SUSTAINABLE STRATEGY WORKBOOK[A]
Part 1
(1-3-15 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). Thanks to Dottie Bris-Bois for invaluable editing services and sharing examples of her work.

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 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]

Strat Mgmt 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.

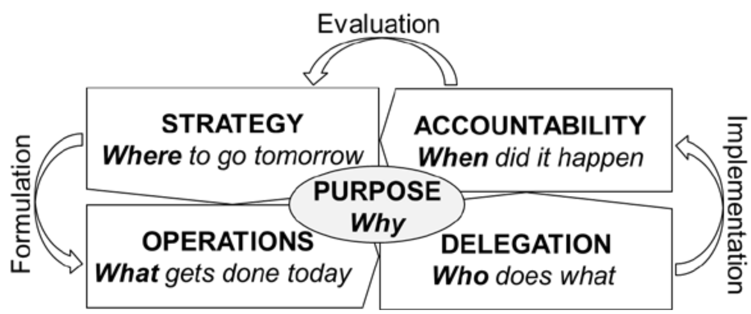
In the Results Now® approach, the right answers come from the right questions that every organization must answer – There are five to be exact:

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?

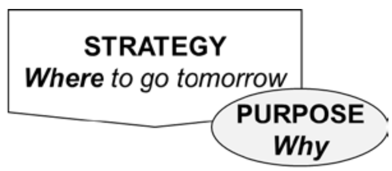
Competitive strategy in the for-profit sector is defined as "an integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage."[95] Strategies are not the competitive advantage; they're what establish it.

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).

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 difference do they experience in their lives?

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

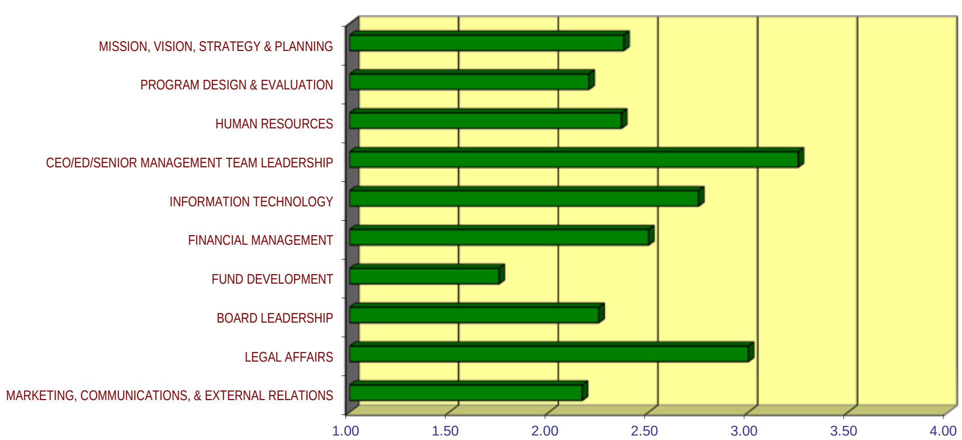
Ideas	Results
- strong leader training, real leadership program only one, boy-run, active engaged adult leaders (15) - fun, opportunity for travel, excitement, summer camp - experience, high adventure program (14) - financial stability, do all kinds of things, high annual giving (3) - well organized, 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 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
4	Funding	2.6	
4.1	Fundraising skills	2.1	Low

OCAT Summary Results		Avg.	High/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

	Theatre Inspired by History	Works with Chicago Actors	Engages Audiences	Art in Schools Programs
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	*Staying current for those living with MS*
Equipment Direct Counseling Referral Counseling	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
Balance Sheet Assets $	818	851	871	1,322
Liabilities $	358	374	397	152
Net Assets $	460	477	473	893

Success Measures ($ in thousands)		2011-12	2012-13	2013-14	2014-15
Capital Structure[A]	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

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

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]

[A] **Total Margin**: "This is the bottom line . . . the one [measure] that tough, no-nonsense managers of all stripes supposedly focus on single-mindedly"(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” (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

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.

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.[178]

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.[179] 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."[180]

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.[181]

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."[182] 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."[183]

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.[184] 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.[185] Passion is all about engaging emotions; preparedness shows that you've really thought hard about what you're presenting (the quality of your strategy).[186]

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."[187]

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."[188] Second, "those who fashion a more sophisticated account of identity are often bested by those whose identity stories are simpler, if not simplistic."[189]

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**.

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