (CEO in Org. A)

The quotes illustrate how one must manage to walk a thin line and always refer back to the impact, when introducing what may be seen as controversial growth goals in a humanitarian organisation.

Creating a surplus that could be invested in the development of new initiatives (e.g. complaint functions, private fundraising) was seen in several of the successful nonprofits. On this background the concept is judged to be of high influence when scaling a nonprofit.

4.2. EVALUATION OF THE FINDINGS

The findings of the investigation is that the evidence supported five of the conceptual model's seven concepts, while two were rejected. Combined with the emerging concept of Adaptation of Business Culture a total of six concepts were found to be influential in the scaling of the successful nonprofits. This shines light on the overall research question and points to how GAME may overcome the social capital chasm by scaling the organisation to reach a more sustainable state.

From revisiting the review of current thinking it appears that the research also casts new light on the topic of scaling nonprofits in a number of areas. The insight on the character of the CEO and the concept of finding out what the nonprofit can become the best in the world at were not found in any of the references. While a less progressive finding, the research also put a dampener to the idea of scaling impact, as the successful nonprofits did this to a lesser extent than expected.

In considering my philosophical stance I am sure that my findings were influenced by the interpretivist approach used. Had I used a classical positivist approach I may for instance have investigated which kind of End-Game the successful nonprofits favoured through a quantitative survey. This could however have left me without valuable information on the impact scaling's influence on the organisations' success. In this light I feel that the approach chosen has provided me with a broader and more timeless assessment of the research topic.

4.3. GAPS AND WEAKNESSES

The main weaknesses in the research are the limited empirical data and the broad research topic as already described. As a result generalisation to other nonprofits must be made with precaution. Due to the limited amount of data it is unlikely that each and every finding in this report will be applicable to all successful nonprofits. Furthermore there may be issues in a given nonprofit's context that needs to be addressed prior to embarking on the outlined process of scaling.

The broad scope of the research topic was found to be a strength in order to fence in the emerging concept of Adaptation of Business Culture. With reference to Plato the broad scope allowed the investigation to turn its head away from the current thinking's shadows of impact scaling and donor selection, and examine other possible avenues to respond appropriately to societal and global problems. This broad perspective has at the same time been a weakness, as the many different concepts found to influence have only been dealt with rather lightly, due to the limitation in length of this report.

A consequence of the above is that "the how" has not always been answered in full, although this was the intention from the outset. An example of this is the concept of Level 5 Leadership. The evidence reveals that the successful nonprofits fully or partially have level 5 leaders, but it does not explain how managers evolve as such mature and experienced leaders. The reader must therefore at times refer to the literature references to fully unfold "the how".

The anticipated weakness of the self-evaluating character of the research technique turned out to be less of a challenge. The interviewees gave the impression of being quite conscious about the organisational culture, and their account of it was validated through a high data consistency with other

interviewees' accounts. The research design also showed robustness in overriding the humbleness of the CEO's by obtaining evidence of their ambition and professional will from other interviewees.

When defining the organisations' success in the nonprofit sector one could have wished for a more sophisticated definition, which allowed for a stronger focus on impact. But as the nonprofits reported impact using a variety of different indicators (e.g. number of beneficiaries, number of partners, lives saved, etc.), the financial indicators became the centre of attention in lack of universal impact indicators. Numerous requests to Global Journal did unfortunately not lead to insight into their criteria used to assess impact amongst the world's top-rated nonprofits. One could therefore suspect, that they had encountered the same challenge in their assessments.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1. CONCLUSIONS

Based on the evidence, the overall conclusion of the research project is that the successful international nonprofit organisations managed to scale by adhering (fully or partially) to six interrelated concepts unified in the Nonprofit Flywheel Framework (Figure 5.1.). One organisation did not adhere to one of the concepts and another did not adhere to three. In both cases the lack of adherence was found to have a negative impact on the organisations' ability to scale thereby giving support to the Nonprofit Flywheel Framework. In the following I will briefly summarising the six concepts of the Nonprofit Flywheel Framework and other key findings.

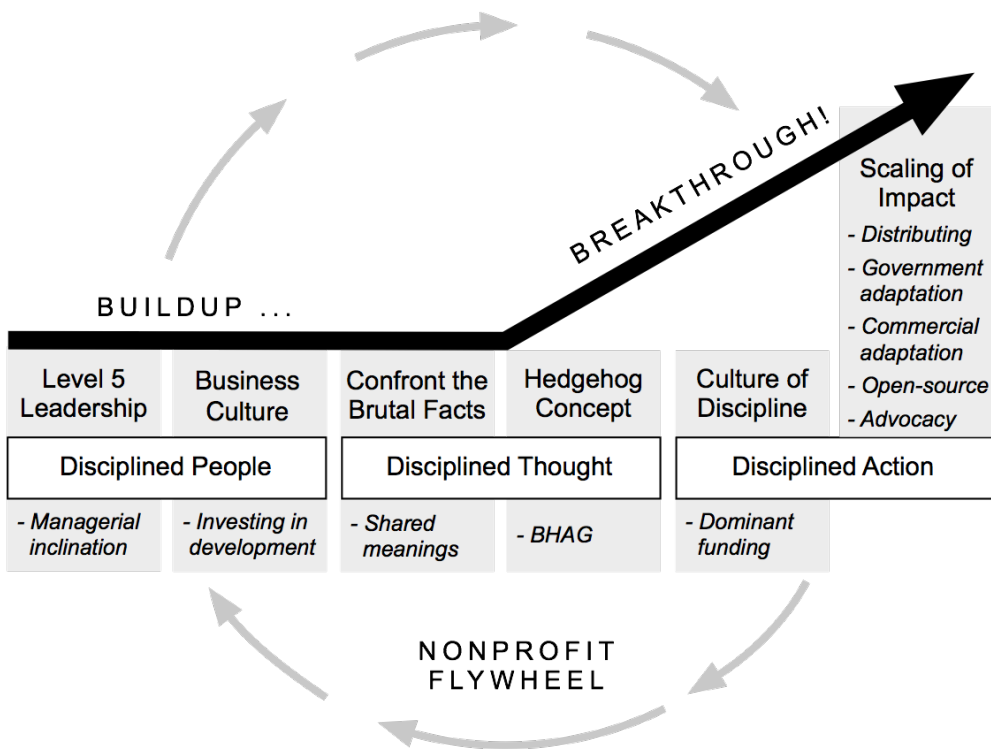


Figure 5.1.: Nonprofit Flywheel Framework

Starting with the CEO, the person heading the organisation had a character that combined personal humility with professional will. Secondly the nonprofits became professionalised through an adaptation of business culture with a common language that allowed them to set ambitious organisational goals. People not in favour of the new culture were helped off the bus. Thirdly the nonprofits confronted the brutal facts and created shared meanings of them. Fourthly they focused on what they could become the best in the world at while at the same time following their passion and their economic drivers. Once they had defined their Hedgehog Concept they sat one single ambitious

goal to guide them. Fifthly they created a culture of discipline with fanatical adherence to the Hedgehog Concept and slashed bureaucracy along the way. Last but not least it was found beneficial to remain self-implementing organisations that show intentions of scaling the impact, but wait until the timing is right.

The research shows that if all six concepts of the Nonprofit Flywheel Framework are adhered to, the benefits will not only be the scaling of the organisation to new heights, but also a scaling of its impact. With this powerful combination of scaling both organisation and impact, the literature suggests that the nonprofit can start delivering results at the needed scale and thus respond appropriately to societal and global problems.

Based on the evidence the nonprofits did not set the team before they sat the goals, which is why the concept of First Who ... Then What is partly irrelevant. The concept's focus on human resources and especially the element of a progressive recruitment strategy is however worth considering as it holds a significant potential for the scaling of a nonprofit. This is particularly relevant amongst the nonprofits under investigation. As they are already getting the wrong people off the bus they might as well take inspiration from the private sector and include the softer side of the concept (i.e. headhunting). As the notion of getting the right people on the bus and the wrong people off is conventional wisdom in the private sector, the concept has been replaced by the emerging concept of Adaptation of Business Culture, as this will encompass the purposeful elements of the First Who ... Then What Concept in a nonprofit context.

In regards to the central Hedgehog Concept with its three circles, an important note is that in order for a small-scale organisation to escape the social capital chasm it must choose its economic drivers with great caution. The literature suggests that foundations have their limitations and that government or commercial partnerships are more sustainable in the long-term if the organisation wants to scale above the barrier of \$10 million annual revenue. By tailoring the organisation to the needs of its future primary funding source, chances of overcoming the social capital chasm are improved.

Technology was obviously not given any significance by the nonprofits and has consequently been replaced by Scaling of Impact. Not all the nonprofits were dedicated to scale their impact on a broad scale yet, but they did show intentions of wanting to do so more systematically in the near future. According to the literature Scaling of Impact holds an enormous potential for delivering results in order to respond appropriately to societal and global problems.

When Scaling of Impact is placed at the very end of the Nonprofit Flywheel Framework it is neither a coincidence nor because its potential to solve global challenges is judged to be inferior to the other

concepts presented. It is primarily because it seems to be a haphazard and risky move to introduce it right after proof-of-concept has been reached as suggested by the literature. The evidence from the investigation showed that Scaling of Impact was not found to influence the scaling of the organisation. Furthermore the analysis of the current thinking revealed a potential loose-loose situation for the nonprofits and their beneficiaries if the Scaling of Impact was pursued at too early a stage. This is not to say that the concept is without potential, but rather that it seems to be of great importance to get the timing right. In this case the right time to introduce the concept appears to be once the organisation has reached large-scale (\$50 million annual revenue) or at least is past the social capital chasm (\$10 million annual revenue). At this stage momentum in the flywheel has been built up, just like Collins (2001) describes the timing of the great for-profit organisations' use of technology accelerators. By getting the Scaling of Impact right, the nonprofits can play a transformative role in tackling global challenges and improve their chances of reaching mission achievement, as the practitioners strongly advocate for.

5.2. RECOMMENDATIONS

Based on the findings and analysis in Chapter 4 as well as the review of current thinking in Chapter 2 a set of recommendations will be presented in the following with the objectives described in Chapter 3 in mind. With consideration to the terms of reference the recommendations will be structured in two lists and an implementation plan. The first list will contain general recommendations for scaling nonprofits and their impact, while the second list will contain more specific recommendations for large-scale nonprofits. These recommendations will then be further related to the sponsoring organisation through an implementation plan with responsibilities and deadlines defined. This will allow all involved stakeholders to find highly relevant recommendations.

5.2.1. Recommendations for Scaling Nonprofits

- Encourage both personal humility *and* professional will in the CEO position
- Professionalize the organisation through an adaptation of business culture. Use a common language with shared meanings suitable for setting organisational goals.
- Make sure to get the wrong people off the bus and the right people on the bus
- Always face the brutal facts, create shared meanings of them, and never accept coercion as it is likely to keep your organisation from reaching its full potential
- Define your Hedgehog Concept by looking at what you can become the best in the world at, what you are deeply passionate about, and what drives your economic engine
- Set a Big Hairy Audacious Goal (BHAG) – one is plenty for starters

- Escape the social capital chasm by tailoring the organisation to the needs of its future primary funding source
- Show fanatical adherence to the Hedgehog Concept to avoid opportunism and bureaucracy building
- Once the above is taken care of, decide on and implement a strategy for scaling the impact. This holds the promise of accelerating your organization's ability to respond appropriately to societal and global problems.

5.2.2. Recommendations for Large-Scale Nonprofits

- When looking for a CEO successor, encourage candidates who balances personal humility and professional will
- Take inspiration from the private sector and focus more on getting the right people on the bus
- Continue to face the brutal facts and create shared meanings of them
- Continue to set Big Hairy Audacious Goals (BHAGs)
- Continue to stay inside the three circles of what you can become the best in the world at, what you are deeply passionate about, and what drives your economic engine
- Once the above is taken care of, decide on and implement a strategy for scaling the impact. This holds the promise of accelerating your organization's ability to respond appropriately to societal and global problems.

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APPENDIXES

- Appendix I: Interview Guide
- Appendix II: Example of Interview Transcript
- Appendix III: Preliminary Matrix Cross-Case Comparison
- Appendix IV: Selection Criteria
- Appendix V: Management Challenge Diary