A FIO PARTNERS PERSPECTIVE:

# Our Model of Strategic Management for Nonprofit Organizations

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*become*

There are debates underway within the capacity building, and to some extent, within the academic communities concerning non-profit strategy and accountability.  This debate has lead to a call for the creation of a new generation of tools to support nonprofit development.  We hope that our work can contribute to that debate and the evolution of these new tools.

To us, one aspect that appears to be lacking is a clear and useful conceptual framework based in the practical realities of managing a nonprofit entity that can respond to increased accountability and rapid change.  This is further exacerbated by the lack of a detailed conceptual map for how a non-profit evolves through time and by the fact that, largely, capacity building models are not adjusted for different industries of the sector and spend very little effort in crafting well integrated strategy.  The field, taken as a whole, tends to seek and promulgate "normative models" rather than dynamic, process oriented models.  There are many, many publications that say that "Boards should …"  or "The CEO should…"  as though every nonprofit in every industry or field of the sector at every stage of development has more in common than not.

One of the primary motivators that has driven our conviction that there is a need for a different approach was the recognition that most of the activity in the nonprofit capacity building world deals with building the capacity of individuals rather than organizations.   Most of the effort in nonprofit capacity building is invested in training and while there are certainly many instances in which individuals attending training bring the new knowledge or skill acquired back to the workplace, there is little evidence that this way of introducing new knowledge has a significant effect on organizational

functioning.  While consulting is the next most used tool, much of it is organized as a "service bureau" model...with consultants providing what consumers ask for.  *Very little consulting is provided with a clear and intentional organizational change agenda or a vision for what the desired organization should be like.*

These needs became apparent during a four year project to redesign the capacity building infrastructure in New Orleans, LA.  The process of discovery undertaken to build a base of knowledge in current practice led us to ask a series of increasingly probing questions:  How do organizations change?  What are the most potent exterior influences that encourage nonprofit effectiveness?  What is meant by nonprofit effectiveness? What are the most powerful means of building organizational capacity?   What tools exist that are of proven effectiveness?  How can capacity building be measured?

In framing answers to these questions, we focused on developing interventions that will have maximum <u>organizational</u> impact.   This focus forced a process of deep research and cross disciplinary thinking in order to frame a more effective means of (1) understanding organizational development of nonprofits and how effective strategy development helps nonprofits evolve, (2) how to provide more effective capacity building that actually produces change in nonprofit functioning and clearer and more refined strategies, and, (3) how to measure whether organizational interventions have had any effect.

Our purpose in offering these materials to a wider audience is to contribute to the dialogue that is underway and to share our conclusions.  Many products have emerged from this work.   The first is a detailed framework that identifies key strategic management tasks for four stages of organizational development:  Idea, Start-Up, Growth, and Established.  We reference a fifth stage,  Institutional, but focus attention on the first four stages as having the most relevance to the most nonprofits.

There are ten dimensions that are captured in a matrix of organizational stage and management functions:

- Program Strategy Development
- System Participation
- Marketing/PR

- Fund Development
- Information management
- Human Resources
- Financial Management
- Risk Management
- Physical Space
- Quality Assurance

*Please see our* **STAGE OF DEVELOPMENT GUIDE** *that can be downloaded for free from the FIO Partners website.*

This developmental approach is embedded in a model of strategic management that defines the four key tasks as: (1)consensus on vision, mission, values and agreement on strategic management tasks; (2)designing or redesigning the organization's core; (3)safeguarding and supporting the core; and, (4)improving the core.

As noted above, one of the challenges that stymies nonprofit capacity building is the failure to articulate a clear change agenda. What is it that nonprofits need to know and need to be able do to function at a higher level? In building the model, there was a clear agenda to reinforce the need to attend to critical areas of nonprofit learning: those that allow the organization to craft a well-informed strategy to enact mission, to improve upon it continuously, in addition to sound methods of organization building. Thus, there are specific areas of intentional learning where the model is meant to stimulate nonprofit leaders to want to know more. These areas are:

*Overview*
- A conceptual framework for nonprofit organizational development based on the four critical tasks of strategic management

- The importance of intentional, integrated strategy development

- An understanding of organizational stage and the influence of stage on organizational development tasks

- How to create organizations that can learn from their own practice…that, once they know how to learn, will be self sustaining as learning organizations

*Concepts about the Core*

- The concept of relational strategy as integral to strategic management and integral to programmatic strategy, reinforcing the idea that an organization does not and should not stand alone but should be embedded in a complex web of relationships that enhance mission accomplishment, reinforcing the need for collaboration, partnerships and strategic alliances.

- The need to think systemically about service arenas and concepts of systems participation, specifically identifying arenas that should be scanned and sources of knowledge that should routinely inform practice.

- The use of logic models in program planning in that they force both the articulation of outcomes, the articulation of strategies to reach outcomes, and the examination of validity assumptions that underlie critical cause and effect relationships in achieving outcomes.

- Attention to the base of information used for decision making about the core including best and evidenced based practice, and data and information about the community.

- Consumer involvement in program planning and evaluation and the importance of user testing

*Improving the Core*

- The necessity for quality assurance processes: determining quality criteria and measuring against them

- The introduction of organizational learning as a process that can be planned and controlled

*Supports and safeguards*

- The need to evolve supports and safeguards consciously as the organization evolves.

- The integral nature of information management to strategy development, enactment and measurement.

- The importance of a positive work environment and healthy organizational climate and the elements of same.

*Leadership*
- The importance of trust between and among Board members and Executive Leadership

- The changing role of Executive Leadership and Board as the organization evolves…the critical nature of Executive Leadership's role in performance improvement and organizational learning

- Building a shared concept between Board and Executive Leadership of what strategic management is and how to do it.

- The integration of high ethical standards, particularly as this relates to emerging best practice engendered by Sarbanes-Oxley and other sector efforts to improve non-profit accountability.

## The FIO Partners Model of Strategic Management
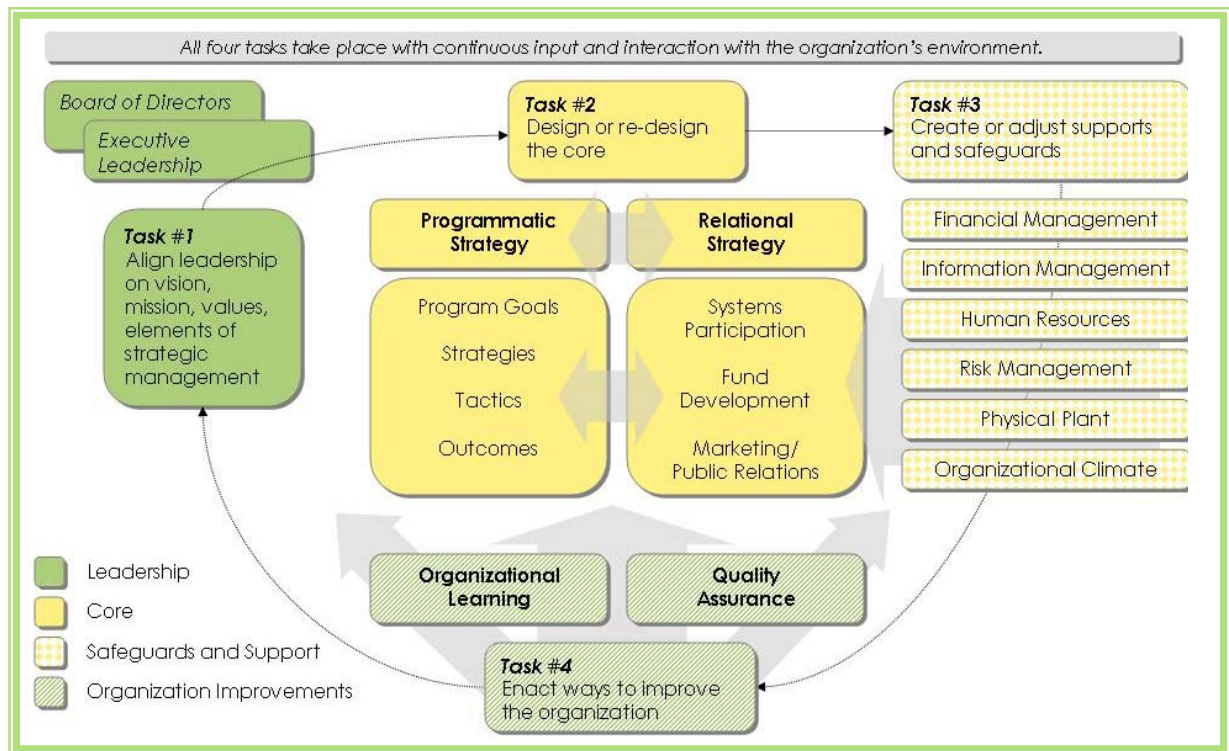
The specific components of the FIO Partners model for strategic management are described below.

**Leadership**
There are two components to leadership in a non-profit organization: The Executive Director, Chief Executive Officer or President and his or her management team, and the Board of Directors. The essence of leadership in a non-profit is to ensure that Executive leadership and the Board of Directors interact with one another and their employees so that the mission is enacted and the organization grows and develops in a healthy way. There are four major tasks areas that make this happen:

(1) Executive Leadership and the Board of Directors achieve alignment concerning vision, mission, organizational values, the organization's strategic issues, and the central tasks of strategic management.

(2) The core elements of the organization, an integrated set of Programmatic and Relational Strategies, is designed or redesigned and implemented.

(3) Key safeguards and supports are aligned with the Programmatic and Relational Strategies and effectively support the core.

(4) Core improvement becomes a major element of the organization's culture. This is the commitment to continuously learn from organizational processes and the commitment to establish quality criteria and measure results against those criteria.

The integration of these major elements allows the organization to express its mission in the community, to grow and to remain healthy. The process of integrating these elements is strategic management, involving choice, design, implementation, control and continuous improvement.

**Core Elements**
There are two major elements that define the core of a nonprofit organization:

Programmatic Strategy encompasses the design of individual programs and the choices surrounding portfolios of programs for organizations that have more than one. Programmatic Strategy also includes how programs are grouped within the organizational structure. Programmatic Strategy grows from the vision of leadership as well as from information about the

the community, field of service, knowledge of specific consumer needs or desires, and availability of funds to support specific program efforts.   While it drives the overall strategy concerning what are important relationships to develop and maintain, Programmatic Strategy must also be co-invented with Fund Development.   The vast majority of non-profit organizations are revenue dependent and are not free to invent programs without funder interest.
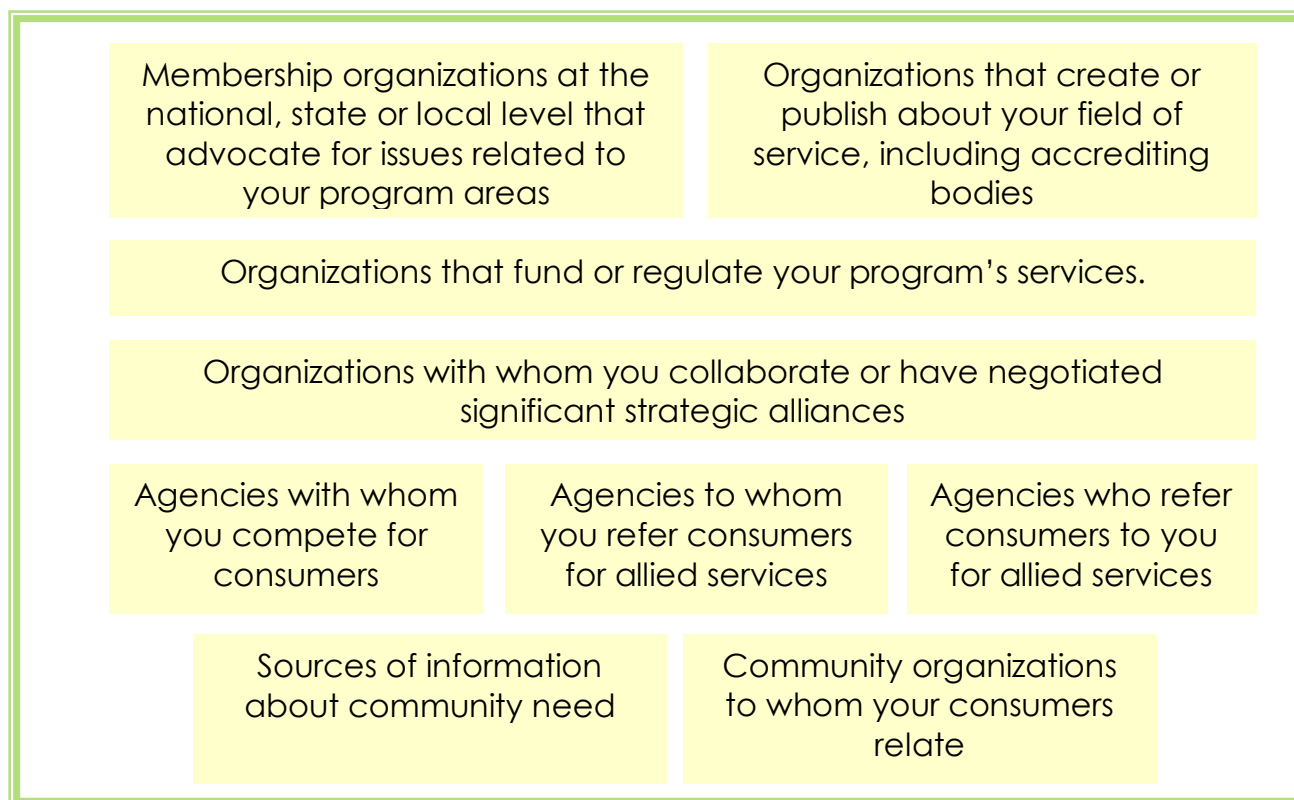
Choices relative to Programmatic Strategy are generally expressed as program goals, strategies to enact the goals, and tactics to carry out the strategies.  A critical component of Programmatic Strategy is the clear definition of outcomes:  the specific change in individual, organizational, or societal behavior that the Programmatic Strategy is intended to bring about.
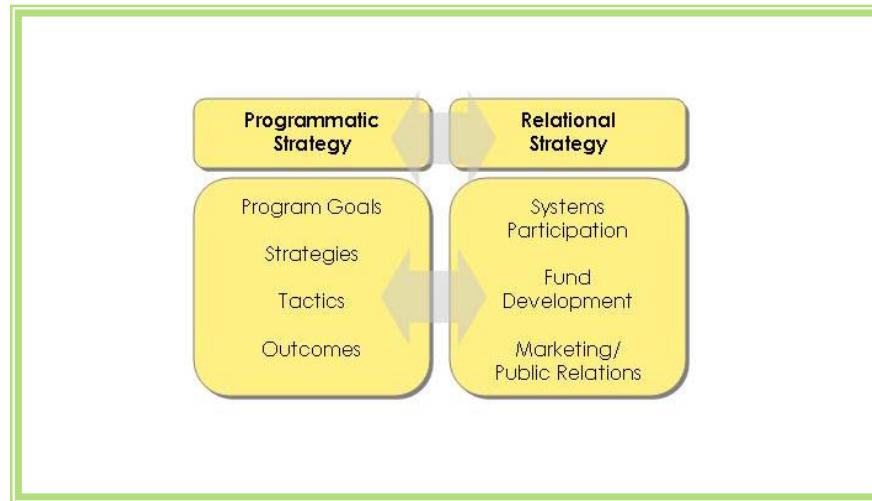


Relational Strategy is driven by Programmatic Strategy once programs have been defined and funders are identified.  As noted above, funders are a critical component of program choice.  The Relational Strategy encompasses all of the key stakeholders whose influence, good will, or actions enable or impede the nonprofit's ability to enact its chosen Programmatic Strategy.  This is a complex array so to make it more easily understood, the key stakeholders are grouped into three major segments:

1. <u>Systems Participation</u>: A service system consists of organizations that fund or regulate in a particular service arena, provide services, advocate for related issues, do research in the service area and/or provide coordinating efforts such as national associations. Players in a particular service arena may include national, statewide, or local entities. The choice for organizational leaders here is how to define the organization's relationships with these entities.

<u>Components of Systems Participation</u>

| | |
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| Membership organizations at the national, state or local level that advocate for issues related to your program areas | Organizations that create or publish about your field of service, including accrediting bodies |

Organizations that fund or regulate your program's services.

Organizations with whom you collaborate or have negotiated significant strategic alliances

| | | |
|---|---|---|
| Agencies with whom you compete for consumers | Agencies to whom you refer consumers for allied services | Agencies who refer consumers to you for allied services |

| | |
|---|---|
| Sources of information about community need | Community organizations to whom your consumers relate |

2. <u>Fund Development</u> includes the assessment of which sources of funds are likely to have an interest in and willingness to fund programs for specific populations or geographic areas. Fund Development also includes cultivation of individual donors and crafting of various kinds of "asks" for support. Once funds are received, reporting and maintaining healthy relationships with funders and individual donors are critical elements.

3. Marketing & Public Relations includes the identification of key groups of consumers for the organization's programs, the inclusion of these key groups in planning, the communication of program benefits to educate, recruit, and support consumers; and, the production of materials to support these interactions.

**Supports and Safeguards**

Supports and Safeguards flow from the core elements and must be built in tandem with them.  They are developed, both in quantity and sophistication, as the Programmatic Strategy unfolds.   They include: information management (as an integral process of all decision-making in all functions), financial management, human resources, physical plant, risk management and organizational climate. A key task of strategic management is ensuring the adequacy of supports and safeguards as the organization grows.  This requires periodic assessment of how well each functions is supporting the Programmatic and Relational Strategies.

## Organizational Improvement

These processes create the opportunity for the organization to generate new knowledge, codify its own learning and to share that learning among its employees. As well, via quality assurance, systemic feedback loops are created in order to continuously improve the core elements of the organization as well as the support and safeguarding and leadership functions.



Key to understanding our approach is the principle that many of the attributes listed above are expressed as different levels of organizational capacity depending upon stage of development. A full blown quality assurance function is not possible in Start Up but there are important steps that can be taken in Start Up to build a foundation for quality assurance that will continue to evolve as the organization grows. Learning from practice is critically important in Start Up but also viewed as something that happens later. Understanding how to build in early learning opportunities for Board and staff and to insist on feedback from consumers as a premise for program expansion are important first principles, though certainly organizational learning and quality assurance will grow in complexity and sophistication as the the organization evolves. Similarly financial and information management tasks grow in complexity as the organization evolves but early steps in these areas can be just as important to organizational survival as later ones. Some of our clients have described our materials as a roadmap for developing a nonprofit over time, a simple but very powerful conceptual framework for consciously shaping a nonprofit's organizational development. That was our intent in creating these materials. These frameworks should provide a road map to robust strategy development at every stage.

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