SUSTAINABLE STRATEGY WORKBOOK[A]

(3-6-16 Draft)

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[A] This report is built upon a template derived from Results Now for Nonprofits: Purpose, Strategy, Operations, and Governance (M. Light, 2011, p. 85). All content herein © Mark Light, 2015. Thanks to Dottie Bris-Bois for invaluable editing, clarifying insights, and sharing examples of her sustainable strategy work.

PART ONE – ON YOUR MARK

GET READY

The chief limitations of humanity are in its visions,
not in its powers of achievement.
- A. E. Morgan

Leading public service agencies is hard work. The median executive director tenure is four years or less, 65 percent are first timers in the job, and less than half want to play the role again.[1] Working in the sector often results in a mixed bag of feelings 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)."[2]

Though some experts on nonprofit management bemoan the state of the field,[3] there is much to celebrate when it comes to leading service organizations. 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."[4] As a result, almost all experience a high level of enjoyment in their work.[5]

Executive directors are not alone. Nonprofit employees are "highly motivated, hardworking, and deeply committed [and are] motivated primarily by the chance to accomplish something worthwhile."[6] Perhaps this is why paychecks only motivate 16 percent of the nonprofit workforce compared to stimulating nearly half of those who work in the private sector.[7]

More than money, a recent report on what people earn sheds light on what really counts: "In any economy, the best jobs provide emotional as well as financial rewards."[8] This statement reflects what workers in the nonprofit sector already know: almost all who work in the industry experience a high level of enjoyment in their work.[9] Another survey found that **the number one attribute of a dream job was making a difference in people's lives.**[10]

If it is true that "in our hearts, we would all like to find a purpose bigger than ourselves,"[11] where better to find it than the nonprofit sector?

About This Workbook

This workbook demonstrates how leadership can bring an organization's purpose to life using sustainable strategy.

In the first section, **Great Start**, you will investigate what your organization *is doing* now by looking at your purpose and current strategies. In the next section, **Great Ideas**, you will brainstorm what your organization *could do* next and develop ideas for a new vision statement and new strategies. The third section, **Great Strategies**, pulls everything together about what you *should* do next. The final section, the **Strategic Plan,** is what you *will do* next.

This workbook will show you how to develop sustainable strategy. To do this requires a process that must answer Peter Drucker's question: "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?"[12] To get to the answer, **any effective process must be quick, simple, and make a difference.**

Quick

First, the process must be quick since stakeholders, board members, and staff members do not have much time to give to the task. To be sure, you can go slow, but most organizations decide to be quick about things. The cost for speed is that your strategies will have less refinement, but you can balance this by polishing later.

Quicker installations can be better than drawn-out ones for another reason. Because of the modest investment in time, your strategies become a home that no one will feel sad about renovating or selling or rebuilding from scratch. It isn't a palace that people are scared to live in. In the words of the great Prussian General Helmuth von Moltke: "No business plan ever survived its first encounter with the market."[13]

Yet John Wooden warns, "be quick, but don't hurry"[14] and this epitomizes the sustainable strategy. 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."[15] **So, be quick to understand what you're doing now, but don't hurry.**

Simple

Second, you must keep things simple because the levels of experience are going to vary within the professional staff and 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."[16]

Gone should be the long-winded mission statements and impossibly complicated documents that few can understand. Less is more; simple is better – the focus is on the critical few rather than the trivial many. This is all in keeping with what Tom Peters and Robert Waterman observed in the early eighties:

> 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.[17]

Sustainable strategy gets much of its simplicity by 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 donors contribute 80 percent of the funds in an annual campaign. In the process of building sustainable strategy, **it is important to focus on those issues that will have the most significant impact**.

Make a Difference

The third rule is that everything should ultimately make a difference in the work that people do in the here and now. Nothing should be included unless it informs the work that you must do today. 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), you should include only material goals (the 5 percent of new or improved things that we have a motivating shot at getting done).

Sustainable strategy 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 new and seasoned executive directors, no matter what shape your organization is in, step one is having clear strategies about where the agency is going in the future.

GET SET

Planning Rules

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, the plans we make govern our complex human behavior, from the mundane to the momentous.[18] David Lester goes even further to remind us 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?'"[19]

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."[20] This is true whether it is a solution to an intractable problem, a goal, or dealing with things that need to be done.[21]

Clearly, leaders agree. Results from a 2003 survey of 708 for-profit companies on five continents placed strategic planning at number one on the list of management tools with a usage ranking of 89 percent,[22] the same position it had in 2000.[23] The first place position of strategic planning did not change in 2007.[24] Though strategic planning dropped to second place for highest-usage position in 2009 to benchmarking, it still

earned top billing for overall satisfaction.[25] In 2015, strategic planning still held second place.[26]
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.[27] And when researchers asked these same executives what particular management tool had most improved the performance of their own organizations, strategic planning again received the highest marks. Furthermore, these high-performing executives walk their talk, as 91 percent had strategic plans in place at their own organizations.

Strategic planning is not only a high-performer attribute; three out of five organizations 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 to have one: 52 percent of organizations with budgets under $250,000 have them compared to 80 percent of organizations with budgets of $10 million and over.[28]

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. Independent Sector, a “nonprofit, nonpartisan coalition of more than 700 national organizations, foundations, and corporate philanthropy programs”, 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.”[29]

Just Say No

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 disciplined approach to planning have any real value?

Boards and executive directors that are considering engaging in a planning process 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, organizations 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).[30]

Building an organization that can achieve a chosen destiny is a perplexing challenge. The people we need to push the envelope for innovation chafe under the very structure required to support the innovation once born.

Despite that three out of five organizations do strategic plans and the near unanimity of recommendations, there are a number of complaints people raise as justification for not joining the cause. The **first and most prevalent compliant is that few people actually use their strategic plans** in the here and now and 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.[31]

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.[32] The authors of the study suggest that the cause for this "may be that managers are overwhelmed with the problems with which they have to contend, and that may interfere with strategic problem-solving."[33] 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."[34]

Going with your gut is human nature and we often do it 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."[35] 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."[36]

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 five are less than $500,000, and 45 percent are smaller than $100,000.[37] 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.[38]

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.[39] Complicating matters is that board members, who many experts argue should be very involved in strategic planning, are strapped for time. Hoping that the nonprofit executive director brings planning expertise to the table is wishful thinking since most are first-timers in the job.[40]

Juxtapose these realities against the lengthy time required by most planning processes, and things get tough. John Bryson's highly respected nonprofit strategic planning model requires a meeting agenda of 18 to 20 hours over three months.[41] Michael Allison and Jude Kaye's moderate approach requires a period of one to three months; the extensive method needs four to eight month.[42] 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.[43]

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.[44] 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 than right before Thanksgiving when the S&P 500 tumbled down nearly 40 percent to about 750.

The third major reason that people give for avoiding planning at all costs 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. You cannot anticipate all of the opportunities 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.[45]

Adding more weight to a "fast and loose" approach to strategy is 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 less 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."[46]

Whether the organization is an entrepreneurial start-up also appears to moderate the benefits. A 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."[47] 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."[48]

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."[49] 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 for 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.[50]

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 HBO's 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. Choosing a strategy rooted in reacting is not uncommon, as John Kay explains in *Why Firms Succeed*:

> 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 . . . 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.[51]

A reactive approach to thinking about the future has validity. Take the case of the Victoria Theatre Association, a performing arts organization in Dayton, Ohio. Two of its biggest strategic changes occurred serendipitously when I was its President. The first was an appeal for assistance from the board president of The Human Race Theatre, a smaller agency with a similar mission. The appeal happened while I was standing on a street corner waiting for the walk signal. I asked The Human Race's president how things were going. He replied something to the effect of "Nothing that an extra $200,000 wouldn't fix."

Ten months later, the Victoria and The Race launched a new joint program at a $1 million price tag. The Race provided the programming while the Victoria promoted and ran the back office. The program stabilized and paid off the debts of The Race and brought new audiences to the Victoria.

The second change for the Victoria was even more coincidental and involved The Dayton Opera. The Opera delivered an outstanding service and was a treasure of the community, however it was going through the most difficult period in its history and teetering on the edge of financial collapse. After just one balanced budget in seven seasons and a steady decline in activity, the Victoria recognized the Opera's precarious situation and entered into a management alliance just months later.

In the late eighties the Opera had earned a status of "State's Best," but unfortunately, the alliance came too late to avoid its biggest loss: a 50 percent loss in subscribers and tremendous debt. Under these circumstances, the company had no choice but to reduce its activities to exclude children above the third grade.

Fortunately, the community of funders applauded the alliance. Through an intensive effort, the partnership raised enough money to pay off the Opera's accumulated deficit, cover losses until the Opera achieved 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.

Both of these changes for the Victoria occurred because of luck. No visioning process anticipated these opportunities. No strategic planning process could have covered the possibility of such high-impact opportunities.

Just Say Yes

As suggested, 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 he took measurement errors into account, he found that the studies were guilty of "seriously underestimating the benefits of planning [because] many firms do report significant, quantifiable benefits."[52]

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 non-planners.[53] 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."[54]

When it comes to nonprofits, Melissa Stone, Barbara Bigelow, and William Crittenden reviewed more than 65 studies representing over 2,000 agencies and did not find a conclusive relationship between planning and performance.[55] Though some have seen this as evidence of a weak link between strategic planning and performance,[56] 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.[57] Moreover, Robert Herman and David Renz argue that the "evidence supports the view that strategic planning is related to effectiveness."[58]

One study 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."[59] This particular study is notable because the studies investigating the link between planning and performance are few and far between.[60]

At the most basic level and according to Henry Mintzberg, there is only one reason to engage in planning and that is to "translate intended strategies into realized ones, by taking the first step that can to lead to effective implementation."[61] Put another way, "the very purpose of a plan or the action of planning is to prepare for future activity."[62] Even though he says that "strategies can appear at all kinds of odd times, in all kinds of odd ways, from all kinds of odd places,"[63] we usually engage in planning because we want to implement the strategies that we already have in place or the new ones that we 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."[64] The problem with this statement is in the word "some" in the first sentence. If visionary companies only make 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. 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. 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."[65]

Michael Allison and Jude Kaye offer two reasons for nonprofits to plan: it helps leaders "be intentional about priorities and proactive in motivating others to achieve them."[66] 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.[67]

John Bryson names four that benefit the organization: "the promotion of strategic thought and action . . . improved decision making . . . enhanced organizational responsiveness and improved performance."[68] 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.[69]

Grouping these many ideas around common themes gives order to the benefits and uses of planning as shown in the table below:

IDEAS	BENEFITS	USES
the analysis, identification, and evaluation of potential strategies; to constantly adjust to current events and actions by competitors; greater influence over circumstances; increase innovativeness; intentional about priories	Identify Strategies	Create
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	Set Direction	Program
communication media; improved communications and public relations; communication and marketing; prepared minds	Communication	Implement
motivating others; unleash the energy of the organization behind a shared vision; teamwork-learning-commitment; improved understanding and better learning; devices for control	Coordinate Action	
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	Operational Effectiveness	Achieve Results
increased political support	Enhanced Legitimacy	

In other words, a planning process like the Sustainable strategy 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.[70]

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, especially ones that are quick and practical with not too much and not too little.

The first point in W. Edwards Deming's Management Method, widely credited for turning around post WWII 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."[71] And what is Dr. Deming's recommendation? A plan for the future.

Show Me the Money

In Cameron Crowe's classic film *Jerry McGuire*, Cuba Gooding plays Rod Tidwell, an aspiring tight end who believes that he's worth a lot of recognition both financially and otherwise. Rod Tidwell's mission is a four-word sentence, "Show me the money." In trying to convince Rod Tidwell that it takes confidence plus performance with a touch of humility to win the game, Jerry McGuire's four-word mission is quite different: "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,"[72] 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, an effective 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 will be able to raise money more effectively. After all, in order to be successful in fundraising, you always need to make a strong case statement. And that goes for both established and emerging agencies:

> When [established] 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.[73]

Evidence from studies of entrepreneurial pitches to venture capitalists supports this wholeheartedly in finding "preparedness to be positively related to the VC funding decision, whereas the effects of perceived passion were statistically insignificant."[74]

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, services, or 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 fundraising. The difference between fundraising 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 that every donor wants explained: "Where will we go tomorrow"?

Moreover, all people who raise money face the inevitable funder inquiry about programs that receive 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, 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.[75] 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.[76] And don't forget that three out of five nonprofits do it and management services organizations make it their top field of concentration. 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.[77]

And even those who don't plan at the onset eventually will "adopt formal planning when required to do so, suggesting that funders exert a form of coercive pressure on nonprofits."[78] 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."[79]

Woody Allen once said that "Eighty percent of success is showing up."[80] 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."[81]

In a different study comparing churches that plan and those that didn'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."[82] Put directly, planning quite literally shows you the money.

Bottom Lines

Even though the two major changes to the Victoria occurred because of luck, the third change came about after 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 a new children's theatre festival for families. The Victoria initiated the festival in a test fashion a year later with the start-up funding fully covered. It then rolled out in a full launch two years later with complete funding guaranteed for the first three years. By planning for the dream, we minimized many of the problems that occur with experimentation, 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."[83] That someone who acts 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 – my handsome identical twin brother – 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.[84]

Having a framework, any framework at all, that deals with these important questions instills discipline into an organization that provides a welcome infrastructure hospitable to opportunity. The Yogi Berra leadership school of "When you come to a fork in the road, take it"[85] clearly applies here. If you don't know what business you're in, how can you make effective decisions about that business or new ones that you might enter?

Organizations are in some respects like long-distance runners that must build up 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. Although not glamorous, it is necessary for success. An organization that uses a disciplined and comprehensive planning approach builds the essential organizational muscle to win.

As such, "success isn't measured by the number of breakthrough ideas it produces [but] by how well the review helps management forge a common understanding of its environment, challenges, opportunities, and economics, thus laying the groundwork for better real-time strategic decision making."[86] The discipline required of the method 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 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 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 it 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 you must worship and preserve because of its cost.

Here's the bottom line about planning: **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, or don't believe it matters** - **your stakeholders (and funders in particular) believe it's important and that it matters greatly.** 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."[87]

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 so 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."[88] And Michael Porter asserts that "questions that good planning seeks to answer . . . will never lose their relevance."[89]

Strategic Management 101

Please read *What is Strategic Management*, The Beast by Mintzberg and What is Strategy by Porter before continuing.

According to one major study that reviewed academic definitions within and across fields, "strategic management deals with the major intended and emergent initiatives taken by general managers on behalf of owners, involving utilization of resources, to enhance the performance of firms in their external environments."[90]

A more salient definition is that "Strategic management can be defined as the formulation, implementation, and evaluation of managerial actions that enhance the value of a business enterprise."[91] **The heart of strategic management is to formulate the strategy, implement it, and then evaluate the results.** And they are the core of the Results Now® Method.

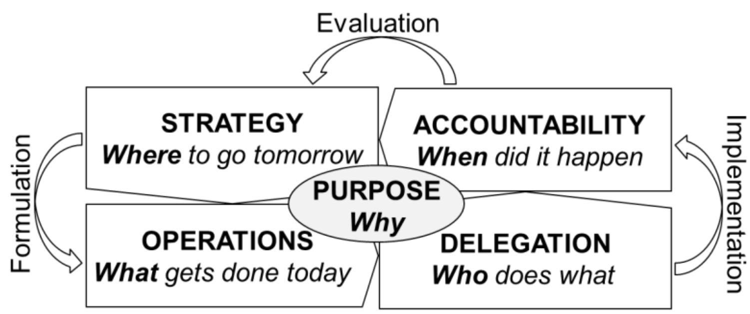
In the Results Now® approach, the right answers come from the right questions that every organization must answer – There are five to be exact:

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 classic approach to strategic management – to guide the work of the organization.

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."[92] William Bowen, former 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."[93]

For the Carvers, accomplishing the mission is the end; for Bowmen, 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:



Strategy – the first stage of strategic management – is where the high-impact decisions are made about how to bring the purpose to life. Strategy is meant to advance the organization's purpose. This is why the gurus of strategy like Michael Porter often talk about competitive strategy.[94] After all, why would any organization undertake a strategy if it didn't advance its interests by serving its clients better, garnering greater resources to serve those clients better, or to serve even more clients?

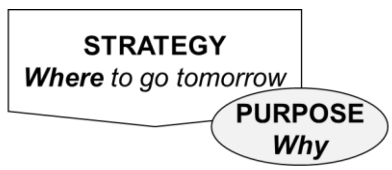
Competitive strategy in the for-profit sector is defined as "an integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage."[95] Strategies are not the competitive advantage; they're what establish it.

The nonprofit sector takes a softer viewpoint of competitive strategy, which David La Piana and Michaela Hayes define as "pattern of thoughtful action through which an organization's leaders seek an increased share of limited resources, with the goal of advancing their mission."[96] A simpler definition is that strategy brings purpose to life.

Because the purpose defines your customer, the life-changing difference they experience, and how the agency is different from its rivals, purpose is inherently competitive.

Michael Porter argues that there are just three questions to be answered when building competitive strategy: "What is the business doing now? What is happening in the environment? What should the business be doing?"[97] In other words, let's not worry about where we're going tomorrow until we understand where we are today. As Burt Nanus observes, "vision starts with understanding the enterprise – or in other words, what you see depends on where you stand – you must be quite clear about the fundamentals of the business you are in."[98] After all, who would plan a trip without knowing the point of departure?

In terms of the strategic plan in the Results Now® model, it is the combination of the purpose and the strategy as shown below:



Plan to Plan

Please read Plan to Plan by Allison and Kaye before continuing.

First Who

Choosing who will participate in strategic management decisions is a critical matter. Half of all decisions in organizations fail primarily because people "impose solutions, limit the search for alternatives, and use power to implement their plans."[99] Thus, Paul Nutt suggests that the leader "make the need for action clear at the outset, set objectives, carry out an unrestricted search for solutions, and get key people to participate."[100] But which key people?

Take nonprofits for example. Some boards, like smaller all-volunteer agencies, will obviously be very involved. Other boards with fulltime staff may participate very little. The point here is to focus on the five questions and derive answers that are appropriate at your particular place in time.

Some pundits will say that "those who carry out strategy must also make it."[101] 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. Or should you use a small, behind-the-scenes group of executive leadership to take the role? Absolutely not. Were that it all was this simple.

The degree of involvement is fluid and depends upon 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.

Some people use the need for acceptance and quality of decision as one of the key situational variables in deciding who should be involved. Gary Yukl's modification of Victor Vroom and Phillip Yetton's model[102] has two variables – the decision quality and subordinate acceptance – and three decision making styles – directive, consultative, and group.

Generally simplified, if subordinates' acceptance is not important or everyone will agree with whatever you decide, you make the decision. If you need acceptance and the decision quality isn't quite as important, delegate the decision to the group. If you need acceptance and the decision quality is important, consult the group, but make the decision yourself.[103]

When it comes to directive versus participative, some people argue that the latter is the only way to go. Indeed, many leaders in the nonprofit sector avoid directive (also called autocratic) decision making on principal.[104] Wilfred Drath for example condemns the John Wayne directive style, but he recognizes the difficulties of participative approaches including the limitations of too many chefs in the kitchen and diffused accountability.[105] As the Chinese proverb goes, "A courtyard common to all will be swept by no one."

Not everyone thinks that participative approaches are the best way to go in all situations. Gary Yukl, for example, warns that the lack of "consistent results about the effectiveness of participative leadership probably means that various forms of participation are effective in some situations but not in others."[106] Recognizing this explicitly is Henry Mintzberg who says that in times of crisis, people not only expect directive leadership, but demand it. Because the organization "must respond quickly and in an integrated fashion, it turns to its leader for direction."[107]

John Kotter and Leonard Schlesinger also use time as the key variable when offering their continuum that goes from "a very rapid implementation, a clear plan of action, and little involvement of others [to] a much slower change process, a less clear plan, and involvement on the part of many people other than the change initiators."[108] The bottom line is that **if you need lots of acceptance, go slower; if you don't need it, go as fast as you want.**

Then What

Here is John Bryson's classic 10-step strategic management process:

1. Initiate and agree upon a strategic planning process.
2. Identify organizational mandates.
3. Clarify organizational mission and values.

4. Assess the organization's external and internal environments to identify strengths, weaknesses, opportunities, and threats.
5. Identify the strategic issues facing the organization.
6. Formulate strategies to manage these issues.
7. Review and adopt the strategic plan or plans.
8. Establish an effective organizational vision.
9. Develop an effective implementation process.
10. Reassess strategies and the strategic planning process.[109]

Stakeholder Analysis

Please read Stakeholders by Allison and Kaye before continuing.

Before you begin working on the purpose, you should conduct a stakeholder analysis. For any strategic plan to be successful, leaders must remember that smart choices often build commitment among stakeholders. By understanding your stakeholder terrain, your agency can better understand who's in the game, where they stand on your agenda, and how much power each player is willing to use.[110] And this will be important when you return to the stakeholders with your plans (and for your requests for support and funding).

PART TWO – SUSTAINABLE STRATEGY

GREAT START

What are we doing now?

He who has a why to live for
can bear almost any how.
– Nietzsche

Purpose

There are many top managers and leaders in organizations who honestly believe that the key motivator in the workplace is pay. You may know some of these people. They say, “I remember when a person got a dollar for a dollar's work” or “My paycheck is enough motivation.” However, while money is a consideration, it is not as important for many. Daniel Pink, for example, says that it takes three things to motivate people in the workplace: “(1) *Autonomy* – the desire to direct our own lives; (2) *Mastery*: the urge to get better and better at something that matters; and (3) *Purpose* – the yearning to do what we do in service of something larger than ourselves.”[111]

What you may miss in all this is the obvious fact that purpose-driven people need a purpose. They need to have it reinforced on a regular basis. When you recruit new employees to the agency, you need to be clear about the purpose and how important your new employees are to delivering it.

Purpose contains two distinct elements. The first is the values and seeable behaviors that guide conduct. The second is the mission that addresses customers, the difference they experience in their lives, and how the organization is different from its rivals.

Values

Walking your talk – living your values – is akin to authenticity, which means “*owning* one’s personal experiences, be they thoughts, emotions, needs, wants, preferences, or beliefs.”[112] Other descriptions of authenticity include “genuine, reliable, trustworthy, real, and veritable”[113] and “to know, accept, and be true to one’s self . . . they know who they are, what they believe and value, and they act upon those values and beliefs while transparently interacting with others.”[114]

Fred Luthans and Bruce Avolio observe that authentic leaders “lead from the front, going in advance of others when there is risk for doing so . . . Such ‘walking the talk’ has been shown to be much more effective in influencing others than coercing or persuading.”[115] Indeed, trust and performance are significantly related[116] and an important source of competitive advantage.[117] James Kouzes and Barry Posner make use of the phrase *model the way* and state, “Exemplary leaders go first. They go first by setting the example through daily actions that demonstrate they are deeply committed to their beliefs.”[118]

Your talk ultimately refers to your values, which are like your car, in that no matter where you are, what road you're on, where you're heading, or who's in the car with you, the car stays the same. Jim Collins and Jerry Porras defined values in their best-selling *Built to Last* as the "organization's essential and enduring tenets, not to be compromised for financial gain or short-term expediency."[119]

Why should you care about having a clear set of values? How can you test your actions against your values or those of your organization when you don't know what they are in the first place? How can you "walk your talk" if you don't know what the talk should be? How can you "lead by example" if you don't know the example you are trying to set?

Whether we like it or not – and we often don't like it – many of the conflicts between people occur because of value clashes. These differences occur not only with customers and clients, but also with employees and family members. It is all about the assumptions we make. I assume that my seventeen-year-old son has the very same perspective I have when it comes to taking responsibility. I assume that our marketing director shares my dedication to serving school audiences when, in fact, she's dedicated to the customer who pays $115 a seat to *Wicked*, not the kids who come for free.

In reality, most of us have "values defaults" just like the word processing programs we use. I use margins set at one inch, Ariel font set at 12 point, and page numbers at the top right. Anyone that uses my computer will get this document format because it is set as my default. Just like my monitor settings, I have particular values that govern my behavior. These values are mine and mine alone, not yours, not my organization. In the absence of direction from the organization, the people who work for the organization, the volunteers, and the board members will default to their particular values. Explicitly outlining values gives rise to the possibility that these people will adapt to these values, especially if leaders at the top model them.

Expecting people to know your values without espousing them is values by clairvoyance. This assumes that you know what my values are, that you respect my values, and that you care about them. Leadership frequently falls into this trap. Leaders seem to believe that others can read their minds when it comes to values, that others should know that lending a hand without asking is important and you should do it. It just doesn't work this way. Employees are not mind readers. If the leaders of the nonprofit organization want certain values embraced in the workplace, they need to spell it out explicitly, promote it throughout the organization, model it themselves, and take action if people are not observing them.

The challenge to values is that people frequently give them lip service as a fad of the day. You'll come into the office one day and find that a manager has put up a framed picture of an eagle soaring in the mountains with a pithy saying about teams. That's not the same as clear and concretely articulated values that are lived and enforced. **Clarifying values at the organizational level is the first step.**

Second, organizational values often contain a kernel of competitive advantage, which is what makes you different from your rivals. The important things to people in organizations often are matters of the heart and this often gives you the edge in an increasingly competitive environment for nonprofits. If making your clients healthy is the hill you will die on, as the saying goes, consider it a value; it is an enduring tenet of how you do business and “not to be compromised for financial gain or short-term expediency.”[120]

Third, because organizational values are so important to people, they offer you an immediate tool to judge the appropriateness of everything you do. A faith-based organization that believes in the sanctity of their house of worship may want to reconsider teen-night films with R ratings in the church basement.

Most organizations will have a good idea of the values that should govern behavior. But many do not specify the “seeable in action” behaviors that bring those values to life. This is a shame because most people have different things in mind when hearing a value like “trustworthy”. For one person, trustworthy means keeping your promises; another will say telling the truth.

Knowing both the values and the behaviors offers an agency the chance to make expectations clear when recruiting new staff members, onboarding them effectively, and then managing performance.

The table below lists organizational values and behaviors in action for an agency that were generated in about 30 minutes using the BAM process (brainstorming, affinity grouping, and multi-voting) shown in Appendix A:

Ideas	Results
– collaboration, team players – optimistic, excited, well intentioned, positive, enthusiastic, energetic – cooperative – good communicators, open, effective communication, shared information, shared goals, share information, diverse, flexible	1. Collaborative a. Optimistic b. Cooperative c. Effective communicators
– customer centered, service oriented, user friendly, community oriented, concern for community, customer focused, asset to nonprofits – respectful, show you care, truthful – responsive to needs, attentive, listen to customer, timely – above and beyond, solution driven, asking, solve problems, value adding, provide quality, provide added quality	2. Customer centered a. Respectful b. Responsive c. Solution driven

Ideas	Results
– professional, quality, competent, excellence – results driven, execute effectively, have standards results oriented, provide value – thorough, dedicated, committed, hard work, loyal to mission – knowledge based & experienced, resourceful, works with knowledge, committed to evidence-based practice, knowledgeable, know the business	3. Professional a. Results driven b. Dedicated c. Fact-based
– accountable for actions, integrity, trustworthy – fair, consistent, objective – transparency, sharing information, positive, negative feedback, make problems known, honest – keep confidences, straightforward, keep commitments, above board, keep word	4. Trustworthy a. Fair b. Transparent c. Promises keepers

Mission

That people consider the mission a sine qua non of high-performing nonprofits is not in debate; Peter Drucker, for example, says it is the first thing that for-profits can learn from nonprofits.[121] Here's why:

> It focuses the organization on action. It defines the specific strategies needed to attain the crucial goals. It creates a disciplined organization. It alone can prevent the most common degenerative disease of organizations, especially large ones: splintering their always limited resources on things that are "interesting" or look "profitable" rather than concentrating them on a very small number of productive efforts.[122]

Paul Light in his study of innovative nonprofit and government organizations also found this pragmatic nature of mission, "Without a strong sense of mission, nonprofit and government organizations cannot long sustain innovativeness. They will have no basis on which to say either yes or no."[123]

Take malfunctioning teams for example. When things go wrong, people often search for the root causes of the difficulties. Carl Larson and Frank LaFasto can save you time with their analysis: "In every case, without exception, when an effectively functioning team was identified, it was described by the respondent as having a clear understanding of its objective . . . and the belief that the goal embodies a worthwhile or important result."[124]

Besides the benefit of giving focus, a well-constructed mission is the first step of the strategy stairway that ultimately ends in boots-on-the-ground programs.

Mission is also valuable as the "sex drive of organizations."[125] James Phills, director of the Center for Social Innovation at Stanford explains: "The function of a mission is to guide and inspire; to energize and give meaning; and to define a nonprofit and what it stands for."[126] Kasturi Rangan writes, "Most nonprofits have broad, inspiring mission statements – and they should . . . After all, the mission is what inspires founders to create the organization, and it draws board members, staff, donors, and volunteers to become involved."[127]

A fourth benefit of a well-crafted mission is to "distinguish one organization for other similar enterprises"[128] and "reveals the image the company seeks to project."[129] As such, it becomes a repository of what the organization sees as its competitive advantage.

A fifth benefit is for communications: "In just a few sentences, a mission statement should be able to communicate the essence of an organization to its stakeholders and to the public: one guiding set of ideas that is articulated, understood, and supported."[130]

Nonprofits aren't the only ones making good use of mission statements. Jim Collins and Jerry Porras assert that the mission, which they call a firm's core ideology, is an essential element of successful visionary companies.[131] Lending credence to this view is the news that mission statements are the number three management tool for two-thirds of global firms.[132] Little wonder this is true given the evidence of the relationship between mission statements and financial performance.[133]

A well-crafted mission addresses three questions:

1. Who do we serve (our customers, clients)?
2. What difference do they experience in their lives?
3. How are we better than our rivals (our competitive advantage)?

Notice that the verbs in these questions are present tense. As such, the mission statement is about what you are doing in the here and now; it is not about where you're going in the future. In other words, a mission is not a strategy for the future. A mission is in the present tense and describes the why of the organization; strategy is future oriented, the where are we going. As James Phills puts it, "mission, no matter how clear, compelling, or poetic, won't ensure economic vitality. That is the job of strategy."[134]

This doesn't mean that mission doesn't have an impact on the future. Of course it does; it defines the work of your organization. As you review your mission with the three questions, you may decide that what you are actually doing now isn't exactly what you should be doing. This can have significant ramifications and can take real effort and time to achieve the present tense of a mission.

Who do we serve?

By beginning mission with the question of customers, you ensure that they are its focus. Though this is a basic foundation of successful businesses, agencies often neglect and deprive their organizations of the focus needed to be successful. No organization can ever do wrong by concentrating first on customers. As Harvey Mackay, the author of five business bestsellers, so aptly says:

> Successful organizations have one common central focus: customers. It doesn't matter if it's a business, a hospital, or a government agency, success comes to those, and only those, who are obsessed with looking after customers.
>
> This wisdom isn't a secret. Mission statements, annual reports, posters on the wall, seminars, and even television programs all proclaim the supremacy of customers. But in the words of Shakespeare, this wisdom is "more honored in the breach than the observance." In fact, generally speaking, customer service, in a word, stinks.
>
> What success I've enjoyed in business, with my books, my public speaking, and the many volunteer community organizations I've worked for, has been due to looking after customers – seeing them as individuals and trying to understand all their needs.[135]

Even with all the evidence, many worry that if they define a specific customer, it will be limiting to the scope of activity. Unfortunately, **no organization can be all things to all people and defining the customers makes it possible to concentrate effectively.** The key issue is to answer the question with authority and explicitness. Youth and children is a good start for a customer description at a Big Brothers – Big Sisters chapter, but 7 to 13-year-old children from at-risk, single parent households is much better because it gives more usable information for the construction of lines of business in the near term and for ensuring accountability later on.

Peter Drucker's five-question protocol for evaluating "what you are doing, why you are doing it, and what *must* you do to improve"[136] begins with mission, which he immediately follows with "Who is our customer?"[137] He defines his two types of customers this way:

> The *primary customer* is the person whose life is changed through your work. Effectiveness requires focus, and that means *one* response to the question . . . *Supporting customers* are volunteers, members, partners, funders, referral sources, employees, and others who must be satisfied.[138]

The most important aspect of the customer question for Peter Drucker is the primary customer. He warns that it is "very tempting to say there is more than one primary customer, but effective organizations resist this temptation and keep to a focus."[139]

There are a great many ways to get at the answer, but the one used most frequently is the BAM process shown in Appendix A. Whatever process you use, if you are going to work with a group of people, the only "no-matter-what" recommendation is to avoid word-smithing. You should leave word-smithing to a capable person or small crew to present to others for review later. Using BAM with a group including 23 board and staff members from a faith-based outdoor camping agency yielded the results shown in the table below in about 25 minutes including discussion:

Ideas	Results
– youth in our community, schools, other youth groups, future business leaders (63)[A] -------------- Ideas not chosen -------------- – adult leaders, counselors, volunteers, board (26) donors, foundations, contributors (23) – parents, families (8) – mankind, stakeholders, society values, society, communities (4) – community organizations, community ambiance, churches, community at large, penal institutions (2) – character organizations (1) – national office – local businesses	Youth in our community

Notice in the table the demarcation line between the first and second grouping. Below that line are all of the groupings that were “left off the table” after a discussion about which of the groupings truly represented the customers for the agency.

What change do they experience?

The typical mission statement tells us all about the products and services provided by the organization. Its essence is about the agency and not the customer; “Here are the products we sell” is the key message. **What the mission should be doing is saying what difference the customers experience in their lives**. What’s changed in that person as a result of the interaction? What transformation occurs?

Whether it is health restored for a cancer patient or well-adjusted home lives for a family-service agency, the difference is what the customer will experience and should always have a texture of a final destination. The difference for the customer frequently describes why the organization exists, its reasons for being in business in the first place.

You should always craft the difference in the context of the customer, not the organization. What is different for the customer is the question, not what products you will deliver. At the mission level, the difference is global and it is uncommon to see more than one. Later on in the process, you articulate more detailed customer differences to form lines of business, which are the agency’s products, services, and programs.

Life at its fullest is an example of a customer difference for a person affected with Multiple Sclerosis. A performing arts center could easily consider an *enriched life* as a

[A] Numbers in parenthesis are results of a multi-voting rating process where participants could vote $3, $2, and $1 in any combination for their highest rated grouping of ideas; higher numbers = higher rating.

viable customer difference. After all, the customer isn't going to the theatre to just see a play or hear a symphony. The performance itself is actually a means to an end.

The performing arts center I ran used *standing-ovation experiences* as a statement of the difference our customers experienced. Later on we changed it to *You are the star* to make it clearer. And our customers loved it. And sometimes reminded us of times when we failed to meet that commitment or when we exceeded expectations. We even had peer-nominated *Star Award* that recognized outstanding customer service.

A Multiple Sclerosis Society chapter will certainly produce a slew of programs to help the newly diagnosed, update education to keep those afflicted up-to-date, fund new research, direct disbursements for those without means, and create support groups to help people network with each other. Not one of these programs and services belongs in a mission statement because they do not answer the question of what difference.

These are all about what the chapter does, what it makes, what it sells, its lines of business. The Chapter's "what difference do we make" is best described as *life at its fullest for people affected by Multiple Sclerosis*. Once you define this, programs and services that make up the lines of business of the organization become easier to formulate.

Save the Children's difference is to make *lasting positive change* in the lives of disadvantaged children. While this is very broad and some might prefer more definition, this clearly is a properly crafted difference statement and can give rise to significant strategies that can make it happen. A Big Brothers – Big Sisters chapter difference is to *build confident, competent, and caring young adults*.

Put directly, a mission statement should never include the programs of the agency; it should include the difference it makes in the lives of its customers, as the results for the outdoor camping agency show in the table below:

Ideas	Results
– character, relationship with God, sense of honesty, values, value system, integrity (40)	Character-centered
– skill set for life, success in life, experience, special skills, well rounded (30)	Skills good for life
----- Ideas not chosen -----	
– experience leadership at younger age, career path, learn to take initiative, structure, (20)	
– self-confidence, self-reliance, pride in yourself, confident in skills, higher self-esteem (15)	
– fun, sense of adventure, drug avoidance, travel (15)	

Ideas	Results
– personal accountability, take responsibility, maturity (3) – support network, friendship, teamwork, respect for others, get along with others, male role model (1) – accomplishment, planning skills, goal driven, recognition motivation	

How are we better than rivals?

The third question in crafting the mission is about the advantage that your organization has over its rivals. **What edge will the company have that other organizations cannot match?** The question is embodied in John Pierce II and Fred David's recommendation that the effective mission "defines the fundamental, unique purpose that sets a business from other firms of its type."[140]

A Girl Scout council might choose scouting for *all* girls as an answer, thereby defining inclusiveness as a core theme. An agency with the difference of putting the American dream of a home within reach for people with low to moderate incomes decided that being the *go-to organization* was its advantage. No other agency in the community would be able to match its position for one-stop shopping or for the breadth of its knowledge and services.

Every organization has a choice in what it becomes known for – its reputation, if you will. This choice is about the defining quality of its work and the edge that the organization will have over all others like it. What do we want to be known for, respected for? A Big Brothers – Big Sisters chapter chose *professionally supported one-to-one matches that deliver result*s. While other mentoring programs exist in the community, none can match the professional support and the results that are delivered by Big Brothers – Big Sisters.

Ultimately, the question of how you are better than your rivals *is* your competitive advantage. Although improving the operations of your organization is essential, it is not enough to become high-performing.[141] Competitive advantage is the "presence of visible, obvious, and measurable ways in which your organization differs from and is better than its peers."[142] You want that advantage to be sustainable over time because your organization can "outperform rivals only if it can establish a difference that it can preserve."[143]

Why should you care about your advantage? Though you might believe you're special, your customers, stakeholders, and especially funders may respectfully disagree. When they review your appeal, they may perceive you to be a lot like your peers. And if there's discernible difference, you may end up on the short end of the stick. As painful as it may be to learn, and in the words of David La Piana and Michaela Hayes, "Foundations tend to see more proposals each year from nonprofits that, from their perspective, look alike

. . . Unfortunately, if there is one belief that all funders share, it is that all nonprofits are the same."[144]

How do you find your competitive advantage, the difference that can set you apart from others? There are a number of approaches.

Freeform

Expert David La Piana recommends you go about it this way:

- Using a **unique asset** (such as a strength that no other similar organization in your geographic area has) and/or
- Having **outstanding execution** (such as being faster or less expensive, or having better service, than other similar organizations in your geographic area)[145]

It's a bit like being in your own restaurant and deciding from the menu what dish will become your signature. Take inventory of what you have or what you can do, make a decision, and run with it.

Another way to find your agency's competitive advantage is to think of the values that are most important to you – the ones that you would not forsake for any reason. For me, it was making our customer the star; for you it might be delivering real results, lowest costs, or highest quality.

Although some organizations have multiple advantages, I recommend trying to have as few as possible. It's hard enough for folks in your agency to remember the mission let alone how you're going to win. If you have singled out one advantage, pound away at it, and you just might pull it off. The table below shows the results from the outdoor camping organization built using the BAM process:

Ideas	Results
– delivers skills for life, everyone succeeds, strong rank, advance program, long-term relationships (34) ----- Ideas not chosen ----- – for any kid, at risk urban youth, urban activities, buddies, geographic diversity, wide range of ages, flexibility for kids, special needs (19) – values-driven programs, trust, history, reputation (19) – programs – programs – programs, order of the arrow, comprehensive, well-rounded (16)	Everyone succeeds

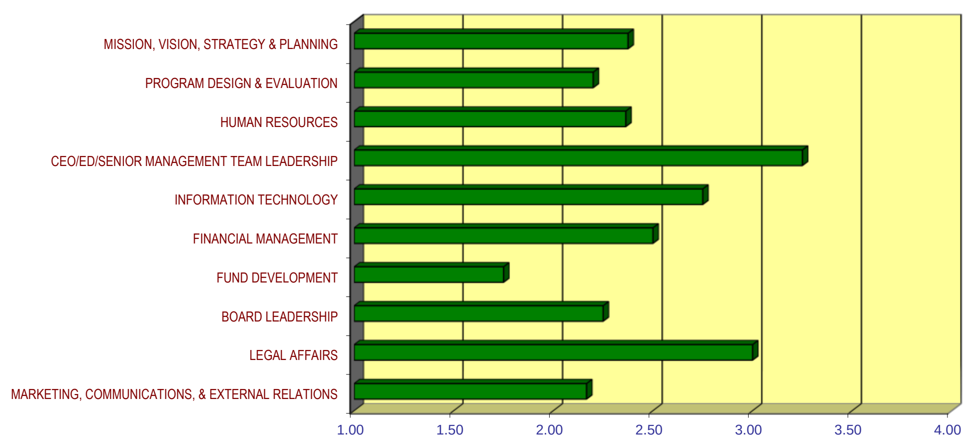
Ideas	Results
– strong leader training, real leadership program only one, boy-run, active engaged adult leaders (15) – fun, opportunity for travel, excitement, summer camp – experience, high adventure program (14) – financial stability, do all kinds of things, high annual giving (3) – well organized, recruiting methods, effective marketing (7) – strengthen programs of churches and sponsors (0)	

SVP Capacity Assessment Tool

There are a variety of ways to determine where your agency currently stands relative to your rivals including using the BAM as shown above. The first approach you can use is the [SVP Organizational Capacity Assessment Tool].[146] The SVP Tool is thought-based and helps you identify both internal strengths and weaknesses in eight areas:

Financial Management
Fund Development
Information Technology
Marketing and Communications
Program Outcomes and Evaluation
Human Resources.
Mission, Vision, Strategy and Planning
Legal Affairs
Leadership Development
Board Leadership[147]

The SVP tool is straightforward and easy to use and generates a summary table that you can analyze for the top one or two highest scores (possible competitive advantages) and the four or five lowest scores (possible ideas for strategies). Though it is not an easy tool to use if there are independent multiple raters, a team might use it in a conference setting to generate a sense of priorities as shown in the following summary chart from the tool:



Organizational Capacity Assessment Tool

According to McKinsey & Company, the Organizational Capacity Assessment Tool (OCAT) is:

> a free online tool that helps non profits assess their operational capacity and identify strengths and areas for improvement. The tool is free of charge. It is an in-depth, online survey that allows the Board, leadership and staff of a non-profit to measure how well their organization performs against best practices.[148]

Fully online and capable of easily accommodating multiple users whose answers are confidential, the following is an example of the basic output from an organization that had 9 raters:

OCAT Summary Results		Avg.	Level
1	Aspirations	2.6	Moderate
2	Strategy	2.6	Basic
3	Leadership, Staff, and Volunteers	2.8	Moderate
4	Funding	2.6	Moderate
5	Values	2.8	Moderate
6	Learning and Innovation	2.9	Moderate
7	Marketing and Communication	2.8	Moderate
8	Managing Processes	2.8	Moderate
9	Organization, Infrastructure, and Technology	2.6	Basic

You can use the OCAT to also delve deeper to show the highest and lowest scores:

OCAT Summary Results		Avg.	High/Low
1	Aspirations	2.6	
2	Strategy	2.5	
2.2	Aligning theory of change	2.1	Low
2.3	Logic model	2.0	Low
2.7	Specific goals aligned to mission and vision	2.0	Low
2.13	Use of strategic plan	1.9	Low
3	Leadership, Staff, and Volunteers	2.8	
3.6	CEO external recognition	3.8	High
3.18	Board contribution to the organization	2.2	Low
3.25	Board operations	3.5	High
3.29	Diversity of staff skills and experience	3.7	High
3.30	Staff quality	3.3	High
3.35	Pipeline of talent	1.9	Low
3.37	Incentive systems	1.8	Low
3.39	Talent management plan	1.8	Low

OCAT Summary Results		Avg.	High/Low
4	Funding	2.6	
4.1	Fundraising skills	2.1	Low
4.2	Fundraising systems	2.0	Low
4.3	Strategic funder base	3.3	High
4.4	Sustainable funder base	3.3	High
4.6	Financial management systems	2.1	Low
5	Values	2.8	
5.5	Orientation toward external stakeholders	3.8	High
5.7	Organizational impact	3.6	High
6	Learning and Innovation	2.9	
6.4	Research skills: data gathering	3.6	High
6.6	Monitoring of landscape	3.3	High
6.12	Identify new program opportunities or adjustments	3.3	High
7	Marketing and Communication	2.8	
8	Managing Processes	2.8	
8.4	Regulatory compliance	3.5	High
8.6	Financial controls	3.5	High
8.9	Insurance	4.0	High
8.10	Backup systems	3.4	High
8.11	Disaster preparedness	2.1	Low
9	Organization, Infrastructure, and Technology	2.5	
9.3	Cross-functional coordination	2.1	Low
9.6	Information technology (IT)	1.9	Low
9.8	Effective use of social media	2.1	Low

In the case of this agency, it chose orientation toward external stakeholders – its second highest score – and renamed it “client centered care” to make it the competitive advantage for the agency.

Four Questions

A more linear approach undertakes an analysis of resources (tangible and intangible), capabilities, core competencies (valuable, rare, costly to imitate, and nonsubstitutable) to identify your competitive advantage: “Resources are bundled to create organization capabilities. In turn capabilities are the source of a firm’s core competencies, which are the basis of competitive advantages.”[149] Once compete, you have an appreciation for what you’re good at and what you’re not. Typically, you want to play to your strengths and minimize your weaknesses.

First, what are your agency’s **greatest resources**? There are two types: tangible (physical, financial, organizational, technological, etc.) and intangible (human resources, innovation, reputation, values, etc.). In essence, what does your agency have to work with? Pick the top two or three resources and list them as strengths.

Second, what are your agency's **capabilities**? Make a list of all the things that the agency is *pretty* good at doing. Usually these are not specific lines of business, but could be the way the agency designs, delivers, and/or manages a line or lines of business. It could also be customer service, reputation, location, your facilities, or human talent.

Third, what are your agency's **core competencies**? Look at the resources and the capabilities and decide which of them your agency is *really* good at doing. You should only have a few candidates for core competencies, which are "the activities that the company performs especially well compared with competitors and through which the firm adds unique value to its goods or services over a long period of time."[150]

How do you determine which of your capabilities deserve to be called core competencies? Sometimes the answer is so obvious that there is no need for any deliberation. But stepping back and testing your capabilities against the three criteria of sustainable competitive advantage is a good idea:

- Valuable capabilities allow your agency to "exploit opportunities or neutralize threats in the external environment [to create] value for customers"[151]

- Rare capabilities are those that "few, if any, competitors possess. A key question to be answered is, 'How many rival firms possess these valuable capabilities?'"[152]

- Costly to imitate capabilities are those that others cannot easily develop. Sometimes it is simply impossible to imitate a capability because of the cost. Other reasons could be because of unique historical conditions, causal ambiguity about how the capability works, and social complexity including interpersonal relationships and the like.

- Non-substitutable, which means there are no substitutes for your core-competency.

Capabilities that pass these three tests could be your **core competencies**.

Fourth, what are your agency's **competitive advantages**? This is less a science than an art. To determine your competitive advantages, first look at your core competencies and decide which one (or two at most) sets you apart from your rivals. Then briefly state it and discuss your conclusions. **Your competitive advantage should become a part of the *new mission statement* and *new simplified mission statement.*** Here is an example of an analysis for a theatre agency:[153]

	Theatre Inspired by History	Works with Chicago Actors	Engages Audiences	Art in Schools Programs
Valuable	Yes, unites audiences; increases self-awareness	Yes, champions Chicago talent	Yes, pre- and post-show activities spark dialogue	Yes, fosters learning
Rare	Yes, only theatre in Chicago devoted to this undertaking	No, many theatres only work with local artists	Somewhat, but immersive theatre is becoming more popular	No, many theatres offer art in classroom opportunities
Costly to Imitate	Somewhat, any theatre can produce plays about history	No, any theatre can use local artists	Yes, requires human and financial resources	No, most likely funding is available
Non-substitutable	Yes, the mission requires the theatre only do plays inspired by history	Yes, company members become integrated within the organization and must be local	Yes, engagement efforts have become part of its reputation	Yes, interacting with the next generation is a stated goal in the strategic plan.

In this example, the core competency that has passed the test and is therefore, the company's competitive advantage is being Chicago's only theatre company devoted to producing exceptional productions inspired by Chicago's shared history.[154]

A word of caution: the danger with this approach is that the competencies you have now may not be the ones that you need in the future. If that is the case, you have a possible new strategy to develop those needed competencies. Be forewarned, a strategy to build a core competency is no walk in the park and can be of a scale equal to other major endeavors since it often involves changing the culture of the agency. For example, the Victoria Theatre Association's core competency of making the customer the star took years of discipline. But once established, it made an enormous difference in the organization's success.

Simplified Mission

In his popular book on motivation, Dan Pink uses the question "What's your sentence?" to clarify the need for succinct, yet powerful, mission statements:

> In 1962, Clare Booth Luce, one of the first women to serve in the U.S. Congress, offered some advice to President John F. Kennedy. 'A great man,' she told him, 'is one sentence.' Abraham Lincoln's sentence was: 'He preserved the union and freed the slaves.' Franklin Roosevelt's was: 'He lifted us out of a great depression and helped us win a world war.' Luce feared that Kennedy's attention was so splintered among different priorities that his sentence risked becoming a muddled paragraph.[155]

When you've answered the three mission questions, you can finally find the sweet spot that puts your mission statement together in a concise, inspiring and memorable way - that one sentence that Dan Pink refers to.

As simple as it sounds, constructing that one sentence is a matter of putting your answers to the three questions together in a way that works for you. The mission for the outdoor camping organization is *a place for youth in our community where everyone succeeds with character-centered skills good for life*.

Notice in this statement that there is nothing tentative about *everyone succeeds*; it doesn't say that the agency helps, assists, or tries. John and Miriam Carver say that words like this "can be fulfilled while having absolutely no effect upon consumers. Be tough; allow yourselves and your CEO no points for supporting, assisting, or advocating; rather, hold yourselves to the discipline of requiring results for people."[156]

People working on the mission statement sometimes struggle with letting go of old mission statements. They like the feel of the words or the historical context. There is no issue with using previously created mission statements provided that the mission explicitly addresses the three questions with authority. Take the comparison of before and after mission statements from a Big Brothers – Big Sisters chapter that is shown below:

Mission Statement		
Elements	Current Mission	New Mission
Who	Children and youth	7-13 year-old children from at-risk,
What difference	Committed to making a positive difference, assist them in achieving their highest potential, grow to become confident, competent, and caring individuals	single-parent households builds confident, competent, and caring young adults
Competitive advantage	primarily through a professionally supported one-to-one relationship	through professionally supported one-to-one matches that deliver results

Which of the two mission statements is better? The new mission has the edge because it offers more specific information to inform decisions. Moreover, less is more; definite is better than ambiguous.

Of course, most missions like the one for Big Brothers – Big Sisters are not short enough to easily remember, which is why you need to work on the simplified mission. Even at 40 words, a mission statement is difficult to remember. The simplified mission takes the most important feature of the mission and distills it down into just a few words. It can become a rallying point for decision making; it can be a constant reminder to board members, staff, and volunteers about the organization's mission.

My favorite approach to a simplified mission is constructing it as a Haiku. As Chris Finney explains, “Your organization’s mission statement deserves to be elegant, precise, and even poetic because these words embody the reason your nonprofit exists.”[157]

How do you know your mission is a good one? According to Peter Drucker, a well-articulated mission:

Is short and sharply focused.
Is clear and easily understood.
Defines why we do what we do, why the organization exists.
Does not prescribe means.
Is sufficiently broad.
Provides direction for doing the right things.
Addresses our opportunities.
Matches our competence.
Inspires our commitment.
Says what, in the end, we want to be remembered for.[158]

Remember, if you single out one advantage and pound away at it, you just might pull it off *and* people will remember it. The following shows the results from the Big Brothers – Big Sisters agency:

Simplified Mission
1-to-1 matches transform at risk children into strong young adults

Now it’s your turn to build a new simplified mission (17-syllable, give or take a syllable or two, Haiku). Keep it short and simple, hammer it home, and it likely will come to life. As a core driver of decision-making, the complicated mission that no one can recall or understand serves little value to the organization. The simpler the mission, the better, and the more likely it will drive action on the front lines of work.

Current Strategy

Strategy expert Michael Porter suggests that you address three questions in the process of building competitive strategy: “What is the Business Doing now? What is Happening in the Environment? What Should the Business be Doing?”[159] In other words, let’s not worry about where we’re going tomorrow until we understand where we are today. After all, who would plan a trip without knowing the point of departure? That’s why we begin with a discussion of the lines of business followed by a review of the success measures.

Lines of Business

Though it is true that purpose is the heart of the agency, it only begins to beat in the strategy. More specifically, and to broaden the definition, strategy brings purpose to life through the lines of business. And those lines of business make their home in the strategic plan.

You can do a number of different things to maintain a competitive position with your lines of business. Yet Michael Porter advocates just three strategic approaches.[160] **First, you can be the low cost leader that allows you to have above average profits or to charge less than your rivals**. **Second, you can differentiate your product and make it unique compared to your rivals.** Making the customer the star was a way to do this for the Victoria Theatre. **Third, you can choose which customers to focus on.** For example, you might be the only agency to serve clients with Downs Syndrome in a certain community or at a certain age.

Any of these approaches might be magical, but without lines of business that exchange something of value between you and your customers, you have nothing to make the magic visible. Your lines of business are what generate the products or services of value for your customer. And in this brief chapter that belies its importance, you'll learn why lines of business are important, why they are ends not means, and how to construct them.

At first, many people have difficulty thinking about lines of business. It seems an acceptable idea for a manufacturer, but it's a foreign concept when it comes to a housing agency or mentoring organization. It doesn't take long, however, for people to get the hang of things when you ask the question in the context of core programs, services, and activities. In fact, the typical nonprofit has five or more lines of business compared to small for-profits that usually have just one.[161]

Lines of business are different from other activities within the organization because they are ends, not means. They must stand the customer-difference test. First, there is a customer external to the organization. Second, there is a life-changing difference for that customer.

Because people naturally think first about products or services that are provided to the customers, they can lose sight of the life-changing difference they are trying to achieve. Consequently, lines of business often stray far from the purpose. This drifting, which is sometimes referred to as mission creep, is tacitly endorsed by funders who typically put new programs ahead of established ones and project funding over general operating support. And because funders commonly provide support for new programs as a three-year commitment, getting out of the program early is very hard to do. The customer-difference test helps you stay true to your purpose.

Some people involved with the organization may profess little interest in seeing a list of lines of business. "We already know what we do," they say. But board members and staff alike are often surprised to see that what they thought was a relatively simple operation actually be much more dynamic. The benefit for the seasoned board member is to see the wide array of lines of business; the benefit for the new board member is to see them for the first time. In the process, some organizations decide that the array of lines of business is simply too broad to sustain; other organizations choose to expand.

An example from a local United Way identified 14 distinct lines of business:

Research	Eliminating abuse	Immunization Track
Resource development	Heartland	Preschool-Jump-Start
Nurturing children	Encouraging self-sufficiency	Links
Strengthening families	Baby Steps	Labor services
Building communities		Outcomers

Fourteen lines of business is common for an active organization such as a United Way that provides direct services, but this list is too broad to be memorable to most people - especially those pressed for time. After all, experts say that the maximum number of "chunks" of information we can easily retain in our short-term memory appears to lie between five and seven (plus-or-minus two).[162]

Research *Problems identified and prioritized for others in need*	**Resource Development** *Amplifying the impact of giving for donors who want to help others in need*	**Resource Distribution** *Funding for high-impact problem-solvers who directly help others in need* Nurturing children Strengthening families Building communities Eliminating abuse and neglect Encouraging self-sufficiency

Initiatives
Leading solutions for others in need

Management Services *Incubating high-impact problem solvers* Baby Steps Immunization Track Pre-School-Jump-Start	**Heartland** *Fostering high-impact problem solvers in non-urban areas* **Outcomers** *Teaching high-impact problem solvers how to use outcomes measurement*	**Links** *The web link to high-impact solutions for others in need* **Labor and Community Services** *High-impact solutions in the workplace*

By organizing by theme, United Way was able to group its lines of business into four categories that not only made its work more understandable to stakeholders, but also helped focus the organization:

Some staff and board members may wonder why we don't show administrative activities as lines of business given their significance to the organization. No one would deny that marketing and book keeping is central to the success of most nonprofits, but these and other administrative duties usually directly support the lines of business; they are undoubtedly vital, but they also are a means to an end and simply do not pass the customer-difference test.

On the other hand, many people treat fundraising as a line of business because of its importance to the organization. After all, most lines of business only breakeven with the help of contributed income delivered through direct support or from the annual fund.[163] Especially with regard to general operating support, funds are tied to all of the activities of an organization as opposed to one specific lines of business. As such, it is quite possible to identify a credible customer-difference statement. An example of how it might look follows:

Fundraising
The joy of giving to help others in need
for those with a generous heart
Individuals
Corporations
Foundations
Special Events
Planned Giving

Another example of an activity that is a means to an end, but that you could consider a line of business, is selling Girl Scouts cookies. Representing as much as 60 percent of the revenue of some chapters, this is a major source of funds. Some chapters will see it as a line of business; others won't. One council that saw cookie sales as a line of business felt strongly that this activity built confidence for the girls; another council thought that the buyers of the cookies were the customers and the difference was both in helping build confidence for the girls as well as enjoying delicious cookies. In other words, Girl Scouts cookies feed the soul and the sweet tooth.

The level of detailing within lines of business – including how many lines you have – should stop when it becomes difficult to develop reasonable customer-difference statements as shown in the following two tables:

Big Brothers – Big Sisters Chapter

Core Match	**High School Mentoring**	**Teen Mothers**
Building 7-13-year-old Littles into confident – competent – caring young adults	*Building 15-17-year-old Bigs into confident – competent – caring young adults*	*Building pregnant and parenting teens into confident – competent – caring parents*

MS Chapter

Newly Diagnosed	Research	Support Groups
You're not alone for those newly diagnosed MS Peer Connection Moving Forward Knowledge Is Power	*Ending the devastating effects for those living with MS*	*The fullest life possible for those living with MS*
Direct Disbursements	**Update Education**	
Solutions for those without means Equipment Direct Counseling Referral Counseling	*Staying current for those living with MS* Fall Education Conference National Television Conference	

As shown in the examples above, the preferred way to describe the lines of business is with brief customer-difference statements of no more than six to eight words in length. Sometimes the statement includes the customer and the difference; sometimes organizations will use descriptions that are more about products or services as demonstrated in the fair housing agency below:

HOUSING DISCRIMINATION	PREDATORY MORTGAGE LENDING
General Public *Individuals are more aware and assert their fair housing rights*	**General Public** *Individuals are aware and avoid becoming victims*
Housing Providers/Professionals *Individuals and companies are better educated, and greater compliance is achieved*	**Housing Providers/Professionals** *Individuals and companies are better educated, and assist in protecting customers*
Enforcement *Meritorious complaints are identified and violations are challenged and proven*	**Intervention for Victims** *Residents' rights are asserted and remedies are achieved*
Research/Advocacy *Problems and barriers are identified, prioritized, and publicized*	**Research/Advocacy** *Problems are identified, prioritized, and publicized*

Drafting a list of current lines of business is straightforward and takes very little time. You first generate a list of all the products, services, and programs that your agency delivers to the customers or clients of the organization. You then develop a customer-difference statement for each. It's that simple.

It is usually the executive director's task to outline the lines of business. There is no best practice; some leaders will quickly list all the products, services, and programs that the organization is delivering and group them in a logical fashion. Others will involve key professional staff in a group setting and use brainstorming to develop the list of current lines of business. Once done, you are ready to work on the success measures.

Success Measures

As is the case with lines of business, success measures are used to answer Michael Porter's question of "What is the Business Doing now?"[164] Unlike the lines of business customer-difference statements that represent a qualitative perspective, success measures look at this question from a quantitative point of view.

Along with the lines of business and their customer-difference statements, success measures provide a powerful way to ensure that the purpose comes to life. After all, "What you measure is what you get."[165]

If a shareholder wants to know how a for-profit company is doing, she typically takes the measure at the bottom line. Whatever this bottom line is called, be it shareholder wealth, net profit, share price, or return on investment, for-profits depend on financial information as a fundamental measure of their success. Nonprofits, on the other hand, have no such single measure. As William Bowen, President Emeritus of The Andrew W. Mellon Foundation puts it, "There is no single measure of success, or even of progress, that is analogous to the proverbial bottom-line for a business."[166]

Jim Collins of *Good to Great* fame takes a similar viewpoint, "For a business, financial returns are a perfectly legitimate measure of performance. For a social sector organization, performance must be measured relative to mission, not financial returns."[167] He's not alone in this opinion. Indeed, the idea that nonprofits are unable or incapable of paying attention to the bottom line is widely held.

Michael Porter and Mark Kramer assert that nonprofits "operate without the discipline of the bottom line in the delivery of services."[168] Regina Herzlinger says that nonprofits lack the "self-interest that comes from ownership . . . they often lack the competition that would force efficiency [along with] the ultimate barometer of business success, the profit measure."[169]

No discipline? Lacking in self-interest? These viewpoints fall far short of the reality. Exemplary nonprofits depend upon measurable results to determine effectiveness including financial results. Twenty years ago, Rosabeth Kanter and David Summers recognized that "nonprofits are increasingly setting more stringent financial goals, reporting 'operating income' as though it were 'profit.'"[170]

At about the same time, Peter Drucker asserted that "nonprofit enterprises are more money-conscious than business enterprises are. They talk and worry about money much of the time because it so hard to raise and because they always have so much less of it than they need."[171] In other words, that nonprofits don't, shouldn't, or can't use financial returns to measure performance is as much a myth as the idea that nonprofits can't make a profit at all.[172]

To be fair, it's not that nonprofits don't have measures; it's just that many aren't financial or written down. Furthermore, nonprofits often have measures based on the quality of things, which is very challenging because it's softer in texture, "How much" is much easier to measure than “how good.” Peter Goldmark, former President of the Rockefeller Foundation, describes it this way, “You don’t have a central financial metric that is really central . . . You are dealing with squishier intangible issues of social change or public attitudes and behavior.”[173]

In other words, it is one thing to measure how many people quit smoking at the weekly cessation class, but quite another to do it with “such subtle outputs as tender loving care in a nursing home, or appreciation of art and music in cultural values.”[174] That said, many now see this viewpoint as a copout; it is possible to measure such things and the best nonprofits do it regularly. Take appreciation of art and music for example. A ballet company can easily count standing ovations after a performance, the number of tickets sold, and the number of intermission walk-outs; all are perfectly legitimate surrogates for customer enjoyment.

Effective success measures can contain a wide variety of components including outcome indicators, financial measures, and measures of activity. Measures do not tell the reader whether the organization is doing a good job or is in need of corrective action. Measures are measures, nothing more, nothing less.

Most success measures have a clear activity texture about them. Tickets sold, classes attended, grades achieved, number of customers, number of customers who return, number of customers that do not recidivate. This is not to diminish the value of measuring outcomes, as advocated in recent years especially by United Way.

But let’s be realistic here: outcomes measurement is no walk in the park. The United Way of America early on recognized the “tension between the need for technically sound methodologies, which can be expensive and time consuming, and the staffing, funding, and workload realities that constrain nearly all service agencies.”[175] Moreover, **measuring activity is the first step in any program to measure outcomes.**

When choosing criteria for success measures, an important condition is that the measures be easy to use. A measure built around readily available information is often more preferable than building one from scratch. Furthermore, the cost of using the measure should be considered, as there is very little point in having brilliantly designed success measures that require a quarter-time staff member for tracking. A reasonably good success measure that is easily used without cost is usually superior to a great success measure that is expensive.

In the process of building success measures, there is a natural tendency to generate more ways to measure a line of business than can possibly be managed. The number and permutation of success measures is surprisingly broad and you can forget that measuring success takes time and effort - resources that are limited in most nonprofits. You are best to stick with the “less is more” approach and see how successful it is.

Mission Success Measures

Success measures should always include mission success measures. Like the well-known blood pressure, pulse, and temperature at every visit to the doctor, these mission benchmarks are usually composed of no more than three or four success measures with a global texture. It is quite common to see success measures related to financial condition and total number of clients served. These success measures offer an effective way to quickly ascertain the overall performance and health of an economic development organization:

(in thousands)	Year 1	Year 2	Year 3	Year 4
Attendance #	24	18		31
Total Revenue $	1,220	1,240	1,460	1,640
Earned $	450	521	797	970
Contributed $	770	718	664	671
Net Income $	(189)	(47)	65	(42)

Success measures tell a story. Attendance had a big jump a few years ago along with income. The earned-to contributed ratio seems to be improving, but shows dramatic change from year-to-year and net income has been consistently negative. Looking forward, the organization seems to anticipate continuing difficulties.

Like all success measures, the story told is always open to interpretation; the success measures are intrinsically neutral. Perhaps the organization is engaged in an effort to build its clients, which means planned deficit spending. Perhaps the organization is slowly sinking or maybe the organization's growth is making it hard to concentrate on its core lines of business.

Is it reasonable to use IRS Form 990s in success measures? The good news is that they provide a good deal of information and are "a reliable source of information for basic income statement and balance sheet entries."[176] Moreover, the 990s offer you a reasonable way to compare your agency to others, which is very useful.

Some may argue that there is too much financial information provided, but like all success measures, you want enough information to tell the story. For the economic development organization, including four years was necessary because something quite worrisome is happening in the three most recent years. Had these success measures been in place, perhaps the board and executive director would have seen the challenge much earlier when the deficit was more manageable.

Lines of Business Success Measures

While the mission success measures offer a snapshot of the organization, they do not offer the full picture that comes from adding in the lines of business success measures. The table below illustrates selected success measures from a regional theatre. These particular success measures are ready for presentation to the board of directors at a meeting that will focus on developing a new Strategic Plan for the coming fiscal year. In this example, there are two primary categories for a theatre series. The first are the activities success measures that are mostly about counting; the second are the satisfaction success measures.

(In thousands)	Year 1	Year 2	Year 3
Activity: Attendance #	25.3	16.7	14.5
Subscriptions #	2.4	2.4	1.9
Single Tickets #	13.4	3.2	5.5
Income $	691	4	352
Net Income $	(143)	(155)	(177)
Satisfaction: Renewal %	70	73	56
Standing Ovations %	48	26	56
Intermission Walkouts %	7	16	8
Buy-to-attend Ratio %	87	78	86

The success measures are neutral and offer the chance for interpretation and discussion. For example, what has caused the 46 percent drop in total attendance for the resident series from 25,300 in Year 1 to 14,500? How does this drop correlate to the improvement for series losses and improvement in renewal rate?

Notice in the second grouping of success measures that the criteria are about customer satisfaction. Renewal rate is the percentage of subscribers who renew from one season to the next. The steep drop from Year 2 to Year 3 could be related to the way customers felt about the shows in Year 2 because standing ovations were down, intermission walkouts were much higher, and the buy-to-attend rate – a measure of word of mouth – was down. These are all indicators of satisfaction. The agency adjusted the repertory in Year 3 to a more pleasing mix, which shows in the results.

Though quantitative survey research might get at customer satisfaction in a way that is more generalizable and a qualitative interview study could yield more nuanced information, these are expensive and time consuming approaches. In the success measures, the organization is taking advantage of readily available information; ushers can easily count standing ovations and intermission walkouts. The computerized ticket system can easily do the other two. In many respects, these success measures are actually measuring the outcome of a satisfied attendee.

What follows is an example of success measures in the current strategy of a health care agency:

Success Measures ($ in thousands)	2011-12	2012-13	2013-14	2014-15
Profit & Loss Contributed Revenue $	5,057	5,451	5,368	5,675
Non-contributed Revenue $	279	208	398	381
Total Revenue $	5,336	5,659	5,765	6,056
Total Expenses $	5,270	5,642	5,769	5,874
Excess/(Deficit) $	66	18	(4)	182

Success Measures ($ in thousands)		2011-12	2012-13	2013-14	2014-15
Balance Sheet	Assets $	818	851	871	1,322
	Liabilities $	358	374	397	152
	Net Assets $	460	477	473	893
Capital Structure	Total Margin $	0.01	0.00	(0.00)	0.03
	Current Ratio $	1.8	2.0	1.9	5.4
	Working Capital $	273	357	329	673
	Operating Reserves $	207	170	253	616
Lines of Business					
Addiction Services: % Sobriety ≥ 90					60
Clinic Services: # Clients					861
Mental Health: # Clients					600
Prevention Duluth: # Clients					2,315
Prevention Midtown: # Clients					4,800
Resources: $ Revenues					7,620

[A]

Note that the above success measures for the first three years of the lines of business are blank. This is because there is usually a paucity of information available when first starting to use the method. In the example below, the Victoria Theatre Association illustrates how its programming group works over a longer period of time:

Success Measures (in thousands)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Productions #				54	108	172
Performances #	378	330	345	324	468	470
Total Attendance #	311	302	311	297	462	351
By Brands: Broadway #	174	179	158	151	225	179
Community #	92	70	89	90	86	106
Select #	45	53	64	56	150	66
Total Income $	5,580	5,890	5,290	5,410	11,900	8,470
By Brands: Broadway $	4,820	5,000	4,320	4,410	8,700	6,650
Community $	172	164	191	305	261	426
Select $	592	734	777	698	2,900	1,390

[A] **Total Margin**: "This is the bottom line . . . the one [measure] that tough, no-nonsense managers of all stripes supposedly focus on single-mindedly"(T. A. McLaughlin, 2009, p. 83). Formula = Revenue minus Expenses [line 19] divided by Revenue [line 12]
Current Ratio: "the most widely recognized measure of liquidity . . . the ratio should be at least 1" (T. A. McLaughlin, 2009, p. 75). Formula = Current Assets (lines 1-9) divided by Current Liabilities (lines 17 to 19)
Working Capital: "Determines how long a charity could sustain its level of spending using its net available assets, or working capital, as reported on its most recently filed Form 990" ("Glossary," 2010). Formula = Unrestricted plus Temporarily Restricted Net Assets
Operating Reserves: A more conservative view of working capital because you use unrestricted net assets and exclude land, building, and equipment, and temporarily restricted assets (Blackwood & Pollak, 2009, p. 9). Formula = Unrestricted Net Assets minus Land, Building, and Equipment plus Mortgages & Notes

Remember that there is an inclination to have too many success measures. So in the words of Albert Einstein, “Everything should be made as simple as possible, but not simpler.”[177]

Great Start Summary

Close with a succinct one-paragraph summary of what you have discovered. Remember that your summary tells the reader *what you found*, not how you found it. You will use this summary and the ones from subsequent reports to construct your executive summary in the Great Strategies Report.

Here for example is the summary from a nonprofit medical clinic serving the HIV community:

> A total of 105 people including 33 external stakeholders and 72 internal stakeholders had a voice in the Great Start process. Upon completion, we had a well-defined purpose including values and mission and an understanding of current strategy including lines of business and success measures. Altogether, we answered the answered the question of what *are* we doing now.

GREAT IDEAS

What *could* we do next?

Vision Statement

Many writers in the popular literature have long argued that vision is absolutely essential for effective leadership.[178] Says Peter Senge, it is "a force in people's hearts, a force of impressive power."[179] Scholars also give an equally strong vote of confidence to its importance.[180] As such it is now generally accepted that the "single defining quality of leaders is the capacity to create and realize a vision."[181] In other words, "leadership behavior that is not infused with vision is not truly leadership."[182]

Vision Types

The news that vision is the "essential *leadership* act"[183] would be cause for celebration if there was agreement on what it actually is. Gary Yukl says that vision is "a term used with many different meanings, and there is widespread confusion about it."[184] Multiple studies show that leaders have visions that vary widely from vague to concrete.[185]

Some like John Kotter define vision quite broadly as "a picture of the future."[186] Others like Henry Mintzberg take the view that it's strategy expanded:

> Vision sets the broad outlines of a strategy, while leaving the specific details to be worked out. In other words, the broad perspective may be deliberate but the specific positions can emerge. So when the unexpected happens, assuming the vision is sufficiently robust, the organization can adapt.[187]

Making sense of the differences are Jill Strange and Michael Mumford who reviewed a host of definitions and found the commonality that "vision may be conceived of a set of beliefs about how people should act, and interact, to attain some idealized future."[188] As Burt Nanus eloquently puts it, "vision always deals with the future. Indeed, vision is where tomorrow begins."[189] Put in the context of sustainable strategy, **your purpose is present tense – who you are; your vision is future tense – this is where you're going.**

Just how important is vision? John Kotter places underestimation of the power of vision in his top three reasons for why transformation efforts fail.[190] For Henry Mintzberg, "vision – expressed even in imagery, or metaphorically – may prove a greater incentive to action than a plan that is formally detailed, simply because it may be more attractive and less constraining."[191]

Leaders of organizations are paying attention. In 1989, 1,500 leaders from 20 different counties including 860 CEOs agreed that vision was crucial to success.[192] Popular writers then amplified the importance of vision, and by the mid-1990s, all top executives had visions of one sort or another.[193] The position that vision is essential has not abated in the new millennium.[194] In 2003, vision was the third most popular management tool used by 84 percent of the respondents from 708 companies on five continents. In 2011, vision remained a top three contender.[195]

Yet, not everyone is convinced of the power of vision. The venerable *Bass & Stogdill's Handbook of Leadership* barely makes note of vision in its 1,182 pages.[196] A study of 1,400 Australian public sector employees indicated that "articulating a vision does not always have a positive influence on followers."[197] And research of the Israeli Defense Forces show that a leader's vision is "not positively related to subordinate identification and trust, self-efficacy, and motivation and willingness to sacrifice."[198]

Even so, for many highly regarded practitioners, vision is specific enough to have a direct impact on the day-to-day efforts in the workplace:

> "A vision gives you a focal point . . . It tells people what's expected of them." Frederick Smith, Chairman, President and CEO, FedEx Corporation
>
> "A vision provides a framework through which you view everything that goes on in the company and in the external environment." Raymond Gilmartin, President and CEO, Merck & Co[199]

The vision referred to by these deans of corporate America is valuable "because an organization needs to know where it wants to be in order to act in a reasonably efficient manner to get there."[200] It is defined by its drive to yield specific results.[201] This includes Ronald Heifetz's adaptive work where "a vision must track the contours of reality; it has to have accuracy, and not simply imagination and appeal."[202]

One common type of vision elevates the organization to someplace new.[203] It is "a new story, one not known to most individuals before."[204] Defined by idealism, these visions are "transcendent in the sense that they are ideological rather than pragmatic, and are laden with moral overtones."[205] These are the kind of visions that Walt Disney refers to in his often-quoted mantra, "If you can dream it, you can do it.[206]

Another common type of vision has an operational texture similar to formal planning, which "seems better suited to the tranquilities of peacetime than the disruptiveness of war, especially unforeseen war."[207] The visions that yield practical results are the type that Paul Valery referred to when he said, "The best way to make your dreams come true is to wake up."[208]

In all of this confusion, however, patterns begin to emerge. Scholar Gary Yukl developed a list of desirable characteristics from well-known experts and by grouping these characteristics around common themes two major types of vision emerge:

Characteristics	Types
simple and idealistic; simple enough to be communicated clearly in five minutes or less; a picture of a desirable future; not a complex plan with quantitative objectives and detailed action steps; appeals to values, hopes, and ideals; emphasizes distant ideological objectives	Idealistic
challenging, but realistic; not wishful fantasy; an attainable future grounded in the present reality, addresses basic assumptions about what is important for the organization; focused enough to guide decisions and actions; general enough to allow initiative and creativity	Pragmatic

The belief that there are two primary types of vision is widespread among practioners. Alan Guskin, former Chancellor of Antioch University, takes this point of view:

> I believe that one must be both idealistic and pragmatic. For, to be idealistic without being pragmatic leads to frustrated aspirations and unfulfilled promise; to be pragmatic without being idealistic leads one to be a hack and a bureaucrat. Being both idealistic and pragmatic leads to hope and optimism along with being realistic and focused.[209]

This paradoxical blend is also prevalent in strategic literature. For example, Glenn Rowe argues that strategic leaders show a “synergistic combination of managerial [pragmatic] and visionary leadership [idealistic].”[210] This is also consistent with Jim Collins and Jerry Porras’ view that vision “consists of two parts: a 10-to-30 audacious goal plus vivid descriptions of what it will be like to achieve the goal.”[211]

In summary, the **vision statement is an overarching picture of the future while the vision strategies articulate how you’re going make that future happen.**

Making Statements

Many characterize vision making as an almost mystical process with spiritual undertones. Says Po Bronson, “Most of us don't get epiphanies. We only get a whisper – a faint urge. That's it. That's the call.”[212] Charlie Knight, a Ute medicine man, describes how he found his vision, “Everyone has a song. God gives us each a song. That’s how we know who we are. Our song tells us who we are.”[213] Jay Conger observes that “vision when articulated is surprisingly simple; yet when we examine the evolution of a specific leader’s vision it appears to be a much more complex process. Events stretching as far back as childhood may influence its origins.”[214]

Ideate

Building the vision statement and strategies to achieve it begins with ideation. Ideation is what it sounds like – creating ideas - lots and lots of them. Along the way, you will ideate scores of possible ideas that you can then turn into the statement and strategies.

Customers

Consistent with the use of success measures, four of five nonprofits use some sort of program output measures when it comes to performance measurement.[215] Success measures are certainly a legitimate and obvious useful method for tracking the performance of existing activities, but what about new strategies that don't yet have a track record? **When it comes to gauging the success of recent nonprofit innovations, client feedback takes the lead position**.[216] If going to the clients after the fact is the key way to evaluate success on a new strategy, why not begin with them?

Looking at what's going on with those you serve doesn't mean looking at your customers from a helicopter; it means seeing them eye-to-eye. This research typically requires either qualitative up-close-and-personal interviewing or quantitative broad-and-deep surveying.

Peter Drucker gets at the customer question by addressing the following three topics: "Who is our primary customer? Who are our supporting customers? How will our customers change?"[217]

If you didn't address these questions when you worked on the mission, you have a second opportunity to do so now. Yet the issue of how your customers will change is different when referring to vision. Here, Peter Drucker is not referring to the life-changing difference that you make in their lives, but to literally how they will transform:

> Customers are never static. There will be greater or lesser numbers in the groups you already serve. They will become more diverse. Their needs, wants, and aspirations will evolve. There may be entirely new customers you must satisfy to achieve results – individuals who really need the service, want the service, but not in the way in which it is available today. And there are customers you should *stop* serving because the organization has filled a need, because people can be better served elsewhere, or because you are not producing results.[218]

But even this doesn't quite get at customer voice. The most important advice Peter Drucker gives about customers is about staying close to them, which is what customer voice is all about, "Often the customer is one step ahead of you. So you must *know your customer* – or quickly get to know them. **Time and again you will have to ask, 'Who is our customer?' because customers constantly change**."[219]

Kristin Majeska, former executive director of Common Good: Investments in Nonprofit Solutions, calls this customer focus, which begins with identifying your customers and ends with researching what they value:

> *Identify your customers.* Separate your customers into distinct groups that you can picture, reach, and, above all, understand. Figure out what type of customers you serve most effectively, ask yourself why, and use that knowledge to serve your "best" customers exceptionally well and to improve your service for others...

> *Research – don't assume you know what customers value.* Dig into information sources. Observe. Most important, ask your customers! Listen attentively to their answers and get to know the people who make up your market . . . and who will determine your success.[220]

One of the best ways to get close to your customers is to do exactly that. Yes, you can commission rich and rewarding research, but one of the most effective ways to understand your customers is to talk with them. I ran a performing arts center for 15 years and though I wasn't needed at the theatre every night, that's where you'd generally find me - and not standing in the wings, but in the lobby.

I knew what our customers liked about our organization and what they didn't like because I asked them; it was that simple. No wonder that the Victoria Theatre Association's customer base was the envy of much larger communities and that our renewal rate for subscriptions was regularly 20 basis points higher than most other practices. Our customers really were the stars.

What questions should you ask? I like to keep it simple. After introducing myself, explaining what I'm doing, and getting to know the customer a bit, **I begin by asking what he or she likes about the product, program, or service they are using**. This is a good ice breaker and the answers can inform your marketing strategies.

Second, I ask the customer what he or she doesn't like. Don't ask what he or she thinks you should do to improve this or that aspect of your services, products, or programs because this is hard to conceptualize. Though people have a tough time knowing how to improve things, they definitely know what they don't like. Your customer's first response may be deferential as most people are as uncomfortable giving honest feedback as they are receiving it. But if you encourage the feedback honestly and persistently, you will prevail.

If you are not getting thoughtful answers, the way you're asking the questions is likely flawed. I like to use open-ended questions, those that don't require a simple yes or no, when I'm trying to get at the customer experience. Be sure to probe answers to get more information. Restate what you have heard to be sure you understand what the customer said *and* meant.

Third, I ask the customer what he or she would like. Unlike the question of what the customer didn't like, which is about the past, this question takes the customer into the future. For example, maybe she didn't like the ham sandwich lunch you served when you asked for dislikes, but here she responds that she would have liked a vegetarian selection.

Finally, I ask an "anything else" question around what I should have asked, but didn't, which almost always yields a rich response. The four questions together generate a surprising amount of information if you are patient and listen carefully. A typical interview with a customer should take 20 minutes or so, maybe more if the customer is talkative, maybe less if they're not.

The identification and research of your customers is the first and most important thing you must do to prepare yourself for vision making. What Tom Peters and Robert Waterman say is as true for nonprofits as it is with for-profits, that the "excellent companies *really are* close to their customers."[221]

Of course, you may not need to do hands-on surveying. You may already have done this or you may be able to have a discussion with your front-line programming staff and query them with the questions. Whatever your approach, take some time and summarize what you know.

There are other ways of getting at a deeper understanding of your customers. You can go to sources of information already available at your fingertips on the web, at your local chamber of commerce, and through other such sources including census.gov and sba.gov. And you can talk to those best of the best agencies in your field to find out what they know.

You can observe things. Take opening a restaurant for instance. You don't launch a restaurant just anywhere. You look for the volume of people who ordinarily will walk by your location especially at the times of day when you plan to be open. You look at the other business nearby and visit with the proprietors about how well they are doing. You are especially interested in whether there are any other restaurants nearby, what they charge, their menus, and the quality of the food. And if there are no other restaurants nearby, find out why because this may mean something about your probabilities for success.

It is important to conduct thorough research with your customers to develop a better understanding of your target market. Moving past the direct conservations you had with your customers earlier, you will likely want to conduct focus groups, survey research, and test marketing. A focus group typically works this way:

> A focus group consists of eight to ten members of your target market (try to include both current customers and potential customers who don't know you at all) who are guided by a facilitator to answer open-ended questions about a specific topic. Focus groups are a low-cost means of conducting face-to-face interviews, with the additional benefit of interactions that occur within the group.[222]

Survey research is most often quantitative – although qualitative interviewing is gaining in popularity – and can range from a simple web-based protocol like SurveyMonkey to telephone surveys or direct mail. Research can be fast and cheap or slow and costly. The difference is usually in validity, reliability, and generalizability to the customer population. Quantitative research yields useful data that you can quickly analyze and is usually generalizable, while qualitative interviewing generates more nuanced and granular information that is not generalizable.

According to Kristen Majeska, "*Test marketing* is essentially performing an experiment. Rather than asking your customers what they think they'd do, you give them the opportunity, record the results, and if you're entrepreneurial, you figure out why they did what they did."[223] Because of its power to tell you what the customer will actually do, test marketing can be a powerful and very useful tool.

You'll also need to think about how you intend to promote your strategy to your intended market including sales, branding, and the like. Peter Brinckerhoff has a list of questions you can consider:

- How are you going to find out what your markets want and then give it to them?
- How are you going to let them know that you exist?
- How are you going to assure that they are happy and bring others back with them?
- Who are your target markets and who are your secondary markets?[224]

This often adds up to a marketing plan that, according to Christopher Lovelock, should include situation analysis, marketing program goals, marketing strategies, marketing budget, marketing action plan and schedule, and monitoring system. In particular, marketing strategies address the following:

- Positioning
- Target segments
- Competitive differentiation
- Value proposition: distinctive benefits
- Marketing mix
- Core product, supplementary services, and delivery systems
- Price and trade terms (if selling through intermediaries)
- Marketing communication: advertising, personal selling, promotion, and so on[225]

Because marketing is so important for the success of strategies related to your lines of business, it is a good idea to consider employing a marketing consultant. Most nonprofits do not have the expertise onboard to get to the heart of marketing strategies. Fortunately, many marketing firms offer a mix of pro bono and paid services.

The point here is that you have to get close enough to your customers to get some great ideas for the future. You don't have to go overboard and spend tons of money to do this. Conversations with a dozen customers may do it.

BOBs

The rationale for knowing the best of the best (BOBs) in your field is elemental according to Marcus Buckingham: "Conventional wisdom tells us that we learn from our mistakes [but] all we learn from mistakes are the characteristics of mistakes. If we want to learn about our successes, we must study successes."[226] The applicability at the organizational level is evidenced by the fact that the most used for-profit management tool in a 2009 study of international executives was benchmarking[227] and it held the top two spot in 2015.[228]

In terms of definitions, benchmarking is "a systematic, continuous process of measuring and comparing an organization's business processes against leaders in *any* industry to gain insights that will help the organization take action to improve its performance."[229] The idea here is that benchmarking *any* best process at *any* leading firm, nonprofit or for-profit, leads to specific practices that you can imitate.

Knowing the best of the best is more focused than benchmarking because you are looking at the best of the best *in your field only*. It is akin to survivor technique, which "draws upon the notion of survival of the fittest in a competitive environment."[230] You seek out those firms in your field that have survived over the long haul and investigate the sources of their longevity. Then you drill down to find the reasons for their success including processes, structure, governance, everything, and anything that might be the source for their *best-of-best-ness*.

What you are trying to do is get at the key success factors, which Sharon Oster defines as "**those characteristics that are essential to successful performance** in that industry."[231]

In essence, you're trying to put yourself in the shoes of the people who work at your BOBs to see what they've done to be successful. This is based upon Amar Bhide's study that found "many successful entrepreneurs spend little time researching and analyzing."[232] Four percent found ideas through systematic research for opportunities, five percent came from going with the flow of their industry, 20 percent found ideas serendipitously, and 71 percent came from an idea encountered at an earlier job.[233]

What do you do with all this wonderful information? Why initiate it of course. After all, seven out of 10 ideas for new ventures in Amar Bhide's study of entrepreneur founders came from an earlier job.[234] This goes for nonprofits as well. A recent study on nonprofit innovation from Lester Salamon, Stephanie Geller, and Kasey Mengel surveyed 417 nonprofit organizations and found the most common way to learn about innovations was from peer organizations.[235]

I worked with an agency once that was all about finding the next killer application, that new venture that would take them to the next level. Money was a big issue and the dominating discussion was how best to amplify earned income. It turned out that the executive director had never looked at the best practices in her agency's field. In her first telephone call, she learned that she was charging 25 percent less than the best practice in her field for an identical service. How can you even begin to think about killer applications without first achieving operational effectiveness?

Most of the strategies that you'll come up with will not be killer applications. W. Chan Kim and Renée Mauborgne found that nearly all (86 percent) of new for-profit ventures were "line extensions – incremental improvements to existing industry offerings – and a mere 14 percent were aimed at creating new markets or industries."[236]

Even if you learn nothing in your investigation of best practices, you may at least temper the natural inclination to be overly optimistic. This happens because we tend to overstate our talents, misunderstand the real cause of events, inflate the degree of control we think we have over things, and discount the role luck plays, and thus fall prey to what Dan Lovallo and Daniel Kahneman call "delusions of success."[237] In other words, when "pessimistic opinions are suppressed, while optimistic ones are rewarded, an organization's ability to think critically is undermined."[238]

Begin by identifying two of the best of the best agencies in your field (BOBs) and justify your choice. One of the best ways to identify BOBs is by asking the executive director which agencies are the best in the field, which ones does he or she admire nationally, internationally, statewide, or even locally. You can also go to Charity Navigator and find ratings on organizations like yours; there is a small possibility that your agency might even be there already.

The first thing to do with your BOBs is to investigate their lines of business for commonalities. What programs are the BOBs doing that you are not? Are any of your programs unique? Knowing the LOBs for your BOBs may give you some ideas about what you should start or stop doing.

I did a study of academic centers focused on nonprofit capacity and found four BOBs to study. After gathering the information on lines of business, I affinity grouped the information:

Center One	Center Two	Center Three	Center Four
Research			
• Surveys and studies • New research	• Surveys and benchmarking • Research	• Practioner-focused research	• Research and studies
Publications			
• Books • Reports and surveys • Op-ed articles • Proceedings	• Newsletters	• Papers • Reports and surveys • Case studies • Web-based simulations	• Information and reports
Executive Education			
• Business ethics faculty workshop • Graduate certificate	• Fellows program	• CEO seminar • Senior leadership team seminar • Custom programs	• Partnership • Retreats • Presentations at member agencies
Resources			
• Links • Lists	• Toolkit • Articles • Links		
Convenings			
• Lectureships • Symposium			• Biennial conference
Student Education			
• Graduate and Undergraduate • Faculty education			
Other			
• Scholarships and prizes			• Consulting and public speaking

Notice that the lines of business are lined up across the columns so that the reader can see what do the BOBs have that your agency doesn't and what your agency has that the BOBs don't have. As you can see from analyzing the BOBs above, there are at least three things my client had to very seriously consider for further investigation: research, publications, and executive education.

The second issue to investigate for potential ideas is the competitive advantages of each of your BOBs - what makes them better than their rivals. The table bellows shows what I found with my academic centers:

Center One	Center Two	Center Three	Center Four
Influential Leadership			

Center One	Center Two	Center Three	Center Four
• Advisory board • Affiliation with the Nonprofit Academic Centers Council (NACC)	• Board of directors	• Academic advisors • Advisory council	• Advisory board • Senior staff leadership
Reporting Relationships			
• Reporting relationship to university-level leadership			• Reporting relationship to university-level leadership
Unique Products			
	• Annual national Survey	• Practioner-focused research	
Other			
• Reputation as one of the early leaders in the field • Founding member of NACC			• Interdisciplinary focus university-wide

In looking at the competitive advantages of the BOBs, my client might find a potential idea for a vision strategy to strengthen its leadership capabilities.

Because competitive advantages are rarely stated, you have considerable latitude to discuss what makes the BOBs special. Try using the process you went through (strengths, resources, core competencies, competitive advantages). Is your competitive advantage different from those of the BOBs?

The final issue to consider are your BOBs' four basic financial items: revenue, expenses, net revenue, and net assets. These can tell you a bit about the strength of their bottom lines and generate ideas as you dig into the information. What follows is from a study of three HIV sector agencies from their most recent IRS 990 posted on GuideStar ($ in Thousands):

AIDS Resource Center WI		Fenway Health	Gay Men's Health Services
Revenue:	20,962	61,631	24,039
Expenses:	18,251	58,251	25,181
Net Revenue:	2,711	3,380	(1,143)
Net Assets	9,634	43,197	17,537

Great Questions

Questions from the literature on earned income can be particularly stimulating for generating ideas. Working from larger lists to smaller ones begins with the great Joseph Schumpeter's five categories[239] plus two more from J. Gregory Dees:

1. Creating a new or improved product, service, or program
2. Introducing a new or improved strategy or method of operating
3. Reaching a new market, serving an unmet need
4. Tapping into a new source of supply or labor
5. Establishing a new industrial or organizational structure
6. Framing new terms of engagement [e.g., customer satisfaction guarantees]
7. Developing new funding structures [e.g., franchising][240]

J. Gregory Dees goes on to offer seven other questions that can stimulate the process of finding opportunities:

1. How well are you serving your clients, customers, etc.?
2. Are you reaching all of the people you would like to reach?
3. Have the demographics (e.g., age, ethnicity, preferred language, educational levels, incomes, wealth) changed in the community your serve or want to serve?
4. Have social values, moods, perceptions, or politics changed in a way that hampers your effectiveness or creates new opportunities?
5. Are your staff members unhappy or frustrated in their work?
6. What kinds of innovations are working in other fields?
7. Do we have any new scientific knowledge or new technology could improve the way you operate?[241]

Michael Allison and Jude Kaye propose answering ten questions as part of a visioning exercise:

1. How would the world be improved or changed if we were successful in achieving our purpose?
2. What are the most important services that we should continue to provide, change, or begin to offer in the next three years?
3. What staffing and benefits changes do we need to implement to better achieve our purpose?
4. What board of directors changes do we need to implement to better achieve our purpose?
5. What resource development (fundraising) changes do we need to implement to better achieve our purpose?
6. What facilities and technology changes do we need to implement to better achieve our purpose?
7. What infrastructure, systems or communication changes do we need to implement to better achieve our purpose?

8. How could we more effectively or efficiently provide our services? If we could only make three changes that would significantly impact our ability to provide quality services to our clients/customers, what would those changes be?
9. What makes us unique (distinguishes us from our competition)?
10. What do our clients/customers consider most important in our provision of services? What do our customers need from use?[242]

Richard Brewster takes a five-question approach to help your organization identify the "best match between what it does very well . . . and available financial resources and other forms of support:"[243]

1. Modify the nature of a program, particularly to improve quality
2. Add a new program
3. Withdraw from programs
4. Increase the number of people to whom programs are delivered
5. Secure more resources.[244]

Another approach shown in the table below illustrates a different matrix suggested by Scott Helm's work around current thinking about earned income strategies:[245]

	Sustaining Strategy	Disrupting Strategy
Earned Income	Commercial Non-Entrepreneurial	Commercial Entrepreneurial
Unearned Income	Noncommercial Non-Entrepreneurial	Noncommercial Entrepreneurial

Some people describe disrupting strategy as social entrepreneurship, which Scott Helm defines as the "catalytic behavior of nonprofit organizations that engenders value and change in the sector, community, or industry through the combination of innovation, risk taking, and proactiveness."[246]

As shown in the matrix, disrupting strategy need not be profitable and sustaining innovation need not be unprofitable. The earlier case of the outdoor camping agency that raised its camping fees is a perfect example. When I work with agencies on strategy, I often ask people to generate opportunities for each of the quadrants. Because sustaining innovations and operational effectiveness are often strongly related and because disrupting innovations and lines of business are strongly correlated, this matrix helps to address *what takes us forward* and *what holds us back*.

The best approach is to use the Ansoff Matrix[247] based upon its namesake who makes the following assertion: "There are four basic growth alternatives open to a business. **It can grow through increased market penetration, through market development, through product development, or through diversification**.[248] The table below shows what the Ansoff Matrix looks like:

	Current products	New products
Current Markets	**Market Penetration** current products to more customers like current customers	**Product Development** new products to current customers
New Markets	**Market Development** current products to new kinds of customers	**Diversification** new products to new kinds of customers

Although there are no hard and fast rules about which quadrant is better, diversification is the most difficult to pull off because you are doing something you have never done before. Market penetration is the least difficult because you are doing more of what you're already doing. In general, market development and product development, which are adjacent to market penetration, are preferable over diversification.[249] Here is an example from an arts agency:[250]

	Current products	New products
Current Markets	**Market Penetration** • Increase annual productions • Expand education programs • Increase fundraising efforts • Expand programming for audiences under 35	**Product Development** • Festival around historical holidays • Student matinees • Digital study guides and playbills • Resource center for further study
New Markets	**Market Development** • Larger theatre in new area • Tour productions • Box office and assigned seating • Partner with other causes • Report dramaturgical research and audience impact nationwide	**Diversification** • Partner with a local university • Screen films inspired by history • Start a playwriting contest • Build neighborhood partnerships • Create student productions • Start a theatre camp • Sell vintage clothes

Please remember that the vast majority of the strategies you will identify will not be killer applications. There is nothing wrong with this; most of your low hanging fruit is of the sustaining variety.[251] As Tom Peters and Robert Waterman observed nearly three decades ago, "Organizations that do branch out (whether by acquisition or internal diversification) but stick very close to their knitting outperform the others."[252]

Stop Fix

Please read MacMillan, Competitive strategies before continuing.

Although it may seem obvious that you should put everything on the table when working on your vision strategies, do not forget that stopping things you are currently doing is a very potent strategy itself - and this includes considering your lines of business. A strategy analysis I conducted recently for a very small agency identified 20 strategies including six current ones, eight in various stages of exploration, and ten new ideas.

The board and staff evaluated all of these strategies and the decision was made to reduce the volume to 10 strategies total including scrapping four current lines of business. The process of reaching this decision included qualitative interviews with the key decision makers and quantitative rankings in person and through the web.

The specific lesson of this example is that **every strategy you are currently doing, those you're investigating, and those slated for the future should be under consideration when deciding what goes forward.**

In the last two years, 68 percent of the nonprofits in a study on innovation were unable to move their ideas forward. The four most salient obstacles were related to funding and included lack of funds, growth capital availability, narrowness of government funding streams, and foundations that encourage innovation but don't sustain it.[253]

When we want a ready source of funding, our eyes commonly look outside of the agency and toward our funders for support. Sometimes we'll also cut costs through things like negotiating for lower rent or cutting overhead. There's nothing wrong with this, but we often overlook a readily available source of funding and a quick boost to operational effectiveness, which is to eliminate underperforming or inconsequential lines of business.

Beware of the sunk cost fallacy, also known as escalation of commitment, which causes people to actually increase their investment to a course of action because of what they've put into it and despite knowing it is a lost cause.[254] Be open to the idea of shutting strategies down including complete lines of business. You cannot be all things to all people.

It is certainly true that competitive advantage is all about how you are better than your rivals. Having more lines of business than any other agency may accomplish this, but it's not likely to be viable for the long term. The essence of strategy may indeed be "choosing to perform activities differently or to perform different activities than rivals," but this doesn't mean doing everything for everyone. What then is the essence of strategy? Remember the words of Michael Porter, "**The essence of strategy is choosing what *not* to do**."[255]

Before you make your decision about which – if any – of the strategies including those you are currently doing and those you might want to do, take time for portfolio analysis. These tools include simple ones like the ubiquitous Growth-Share Matrix from the Boston Consulting Group shown below:[256]

		Relative Competitive Position (Market Share)	
		Low	High
Business Growth Rate	High	"Question Marks"	"Stars"
	Low	"Dogs"	"Cash Cows"

There are many variants to this simple four-quadrant matrix. One of the most useful is the similar Portfolio Analysis Matrix from Robert Gruber and Mary Mohr[257] that some people call the Double bottom line Matrix:

		Benefits (Social Value)	
		Low	High
Business Growth Rate	Positive	Sustaining (Necessary evil?)	Beneficial (Best of all possible worlds)
	Negative	Detrimental (No redeeming qualities)	Worthwhile (Satisfying, good for society)

A more nuanced and prescriptive three-step portfolio analysis tool is the MacMillan Product Matrix:[258]

	Program Attractiveness			
	High		Low	
	Alternative Coverage			
	High	Low	High	Low
Competitive Position: Strong	Aggressive Competition	Aggressive Growth	Build Up Best Competitor	Soul of the Agency
Weak Competitive Position	Aggressive Divestment	Build Strength or Bail Out	Orderly Divestment	Joint Venture – Foreign Aid

In step one, you determine program attractiveness on the basis of internal fit (mission congruence, competencies, overhead sharing) and external fit (support group appeal, fundability and funding stability, size and concentration of client base, growth rate, volunteer appeal, measurability, prevention versus cure, exit barriers, client resistance, self-sufficiency orientation of client base).

Step two is to determine alternative coverage, which simply means the number of agencies with similar programs.

In step three, you determine competitive position, which requires "some clear basis for declaring superiority over *all* competitors."[259]

By following these steps, you are to locate your program within the corresponding cell and generate many ideas for possible vision strategies. Be sure to evaluate *all* of your agency's *current* lines of business. The example below comes from a theatre company:[260]

	Program Attractiveness			
	High		Low	
	• Annual season • Flex Pass Subs • Fundraising	• Lobby Displays • Research		• Company Artists
	Alternative Coverage			
	High	Low	High	Low
Strong Competitive Position	*Aggressive Competition* • Annual season • Flex Pass Subs • Fundraising	*Aggressive Growth* • Lobby Displays • Research	*Build Up Best Competitor*	*Soul of the Agency* • Company Artists
Weak Competitive Position	*Aggressive Divestment*	*Build Strength or Sell Out* • Programming for audiences under 35 • Scholar Sessions	*Orderly Divestment* • New Work Reading Series	*Foreign Aid or Joint Venture*

SWOT Analysis

Most people don't want to wait for whispers, songs from God, or go through Freudian therapy to get at vision statement. We want a rational process like General Electric's approach to vision making, which "only comes after hard thought about the capabilities of the organization and the needs of the market."[261] This information often comes from a SWOT analysis wherein you uncover your agency's strengths, weakness, opportunities, and threats.

Unfortunately, reliable SWOT analyses are the rarity. As Henry Mintzberg puts it, the strengths and weaknesses portion of the process "may be unreliable, all bound up with aspirations, biases, and hopes . . . Who can tell without actually trying, if the strength will carry the organization through or the weakness will undermine its efforts.[262]

Making matters worse, many people use SWOT to jump start the strategy process, which invariably causes a focus on your weaknesses, which is self-defeating:

> Few strategic concepts have taken hold of strategic planning quite so thoroughly as the SWOT model. It offers an appealing balanced approach – identify your strengths and weaknesses, and be aware of your threats and opportunities. But in practice it doesn't deliver. In fact, it tends to divert attention to unproductive areas . . . like a kindly, well-meaning family doctor who inadvertently gets you thinking about disease when you should be thinking about healthy.[263]

But wait just a minute. We're bringing in SWOT at the end of ideation. And we're looking for idealistic and pragmatic ideas. Looking internally and externally is a good approach this late in ideation. Moreover, many people know the term SWOT including, and especially, your board members and funders. It is part of the planning canon. In some respects, if you don't do it, someone is going to ask why not. So, just do it and you may find something worthwhile in the process.

Strengths and Weaknesses

There are a variety of ways to develop strengths and weaknesses. First, you should refer back to information from the SVP Tool or OCAT you completed earlier in the Great Start report. Next, revisit the four questions from your analysis of competitive advantages. Finally, if you need more ideas, brainstorm. Now combine all of your ideas and narrow them down to no more than four to six strengths and four weaknesses ranked in order of prominence.[264]

	Positive	Negative
Internal	**Strengths** • The city's only theatre dedicated to plays inspired by history • Artistically driven administrators • Brings art and culture to local classrooms • Works with talented performers • Award-winning theatre • Easily accessible (public transportation, restaurants, etc.)	**Weaknesses** • Capacity doesn't meet demand • Staff is spread too thin (worry of burnout) • Not enough foundation/corporate support • Programs are underdeveloped because of lack of resources (money and staff)

Opportunities and Threats

Keep in mind that opportunities and threats are *not* themselves ideas, but factors in the external environment that you might seize upon to become great ideas. For example, a program for active aging baby boomers is not an opportunity; a trend in the rising number of baby boomers who want to be active is an opportunity. A decline in the number of millennials (generation) could be a threat to your current programs.

Opportunities are the favorable conditions in external environment that you might use to your advantage. Threats are factors in the external environment that make the agency vulnerable.

The classic approach to understanding context is environmental analysis with its three central elements as described by strategic management experts Michael Hitt, Duane Ireland, and Robert Hoskisson:

> Analysis of the general environment is focused on environmental trends while an analysis of the industry environment is focused on the factors and conditions influencing an industry's profitability potential and an analysis of competitors is focused on predicting competitors' actions, responses, and intentions."[265]

In this classic approach, you examine the general environment consisting of "seven environmental *segments*: demographic, economic, political/legal, sociocultural, technological, global, and physical."[266] Some people advocate a different set called the PEST approach, which covers political, economic, social, and technological segments. It is a good idea to conduct a PEST analysis and discuss what is going on in the general environment that could affect your agency. The primary question you want to answer is: **What is going on out there (external) good and bad that could affect our agency in here (internal)?**

Be careful about misusing the terms: "An opportunity is a condition in the general environment that, if exploited effectively, helps a company [and] a threat is a condition in the general environment that may hinder a company's efforts."[267] Thus, an opportunity is something occurring outside of your agency that you might take advantage of; **it is not an internal goal**.

Take for example the trend of growing income equality. This trend could be an opportunity or a threat for your agency. It is a trend external to your agency. Offering a new service for those negatively affected by the trend may be a great idea that comes from the analysis.

Again, the easiest tool to use to generate opportunities and threats is the brainstorming method. Take all the ideas, combine them and narrow them down to no more than six opportunities and six threats ranked in order of prominence. Here is an example of the results from a SWOT Analysis:[268]

	Positive	Negative
External	**Opportunities** • Resurgence in subscription/membership models (i.e. Netflix, Hulu) • Economic Recovery • Majority groups shifting • New neighborhood restaurants/cafes • Real estate available • New citywide cultural plan	**Threats** • Funding for arts in schools • Competition among city's cultural offerings (funding/leisure dollars) • Entertainment easily accessible (home/digital platforms) • Increase in nonprofits • Divide between small theatres and institutions

BAM

By far the most popular and efficient ideation approach is using the full group of the board and key staff to generate ideas. Yet, how can we expect that average board member who spends just 16 hours a year around the board table to engage constructively in a task that could have long-term consequences?[269]

Finding a solution that invites the board's thoughtful input is important because one of the key ways that the board adds value is to "encourage experimentation, trying out new approaches and alternative ways of dealing with issues."[270] Enter BAM, which is short for **brainstorming, affinity grouping, and multi-voting**.

When it comes to a BAM, it's all about the questions you ask. John Bryson's first two questions of his five-question method are relevant:

1. What are the practical alternatives, dreams, or visions we might pursue to address this strategic issue, achieve this goal, or realize this scenario?
2. What are the barriers to the realization of these alternatives, dreams, or visions?[271]

Peter Drucker also uses a two-part method when he says that "genuinely entrepreneurial businesses have two 'first pages' – a problem page and an opportunity page – and managers spend equal time on both."[272] **Put simply, *what holds you back* and *what takes you forward*?** These two questions also implicitly address Michael Porter's assertion that "Operational effectiveness and strategy are both essential."[273]

This two-question approach using the BAM process shown in Appendix A generated the results shown below for a theatre company in Chicago:[274]

Ideas (Affinity Grouped)	Group Name	Voting
dinner theater, festivalize, show movies, start a club, "choose your own adventure", 14 plays in 48 hrs, present late-night, multidisciplinary works, new musicals, commission community plays, drinking games	Beyond Straight Theater	8
good neighbor discounts, become neighborhood leader, invest in local restaurants, partner with DePaul, host a block party/street fair, theater crawl, host neighborhood big event parties	Neighborhood	7
get beyond the facility's famous image, advertise our Tony Award, increase advertising, strengthen branding, stop burning bridges, do better work	Reputation	5
attract hipsters, give audiences more ways to interact with work, under 30 program, student membership cards, monthly membership cards, date night discounts 2 for 1, target student population with work, local celebrities as leads, backstage experiences	Build Audience	2
build/acquire parking garage, more venues, sell popcorn, build a bar	Venue Experience	1

Ideas (Affinity Grouped)	Group Name	Voting
vision alignment, annual staff reviews, extend box office hours, make box office more visible from street, elevate staff positions/titles, condense LOBs, hire more staff, cut/merge Access programs, replace saints as volunteers/ushers, saint buddy program with students	Internal Workings	1
expand board, improve/change board culture	Board of Dir.	0
increase rental costs, tighten up on rental spaces	Rentals	0
develop social media voice and strategy, improve use of social media, develop playwright's app, improve office technology, improve website	Digital Presence	0
take back funder trip to London, apply for more grants, focus energy into one gala, more fundraising, explore untapped resources	Fundraising	0
more work in development, showcase student work	Existing Programs	0
publish new plays, new play library, film plays for sale/education	Play Exposure	0
participate in new works festivals, tour, co-produce, partner with local organizations, co-commission, do more with national new play network, partner with national new play presenters	National and International Exposure	0
eliminate emeritus status, broaden the playwrights group, workshops	Playwrights	0

Before grouping, the participants generated 60 ideas; after grouping, there are 13 credible ideas worthy of further discussion. Not bad for a process that engaged a great many people and took roughly an hour to conduct. Now it's your turn!

Vision Statement

You have used some or all of the six tools to generate dozens of ideas, which will be very useful as you decide the best ones to use moving forward. Before doing this, however, you need to craft your vision statement. The vision statement is a "guidepost showing the way."[275] It doesn't have to be lengthy or particularly descriptive. Recall Henry Mintzberg's advice, "vision – expressed even in imagery, or metaphorically – may prove a greater incentive to action than a plan that is formally detailed, simply because it may be more attractive and less constraining."[276]

Sustainable strategy splits the vision into three elements:

1. The vision statement that is a clear picture of the future and is typically idealistic in texture. Usually the vision is to be achieved in three years give or take.
2. The vision strategies bring the picture to life and are typically pragmatic. They are set to be achieved in a shorter term of one to two years give or take.

3. The vision goals that directly relate to each strategy and are how you will achieve that strategy. Goals are normally set to be achieved in no more than a year.

In sum, the **vision statement tells you what direction you're heading in; the vision strategies provide the specific directions, and the vision goals tell how you will achieve the strategies.**

Like it or not, making a vision statement requires that you "*see* and *feel* . . . it requires a mental capacity for synthesis."[277] It is not so much a deductive process as it is an art. Sometimes you will find the vision statement in just one idea out of the dozens you generated. Sometimes you will step back and see a theme emerge from all of the ideas - the "**shared picture of the future**."[278]

Thinking back to the types of visions, you will recall that visions are often idealistic or pragmatic. Here are four **idealistic** vision statements:

- Be the best practice nationally that delivers comprehensive solutions
- To the next level of excellence through creativity and leadership
- The best of all
- Iconographic

And here are four **pragmatic** ones:

- Stabilize the core with diversified funding sources
- Consolidate operations to prepare for the next level
- Make effectiveness count
- More funding – more advocates

First, look for dominant themes by reviewing what you learned from the ideation tools: customers, BOBs, great questions, stop fix, SWOT, and the BAM. As your review the work, are there any prevailing ideas that arise? Perhaps you see a pattern of fixing things to ready your agency for the next level? Maybe you're actually at a point of going to that level?

A particularly good place to look for themes is the affinity-grouped BAM ideas. It could be that one or two of your affinity groups form the vision statement or that there is a wild card within all of the ideas that adds up to the vision. For example, out of more than 60 ideas to the question of "what takes us forward," a housing agency focused on just one idea for its vision statement: *to be the model for fair housing*.

Second, ideate specifically for the vision statement. Come up with ideas to fill in the blank for the following:

- In three years, our agency will be _________.
- We want to become __________ in three years.

- The difference between our agency today and three years from now will be ___________.

Third, polish your best candidates and put them into statements of ***no more than ten words*** give or take and make sure each has a definite ***future tense***.

Fourth, test each statement against the following checklist from Jim Collins and Jerry Porras:

- Does it stimulate forward progress?
- Does it create momentum?
- Does it get people going?
- Does it get people's juices flowing?
- Do they find it stimulating, exciting, adventurous?
- Are they willing to throw their creative talents and human energies into it?[279]

Finally, if you're not satisfied with your choices, start over. If you are satisfied, choose the best one and move forward to your vision ideas.

Vision Ideas

Collect

The first thing to do at this point is bring together all of the credible ideas from the ideation. Ask yourself the following questions:

- What ideas did you get from talking to your **customers**?
- What ideas did you get from what your **BOBs**? Any things you're doing that the BOBs aren't doing? Anything your BOBs are doing that you're not?
- What ideas came from **great questions**?
- In terms of **stop fix**, what ideas did you find? Anything you should stop doing? Start doing? Fix?
- What did you learn from your **SWOT analysis**? Any strengths to build upon or weaknesses to address? What about taking advantage of opportunities in the external environment or confronting threats?
- Look at the **BAM** group names and see if any are ideas. Then look at all of those delicious ideas that came from the affinity grouping. Any of them keepers on their own?

Here for example are 28 ideas culled from a theatrical agency:[280]

All Ideas	
• A new venue • Advertise subscriptions • Ask bigger theatres for advice	• Partner with universities and city colleges (to recruit staff, volunteers, interns and performers) • Apply for more funding

All Ideas	
• Become part of the citywide cultural plan • Cut reading series • Cut unnecessary LOBs • Festival around historical holiday • History trivia nights • Implement staff incentives • Improve strategies for scholar events and programming for audiences under 35 • Increase season offerings • Late night historical satire • Look for more low-cost, low-staff LOBs • Look for PR opportunities and capitalize on being the only theatre solely dedicated to presenting plays inspired by history • Partner with other causes	• Patron/student blog • Revamp education program • Seek additional sponsorships • Set up a resource center for patrons to visit the theatre outside of scheduled performances to encourage further learning • Start a theatre camp • Start an administration volunteer program • Strengthen reputation • Student matinees • Tour productions • Update box office and ticketing system • Update website

Evaluate

Decisions – Decisions

Once you have enough ideas identified you need to reduce the list to a manageable number that you can then consider more carefully. Just how do you choose?

The way in which vision statements and strategies are finalized and readied for feasibility studies can range from "Take it to Vegas" multi-voting style in the BAM process to more nuanced ranking matrixes, and from feasibility studies to full-blown business plans. Interestingly, the exemplars in my study of high-performing executives were quite informal about this matter. Just one method stood out for the participants: "You kick around a final draft of the vision with others including staff and board; it's a way of floating trial balloons and building ownership."[281]

All things being equal, we human beings prefer the intuitive to the analytic. An analytic approach greatly improves accuracy, but "the gain in precision which accompanies an analytic approach to decision-making strategy may be offset by the danger of extreme error."[282] In other words, when we use an analytic approach, we are either perfectly right most of the time or we are utterly wrong. Intuitive decision makers, on the other hand, are approximately correct all of the time without the extreme errors, which is perhaps why the only time we use analytic methods, is when we cannot use our intuition.

The idea that we're one or the other, analytic or intuitive, is often referred to as left brain versus right brain - or as Dorothy Leonard and Susan Straus describe, "An analytical, logical, and sequential approach to problem framing and solving (left-brained thinking) clearly differs from an intuitive, values-based, and nonlinear one (right brained thinking)."[283] Whatever you call it, left brained or right, intuitive or analytic, all decision-making– and research for that matter – are subject to misinterpretation and misperception:

> We are predisposed to see order, pattern, and meaning in the world, and we find randomness, chaos, and meaninglessness unsatisfying. Human nature abhors a lack of predictability and the absence of meaning. As a consequence, we tend to “see” order where there is none, and we spot meaningful patterns where only the vagaries of chance are operating.[284]

Though simple matters are best decided through conscious thinking, we should “delegate thinking about complex matters to the unconscious.”[285] In other words, let the decision simmer:

> Use your conscious mind to acquire all the information for making a decision – but don’t try to analyze the information. Instead, go on a holiday while your unconscious mind digests it for a day or two. Whatever your intuition then tells you is almost certainly going to be the best choice.[286]

Like so many things in life, the resolution to the question of analytical versus intuitive is paradoxical. It is both/and as opposed to either/or. Analysis and intuition go hand in hand. Dorothy Leonard and Susan Straus elaborate that, “Rightly harnessed, the energy released by the intersection of different thought processes will propel innovation.”[287] And Herbert Simon argues, **the effective manager must be capable in both decision making approaches – the analytic and intuitive.**[288] The point is that you must use your head and your gut, but don’t trust either exclusively.

First Cut

Many decisions we make are characterized by a “ready, fire, aim” variety popular especially with entrepreneurs.[289] And why not? In his best-selling book, *Blink*, Malcolm Gladwell argues that our snap judgments can be every bit as good as those decisions we carefully deliberate. Much of this is due to thin slicing, which is the ability to size up a situation quickly with very little information.[290]

It turns out that snap judgments based on thin slices aren’t all that astonishing. When studying chess masters who simultaneously play many opponents, make split-second moves, and beat all comers. The experience and learning from a lifetime of playing makes this possible; **intuition is simply another word for vast experience**, for “analyses frozen into habit.”[291]

The First Cut is a vetting process to reduce the volume of strategies to a smaller number. In the first cut, winnow down all of your ideas to 12 or so using intuition as shown in the following example:[292]

First Cut	
• A new venue • Become part of the citywide cultural plan • Cut unnecessary LOBs • Festival around historical holiday • Increase season offerings • Late night historical satire	• Look for PR opportunities • Obtain more funding • Partner with other causes • Start an administration volunteer program • Strengthen reputation • Student matinees

Contenders

Ideas need to percolate, which is why time is one of the key situational variables when it comes to decision-making style. Herbert Simon offers two decision making approaches that are temporal in texture: Logical decision making is where "goals and alternatives are made explicit [while] judgmental decision making [is where] the response to the need for a decision is usually rapid, too rapid to allow for an orderly sequential analysis of the situation."[293] Among the fast methods for deciding is the Payoff Matrix popularized at General Electric and shown below:[294]

	Tough to Implement	Easy to Implement
Big Pay-Off	Special Efforts	Quick Wins
Small Pay-Off	Time Wasters	Bonus Opportunities

Use the Payoff Matrix to reduce your ideas (six or so will do it). The following example highlights (bolded and italicized) the ideas that will move forward to finalists:[295]

	Contenders	
	Tough to Implement	Easy to Implement
Big Pay-off	• ***A new venue*** • ***Festival around historical holiday*** • ***Increase season offerings*** • Obtain more funding • Partner with other causes • Strengthen reputation	• ***Cut unnecessary LOBs*** • ***Student matinees*** • ***Start an administration volunteer program*** • Look for PR opportunities
Small Pay-off	• None	• Late night historical satire • Work with the city to become part of the citywide cultural plan

Finalists

A slower and perhaps more nuanced method to rank strategies is one suggested by Burt Nanus.[296] **Step one is to decide what decision criteria you'll use. Next you can**

weigh the importance of each criterion. Third, you vote and tally. The table below is the output from a ranking of lines of business against weighted selection criteria chosen in a BAM process at an arts organization:[297]

		Finalists					
Criteria	WT	A New Home	Student Matinees	Increase PR	Cut needless LOBs	Admin. Volunteer Program	Festival Around Historical Holiday
Plays to competitive advantage	5	20	15	15	25	5	25
Brings vision statement to life	5	25	25	25	5	10	25
Mission fit	4	4	20	4	12	4	20
Profitable	3	15	9	12	15	15	15
Fundable	4	20	20	4	4	4	20
Achievable	3	12	12	12	15	12	12
	Total	96	101	72	76	50	117

You can use a matrix like this and include your values, your mission including customers, difference, and advantage, and the results from the question *what holds you back*. **The nice thing about this method is that it forces you to think about the criteria that matter, which may help prevent our altogether too human tendency to fit data to the decision we were going to make in the first place.**

Whatever criteria you choose, the question is not so much about which idea is the best, as much as it is about which ideas are weakest. Remember, "The essence of strategy is choosing what *not* to do."[298]

Step one is to decide what decision criteria you'll use. Next, you can weigh the importance of each criterion. Third, you vote and tally. Winnow your ideas from six to three or so using the Weighted Decision Matrix.

Great Ideas Summary

Close with a succinct one-paragraph summary of what you discovered including your final three great ideas Remember that your summary tells the reader *what you found*, not how you found it. You will use this summary and the ones from subsequent reports to construct your executive summary in the Great Strategies Report. For example, the following is the summary from a theatre organization:[299]

> Using six tools to ideate and four methods to evaluate, I discovered three great ideas for the theatre:
>
> > **A festival around a historical holiday** – The theatre imagines an outdoor summer festival on July 4th weekend. The organization is most excited about exploring this strategy because of the potential outreach to new audiences and PR opportunities.

Perform student matinees – Student matinees would simply remount a production from the season and would allow the organization to have a greater impact with local schools and History students.

Build a new and better home – A new home would better serve the theatre's growing audience and would provide a platform that is more appropriate for the vision.

These ideas promote the new vision to become a preeminent Chicago arts organization and are likely to attract national attention. Furthermore, they are pragmatic enough to achieve and idealistic enough to incentivize action. It is the hope of this report that these strategies will propel the theatre forward and transform the organization into all that it aspires.

GREAT STRATEGIES
What *should* we do next?

Build

The Great Strategies process begins by developing a detailed description of the strategies you are investigating. Peter Brinkerhoff uses a three-question approach:

1. What precisely will the business idea do?
2. How will it benefit the organization?
3. What are the characteristics of businesses of this type?[300]

Because you are beginning to think about how to pitch the strategy to people outside of the organization, some people suggest using more elaborate questions to build your case statement like these suggested by Bernard Ross and Claire Segal:

- What is the need?
- What evidence is there that this is a pressing need?
- How are you uniquely qualified to tackle this need?
- What will be the benefits of your action?
- What are the negative consequences if you fail?[301]

I prefer answering six questions:

1. Who are the people you will serve?
2. What product you will deliver?
3. Where is the place of delivery?
4. How will you price the service or product?
5. What is the value proposition?
6. What is your plan for implementing the strategy?

This alliteration around the letter P evokes the marketing mix introduced in 1964 by Neil Borden.[302] Jerome McCarthy later grouped Borden's marketing mix into four categories: product, price, place, and promotion, commonly known today as the 4 P's of marketing.[303] By elaborating on this methodology, you can better understand the benefits of integrating the strategy into your organization.

Six Questions

People

The first P in the process describes the people who will benefit from the strategy once implemented. Many experts call this customer segmentation. One such expert, Kristin Majeska, defines customer segmentation as “the identification of groups of customers with common needs, behaviors, and demographic characteristics that can help you target specific groups and tailor your offerings to them.”[304]

The goal is to specify your primary customer for each strategy, which Peter Drucker describes as “the person whose life is changed through your work.”[305] Let’s say that your clients are juvenile girls at risk for pregnancy and that your work in Great Ideas convinced you to improve user outcomes by 20 percent. Your first step would be to describe the client as reasonably as possible:

Juvenile girls at risk for pregnancy who live in the urban core.

It is perfectly acceptable to have a host of supporting customers, those volunteers, members, partners, funders, referral sources, employees, and others who must be satisfied,”[306] but they are never primary. And If your strategy does not have a defensible link to the primary customer, ask yourself why it’s under consideration.

In addition to describing the beneficiary of the strategy, define their characteristics as much as you can. How old are they, where do they live, what is their income level, how many are there, how many do you serve? Use ready-made resources like census.gov and sba.gov to help you describe your market. David La Piana defines this as “market awareness” and recommends that it include four useful questions:

- What the organization’s market is, whether that market is stable, shrinking, or growing, and who else is in the market
- Where the organization stands relative to other players in the market
- How the organization got to its current status relative to others
- Where the organization wants to go next within the market[307]

Strategies that address operational effectiveness (e.g. installing your agency-wide intranet to facilitate communications) may not appear to have primary customers or beneficiaries. Yet if the strategy allows staff members to better serve the primary customer, you likely have a defensible strategy.

If you cannot draw a defensible link to the primary customer, do not waste your time defending the strategy. You should not build new buildings or boost fundraising as ends unto themselves. Does this mean you should never implement these kinds of operational strategies? Not at all; comfortable and well-trained staff can make a huge difference in serving the primary customer; but whether you have an on-site barista for your morning coffee probably won’t.

When we built our new performing arts center, I had the opportunity to move our offices from a very cramped space spread across three different floors to a roomier floor in the new performing arts center. It was a very tempting proposition. I had abandoned my corner office years earlier to accommodate three finance staff members and relocated to a very small space. In the new building, there would be room to spare—staff would be happier, and I’d get my office back with a wonderful view to boot.

Unfortunately, the build out of the new space would cost nearly $1 million. Overall, the direct link to our primary customers just wasn't strong enough to justify the expense. I didn't get my wonderful new space, but I did continue to get the view that mattered most: that of a full house of people in the theatre.

Product

The second P in the process is product. Product begins with what difference the strategy will make to the primary customers. For the juvenile girls at risk of pregnancy, the life-changing difference might simply be getting though their pre-teen and teenage years without becoming pregnant.

Just how you intend to make this difference is your next step in describing the product. Is it sex education? Distribution of contraceptives? What about peer mentoring or family counseling? In other words, **what product or service will the people you are serving receive**? In this example, the product is peer-to-peer mentoring:

Preventing pregnancy
for juvenile girls at risk in the urban core
through peer-to-peer mentoring.

Place

The third P in the process is place and typically refers to how the customer gains access to the product. People sometimes call this the distribution channel, which includes time of delivery or the way people gain access (e.g. in-person, online, etc.):

Preventing pregnancy
for juvenile girls at risk in the urban core
through peer-to-peer mentoring
based at our learning center after school.

Price

The fourth P in the process is price. Not all strategies need to address the question of pricing. You will likely not charge your staff for using the intranet in the office for better communications. Pricing questions usually arise in conjunction with lines of business with direct relations to the client or intermediary.

Many people address pricing the service or product too late. Yet pricing is no trivial issue and should be on the table at the earliest point possible—especially before you talk with customers. It's essential to outline your price in order to get an early indication of a customer's willingness to pay. As Patricia Caesar and Thomas Baker warn:

> Never show people the product or describe the service without the price, because that is not the way it is generally going be marketed in the real world.

> You may be reluctant to do this at an early phase of implementation; nevertheless, pick a number, put it down, and get a reaction. Price is an integral part of how any product or service is positioned in the marketplace, and yours, no matter what it is, cannot be evaluated without one.[308]

There are many different ways to think about pricing. The most common is the cost plus method followed closely by breakeven pricing. These approaches focus on what the provider must receive in order to achieve some objective, like breaking even. Instead, **you should first know what others in your field charge for the same products**. If your peer agency charges $225 per camping week in the northern part of the state and regularly reaches 90 percent capacity, perhaps your price of $435 is too high and explains why your capacity percentage is 55 percent and declining.

Regrettably, the typical mistake nonprofits make is not charging too much, but too little or not at all. Nonprofits regularly make the failed assumption that “free of charge” has great meaning. Whenever I see this message trumpeted as an attribute of a program, I wince. As counterintuitive as it may seem, charging nothing for something often conveys a value of nothing. After all, most customers are willing to pay something for what you’re offering. How can you justify not charging ones who have the means to pay? How can you pass up the chance to serve more people as a result?

Many executives have long known that paying something for a service is good for both the customer and the provider. At its most basic, **charging for services puts skin in the game for both parties.** The recipient of services is now a bona fide customer purchasing something of value and expecting a certain level of quality. The provider is now subject to the accountability that comes from having paying customers instead of take-it-or-leave-it charity cases.

As such, it could be a viable strategy to start charging for something that you have been giving away. You won’t be the first. Many nonprofits are beginning to charge for services that no one would have thought possible even a few years ago. Take the strategy of charging homeless people for space in shelters. What could be more unthinkable; homeless people are penniless, right? Yet that’s exactly what the City of New York rolled out in 2010.[309] This was hardly innovative, however. A homeless shelter in a Midwest rust-belt community has been charging $5 per night for some time now; those that don’t have cash sign IOUs.

To be sure, there may be people who cannot pay a thing for what you are providing. I ran a performing arts center that delivered a school-day educational program for 60,000 kids each year. About a third of the children attended free on scholarships that teachers could request. Instead of saying that everyone could attend free of charge, we said that we would turn no one away. This type of pricing allows you to set a fixed price for everyone, but use discounts or giveaways for those who need help.

If you are worried about whether this sort of price maximizing will hurt your organization, consider the results from Panera Bread’s nonprofit eateries:

> Its cashiers tell customers their orders' "suggested" price based on the menu. About 60 to 70 percent pay in full . . . About 15 percent leave a little more and another 15 percent pay less, or nothing at all. A handful of customers have left big donations, like $20 for a cup of coffee.[310]

Is it working? It is a slow and steady effort that currently has four stores in support of its mission "to raise the level of awareness about food insecurity in this country, while also being a catalyst for change in [its] communities."[311]

Using price to building upon our example of peer-to-peer mentoring for juvenile girls, we now have the following description:

Preventing pregnancy
for juvenile girls at risk in the urban core
through peer-to-peer mentoring
based at our learning center after school
for a fee of $2 per session.

Proposition

The fifth P in the process is proposition. This is at the core of marketing and is "the value of what you get relative to what you give in exchange for it."[312] Put directly, why would your customer write the check? **The value proposition is not about how you will sell this or that service or product, but *why* the customer would buy it.**

I talked to a man once who used existing information, talked to customers, and practiced the art of observation to construct his value proposition. He told me how he chose the location for his art gallery, why his pricing was so reasonable, and the art so accessible.

He first spent many hours walking the neighborhoods where he could locate his gallery. He talked to people who would eventually be his customers, visited proprietors in restaurants and shops, counted things like the number of people at certain times of the day, and talked to his artist and business friends. He decided where to locate his gallery because of this eye-to-eye research and his pricing reflected the brands of automobiles that he observed. He didn't have a Ford Focus gallery for sure, but he wasn't a Rolls Royce either; he called it a Honda Accord "kinda arts-and-crafty place that sells good art at a fair price."

Researching the value proposition does not require an MBA or a high-priced marketing consultant. You can get at this information in a variety of ways, but **the easiest is to ask your customers directly**. You may find out that the customer doesn't see the value, or that they would at the right price, or with a different product.

When getting ready to make the Vision Statement, you connected with some of your customers to understand what they liked and didn't like about their experience with your organization's services, programs, or products. With your strategy defined more specifically, it is now time to go back to your customers and understand the probabilities that your strategy will succeed. According to Peter Brinckerhoff, this requires "to start the process of delineating the difference between what you *think* people want and what you *know* they want. The only way to know is to ask."[313]

Start with why you think your customers would buy or use your product or service. You should have a pretty good idea by now what life changing difference you're supposed to be making for your clients. Maybe how you're different from your rivals is also part of the rationale. Make a list of all of the reasons you think are important. Prioritize the top three or four. Now ask your customer whether they would use or buy your service or product at the price you have tentatively established and test out your propositions with a half-dozen customers.

Armed with the information you gained from your research, you are now ready to write the value proposition for your strategy. Like your mission statement, it will be short and to the point:

Preventing pregnancy
for juvenile girls at risk in the urban core
through peer-to-peer mentoring
based at our learning center after school
for a fee of $2 per session
that delivers convenience, confidentiality, and companionship.

The value proposition – why the juvenile girls would write the check – is for the convenience, confidentiality and companionship.

Plan

The final P in the Sustainable Strategy splits the Vision into three elements to create your plan:

1. The Vision Statement is a clear picture of the future and is typically idealistic in texture.
2. The Vision Strategies bring the picture to life and are typically pragmatic.
3. The Vision Goals directly relate to each strategy and are how you will achieve that strategy.

An easy approach is to use a template related to improvement-oriented strategies:

1. Determine problems that you need to fix including the root causes.
2. Develop possible alternatives including best practices from other organizations.

3. Decide best alternatives including determining what could go wrong.
4. Draft an implementation plan including specific completion dates and people responsible.

To find the action steps for starting something new like a line of business or an endowment or capital campaign, you simply start with step 2—bringing pragmatic vision strategies to life. What follows are the goals and action steps for the development department of a performing arts center that has a strategy to boost fundraising significantly. The initials within the parentheses indicate the person or persons responsible for the goal or action steps:

1. Develop and implement a major gift strategy to raise at least $150,000 from at least 10 new members at the President's Circle level (WM/WB 6/30).
    a. Identify and solicit President's Circle prospects (WM 9/15).
    b. Write a specialized appeal letter for board members to encourage an increase in giving (WM 10/15).
    c. Hold at least two cultivation events for donors (WB/WM 6/30).
2. Develop Corporate Partner campaign to increase giving by $270,500 (WM 6/30).
    a. Send corporate partner mailing by 12/1 to current and lapsed donors (WM 12/1).
    b. Identify prospects from outside lists and Target Solutions data (WM/WB 12/1).
    c. Solicit and close prospects (WM 6/30).
3. Research and cultivate companies of new vendors and/or board members to raise at least $100,000 in new sponsorships (CP 6/30).
    a. Send letter to each company (CP 9/15).
    b. Schedule cultivation visits (CP 9/30).
    c. Meet, cultivate, and close prospects (CP/ML/WB 6/30).
4. Launch a planned giving program so that at least six individuals include the organization in their plans or make an outright gift with a similar intent (WB 6/30).
    a. Develop possible alternatives including best practices from other organizations (WB 8/30).
    b. Decide best alternatives including determining what could go wrong (WB 9/30).
    c. Draft an implementation plan including specific completion dates and people responsible (WB 10/30).
    d. Close six gifts (WB/ML 6/30).

My favorite approach to building goals is the BAM approach without the multi-voting. Simply ask what tasks are necessary to bring this strategy to life? Don't worry about the chronology of the ideas until after you brainstorm lots of ideas and then affinity group them.

Once you've decided what you're going to do, you need to put the goals into proper form. One popular (and perfectly usable) approach is the SMART method, which originally stood for specific, measurable, assignable, realistic, and time-related.[314] These days the permutations are almost limitless including simple or stretching; motivational, or meaningful; agreed upon, attainable or ambitious; relevant or rewarding; and trackable or tangible.

How ambitious should the goals be? Don Hellriegel and John Slocum say that aggressive goals have three elements. **First, challenging goals have clarity,** which means the goal taker will "know what is expected and not have to guess."[315] **Second, goals must be difficult**, meaning that they "should be challenging, but not impossible to achieve."[316] The implications of clarity and difficulty are clear:

> Employees with unclear goals or no goals are more prone to work slowly, perform poorly, exhibit a lack of interest, and accomplish less than employees whose goals are clear and challenging. In addition, employees with clearly defined goals appear to be more energetic and productive. They get things done on time and then move on to other activities (and goals).[317]

Self-efficacy, the third required element, refers to a person's "estimate of his or her own ability to perform a specific task in a specific situation."[318] This is not about ability, but about belief in yourself. Though self-efficacy begins with the self, the person you report to heavily influences it. As J. Sterling Livingston, the author of a classic on the subject of expectation effect puts it, "A manager's expectations are key to a subordinate's performance and development."[319]

Setting clear and challenging goals that people believe they can achieve is just the beginning. The goal taker must be motivated to achieve the goal, which depends upon whether he or she "believes that the behavior will lead to outcomes . . . that these outcomes have positive value for him or her [and] he or she is able to perform at the desired level."[320] In other words, **what's in it for me, do I care about it, and can I get it if I try?** Obviously, no amount of motivation is of any value if the goal taker doesn't have the abilities required to achieve the goal. In other words, attitude is no replacement for skill set.

Most certainly those who are tasked with achieving the goal must accept the challenge. One of the easiest ways to pull everything together for success is to involve the goal taker in the process because "positive goal acceptance is more likely if employees participate in setting goals."[321] Those executing goals will also exhibit better performance when set goals are within grasp, but outside of reach.

When there is time to set goals with those who will be accountable for achieving them, take the time. However, when the environment is unsteady and time is at a premium, it is sometimes necessary to assign tasks. Setting goals is always better than not setting them: "Even when it is necessary to assign goals without the participation of the employees who must implement them, research suggests that more focused efforts and better performance will result than if no goals were set."[322]

My approach to properly formatting a challenging goal is to **begin with an action verb followed by a noun describing the goal, measurable results, the person(s) responsible, and the completion date**. One way to address this is to simply build the measurable results right into the goal: Increase annual giving $150,000 (ML 5/1). An even better approach: increase annual giving 20 percent to $150,000 (ML 5/1).

Here is our example with the final plan for the implementation goals added:

Preventing pregnancy
for juvenile girls at risk in the urban core
through peer-to-peer mentoring
based at our learning center after school
for a fee of $2 per session
that delivers convenience, confidentiality, and companionship:

1. Develop possible implementation alternatives including best practices (ML 6/1)
2. Decide best alternatives including determining what could go wrong (ML 8/1)
3. Draft an implementation plan (ML 12/1)

Strategies

Current Strategies

Building your strategies begins by outlining what strategies your agency currently has underway – if any – and as shown in the following example:

	Downtown housing	Downtown clinic
Product	Quality affordable housing through rental assistance	Primary care
People	Behavioral health clients	Newly diagnosed or out of care 6-12 months
Place	Downtown	Downtown
Price	Income-based fees	Sliding-fee scale or insurance
Proposition	Stability Safety Recovery	Excellent convenient care Many Services at one place
Plan	Goals planned: finished Goals completed: 2/1/16	Goals planned: finished Goals completed: 5/1/16

New Strategies

Once you have outlined your current plans, finish with the new strategies under consideration:

	In-house Pharmacy	Patient-Centered Medical Home (PCMH)	Broaden Client Payer Mix
Product	Medications	Comprehensive services in a unified process	Excellent care from client-centered practitioners
People	Insured clients	Insured clients	Insured clients
Place	All locations Established hours	All locations Established hours	All locations Established hours
Price	Cost plus fee	Rate plus fee	Rate plus fee
Proposition	Convenience Experienced Pharmacists Access to Payment Help	Comprehensive High Quality Accessible	Confidential Convenient High Quality
Plan	Goals planned: 12/1/16 Goals completed: 12/1/16	Goals planned: 5/1/16 Goals completed: 5/1/18	Goals planned: 12/1/16 Goals completed: 12/1/16

Notice in the implementation plans from the examples above that the agency took a plan to plan approach. Some might describe this as kicking the can down the road. But it is also true that planning the implementation is a demanding and time consuming process. In the example for a performing arts organization that follows, the agency displays a more robust approach, albeit without assignments for responsibility:

	Festival	Student Matinees	New Facility
People	Families and culture-seekers	Students	Funders (individuals, corporations, and foundations)
Product	Access to culture taking performances outdoors	Amplifying teacher lesson plans through live storytelling	Making history through a worthwhile investment
Place	At a city park on July 4th weekend	At our theatre during school hours	On Chicago's north side
Price	Economic value; Flat	Competition based; Fair	Economic value; Premium
Proposition	Low-cost and highly accessible	Uniquely aligning with high school history curriculum	A space worthy of the theatre's artistry

	Festival	Student Matinees	New Facility
Plan	• Partner with local Park District and Department of Cultural Affairs (By 1/1/2019) • Conduct site visits to determine space (By 4/1/2019) • Establish creative team to curate productions, events, and programming (By 3/1/2020) Create outreach team to build new family audience (By 3/1/2021) • Publicize through paid and free media outlets (By 4/1/2021)	• Develop a corporate sponsorship and foundation strategy (By 6/1/2015) • Formalize group sales practices (By 9/1/2015) • Create marketing materials for teacher mailings and eblasts (By 1/15/2016) • Build a larger network of teachers and referrals (By 4/1/2016)	• Hire a consultant to ensure success (By 6/1/2015) • Develop major gift, corporate, foundation, and planned giving strategy (By 8/1/2015) • Develop communication plans and marketing materials (By 11/1/2015) • Celebrate donors and keep stakeholders updated on progress (At least twice per year during campaign life - approx. 3 years)

Perhaps the key advantage for the more detailed approach is that it helps you see what might lie ahead and makes the testing stage more grounded.

Test

Testing is about the organization’s ability to execute the strategies under consideration. This consists of two factors: External Environment, the context in which the agency operates; and Internal Environment, its operational effectiveness.

External Environment

Although environmental analysis is often used to predict what might happen and is a systematic hunt for opportunities and threats (the last two letters of the SWOT analysis), you can also use it to understand whether the opportunities are doable within the external context. After all, according to the Old Testament, there is a “time for everything, and a season for every activity under Heaven.”[323]

Industry

You may remember that the classic approach to understanding the external environment has three elements: general, industry, and competitors.[324] Because you already did the general environment in your earlier SWOT analysis, it is time for industry analysis. What exactly is an industry? It is quite simply, “a group of firms producing products that are close substitutes.”[325]

Once you've described the industry for your particular strategies, you can analyze them using Michael Porter's five forces model, which includes: threat of entry, power of suppliers, power of buyers, threat of substitutes, and rivalry among existing competitors.[326]

A better method is Sharon Oster's approach that begins with defining your market, describing the industry participants, and then analyzing five factors: relations among existing organizations, entry conditions, competition from substitute products, supply, and the demand of users and donor power.[327]

First, describe the industry in general for each of your strategies. Some people will do this on a national scale; most will do it from a local perspective. A theatre in Chicago might find it unnecessary to do more than Chicagoland, however describe it you must. How old and big is it? What are its trends past, present, and future for growth and health?

Just how do you go about determining the industry for your strategy under consideration? The easiest way is to identify those agencies in your community that are doing the same sort of thing that you're considering. Sometimes your BOBs will be doing it; sometimes you'll have to hunt deeper. Once you find three or four agencies, pull their IRS 990s for the two most recent years. Examine the revenue, expenses, net revenue, and net assets. What do you notice in terms of possible trends? If you see something interesting, go back a few more years with the 990s to confirm your hunches.

You can also Google your strategy and see what comes up. Charity Navigator is also a great place to go to find information on your possible strategy. So too is www.census.gov and the Small Business Administration (www.sba.gov).

Next, what about the industry's participants? Who are they and how do they participate in the market? This is important to catalogue because "market attractiveness decreases with the number of competitors."[328]

Now describe the relations among participants—do the agencies collaborate for the betterment of the market? Or are they go-it-alone, winner-take-all competitors?

Finally, determine the degree of funding group power for each of your strategies. Knowing that the power of a funding group or entity increases with the amount of revenue it supplies, allows you to consider how much power (or control) the funder may exert on the agency with regard to the strategy. Concentrated funding group power may make for a less attractive and riskier industry environment.

Once you have done this research, summarize your findings in the table below and render an opinion about how good a fit the industry environment is for each strategy:

	Festival	Student Matinees	New Facility
Industry Description	Summer festivals for families with live entertainment	Field trips for students	Internal
Participant Relations	Moderate	Moderate	Internal
Funder Power	Weak	Weak	Internal
Fit to Strategy	Somewhat Attractive	Attractive	Internal

Competitors

Competitors are the agencies that you directly compete against. Many businesses will analyze competitors using the following four factors:

1. What drives the competitor, as shown by its *future objectives*
2. What the competitor is doing and can do, as revealed by its *current strategy*
3. What the competitor believes about the industry as evidenced by its *assumptions*
4. What the competitor's capabilities are, as shown by its *strengths* and *weaknesses*[329]

The table below uses a slightly different protocol to address these questions:

	Festival	Student Matinees	New Facility
Competitor	Old Town	Chicago Shakespeare	Internal
Lines of Business	• Classes • Concerts • Square Roots Festival • Field trips • Music store	• 8-9 show season • Shakespeare in the Parks • Tours to schools • International work	Internal
Competitive Advantages	• Entertainment by kids for kids • 17 years of experience	• Serve 40,000 students annually • 22 years of experience	Internal
Likely Response	• Not likely to respond. Their festival is music-centered and on a different weekend.	• Not likely to respond. Their network is massive and catered to English and Drama students.	Internal
Fit to Strategy	Attractive	Attractive	Internal

Internal Environment

When you get right down to it, internal environment is all about organizational capacity, which is "the ability of an organization to operate its business."[330] If external environment is about what is happening outside the agency, capacity is about the inside. I adapted a tool called the Iron Triangle to use when conducting an internal analysis.

The Iron Triangle is a phrase coined by Clara Miller formerly at the Nonprofit Finance Fund and describes "a fixed relationship between three elements: programs, capital structure, and organizational capacity, with any change in one inevitably having an impact, planned or unplanned, on the others."[331]

Mission

According to Clara Miller, an "organization's mission is usually comparable with a significantly larger range of programs than it has the resources to pursue."[332] As such, an excellent way to gauge the health of mission is to examine the scope of diversification in your lines of business. Some people call this degree of mission drift.

On the low side of the diversification spectrum is the single line of business that delivers 95 percent of revenues.[333] The single business nonprofit might be an agency that serves hot meals to the homeless in a single facility or a ballet company that only does classic ballets in the local performing arts center. Single lines of business organizations are typically highly mission-centered.

In the middle of the diversification spectrum are related-constrained lines of business. Typically, these organizations have less than 70 percent of revenue coming from one source, but there are tight links between all of the businesses. A ballet company that presents classic ballets like Swan Lake, operates a ballet school, and tours regionally to high schools; or an agency for the homeless that serves hot meals, provides space for recreation during the day, and makes referrals to overnight shelters. Because of the common link, organizations in the middle of the diversification continuum are also mission-centered.

At the far end of the continuum is unrelated diversification where less than 70 percent of revenue comes from a single business, but there are no common links. An example of this is the ballet company that presents classic ballets, rents its studios out for weddings, and sells bookkeeping services to neighborhood small businesses. All of these lines of business make use of excess capacity, but the only relationship is the common bond of providing revenue. Obviously, you would not see unrelated diversification as especially mission centered.

The healthiest place to be on the continuum is in the middle. In other words, **you're in a riskier position by having a single line of business or multiple unrelated lines of business.** You can make an argument that as long as all of the lines of business link together tightly, the number of businesses doesn't particularly matter. That is true if the organizational capacity is in place to handle the load, but at some point, too many businesses is truly just that.

The bottom line when it comes to degree of diversification is that **you should be more risk tolerant if you're running a single line of business agency and less risk tolerant if you have a lot of unrelated diversification**. You should consider moving toward mission-centered diversification in either situation. That said, the ability to succeed with new strategies when you have many unrelated businesses is much more likely to result in problems than if you have a single business. In the end, the question is not whether you have too few or too many business; the question is always whether your intended strategy is mission-centered or not.

A variety of things affect the degree of diversification. Funders typically support new programs as opposed to on-going ones or general operating support, which stimulates the demand for diversification.[334] Many board members from the for-profit sector celebrate diversification because it is a popular tactic for growth. Indeed, it is rare for a nonprofit executive to have never heard the ubiquitous axiom of *grow or die*.

Grow or die is synonymous with scaling up or going to scale, which “means creating new service sites in other geographic locations that operate under a common name, use common approaches, and are either branches of the same parent organization or very closely tied affiliates.”[335] Going to scale is always a hot topic, as there is no dispute that when you go to scale (e.g. get bigger and serve more people), you raise your impact.[336]

But don’t be seduced by the allure of going to scale. Keep Michael Porter’s warning in mind that among “all other influences, the desire to grow has perhaps the most perverse effect on strategy . . . Too often, efforts to grow blur uniqueness, create compromises, reduce fit, and ultimately undermine competitive advantage.”[337]

In order to get a handle on the question of mission, go back to the MacMillan Matrix that you used in Stop Fix. You have already run all of your current lines of business through the matrix. Now add any of your new strategies that are lines of business. What is the impact on your other programs as a result?

Capacity

Organizational capacity according to Clara Miller is “the short-hand term used for the sum of the resources an organization has at its disposal and the way in which they are organized – development skills, marketing skills, financial management skills, program delivery mechanisms, staff, etc.”[338] In essence, **can you deliver on the promises you’ve made?**

First, return to the work that you did to develop your competitive advantage. Start with the Venture Philanthropy Partners Capacity Assessment Grid that you used when thinking about your competitive advantage. What have you done to address the areas that received lower scores? How will these areas affect your new strategies?

Now review the four questions: assets, capabilities, core competencies, and competitive advantages. Ask yourself whether your strategies build upon the answers to the four questions in general and especially whether you have the core competencies to pull it off.

Third, go back to your SWOT analysis with the same frame of mind about whether the results of that analysis match up with the demands of your strategies.

Management includes a potpourri of issues including corporate structuring (e.g. for-profit, non-profit), tax issues (e.g. unrelated business income tax, organizational structure), and organizational matters (e.g. delegation and accountability).

Many agencies I work with bring up these topics early on, but I always discourage going into too much detail, especially about the first two issues. First, when it comes to corporate structuring, it is "overused, overrated, and misunderstood."[339]

Second, when it comes to the tax issues, Peter Brinckerhoff says, "If your organization makes a profit from activities not included in your mission statement, your organization, like any other, should pay a tax on those profits. That's it. Pretty simple and straightforward."[340] Based upon the research, if you find yourself having to pay those taxes, count yourself lucky, as profitability is elusive.

It's not that corporate structure or tax issues aren't important; it is just that when you need to address them, you won't do it on your own. The best advice is to get capable counsel and let them guide you. Moreover, these questions are among the final ones you will address and often when you're well into implementation.

Examining organizational matters is also important. The delegation question of *who does what* needs to be answered as does the accountability question of *did it happen*. Implementation has brought many a strategy to its knees because no one thought about these questions.

Where will the strategy live relative to the reporting relationships? In the performing arts center I helmed, we decided to implement a new line of business to celebrate the diversity of our community. We hired a capable person to head up the effort in the programming group that included the massively important Broadway Series. The programming group also contained the marketing function.

Because the new diversity program was tiny compared to the Broadway Series, the diversity director couldn't catch a break for resources. She could program the events, but getting the marketing department to pay attention was next to impossible. And who could blame them? A little gospel quartet can't compete for attention against a big Broadway show like Book of Mormon or Wicked.

The diversity program never quite got off the ground, never achieved its promise. A better approach would have been to set up a diversity group with its own team including marketing in a different set of offices away from the programming group and reporting directly to my office.

When it comes to management of the strategy, the questions you want to ask are big and little. You should address corporate structure issues with capable outside counsel later on. You should also handle internal organizational matters like reporting relationships, space, and resources well before implementation.

Although you probably know the "who" of your strategies, heed the warning of Marshall Goldsmith: "Knowing what to do is not the major challenge faced by executives – finding *who* to do it is."[341] I once asked the following question of a pair of Community Wealth Venture representatives: Would you rather have an A idea and C team or the opposite?" As expected, the former carried the majority vote.

Capital

Capital structure in the for-profit sector is "how a firm finances its overall operations and growth by using different sources of funds."[342] The concept is quite similar for nonprofits as Clara Miller explains:

> Capital structure . . . is the distribution, nature and magnitude of an organization's assets, liabilities and net assets. Every nonprofit – no matter how small or young – has a capital structure. There are many kinds of capital structure, and there is no such thing as one "correct" kind. It can be simple, with small amounts of cash supplemented by "sweat equity" and enthusiasm, or highly complex, with multiple reserves, investments and assets.[343]

Put simply, capital structure is figuratively "what's in your wallet" including your credit cards, cash and checking accounts, the net value of your home and car, and your loans and other obligations; it's about how you pay for your life.

When you add capital structure to organizational success measures, the reader gains a much deeper understanding of the overall health of the agency. The table below shows an agency in crisis. After three years of significant deficits, operating reserves are now negative and although working capital is still positive, it has fallen dramatically. In other words, the agency is running out of cash:

($ in thousands)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Profit & Loss: Contributed Revenue $	2,330	3,552	3,305	2,431	3,477	3,2
Earned Revenue $	177	74	121	140	295	131
Total Revenue $	2,507	3,626	3,426	2,571	3,772	3,542
Total Expenses $	2,072	1,998	2,868	2,962	4,065	3,877
Excess/(Deficit) $	435	1,628	558	(390)	(293)	(335)
Balance Sheet: Assets $	986	3,583	3,968	3,589	2,949	2,463
Liabilities $	554	1,519	1,344	1,349	999	864
Net Assets $	432	2,064	2,624	2,239	1,950	1,599
Capital Structure: Total Margin	0.17	0.45	0.16	(0.15)	(0.08)	(0.09)
Current Ratio	5.6	10.6	11.4	10.9	3.9	2.1
Working Capital $	784	1,477	1,681	1,403	789	382
Operating Reserves $	150	860	1,015	1,109	637	148

[A]

In order to consider your own capital structure, consider that high performance is always an issue of comparison. Sometimes you compare yourself to others as Michael Porter recommends in his definition of operational effectiveness as “performing similar activities *better* than rivals.”[344]

It is likely that you already gave thought to this when you learned about the best of best in your field, but in case you didn’t compare your agency then, do it now. If you find anything troubling when looking at your financial analysis, drill a little deeper by using the Success Measures template. For more formulas to help you understand your financial condition, Thomas McLaughlin is the go-to source.[345]

However, you do it, do remember David Renz and Robert Herman’s advice, “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.”[346]

Capital structure is about knowing how much you have, how much you need, when you need it, and where you will get it. To answer the first three questions at a minimum, you will need a balance sheet, a profit and loss statement, and a cash-flow projection:

[A] **Total Margin**: "This is the bottom line . . . the one [measure] that tough, no-nonsense managers of all stripes supposedly focus on single-mindedly" (T. A. McLaughlin, 2009, p. 83). Formula = Revenue minus Expenses [line 19] divided by Revenue [line 12]
Current Ratio: "The most widely recognized measure of liquidity . . . the ratio should be at least 1” (T. A. McLaughlin, 2009, p. 75). Formula = Current Assets (lines 1-9) divided by Current Liabilities (lines 17 to 19)
Working Capital: "Determines how long a charity could sustain its level of spending using its net available assets, or working capital, as reported on its most recently filed Form 990” ("Glossary," 2010). Formula = Unrestricted plus Temporarily Restricted Net Assets
Operating Reserves: A more conservative view of working capital because you use unrestricted net assets and exclude land, building, and equipment, and temporarily restricted assets (Blackwood & Pollak, 2009, p. 9). Formula = Unrestricted Net Assets minus land, building, and equipment plus mortgages and notes

- ***Balance sheet ("Statement of Financial Position")*****:** This is the window into a nonprofit's financial health. It lays out lots of good, cumulative information about the assets and liabilities of the organization and is the source for many of the components of the financial ratios.
- ***Profit and loss statement (Statement of Activities)*****:** On an agency basis, this statement should show the extent of an organization's profitability. Individual program statement of profit and loss do the same thing and should go to every manager whose program produces receivables.
- ***Cash-flow projection*****:** It's much easier to plan for a cash-flow disaster than to be surprised by one. Someone familiar with your nonprofit's operation should be putting together a cash-flow project stretching out one year in advance, or at the very least every quarter.[347]

All three reports need to take into account the start-up costs and operating costs of the strategy under consideration. Start-up costs are what it takes to get the strategy going and include capital costs like equipment purchases or facility rent and non-capital costs like licenses and consulting fees. People generally call these three reports pro forma financials. They should address the following financial questions from Peter Brinkerhoff:

- What are your break-even projections per month and per year?
- How long will it take to reach your break-even numbers?
- Can you afford to lose money for that long a period of time?
- Do you have a projection of income and expense for three years, and a cash flow projection for three years?[348]

These aren't the only reports you might consider and the ratios discussed earlier are not the complete universe. Nevertheless, these are the basic ones you need and you can always add more.

When it comes to where you'll get the money, think about sources both earned, unearned, and borrowed. The easiest place to find the money may be the operating reserves you've built up over the years through modest surpluses. Another place is those underperforming or inconsequential lines of business you can carefully jettison.

Your strategy, of course, may also be fundable through a variety of sources including donors or debt financing. No matter where you get the money, get it you must. Undertaking a strategy without having your sources identified up front is inviting disaster. Once you have launched the strategy, you have immediately and dramatically reduced the case for funding.

Thinking that the money will follow *after* you launch a strategy is wishful thinking at best. Your leverage is *before* the launch, not once it's up and running. Know how much you have, how much you need, when you need it, and where you will get it.

Risk

Peter Brinckerhoff explains why understanding your risk orientation has value:

> All of us have different genetics when it comes to risk. Some of us thrive on it, some avoid it so adamantly that our behavior becomes risky in itself. Since our organizations are really just groups of people making decisions, this wide variety of risk-taking thresholds extends to our not-for-profits. As a result, some organizations are cavalier in their approach to risk, and some avoid any risk *at all costs* (even to the expense of the mission) . . . Remember that there may be more risk in doing nothing.[349]

The first thing to do—and perhaps the most reliable—is to sit down and talk with knowledgeable people. Be sure to include a mix of staff members, board members, funders, and other stakeholders. I like to ask people who are influential enough to champion or obstruct ideas.

Discussing what your mission says about your strategies is also a quick test of your risk orientation. Although nonprofits are typically quite risk averse,[350] it could be that your board and staff are more comfortable with expansion as opposed to improving operational effectiveness.

The second approach is to test your agency against some basic tests. Begin with Lilya Wagner and Mark Hager's ten symptoms of a dysfunctional organization:

1. Lack of a strategic plan
2. A narrow fundraising base
3. Productivity slowdown
4. Staff-board breakdown
5. Fear of change
6. Poor communication
7. Declining morale
8. Financial instability
9. Unhappy customers
10. Loss of key people[351]

Depending upon how you stack up, you may be willing to take more or less risk and determine if your focus should be on operational effectiveness or on new lines of business. Ironically, sometimes the more dysfunctional an agency, the more willing it is to take risk with new ventures.

You should also consider Peter Brinkerhoff's Social Entrepreneurship Readiness Checklist categories:

- Mission – Has the idea been reviewed for fit to organization culture and mission?

- Risk – How much can you tolerate including capital and stress?
- Systems – Do you have the organizational infrastructure including people and systems?
- Skills – Does the team have the competencies to succeed?
- Space – Do you have the physical space?
- Finance – Do have the means to reach the ends?[352]

Third, at the risk of stating the obvious, don't forget to review your lines of business for the possibility that you have too many or too few on your menu. Look at your success measures in general and the financial ones in the mission measures to give you a good sense of how much risk you can tolerate.

Fourth, because financial position tends to have an enormous impact on risk orientation, many often use it as a catalyst for discussions. For example, the following seven questions fall under Peter Brinckerhoff's finance category from the checklist:

1. Have you been profitable the past 3 years?
2. Do you have 90 days' cash on hand?
3. Do you a good relationship with a banker?
4. Do you have a line of credit?
5. Do you have a current ratio of 1 or higher?
6. Do you have a debt to net worth of 0.3 or less?
7. Will any funders penalize you for any net income?[353]

Alternatively, you might consider Howard Tuckman and Cyril Chang's four operational criteria of financial vulnerability:

1. **Inadequate Equity**: A nonprofit's ability to temporarily replace revenues is affected by its equity or net worth. Equity is the difference between a nonprofit's total assets and total liabilities . . . The assumption is that a nonprofit with a large net worth relative to revenues has a great ability to replace revenue than one with a smaller net worth.
2. **Revenue Concentration**: Revenue diversification is assumed to make a nonprofit less vulnerable . . . This is because access to multiple funding sources enhances an organization's chances of being able to balance a gain in one revenue source against a loss in another.
3. **Administrative Costs**: When a financial shock occurs, a third recourse available to nonprofits is to cut their administrative costs . . . This is because organizations that have low administrative costs are already operating at a point where additional cutbacks are likely to affect the administration of their program. A consequence is that program output will suffer.
4. **Reduced Operating Margins**: A nonprofit's net operating margin (defined as it revenues less its expenditures divided by its revenues) shows the percentage that its profits represent of its revenues. The larger this

> percentage, the larger the net surpluses a nonprofit can draw down in the event of a financial shock.[354]

John Trussel's Quick Test is a must-have for determining your risk orientation: "a charity is financially vulnerable if it has more than a 20 percent reduction in its fund balance during a three-year period."[355] In his study of 94,002 charitable organizations, 17,112 were financially vulnerable (about one in five). He found that financially vulnerable agencies:

- Have more debt (44.52 percent) than those that are not financially vulnerable (31.58 percent)
- Have a higher concentration of revenues (0.7935) than those that are not financially vulnerable (0.7421)
- Have a lower surplus margin (3.46 percent) than charities that are not financially vulnerable (8.52 percent)
- Are smaller ($268,740 average total assets) than those that are not financially vulnerable ($477,443 average total assets)[356]

The fifth and final approach to thinking about risk is to do some work around contingencies, for the inevitable mistakes. And something *will* go wrong, "You may as well accept it right up front, before you take another step toward implementation: reality will not follow your plan."[357]

There is not a strategy on earth that didn't somehow stumble during implementation. Don't forget the words of Scott Anthony, borrowed from the great Prussian General Helmuth von Moltke: "No business plan ever survived its first encounter with the market."[358] That's why you need to think about contingencies up front. In the words of Donald Rumsfeld:

> There are known knowns. These are things we know that we know. There are known unknowns. That is to say, there are things that we know we don't know. But there are also unknown unknowns. There are things we don't know we don't know.[359]

What can go wrong with your strategy? Plenty. Here are the reasons for why business plans fail from Patricia Caesar and Thomas Baker:

> In some cases it is simply because the plan was based on a bad strategy in the first place – a product or service for which there is no market, a new venture that doesn't fit with the organization's brand or capabilities. Far more often, however, the idea and the strategy are good enough, but the organization fails to follow through on and execute the plan. . . These details of execution are not details at all – in many cases they make the difference between a plan's success or failure.[360]

The checklist for anticipating these problems includes the following questions:

- Have you validated your idea in the marketplace?
- Are your pricing and revenue assumptions correct?
- Have you put the right performance metrics in place?
- Do you have the right team?
- Are expectations in your organization set at the right level?
- What if reality does not follow the plan?[361]

Here are Rosabeth Moss Kanter's four classic traps for why innovations fail:

1. **Strategy Mistakes**: Hurdles Too High, Scope Too Narrow . . . in seeking the killer app, managers may reject opportunities that at first appear too small, and people who aren't involved in the big projects may feel marginalized.
2. **Process Mistakes**: Controls Too Tight . . . the impulse to strangle innovation with tight controls – the same planning, budgeting, and reviews applied to existing businesses.
3. **Structure Mistakes**: Connections Too Loose, Separations Too Sharp . . . companies must be careful how they structure . . . to avoid a clash of cultures or conflicting agendas. The most dramatic approach is to create a unit apart from the mainstream, which must still serve its embedded base.
4. **Skills Mistakes**: Leadership Too Weak, Communication Too Poor . . . Undervaluing and underinvesting in the human side of innovation[362]

A different way to think about what can go wrong comes from BoardSource. Over 2,000 board and staff members put their most pressing organizational challenges in order of priority. Number one was financial sustainability followed by fundraising, and then strategy.[363] In other words, w*hat holds you back* will be a lack of financial sustainability and fundraising; *what takes you forward* will be strategy. But it is not a mutually exclusive choice of one over the other. Nor should it be. It is the combination of operational effectiveness and competitive strategy that is essential to success.[364]

Operational effectiveness and competitive strategy go hand in hand. As Andy Grove of Intel fame puts it, "I don't think we should forget that there is more to running an enterprise, small or large, than strategy . . . Figuring out what to do is important . . . Doing [it] well is equally important."[365] Do not be seduced by the allure of the former at the expense of the latter. As Larry Bossidy and Ram Charan warn:

> When companies fail to deliver on their promises, the most frequent explanation is that the CEO's strategy was wrong. But the strategy itself is not often the cause. Strategies most often fail because they aren't executed well. Things that are supposed to happen don't happen. Either the organizations aren't capable of making them happen, or the leaders of the business misjudge the challenges their companies face in the business environment, or both.[366]

The workaround to dealing with the known and unknown is to craft a four-point compass of indicators that are vitally important to the success of your strategy. You can use whatever grouping you like that are relevant to the strategy, but consider the following ones to begin with:

- **Marketing** – What must your *customer do* for your strategy to succeed?
- **Muscle** – What must happen with *organizational capacity*?
- **Money** – How much *money* you *have*, how much you *need*, where will you *get* it, and *when*?
- **Measures** – What are the few *early-warning measures* that must be tracked religiously?

Once you have clarified these for your strategy, you will have four groups of key indicators – a compass of sorts – to let you know when things are off course. You then can construct brief scenarios about what you will do, your contingency plan, for each of the four elements. These contingency plans should not be overly complicated, but should have enough structure to guide the first responders you deemed accountable for tracking each of the indicators.

Great Strategies

Decide

Now that you've reviewed the industry and competitor environments, render a decision about how well your strategies fit to the external environment:

	Festival	Student Matinees	New Facility
Industry Environment	Somewhat Attractive	Attractive	N/A (internal)
Competitor Environment	Attractive	Attractive	N/A (internal)
Fit to Strategy	Mostly Attractive	Attractive	N/A (internal)

Next, summarize your findings for each strategy's fit to the internal environment in the table below:

	Festival	Student Matinees	New Facility
Mission	Mostly Attractive	Very Attractive	N/A
Capacity	Unattractive	Attractive	Attractive
Capital	Unattractive	Attractive	Attractive
Risk	Unattractive	Attractive	Attractive
Fit to Strategy	Unattractive	Attractive	Attractive

Great Strategies

There is one last thing to do before you write your Great Strategies summary and that is the Change or Die Checklist from Jeffrey Pfeffer and Robert Sutton for your new strategies only.[367] You do this because: "Even presumably good changes carry substantial risks because of the disruption and uncertainly that occur while the transformation is taking place. That's why the aphorism 'change or die' is empirically more likely to be 'change and die.'"[368] Or as late David Packard once warned, "More businesses die from indigestion than starvation."[369]

	Festival	Student Matinees	New Facility
Is the practice better than what you are doing now?	No, but would create visibility	Yes, it would expand programs	Yes, a facility is greatly needed
Is it really worth the time, disruption, and money?	No, lack of staff and capital resources	Yes, strategy is easy to implement	Yes
Is it best to make only symbolic changes instead of core changes?	No, core changes are more important	No, the theatre is committed to new initiatives	No, this core change would be positive
Is doing it good for you, but bad for the company?	Yes, the cost of a festival would likely exceed revenue	No, the expanded reach would benefit the organization	No, a new building would benefit all activities
Do you have enough power to make it happen?	No, resources spread too thin	Yes	Maybe, dependence on funders is very high
Are people already overwhelmed by too many changes?	Yes	No, it would not require huge staff resources	Maybe, but a new facility is expected to boost morale
Will people be able to learn and update as it unfolds?	Maybe, staff is smart, but overworked	Yes, staff would learn how to interact with students	Yes, clear planning would take place prior to launching
Will you be able to pull the plug?	Yes	Yes	No
Fit to Strategy	**Unattractive**	**Attractive**	**Attractive**

Once done, you are ready to do a summary similar to those for Great Start and Great Ideas, here is where you succinctly sum up what you learned in this report. Remember that this paragraph will eventually be copied to the Executive Summary of your strategic plan. Here for an example is the summary from a theatre agency:

> By completing the Great Strategies Process, we have developed and prioritized three strategies that will propel us forward as we strive to realize the vision to become a preeminent Chicago arts organization and nationally recognized leader. Furthermore, this report has created goals for each strategy in order to build an action plan that will give us the momentum to start moving toward the future we seek.

PART THREE – GREAT TO GO

STRATEGIC PLAN

What we *will* do next.

Because you've already done the work on the individual elements, putting the strategic plan together is actually a fairly simple task. Usually you follow the strategic plan with an appendix that contains the three reports. This way, people who want to see the backup can do so easily.

Some agencies will present the sections of the strategic plan—purpose (values and mission) and strategy (lines of business, success measures, and vision)—without any introductory material, but others will. Both of these approaches are shown in appendices A and B.

Executive Summary

Even though you read the executive summary first, you actually write it last. It is not a plan of the report, an introduction to say what's coming, or a diary of what you did; it tells the reader *what you found*, not how you found it.

The strategic plan itself takes up only three to five pages – not including the cover page, the table of contents, the Strategic Plan Process section, and Appendices (if any). Always KISS your writing (Keep It Short and Sweet).

As you write your report, remember that people often read just the first sentence of paragraphs. That's why you should summarize the whole point of the paragraph in that sentence. Think of it as your headline. Then prove your headline with examples, quotes, and arguments in the next few sentences. Limit the length of each paragraph to about four sentences (approximately 75 words) and keep the paragraphs per topic to four or fewer.

Begin your executive summary with a short introduction sentence that invites the reader into the report and follow with an overview of what you're going to accomplish. Because each of the three Sustainable Strategy reports contain summaries (Great Start, Great Ideas, and Great Strategies), simply cut, paste, and edit these to build your executive summary.

Purpose

Begin your purpose with a brief explanation of its elements. Because your readers are not familiar with the content, they will appreciate handholding in the form of short introductions and guidance.

Values

After a brief opening describing generally what values are and how you arrived at yours, state your agency's values including the "seeable in action" behaviors for each value. Be sure to point your reader to the Great Start Report where you discuss the values in greater detail.

Mission

Again, after a brief introduction that includes pointing the reader to the Great Start Report where they can read more, state your chosen mission.

Strategy

The strategy section may need a bit more explanation, as there are many elements that inform it. Again, short briefings and guidance will help the reader understand the big picture.

Lines of Business

Compose an introduction with a short discussion and then state the lines of business. Add to each the *succinct* customer-difference tests just like you did in the Great Start Report.

Success Measures

The only difference between this version of the success measures and the one in the Great Start Report is that you add a column for the next fiscal year—including your lines of business—populated with your best estimates.

Vision

After an introduction including the brief description of how you arrived at the statement and where the reader can find more information, state the new vision statement that you constructed and the table that you built around the Six Ps from your Great Ideas Report. In other words, the reader can find the Six Ps in the description of the Strategies. Finally, include the goals for each strategy. For an example of a strategic plan, see third appendix.

OPERATING PLAN

One of the best ways to illustrate the role of the operating plan is through the film *Jerry Maguire*. When Jerry is fired, he loses all of his clients except for Rod Tidwell, a wide receiver for the Arizona Cardinals. As he scrambles for clients, he has a chance to get Frank Cushman, the college star quarterback, but loses him.

The biggest mistake Jerry makes is trying to get a quarterback instead of a linebacker: You want to use a first-round draft pick on a player who will have an immediate impact on your team? Go with a linebacker. You want to use a first-round draft pick on a player who will promptly establish himself as a difference-maker? Go with a linebacker."[370]

So what does this have to do with your strategic plan? Simple: If the strategic plan is the quarterback, the operating plan is the linebacker. Just like a linebacker, the operating plan is the difference-maker in a successful offence and the element that will make your quarterback (strategic plan) look good.

At its core, operating plans are about goals, which are "the future outcomes (results) that individuals, groups, and organization desire and strive to achieve."[371] Goals can take a wide variety of forms; they can be "implicit or explicit, vaguely or clearly defined, and self-imposed or externally imposed. Whatever their form, they serve to structure employee time and effort."[372]

The operating plan answers *what gets done today* through goals to be accomplished in the next 12 months, which is entirely different from the strategic plan that addresses *where to go tomorrow*. This is not an earth-shattering concept according to Leonard Goodstein, Timothy Nolan, and William Pfeiffer, "Strategic planning, in and of itself, is an academic pursuit, of little direct use to any organization. The payoff of strategic planning is in its application, in the execution and implementation."[373]

Call it what you will, be it a tactical plan, implementation plan, or operating plan, but execution matters a lot. "No worthwhile strategy can be planned without taking into account the organization's ability to execute it,"[374] say Larry Bossidy and Ram Charan. That said, you won't find a lot of ink spent on operating plans in most books on planning. For example, in Michael Worth's quite thorough text on nonprofit management, the operating plan merits just one lonely paragraph in a nearly 400-page book that largely focuses on the role of the executive director:

> This will include identifying specific tasks to be completed, establishing a timeline for their completion, assigning responsibility for each task, identifying the resources that will be needed – human and financial, determining the right organizational structure, identifying what information systems will be required, defining measures by which the competition or success will be determined, and other operational details.[375]

This is pretty much the same content that you will find in the for-profit sector. Here's how Larry Bossidy and Ram Charan describe the role of the chief executive:

> In the operating plan, the leader is primarily responsible for overseeing the seamless transition from strategy to operations. She has to set the goals, link the details of the operations process to the people and the strategy processes, and lead the operating reviews that bring people together around the operating plan. She has to make timely, incisive judgments and trade-offs in the face of myriad

> possibilities and uncertainties. She has to conduct robust dialogue that surfaces truth. And she must, all the while, be teaching her people how to do these things as well . . . It's not just the leader alone who has to be present and involved. All of the people accountable for executing the plan need to help construct it.[376]

One of the reasons that less attention is paid to the operating plan is that it is a logical extension of the strategic plan where you've invested lots of intellectual capital. "It's all over except for the shooting" as the old saying goes. You've decided *where to go tomorrow*, now it's a relatively simple matter of laying out the various things that need to be done (goals) and the price to do it (budget).

The operating plan certainly is the linebacker of sustainable strategy and accomplishes many of the same purposes. Yet the operating plan only goes to the line of scrimmage for major plays. Remember that the sustainable strategy gets much of its quickness and flexibility by paying attention to the Pareto Principle—the 80/20 rule where 80 percent of your results are delivered by 20 percent of your efforts. What this means is that when it comes to operating plan goals, only the major ones that will deliver high payback are included. None of the "continue to do this and that" stuff or job description-like elements that typically are part of most operating plans are included.

Now—take a deep breath here, step away, and remember that nearly 30 percent of all nonprofit agencies have one full-time employee or none at all. Half of all nonprofits have five or fewer.[377] So forget about the 80/20 rule when it comes to available time and substitute the 95/5 rule where staff members have already committed 95 percent of their time to on-going activities and have only 5 percent of disposable time . . . if that. Only the major, high-impact goals are in the operating plan and if this means that there are only one or two goals (or none at all) for a particular department, so be it.

The operating plan is generally the work of the staff with the exception of goals that pertain to the board. As opposed to the highly creative process that characterizes the strategic plan, the operating plan is developed in a more mechanical, step-by-step approach to render the two sections of goals and budget.

Goals

Call it an objective, tactic, or target; an operating plan goal should do just one thing: achieve a meaningful result. That result is typically an improvement or innovation for the organization at the department level. Again, goals in the operating plan do not describe the on-going, day-to-day activities of the organization or the job duties of individuals. Put another way, goals are not a policies and procedures manual or a series of job descriptions. And when it comes to the *right* goals, simply choosing a clear and difficult goal is not enough; it must also achieve a significant result for the organization in general and the department specifically.

What does significant mean? Obviously this will depend upon the specific organization and its circumstances. In the recent economic turbulence for instance, many nonprofits may have found a decline of 10 percent in fundraising results a significant accomplishment.

Though goals in the operating plan are not about continuing operations, they must respect the reality of the everyday work of employees. Since almost all staff time is consumed by regular job duties or the unexpected (and inevitable) things that come up, you must find time to implement a goal in the same workweek that you use to get your job done. That's why it is unusual for any department to have more than two or three meaningful goals in any given year. And when a department has a new staff or has just concluded a major improvement project, it will likely have no goals at all that year.

The degree of involvement from the board in developing goals is usually very limited. In some nonprofits, the board never sees the goals; in others, the board receives this information as a matter of practice, but doesn't participate. I personally like to show the goals in all their glory as it can implicitly reassure the board that the staff is driven and focused.

In smaller organizations with limited employees, the board may be very involved in setting goals. In any case, there needs to be careful consideration of the fine line between advice and instruction and the covenant to respect the chain of command between the board, the executive director, and the professional staff.

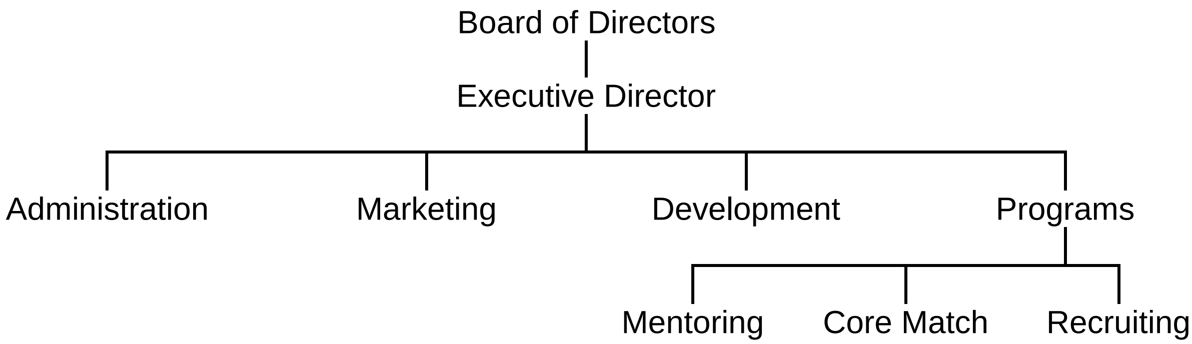
There are many ways to develop operating plan goals—just keep the following in mind: "Clear and challenging goals lead to higher performance than do vague or general goals . . . goals that are difficult, but not impossible lead to higher performance than do easy goals."[378]

Department Map

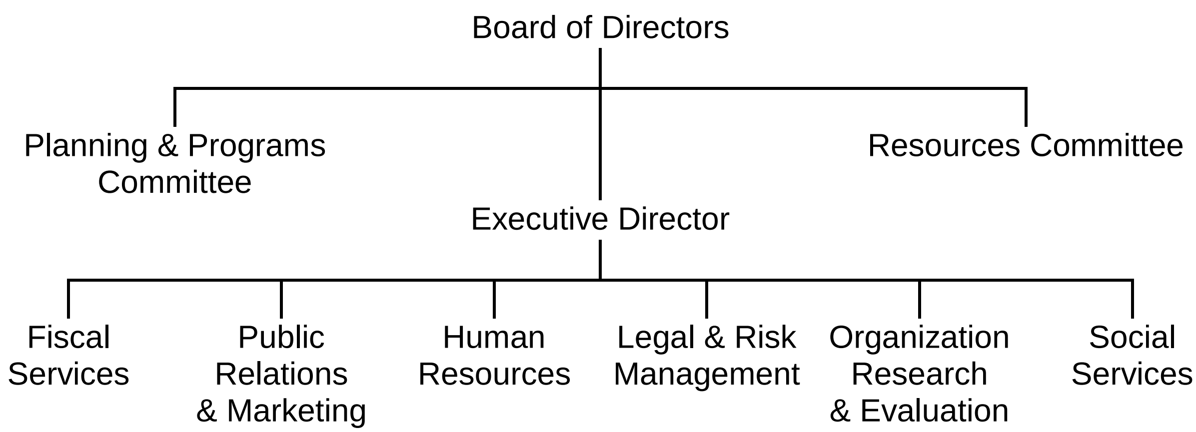
Step one in the process of developing goals is to understand the departments in your organization. Rather than building plans around job titles and specific people as is usually the case with traditional approaches, *Results Now* asks that you build the operating plan goals around departments that must exist for the organization to be successful—even if these departments do not have staff members or volunteers currently assigned to them.

Consequently, job titles and department boundaries have less meaning because people have job duties that often cross departments. Since most nonprofit organizations are lean in terms of hierarchy, it is common for people to do many different jobs. The finance person does the budgets and answers the phones; the executive director handles governance, fundraising, programming, and takes out the trash.

In many nonprofits, it is unlikely there will be a fulltime development director on staff, but someone must still do the job. By making sure that there is a development department, it is much more likely that important matters related to fundraising will be remembered. Whether the people who work in the department area are staff, board members, or volunteers, having the sector identified makes it more likely that goals will be developed and that the department will move ahead. Below is a simple department map for a Big Brothers Big Sisters location.



In contrast, below is a department map from a county children services agency with a budget in excess of $50 million.



The department map is a tool for determining the necessary departments of the organization that will guide the setting of goals. You can discard it after use or hold onto it and distribute it to the board. Either way, it should be kept as simple as possible, but not simpler.

Making Goals

When it comes to building goals, John Bryson's final two questions of his five-question strategy-development process apply:

> 1. What major actions (with existing staff and within existing job descriptions) must be taken within the next year (or two) to implement the major proposals?
> 2. What specific steps must be taken within the next six months to implement the major proposals, and who is responsible?[379]

These two questions represent goals and action steps respectively. Not all goals have action steps, but many do and most should.

Generate Your Ideas

There are a variety of ways to generate goals for a department. The first and best place to look for operating plan goals is the strategic plan in general and the success measures and vision strategies in particular. Indeed, if you've done it right, much of the work of setting goals is already done. That's because success measures already come with goals built in. Remember that each success measure not only includes the past and the present, but also the future of at least one year. Take for example the following from a performing arts center development department:

(in thousands)	Year 4	Year 3	Year 2	Year 1	This Year Budget	This Year Forecast	Next Year
Total Raised	1,560	1,680	1,740	1,670	1,710	1,730	1,930
Annual Fund	280	332	360	390	370	440	425
Government	258	279	391	385	363	290	345
Legacies	18	20	22	22	26	30	26
Sponsorship	1,020	1,070	986	892	981	1,000	1,160

The obvious choices for focus would be sponsorship that is set to rise 16 percent and the annual fund at 19 percent. These two targets require clear action steps, as they are above the typical obtainable goal that Michael Tushman, William Newman, and David Nadler outline: "almost any organization can tolerate a 10 percent change."[380] Yet each organization's goals are unique and only the people close to the ground in that agency can determine what is significant and what isn't. For example, sponsorships for next year might already be in place, and therefore focus on that goal would be unnecessary.

Here is a different example from a Big Brothers Big Sisters:

	Year 3	Year 2	Year 1	This Year	Next Year
Bigs – Inquiries	352	319	610	400	400
Applications Completed	120	176	229	200	200
Little Sisters: Inquiries	54	33	50	75	100
Applications Completed	33	42	42	60	85

Clearly the 33 percent boost from 75 to 100 for Little Sisters Inquiries could be a significant goal. Perhaps the effort expended to make that happen will be intense or maybe it will happen naturally due to a board member connections. As noted earlier, sometimes just to stay even can represent a significant goal. The point is that success measures often contain important benchmarks if you just look for them. Even so, not all departments will find goals here. It is unlikely, for example, that the human resources department will have any relevant success measures.

The other place to look for readily available goals is in the vision strategies. Take a vision strategy from a housing agency to stabilize contributed income at $150,000 per year by 2013. In year one, you may need to enhance the infrastructure in the development department or make your first hire of an administrative assistant. In year two, the development department might need to secure some percentage of funding and the finance department may need to determine how to invest those funds.

Another place to seek out goals is in obstacles, which is especially useful for departments that have difficulty finding possibilities in the success measures and vision strategies. You may have already generated a list when you were working on the vision. Obstacles are everywhere and all organizations have a fair share of them. Look at identifying obstacles as opportunities to finally remove them.

The department in search of obstacles should list as many of them as possible. Completing the following sentence is a good way to begin: “If there was just one thing I could fix that would make things work a lot better, it would be . . .” Once done, grouping the answers around common themes will help eliminate duplication. Once you have identified the obstacles, prioritize them by choosing the most actionable.

Not everyone is comfortable with the search for problems as it has a decidedly negative texture. In other words, some people become justifiably defensive. Instead, you can change the terminology to a review of best wishes. Instead of asking, “What is wrong with our department that we’d like to fix?” change it around a bit and ask, “If I had just three wishes for this department, what would they be?”

Make Your Goals

Making your goals begins with deciding which of the ideas generated are worthy of pursuit. Return to the Great Ideas section on evaluating ideas on page 73. Once you’ve decided what you’re going to do, put the goals into the proper format. Return to the Plan section on page 83 in the Great Strategies chapter for information on how to do this.

Budget

There is great variety in the formats used to create the budget and there is no right or wrong one to use—except for one: a budget summary should not be longer than one or two pages (three at the very most). Frequently, the current budget format is a holdover from an executive director long since departed and needs revision to reflect the needs of the current readers. Be forewarned however, that asking too many people for their opinions can create a format that is too complicated; what should have been a simple three- or four-column presentation turns into something impossibly confusing. As a minimum rule of thumb, any budget summary presented to the board should give enough information to answer these questions:

1. What has been spent so far this fiscal year?
2. What is the approved budget for the current fiscal year?
3. What is the projection for how the current fiscal year will end?
4. What is the difference between budget and projection?

By having these four perspectives, the reader can understand the basic financial position. Of particular importance is the often neglected forecast. The late General Dillman Rash, a wizened community volunteer and sought-after board member in Louisville, Kentucky, used to call the surplus or deficit the "southeast corner of the budget," referring to the lower-right corner of the financial statement where he said, "The sun goes up or down on the executive director." It was, he said, "about the only number that any board member worth his or her salt should care about".

Regrettably, the most common format revolves around year-to-date comparisons complete with percentages and extensive detail. This approach has arisen primarily because publicly held corporations use quarter-to-quarter comparisons and for-profit oriented board members are comfortable with this. It could also be that the software in use defaults to this format. In a nonprofit, however, such information can be largely distracting as shown below:

	$ Actual last year, January	$ Budget this year, January	$ Difference column 1 less column 2	$ Forecast this year, January	% Difference column 4 vs. column 2
Total Income	224,531	285,787	60,746	284,082	-0.6
Total Expense	200,490	248,909	48,419	316,510	127
Net Income	24,041	36,878	12,327	-32,428	-88

We know very little about what is going on in the above organization beyond the month under discussion. More importantly, the reader cannot get a clear picture of the anticipated surplus or deficit that will occur at the end of the fiscal year. The table below shows the better approach for a typical nonprofit:

(in Thousands)	$ Actual year to date 6/30	$ Budget for year ending 12/31	$ Forecast for year ending 12/31	$ Difference column 3 less column 2
REVENUE				
Contributed	696	1,891	2,420	529
Earned	805	1,113	947	-166
REVENUE	1,501	3,005	3,367	362
EXPENSES				
Program Services	1,221	1,462	1,265	-197
Management and General	160	200	141	-59
Fundraising	224	217	514	
EXPENSES	1,605	1,879	1,920	41
EXCESS OR (DEFICIT)	-104	1,126	1,447	321

Generally, more information provides value to the reader—but there is always a limit. Where that fine line occurs is going to be different for every organization, but there is a line since people may not be able to wade through the details.

The best place to begin a discussion of the right format is at the absolute minimum, not the maximum. The four-column approach (year to date, budget, forecast, and variance) is generally all that is required.

Some organizations like to add a balance sheet to the financial presentation and there is no objection to doing so. Indeed, this can be very helpful. Even so, it is good to remember that balance sheets have become increasingly complex and difficult to understand. Keeping things simple is always a good idea and reducing the balance sheet down to its basic elements accomplishes this. Typically, the abbreviated balance sheet is shown at the bottom of budget summary.

It is also good to remember that producing balance sheets regularly throughout the fiscal year can be a time-consuming activity that only delivers limited benefits (especially for smaller organizations). Most people who ask for a balance sheet are actually looking for answers about cash flow or solvency questions. You approximate this quite simply using the suggested format with some modifications:

	$ Actual year to date 6/30	$ Budget for year ending 12/30	$ Forecast for year ending 6/30	$ Difference column 3 minus column 2
Total Revenue	186,449	300,000	320,000	20,000
Total Expenses	200,490	250,000	290,000	40,000
Net Income	-14,041	50,000	30,000	-20,000
Add Back Depreciation	16,000	32,000	31,000	-1,000
Estimated Cash Position	1,959	82,000	61,000	-21,000

Granted, for many nonprofits (and especially those that don’t own real estate), depreciation is a negligible expense. As such, their net income is often essentially the same as their cash position. The challenge that this example presents is that the organization has a surplus on a cash basis and a deficit on an accrual basis in the actual year to date column. Discussion about the value of depreciation and the like, can occasionally enliven a discussion or present an opportunity to educate those unfamiliar with such financial matters.

As you continue to build your budget, one of the easiest ways to do so is to use the categories from the IRS Form 990. It allows you to compare your organization to your peers easily and serves as a credible platform for communicating your financial position. Take for example an economic development agency:

(in Thousands)	$ Actual year to date 6/30	$ Budget for year ending 12/30	$ Forecast for year ending 6/30	$ Difference column 3 less column 2
PROFIT AND LOSS				
REVENUE				
Contributed	696	1,891	2,420	529
Earned	805	1,113	947	(166)
REVENUE	1,501	3,005	3,367	362
EXPENSES				
Program Services	1,221	1,462	1,265	(197)
Management and General	160	200	141	(59)
Fundraising	224	217	514	
EXPENSES	1,605	1,879	1,920	41
EXCESS OR (DEFICIT)	(104)	1,126	1,447	321
BALANCE SHEET				
ASSETS				
Current	373	1,210	1,264	54
Long-term	3,413	3,974	5,586	1,612
ASSETS	3,786	5,184	6,850	1,666
LIABILITIES				
Current	220	202	316	114
Long-term	5	19	35	16
LIABILITIES	225	221	351	130
NET ASSETS				
Unrestricted	3,396	3,698	3,748	50
Temporarily restricted	165	1,265	2,624	1,359
Permanently restricted			128	128
NET ASSETS	3,560	4,963	6,499	1,536
LIABILITIES & NET ASSETS	3,786	5,184	6,850	1,666

At less than one page, it is perfectly adequate for use at the full board level and generates a comprehensive view including the balance sheet. Because agencies that are required to file the IRS Form 990 will have a methodology already in place for dealing with this, the budget format already exists. In short, it is convenient and readily available for most.

Do not let the brevity of this chapter understate the importance of the financials in general and the budget in particular. It bears repeating that about two-thirds of the nonprofits in a study on innovation were unable to move their ideas forward because of lack of funding, growth capital availability, narrowness of government funding streams, and foundations that encourage innovation but don't sustain it.[381] Neglect the financials at your peril.

BUSINESS PLAN

If an operating plan isn't the best way for you to integrate your strategic plan into day-to-day work, business plans are another way. Although about half of all nonprofits launching ventures skip this step and move right to implementation, some find time to do a business plan.[382] In the for-profit sector, the number is lower; Amar Bhide learned that only three in 10 founders of entrepreneurial companies wrote up full-blown business plans—two out of five had no plan at all.[383]

The nice thing about a business plan is that you can go for a much deeper dive on each of the strategic plan's strategies. For some, a business plan is a mashup of an operational plan and marketing pitch for each of your strategies. According to Jeanne Rooney, "A business plan is not just one forecast about one program, one function, or one resource. Instead it is a blend of the expectations about multiple factors into one plan framing the future."[384]

Others see the business plan as a communication device used primarily to represent a specific strategy to stakeholders in general and funders in particular.[385] Overall, the business plan is both a pitch and a plan.

For William Sahlman, the most effective business plans focus on four factors: people, opportunity, context, risk, and reward.[386] According to Peter Brinkerhoff, the business plan should have the following contents:

- A title page identifying the business plan as the property of your organization
- A table of contents
- A summary of the plan
- A description of your organization and its business
- A description of the market for your product or service
- A marketing plan
- A financial plan
- Business plan goals and objectives with a time line
- An appendix (if needed)[387]

The Small Business Administration's template for a business plan contains the following table of contents:

- The Business
    - Description of business
    - Marketing
    - Competition
    - Operating procedures
    - Personnel
    - Business insurance

- Financial Data
    - Loan applications
    - Capital equipment and supply list
    - Balance sheet
    - Breakeven analysis
    - Pro-forma income projections (profit & loss statements)
    - Three-year summary
    - Detail by month, first year
    - Detail by quarters, second and third years
    - Assumptions upon which projections were based
    - Pro-forma cash flow

- Supporting Documents
    - Tax returns of principals for last three years personal financial statement (all banks have these forms)
    - For franchised businesses, a copy of franchise contract and all supporting documents provided by the franchisor
    - Copy of proposed lease or purchase agreement for building space
    - Copy of licenses and other legal documents
    - Copy of resumes of all principals
    - Copies of letters of intent from suppliers, etc.[388]

You might also consider the many excellent software providers that deliver comprehensive tools for business planning. Among the most popular is Business Plan Pro from Palo Alto Software, which offers the user three different templates—simple, standard, and financials only—along with a plentiful database of sample for-profit and nonprofit business plans.

Because you dealt with many of these necessary issues earlier in your strategy deliberations, putting a business plan together should be somewhat easy to do. However, keep in mind William Sahlman's warning:

> Most waste too much ink on numbers and devote too little to the information that really matters to intelligent investors. As every seasoned investor knows, financial projections for a new company – especially detailed, month-by-month projections that stretch out for more than a year – are an act of imagination.[389]

LEADING CHANGE

Most major change efforts fail.[390] Larry Greiner observes that all "organizations appear to experience revolutionary difficulty and upheaval, and many of these organizations falter, plateau, fail, or get acquired rather than grow further."[391] Change expert John Kotter studied more than 100 companies and found that few change efforts were successful and few were failures: "Most fall somewhere in between, with a distinct lean toward the lower end of the scale."[392]

John Strebel found that “radical corporate reengineering . . . success rates in *Fortune* 100 companies are well below 50%; some say they are as low as 20%.”[393] A different study by Robert Tomasko of 1,000 U.S. companies that undertook downsizing as a change effort found that only 19 percent improved their competitive advantage.[394] The bottom line is that you might want to head back to your work in the Great Strategies Report and rerun the Change or Die checklist[395] to be sure you really want to go forward with any life-altering change strategies.

Healthy Resistance

One of the fundamental reasons major change efforts fail is because people resist them.[396] Indeed, people in organizations “often resist change even when their environments threaten them with extinction.”[397] James O’Toole puts it directly saying, “In all instances of modern society, then, change is exceptional. When it comes about, it does so primarily as a response to outside forces.”[398]

It’s convenient to blame change failures on the people who resist differences, but many times, resistance is the right thing to do. When an organization looks major change in the eye, Clayton Christensen and Michael Overdorf say, “the worst possible approach may be to make drastic adjustments to the existing organization. In trying to transform an enterprise, managers can destroy the very capabilities that sustain it.”[399]

Adapting too quickly can also be unproductive because the periods leading up to a transformation can “provide the pressure, ideas, and awareness that afford a platform for change and the introduction of new practices.”[400] According to David Miller, sometimes the best thing for organizations is to “behave like sluggish thermostats. They must delay changing their structure until an important crisis develops. By then, quantum or revolutionary change may be required to re-establish harmony among the many aspects of structure and environment.”[401]

Embarking on a major change effort during a time of stability can be unrewarding. While making changes during crisis gets the executive director a lot of credit, during times of stability it can be dangerous because when “people do not perceive any crisis, attempts by the leader to make major changes are likely to be viewed as inappropriate, disruptive, and irresponsible.”[402] Ronald Heifetz goes even further, “Challenge people too fast, and they will push the authority figure over for failing their expectations for stability.”[403] The lesson is that “frame-breaking change is quite dysfunctional if the organization is successful and the environment is stable.”[404]

Unfortunately, sometimes the environment is stable and the agency successful, but a major change effort is necessary. Maybe you now understand your risk and have decided that some class-six rapids (the most dangerous level of whitewater) are just around the bend. Maybe your nonprofit agency has been the sole provider in the community for decades, but a for-profit heavyweight has just announced that they’re coming next year. You have some choices: You can simply go with the flow and wait till you're over your head; you can leave the party early because you know what's coming; or you can take on the challenge and deal with the natural instinct to dig in your heels.

It is human nature to thwart change—some say that only 10 percent of the population is comfortable leading change and two thirds will resist it outright.[405] Most experts advise that you must have the right level of dissatisfaction in order to achieve a tipping point that overcomes the resistance. The idea is that by creating enough urgency, you can create a scenario that forces people out of their comfort zone.

Necessary Urgency

The tipping point is language borrowed from epidemiologists to describe the point at which an ordinary, run-of-the-mill cold outbreak in a classroom inflects the entire school system and shuts it down. It is the "moment of critical mass, the threshold, the boiling point . . . where the unexpected becomes expected, where radical change is more than possibility. It is—contrary to all our expectations—a certainty."[406]

Crisis often sets off a tipping point. John Bryson says that crisis "occurs when a system is required or expected to handle a situation for which existing resources, procedures, laws, structures, and/or mechanisms, and so forth, are inadequate."[407] David Hurst calls crisis "far-from-equilibrium conditions,"[408] and Intel's former CEO Andy Grove calls it a "strategic inflection point", which is "a time in the life of a business when its fundamentals are about to change."[409] Whatever you call it, tipping point, crisis, far-from equilibrium, it can be one scary place.

Executive succession often sparks or finishes a tipping point. Michael Tushman and Elaine Romanelli found that such tipping points "occur most frequently after a sustained performance decline and will be most frequently initiated by outside successors."[410] The causes for sustained performance decline are numerous and can arise from "problems in achieving internal consistencies, from changes in the external environment, which rend prior patters of consistency no longer successful, or from changes in the internal environment which re-define current performance and/or strategic orientation as no longer appropriate."[411]

To be fair, tipping points also originate in the environment itself and are frequently out of the control of leaders.[412] Others suggest that whatever makes the organization successful today will be the cause of its crisis tomorrow.[413] Sometimes very small things lead to tipping points like the butterfly effect wherein "a small alteration in the initial conditions can amplify into wide-ranging effects throughout the system [like] the flap of a butterfly's wings in Beijing triggering a hurricane in Florida."[414]

Tipping points can also be quite exciting. New opportunities, going to the next level, going to scale, launching new lines of business, or major improvements in operational effectiveness are all very stimulating. The point here is that without a tipping point, it is very difficult to move people out of their comfort zones. If a tipping point is not going to occur naturally, you have to create one yourself; you have to boil the frog, as the saying goes.

Boil the frog is a powerful and widely used metaphor for tipping point change.[415] Al Gore, for example, made use of it in his film *An Inconvenient Truth*. Here is how it works: “Drop a frog in boiling water and it will jump out; slowly heat the water to a boil and the frog will remain in the water and die.”[416] As the metaphor suggests, the way to get people out of their comfort zone is to turn up the heat fast.[417]

How important is urgency? Change guru John Kotter makes building urgency his first step (vision is step three) in his eight-stage change model. Kotter details the importance of urgency by listing nine ways to create it including: creating a crisis, eliminating obvious examples of excess, disseminating information about weaknesses compared to the competition, cutting out management happy talk, and bombarding people with information on future opportunities.[418]

If you see that frame-breaking change is absolutely necessary, but the environment is stable and the organization is doing well, you can use Kotter’s eight-stage model for creating major change:

1. Establishing a sense of urgency
2. Creating the guiding coalition
3. Developing a vision and strategy
4. Communicating the change vision
5. Empowering broad-based action
6. Generating short-term wins
7. Consolidating gains and producing more change
8. Anchoring new approaches in the culture[419]

When it comes to building urgency, Kotter warns that fact-based appeals won’t cut it:

> Excellent information by itself, with the best data and logic, that may define new needs and new (probably ambitious) goals . . . Can win over the minds and thoughts of others, but will rarely win over the hearts and feelings sufficiently to increase needed urgency *(and this happens all the time).*
>
> A logical case that is part of a heart-engaging experience, using tactics that communicate not only needs but emotionally compelling needs, that communicate not only new stretch goals, but goals that excite and arouse determination . . . Can win over the hearts and minds of others and sufficiently increase needed urgency.[420]

Jeffrey Pfeffer and Robert Sutton offer a more parsimonious four-step approach to leading change that requires the following ingredients:

1. People are *dissatisfied* with the status quo
2. The *direction* they need to go is clear (at least much of the time) and they stay focused on that direction
3. There is confidence conveyed to others – more accurately *overconfidence* – that it will succeed (so long as it is punctuated by reflective self-doubt and updating as new information rolls in)
4. They accept that change is a *messy process* marked by episodes of confusion and anxiety that people must endure.[421]

But of all these steps, the first is most salient: call it boil the frogs or burning the boats, you must have a satisfactory level of urgency. "Dissatisfaction proves people to question old ways of doing things and fuels motivation to find and install better new ways – especially when leaders can find ways to dampen fear and increase trust and psychological safety."[422]

Though John Kotter's focus on first creating enough urgency when undertaking a change effort is unassailable, it has always felt out of place to me. Create urgency for what? Where's the rationale for the urgency? It's a bit like Jim Collins' "first who . . . then what" approach for leaders to take a company from good to great: "they *first* got the right people on the bus (and the wrong people off the bus) and *then* figured out where to drive it."[423] How do you know who should be on the bus if you don't know where you're heading? Are you taking the team to play football or run at a track meet?

In for-profit companies, this is completely understandable because leaders already know the "what," which is above-average returns on investment or the specific solution to whatever problem is causing urgency. And you know the "what" too – your strategy. Yet for a successful nonprofit organization, knowing your strategy, goals, action steps, and budget will inform the level of urgency and the needs involved.

APPENDICES

BAM

A brainstorming, affinity grouping, and multi-voting rating process (BAM) begins with brainstorming, which is a technique used to generate as many ideas as possible. There are five official steps to structured brainstorming:

1. The central brainstorming question is stated, agreed on, and written down for everyone to see.
2. Each team member, in turn gives an idea. No idea is criticized. Ever!
3. As ideas are generated, write each one in large, visible letters on a flipchart or other writing surface [like Post-it® notes]
4. Ideas are generated in turn until each person passes, indicating that the ideas (or members) are exhausted.
5. Review the written list of ideas for clarity and to discard any duplicates.[424]

The wonderful thing about BAM is that it allows everyone to have a voice in the process, but no one can dominate it. The quiet members who never speak up finally have a chance to offer input because you directly ask them to do so; the overbearing members finally get a chance to listen albeit this is not necessarily of their choosing. To be sure, facilitating a brainstorming session takes practice, but most executive directors can become quite good at leading brainstorming sessions rather quickly. That said, bringing in a facilitator, or training someone in house to handle the process, can be a good idea so that the executive director and senior staff can participate actively.

Here for example is a short list of 20 ideas from a question about board member duties answered by seven people:

> advocate, ask questions, attend, attend events, be active, be ambassadors, be educated, contacts and resources, dedicated, do the work of the board, get money, give money, good representatives, make good decisions, participate, prepare, promote, provide tech expertise, recruit others, sit on subcommittees

When I do brainstorming, I like to go around the table at least twice and stop when the ideas get saturated, which occurs when you start hearing lots of synonyms for things already up on the board, literal repeats, and passes. That is, when the members are exhausted. Keep in mind that for a group of 15 people, you might end up with 40-50 ideas, a full board of ideas.

With this many ideas, you need some way to manage them. A technique called **affinity grouping is used to arrange the answers into common themes** that become the final board member duties. Here are the steps:

1. Phrase the issue under discussion in a full sentence

2. Brainstorm at least 20 ideas or issues
3. Without talking: sort ideas simultaneously into 5-10 related groupings
4. For each grouping, create summary or header cards using consensus.[425]

When using this technique, invite the participants to help sort the ideas, while the facilitator remains in control. This is a game of horseshoes where getting close is good enough, but being too far away is bad. In other words, you don't want to end up having just one or two groupings when 10 are actually present. Building an affinity diagram can be done quickly, but you want to practice this before going before a group; you have to be able to see the trees for the forest and that takes some practice.

Looking at the small group of ideas from above, start with one that seems like a root idea, take advocate for example. There are three other ideas that belong: be ambassadors, promote, good representatives. The table below shows the results:

Ideas	Results
contacts and resources, get money	Raise money
recruit others, sit on sub committees, do the work of the board	Do the board's work
be ambassadors, promote, good representatives, advocate	Champion the organization
prepare, be educated, dedicated, ask questions, make good decisions, attend, provide tech expertise, be active, participate, give money, attend events	Make good decisions

The final step in the BAM process is **multi-voting to prioritize or *rate* the final ideas**. The easiest tool is weighted multi-voting that I like to call "Take it to Vegas," where a blue dot equals $3, a red dot equals $2, and a green dot equals $1. Each person gets one dot of each color to distribute on any grouping of ideas. They can put all their dots on one grouping or spread the dots around. Adding up the money yields a strong sense of priority as shown in the following table:

Ideas	Results
prepare, be educated, dedicated, ask questions, make good decisions, attend, provide tech expertise, be active, participate, give money, attend events	Make good decisions (21)
contacts and resources, get money	Raise money (13)
be ambassadors, promote, good representatives, advocate	Champion the organization (8)
recruit others, sit on sub committees, do the work of the board	Do the board's work (0)

In the case of the last grouping that earned no points, you'd have a choice of whether to keep it in the mix. Remember that prioritization does not necessarily require discarding groupings; it's simply a method for establishing importance. **Indeed, perhaps less important than what is at the top of the list is what ends up at the bottom**. Multi-voting is a good way to winnow out the things that you're not going to pursue further.

A word of caution: not every BAM process requires the multi-voting step. Sometimes the consensus of the group is so strong, it is not necessary. This is also true when time is at a premium or when prioritization is not necessary.

The supplies you'll need for a BAM process include four lightweight aluminum telescoping display easels, four packages (three boards per package) of 30" x 40" foam boards, magic markers, a role of clear packing tape, and 10 packages of 5" x 8" Post-it® notes. You should also get black magic markers and sticky dots in blue, red, and green colors.

Assemble the foam boards into six bigger 60" x 80" boards by taping the adjoining seams on both sides. Leave two boards blank and load the four other boards with Post-it® notes in vertical columns, seven notes to a column with seven columns to a board. Put the two blank boards abutting each other spanned across the four easels. Place the four loaded boards one behind the other in the middle of the two blank boards, which leaves one-half of each blank board on each end.

Arrange the participants around a table set up in an open U shape with an equal number of comfortable chairs on the three outside sides. Put the easels at the head of the open U. You're now ready to go!

GREAT PITCHES

Please read Killer presentations by Anderson, Pitching Guide by Pink, and Presentations that stick by Heath and Heath before continuing.

By now you have done enough that thinking about pitching your great ideas becomes important. After all, you will eventually seek approval and support before implementation. Although it is likely that some of your stakeholders know what you've been doing and some may have participated actively, you want to be thinking about the pitch.

Whether you are using your short elevator pitch or the fully shaped master plan that includes strategy, operations, delegation, and accountability protocols, Amy Solas and Adam Blumenthal give the following advice:

> Whatever the format, all of the *information* you provide in your pitch, no matter how long or short it is, should be relevant to answering the investor's central question: Why should I invest in this venture? The pitch is not simply a compendium of information assembled so that investors can draw their own conclusion. Your job is to persuade prospective investors that your venture is the right investment for them.[426]

There is ample advice about how to make your strategy conveyable to others without regard to whether the vision strategy is pragmatic or idealistic, a plain vanilla operational effectiveness strategy or a thrilling new line of business. Chip Heath, Chris Bell, and Emily Sternberg advise that the vision should tap into emotions.[427] Jay Conger advises that an effective vision "will ensure emotional impact, particularly in terms of building a sense of confidence and excitement about the future."[428]

Why should it matter how you frame your strategy? Simply put, visions must compete for the attention of the listeners – convince them in their hearts and minds that this is *the* vision for them. During this competition, visions change and adapt based upon the response of the intended audience. One can think of this competition in biological terms as Richard Dawkins does when he compares this struggle for attention and survival to what genes do in the biological world.[429]

In essence, visions "undergo a kind of *emotional selection*—they are chosen and retained in the social environment often because of their ability to tap emotions that are common across individuals."[430] As Warren Bennis and Burt Nanus note, "Even the 'best' ideas are only as good as their ability to attract attention in the social environment."[431]

In the early days of my work at the performing arts center, I made many curtain speeches to implore our audiences to become subscribers. I liked to say that we deserved to have Broadway shows in our community, that we deserved better than driving to Cincinnati or Columbus to see these shows. This vision of having the best shows in our own theatre where our customers were the stars worked: subscriptions went up seven fold to over 25,000, the budget grew 24 fold to over $21 million, and all attendance in our facilities grew to 900,000.

The exemplars in my study of high-performing nonprofits had a two-step process for conveying their visions.[432] First, they legitimized the vision by conveying it through the strategic plan. These plans were not mere communication tools; they made a meaningful difference. Remember that all the passion in the world does not replace the preparedness to take on the project.[433] Passion is all about engaging emotions; preparedness shows that you've really thought hard about what you're presenting (the quality of your strategy).[434]

Second, they were persuasive enough to get people involved. As one person said, "You can never remove the fact that people have to feel your love for what you're doing."[435]

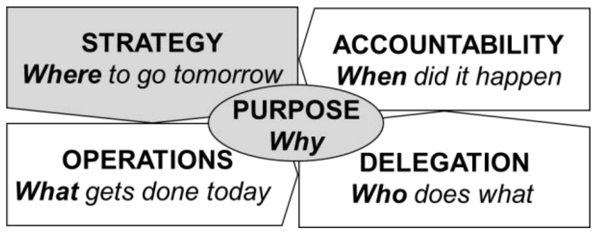
Howard Gardner and Emma Laskin make two recommendations about constructing a powerful pitch. First, it is "stories of identity – narratives that help individuals think about and feel who they are, where they come from, and where they are headed – that constitutes the single most powerful weapon in the leader's literary arsenal."[436] Second, "those who fashion a more sophisticated account of identity are often bested by those whose identity stories are simpler, if not simplistic."[437]

In sum, the best pitches must **connect emotionally** with your audience through simple stories of identity. Doing so will make people feel your love for what you're going to do. And be sure to make it clear that you **know what you're talking about**.

SAMPLE STRATEGIC PLAN

Executive Summary

The Strategic Plan for Community Health Centers uses the *Results Now*® platform wherein leadership focuses its energy on making sure that the agency gets the job done and that its purpose is accomplished. With *Results Now*®, the right answers come from the right questions. As shown in the illustration below, the strategic plan is composed of the elements in grey:



The strategic planning process had four distinct phases:

Great Start	**Great Ideas**	**Great Strategies**	**Strategic Plan**
What are we doing now?	*What could we do next?*	*What should we do next?*	*What we will do next.*

Great Start began with Values and Behaviors. A total of 105 people including 33 external stakeholders and 72 internal stakeholders had a voice in the process. The planning group of senior staff members worked on the lines of business and success measures. By the time they finished, there was a solid answer to the question of what CHC's current position.

Great Ideas delivered a vision statement and also generated many ideas for the future. More than 100 people participated in the ideation process and included 15 external stakeholders, 18 clients, and 72 board members and staff. All totaled, more than 335 ideas were produced. We used these ideas to guide the creation of a compelling vision that helped the planning group winnow the hundreds of ideas to a more manageable amount of 20 possibilities that could evolve into strategies. Another round of disciplined decision making led to four finalists for the Great Strategies process.

Great Strategies is where we evaluated the four finalists to decide which of them should be included in the Strategic Plan. The analyses generally support the next step of implementation planning, after which time CHC should reevaluate each strategy to determine whether or not to go forward.

Purpose

Purpose has two elements: values and mission. Together these are a powerful combination – more powerful than the paycheck for many. Expert Daniel Pink, for example, says that it takes three things to motivate most people in the workplace: "(1) *Autonomy* – the desire to direct our own lives; (2) *Mastery*: the urge to get better and better at something that matters; and (3) *Purpose* – the yearning to do what we do in service of something larger than ourselves."[438]

Values

Client-centered	Ethical	Competent	Team
Culturally competent	Accountable	Dependable	Respectful
Compassionate	Confidential	Proactive	Supportive
Responsive	Honest	Open to Learning	Positive
Effective		Knowledgeable	Communicative

Mission

Christopher Finny argues that an "organization's mission statement deserves to be elegant, precise, and even poetic because these words embody the reason your nonprofit exists."[439] Indeed, the very best mission statements are similar in texture to a Japanese haiku. Because the working mission is the combination of the three elements (clients, difference, and competitive advantage), the following is CHC's working mission:

Client-centered care
for our Community
to have lives worth loving

Lines of Business

Lines of business are different from other activities within the organization because they are ends, not means. These are the services, products, and programs that are "the 'face' of an organization; the businesses that customers see as *being* the organization."[440] Most importantly, they must stand the customer-difference test: First, there is an external customer. Second, there is a life-changing difference for that customer.[441]

Addiction Services
A Life Worth Loving in Recovery
Group
Housing
Individual Counseling
Peer Support

Clinic Services
On-going Access for Excellent Health
Case Management
Medical Care
Food Access
Housing
Retention and Adherence
Transportation

Mental Health
Living Longer and Better
Counseling
Internships
Medications
Peer Counseling
Psychiatry
Training

Prevention
Embracing Your Choices for a Healthier Life

County
Awareness
HIV Testing
Individual Risk Reduction
Peer Support
Risk Reduction Groups

Downtown
Awareness
Individual Risk Reduction
Navigation
Peer Support
Education & Screening
Testing & Vaccinations

Resources
Support that Matters
Events
Federal Grants
Foundation Grants
Individual Donors
Program Revenue
Support Services

Success Measures

Unlike the lines of business that describe what the agency is doing qualitatively, success measures look at this question quantitatively. The bottom line for success measures is quite simple: "What you measure is what you get."[442]

Success Measures ($ in thousands)		2011-12	2012-13	2013-14	2014-15	2015-16
Profit & Loss	Contributed Revenue $	5,057	5,451	5,368	5,675	6,326
	Non-contributed Revenue $	279	208	398	381	427
	Total Revenue $	5,336	5,659	5,765	6,056	6,753
	Total Expenses $	5,270	5,642	5,769	5,874	6,601
	Excess/(Deficit) $	66	18	(4)	182	152
Balance Sheet	Assets $	818	851	871	1,322	1,302
	Liabilities $	358	374	397	152	76
	Net Assets $	460	477	473	893	1,147
Capital Structure[443]	Total Margin $	0.01	0.00	(0.00)	0.03	0.02
	Current Ratio $	1.8	2.0	1.9	5.4	12.5
	Working Capital $	273	357	329	673	870
	Operating Reserves $	207	170	253	616	814
Lines of Business						
	Addiction Services %Sobriety≥90 Days				60	60
	Clinic Services #				861	975
	Mental Health #				600	660
	Prevention Duluth #				2,315	1,650
	Prevention Midtown #				4,800	5,000
	Resources $				7,620	7,975

Vision

Many writers in popular literature have long argued that vision is absolutely essential for effective leadership.[444] Scholars also give an equally strong vote of confidence to its importance.[445] As such, it is now generally accepted that the "single defining quality of leaders is the capacity to create and realize a vision."[446] In other words, "leadership behavior that is not infused with vision is not truly leadership."[447]

When it comes to definitions, change master John Kotter defines vision quite broadly as "a picture of the future."[448] Burt Nanus says vision is "where tomorrow begins . . . a signpost pointing the way."[449] Thus, your purpose is in the present tense and the vision is in the future tense. The vision into three elements:

1. The statement is the clear picture of the future.
2. Strategies are the overarching actions that bring the vision to life.
3. Goals are the steps to achieve each of the strategies.[450] Because of the complexity of each of the strategies, the planning group decided to craft an implementation plan to plan for each of the strategies.

Statement

Model Leader in Integrated Care
Those who need care, get care, feel better

Strategies

Current Strategies

Downtown Housing	**Downtown Clinic**
Quality affordable housing through rental assistance for behavioral health clients for income-based fees: *Stability* *Safety* *Recovery* Goals planned: finished Goals completed: 12/1/15	Primary care for newly diagnosed or out of care 6-12 months for a sliding fee scale or insurance: *Excellent Convenient Care* *Many Services – One Place* Goals planned: finished Goals completed: 5/1/16

New Strategies

In-house Pharmacy	**Patient-Centered Medical Home** (PCMH)	**Broaden Client Payer Mix**
Medications for insured clients at all locations during established hours for a cost plus fee: *Convenience* *Experienced Pharmacists* *Access to Payment Help* Goals planned: 12/1/16 Goals completed: 12/1/16	Comprehensive services in a unified process at all locations during established hours for a rate plus fee: *Comprehensive* *High Quality* *Accessible* Goals planned: 5/1/16 Goals completed: 5/1/18	Excellent care from client-centered practioners for insured clients at all locations during convenient times for a rate plus fee: *Confidential* *Convenient* *High Quality* Goals planned: 12/1/16 Goals completed: 12/1/16

REPORT TEMPLATES

GREAT IDEAS REPORT
What *could* we do next?

Vision Statement

Ideate

Customers

BOBs

Analysis

Best of the Best		
Your Agency	BOB 1	BOB 2
	Lines of Business	
	Financials	
Revenue:		
Expenses:		
Net Revenue:		
Net Assets:		
	Competitive Advantages	

Possible Ideas

Good Questions

	Great Ideas from the Ansoff Matrix	
	Current products	New products
Current Markets	Market Penetration	Product Development
New Markets	Market Development	Diversification

Possible Ideas

Stop Fix

Great Ideas from the MacMillan Matrix	
Program Attractiveness	
High	Low

	Alternative Coverage			
	High	Low	High	Low
Strong Competitive Position	Aggressive Competition	Aggressive Growth	Build Up Best Competitor	Soul of the Agency
Weak Competitive Position	Aggressive Divestment	Build Strength or Sell Out	Orderly Divestment	Foreign Aid–Joint Venture

Possible Ideas

SWOT Analysis

Strengths and Weaknesses

	Strengths	Weaknesses
Internal		

Opportunities and Threats

	Opportunities	Threats
External		

Possible Ideas

BAM

BAM Ideas		
Ideas (Affinity Grouped)	Group Name	Voting

Possible Ideas

Statement

Vision Ideas

Collect

All Ideas	

Evaluate

First Cut

First Cut

Contenders

	Contenders	
	Hard to Do	Easy to Do
Big Pay-off		
Little Pay-off		

Great Ideas

		Finalists					
Criteria	WT	A	B	C	D	E	F
Total							

Summary

GREAT START REPORT
What *are* we doing now?

Get Ready

Plan to Plan

Stakeholder Analysis

Stakeholder	Principal Goals	Interest	Power

	Keep Satisfied	Manage Closely
High		
Power	Monitor	Keep Informed
Low		
	Low Interest	High

Purpose

Values

Values				
Behaviors				

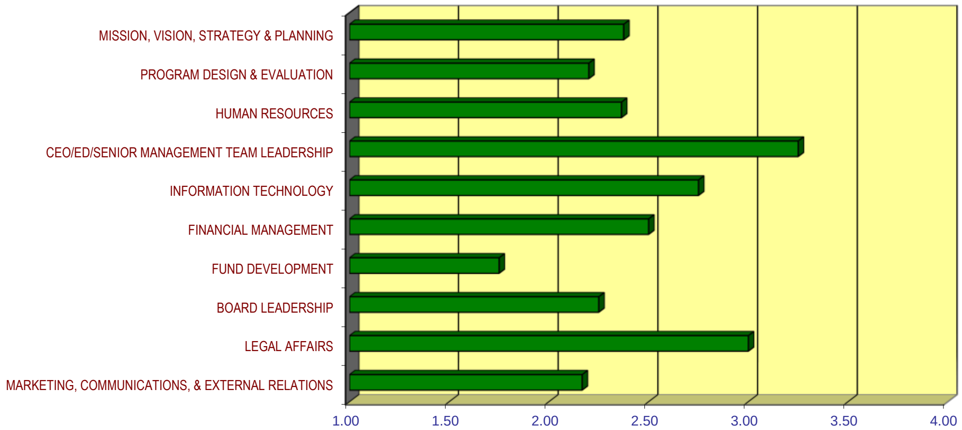
Mission

Who do we serve?

What change do they experience in their lives?

How are we better than rivals?

SVP Capacity Assessment Tool



Organizational Capacity Assessment Tool

		Avg.	High/Low
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			

Four Questions

	Core Competencies			
	A	B	C	D
Valuable				
Rare				
Costly to Imitate				
Non-substitutable				
Competitive Advantage				

Mission Statement

Elements	Old Mission	New Mission
Who		
What difference		

Competitive advantage		
Simplified Mission		

Current Strategy

Lines of Business

Lines of Business	Customer	Change

Success Measures

Mission Success Measures ($ in thousands)	FYE 2011	FYE 2012	FYE 2013
Profit & Loss: Contributed Revenue $			
Non-contributed Revenue $			
Total Revenue $			
Total Expenses $			
Revenue less Expenses $			
Balance Sheet: Assets $			
Liabilities $			
Net Assets $			
Capital Structure: Total Margin	#DIV/0!	#DIV/0!	#DIV/0!
Current Ratio	#DIV/0!	#DIV/0!	#DIV/0!
Working Capital			
Operating Reserves			
Lines of Business: Agency Total Clients #			
Line of Business: Total Clients #			
Line of Business: Total Clients #			
Line of Business: Total Clients #			
Line of Business: Total Clients #			
Line of Business: Total Clients #			
Line of Business: Total Clients #			

[A]

[A] **Total Margin**: "This is the bottom line . . . the one [measure] that tough, no-nonsense managers of all stripes supposedly focus on single-mindedly"(T. A. McLaughlin, 2009, p. 83). Formula = Revenue minus Expenses [line 19] divided by Revenue [line 12]
Current Ratio: "the most widely recognized measure of liquidity . . . the ratio should be at least 1" (T. A. McLaughlin, 2009, p. 75). Formula = Current Assets (lines 1-9) divided by Current Liabilities (lines 17 to 19)
Working Capital: "Determines how long a charity could sustain its level of spending using its net available assets, or working capital, as reported on its most recently filed Form 990" ("Glossary," 2010).

Summary

Formula = Unrestricted plus Temporarily Restricted Net Assets
Operating Reserves: A more conservative view of working capital because you use unrestricted net assets and exclude land, building, and equipment, and temporarily restricted assets (Blackwood & Pollak, 2009, p. 9). Formula = Unrestricted Net Assets Minus Land, Building, and Equipment plus Mortgages & Notes

GREAT STRATEGIES REPORT

What *should* we do next?

Build

Current

Strategy			
People			
Product			
Place			
Price			
Proposition			
Plan			

New

Strategy			
People			
Product			
Place			
Price			
Proposition			
Plan			

Test

External Environment

Industry Environment

	Industry Environment		
Strategy			
Industry Description			
Participant Relations			
Funder Power			
Fit to Strategy			

Competitor Environment

	Competitor Environment		
Strategy			
Competitor			
Lines of Business			
Competitive Advantages			

	Competitor Environment		
Strategy			
Likely Response			
Fit to Strategy			

Internal Environment

Mission

Capacity

Capital

Risk

Great Strategies

Decide

	External Environment		
Strategy			
Industry Description			
Participant Relations			
Funder Power			
Fit to Strategy			

	Internal Environment		
Strategy			
Mission			
Capacity			
Capital			
Risk			
Fit to Strategy			

Great Strategies

	Change or Die Checklist		
Strategy			
Is the practice better than what you are doing now?			
Is it really worth the time, disruption, and money?			
Is it best to make only symbolic changes instead of core changes?			

	Change or Die Checklist		
Strategy			
Is doing it good for you, but bad for the company?			
Do you have enough power to make it happen?			
Are people already overwhelmed by too many changes?			
Will people be able to learn and update as it unfolds?			
Will you be able to pull the plug?			
Fit to Strategy			

Summary

STRATEGIC PLAN REPORT

What we *will* do next.

EXECUTIVE SUMMARY

PURPOSE

Values

Values					
Behaviors					

Mission

STRATEGY

Lines of Business

Lines of Business		
Lines of Business	Customer	Difference

Success Measures

Success Measures ($ in thousands)	
Profit & Loss: Contributed Revenue $	
Non-contributed Revenue $	
Total Revenue $	
Total Expenses $	
Revenue less Expenses $	
Balance Sheet: Assets $	
Liabilities $	
Net Assets $	
Capital Structure: Total Margin	
Current Ratio	
Working Capital	
Operating Reserves	
Lines of Business: TimeLine Total Clients #	

[A]

[A] **Total Margin**: "This is the bottom line . . . the one [measure] that tough, no-nonsense managers of all stripes supposedly focus on single-mindedly"(T. A. McLaughlin, 2009, p. 83). Formula = Revenue

VISION

Statement

Strategies

Current Strategies

Strategy			
People			
Product			
Place			
Price			
Proposition			
Plan			

New Strategies

Strategy			
People			
Product			
Place			
Price			
Proposition			
Plan			

minus Expenses [line 19] divided by Revenue [line 12]
Current Ratio: "The most widely recognized measure of liquidity . . . the ratio should be at least 1" (T. A. McLaughlin, 2009, p. 75). Formula = Current Assets (lines 1-9) divided by Current Liabilities (lines 17 to 19)
Working Capital: "Determines how long a charity could sustain its level of spending using its net available assets, or working capital, as reported on its most recently filed Form 990" ("Glossary," 2010). Formula = Unrestricted plus Temporarily Restricted Net Assets
Operating Reserves: A more conservative view of working capital because you use unrestricted net assets and exclude land, building, and equipment, and temporarily restricted assets (Blackwood & Pollak, 2009, p. 9). Formula = Unrestricted Net Assets minus land, building, and equipment plus mortgages and notes

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[201] (Bennis & Nanus, 1997; Crosby, 1979, p. 66; Kotter, 2000; Tichy & Cohen, 1997, p. 173; Wheatley, 1999, p. 95)
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[332] (Clara Miller, 2001, p. 5)
[333] This discussion of diversification is informed by the work of Michael Hitt, Duane Ireland, and Robert Hoskisson (Hitt et al., 2009)
[334] (Salamon et al., 2010)
[335] (Taylor, Dees, & Emerson, 2002, p. 236)
[336] For example, Leslie Crutchfield and Heather McLeod Grants' *Forces for good: The six practices of high-impact nonprofits* searched for exemplary agencies without regard to budget, but ended up finding 12 agencies with average revenues of $161.5 million (median $41.5 million) and purposely excluded agencies with “only local impact” (Crutchfield & Grant, 2008, p. 27).
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[348] (Brinckerhoff, 2000, p. 67 italics removed)
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[350] (Wedig, 1994)

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[360] (Caesar & Baker, 2004, p. 207)
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[362] (Kanter, 2006, pp. 75-78)
[363] (*Nonprofit governance index*, 2007)
[364] (Porter, 1996)
[365] (Quoted in Pfeffer & Sutton, 2006, p. 157)
[366] (Bossidy et al., 2002, p. 15)
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[369] (Packard, Kirby, & Lewis, 1995, p. 142)
[370] (Carucci, 2009)
[371] (Hellriegel & Solcum, 2009, p. 192)
[372] (Hellriegel & Solcum, 2009, p. 195)
[373] (Goodstein, Nolan, & Pfeiffer, 1993, p. 325)
[374] (Bossidy et al., 2002, p. 21)
[375] (Worth, 2009, p. 181)
[376] (Bossidy et al., 2002, pp. 227-228)
[377] (Wiener et al., 2002, p. 64)
[378] (Hellriegel & Solcum, 2009, p. 195)
[379] (Bryson, 1995, p. 139)
[380] (Tushman, Newman, & Nadler, 1988, p. 111)
[381] (Salamon et al., 2010, p. 7)
[382] (Massarsky & Beinhacker, 2002, p. 11)
[383] (Bhide, 1994, p. 152)
[384] (Rooney, 2001, p. 274)
[385] (Solas & Blumenthal, 2004, p. 131)
[386] (Sahlman, 1997, p. 98)
[387] (Brinckerhoff, 2000, pp. 74-75 italics removed)
[388] ("Small business planner: Write a business plan," 2010)
[389] (Sahlman, 1997, p. 98)
[390] (Senge, 1999, p. 6)
[391] (Greiner, 1998, p. 60)
[392] (Kotter, 1996, p. 1)
[393] (Strebel, 1998, p. 86)
[394] (Tomasko, 1992)
[395] (Pfeffer & Sutton, 2006, pp. 160-185)
[396] (Bass & Stogdill, 1990, p. 289; Yukl, 2002, p. 274)

[397] (D. Miller & Friesen, 1980, p. 591)
[398] (O'Toole, 1995, p. 253)
[399] (Christensen & Overdorf, 2000, p. 68)
[400] (Greiner, 1998, p. 62)
[401] (D. Miller, 1982, p. 148)
[402] (Yukl, 2002, p. 343)
[403] (Heifetz, 1994, p. 126)
[404] (Tushman, Newman, & Romanelli, 1986, p. 39)
[405] (Smith, 1997)
[406] (Gladwell, 2000, pp. 12-14)
[407] (Bryson, 1981, p. 181)
[408] (Hurst, 1995, p. 101)
[409] (Grove, 1996, p. 3)
[410] (Tushman & Romanelli, 1985, p. 180)
[411] (Tushman & Romanelli, 1985, p. 197)
[412] (Tichy & Devanna, 1986)
[413] (Greiner, 1972)
[414] (Kelly, 1994, p. 140)
[415] (Heifetz, 1994; Senge, 1990; Tichy & Cohen, 1997)
[416] (Heifetz, 1994, p. 293)
[417] (Heifetz, 1994, p. 35; Kotter, 1996, p. 36)
[418] (Kotter, 1996, p. 44)
[419] (Kotter, 1990, p. 21)
[420] (Kotter, 2008, p. 57)
[421] (Pfeffer & Sutton, 2006, p. 178)
[422] (Pfeffer & Sutton, 2006, p. 179)
[423] (J. C. Collins, 2001, p. 46)
[424] (Brassard & Ritter, 1994, p. 20)
[425] (Brassard & Ritter, 1994, pp. 12-14)
[426] (Solas & Blumenthal, 2004, p. 131)
[427] (Heath, Bell, & Sternberg, 2001)
[428] (Conger, 1991 #34)
[429] (Dawkins, 1989)
[430] (Heath et al., 2001, p. 1029)
[431] (Bennis & Nanus, 1997, p. 39)
[432] (M. Light, 2007)
[433] (Chen et al., 2009)
[434] (Chen et al., 2009, p. 203)
[435] (M. Light, 2007)
[436] (H. Gardner & Laskin, 1995, p. 43)
[437] (H. Gardner & Laskin, 1995, p. 64)
[438] (Pink, 2009, p. 204
[439] (Finney, 2008, p. 54)
[440] (Nolan, Goodstein, & Goodstein, 2008, p. 79)
[441] (M. Light, 2011)
[442] (Robert S. Kaplan & Norton, 1992, p. 71)
[443] **Total Margin**: "This is the bottom line . . . the one [measure] that tough, no-nonsense managers of all

stripes supposedly focus on single-mindedly"(T. A. McLaughlin, 2009, p. 83). Formula = Revenue minus Expenses [line 19] divided by Revenue [line 12]

Current Ratio: "the most widely recognized measure of liquidity . . . the ratio should be at least 1" (T. A. McLaughlin, 2009, p. 75). Formula = Current Assets (lines 1-9) divided by Current Liabilities (lines 17 to 19)

Working Capital: "Determines how long a charity could sustain its level of spending using its net available assets, or working capital, as reported on its most recently filed Form 990" ("Glossary," 2010). Formula = Unrestricted plus Temporarily Restricted Net Assets

Operating Reserves: A more conservative view of working capital because you use unrestricted net assets and exclude land, building, and equipment, and temporarily restricted assets (Blackwood & Pollak, 2009, p. 9). Formula = Unrestricted Net Assets minus Land, Building, and Equipment plus Mortgages & Notes

[444] (Bennis & Nanus, 1997, p. 17; J. Collins & Porras, 1991, p. 30; Covey, 1989, p. 101; De Pree, 1989, p. 9; Kotter, 1990, p. 5; Kouzes & Posner, 1995, p. 95; Senge, 1990, p. 206)

[445] (Berson et al., 2001, p. 54; Conger, 1989, p. 29; J. W. Gardner, 1990, p. 130; Sashkin, 1995, p. 403; Tichy & Devanna, 1986, p. 28)

[446] (Bennis, 1989, p. 194)

[447] (Vaill, 2002, p. 18)

[448] (Kotter, 1990, p. 68)

[449] (Nanus, 1992, pp. 8-9)

[450] (M. Light, 2011)