

# WHAT MATTERS MOST TO THE MIND OF THE NONPROFIT STRATEGIST

Barry J. McLeish  
Vice President, McConkey/Johnston, Inc.



Strategy is about breaking out of the status quo. There are several strategic positions your nonprofit organization can occupy. Your position is really the sum of your answers to three questions that will consume our attention today: First, who are you targeting as customers, donors, or in some cases, volunteers; second, what are you asking them to do or what are you trying to sell them, and third; how are you trying to accomplish this?

## **Your Initial Goal Is A Position That Is Unique.**

Your success will stem from your exploitation of a unique position. Your organization must continually question accepted norms and behaviors or you will miss emerging positions that would allow you to differentiate yourself from others.

Many established organizations...

- are weighed down by structural and cultural inertia,
- are stopped by complacency and internal politics
- are fearful of destroying existing competencies,
- are growing satisfied with the status quo, and
- are out of incentives that would allow you to abandon a certain present for an uncertain future.

Perhaps we need to learn that strategies are not cast in concrete.

## **How Do You Go About Creating A Unique Strategic Position?**

Start by asking a difficult question, not asked by most organizations, let alone answered: "What business does your donor think you are in?"

This is the most important question in crafting a strategy because the implicit or explicit perception of what a company believes its business or mission is, often colors everything it sees and does. It is the filter or mental model by which we decide what is and is not appropriate to do organizationally.

Your organization's dominant behaviors are conditioned by your organizational mental models. They are passive in nature and tend to reject new information which may contradict behaviors they are currently not involved in.

Your mental models (called by many "sacred cows") will keep you from adopting new ideas. You get rid of mental models by bringing them to the surface and questioning their validity. You can also expose mental models by bringing in outside catalysts who will have different models than your own..

Almost forty years ago, Professor Theodore Levitt of Harvard Business School wrote an influential article - "Marketing Myopia" - in which he argued that U.S. railroads lost market share because they did not define their business correctly. By taking their business to be the railroad business, they failed to see the threat posed by competitors such as

airlines and buses. Levitt proposed that railroad companies would have been better off had they thought of themselves as being in the transportation business.

- What business do you think Starbucks is in?

### **How do you go about defining a business? Four models to think about.**

Most nonprofit organizations define themselves according to the causal product they have (“we help the homeless” or “we have a camp”). We can also identify our company by the customer functionality that is created by our work (“What benefits do our donors or customers derive from being involved with this cause?”). Some nonprofit organizations define themselves by their portfolio of competencies (“We are in the business of kids.”). Some organizations define themselves according to the values their donors or customers hold.

The process your organization should go through in defining its business:

- List all possible definitions of the business.
- Evaluate each definition according to a criteria
- (If I define my business this way, who are my customers, who are my competitors, what will be my key success factors inherent in this definition, can I deliver?)
- Choose a definition and finish your thinking by asking “If my competitors were to redefine their business what would their resulting strategy be.”

### **Given That We Have An Idea Of What Our Business Is, The Need Now Is To Decide Who Are Our Customers And Donors and What We Hope To Offer Them.**

The choices made regarding “Who your donors or customers are?” and “What you hope to sell them?” are strategic choices. We would like to sell everything to everybody but this is not realistic. However, a company that shies away from making a hard choice about where to concentrate (often for vague reasons of “wanting to stay flexible”) will mean that your organization will be unfocused and will waste valuable resources.

You may have to be involved in some creative segmentation. Develop an explicit set of criteria for choosing who your customers are. Do not let your hopes that a particular customer group or individual will “turn around” if we give them enough time or become guilty about getting rid of a particular customer group. Determining who your customers are going to be is first an internal investment decision with budgeting implications. Do not try to be democratic in the process by allocating each audience segment a portion of your budgeted advertising dollars.

### **What Is It That We Are Going To Sell?**

The key question here is “Of all the possible services or causes that you can offer your constituents, which one are you going to concentrate on?”

Do you have a deep understanding of your donors’ needs?

- Last year, more than 1000 new soft drinks were introduced in the United States with only about 1% making it into the market.

Question organizational answers.

## What Does Our Organizational Mosaic Look Like?

After determining the “right” donors (who) and determining the “right” services or causal products (what), an organization is then faced with the question of how - how it will operate its organization’s activities - its mosaic - in getting the right products to the right donors. In developing its response your organization must look at policies, technology, the amount of debt you want to bear, the kind of human resource policies to promote, the work you will do in-house vs. what you will subcontract.

Our goal here is to create a reinforcing system of activities. Strategy must be viewed as more than individual activities like selling. Strategy is a combination of activities that have been combined into a system that creates a requisite fit between organization and market; between the needs of the environment and the actions taken by the nonprofit. Unbundling these competencies so as to apply them in different combinations in different markets actually destroys their “fitness” and may also weaken the value of the individual competencies.

In looking at the type of system your organization has, you must look at five principles:

1. The system activities you undertake must be demanded by the market.
2. The activities you perform should fit together (you must be able to fulfill what has been promised to constituents).
3. These activities must be in balance with each other (as the donor population grows you will need to add field reps). The significance of maintaining balance should not be underestimated.
4. The system must determine performance and behavior. This is felt most acutely in the personnel arena.
5. Adopt a questioning attitude organizationally. Crisis may precede synthesis. Increasingly, a “positive crisis” is becoming a means by which organizations are creating system fit.

## Identifying Strategic Assets And Capabilities - What Makes Assets Or Capabilities Truly Valuable?

Your organization may have been endowed with some piece of work or ministry that helped establish the business. You may have a rare competency such as a donor that funds all of your camp start-ups. You may have a capability that is not easy to imitate such as a core competency in data-collection skills regarding a particular age of child. You may have a competency that is not easy to substitute such as a nation-wide network of high school and college coaches.

Why is it important to have a sense of these organizational competencies?

- You make people feel something can be accomplished.
- You can create stretching goals they can reach because they know what they can accomplish organizationally.
- When competencies are practiced individuals are praised..

- You help them to learn to recruit selectively.
- Competencies become “flags.”
- Competencies allow you to create a credible enemy.
- Competencies allow objectives to have merit.

### **The Need For The Right Organizational Context.**

Said one nonprofit director, “If the environment isn’t right, my people are simply not creative in their job. Unfortunately, over time, many nonprofit organizations have created a context that is more akin to the polluted, oppressive environment of the inner city in mid-summer, sapping personal energy and creating conditions for apathy.

- a. Structures (the formal hierarchy, the physical setup, the information systems) all help create behavior.
- b. The incentives - nonmonetary and monetary - help create behavior.
- c. The people help create behavior.
- d. The culture - its norms, values, and unquestioned assumptions help to create behavior.
- e. All of the above help to create strategic - or nonstrategic - behavior.

### **Developing a Superior Strategic Position**

I have suggested so far that we must develop a strategy by finding answers to the questions, “Who should we target as customers, what should we offer them, and how should we go about do this?” Any company engaged in strategy has to ask these questions. The trick is to come up with ideas that our competitors don’t have, therefore as often as possible, differentiating ourselves from them. The challenge is to do this consistently. You will no doubt be interested to note that most corporate strategists insist that the process involves both careful planning and trial and error.

- Generate ideas from anybody, anywhere, anytime.
- Challenge the assumptions and beliefs frequently.
- Redefine the “who,” “what,” and “how” as a matter of course using scenario planning.
- Evaluate the following:
  - Does the idea reinforce organizational vision?
  - Does the idea fit within the business the nonprofit is in?
  - Does the idea build on core competencies?
  - Is there emotional support for it?
  - Are there sufficient resources for the idea?
  - Experiment, learn, modify.

## Understanding Whether Your Strategic Position Is Dying Or Developing A New Position - A Need To Create New Sources Of Strategic Innovation.

- A. Creating a new “who...”
- A new customer or donor segment that emerges from changes in the causal industry.
  - A new customer segment created because the mass market is fragmenting.
  - A new customer segment formed by creating segmentation strategies out of the existing ones.
  - An existing customer segment that competitors have neglected.
  - An existing customer segment that “explodes” and grows enormously as a result of changes in the environment.
- B. Creating a new “what...”
- A new donor need that emerges from changes in the causal industry.
  - A new donor preference becoming more important or “hot” as a result of changes in the causal industry.
  - A new donor need created by the marketing tactics of other competing nonprofit organizations.
  - An existing donor need that competitors have neglected.
- C. Creating a new “how...”
- A new way - often the result of new technologies - of distributing, selling, or delivering new or existing products or services to a new or existing donor segment

### Why Is Strategic Innovation So Difficult For Established Nonprofits?

We could term this the “negative side of success.” Here is a list of strong factors that undermine innovation within nonprofit organizations.

- Contentment.
- Strong and unquestioned beliefs often surrounding sacred cows.
- Unyielding habits.
- Managerial overconfidence.
- Passive and uncritical thinking.
- Punitive actions on new programs.
- Strong vested interests and politicking.
- Structures that are rigid.
- Passionate reliance on past values and habits.

What can you do to overcome these within your work environment?