SUSTAINABLE STRATEGY WORKBOOK[A]

(3-6-16 Draft)

Mark Light

Table of Contents

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

PART FOUR – GREAT TO GO

STRATEGIC PLAN

What we *will* do next.

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

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

Executive Summary

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

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

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

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

Purpose

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

Values

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

Mission

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

Strategy

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

Lines of Business

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

Success Measures

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

Vision

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

OPERATING PLAN

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

The biggest mistake Jerry makes is trying to get a quarterback instead of a linebacker: You want to use a first-round draft pick on a player who will have an immediate impact on your team? Go with a linebacker. You want to use a first-round draft pick on a player who will promptly establish himself as a difference-maker? Go with a linebacker."[1]

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

At its core, operating plans are about goals, which are "the future outcomes (results) that individuals, groups, and organization desire and strive to achieve."[2] Goals can take a wide variety of forms; they can be "implicit or explicit, vaguely or clearly defined, and self-imposed or externally imposed. Whatever their form, they serve to structure employee time and effort."[3]

The operating plan answers *what gets done today* through goals to be accomplished in the next 12 months, which is entirely different from the strategic plan that addresses *where to go tomorrow*. This is not an earth-shattering concept according to Leonard Goodstein, Timothy Nolan, and William Pfeiffer, "Strategic planning, in and of itself, is an academic pursuit, of little direct use to any organization. The payoff of strategic planning is in its application, in the execution and implementation."[4]

Call it what you will, be it a tactical plan, implementation plan, or operating plan, but execution matters a lot. "No worthwhile strategy can be planned without taking into account the organization's ability to execute it,"[5] say Larry Bossidy and Ram Charan. That said, you won't find a lot of ink spent on operating plans in most books on planning. For example, in Michael Worth's quite thorough text on nonprofit management, the operating plan merits just one lonely paragraph in a nearly 400-page book that largely focuses on the role of the executive director:

> This will include identifying specific tasks to be completed, establishing a timeline for their completion, assigning responsibility for each task, identifying the resources that will be needed – human and financial, determining the right organizational structure, identifying what information systems will be required, defining measures by which the competition or success will be determined, and other operational details.[6]

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

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

> possibilities and uncertainties. She has to conduct robust dialogue that surfaces truth. And she must, all the while, be teaching her people how to do these things as well . . . It's not just the leader alone who has to be present and involved. All of the people accountable for executing the plan need to help construct it.[7]

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

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

Now—take a deep breath here, step away, and remember that nearly 30 percent of all nonprofit agencies have one full-time employee or none at all. Half of all nonprofits have five or fewer.[8] So forget about the 80/20 rule when it comes to available time and substitute the 95/5 rule where staff members have already committed 95 percent of their time to on-going activities and have only 5 percent of disposable time . . . if that. Only the major, high-impact goals are in the operating plan and if this means that there are only one or two goals (or none at all) for a particular department, so be it.

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

Goals

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

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

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

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

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

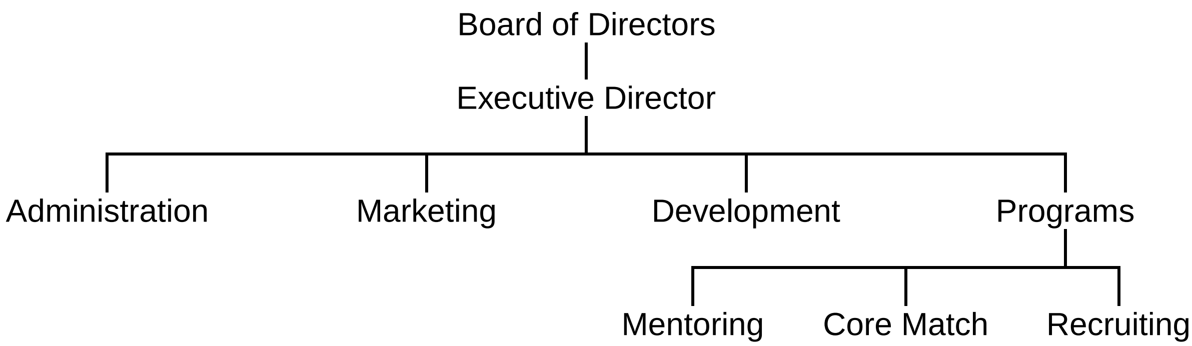
There are many ways to develop operating plan goals—just keep the following in mind: "Clear and challenging goals lead to higher performance than do vague or general goals . . . goals that are difficult, but not impossible lead to higher performance than do easy goals."[9]

Department Map

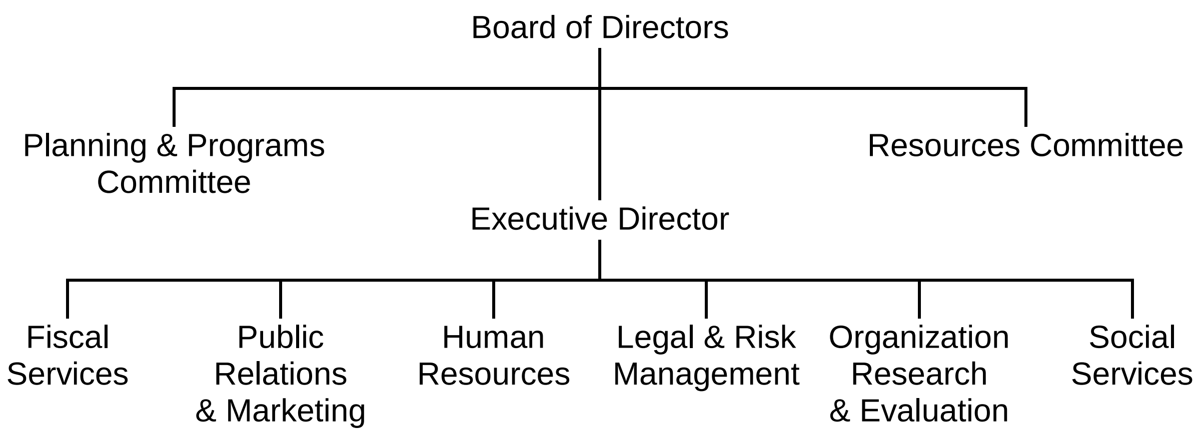
Step one in the process of developing goals is to understand the departments in your organization. Rather than building plans around job titles and specific people as is usually the case with traditional approaches, *Results Now* asks that you build the operating plan goals around departments that must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

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

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



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



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

Making Goals

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

1. What major actions (with existing staff and within existing job descriptions) must be taken within the next year (or two) to implement the major proposals?
2. What specific steps must be taken within the next six months to implement the major proposals, and who is responsible?[10]

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

Generate Your Ideas

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

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

The obvious choices for focus would be sponsorship that is set to rise 16 percent and the annual fund at 19 percent. These two targets require clear action steps, as they are above the typical obtainable goal that Michael Tushman, William Newman, and David Nadler outline: "almost any organization can tolerate a 10 percent change."[11] Yet each organization's goals are unique and only the people close to the ground in that agency can determine what is significant and what isn't. For example, sponsorships for next year might already be in place, and therefore focus on that goal would be unnecessary.

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

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

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

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

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

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

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

Make Your Goals

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

Budget

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Do not let the brevity of this chapter understate the importance of the financials in general and the budget in particular. It bears repeating that about two-thirds of the nonprofits in a study on innovation were unable to move their ideas forward because of lack of funding, growth capital availability, narrowness of government funding streams, and foundations that encourage innovation but don’t sustain it.[12] Neglect the financials at your peril.

BUSINESS PLAN

If an operating plan isn't the best way for you to integrate your strategic plan into day-to-day work, business plans are another way. Although about half of all nonprofits launching ventures skip this step and move right to implementation, some find time to do a business plan.[13] In the for-profit sector, the number is lower; Amar Bhide learned that only three in 10 founders of entrepreneurial companies wrote up full-blown business plans—two out of five had no plan at all.[14]

The nice thing about a business plan is that you can go for a much deeper dive on each of the strategic plan's strategies. For some, a business plan is a mashup of an operational plan and marketing pitch for each of your strategies. According to Jeanne Rooney, "A business plan is not just one forecast about one program, one function, or one resource. Instead it is a blend of the expectations about multiple factors into one plan framing the future."[15]

Others see the business plan as a communication device used primarily to represent a specific strategy to stakeholders in general and funders in particular.[16] Overall, the business plan is both a pitch and a plan.

For William Sahlman, the most effective business plans focus on four factors: people, opportunity, context, risk, and reward.[17] According to Peter Brinkerhoff, the business plan should have the following contents:

- A title page identifying the business plan as the property of your organization
- A table of contents
- A summary of the plan
- A description of your organization and its business
- A description of the market for your product or service
- A marketing plan
- A financial plan
- Business plan goals and objectives with a time line
- An appendix (if needed)[18]

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

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

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

- Supporting Documents
  - Tax returns of principals for last three years personal financial statement (all banks have these forms)
  - For franchised businesses, a copy of franchise contract and all supporting documents provided by the franchisor
  - Copy of proposed lease or purchase agreement for building space
  - Copy of licenses and other legal documents
  - Copy of resumes of all principals
  - Copies of letters of intent from suppliers, etc.[19]

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

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

> Most waste too much ink on numbers and devote too little to the information that really matters to intelligent investors. As every seasoned investor knows, financial projections for a new company – especially detailed, month-by-month projections that stretch out for more than a year – are an act of imagination.[20]

LEADING CHANGE

Most major change efforts fail.[21] Larry Greiner observes that all "organizations appear to experience revolutionary difficulty and upheaval, and many of these organizations falter, plateau, fail, or get acquired rather than grow further."[22] Change expert John Kotter studied more than 100 companies and found that few change efforts were successful and few were failures: "Most fall somewhere in between, with a distinct lean toward the lower end of the scale."[23]

John Strebel found that “radical corporate reengineering . . . success rates in *Fortune* 100 companies are well below 50%; some say they are as low as 20%.”[24] A different study by Robert Tomasko of 1,000 U.S. companies that undertook downsizing as a change effort found that only 19 percent improved their competitive advantage.[25] The bottom line is that you might want to head back to your work in the Great Strategies Report and rerun the Change or Die checklist[26] to be sure you really want to go forward with any life-altering change strategies.

Healthy Resistance

One of the fundamental reasons major change efforts fail is because people resist them.[27] Indeed, people in organizations “often resist change even when their environments threaten them with extinction.”[28] James O’Toole puts it directly saying, “In all instances of modern society, then, change is exceptional. When it comes about, it does so primarily as a response to outside forces.”[29]

It’s convenient to blame change failures on the people who resist differences, but many times, resistance is the right thing to do. When an organization looks major change in the eye, Clayton Christensen and Michael Overdorf say, “the worst possible approach may be to make drastic adjustments to the existing organization. In trying to transform an enterprise, managers can destroy the very capabilities that sustain it.”[30]

Adapting too quickly can also be unproductive because the periods leading up to a transformation can “provide the pressure, ideas, and awareness that afford a platform for change and the introduction of new practices.”[31] According to David Miller, sometimes the best thing for organizations is to “behave like sluggish thermostats. They must delay changing their structure until an important crisis develops. By then, quantum or revolutionary change may be required to re-establish harmony among the many aspects of structure and environment.”[32]

Embarking on a major change effort during a time of stability can be unrewarding. While making changes during crisis gets the executive director a lot of credit, during times of stability it can be dangerous because when “people do not perceive any crisis, attempts by the leader to make major changes are likely to be viewed as inappropriate, disruptive, and irresponsible.”[33] Ronald Heifetz goes even further, “Challenge people too fast, and they will push the authority figure over for failing their expectations for stability.”[34] The lesson is that “frame-breaking change is quite dysfunctional if the organization is successful and the environment is stable.”[35]

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

It is human nature to thwart change—some say that only 10 percent of the population is comfortable leading change and two thirds will resist it outright.[36] Most experts advise that you must have the right level of dissatisfaction in order to achieve a tipping point that overcomes the resistance. The idea is that by creating enough urgency, you can create a scenario that forces people out of their comfort zone.

Necessary Urgency

The tipping point is language borrowed from epidemiologists to describe the point at which an ordinary, run-of-the-mill cold outbreak in a classroom inflects the entire school system and shuts it down. It is the “moment of critical mass, the threshold, the boiling point . . . where the unexpected becomes expected, where radical change is more than possibility. It is—contrary to all our expectations—a certainty.”[37]

Crisis often sets off a tipping point. John Bryson says that crisis “occurs when a system is required or expected to handle a situation for which existing resources, procedures, laws, structures, and/or mechanisms, and so forth, are inadequate.”[38] David Hurst calls crisis “far-from-equilibrium conditions,”[39] and Intel’s former CEO Andy Grove calls it a “strategic inflection point”, which is “a time in the life of a business when its fundamentals are about to change.”[40] Whatever you call it, tipping point, crisis, far-from equilibrium, it can be one scary place.

Executive succession often sparks or finishes a tipping point. Michael Tushman and Elaine Romanelli found that such tipping points “occur most frequently after a sustained performance decline and will be most frequently initiated by outside successors.”[41] The causes for sustained performance decline are numerous and can arise from “problems in achieving internal consistencies, from changes in the external environment, which rend prior patters of consistency no longer successful, or from changes in the internal environment which re-define current performance and/or strategic orientation as no longer appropriate.”[42]

To be fair, tipping points also originate in the environment itself and are frequently out of the control of leaders.[43] Others suggest that whatever makes the organization successful today will be the cause of its crisis tomorrow.[44] Sometimes very small things lead to tipping points like the butterfly effect wherein “a small alteration in the initial conditions can amplify into wide-ranging effects throughout the system [like] the flap of a butterfly’s wings in Beijing triggering a hurricane in Florida.”[45]

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

Boil the frog is a powerful and widely used metaphor for tipping point change.[46] Al Gore, for example, made use of it in his film *An Inconvenient Truth*. Here is how it works: "Drop a frog in boiling water and it will jump out; slowly heat the water to a boil and the frog will remain in the water and die."[47] As the metaphor suggests, the way to get people out of their comfort zone is to turn up the heat fast.[48]

How important is urgency? Change guru John Kotter makes building urgency his first step (vision is step three) in his eight-stage change model. Kotter details the importance of urgency by listing nine ways to create it including: creating a crisis, eliminating obvious examples of excess, disseminating information about weaknesses compared to the competition, cutting out management happy talk, and bombarding people with information on future opportunities.[49]

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

1. Establishing a sense of urgency
2. Creating the guiding coalition
3. Developing a vision and strategy
4. Communicating the change vision
5. Empowering broad-based action
6. Generating short-term wins
7. Consolidating gains and producing more change
8. Anchoring new approaches in the culture[50]

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

> Excellent information by itself, with the best data and logic, that may define new needs and new (probably ambitious) goals . . . Can win over the minds and thoughts of others, but will rarely win over the hearts and feelings sufficiently to increase needed urgency *(and this happens all the time).*
>
> A logical case that is part of a heart-engaging experience, using tactics that communicate not only needs but emotionally compelling needs, that communicate not only new stretch goals, but goals that excite and arouse determination . . . Can win over the hearts and minds of others and sufficiently increase needed urgency.[51]

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

1. People are *dissatisfied* with the status quo
2. The *direction* they need to go is clear (at least much of the time) and they stay focused on that direction
3. There is confidence conveyed to others – more accurately *overconfidence* – that it will succeed (so long as it is punctuated by reflective self-doubt and updating as new information rolls in)
4. They accept that change is a *messy process* marked by episodes of confusion and anxiety that people must endure.[52]

But of all these steps, the first is most salient: call it boil the frogs or burning the boats, you must have a satisfactory level of urgency. “Dissatisfaction proves people to question old ways of doing things and fuels motivation to find and install better new ways – especially when leaders can find ways to dampen fear and increase trust and psychological safety.”[53]

Though John Kotter’s focus on first creating enough urgency when undertaking a change effort is unassailable, it has always felt out of place to me. Create urgency for what? Where’s the rationale for the urgency? It’s a bit like Jim Collins’ “first who . . . then what” approach for leaders to take a company from good to great: “they *first* got the right people on the bus (and the wrong people off the bus) and *then* figured out where to drive it.”[54] How do you know who should be on the bus if you don’t know where you’re heading? Are you taking the team to play football or run at a track meet?

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

REFERENCES

Bass, B. M., & Stogdill, R. M. (1990). *Bass & Stogdill's handbook of leadership: Theory, research, and managerial applications* (3rd ed.). New York: Free Press.

Bhide, A. (1994). How entrepreneurs craft strategies that work. *Harvard Business Review, 72*(2), 150-161.

Bossidy, L., Charan, R., & Burck, C. (2002). *Execution: The discipline of getting things done* (1st ed.). New York: Crown Business.

Brinckerhoff, P. (2000). *Social entrepreneurship: The art of mission-based venture development*. New York: Wiley.

Bryson, J. M. (1981). A perspective on planning and crises in the public sector. *Strategic Management Journal, 2*(2), 181-196.

Bryson, J. M. (1995). *Strategic planning for public and nonprofit organizations: A guide to strengthening and sustaining organizational achievement* (Rev. ed.). San Francisco: Jossey-Bass.

Carucci, V. (2009). Sudden impact: Linebackers pay immediate dividends in the NFL. http://www.nfl.com/draft/story?id=09000d5d807d12f0&template=with-video&confirm=true Retrieved from http://www.nfl.com/draft/story?id=09000d5d807d12f0&template=with-video&confirm=true

Christensen, C. M., & Overdorf, M. (2000). Meeting the challenge of disruptive change. *Harvard Business Review, 78*(2), 66-76.

Collins, J. C. (2001). *Good to great: Why some companies make the leap--and others don't* (1st ed.). New York: Harper Business.

Gladwell, M. (2000). *The tipping point: How little things can make a big difference* (1st ed.). New York: Little Brown.

Goodstein, L. D., Nolan, T. M., & Pfeiffer, J. W. (1993). *Applied strategic planning: A comprehensive guide*. New York: McGraw-Hill.

Greiner, L. E. (1972). Evolution and revolution as organizations grow. *Harvard Business Review, 50*(4), 37-46.

Greiner, L. E. (1998). Evolution and revolution as organizations grow. *Harvard Business Review, 76*(3), 55-64.

Grove, A. S. (1996). *Only the paranoid survive: How to exploit the crisis points that challenge every company and career* (1st ed.). New York: Currency Doubleday.

Heifetz, R. A. (1994). *Leadership without easy answers*. Boston: Belknap Press of Harvard University Press.

Hellriegel, D., & Solcum, J., Jr. (2009). *Organizational behavior* (Thirteenth ed.). Eagan, MN: South-Western Cengage Learning.

Hurst, D. K. (1995). *Crisis & renewal: Meeting the challenge of organizational change*. Boston: Harvard Business School Press.

Kelly, K. (1994). *Out of control : the rise of neo-biological civilization*. Reading, PA Addison-Wesley.

Kotter, J. (1990). *A force for change: How leadership differs from management*. New York: Free Press.

Kotter, J. (1996). *Leading change*. Boston: Harvard Business School Press.

Kotter, J. (2008). *A sense of urgency*. Boston, Mass.: Harvard Business Press.

Light, M. (2011). *Results now for nonprofits: Purpose, strategy, operations, and governance*. Hoboken, N.J.: John Wiley & Sons.

Massarsky, C., & Beinhacker, S. L. (2002). *Enterprising nonprofits: Revenue generation in the nonprofit sector*. Retrieved from New Haven:

Miller, D. (1982). Evolution and revolution: A quantum view of structural change in organizations. *The Journal of Management Studies, 19*(2), 131-151.

Miller, D., & Friesen, P. H. (1980). Momentum and revolution in organizational adaptation. *Academy of Management Journal, 23*(4), 591-614.

O'Toole, J. (1995). *Leading change: Overcoming the ideology of comfort and the tyranny of custom* (1st ed.). San Francisco: Jossey-Bass

Pfeffer, J., & Sutton, R. I. (2006). *Hard facts, dangerous half-truths, and total nonsense: Profiting from evidence-based management*. Boston: Harvard Business School Press.

Rooney, J. (2001). Planning for the social enterprise. In J. G. Dees, P. Economy, & J. Emerson (Eds.), *Enterprising nonprofits: A toolkit for social entrepreneurs* (pp. 273-312). New York: Wiley.

Sahlman, W. A. (1997). How to write a great business plan. *Harvard Business Review, 75*(4), 98-108. Retrieved from http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=9706292953&site=ehost-live

Salamon, L. M., Geller, S. L., & Mengel, K. L. (2010). *Nonprofits, innovation, and performance measurement: Separating fact from fiction*. Retrieved from Baltimore: http://ccss.jhu.edu/?page_id=61&did=249

Senge, P. M. (1990). *The fifth discipline: The art and practice of the learning organization* (1st ed.). New York: Doubleday/Currency.

Senge, P. M. (1999). *The dance of change: The challenges of sustaining momentum in learning organizations* (1st ed.). New York: Currency/Doubleday.

Small business planner: Write a business plan. (2010). Retrieved from http://www.sba.gov/smallbusinessplanner/plan/writeabusinessplan/SERV_WRRITINGBUSPLAN.html

Smith, R. (1997). *The 7 levels of change: The guide to innovation in the world's largest corporations*. Arlington, Tex.: The Summit Group.

Solas, A., & Blumenthal, A. M. (2004). Pitching your venture. In S. M. Oster, C. W. Massarsky, & S. L. Beinhacker (Eds.), *Generating and sustaining nonprofit earned income: A guide to successful enterprise strategies* (pp. 130-146). San Francisco: Jossey-Bass.

Strebel, P. (1998). Why do employees resist change *Harvard Business Review on change* (pp. 139-157). Boston: Harvard Business School Press.

Tichy, N. M., & Cohen, E. B. (1997). *The leadership engine: How winning companies build leaders at every level* (1st ed.). New York: Harper Business.

Tichy, N. M., & Devanna, M. A. (1986). The transformational leader. *Training and Development Journal, 40*(7), 26-33.

Tomasko, R. M. (1992). Restructuring: Getting It Right. *Management Review, 81*(4), 10.

Tushman, M., Newman, W., & Nadler, D. (1988). Executive leadership and organizational evolution: Managing incremental and discontinuous change. In R. H. Kilmann & T. J. Covin (Eds.), *Corporate transformation: Revitalizing* *organizations for a competitive world* (pp. 102-130). San Francisco: Jossey-Bass/Pfeiffer.

Tushman, M., Newman, W., & Romanelli, E. (1986). Convergence and upheaval: Managing the unsteady pace of organizational evolution. *California Management Review, 29*(1), 29-44.

Tushman, M., & Romanelli, E. (1985). Organizational evolution: A metamorphosis model of convergence and reorientation. *Research in Organizational Behavior, 7*, 171-222.

Wiener, S. J., Kirsch, A. D., & McCormack, M. T. (2002). *Balancing the scales: Measuring the roles and contributions of nonprofit organizations and religious congregations*. Washington: Independent Sector.

Worth, M. J. (2009). *Nonprofit management: Principles and practice*. Los Angeles: SAGE Publications.

Yukl, G. (2002). *Leadership in organizations* (5th ed.). Upper Saddle River, NJ: Prentice Hall.

ENDNOTES

[1] (Carucci, 2009)
[2] (Hellriegel & Solcum, 2009, p. 192)
[3] (Hellriegel & Solcum, 2009, p. 195)
[4] (Goodstein, Nolan, & Pfeiffer, 1993, p. 325)
[5] (Bossidy, Charan, & Burck, 2002, p. 21)
[6] (Worth, 2009, p. 181)
[7] (Bossidy et al., 2002, pp. 227-228)
[8] (Wiener, Kirsch, & McCormack, 2002, p. 64)
[9] (Hellriegel & Solcum, 2009, p. 195)
[10] (Bryson, 1995, p. 139)
[11] (Tushman, Newman, & Nadler, 1988, p. 111)
[12] (Salamon, Geller, & Mengel, 2010, p. 7)
[13] (Massarsky & Beinhacker, 2002, p. 11)
[14] (Bhide, 1994, p. 152)
[15] (Rooney, 2001, p. 274)
[16] (Solas & Blumenthal, 2004, p. 131)
[17] (Sahlman, 1997, p. 98)
[18] (Brinckerhoff, 2000, pp. 74-75 italics removed)
[19] ("Small business planner: Write a business plan," 2010)
[20] (Sahlman, 1997, p. 98)
[21] (Senge, 1999, p. 6)
[22] (Greiner, 1998, p. 60)
[23] (Kotter, 1996, p. 1)
[24] (Strebel, 1998, p. 86)
[25] (Tomasko, 1992)
[26] (Pfeffer & Sutton, 2006, pp. 160-185)
[27] (Bass & Stogdill, 1990, p. 289; Yukl, 2002, p. 274)
[28] (Miller & Friesen, 1980, p. 591)
[29] (O'Toole, 1995, p. 253)
[30] (Christensen & Overdorf, 2000, p. 68)
[31] (Greiner, 1998, p. 62)
[32] (Miller, 1982, p. 148)
[33] (Yukl, 2002, p. 343)
[34] (Heifetz, 1994, p. 126)
[35] (Tushman, Newman, & Romanelli, 1986, p. 39)
[36] (Smith, 1997)
[37] (Gladwell, 2000, pp. 12-14)
[38] (Bryson, 1981, p. 181)
[39] (Hurst, 1995, p. 101)
[40] (Grove, 1996, p. 3)
[41] (Tushman & Romanelli, 1985, p. 180)
[42] (Tushman & Romanelli, 1985, p. 197)
[43] (Tichy & Devanna, 1986)
[44] (Greiner, 1972)

[45] (Kelly, 1994, p. 140)
[46] (Heifetz, 1994; Senge, 1990; Tichy & Cohen, 1997)
[47] (Heifetz, 1994, p. 293)
[48] (Heifetz, 1994, p. 35; Kotter, 1996, p. 36)
[49] (Kotter, 1996, p. 44)
[50] (Kotter, 1990, p. 21)
[51] (Kotter, 2008, p. 57)
[52] (Pfeffer & Sutton, 2006, p. 178)
[53] (Pfeffer & Sutton, 2006, p. 179)
[54] (Collins, 2001, p. 46)