

Dollars & Sense



ABOUT THE AUTHOR...

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Before joining M/J, Barry McLeish was the Director of Development & Marketing for Inter-Varsity Christian Fellowship and served as a member of Inter-Varsity's senior management team. He also served as Creative Director. Barry coauthored a book on personal support fund-raising entitled *The Personal Support Raising Handbook*. He is also the author of *The Donor Bond*, and *Successful Marketing Strategies for Nonprofit Organizations*. His latest book, entitled *Yours, Mine and Ours: Creating a Compelling Donor Experience*, will be available this summer through Wiley Press.

As a member of McConkey /Johnston's executive team, he combines many years of experience as a manager of comprehensive development programs with special expertise in direct mail, advertising, public relations and brochure techniques. Barry attended the University of Wisconsin - Madison, where he received a B.A. in Advertising and a Master's Degree in Direct Marketing. He also holds an M.A. from the Fielding Institute in Human and Organization Development. Barry and his wife, Deborah, live near Madison, Wisconsin.

Every few years, the nonprofit world decides that listening to the marketplace is something worth doing. And when organizations decide to do this, they make the same mistakes they made last time. Here's how to avoid those errors.

Heeding the Voice of the Market

by Barry J. McLeish

There is a story told at seminars about Albert Einstein who, as a professor, was known to give the same test questions to students year after year. When questioned about this behavior by his secretary, he noted that though the questions were indeed the same, the answers often changed year by year. The same is true for development professionals. The tactical questions I faced when I started out have changed substantially over the last 20 years.

However, today, successful nonprofit executives must deal with two issues better than those they compete with:

First, *"Is the way we are operating and handling out institution's affairs allowing us to achieve the goals for which it was created - whether that be number of people served, dollars raised, or volunteers recruited - or must we change our infrastructure in order to achieve these goals and keep faith with our stakeholders?"*

Second, *"How are we going to succeed?"*

Consider the following example:

For the last ten years a camp on the east coast has run programs for young people in a prescribed manner according to its religious culture. This culture mandates what types of religious delivery systems need to be in place, how campers are to be taught and who can teach, and suggest appropriate daily activities for the campers. Money for the operations of the camp is typically given by individuals from within the religious community along with fees collected from campers. For the years 2001-2005 the operating margins of the camp have declined precipitously year-by-year, even though some other camps in the same geographical region have grown financially. The reason behind this decline is thought by the leadership of the camp to be principally due to the defection of donors, presumably to other causes.

Though there are many questions that could be asked in light of this example, perhaps the most critical question is, "Is the leadership mis-managing the camp?" In answering

this question some individuals might note that apart from hints suggesting operational difficulties, one could answer, "Not necessarily." However, there does seem to be a movement away from the traditionally imposed culture of the camp by campers, customers, and various donor groups. By implication, there also seems to be a realignment of their values towards the organization. The way the camp currently is operating, with little managerial risk, a status quo approach to its environment, and almost no program innovation of the last five years puts it competitively in jeopardy with those camps that are changing some of their operational approaches.

This organization is having the same type of disjointed experience many readers can relate to, that of driving a car in a rain-storm while the radio announcer proclaims it is a sunny day outside. The camp leadership is making the mistake of being in the midst of marketplace change and not responding to it. The way work was once done no longer is accomplishing the same results in the environment the camp finds itself in. Adrian Slywotzky - a founding partner of Corporate Decisions - writes, "It is widely acknowledged that products go through cycles from growth through obsolescence. It is not well recog-

nized that business designs also go through cycles and reach economic obsolescence." (Value Migration, advance excerpts, Harvard Press, 1996, pg.2).

Not only are customer and donor values shifting, but so are the service and donative priorities of those funding and supporting many organizations.



Why do individuals reallocate their giving? The answer can often be found in the way organizations engage - or do not engage - their customers, donors, and volunteers.

Unless there is a seamless web of reciprocal collaboration and interaction centered on the institution, individuals may choose to partner with someone else. Donors and volunteers may reallocate their giving or volunteerism after seeing or negatively experiencing the way their resources are used by an organization, or hear-

ing criticism about the way in which the organization serves those it is supposed to help. An individual might also reallocate their giving by being thanked inappropriately for his or her financial or volunteer support, or may feel embarrassed over the way the organization communicates and reports its activities to the public. In each instance, a type of value is created - or not created - for those who support the organization.

Strategies that once shaped these organizations have become prisons that do not allow them to succeed in a changing world. As a consequence, the leadership of these organizations - trusting that predictable maps and old controls are

appropriate means to operate by even in times of marketplace change - become vulnerable to competitors who bring a different type of competitive paradigm into their operations. These unchanging nonprofit institutions easily find themselves no longer in alignment with their key stakeholders' wants and needs. In most cases, the leadership of these organizations has at some point unfortunately stopped asking the questions posed at the beginning of this article.

To answer these questions correctly typically requires an organization to first work through four issues:

First, the need for a new managerial and marketing mind set.

The marketing efforts of many third sector institutions are being forced to undergo a major renaissance for one simple reason. These organizations are not achieving their corporate missions in a manner and time frame that seems satisfactory. The result is that many institutions are moving from a culture and a previous reliance on stereotyped fund-raising approaches - that sometimes were coupled with a disregard for the supportive constituents - towards an acknowledgment of their need for additional help in a different way. This is resulting in a new emphasis on organizational collaboration and individual donor, volunteer, and member fulfillment.

Rather than viewing the shifting marketplace as a problem to be dealt with, successful nonprofit agencies see the marketplace as the source of growth.

There is clearly a movement away from the overly simplistic models of philanthropy and marketing that have governed nonprofit actions for

years, to a stronger inclusion of previously neglected human factors, often individualized in nature.

Second, the need for system-wide alignment.

How does an organization ensure that those individuals associated with it are moving in roughly the same direction and vice-versa? Is it important to do so? The best place to start is answering this question is to first ascertain whether an organization is internally focused or externally focused. To ask the question in another way, "Does the nonprofit organization care to understand and pay close attention to its stakeholders, market changes, competitors, and industry-specific trends, or not?" To answer positively is to be externally focused, poised to respond to evolving volunteer and donor needs and preferences. To not do so is to become organizationally insular, to have a slower response time to marketplace changes, and find one's agency often at a competitive disadvantage with causally similar institutions. Rather than viewing the shifting marketplace as a problem to be dealt with, successful nonprofit agencies see the marketplace as the source of growth. Within their organiza-



tional cultures, priority and preferential treatment is given to gathering and analyzing marketplace data in order to make strategic decisions. Close attention is paid to the process.

Third, the need to know what business an organization is in.

How does a nonprofit organization decide what causal business it is in? The question seems rather silly, doesn't it? A nonprofit organization is in the causal business defined by its mission statement. Its goals - apart from serving those its mission requires - is to convince individuals to do what's good and right, and to get them to follow the organization's agenda, being concerned about the issues the organization talks about

and believes in. As part of this goal, the organization typically looks for individuals who are like-minded and who will support it through their donations, purchases, and volunteerism. However, it would be equally accurate to suggest this model does not go far enough for many organizations in their marketplace. It represents a way institutions can “market at” people. This is not what donors, volunteers, and customers want or expect from nonprofit organizations they are interested in. “Marketing at” individuals does not create value for them.

Fourth, the need to know how to assess an organization’s performance.

Because most nonprofit organizations must by their very nature walk cooperatively with other stakeholder groups in order to find funding, competent volunteers, or other avenues of support, successful institutions often undertake a series of predetermined actions designed to be cooperative by their very nature. This attempt at mutual cooperation can begin with an organization asking performance and directional questions of itself and other constituents, and then taking the answers seriously with the goal of taking concerted action together. Questions like the following:

1. Are there better ways to run our organization that will allow us to assist more individuals in our causal work?

2. What values need to be portrayed by this organization and will these values change in the next five years?
3. Is the organization thinking one donor ahead in its marketing and fund-raising strategy and execution?

To learn more about marketplace dynamics and their effect on your marketing and fund-raising strategies, read Barry’s book, *Successful Marketing Strategies for Nonprofit Organizations*. Contact Barry or any M/J consultant by visiting our website at mcconkey-johnston.com.