

## Setting the Frame

*The chief limitations of humanity are in its visions, not in its powers of achievement.*

—A. E. Morgan

Leading nonprofits is hard work. It shows in the median executive director tenure of four years or less, the 65 percent who are first timers in the job, and the less than half who want to play the role again.<sup>1</sup> Working in the sector is a mixed bag for executive directors who “enjoy their jobs as a means of addressing important community needs (mission) but don’t want to do it again because of the high stress involved (burnout).”<sup>2</sup>

The typical executive faces challenges of “high stress and long hours, anxiety about agency finances, fundraising, and managing people.”<sup>3</sup> The chief executives of nonprofits—whether called chief executive officer (CEO), president, director, or the widely used executive director—confront “funding cuts, rising demands for performance measures by foundations, corporations that want strategic benefits from their philanthropy, new forms of competition from the business sector, and serious questions about the effectiveness and appropriateness of traditional charitable remedies for social problems.”<sup>4</sup>

Though many experts on nonprofit bemoan the state of the field,<sup>5</sup> there is much to celebrate when it comes to leading nonprofits. Most executives take the job because of the “mission of their agencies as well as their own desire to help others and to give back to their communities.”<sup>6</sup> As a result, almost all experience a high level of enjoyment in their work.<sup>7</sup> Executive directors are not alone. Nonprofit employees are “highly motivated, hard working, and deeply committed [and are] motivated primarily by the chance to accomplish something worthwhile.”<sup>8</sup> Perhaps this is why only 16 percent of the nonprofit workforce is motivated by the paycheck, compared to nearly half of those who work in the private sector.<sup>9</sup>

To be sure, nonprofit executives have to make do with limited resources and many “small, community-based groups are organizationally fragile. Many large groups are stretched to their limits.”<sup>10</sup> The good news here is that when it comes to working conditions, it’s better than the private sector or government.<sup>11</sup> Compared to these other sectors, people who work in nonprofits were less likely than “federal or private-sector employees to say their work is boring and their jobs are a dead-end with no future, and were much more likely to say that they are given a chance to do the things they do best.”<sup>12</sup>

*Parade’s* annual report on what people make closes by saying, “in any economy, the best jobs provide emotional as well as financial rewards.”<sup>13</sup> This statement reflects what workers in the nonprofit sector already know: almost all who work in the sector experience a high level of enjoyment in their work.<sup>14</sup> Indeed, nonprofit workers may be living the dream job if a survey commissioned by *Parade* for its special issue gives voice to truth: the number-one attribute of a dream job was making a difference in people’s lives.<sup>15</sup>

If it is true that “in our hearts, we would all like to find a purpose bigger than ourselves,”<sup>16</sup> where better to find it than the nonprofit sector? But what if that purpose is embedded in an organization; how do you bring it to life in that context?

*Results Now* is one way to bring an organization’s purpose to life. Understanding this process begins with setting the frame. In the first chapter, you will learn about four pillars of high-performance and be introduced to the *Results Now* model. Chapter 2 makes the case for why you should embrace planning, but not get too carried away with it. Chapter 3 pulls everything together and introduces the *Results Now* master plan.

## The Four Pillars of High Performance

*It's amazing what ordinary people can do if they set out without preconceived notions.*

—Charles F. Kettering

At a BoardSource conference some years ago, Vartan Gregorian, president of the Carnegie Corporation, told a story from when he was a dean about a board member at the University of Pennsylvania. The board member asked a question about student–faculty ratios. Dr. Gregorian replied with pride that there was a one-to-one ratio in the department of Siberian studies. Not surprisingly, this disturbed the board member very much because it seemed a wasteful use of resources. Dr. Gregorian immediately understood that the best student/faculty ratio for that individual was the 1-to-400 ratio in the Psychology 101 class. In other words, Dr. Gregorian and his board member had very different opinions about what high performance meant.

### Defining High Performance

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As Dr. Gregorian's experience with student/faculty ratios illustrates, helping your nonprofit become a high performer begins with being clear about what high performance means. For many of us, high performance is equivalent to effectiveness.<sup>1</sup> And for the late, great Peter Drucker in the mid-1970s, the definition couldn't have been any simpler, "Effectiveness is the foundation of success—efficiency is a minimum condition for survival *after* success has been achieved. Efficiency is concerned with doing things right. Effectiveness is doing the right things."<sup>2</sup> The Achilles' heel was in knowing what things are

right to do. For a decade the debate raged, with expert Kim Cameron finally throwing in the towel by declaring that “agreement about effectiveness is mainly an agreement to disagree.”<sup>3</sup>

If you think that defining high performance in the nonprofit sector has been any easier, think again.<sup>4</sup> A decade or so ago, Daniel Forbes reviewed empirical studies of nonprofit organizational effectiveness over a 20-year period and determined that high performance has “been a subject of controversy and confusion, and it is difficult to identify any signs of theoretical progress in our understanding of the concept.”<sup>5</sup>

Though there is a good deal of opinion about what constitutes nonprofit high performance, there isn’t much in the way of empirical research on the topic, and so we are often advised to look to the for-profit sector;<sup>6</sup> eBay founder Pierre M. Omidyar, for example, wants “charities to run like businesses.”<sup>7</sup> And why shouldn’t he? As Robert Herman and David Renz observe, “many ideas first instituted and popularized in business (such as strategic planning, visioning, total quality management, benchmarking, and others) are later adopted by NPOs.”<sup>8</sup>

Some of this *for-profitizing* of nonprofits may be due to the belief that there is little difference between one business and another. As Peter Drucker puts it, “Ninety percent or so of what each of these organizations is concerned with is generic. And the differences in respect to the last 10 percent are no greater between businesses and nonbusiness than they are between businesses in difference industries.”<sup>9</sup> Although mice and humans share 99 percent of their genetic code<sup>10</sup> (and we’re certainly not mice), maybe there really isn’t much difference between for-profit and nonprofit agencies.

Assuming that the for-profit and nonprofit sectors mirror each other can be tempting, but it is faulty logic.<sup>11</sup>

First, “effectiveness measures applied in the private and public sectors are significantly different.”<sup>12</sup> Second, we know that 64 percent of 1,072 respondents to a national study of nonprofit executive directors were outsiders when they took their positions,<sup>13</sup> inverse to the 36 percent rate of outsiders in for-profit successions.<sup>14</sup>

Third, we know that “the centrality of mission for nonprofit organizations places limitations on their flexibility of action”<sup>15</sup> compared to for-profits that can simply shut down or sell off a line of business or even the entire operation. It may be true that the “success rate for nonprofit enterprises is the same as small businesses: a large share fail. The difference is, with the social mission attached, it is harder for nonprofits to let go.”<sup>16</sup> Perhaps this is why Robert Shriner argues that “running a non-profit is *very much harder* than operating a similar sized for-profit business.”<sup>17</sup>

So what do nonprofits use to gauge effectiveness? A great many things is the short answer. Daniel Forbes gives the long answer: goal attainment, system resource, reputational approach, multidimensional approach, and

emergent approach. Goal attainment is the degree to which the organization achieves its goals; system resource measures how well you use resources; the reputational approach is based on how others see you. Multidimensional approaches “recognize that NPOs have multiple performance criteria (related to programs, finances, advocacy, etc.).”<sup>18</sup> Emergent approaches are, well, emergent.

Rather than try to make a case for one definition of high performance over another, Robert Herman and David Renz simply say that “NPOs have multiple performance criteria (related to programs, finances, advocacy, etc.), and these criteria often are independent of one another . . . assessments that focus on a single criterion (e.g., fund balance, a program outcome) are inadequate.”<sup>19</sup> These two experts are among the more prolific advocates of the multiple constituencies approach to high performance wherein “an organization comprises multiple stakeholders or constituents who are likely to use different criteria to evaluate its effectiveness.”<sup>20</sup>

The argument here is that nonprofit executive directors should understand that “different constituencies are judging their organizations’ effectiveness in different ways and that they (the managers) should find out what criteria are important to the different constituencies and provide favorable information on how their organizations are doing on those criteria.”<sup>21</sup> Remember the story told by Vartan Gregorian and his board member that began this chapter, the one where the board member valued larger class sizes and Gregorian thought smaller were better? This is how the multiple constituencies approach works.

In 2004, Robert Herman and David Renz supported their position in a longitudinal study of 64 locally based, United Way-funded health and welfare organizations by saying “In short, we adopt the view that overall nonprofit organizational effectiveness is whatever multiple constituents or stakeholders judge it to be.”<sup>22</sup> Early in 2005, they found an apt analogy to illustrate this method:

*One way we explain this notion is to share the story of the three baseball umpires and how they call balls and strikes. The first said, “I just call ‘em as they are.” The second said, “I call ‘em as I see ‘em.” The third, the social constructivist, declared, “They ain’t nuthin ‘til I call ‘em!” Of course, unlike baseball, NPOs have no single umpire. All stakeholders are permitted to “call” effectiveness, and some will be more credible or influential than others. We have found that different stakeholders who are judging the same nonprofit often do not agree on that NPO’s effectiveness. Furthermore, their judgments often will change over time.”<sup>23</sup>*

How to operationalize this multiple constituencies approach is straightforward. Step 1 is to keep in mind that high performance is always an

issue of comparison. Sometimes you compare yourself to others, as Michael Porter recommends in his modification of Peter Drucker's doing-things-right approach by defining organizational effectiveness as "performing similar activities *better* than rivals perform them."<sup>24</sup> Sometimes it's that and more, as David Renz and Robert Herman describe:

*The comparison may be to the same organization at earlier times, or to similar organizations at the same time, or to some ideal model, but effectiveness assessments are always a matter of some kind of comparison. And the basis for the comparison is a key (though sometimes hidden) element in defining effectiveness (and why we often disagree about it).<sup>25</sup>*

This certainly appears to be the case with the Alliance for Nonprofit Management—an association of capacity builders serving nonprofits—where the test of capacity building is "whether organizations and the sector as a whole have become stronger and more effective in their efforts."<sup>26</sup> How do you know you've become stronger unless by comparing yourself to an earlier time or to something else? And the essential test of organizational change efforts in general? Just one question: "Are we better today than we were yesterday?"<sup>27</sup>

In other words, "You're either getting better or you're getting worse each day. There's no such thing as staying the same."<sup>28</sup> This is certainly what Jerry Porras and Jim Collins found in their study of built-to-last companies that "focus primarily on beating themselves [by] relentlessly asking the question, 'How can we improve ourselves to do better tomorrow than we did today?'"<sup>29</sup>

In step 2, you don't ask the stakeholder how the agency is doing with regard to this or that characteristic (e.g., fund raising); you ask instead "how well the organization has been doing on whatever is important to them."<sup>30</sup> Add up the scores to get an average, and you're good to go. Because comparison is always a part of effectiveness, how that average moves up or down over time becomes a "useful overarching criterion for resolving the challenge of differing judgments of NPO effectiveness by different stakeholder groups."<sup>31</sup> And even though everyone is probably using a different criterion for what is being evaluated, that's the nature of the multiple constituencies approach; doing anything else is a waste of time since not everyone will buy into it.<sup>32</sup>

This approach to understanding high performance—that it is whatever stakeholders say it is—is not new by any means. Nearly 25 years ago, Kim Cameron argued that the goal approach itself is a social construct that is subject to the same realities of all approaches, "Criteria for judging organizational effectiveness are founded in the preferences and *guidelines* of

individuals. Individual differences preclude consensus regarding one universal set of criteria.”<sup>33</sup> At about the same time, Anne Tsui asserted that managers “gain and accrue a reputation for being effective by meeting the expectations of each of the multiple constituencies.”<sup>34</sup>

Rosabeth Moss Kanter and Derick Brinkerhoff take this viewpoint as well, “Effectiveness appears to be less a scientific than a political concept. . . . Multiple constituencies and multiple environments require multiple measures.”<sup>35</sup> Melissa Stone and Susan Cutcher-Gershenfeld also found this in a review of ten studies on high performance in non-profit organizations.<sup>36</sup> Ditto for Barbara Blumenthal, who reviewed over 100 articles on organization high performance and organization change and more than 30 assessments of capacity building, and had interviews with more than 100 people practiced in capacity building. And which were the most important high-performance factors? She found that “*it all depends.*”<sup>37</sup>

This is certainly what the folks at the *Stanford Social Innovation Review* learned when they evaluated the *Review’s* performance at the one-year anniversary and learned that “depending on their perspective and interests, different stakeholders have widely divergent definitions of performance, and as a result, multiple and sometimes incompatible metrics for which they would like to hold us accountable.”<sup>38</sup>

Multiple constituencies—which some call *social constructivism* instead—may indeed be the way of the future, but the practical challenges of “They ain’t nuthin ’til I call ’em” are obvious. Nonprofits have multiple constituencies with vastly differing viewpoints and levels of experience. Stakeholders include clients who may be impoverished and living in ghettos and funders who may be very wealthy individuals living in gated enclaves. Just picture “the dangers of a situation where a single nonprofit has multiple funders, all of which put a high priority on building capacity and effectiveness but each of which favors a different path to enlightenment.”<sup>39</sup>

Making sense of all of these viewpoints is difficult for many, especially given the inherent conflicts. It may be true as that *whatever works, works* when it comes to determining high performance, that no “one approach to effectiveness is inherently superior to another.”<sup>40</sup> Even so, how can we make sense of the obvious contradictory nature of the goal attainment approach when compared to the “I calls ’em as I sees ’em” social constructionist method? In the former, you achieved the stated goal or you didn’t. In the latter, the answer you get on a rainy Monday morning from your board chair may differ significantly from the answer on a sunny Friday afternoon.

Given the foregoing, it is little surprise that Rick Cohen, executive director of the National Committee for Responsive Philanthropy, says, “There is

still no hard-and-fast definition through the philanthropic world as to the parameters and indicators of nonprofit effectiveness.<sup>41</sup> Like Kim Cameron's declaration that "agreement about effectiveness is mainly an agreement to disagree,"<sup>42</sup> when it comes to the nonprofit sector, "little consensus has emerged, either theoretically or empirically, as to what constitutes organizational effectiveness and how best to measure it."<sup>43</sup>

After reading this, one cannot help but feel sympathy for Sara E. Meléndez, former executive director of Independent Sector, who said in an outgoing interview, "Some people would probably see me walking on water and say, 'See, I told you she couldn't swim.'"<sup>44</sup>

Thus, whether your organization is a high performer is in the eyes of the beholder; the criteria they will use are going to be theirs and theirs alone. It may be the goal model, it may be the quality of the leadership of the agency, it may be the organization's reputation with funders, or it may be something else entirely. What matters is not what you think constitutes high performance, but what your stakeholders think. And as you will soon see, what they think about how to become high performing is quite specific.

## The Third Envelope

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A retiring executive director left three sealed envelopes for his successor to open in case of emergency. Sure enough, within her first year, the new executive director was forced to tear open the first envelope as the result of declining revenues. Inside was the sage advice to announce a new fundraising campaign. She did just that, the board and community cheered her initiative, and the crisis abated.

Less than a year later, the campaign results were found to be lacking, and the new executive was forced to open the second envelope. When she announced the cost-cutting campaign, the praise was loud and clear, except, of course, for the folks who lost their jobs. Thankfully, the crisis subsided, but the peace was short lived as the cost cutting only forestalled and intensified the crisis. With trembling hands and her two-year anniversary just weeks away, the executive director ripped open the third envelope, which said, quite simply, "Prepare three envelopes."

So what now? Is it time for the third envelope when it comes to what it means to be a high-performing nonprofit? Must we live in a cynical world where "good managers are 'spin doctors'?"<sup>45</sup> Why should we care at all about what high performance means? The reason is simple:

*The need to demonstrate that one structure, reward system, leadership style, information system, or whatever, is better in some way than another*

*makes the notion of effectiveness a central empirical issue. . . . Practically, organizational effectiveness is not likely to go away because individuals are continually faced with the need to make judgments about the effectiveness of organizations.*<sup>46</sup>

The trick is to do exactly what Robert Herman and David Renz recommend and “find out what criteria are important to the different constituencies.”<sup>47</sup> Thus, we can turn to experts in the field who have identified levers for building the capacity to be effective; in other words, the criteria of high performance.<sup>48</sup> That’s because capacity at the most general level is described as an organization’s abilities to accomplish its mission.<sup>49</sup>

Because of the broadness of the term, we often describe *capacity* by the interventions that build it. These include “strategic planning, board development and technology upgrades,”<sup>50</sup> a “blend of sound management, strong governance, and a persistent re-dedication to achieving results,”<sup>51</sup> and the “development of an organization’s core skills and capabilities, such as leadership, management, finance and fundraising, programs and evaluation.”<sup>52</sup>

In the funding community, Barbara Kibbe, former vice president, program and effectiveness, of the Skoll Foundation, defines capacity as “the ability of an organization to define a meaningful mission, generate the tangible and intangible resources to advance that mission, and deploy those resources efficiently and well in the accomplishment of its work.”<sup>53</sup> For Kevin Kearns, former president of the Forbes Funds that dedicated all annual funding to capacity-building efforts in the Pittsburgh region, capacity building includes “activities such as direct consulting with nonprofit organizations on specific operational or policy issues, training seminars and other professional development programs to enhance the skills of staff and volunteers.”<sup>54</sup>

The Alliance for Nonprofit Management defines capacity as the organization’s ability “to achieve its mission effectively and to sustain itself over the long term.”<sup>55</sup> Giving an indication of how broad the concept can be is the following statement from the Alliance:

*Capacity building refers to activities that improve an organization’s ability to achieve its mission or a person’s ability to define and realize his/her goals or to do his/her job more effectively. For organizations, capacity building may relate to almost any aspect of its work: improved governance, leadership, mission and strategy, administration (including human resources, financial management, and legal matters), program development and implementation, fundraising and income generation, diversity, partnerships and collaboration, evaluation, advocacy and policy change, marketing, positioning, planning, etc. For individuals, capacity building may relate to leadership development, advocacy skills,*

*training/speaking abilities, technical skills, organizing skills, and other areas of personal and professional development.*<sup>56</sup>

Grantmakers for Effective Organizations takes the prescriptive path by recommending that the effective nonprofit “fulfill its mission by measurably achieving its objectives through a blend of management, strong governance, and a persistent rededication to assessing and achieving results.”<sup>57</sup> Jamie Lee of the Kauffman Foundation prescribes six attributes of the effective organization: mission directed and vision driven, outcomes oriented, sustainable, entrepreneurial, adaptable, and customer focused.<sup>58</sup> Barbara Kibbe says that planfulness, effective leadership, and strong governance are the three central features of high performance.<sup>59</sup> Christine Letts, William Ryan, and Allen Grossman talk about the ability of organizations to fulfill their missions in a dynamic world where they “not only develop programs, but also operate, sustain, improve, and grow them—eventually replacing them with new approaches.”<sup>60</sup>

As obviously illuminated in the foregoing, and as Paul Light observes, capacity building includes “dozens, if not hundreds, of applications, from training programs to strategic planning, board development, management systems, leadership recruitment, organization restructuring, and fund raising.”<sup>61</sup> No wonder that “the most important challenge faced by those who would focus on NPO effectiveness is that of the criterion. Is it possible to settle on a small number of fairly easily measured indicators?”<sup>62</sup>

Grouping the ideas around common themes brings order to the many ideas from the capacity-building experts above plus Paul Light’s *Pathways to Nonprofit Excellence* study<sup>63</sup> and Robert Herman and David Renz’s objective effectiveness criteria.<sup>64</sup> As shown in Table 1.1, what one finds in the third envelope are the four pillars of high performance: purpose, strategy, operations, and governance.

Translating these uses into a graphical representation reveals the *Results Now* model as shown in Figure 1.1.

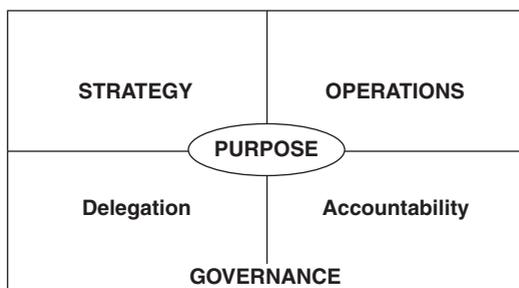


FIGURE 1.1 *Results Now* Model

**TABLE 1.1 Four Pillars of High Performance**

Advice	Levers	Uses
<ul style="list-style-type: none"> <li>- The ability of an organization to define a meaningful mission, mission directed, mission statement</li> </ul>	<p>Mission</p>	<p><b>PURPOSE</b></p>
<ul style="list-style-type: none"> <li>- Leadership, effective leadership</li> <li>- Adaptable, entrepreneurial, develop programs, customer focused</li> <li>- A persistent rededication to assessing and achieving results, goals or objectives, have a strategic plan for the future, organization restructuring, persistent rededication to achieving results, planfulness, planning document, statement of organization effectiveness criteria, strategic planning, vision driven, development of an organization's core skills and capabilities, organization's abilities to accomplish its mission, collaborate with other organizations</li> </ul>	<p>Leadership Strategy Planning</p>	<p><b>STRATEGY</b></p>
<ul style="list-style-type: none"> <li>- Cost cutting, deploy those resources efficiently, finance</li> <li>- Are good fund raisers, fund raising, generate at least some unrestricted income, generate the tangible and intangible resources to advance that mission, have a diversified funding base, sustainable</li> <li>- Management, management systems, sound management, technology upgrades, use information technology such as email and the Internet to enhance performance, use data to make informed decisions</li> </ul>	<p>Budgeting Fund raising  Management</p>	<p><b>OPERATIONS</b></p>

*(Continued)*

TABLE 1.1 (Continued)

Advice	Levers	Uses
<ul style="list-style-type: none"> <li>- Board development, governance, bylaws containing a statement of purpose, board manual, have a clear understanding with their boards about their respective roles, hold regular board meetings (at least four times a year), leadership recruitment, list or calendar of board development activities, strong governance</li> <li>- Encourage staff to work in teams, executive transitions/successions, foster open communications, give staff authority to make routine decisions on their own, have a participatory style of management, know how to motivate people, leadership/mentoring/coaching, have few barriers between organizational units, have few layers of management between the top and bottom of the organization, have position descriptions for their staff, have programs or resources for staff training, organizational assessment and development, training programs</li> </ul>	<p>Board</p> <p>Staff</p>	<p><b>GOVERNANCE</b></p> <p><b>Delegation</b></p>
<ul style="list-style-type: none"> <li>- Independent financial audit</li> <li>- Description of or form used in CEO performance appraisal evaluation, have experienced significant growth in demand for their programs and services over the past five years, measure the results or outcomes of what they do, outcomes oriented, programs, regularly survey clients regarding programs and services, report on most recent needs assessment, use of form or instrument to measure client satisfaction, operate-sustain-improve-grow</li> </ul>	<p>Finance Assessment</p>	<p><b>Accountability</b></p>

# Planning Rules

*Good things only happen when planned; bad things happen on their own.*

—Philip B. Crosby<sup>1</sup>

It should come as no surprise that the four pillars have a planning sensibility. Along with opposable thumbs, planning is one of the essential characteristics of being human. As opposed to simplistic behaviorism wherein we are slaves to the stimuli around us, George Miller, Eugene Galanter, and Karl Pribram argue in their landmark book that complex human behavior is governed by plans we make, from the mundane—getting up and going to work in the morning—to the momentous—winning the gold medal in an Olympic event.<sup>2</sup> David Lester goes even further in saying that “plans are being executed as long as we are alive. The question is not ‘Why are plans being executed?’ but ‘Which plans are being executed?’”<sup>3</sup>

No practitioner or scholar would disagree that the making of plans, the essence of which is setting goals, is a fundamental obligation of leadership. The notable James McGregor Burns says, “All leadership is goal-oriented.”<sup>4</sup> This is true whether it is a solution to an intractable problem, a goal, or dealing with things that need to be done.<sup>5</sup>

Clearly, leaders are listening. Results from a survey of 708 for-profit companies on five continents in 2003 placed strategic planning at number one on the list of management tools with a usage ranking of 89 percent,<sup>6</sup> which was the same position as it was in 2000.<sup>7</sup> The first place position of strategic planning did not change in 2007.<sup>8</sup> Though strategic planning ceded its highest-usage position in 2009 to benchmarking, it still earned top billing for overall satisfaction.<sup>9</sup>

The nonprofit sector reflects the for-profit sensibility to plan, and high-performing executive directors wholeheartedly endorse the practice. When

asked what below-average organizations could do to improve performance, strategic planning garnered the highest marks for what worked by these best-of-class executives.<sup>10</sup> And when these same executives were asked what particular management tool had most improved the performance of their own organizations, strategic planning again received the highest marks. These high-performing executives clearly walk their talk, given that 91 percent had strategic plans in place at their own organizations.<sup>11</sup>

Strategic planning is not only a high-performer attribute; three out of five do it. A study of 1,007 nonprofit organizations found that almost 60 percent of all nonprofits had strategic plans, and the bigger the organization, the more likely it is: 52 percent of organizations with budgets under \$250,000 have them compared to 80 percent of organizations with budgets of \$10 million and over.<sup>12</sup>

Not only do nonprofits endorse the practice, management services organizations surveyed by the Alliance for Nonprofit Management rank strategic planning as the number one item on the capacity-building menu. What makes this even more significant is that help with fund raising is most sought after by their clients, but it was tied for fifth place with management and human resources.<sup>13</sup> Though you might be hungry for fund raising, strategic planning is the featured item on the capacity-building menu.

Independent Sector, a “nonprofit, nonpartisan coalition of more than 700 national organizations, foundations, and corporate philanthropy programs, collectively representing tens of thousands of charitable groups in every state across the nation”<sup>14</sup> also recommends strategic planning. Doing so, it says, will help organizations “be more efficient and effective in mapping out a system for achieving organizational goals and making the best choices to fulfill their missions.”<sup>15</sup>

## Just Say No

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Does establishing a disciplined framework for thinking about the future have to be painful? Is it true that the thicker the document, the more successful the outcome will be? Does any approach to planning, including *Results Now*, have any real value?

Boards and executive directors thinking about planning can understandably become concerned about the investment of time and resources. Questions will arise about whether there is value in having a framework at all. After all, to achieve its chosen destiny, an organization must be strong and stable, while at the same time quick and innovative. The job is complicated and often contradictory:

*Organizations are supposed to be simultaneously loose (that is, decentralized into relatively autonomous units) and tight (strongly controlled from the top); big (possessing extra money for good ideas) and little (with everyone having a stake in the organization's success); young (characterized by new people and new ideas) and experienced (stocked with seasoned professionals who know what they are doing); highly specialized (with individual employees and units focused on narrow pieces of the organization's overall job) and unified (with everyone sharing in the mission).<sup>16</sup>*

Building an organization that can achieve a chosen destiny is a perplexing challenge. The people who are needed to push the envelope for innovation chafe under the very structure required to support the innovation once born. In the contradictory environment, the value of imposing the structure of any disciplined approach to planning is often hotly debated.

With all due respect to the three out of five who do it and the near unanimity of recommendations, there are a number of complaints people raise as justification for not joining the cause. The most prevalent is that few people actually use their strategic plans in the here and now, that they really do gather dust. Here's how it all works, according to balanced scorecard experts Robert Kaplan and David Norton:

*To formulate their strategic plans, senior executives go off-site annually and engage for several days in active discussion facilitated by senior planning and development managers or external consultants. The outcome of this exercise is a strategic plan articulating where the company expects (or hopes or prays) to be in three, five and ten years. Typically, such plans then sit on executives' bookshelves for the next 12 months.<sup>17</sup>*

Unfortunately, a study of human service executives by Karen Hopkins and Cheryl Hyde lends support to this viewpoint. It found that only 27 percent reported using strategic planning as a way to address real agency problems.<sup>18</sup> The authors of the study suggest that the cause of this "may be that managers are overwhelmed with the problems with which they have to contend, and that may interfere with strategic problem-solving."<sup>19</sup> Or it could be that Henry Mintzberg is right, that the "nature of managerial work favors action over reflection, the short run over the long run, soft data over hard, the oral over the written, getting information rapidly over getting it right."<sup>20</sup>

Going with your gut is human nature and it is often done with very little hard information: "Study after study has shown that the most effective managers rely on some of the softest forms of information, including gossip, hearsay, and various other intangible scraps of information."<sup>21</sup> Add a

bias for intuition to reliance on soft information and you come up with the planning fallacy where “managers make decisions based on delusional optimism rather than on a rational weighting of gains, losses, and probabilities. They overestimate benefits and underestimate costs. They spin scenarios of success while overlooking the potential for mistakes and miscalculations.”<sup>22</sup>

The second major complaint about planning is that the very organizations that need it most can least afford to do it, from money and time perspectives. After all, four out of five nonprofits have expenses of less than \$1 million, three out of four are less than \$500,000, and 45 percent are smaller than \$100,000.<sup>23</sup> These numbers cover only the 1.4 million public charities that filed form 990s with the IRS and does not include the other 1.6 million flying under the radar.<sup>24</sup>

Staffing, especially the paid full-time variety, is in short supply since half of all nonprofits reporting have five or fewer full-time staff members and nearly 30 percent have one or none.<sup>25</sup> Complicating matters is that board members, who many experts argue should be very involved in strategic planning, are strapped for time, to put it mildly. Hoping that the nonprofit executive director brings planning expertise to the table is wishful thinking since most are first-timers in the job.<sup>26</sup>

Juxtapose these realities against the time required by most planning processes. John Bryson’s highly respected nonprofit strategic planning model requires a meeting agenda of 18 to 20 hours over three months.<sup>27</sup> Michael Allison and Jude Kaye’s moderate approach requires a time frame of one to three months; the extensive method needs four to eight months.<sup>28</sup> Not including homework, Bryan Barry’s compact protocol takes 18 to 20 hours over 5 months; his longer version requires 60 to 65 hours over 15 months.<sup>29</sup>

Looking to the private sector offers little hope for anything faster: The ironically titled *Simplified Strategic Planning: A No-Nonsense Guide for Busy People Who Want Results Fast* calls for a seven-day, 56-hour agenda spread out over three months.<sup>30</sup> Making matters worse, most of these strategic planning processes deal with strategy only; the operating plans and governance matters of delegation and accountability aren’t included.

It’s not so much the amount of time that gives one pause; it’s what can happen during those long stretches. If you’d decided to use a three-month approach in the late summer of 2008 when the Standard & Poor’s 500 stood at nearly 1,300, you would have been living in a decidedly different world right before Thanksgiving when the S&P 500 was down nearly 40 percent to about 750.

Those who do not want to invest time in building a framework often recollect their own personal experiences that were painful and led to little or no impact on the organization. They remember the exquisite misery of working for months and months on programs that were never utilized. As one trustee said,

*I can still recall the endless hours of meetings with the consultant pounding away at us about strengths and weaknesses. It led to a document so thick that it made for a better doorstop than a plan of action. The bulk of the board didn't understand it; that was okay, but what really hurt was that the staff didn't understand it either. They simply discarded it and went about their business just as they had before we began the process.*

The third major reason that people give for avoiding planning is that planning isn't fluid enough to allow for the unexpected. No one wants to work on things that end up as wasted efforts. Many of the opportunities that arise cannot be anticipated in formal planning processes. A competitor loses its executive director and thus creates a chance for merger. A foundation board changes its focus in a way that invites a new program. Why not just wait for these sorts of opportunities to come up and then seize upon them?

This is certainly the observation that gurus Jim Collins and Jerry Porras make:

*Visionary companies make some of their best moves by experimentation, trial and error, opportunism, and—quite literally—accident. What looks in retrospect like brilliant foresight and preplanning was often the result of “Let's just try a lot of stuff and keep what works.” In this sense, visionary companies mimic the biological evolution of species. We found the concept in Charles Darwin's Origin of Species to be more helpful for replicating the success of certain visionary companies than any textbook on corporate strategic planning.<sup>31</sup>*

Adding more weight to a “fast and loose” approach to strategy is some compelling evidence that planning doesn't make a lot of difference in the smaller, entrepreneurial organizations that epitomize the nonprofit sector. Though the value of strategic planning on small firms with 100 or fewer employees was confirmed in one meta-analysis, “the effect sizes for most studies are small [and] it may be that the small improvement in performance is not worth the effort involved.”<sup>32</sup>

Whether the organization is an entrepreneurial start-up also appears to moderate the benefits. A 1990 National Federation of Independent Business study of nearly 3,000 start-ups “showed that founders who spent a long time in study, reflection, and planning were no more likely to survive their first three years than people who seized opportunities without planning.”<sup>33</sup> In another study of 100 founders of the fastest-growing companies, only 28 percent had a full-blown plan when they started out. Because of the dynamic environment that entrepreneurs face, “an ability to roll with the punches is much more important than careful planning.”<sup>34</sup>

Strengthening the argument that planning is a waste of time is Henry Mintzberg's recommendation that "conditions of stability, controllability, and predictability [are] necessary for effective planning."<sup>35</sup> As such, he acknowledges the significant impact that the environment can have on the organization. While the research on planning is not conclusive, there is reasonable evidence to suggest that planning is less appropriate in times of crisis:

*An organization may find itself in a stable environment for years, sometimes for decades with no need to reassess an appropriate strategy. Then, suddenly, the environment can become so turbulent that even the very best planning techniques are of no use because of the impossibility of predicting the kind of stability that will eventually emerge.*<sup>36</sup>

Juxtapose the need for stability against the helter-skelter realities of most nonprofits, and you come up with a resounding recommendation to just say no. As the fictional HBO character Tony Soprano would say, "Fuhgeddaboudit."

The idea here is that you shouldn't try to control the world, but let the world control the organization. Reacting as a strategy is not uncommon as John Kay in his *Why Firms Succeed* explains:

*The notion that successful strategies are often opportunistic and adaptive, rather than calculated and planned, is a view as old as the subject of business strategy itself. One of the best expressions of it is Lindblom's (1959) exposition of the "the science of muddling through." ... Lindblom's perspective was most extensively developed by Simon (1961) and Cyert and March (1963). They deny that organizations can sensibly be viewed as entities with personalities and goals like those of individual people. Rather, firms are better seen as shifting coalitions, in which conflicting demands and objectives are constantly but imperfectly reconciled, and all change is necessarily incremental. In this framework, rationalist strategy—in which senior management chooses and imposes a pattern of behavior on the firm—denies the reality of organizational dynamics.*<sup>37</sup>

A reactive approach to thinking about the future has validity. Take the case of the Victoria Theatre Association, where I was the chief executive from 1990 to 2005. Two of its biggest strategic changes during that period occurred serendipitously. The first began as a conversation with the board president of the Human Race Theatre Company and happened when we bumped into each other on a street corner. Ten months later, the Next Stage Series was born with an annual price tag of \$1 million. The new series with

its off-Broadway flavor was staged by the Human Race while the front-of-house including marketing, administration, fund raising, and the like was provided by the Victoria. Not only did it stabilize funding for the Human Race and pay off its accumulated deficit, the collaboration built new audiences and ensured that professional theatre would continue to be produced locally for years to come.

The second serendipity for the Victoria was even more dramatic and involved the Dayton Opera. On a beautiful spring day and quite out of the blue, the head of the Opera's executive committee called me to express interest in a possible alliance. "Could we get together with the committee that afternoon," he asked. And get together we did.

That the Dayton Opera was one of the treasures of the community was not in question. That the Dayton Opera was going through one of the most difficult periods in its history and was teetering on the edge of financial collapse was also not in question. After just one balanced budget in seven seasons and a steady decline in activity and attendance, the board recognized its precarious situation and entered into a management alliance with the Victoria that was implemented in a few short months.

Unfortunately, the alliance came too late for the Opera to avoid its worst deficit ever. Subscriptions hit a rock-bottom low at less than 2,600. Coming off a high of over 5,000 in the late 1980s that earned the Opera the status of the state's best, the condition of the organization just 10 years later was a stunning reversal.

Fortunately, the community of funders applauded the alliance. Through an intensive effort, enough money was raised to pay off the Opera's accumulated deficit, capitalize its operations for a few years as it worked its way out to a balanced budget, and create a cash reserve. At the same time, the new alliance built capacity throughout the two organizations and improved strategic position. The Opera was able to hire its first full-time artistic director, and the quality of its productions earned raves and new audiences. It was a classic turnaround that delivered standing ovations.

Both of these changes for the Victoria occurred as a result of luck. No visioning process anticipated these opportunities. No strategic planning process covered the possibility of such high-impact opportunities. As such, you might well argue that the right answer about planning is to simply "just say no," as Nancy Reagan was known to do.

## **Just Say Yes**

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As suggested earlier, the value of strategic planning has been a matter of considerable debate and research. Brian Boyd's meta-analysis of 21 studies representing nearly 2,500 for-profit companies at first seemed to suggest

that strategic planning had a very weak effect on performance, but when measurement errors were taken into account, he found that the studies were guilty of “seriously underestimating the benefits of planning [because] many firms do report significant, quantifiable benefits.”<sup>38</sup> More evidence from a later analysis led to the striking conclusion that strategic planning “appears to double the longer term likelihood of survival as a corporate entity” as compared to nonplanners.<sup>39</sup> A different review of 35 studies found “strategic planning to positively affect firm performance . . . equally in large and small and capital-intensive and labor-intensive firms.”<sup>40</sup>

When it comes to nonprofits, Melissa Stone, Barbara Bigelow, and William Crittenden reviewed more than 65 studies representing over 2,000 nonprofit organizations and did not find a conclusive relationship between planning and performance.<sup>41</sup> Though some have seen this as evidence of a weak link between strategic planning and performance,<sup>42</sup> the lack of clarity is because so few of the studies in the meta-analysis sought to examine the relationship between formal planning and performance.<sup>43</sup> Moreover, Robert Herman and David Renz argue that the “evidence supports the view that strategic planning is related to effectiveness.”<sup>44</sup>

One of the studies that did examine that relationship was Julie Siciliano’s, which looked at 240 YMCA organizations and found that “those organizations that used a formal approach to strategic planning had higher levels of financial and social performance than those with less formal processes.”<sup>45</sup> This particular study is notable because the studies investigating the link between planning and performance are few and far between.<sup>46</sup>

At the most basic level, and according to Henry Mintzberg, there is only one reason to engage in planning—to “translate intended strategies into realized ones, by taking the first step that can lead to effective implementation.”<sup>47</sup> Put another way, “the very purpose of a plan or the action of planning is to prepare for future activity.”<sup>48</sup> Even though “strategies can appear at all kinds of odd times, in all kinds of odd ways, from all kinds of odd places,”<sup>49</sup> we usually engage in planning because we want to implement the strategies that we already have in place or the new ones that we have discovered or designed.

Remember the earlier advice from Jerry Porras and Jim Collins about visionary companies? The one where they say these firms make “some of their best moves by experimentation, trial and error, opportunism, and—quite literally—accident.”<sup>50</sup> The problem with this statement is the word *some* in the first sentence. If visionary companies make only some of their best moves by experimentation, what do they do about the rest of their moves?

The issue here isn’t about where strategies come from; use peyote and a sweat lodge if that’s what works for you. Do try a bunch of things and

see which one works. See what others are doing in your field, imitate, and improve. Don't try to control the world; let the world control the organization. But, eventually, you will have to program those strategies into some workable protocol that allows you to execute. As Larry Bossidy and Ran Charan warn, "Strategies most often fail because they aren't executed well. Things that are supposed to happen don't happen."<sup>51</sup>

Scholars and practitioners have identified many benefits for undertaking a planning process. Beyond the primary benefit of planning to program current or new strategies, Henry Mintzberg adds communication media and devices for control; the analysis, identification, and evaluation of potential strategies; and helping others to think strategically.<sup>52</sup> Leonard Goodstein, Timothy Nolan, and William Pfeiffer say that planning is useful to give "a framework for action [to] unleash the energy of the organization behind a shared vision [and] to constantly adjust to current events and actions by competitors."<sup>53</sup> McKinsey gurus Eric Beinhocker and Sarah Kaplan find just two benefits:

*The first is to build "prepared minds"—that is, to make sure that decision makers have a solid understanding of the business, its strategy, and the assumptions behind that strategy, thereby making it possible for executives to respond swiftly to challenges and opportunities as they occur in real time. The second goal is to increase the innovativeness of a company's strategies. No strategy process can guarantee brilliant flashes of creative insight, but much can be done to increase the odds that they will occur.*<sup>54</sup>

Back to nonprofits, Michael Allison and Jude Kaye offer two reasons to plan: it improves focus and it improves the way people work together.<sup>55</sup> John Bryson and Farnum Alston give seven reasons: increased high performance, increased efficiency, improved understanding and better learning, better decision making, enhanced organizational capacities, improved communications and public relations, and increased political support.<sup>56</sup>

John Bryson names four, including "the promotion of strategic thought and action...improved decision making...enhanced organizational responsiveness and improved performance...directly benefit the organization's people."<sup>57</sup> Bryan Barry has seven advantages, including improved results, momentum and focus, problem solving, teamwork-learning-commitment, communication and marketing, greater influence over circumstances, and a natural way to do business.<sup>58</sup>

Grouping these many ideas—for-profit and nonprofit—around common themes gives order to the benefits and uses of planning as shown in Table 2.1.

**TABLE 2.1 Benefits and Uses of Planning**

Ideas	Benefits	Uses
<ul style="list-style-type: none"> <li>- The analysis, identification, and evaluation of potential strategies, to constantly adjust to current events and actions by competitors, greater influence over circumstances, increase innovativeness</li> </ul>	Identify Strategies	Create
<ul style="list-style-type: none"> <li>- The promotion of strategic thought and action, a framework for action, momentum, focus, program current or new strategies, helping others to think strategically, directly benefit the organization's people</li> </ul>	Set Direction	Program
<ul style="list-style-type: none"> <li>- Communication media, improved communications and public relations, communication and marketing, prepared minds</li> <li>- Improves the way people work together, unleashes the energy of the organization behind a shared vision, teamwork-learning-commitment, improved understanding and better learning, devices for control</li> </ul>	Communication  Coordinate Action	Implement
<ul style="list-style-type: none"> <li>- Enhanced organizational responsiveness and improved performance, increased effectiveness, increased efficiency, enhanced organizational capacities, improved results, problem solving, a natural way to do business, improved decision making, better decision making</li> <li>- Increased political support</li> </ul>	Operational Effectiveness Enhanced Legitimacy	Achieve Results

In other words, a planning process like *Results Now* can create, program, and implement strategy to achieve results. And if this is not enough to convince you, think about the fundamental responsibility of the board as argued by William Bowen, president of the Andrew W. Mellon Foundation:

*Perhaps the overriding obligation of boards in both sectors is to require that a sensible plan of some kind be in place and that it be monitored carefully. It is surprising how frequently no real planning occurs, especially on the part of the nonprofit world. And it is even more surprising how frequently plans that were adopted are not tracked in even the most rudimentary fashion.<sup>59</sup>*

Why should Bowen be surprised that no real planning occurs or that organizations do not track the plans adopted? At the end of the day and

despite the efforts that boards make, there will be members who miss meetings and who don't read advance materials. There will be disruptive members, those who are too involved with the organization, and those who are disconnected. There will always be inexperienced members and members who ignore the organization's annual fund appeal. There will be novice executive directors. That's why well-designed planning processes have value, ones that are quick and practical, not too much and not too little.

The first point in W. Edwards Deming's Management Method, widely credited for turning around Japanese industry and restoring American quality to world leadership, is to create constancy of purpose. This constancy of purpose does not originate in a reactive environment: "It is easy to stay bound up in the tangled knots of the problems of today, become ever more and more efficient in them."<sup>60</sup> And what is Dr. Deming's recommendation? A plan for the future.

## Show Me the Money

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In Cameron Crowe's film *Jerry Maguire*, Cuba Gooding Jr. (who won a best-supporting Oscar for his performance) plays Rod Tidwell, an aspiring tight end who believes that he's worth a lot of recognition both financially and otherwise. Rod Tidwell's personal mission is a four-word sentence: "Show me the money." In trying to convince Rod Tidwell that it takes confidence plus performance to win the game, Jerry Maguire introduces his own four-word personal mission: "Help me help you." Forget all the other reasons for planning, especially when it comes to funding; if there's one thing that helps funders help you and shows you the money, it's planning.

First, using the plan as a communications tool has tremendous value because it tells the story of what the organization is trying to accomplish, the direction it is heading. If what Howard Gardner observes is true, that "the artful creation and articulation of stories constitutes a fundamental part of the leader's vocation,"<sup>61</sup> then at some point the leader must create the script for that story. As such, planning provides better communication media by generating necessary information and data that is useful for things like the annual message, grant writing, sponsorship proposals, and the like.

Instead of an off-the-cuff approach that cobbles things together, *Results Now* provides real information, honestly constructed, to form messages that build trust that can then form much of the content needed. Moreover, such a planning process improves internal communications by providing a means to stimulate meaningful conversation about what the organization is trying to accomplish. It brings people together by providing a common language and vocabulary concerning the organization's efforts.

More specifically, an organization doing a comprehensive job of planning that includes strategy, operations, and governance elements will be able to raise money more effectively. After all, in order to be successful in fund raising, a strong case statement always needs to be made. And that goes for both established and emerging agencies:

*When nonprofits make a pitch for a donation, they describe their longest running programs, show how well they manage money, and tout their success stories. But when start-up organizations look for seed money, they can't point to their achievements. To compensate, they must have a well-thought-out plan, something in writing that they can show prospective funders.<sup>62</sup>*

As funds get tighter and funders become more concerned about organizational capacity, the nonprofit with a comprehensive plan can prove that it has all the elements in place to address any questions about strategy, operations, and governance. The inclusion of a well-executed plan in a funder packet engenders confidence. It is an impressive document, which shows the potential funder that the organization takes its business seriously.

In a world in which general operating funds are increasingly difficult to identify, much less to secure, being able to build strong project-oriented proposals is necessary for garnering support. Unfortunately, a frequent claim from nonprofit executive directors is that their agencies are not project oriented, especially in the human service area. It is often a surprise when they find that there are indeed programs and services that are fundable from a program standpoint.

Program support gives a sense of ownership to the donor, and it starts with a careful review of the organization's lines of business, its key programs or services, its major products. These by themselves may merit sponsorship support. By breaking them into the various program components, most nonprofit organizations can create a sizable inventory of attractive funding opportunities.

Any organization can do the homework to develop a roster of sponsorship opportunities and the necessary case statements for general fund raising. The difference between fund raising in an organization that plans and one that doesn't is that proposals, solicitations, and opportunities for giving are driven from a carefully considered process that answers the question of where to go tomorrow, a question that every donor wants explained.

Moreover, all people who raise money face the inevitable funder inquiry about programs that received support: "When did it happen?" Especially in the case of general operating support, funders often need an annual report outlining the results of operations for the fiscal year. Sponsors demand detailed reports about the funded project, and government agencies require

compliance summaries. Whatever it is called, whether it's compliance or assurance, accountability is the underpinning. Rather than waiting until the last minute to produce the report of accomplishments based on hastily assembled activity logs, data, and statistics, a good plan has the needed information readily accessible.

Second, enhanced legitimacy comes with planning. Remember that strategic planning is the top 2009 management tool for global business from a satisfaction standpoint.<sup>63</sup> Remember that strategic planning garnered the highest marks for what worked by executives of high-performing nonprofits and that 91 percent of them had strategic plans in place at their own organizations.<sup>64</sup> And don't forget that three out of five nonprofits do it, and management services organizations make it their top field of concentration.<sup>65</sup> It is hard to ignore the implications: If you want your nonprofit to grow into a high-performing nonprofit with a big budget (or get much needed funding), you need to have a plan.

This viewpoint that planning is important is the elephant in the boardroom of agencies that don't plan. But plan they eventually will as nonprofits "adopt formal planning when required to do so, suggesting that funders exert a form of coercive pressure on nonprofits."<sup>66</sup> Unsettling as it may be for those who don't plan and uplifting for those who do is the news that nonprofits "appear to be rewarded for doing so through an increase in resources."<sup>67</sup>

Woody Allen once said, "Eighty percent of success is showing up."<sup>68</sup> And that's what legitimacy is all about. In a study of 330 nonprofits, the researchers found few significant relationships between formal planning and measures of performance, but they did find that "organizations in institutional environments will adopt elements of administrative practice and structure for their legitimating qualities, regardless of their effect on efficiency or performance."<sup>69</sup> In a different study comparing churches that plan and those that don't, no significant differences were found, but "a formal written plan appears important for convincing funding sources that church administrators know what needs to be done and how it should be done."<sup>70</sup> Put directly, planning quite literally shows you the money.

## Bottom Lines

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Even though the two major changes to the Victoria Theatre Association occurred as a result of luck, the third change came about as a result of carefully thinking about the future. Beginning with market research that concluded, "Families represent the greatest potential for future market growth," the Victoria began planning to launch its new children's theatre festival. The new program was initiated in a test fashion a year later and rolled out in a full launch the year after that with full funding guaranteed for three years. By

planning for the dream, many of the problems that occur with experimentation are eliminated or minimized, including funding and organizational capacity.

So which way is best? Is it the “Just say no” reactive approach in which no planning is good planning? Or is it the “Just say yes” proactive approach?

There are those who will throw up their hands in the face of organizational complexity and the quickly changing world around them. They will complain about the plan that gathers dust on the bookshelf, and they will strenuously avoid wasting time in any exercise that attempts to think about the future. Meanwhile, back at the ranch, real people are doing real work. Whether consciously or not, each and every one of those people is making assumptions about the future.

No matter what leaders may wish, actions today have impact on tomorrow, and when leaders deny this reality, it does little to help those people who must do the work of the organization. You either make a choice about the organization’s destiny or someone else will. As Stephen Covey says, “If you wait to be acted upon, you *will* be acted upon.”<sup>71</sup> That someone acting on the organization may not be a board member or an executive director, but no matter what, someone, somewhere is going to give direction. Does the executive director or board president really want the marketing director to set the “vision du jour?” Give direction by default or do it by design, but one way or another, direction is going to be given.

Paul Light, in his book *Sustaining Innovation*, studied 26 nonprofit organizations as he searched for common characteristics that would make the sporadic act of innovating a regular occasion. He identified four broad characteristics, including critical management systems that must serve the mission of the organization, not vice versa. About these management systems, he says:

*Rigorous management systems cannot be taken as a given and are essential for sound innovation. They also make the single act of innovation less an act of courageous defiance and much more a natural act central to achieving an organization’s mission.*<sup>72</sup>

Building rigorous management systems is akin to what long distance runners must do to build muscle and endurance for the challenge of the race. That training, the mundane, day-to-day sweat and pain that prepares the athlete for the eventual race, is part and parcel of what it takes to win. It’s not glamorous, but it is necessary for success. An organization that uses a disciplined and comprehensive planning approach builds the necessary organizational muscle to win. The discipline required assures the board and the staff that essential systems will be in place that can give the organization the foundation for achieving its chosen destiny, whatever it may be.

There will always be people who believe that planning of any sort, long range, strategic, short range, is a waste of time. “The world changes so rapidly, all that can be done is react,” these people claim. Faced with the question of whether to act or to react, do both. Invest in a process that will give the security of direction, but don’t invest so much time and effort that changing course as conditions warrant becomes more difficult. Have a roof over your head that’s flexible, one that invites addition, modification, or outright abandonment, but don’t have a palace that must be worshipped and preserved because of its cost.

Here’s the bottom line: Even if you don’t think you’re ready to do it, don’t think you need to do it, don’t want to do it, don’t care about it, don’t believe it matters, or know “whether planning leads to effectiveness or whether effectiveness leads to planning,”<sup>73</sup> your stakeholders in general and funders in particular do believe it’s important, that it matters. Engaging in a planning process simply because your stakeholders believe it is important may appear to be the ultimate folly, but doing so is completely consistent in a world where nonprofit effectiveness is judged “in terms of response to the needs and expectations of their stakeholders.”<sup>74</sup>

For those familiar with philosophy, this argument for planning is similar on a small scale to Pascal’s Gambit, where it is better to believe that God exists than not believe because you have little to lose by believing and so much—both infinite and eternal—to gain. Henry Mintzberg puts it this way, “Too much planning may lead us to chaos, but so too would too little and more directly.”<sup>75</sup> And Michael Porter asserts that “questions that good planning seeks to answer . . . will never lose their relevance.”<sup>76</sup>



## All Together

*To build a successful team, you don't start out with people—you start out with the job. You ask: What are we trying to do?*

—Peter Drucker<sup>1</sup>

The four pillars of high performance—purpose, strategy, operations, and governance—together generate five essential questions that every organization must answer:

- **Why?**
- **Where** to go tomorrow?
- **What** gets done today?
- **Who** does what?
- **When** did it happen?

These five questions can be answered in many different ways, from informal to formal. *Results Now* is a moderate approach that strikes a balance between these two extremes by creating a unified frame—a master plan—to guide the work of the organization. After all, and as noted in the Preface, Henry Mintzberg advises, “All viable strategies have emergent and deliberate qualities.”<sup>2</sup> The task is to find a process that offers enough structure to be purposeful, but not so much that the organization loses its flexibility. *Results Now* strikes does just that by keeping things quick and practical—not too much, not too little.

Unlike traditional methods, *Results Now* is an ongoing way of doing things, an essential part of day-to-day organizational life. First, the *Results Now* master plan itself is often used as a centerpiece of board meetings and many organizations include it as a standard part of board meeting advance information. Second, because the *Results Now* master plan is so

uncomplicated, it can be refreshed as needed and at least annually as a regular part of day-to-day operations.

Governance experts John and Miriam Carver argue that the job of leadership is to ensure that “the organization produces what it should . . . while avoiding situations and conduct that should not occur.”<sup>3</sup> William Bowen, president of the Mellon Foundation, says, “Perhaps the overriding obligation . . . is to require that *a sensible plan of some kind be in place* and that *it be monitored carefully*.”<sup>4</sup> For the Carvers, accomplishing the mission is the end; for Bowman, the plan is the means to that end. For organizations looking for a quick and practical way to do both, the five questions are the right questions, and *Results Now* offers a method for answering them.

## Master Plan

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In the earliest iterations of *Results Now*, only three questions were addressed:

- **Why?**
- **Where** to go tomorrow?
- **What** gets done today?

This is pretty standard stuff, the troika of planning. Though *Results Now* proved itself effective, a deficiency began to show itself. There was frequent confusion and conflict about duties, especially at the board and executive director levels. Complaints about micromanagement by boards were common among executive directors, while boards often complained about dull meetings and not having a great enough impact on the organization.

In addition, concerns arose about the need to have a disciplined approach to monitoring performance so that the plans wouldn't end up on a shelf gathering dust. Attempts to find a solution to the governance question often lead to the Policy Governance® model.<sup>5</sup> Developed in the late 1970s, the model contains four policy elements:

1. Ends are mission related and serve as the board's long-range plan.
2. Executive limitations clarify boundaries for the staff.
3. Board-executive linkage policies are concerned with delegation between board and staff.
4. Board process policies deal with how the board governs itself.

By using the Policy Governance model, John Carver contends that boards can compose and then control policies about many of the governance variables. This turns out to be somewhat easier said than done.<sup>6</sup>

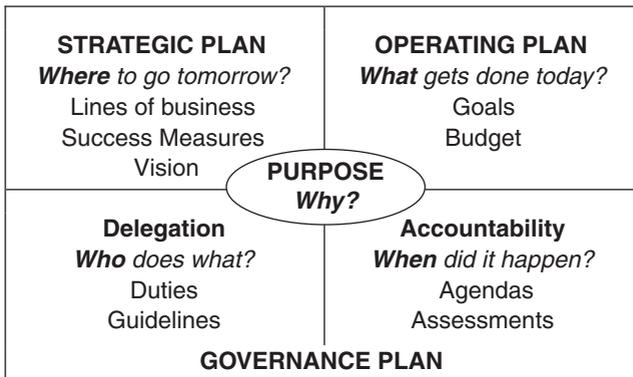


FIGURE 3.1 *Results Now* Master Plan

The real answer to the delegation and accountability questions turns out to be a large dose of common sense: Decide who does what (delegation) and when it happened (accountability). Thus, the final resolution to the question of governance was the addition of the third and fourth questions:

- **Who** does what?
- **When** did it happen?

The output of *Results Now* is a master plan, which is a practical tool that will help make it possible for the organization to achieve its chosen destiny, whatever that may be. It is results driven and covers the five major questions, as illustrated in Figure 3.1.

*Results Now* has its own distinct vocabulary that, in some ways, is familiar. It uses many words that are common to planning mission and vision, but these words may have different meanings for different people. Strategy is mostly about lines of business, which are the programs, services, or products that are the organization's major activities. Though the term is quite common to the for-profit sector, if you are more comfortable using another word, simply take your pen and write in the word you like better. *Results Now* isn't about forcing a vocabulary on anyone; it isn't about demanding the "one true" answer. There are no right answers, just the right questions.

*Results Now* is also not a magic bullet for achieving impossible dreams, making conflict go away in agencies, raising piles of money, or whatever else ails you. It won't fix problems on its own; it won't mend the unmendable. It is a tool—nothing more, nothing less. There will still be board members who fail to live up to their obligations or executive directors who deliver disappointing performance.

## Be Quick

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John, a veteran of a board that uses *Results Now*, says that the process “Bozo-proofs an organization and its board.” It creates a context, a way of doing things, so that the difficult decision or difficult board and staff member, for that matter, can be confronted effectively. Bozo-proofing an organization by giving it a framework for consistently and capably managing itself is a sensible thing to do, but it must be a framework that is practical, one that doesn’t take a two-day orientation seminar to grasp.

Of course, many might say there are easier ways to do this, and many organizations search high and low for solutions. We want to believe that we can correct all the problems. It is a search for symptomatic relief, however. Take boards, for example. Maybe they can be better if we have a smaller board or a bigger board, maybe more time for meetings or perhaps a shorter time requirement, more thorough advance materials or abbreviated information, meetings after work or breakfast meetings, an annual retreat off-site or no more retreats at all.

Boards are not an end unto themselves; they are a means to an end. The proof of a great agency is in its accomplishments, not in how effective it is with recruitment and orientation of board members or the degree of satisfaction with meetings. These are means to an end, not an end itself. Stephen Covey’s immensely popular book *The Seven Habits of Highly Effective People* lists being proactive as its first habit:

*While the word proactivity is now fairly common in management literature, it is a word you won’t find in most dictionaries. It means more than merely taking initiative. It means that as human beings, we are responsible for our own lives. Our behavior is a function of our decisions, not our conditions. We can subordinate feeling to values. We have the initiative and the responsibility to make things happen.<sup>7</sup>*

No one can deny the rationality of Covey’s argument, but it is not easy to make the transition from being reactive to proactive. Making proactivity come alive in an individual is difficult to cultivate; if it were not, Stephen Covey would have listed it as a footnote, not as the first of seven habits. And as hard as it is to get an individual to become proactive, there is the added difficulty for a collective like a nonprofit organization.

Of course, to achieve a chosen destiny, the destiny must first be chosen. In order to become truly strategic, the organization must be both reactive and proactive. If not, it will be buffered by every trendy management fad or reform movement that comes along. It must be focused on delivering results now, not later.

To do this requires a process that must answer Peter Drucker's question that began this chapter: "To build a successful team, you don't start out with people—you start out with the job. You ask: What are we trying to do?"<sup>8</sup> To get to the answer, any effective process has to satisfy three requirements.

First, the process used to build the plan must be quick, since board members and staff members do not have much time to give to the task. To be sure, building a *Results Now* master plan can be done at a more moderate pace. Most organizations decide to be quick about things. The cost for speed is that the master plan will have less refinement, but this can be balanced by making it an ongoing endeavor to polish it. In other words, the *Results Now* master plan puts a roof over the organization's head; polishing it over time makes it a home and becomes the perpetual work of the board and staff.

Quicker installations can be better than drawn-out ones for another reason. Because of the modest investment in time, the *Results Now* master plan is a home that no one will feel sad about renovating, selling, or rebuilding from scratch. It isn't a palace that people are scared to live in. Boil this down into the adapted words of the great Prussian General Helmuth von Moltke and you get the point: "No business plan ever survived its first encounter with the market."<sup>9</sup>

John Wooden once said, "Be quick, but don't hurry,"<sup>10</sup> and this epitomizes *Results Now*. Begin with what you're doing now and not with what you're doing next. Deciding what's next—formulating strategy—is both a science and an art; it can take a lot of time or be a lucky break. As the eminent Henry Mintzberg notes, "Few if any, strategies are purely deliberate, just as few are purely emergent. One means no learning, the other means no control. All real-world strategies need to mix these in some way: to exercise control while fostering learning."<sup>11</sup> So be quick to understand what you're doing now, but don't be in a hurry to figure out what you're doing next.

Second, the *Results Now* master plan must be simple because the levels of experience are going to vary from member to member and within the professional staff. It must be user friendly for a wide variety of users. In the words of Albert Einstein, "Everything should be made as simple as possible, but not simpler."<sup>12</sup>

Gone should be the long-winded mission statements and impossibly complicated documents that few can understand. The focus is on the critical few rather than the trivial many; those issues that will deliver the greatest results are the center of attention. Less is more; simple is better. This is all in keeping with what Tom Peters and Robert Waterman observed in the early 1980s:

*The project showed, more clearly than could have been hoped for, that the excellent companies were, above all, brilliant on the basics. Tools*

*didn't substitute for thinking. Intellect didn't overpower wisdom. Analysis didn't impede action. Rather, these companies worked hard to keep things simple in a complex world.*<sup>13</sup>

*Results Now* gets much of its simplicity from using the 80/20 rule, which is formally known as the Pareto Principle. Vilfredo Pareto was an economist who declared that in any group of objects, 20 percent of the objects would account for 80 percent of the group's entire value. For example, 20 percent of the donors contribute 80 percent of the funds in an annual campaign. In the process of building a *Results Now* master plan, it is important to focus on those issues that will have the most significant impact, the 20 percent that will deliver the 80 percent.

The third rule of *Results Now* is that everything in the master plan should ultimately make a difference in the work that real people do in the here and now. Nothing should be included unless it informs the work that gets done today. If it is confusing or extraneous, it's not in the *Results Now* master plan. For example, instead of an operating plan that contains every goal and action including what are essentially job duties (the 95 percent of jobs that we all do every day), *Results Now* includes only material goals (the 5 percent of new or improved things that we have a motivating shot at getting done).

How involved the board is in each of these components depends on the particular circumstances of that organization. Some boards will be very involved. They will participate in setting the goals for staff departments. Other boards will be concerned only about the work of the board itself. Some boards will delegate the crafting of every element that builds a *Results Now* master plan to staff; other boards will be involved in every detail.

Obviously, the degree of involvement on the part of the board is fluid and depends on a host of variables, including the experience of the executive, the amount and depth of staff, and resources available. A grassroots organization with a budget of less than \$100,000 and no full-time professional staff will answer the five questions differently than a \$10 million foundation. A board with 50 members will probably need an executive committee, a board of 12 might not, either of which is certainly agreeable. The point here is to focus on the five questions and derive answers that are appropriate to your particular place in time.

The important point—critically important—about involvement is this: “Those who carry out strategy must also *make it*.”<sup>14</sup> What this means is that if the staff who will implement the strategy are missing from the room, you are doomed to failure. So should the marketing director be in the room? The development officer? Absolutely, positively, yes—the more the merrier. Should you use a small, behind-the-scenes group of board members who will take the load off the larger group? Absolutely, positively not; there is

nothing more fundamental and important to a great board—and being a great board member—than being involved in strategy setting.

*Results Now* is not just for organizations that are already strong. In fact, it can be extremely valuable for those in dire circumstances. After all, once there is a plan of action, climbing out of a hole can actually be easier than fighting your way out without any idea of where to go next. For the new executive director, no matter what shape the organization is in, the first thing that should be done is to see if the answers to the five questions exist. If the answers aren't there, get them quickly.

Form follows function in *Results Now*. Instead of the old “We’ve always done it this way,” you build the plan around the order of the five questions. As such, *Results Now* is big-picture first, details next, and inherently optimistic about the future. Since the success measures from the strategic plan are tied seamlessly to the operations plan, where real people have bottom-line responsibility and authority for implementation, a feedback loop exists that keeps excess optimism in check.

The *Results Now* master plan can be upbeat about where to go tomorrow while at the same time absolutely down-to-earth realistic about what gets done today. Furthermore, the success measures provide glue that holds things together from front-line staff to executive director to board member, and thereby diminishes the chance that the master plan will end up on a bookshelf or as a doorstop. And isn't using the plan in the here and now the ultimate test of an effective planning process?

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