Chapter One

Organizations with Charisma: An Introduction

In 1995, Eric Schwarz and Ned Rimer had an idea. They saw that children in their Boston community were failing and felt the frustration of local businesspeople who wanted to help but were unable to find an entry point into the schools. They also observed that while there seemed to be too little time in the school day to deal with much more than the basic subjects, the after-school hours for most children were unproductive, even risky. And they sensed a particular challenge for middle school students, especially low-income youth who were making the difficult transition into adolescence without the kinds of supports that their better-off counterparts took for granted. Out of these observations, Citizen Schools was born.[1]

The concept was simple: Citizen Schools would organize educational after-school programs in middle schools serving low-income youth. But they would not simply extend the school day with more of the same. They would engage the students with interesting learning activities that got them out into the community and, more important, brought the community into them with local businesspeople and others leading the students in "apprenticeships": multiweek projects that would teach the youth real-world skills and expose them to different career fields.

It worked. Students signed up enthusiastically. Principals lobbied to bring the program into their schools. Young professionals came to work for the organization, eager for the creative opportunities the organization offered. As a result, the *Princeton Review* named Citizen Schools one of the "Best Entry Level Jobs" for

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college graduates. The organization developed strong political support and a deep partnership with the school system. And community members clamored to offer apprenticeships, buoyed by the enthusiasm of the students and high-energy culture of the organization, which emphasized performance and respect for entrepreneurship, people, and ideas. A lawyer who taught one of the first apprenticeships recruited other attorneys, leading to strong support from the Boston legal community, including the opportunity for students to argue their moot court cases before actual judges. Other sectors stepped up as well, including some of the area's most successful businesses. Architects worked with students on design projects, tech firms helped students to create Web pages, and restaurateurs taught students to make fancy desserts. The work of the students was showcased to the broader community, providing meaningful validation to the students and their citizen teachers alike.

With each success, the program grew, from five schools in 1997 to twelve schools in Boston by 2000, and then to thirty-seven locations in six states. National foundations offered expansion grants, local leaders made personal contributions, and the program signed up dozens of corporate sponsors. In just a decade, Citizen Schools became a national model, and Eric Schwarz and Ned Rimer became recognized as leaders in the after-school movement.

How did they do it? One might initially look to the qualities of its leader. Cofounder and president Eric Schwarz, a former journalist with a master's degree from the Harvard Graduate School of Education, knows how to sell his program. He is well connected and well spoken and has the kind of vision and commitment to innovation that inspires confidence among business-people and other funders. But our experience convinced us that there is more to the story.

We run a management consulting practice and have worked with dozens of clients on strategic planning, resource development strategy, and public policy. Our clients have included large national and international nonprofits, small start-ups, local groups, and large and small foundations, many of them featured in this book. Shirley's book, *Common Interest, Common Good,* written with coauthor Eli Segal, brought her in contact with

dozens of nonprofits that had developed strong partnerships with businesses.[2] We also helped to create the AmeriCorps program, the Corporation for National and Community Service, and its predecessor agency; in these roles, we were involved in making literally thousands of government grants to nonprofits of all stripes that were interested in hosting AmeriCorps members or running a volunteer service program. We have founded and worked on the staffs of nonprofit organizations, volunteered extensively, and served on the boards or advisory councils of numerous nonprofit groups, from small organizations run by volunteers to national nonprofits and top-tier universities.

These many roles have brought us into close contact with hundreds of nonprofits, as well as foundations, businesses, and government agencies. Some of the organizations we have come to know well struggle in ways that may sound familiar: they are chronically underfunded and understaffed, and they cannot follow through on their best ideas, attract major donors, use volunteers, or recruit top-quality board members.

Others have been amazingly successful at drawing people into their circles. They raise a million dollars at a single event. Companies call *them* when they are seeking cause-related partners. Their boards are full of energetic, knowledgeable, and connected members. They have grown steadily over the past decade. Like Citizen Schools, they are the go-to groups on their issues, the leaders in their fields.

Beyond Charismatic Leaders

We came to think of these highly networked, highly successful nonprofits as *charismatic organizations*—groups that people are drawn to in the way charismatic individuals attract followers. One theory to explain their success might be the presence of a charismatic leader. Charismatic leaders have been widely studied by psychologists, sociologists, historians, political scientists, and business theorists. Most experts describe them as visionaries who take risks, go against conventional wisdom, and communicate so compellingly, through action and deed, that they easily inspire others to follow.[3] Eric Schwarz is a fine example. Clearly many of these traits are extremely useful in nonprofit executives.

Yet not all of the charismatic organizations we identified had charismatic leaders, and some organizations that did have charismatic leaders were unable to grow, much to the frustration of their visionary founders. In fact, having a charismatic leader can work against the long-term sustainability of an organization. Charismatic leaders do help in some ways: they are often great storytellers and can easily attract the first layer of a network. But they can hurt in other ways; for example, they may be so good at attracting certain kinds of funders that the organization never builds its capacity to diversify its funding. Or they may be so good at convincing others of their points of view that colleagues don't challenge them even when they are wrong. Or they may be so personally popular that surrogates won't do; left to perform so many roles, the leaders become overextended and burned out.

Studies of charismatic leaders in the business world have shown they often produce disappointing, even disastrous, results.[4] They are not necessarily strong managers, may alienate key stakeholders, inadvertently create internal rivalries as employees seek their favor, fail to encourage others to take leadership or prepare successors, and foster dependence among employees.[5] In fact, management guru Peter Drucker argues that "charisma becomes the undoing of leaders."[6] Clearly having a charismatic leader is not the key to success.

We have another theory: that certain qualities of organizations are more important to success than charismatic leaders. Charismatic organizations attract people by achieving powerful results and building a community that others want to join. In other words, they build strong social capital. *Social capital* refers to a network of relationships that yield benefits to those who are part of the network. These benefits flow from the trust, norms of reciprocity, information flow, and cooperation embedded in these relationships. While high levels of social capital pay dividends to society as a whole, the organizations that build these networks experience more direct benefits. For a nonprofit organization, that means a committed community of staff, donors, volunteers, and friends who can provide access to other social networks. These networks lead to other essential forms of capital—financial, human, and political—that allow the organization to increase its

Charismatic Leaders

The word *charisma*, which originated in Christian theology, means "a favour specially given by God's grace." In the 1920s, German sociologist Max Weber appropriated the term to mean "a certain quality of an individual personality by virtue of which he is set apart from ordinary men and treated as endowed with supernatural . . . or . . . exceptional powers or qualities."

Since then, charismatic leaders have been studied through a variety of disciplines. Political scientists have analyzed the role of charisma in the rise of Hitler and the appeal of American presidents, from FDR to Ronald Reagan. Leadership scholars have explored the implications of charismatic leadership on organizations. And experts in psychology have studied what makes a leader charismatic, finding that they are able to induce emotions in others while remaining impervious to the influence of other charismatic people.

Most modern definitions of charismatic leadership emphasize this ability to communicate a compelling vision for change through emotional appeals. Charismatic leaders appear to empathize with their followers, which adds to their attractiveness. Because they are change agents, they often emerge out of times of crisis. Because they offer a way forward, they appeal to people looking for direction and hope. But fundamentally, the relationship they build with their followers, whether 1 or 100 million, is personal. It is about the leader, not the organization.

impact and influence even more, beginning a continuing cycle of impact and growth. (See Figure 1.1.)

Nonprofit organizations have every reason to want to increase their charisma. It is the rare nonprofit that can rely on a single consistent funder, has no need for volunteers, fills job vacancies easily, and never needs to influence policymakers, community leaders, or the public. Most nonprofit leaders today want to expand their resource base and sphere of influence, but they are hindered by old paradigms that keep their organizations cash poor and poorly known.

**Figure 1.1. The Charismatic Organization:
Strong Core and Cycle of Growth.**

Meaningful
Involvement

Active
Outreach

Grow the
Core

Resources
Contributed
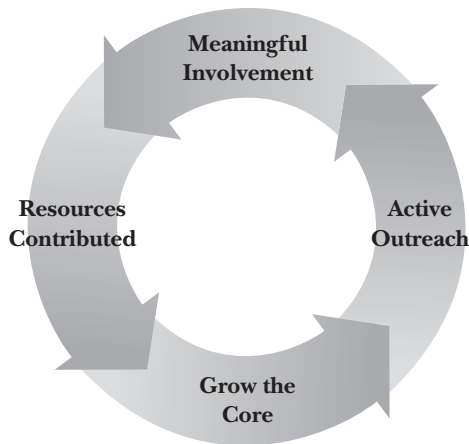
Old Paradigms

We can best explain these old paradigms by offering an example: a domestic violence shelter we were familiar with some time ago. Its programs were top-notch, serving women and families from their first hot-line call to their transition to a new life. The shelter provided women a safe place to stay, offered them counseling and community with other families going through similar experiences, and attended to the unique needs of their children. It was client focused and cause driven. And yet the organization struggled constantly for resources, had difficulty filling volunteer shifts on the hot line, and was largely unknown in the community. Why?

The answer is its reliance on an old way of doing business. The organization had four primary needs: funding, volunteers, public awareness so victims of domestic violence would know to call the hot line, and political influence to change the way the police department handled domestic violence calls. To meet these needs, the organization had an active board of a dozen young professionals, many of whom volunteered with the group.

It had paid professional staff as well, including a knowledgeable executive director, experienced development director, dedicated volunteer coordinator, and a community education worker whose job it was to publicize the organization's services. Everyone did her job.

And that was part of the problem: everyone did her job—but only her own job. The community educator gave inspiring and informative talks to law firms, women's clubs, community groups, and other organizations, but never asked for volunteers or donations. The volunteer coordinator recruited hot-line volunteers, but did not ask for donations or help with advocacy efforts. The development director asked for money, but did not engage in broader community outreach. The executive director, a trained social worker, worked day and night to make the program the model that it was and had little time for or interest in networking. And the board members came to every monthly meeting, intelligently debating key programmatic questions but cringing when the development director suggested they ask their friends for donations.

Every day these people missed the chance to build the organization's social capital: to cultivate and engage a large and diverse network of friends who would use their time, talent, connections, and cash to help the cause. Because members of the staff did not share common goals, each was challenged in doing her job. Poor salaries because of limited resources contributed to frustrations and ultimately high employee turnover. A defeatist culture made it impossible to set ambitious goals and easy for supporters to drift away.

What if every person involved with the organization shared a strong sense of purpose and ambitious goals? What if they worked together toward measurable objectives, including expanding the group's network? What if they were comfortable reaching out to friends and acquaintances because there were many ways for people to become involved before they would ever be asked to call the city council or write a check? And what if the efforts of this tiny ring of staff and board members were supplemented by the organization's hundreds of volunteers, former staff and board members, and even former clients? That is the way a charismatic organization operates.

The Charismatic For-Profit

Although the charismatic organization concept grew out of our work with nonprofit organizations, it is also relevant to for-profit businesses and government agencies, which can clearly benefit from strong social capital. Organizations from other sectors can also provide instructive examples for nonprofit organizations, and we present both government and business examples in this book.

One of our favorite charismatic organizations is St. Elmo's, a for-profit coffee house in the Del Ray neighborhood of Alexandria, Virginia.[7] St. Elmo's does not have the best coffee in town. It won't win any culinary awards. It doesn't have the chic modern decor of coffee shops in neighboring Old Town or the unwavering consistency of the local Starbucks. The parking lot is tiny, and the location is inconvenient for many customers who live closer to other coffee shops. What it has, and what draws hundreds of patrons through its doors each day, is community.

Soft chairs and a no-hassle policy encourage customers to idle for hours over a drink. One corner is piled high with toys for children, giving moms the chance to visit over coffee. A large table in the back is available for groups of a dozen or more; local civic groups meet there and sometimes recruit new members from among St. Elmo's patrons. Writers and work-at-home consultants use the coffee shop as their place for meetings and interviews. One regular who lived in a nicer neighborhood moved to a home a few blocks away because he was spending so much time there. Emerging artists sell work from St. Elmo's walls, and local musicians debut there on open mike night. The shop sells world music CDs and knick-knacks that raise money for local causes. The community bulletin board overflows with notices for babysitters, music lessons, and community meetings. Another board is filled with photos of patrons. Regulars come and bring their friends, who become regulars themselves.

St. Elmo's main mission is to be "the community gathering place," not to make the most money, although its owners hope for both and believe that if they make St. Elmo's "a warm welcoming place for the citizens of Del Ray," it will certainly result in a profitable customer

base. It has a strong culture tied to the character of the neighbor-hood: casual, artsy, modestly priced, cause driven. It creates a reason for people to come and then makes them want to stay. It connects customers to one another. And instead of the elbows-out approach of some businesses, owner Nora Parltow mentors others who want to open stores in the neighborhood—even rival coffee shops.

If you drove down Mt. Vernon Avenue in Alexandria in 1995, you prob-ably wouldn't have had reason to stop at any of the rundown buildings along the three-block strip that is the heart of the community. Just a decade later, Del Ray made the list of *Washingtonian* magazine's top places to live. Ask any resident of this funky neighborhood of 1920s Sears bungalows and 1960s multifamily housing why, and they are likely to point to St. Elmo's Coffee Pub as a big reason for the turnaround.

We point to St. Elmo's efforts to build social capital as the central reason for its success as a business and extraordinary impact on the neighborhood. If a for-profit business can have this result, it sets a high bar for nonprofits that similarly desire to build strong communities.

Many nonprofit organizations think their major problem is lack of funds. We believe that lack of funds is a function of another gap: a gap in social capital. For organizations that have limited social capital, it can mean difficulty attracting friends and followers. The domestic violence organization's weak social capital had consequences for its programs: lack of awareness meant victims did not know where to turn for help, lack of fund-ing limited the comprehensiveness and expansion of its services, the struggle for funding and volunteers led to staff burnout and turnover, and the organization's small circle of friends made it difficult to influence public policy.

Too many nonprofits today are in the same situation, unable to fulfill their potential because they are trapped by traditional nonprofit practices. And the issues they face will just get harder if they don't change.

Today's nonprofits face unprecedented challenges. Funders are asking for evidence of measurable results, and policymakers

are calling for greater nonprofit accountability. The needs nonprofits address, from spiritual and physical health to economic and educational development, demand long-term commitments and consistent support. At the same time, resources to meet these needs ebb and flow. Nonprofit causes compete with national defense, tax relief, social security and other entitlements, and debt reduction for federal government funding, and economic fluctuations can dramatically affect private sector giving.[8] Competition has increased as well: the nonprofit sector has reached record size, with the number of 501(c)(3) organizations more than doubling since the late 1980s.[9] Amid this heightened struggle, a worthy cause or long-established charity has no guarantee of success, or even survival. Every nonprofit needs to become a charismatic organization.

What Makes a Charismatic Organization?

We define a *charismatic organization* as an organization that has a high degree of social capital. Social capital, explained in detail in the next chapter, enables organizations to attract employees, volunteers, donors, and champions, who in turn make available resources like money, skills, sway in the policy arena, media attention, and new friends and followers. These resources help the organization increase its impact through growth, influence, and effectiveness. In the nonprofit sector, these organizations often can be identified by their steady growth over extended periods of time and community or professional recognition that comes in the form of awards, favorable media and other coverage, and buzz that makes the organizations sought-after partners, presenters, and places to work.

Charismatic organizations strive to create and grow their social capital. They do this in two ways. First, they build a strong organizational core through:

1. Mission-driven motivation
2. Can-do culture
3. Data-driven decision making
4. Purposeful innovation
5. People-focused management

Then they reach out to a wider circle to build a strong network through:

6. Compelling communications
7. Active outreach
8. Meaningful involvement

If the charismatic organizations we identified had charismatic leaders, and many of them did, they addressed the downsides of this leadership style by managing against the risks these leaders create. No single organization we studied did each of these things well, but the best ones did most of them competently and some of them expertly. This book gives detail and examples to illustrate each of these qualities.

Citizen Schools: Qualities That Build Social Capital

1. *Mission-driven motivation.* Citizen Schools grew out of a recognition that children spend only 20 percent of their waking hours in school, that "citizen teachers" could help bring academic subject matter to life, and that low-income students could benefit academically from the extra time and resources the program could provide. The twin goals of improving student outcomes and strengthening the school community keep the organization focused and attractive to a broad range of supporters. The organization's compelling vision enables it "to attract highly motivated staff, volunteers, and partners, who helped to proselytize the programs, build the Citizen Schools community and execute a strong theory of change," according to a study by New Profit.[10]

2. *Can-do culture.* The culture of Citizen Schools begins with high energy and childlike enthusiasm: its corporate headquarters is upstairs from the Boston Children's Museum. It is balanced by an emphasis on performance and accountability and complemented by respect for entrepreneurship, people, and ideas.[11]

3. *Data-driven decision making.* Tracking outcomes has been a priority for Citizen Schools since its founding and has led the

organization to adjust and standardize its model to improve results: for example, increasing time spent on homework. The organization began a longitudinal evaluation in 2001 that documented the program's success in increasing math and reading achievement and placing students in college-track high schools. Citizen Schools also uses a balanced scorecard to track progress toward objectives from social impact and customer satisfaction to financial growth and organizational learning.

4. *Purposeful innovation.* With entrepreneurship as a central aspect of its culture and a commitment to measuring outcomes, it is not surprising that Citizen Schools, in its short tenure, has pioneered numerous field-changing innovations, such as a master's program in education with an emphasis on after-school teaching, as well as organizational adaptations that have enabled it to increase its impact over time.

5. *People-focused management.* Citizen Schools' "respectful learning culture created a 'buzz' around the organization, enabling it to attract and retain talent," competing with "some of the most elite employers for top talent" and attract "gifted volunteers," according to the New Profit study.[12]

6. *Compelling communications.* A frequent subject of press coverage, Citizen Schools tells its story by showcasing the work of student apprentices, enlisting students and alumni to tell their stories, and annually hosting an inspirational gala event for a thousand people as well as a high-level policy symposium.

7. *Active outreach.* Staff at Citizen Schools are frequent presenters at conferences and serve as engaged participants in national coalitions on after-school programs, national service, and social entrepreneurship. Nationally Citizen Schools recruits foundation, corporate, and individual donors and reaches out to state and national policymakers. Locally its programs recruit volunteers, parents, donors, and organizational partners, including schools. Site visits are an important part of the program's strategy for engaging potential supporters.

8. *Meaningful involvement.* Citizen Schools engages thousands of volunteers each year to give apprenticeships to its students. These highly skilled volunteers teach students to produce videos, build solar cars, publish children's books, manage stock portfolios, organize public health campaigns, design urban parks, test water quality, and publish newspapers and magazines. Eighth graders are assigned individual attorneys who serve as writing coaches and may stay with them throughout high school. Apprenticeship sponsors often become corporate and individual donors. Citizen Schools has formed close partnerships with high-engagement funders, including New Profit and the Edna McConnell Clark Foundation, which have provided growth capital to fuel national expansion.

These practices have helped Citizen Schools become a national leader in the fields of after-school programs, national service, and social entrepreneurship; achieve consistently high impacts for its students; build strong relationships with influential policymakers; outperform its own fundraising goals; and grow in just twelve years to thirty-seven sites in six states, serving nearly four thousand students.

Most people are familiar with one or more charismatic organizations, although they don't realize it. Many of the practices we identified, from mission-focused motivation to meaningful involvement, are common in well-run religious and education institutions. And we believe it is not a coincidence that the bulk of giving in the United States goes to these two types of organizations.[13]

We are not trying to use this book to turn nonprofits into substitutes for religious institutions or create secular cult centers. Rather, we hope to help nonprofits of all types learn from the practices of successful organizations. In this way, they too can build a community around themselves, furthering their missions by building networks that can sustain them over the long haul. And in so doing, they will build social capital that will benefit us all.