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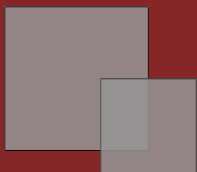
PRACTICES

Strategic Leadership for Nonprofit Organizations

Best Practices for Boards and Management

January 2009

DEWAR SLOAN
Consultants and Advisors to Nonprofits



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Preface and Comments

Nonprofit organizations are challenged on many fronts, and the renewed focus on results is clearly part of the board and management puzzle. Our intention for this discussion on **Strategic Leadership** reflects three widespread issues faced by nonprofit organizations:

First, stakeholders are very interested in the real impact of nonprofit programs, and the capacity of their organizations.

Second, nonprofit boards and management are very concerned about their strategic agenda for success.

Third, a vastly more complex and dynamic environment poses new challenges for nonprofit boards and management.

With these issues in mind, and with the urging of many nonprofit board leaders and executives, we have framed six basic sets of best practices for strategic leadership. For many nonprofit organizations, this discussion will provide new perspectives. For others, it may confirm what board leaders and management have assumed all along.

Daniel Wolf
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January, 2009

Background Premises

Consider these statements from a recent conversation of forward-focused nonprofit executives and board leaders:

“Strategic leadership in today’s nonprofit world involves more serious engagement from boards and management.”

“Contemporary strategy connects stakeholder interests with the realities of the environment and nonprofit goals.”

*“The leadership challenge includes guiding and sustaining the **strategic agenda** for growth, performance and change.”*

While these statements make sense to most of us, the research suggests that fewer than 25% of nonprofit organizations are:

1. **Satisfied that their strategy is connected to outcomes,**
2. **Satisfied that their people are seriously engaged in everyday strategic thought and behavior that drives outcomes, and**
3. **Satisfied that their organization is ready for the future.**



We need to embrace these concerns, and reframe the relevance of nonprofit strategy for boards and management. Better strategy practices are key.

The Meaning of Strategy

Before boards and management address the general concerns of nonprofit planning and decision making, some practical definitions* are in order.

1. Strategy Frames the Purpose of the Nonprofit.
2. Strategy Sets Forth Themes for Guiding People
3. Strategy Connects Nonprofit Goals and Conditions
4. Strategy Guides Everyday Thought and Behavior
5. Strategy Keeps the Organization Focused on Results

These are the essential ideas that define a contemporary strategy approach for the nonprofit world in true leadership terms that work for boards and management.

Source: **Prepared and Resolved: The Strategic Agenda for Growth, Performance and Change, by Daniel Wolf, dsb Publishing 2007.*

Leadership Challenges

Our research identifies a number of leadership challenges that shape board and management issues on nonprofit strategy.

Some of these challenges relate to and derive from the approach to strategy, and the engagement of strategy at every level of the nonprofit organization...

1. Problems with Strategy Programs and Results
2. Problems with Matching Critical Resources to Strategy

Other problems and challenges derive from issues related to accountability, etc.

1. The relevance and effectiveness of board oversight
2. The mechanics and methods of strategy management

These and other general challenges render conventional efforts in nonprofit strategy planning less effective than desired, and not sustainable.

Strategy: New-School Approach

The contemporary approach to strategic leadership in nonprofit organizations addresses the following...

Changing Environment
Technical, Social, Political, Market, Economic

Strategic Agenda – Three Elements

1. Strategy Direction
2. Strategy Integration
3. Strategy Execution

Natural Goals of the Organization
Effectiveness, Capacity-Building, Sustainability

Boards and management can use this approach* as a framework for nonprofit growth, performance and change, and as a model for Best Practices in strategic leadership.

*Source: ***Prepared and Resolved: The Strategic Agenda for Growth, Performance and Change***, by Daniel Wolf, dsb Publishing 2007.

The Strategic Agenda: Elements

The strategic agenda consists of three elements that are brought together in response to the realities of a changing environment and the natural goals of the nonprofit organization:

1. **Strategy Direction** – provides the essential focus of the nonprofit, along with key choices
2. **Strategy Integration** – provides the constructs for matching programs, resources and processes.
3. **Strategy Execution** – provides the connections of specific actions and their effect on outcomes.

Our research suggests that corporate and nonprofit organizations struggle with the alignment of these elements. The “who/what/how” connections are difficult.

Capacity Building and Strategy

The term “organization engagement” applies to capacity building and strategy in some very important and powerful ways...

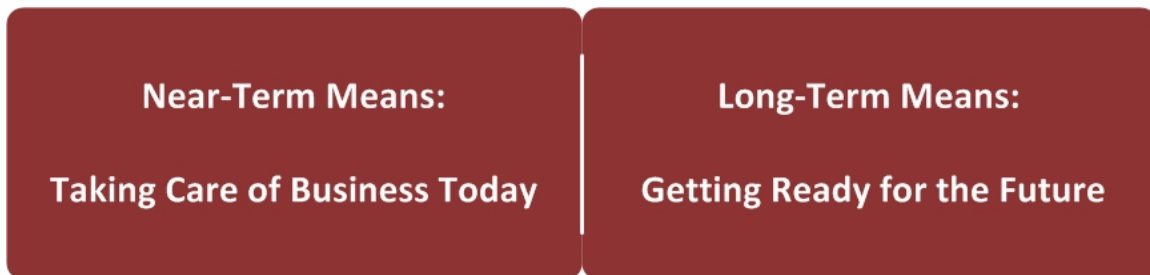
1. Engagement means, among other things, the personal and group level of commitment and accountability for results.
2. Before we can expect people to be fully engaged in the strategic agenda of the nonprofit organization.
 - a. They need sufficient awareness of the strategy.
 - b. They need to understand the Strategic Agenda.
 - c. They need to appreciate the cause – and – effect.
3. Boards and management develop strategic engagement through the experience of working with the elements of the Strategic Agenda: direction, integration, and execution.

In essence, strategic leadership is learned through the engagement of best practices – it’s built from experience.

** Source: The Five Elements of Strategic Engagement: The Connections Between Strategic Thought and Behavior in Organizations. Dewar Sloan Research Paper, 2009*

Near-Term and Long-Term

In nonprofit organizations, the balance of near-term and long-term objectives is critical. In the most basic language, here is what really counts...



Best Practices in Strategic Leadership support the balance of board and management dialogue on near-term and long-term objectives.

Best Practices in Strategic Leadership encourage the continuous review of issues that pose opportunities, risks and challenges.

Best Practices in Strategic Leadership engage people in the discernment of pathways for nonprofit change and evolution.

Measures and Relevance

When nonprofit organizations look at their strategic agenda in cause-and-effect terms, they can focus on results in several areas:

1. Elements that Drive Program Results, Impact
2. Elements that Drive Economic Results, Budgets
3. Elements that Drive Strategic Results, Impact
4. Elements that Drive Capacity Results, Resources
5. Elements that Drive Nonprofit Change, Evolution

Practical and relevant measures of growth, performance and change are an essential part of the Best Practices model for nonprofit organizations.

Best Practices

Bringing together a practical and responsive blend of nonprofit and corporate best practices in Strategic Leadership is essential in today's environment.

From the broad environment of nonprofit work, we can identify six main areas that support "Best Practices" discussion...

1. Thorough Insights on Strategic Conditions, Frontiers
2. Strong Balance of Near-Term and Long-Term Focus
3. Broad Engagement of Stakeholders in the Strategy
4. Specific Accountability for Resources and Outcomes
5. Sense of Change that Drives Nonprofit Evolution
6. Match of Executive and Board Resources to Strategy

Our research suggests that each of these Best Practices contributes to the creation of strategic and economic value, and that value creation theme has influence far beyond the boundaries of the organization.

Best Practices

1. Through Insights on Strategic Conditions, Frontiers

Nonprofit boards and management need to develop and explore the realities of their served environment with:

- a. Perspectives on Stakeholders Requirements
- b. Assessments of Market, Competitive Conditions
- c. Recognition of Change Forces and Trend Factors
- d. Foresight and Scenario Views of the Future
- e. Perspectives and Capacity and Preparedness

These ideas help set the context for the strategic agenda along with the strategic dialogue for boards and management.

Best Practices Note: How deep are these insights, and how well are they connected with planning and decision making?

Reference Reading:

Get There Early by Bob Johnson, 2007

Inevitable Surprises by Peter Schwartz, 2003

Competing in a Flat World by Wind and Fung, 2007

Best Practices

2. Strong Balance of Near-Term and Long-Term Focus

Nonprofit boards and management are responsible for taking care of business today, while getting the organization ready for the future.

Near-Term Goals and Focus usually deal with:

- a. delivering results through current programs
- b. balancing resources and capacity for the present

Long-Term Goals and Focus usually deal with:

- a. developing programs that advance the mission
- b. developing capacity that sustains the purpose

Near-Term and Long-Term Focus...These present the organization with the context for understanding its own evolution and sustainability.

Best Practices Note: How well do board members and management reflect on near-term and long-term readiness and evolution?

Reference Reading:

The Strategy Paradox by Michael Raynor, 2007

Managing with Dual Strategy by Derek Abell, 1993

Results by Neilson and Pasternack, 2005

Best Practices

3. Broad Engagement of Stakeholders in the Strategy

Nonprofit boards and management need to engage people at every level of the organization in the strategic agenda.

This kind of engagement means several things:

- a. Commitment to generating results and impact
- b. Energy and capacity to drive processes, programs
- c. Leadership effort dispersed and accounted for
- d. Service and advocacy mindset at every level
- e. Adaptive, prepared and resolved orientation

Engagement is more than strategy awareness and understanding, and more than strategy passion and appreciation. It's a cultural consideration.

Best Practices Note: How broadly are board and management truly engaged in the purpose and evolution of the nonprofit, at every level?

Reference Reading:

The Elegant Solution by Matthew May, 2007

Responsibility at Work by Howard Gardner, 2007

The Cycle of Leadership by Noel Tichy, 2002

Best Practices

4. Specific Accountability for Resources and Outcomes

Nonprofit boards and management teams need a combination of operating and strategic measures by which to gauge results.

Operating Measures usually deal with:

- a. program delivery and resource management
- b. process improvement and quality indicators

Strategic Measures usually deal with:

- a. service and program innovation, enhancement
- b. capacity and network development and leverage

Accountability begins with a deliberate and discerning view of what is most relevant to success and sustainability.

Best Practices Note: Across the span of stakeholders, what really counts? What are the measures? To whom does it matter?

Reference Reading:

Relevance by David Apgar, 2009

Judgment by Tichy and Bennis, 2007

Strategy Maps by Kaplan and Norton, 2004

Best Practices

5. Sense of Change that Drives Nonprofit Outcomes

Nonprofit boards and management need to connect the sparks of change that enable the organization to evolve in progressive ways.

Passion for the service is not enough. Funding for programs and mission is not enough. Nonprofit evolution requires:

- a. Leadership Ready for the Frontiers, the Journey
- b. Stakeholders Ready for Developing Alternatives
- c. Capacity ready for Emerging Challenges and Risks

Nonprofit “Entreship” is the nonprofit term for creating and guiding new ideas that produce value for stakeholders. Nonprofit Entreship is a discipline.

Best Practice Note: Readiness for the evolution of the nonprofit is a strategic mandate ... who usually leads change?

Reference Reading:

The Only Sustainable Edge by Hagel and Brown, 2005

Breaking the Code of Change by Beer and Nohria, 2000

The Innovator’s Solution by Christensen and Raynor, 2003

Best Practices

6. Match of Executive and Board Resources to Strategy

Nonprofit boards and management need to develop the human capital and discipline that will power and sustain the strategic agenda.

Nonprofit talent is roughly defined in terms of the leadership and management competence and benchstrength of the organization. Human capital is not static.

Talent alone is not enough, however:

- a. Collaborative capacity is ever more important,
- b. Inventiveness capacity drives growth of change, and
- c. Process integration capacity drives productivity.

These are just some of the talent and learning considerations that shape the prospects for nonprofit success and sustainability.

Best Practices Note: Who is providing oversight to attract, develop and retain talent and human capital for the organization?

Reference Reading:

Talent is Overrated by Geoff Colvin, 2008

The Board Book by William Bowen, 2008

Governance as Leadership by Chait, et al 2005

Best Practices and Culture

The idea of best practices has roots in everything from agriculture and commerce to government and education. This is less about doctrine, more about focus.

The contemporary use and discernment of best practices in nonprofit organizations means anything but bureaucratic work:

- a. Best Practices Pose Critical Questions
- b. Best Practices Inform Essential Priorities
- c. Best Practices Shape Nonprofit Goals
- d. Best Practices Enable Capacity Building
- e. Best Practices Explore Pathways for Change
- f. Best Practices Engage the Strategic Agenda
- g. Best Practices Power Nonprofit Outcomes

The culture and subcultures of nonprofit organizations reflect certain beliefs, values and ideas. But practices are cultural in nature; they reflect how people can behave.

Board and Management Roles

The interaction of governance boards and management is a key aspect of strategic leadership in nonprofit organizations.

The dynamic capacity of a nonprofit depends on leadership and engagement that moves and fulfills the Strategic Agenda.

In general terms and without the fine administrative language of more formal “powers and responsibility” documentation, here is what has to balance:

Nonprofit Governance	Nonprofit Management
Provides Strategies Oversight, Support	Prepares Strategic Framework, Programs
Provides Oversight for NFP Compliance	Engages Programs and Focus on Results

In most nonprofit organizations, boards and management share in the formation of strategy focus and choices. The integration and execution of strategy is the role of management. Boards and management share responsibility for actions/outcomes.

Summary Thoughts

At the heart of strategic leadership is the essence of what the experts call deliberate and intentional practice. These ideas must shape everyday behavior and action.

Social innovation is a piece of the puzzle for most nonprofit organizations, and sound practice help advance the organization. Best practices encourage innovation.

Noted governance expert, William Bowen has stated nonprofit and corporate boards have more and more in common, and these best practices reflect that perspective.

Pioneering nonprofit executives have properly noted the relevance of best practices in capacity-building for leadership. Nonprofit boards share this important goal.

Best practices engage the strategic mindset of nonprofit boards and management, and they support a clear focus on results, and a bias for growth and change.

*This discussion is part of a series on **Nonprofit Strategy** developed by the NFP group at Dewar Sloan. It serves to frame a contemporary approach to strategic leadership that is guiding nonprofit growth, performance and change in many settings. For more information, references and resource bundles, contact Becky Kelderhouse at 231.929.4545 or bkelderhouse@dewarsloan.com.*

About Dewar Sloan

Our practice serves nonprofit boards and management with counsel on strategy, organization structure, resources and governance. Our research on strategy leadership and management addresses challenges that shape growth, performance and change in a wide range of nonprofit organizations. Our general framework for best practices emerges from extensive research on strategic thought, behavior and impact in large and small organizations. Our team serves nonprofit executives and boards through consultation, retreat programs and assessments.

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