

Optimizing Organizational Structure to Increase Impact: Children's Hope Foundation Case Study

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About BSR

BSR works with its global network of nearly 300 member companies to build a just and sustainable world. From its offices in Asia, Europe, and North and South America, BSR develops sustainable business strategies and solutions through consulting, research, and cross-sector collaboration.

Visit www.bsr.org for more information about BSR's more than 20 years of leadership in sustainability.

About Children's Hope Foundation

The Children's Hope Foundation is a private Chinese foundation focused on providing care and relief to orphans and children in difficult circumstances. Collaborating with other official organizations, it has helped approximately 4,600 disabled orphans and over 8,000 poor families arrange surgery and rehabilitation for children with cerebral palsy; provide older orphans with vocational training; and help thousands of orphans find stable families over the past 20 years

Visit www.childrenshope.org.cn for more information

EXECUTIVE SUMMARY

Foundations often struggle to find the best organizational structure to facilitate their vision within the constraints of their operations. BSR worked with the Children's Hope Foundation (CHF) to understand the organization's operational challenges and enabled them to become more effective at achieving their mission by transforming their organizational structure. CHF, a nationwide organization in China, is dedicated to helping children in need, especially orphans and children living in difficult circumstances.

For over 10 years CHF has expanded its scale of operations, increased public awareness of its activities, and has grown its projects across China. The organization had outgrown its original model, facing management challenges across multiple functions; including finance, volunteer systems, Board Member engagement, and communications.

To help CHF address these growing pains, BSR worked with the organization through a three-step process. Through a process of stakeholder interviews and internal reviews, BSR first diagnosed CHF's current state. Building on this knowledge, BSR analyzed the key trends and benchmarked the foundation's structure and attributes across other similar and leading foundations to assess what practices may enable CHF further success. Integrating the data collection with BSR's own expertise in foundation management in China, BSR provided recommendations for organizational change – specifically addressing CHF's four key management challenges in finance, volunteers, Board Members, and communications.

The four lessons learned, as a result of this project, that are applicable to all foundations reviewing their efficiency are:

1. Understand the organization from different perspectives
2. Align differing expectations and adapt priorities
3. Discover links between surface issues and organizational structure challenges that create or enforce them
4. Consider the impact of organizational change to employees

PROJECT BACKGROUND

The Children's Hope Foundation (CHF) is a private Chinese foundation focused on providing care and relief to orphans and children in difficult circumstances. Starting its work in 1992, CHF formally registered as a foundation in 2010. Collaborating with other official organizations, it has helped approximately 4,600 disabled orphans and over 8,000 poor families arrange surgery and rehabilitation for children with cerebral palsy; provide older orphans with vocational training; and help thousands of orphans find stable families over the past more than 10 years.

The Foundation has experienced rapid growth in recent years, and a lack of a clear organizational structure and staff roles has caused inefficiencies. This has hindered the Foundation's ability to attract more funding, manage its volunteers efficiently, and quickly respond to beneficiary needs.

CHF's Organizational Structure

Currently, CHF has four major departments within its organization:

- Development Department – Responsible for public relations, financing, and communications;
- Project Department – Responsible for project management across all cities;
- Administration Department – Responsible for logistics and IT support; and

About CiYuan

BSR's three-year CiYuan (China Philanthropy Incubator) initiative builds innovative cross-sector partnerships to enhance the value of social investment in China. With guidance from international and Chinese leaders in the field, CiYuan improves the capacity of local foundations and NGOs to serve as durable and effective partners with business. Ultimately, CiYuan will integrate philanthropy with core business strategy, foster collaboration, and inspire innovation.

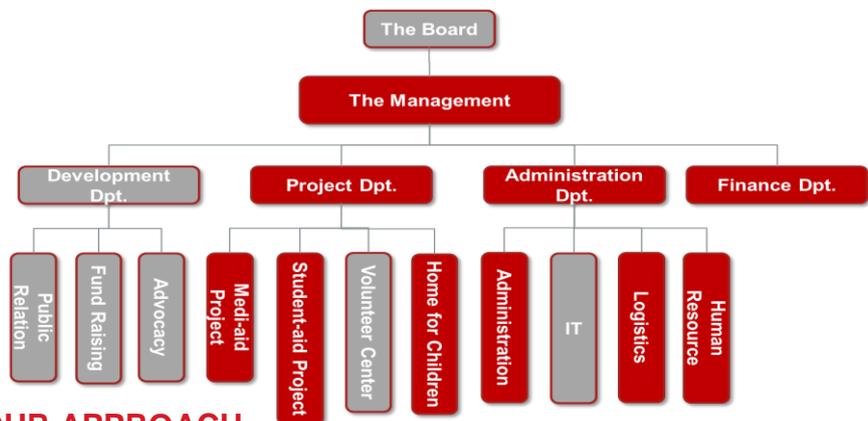
Visit ciyuan.bsr.org for more information.

- Finance Department – Responsible for donations processing, accounts, and finance.

These four departments sit within a vertical structure, starting at the top with The Board, followed by management, and then spreading into the department teams, such as projects, administration, and finance. Like many other nonprofits in China, the CHF runs on limited staff, who play multiple roles within the organization. CHF has been focused primarily on its mission, spending the majority of its staff time on implementing on-going projects, especially urgent requests for medical aid for children. With limited staff capacity, and urgent requests to respond to, CHF placed less emphasis on developing a strong organizational structure, with roles that directly support the organizations success and potential growth.

The organizational structure chart below depicts the common structure of a grassroots nonprofit. The functions highlighted in grey are fundamentally important for a non-profit to operate smoothly. However, at CHF key functions were missing, leading to confusion among staff roles and inefficiencies.

Figure One: CHF's Organizational Structure Compared to a Standard Foundation Organizational Structure



OUR APPROACH

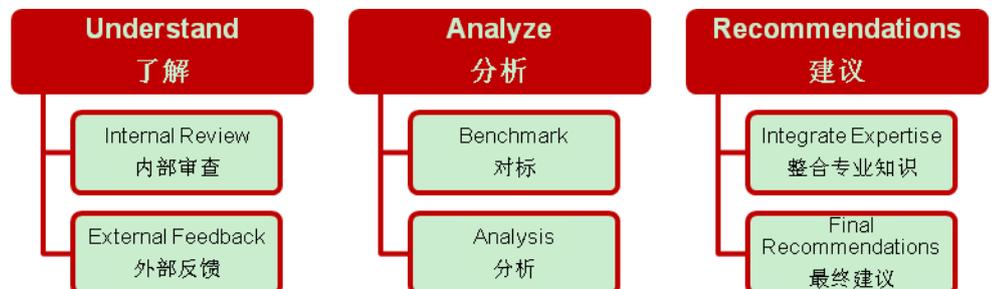
Key:

Red boxes indicate CHF's organizational structure

Grey boxes indicate a standard Foundation's organizational structure

BSR developed a three-step approach to help CHF identify current issues and reorganize its organizational structure for long term development.

Figure Two: BSR's Approach to Foundation Structure



Understand

To establish a baseline understanding of the Foundation's current state, we conducted an internal and external review. The internal review consisted primarily of document reviews and dialogue with CHF, specifically reviewing the organizational structure, CHF's history, CHF's growth both present and projected, and its administrative processes. For the external review, BSR worked directly with CHF to

identify ten key stakeholders to provide input through one on one interviews. Stakeholders included members of the management team, board members, current volunteers, and donors which cover the organization's main spheres of influence

Analyze

Following the internal review and stakeholder interviews, BSR conducted a trends analysis to identify common areas of improvement for CHF. The four primary leverage points for change identified were financial management, volunteer attraction and retention, board member engagement, and communications. Within each of these areas, BSR conducted a benchmark to identify existing best practice and lessons learned to date to help CHF update the organization's systems while avoiding common pitfalls.

The specific areas for best practice exploration included:

- **Financial Management:** How can CHF use IT tools to simplify the financial management process, disclose information on their donations received, and do so in a timely and efficient way?
- **Volunteers:** How can CHF attract and retain volunteers, while effectively coordinating volunteer management across cities?
- **Board Member Engagement:** How can CHF engage Board Members, including how to leverage their resources to support the foundation on fundraising and development?
- **Communication:** How can CHF collect and communicate project information in a timely way to donors and the public?

Recommendations

Following the data collection and analysis, BSR developed final recommendations for CHF to modify the organization's structure and enhance the internal culture through increased efficiency, defined roles, and specific actions within the four key areas for improvement.

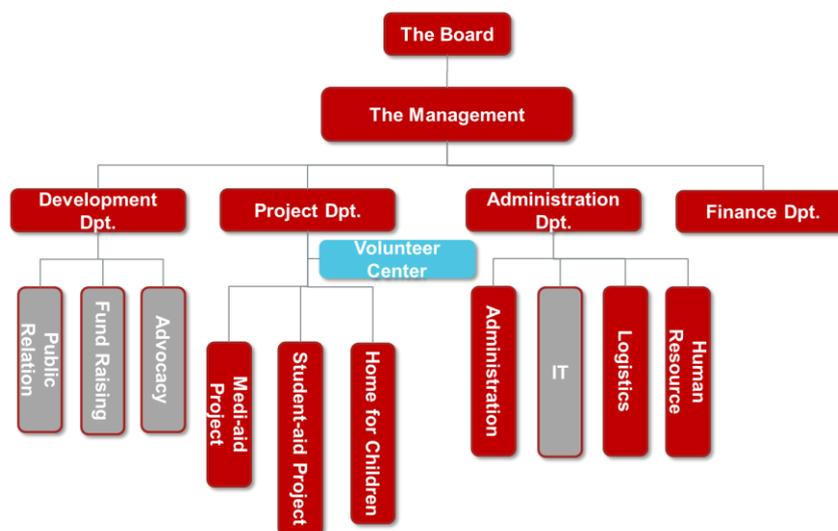
PROJECT RESULTS

BSR recommended several ways that CHF can enhance their operations in the four primary issues areas:

- **Financial Management:** Through upgrades to the financial management system and the website, CHF can ensure donors can access real time information on the money flows. This will reduce the burden on the finance department to communicate with donors, and increase organizational transparency.
- **Volunteers:** By establishing a separate volunteer department to coordinate all the volunteer related work, CHF can more effectively manage volunteer requests and potentially retain and attract more volunteers through a well-run program. Within the volunteer management department, CHF can set up a complete cycle of recruiting, training, project assignment, volunteer assessment and feedback, and record management to efficiently use staff time.
- **Board Member Engagement:** Creating a written policy for Board Member responsibilities will set clear expectations, and empower Board Members to become more involved in fundraising and the management of the organization. By supporting this policy with regular board meetings, CHF can ensure that Board Members are supported in their efforts to help lead the organization.
- **Communication** A clear communications strategy will further enhance CHF's impact through improved communication processes, support to regional teams, and timeliness. CHF's headquarters can serve as the home base, coordinating all the regional offices to ensure consistency across the organization. This includes regional offices taking on responsibility to support both their own objectives and those of the broader organization through clear expectation-setting in the communication strategy for key functions, such as updating necessary project information in a timely manner.

One month after BSR presented these recommendations to CHF, the foundation has recruited one full-time staff member to establish and lead the volunteer department and is in discussions with the board on enhancing their engagement in the foundation's activities. CHF senior management is considering how to adopt BSR's recommendations on financial management and communications strategy.

Figure Three: CHF's New Structure including a Volunteer Centre



LESSONS LEARNED

- Non-profits should regularly review their organizational structure to ensure it matches their organizational needs, in particular during times of fast growth, strategic transformation, or when operational inefficiencies are obvious, thus ensuring a more effective structure for the organization's long-term development.
- The Chinese public is increasingly making their donation decisions based on the transparency of non-profits and an understanding of how their donations are being spent. Foundations should invest in IT systems that can play a dual role in both supporting the organization's financial management and facilitate external communication of the donation's impact.
- Non-profits should maximize existing management tools to improve their operations. Regular Board of Directors meetings can facilitate better engagement between organization directors and Board Members. In addition, establishing performance reviews, setting KPIs and creating an incentives system help a foundation to assess performance and motivate their volunteers.

RECOMMENDATIONS FOR FOUNDATIONS ASSESSING THEIR ORGANIZATIONAL STRUCTURE

BSR provides four recommendations for foundations embarking upon an organizational restructure:

1. **Understand the organization from different perspectives:** Take both internal and external stakeholders' perspectives into consideration when assessing the current state of the foundation's organizational structure to obtain a comprehensive picture of where the issues may lie.
2. **Align different expectations and adapt priorities:** In undergoing the process of an organizational restructure, lots of opportunities for improvement may surface. In addition, stakeholders will have different expectations for how they would like to see

the organization transform. Try to define the most important and urgent issues for the Foundation to address and adapt priorities accordingly.

3. **Discover links between surface issues and organizational structure challenges that create or enforce them:** It is relatively easy to unearth operational issues but much harder to identify the reasons behind them. When staff identify issues, try to link these issues to the positions associated with each to help discover the root cause. For example, when there is unclear division of work and responsibilities between staff, management should clarify each department's responsibility.
4. **Consider the impact of organizational change to key employees:** Foundations should consider the ramifications associated with undergoing any kind of organizational change. When an organization's structure changes, individual roles or positions may alter or become redundant. Regular and clear communication to staff as well as a well-planned change management process will make it easier for the employees to accept the changes.