

Dollars & Sense



ABOUT THE AUTHOR...

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There's a simple problem with most organizations today. Their problem isn't that they aim too high and miss their targets. They aim too low and hit them!

The Need to Aim Higher

How to Prosper in the Volatile Years Ahead

by Larry F. Johnston, Ph.D.

Please understand. I'll be among the last to encourage megalomania when it comes to setting performance targets. I'm afraid I've studied just a bit too much psychology to embrace the folly of setting impossible goals. In fact, I'm a big believer in the Goal Principle which states that goals should be "big enough to matter, small enough to win." The art lies in avoiding the extremes. If goals aren't large enough to matter, no one is likely to be highly motivated to pursue them. On the other hand, if goals are too big to be realistic (regardless of how spiritual their grandiosity might make one feel!), neither will they inspire much traction.

While my intent in this article isn't to focus on goals per se, a very brief excursion into what is known as expectancy theory may be worth the detour. I'll simplify a formula by Victor Vroom (one of the patriarchs of motivational theory) and say that $M = D \times E$. In plain English, this means that motivation equals desire

times expectancy. Desire is simply how much a given outcome is wanted, and the amount of motivation is that desire multiplied by the person's expectation that the outcome is in fact possible.

Let's assume for the sake of discussion that a manager in an organization has a very high desire to bring about certain changes. Her score on the desire for change index might be 9 on a scale of 10. After repeated unsuccessful efforts to bring about those changes, however, the expectation that once was a 9 has now plummeted to a 3. Multiply 9 by 3 and on a potential motivational scale of 100, you get 27. Needless to say, no one's likely to persist in change efforts with that low a score.

But on the assumption that performance targets are set that are both challenging and realistic, where do organizations need to aim higher? More fundamentally, why should they even care?

Competition

To begin with, I don't know anyone who would say that work in the non-profit world today is easier than it was 10 or 20 years ago. Competition is more intense while levels of sophistication for both organizations and donors continue to grow. From a fundraising viewpoint – as well as the broader but critically related issue of branding – the bar is being raised (i.e., the standards against which your organizational performance is measured is increasing daily).

You may not know that your donors are defecting in significant numbers, for example (trust me, they are), and even if you know that your attrition rates are sobering you may not know why donors are discontinuing their support. Although without the benefit of research it would be sheer presumption for me to say why your donors are leaving, I will say this much: Apart from the causes you can do nothing about (e.g., death, unemployment) and thus over which you should lose no sleep, most donors are defecting because your organization failed to deliver on the things most important to them. As we're fond of saying within the firm, the organization has failed in "the relentless pursuit of donor delight."

Should organizations aim higher in terms of donor satisfaction? Without a doubt. As it relates to donor satisfaction, no one has put it better or more immortally than Mae West: "Too much of a good thing is mahvelous!"

The critical but far too often undetected logic of donor loyalty is this:

1. Maximize value creation* and you maximize satisfaction.
2. Maximize satisfaction and you maximize loyalty.
3. Maximize loyalty and you maximize donor retention.
4. Maximize donor retention and you maximize lifetime value.
5. Maximize lifetime value, and, all things being equal, you increase the missional impact of your organization.

**The Hard Truth:
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tion defect
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While virtually every nonprofit needs to aim higher in terms of donor satisfaction, there are other critical areas where organizations need to aim higher if they're going to survive and prosper in the years ahead. Here's a handful:

- ◆ **Compelling vision** – Countless authors, including this writer, have addressed the issue of vision ad nauseum. Speaking per-

sonally, I'll continue to do so because a huge number of organizations sadly still just don't get it. (For more on this topic, see my article "Revisiting Vision: What We Still Don't Get" in the M/J Resource Center at our website). You might be able to sustain the diehard loyalists on your donor base without a compelling vision, but if you're trying to significantly grow your donor base without an exciting and attractive picture of the future, good luck.

- ◆ **Board development** – Needless to say, board development isn't the sexiest thing going, but for many organizations it could be the most strategic thing they could do. Jim Collins is right when he talks about the need to get the right people on the bus (and the wrong people off the bus), and nonprofits need to realize there's a board section on the bus! While the boards of many nonprofits are woefully impotent and chronically inconsequential, a relative few have top talent that is well-bred, well-fed, and well-led! The impact of these boards on multiple fronts can be formidable, and nonprofits in the future will overlook the strategic

* "Value," from donors' perspectives, is whatever they say it is. Failure to proactively create that value for donors – that is, to scratch them where they itch – will inevitably show up in higher donor defection rates.

design and management of boards to their detriment.

- ♦ **Organizational climate and culture** – Gallup’s research has shown that 20 – 30% of organizational performance can be attributed to climate within the organization. That’s a sobering thought, especially when the creation and nurturing of climate and the alignment of organizational culture with vision virtually never appear as top organizational priorities. I’m a firm believer that regardless of what your organization’s mission is, you’re in the energy business. Why? Because the central task of leadership and management is to focus energy on productivity. And if organizational climate and culture can account for as much as 30% of your organization’s performance, doesn’t it stand to reason that this should be on someone’s radar screen?
- ♦ **Customer service and stakeholder delight** – You might call it something different in your organization, like “donor relations,” and that’s fine. But your work in this area should have stakeholder delight as the goal. The unfortunate truth is that world-class service among nonprofits that absolutely “wows” stakeholders is about as rare as square triangles. That’s the bad news, but here’s the good news: with the increasing commoditization and resulting parity of many nonprofits (that is, you

may feel your organization is absolutely unique but the market doesn’t know why you’re any different than all the others), outstanding customer/donor service can be the most important tool in your branding toolkit. Because the essence of branding and competitive strategy is increasingly about developing, articulating and consistently delivering a distinctive value proposition, top drawer service can go a long way toward setting you apart from the herd. Especially because so many other nonprofits are asleep at the switch on the customer service front, you don’t have to walk on water to stand out from the vast ocean of service mediocrity that surrounds us.

- ♦ **Execution** – Although some nonprofits are capable of prodigious performance, others are like mountains laboring to give birth to a mouse! When it comes to getting things done (i.e., consistently and impressively delivering on key performance indicators), they’re “all hat and no cattle.” Just as execution continues to be one of the most important strategic agenda items in the for profit world, so it must be a priority for nonprofits and especially Christian organizations.

Clearly, a list of areas where organizations could aim higher could go on and on (e.g., strategy, staffing, systems, etc.), but I’ve identified five areas here where virtually every or-

ganization can focus attention and energy that will yield significant dividends. Remember, when it comes to standing out in today’s marketplace, there are no rehearsals. Only performances. So aim higher!

For help with organization development, strategic management or other issues you face in your organization, contact Larry Johnston at larry_johnston@mcconkey-johnston.com.