An Evaluation & Selection Of Business Strategies For Not For Profit Organizations & The Specific Implications For The Calgary Centre For Non-Profit Management Calgary, Alberta, Canada

An applied research project paper to satisfy the requirements for the Masters in Business Administration Degree at Athabasca University

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Research Objective

*Plans are nothing, planning is everything.*

Dwight David Eisenhower  
Former President of the United States

The overarching goal of this paper is two fold:

The finished research paper will explore and provide details on the following points:

- A detailed evaluation of the various business planning strategies used by modern day organizations.
- A comprehensive exploration of how the theoretical and practical aspects of these strategies are used in a “real world” setting.
- How a Not for Profit organization can take these models and transpose them into the needs and wants of their organization?
- Identify the considerations that must be addressed before a change in strategy is considered and made including: risks, timelines, pitfalls, and advantages.
- Identification of what are the changes factors to keep in mind during the transition process.
- And lastly, the penalties that can be incurred by not adapting to a newer, more progressive model designed to reflect the new reality of the non-profit world they currently operate in.

But, more importantly to research, create and provide a document which could be used as a working template for a wide variety of “Not for Profit” organizations that currently are challenged in the way they operate in society. With a strong personal interest in the Not for Profit sector, this will provide an ideal incubator venue.
Conduct of the Literature Review

Far better an approximate answer to the right question, which is often vague, than an exact answer to the wrong question, which can always be made precise.

John Tukey, Statistician

What is strategic business planning? Simply stated, strategic business planning is a management tool, and like any management tool, it is used for one purpose only – to help an organization do a better job. Strategic business planning can help an organization focus its vision and priorities in response to a changing environment and to ensure that members of the organization are working towards the same goals.

In short,

“Strategic business planning is a systematic process through which an organization agrees on – and builds commitment among key stakeholders to – priorities which are essential to its mission and responsive to the operating environment.”

The particular use for strategic business planning is to sharpen organizational focus, so that all organizational resources are optimally utilized in service of the organization’s mission.

There are several key concepts in this definition that reinforce the meaning and success of strategic planning:

1. The process is strategic because it involves choosing how best to respond to the circumstances of a dynamic and sometimes hostile environment. Non-profit organizations have many choices in the face of changing client or customer needs, funding availability, competition, and other factors. Being strategic requires recognizing these choices and committing to one set of responses instead of another.

2. Strategic business planning is systematic in that it calls for following a process that is both focused and productive. The process raises a sequence of questions which helps planners examine past experiences, test old assumptions, gather and incorporate new information about the present, and anticipate the environment in which the organization will be working in the future.

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1 John Wilder Tukey, an emeritus Princeton professor considered to be one of the most important contributors to modern statistics, died July 26th, 2000.

3. Strategic business planning involves choosing specific **priorities** – making decisions about ends and means, in both the long term and the short term. Consensus on priorities must be reached at many levels, form the philosophical to the operational. While a strategic plan will stop short of the level of detail in an annual operating plan, it cannot be called a plan if it does not articulate the major goals and priority methods the organization selects. Long term goals have implications for short term action: the two must be congruent with one another for the plan to be valid and useful.

4. Finally, the process is about building **commitment**. Systematically engaging key stakeholders, including clients and the community, in the process of identifying priorities allows disagreements to be engaged constructively and supports better communication and coordination. The process allows a broad consensus to be built, resulting in enhanced accountability throughout the organization. This commitment ensures that a strategic plan will actively be used for guidance and inspiration, instead of serving as a dust cover for a remote corner shelf.

The strategic planning process and selection of business strategy can be complex, challenging, and cumbersome at times, but it is always informed by the basic ideas identified.

Non-profit organizations have a number of directions that can be examined in an effort to determine which model can be adapted to “best fit” their needs and future direction.

Some of the more common models that can be utilized include:

- The McKinsey S – 7 Framework
- The Miles and Snow Typology
- The Harvard Policy Model
- The Experience Curve
- The Portfolio Framework
- The Competitive Strategy Framework
- Michael Porter’s Three Competitive Strategies

Non-profit organizations have to consider what a strategy looks like. Strategies are broad, overall priorities or directions adopted by an organization: strategies are choices about how best to accomplish an organization’s mission. Close examination of The Calgary Centre for Non-profit Management ³ shows how it has made a clear choice about how best to pursue its mission. The strategy they use can be translated into specific goals and objectives over a period of years. What is not easy to see is how much effort, experimentation, and discussion were required to find this successful strategy currently being employed.

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³ The Calgary Centre For Not For Profit Management – Calgary, Alberta
Web site [http://www.thecentre.ab.ca](http://www.thecentre.ab.ca)
Everything that is stated about proper strategic business planning selection is, can also inform an understanding of what it is not.

- **Strategic Business Planning Unfortunately Does Not Predict The Future or Make Decisions Which Can’t Be Changed.** Though strategic business planning involves making assumptions about the future environment, the decisions are made in the present. Over time, an organization must monitor changes in its environment and assess whether its assumptions remain essentially valid. If an unexpected shift occurs, major strategic decisions may have to be revisited sooner than they would in a typical three to five year business plan.

- **Strategic Planning Is Not a Substitute for the Judgment of Leadership.** Strategic Business Planning is a tool – it is not a substitute for the exercise of judgment by leadership. Ultimately, the leaders of any non-profit enterprise need to sit back and ask themselves, “What are the *most* important issues to respond to?” and “How shall we respond?” So the data analysis and decision making tools of strategic business planning do not make the organization function – they can only support the intuition, reasoning skills, and judgment that people bring to the work of their organization.

- **Strategic Business Planning Is Not Always Smooth, Predictable, and Linear Process.** Strategic Business Planning, though structured in many aspects, typically does not flow smoothly from one phase to the next. It is creative process, requiring flexibility – the fresh insight arrived at today might well alter the decision made yesterday. Inevitably, the process moves forward and back several times before arriving at the final set of decisions.

Many nonprofits question the reasons for doing strategic business planning in the first place. After all, planning consumes resources, a precious commodity for any non-profit, and defining the direction and activities of an organization, in an ever changing environment, is a daunting endeavour.

Certainly planning alone does not product results: it is a means, not an end in itself. The plans have to be implemented to produce results. However, well developed business strategy plans increase the chances that the day to day activities of the organization will lead to desired results. Planning helps the members of the organization focus on the right priorities, and it improves the process of people working together as they pursue these activities.

Successful strategic business planning improves the focus of an organization in that it generates:

- An explicit understanding of the organization’s purpose, business(s), and value among staff, board, and external constituencies; that understanding supports an increased level of commitment to the organization and its goals.
A blueprint for action. The plan is a conceptual framework that guides and supports the management and governance of the organization, a framework that orients board and staff as they go about doing the work of the organization.

- Broad milestones with which to monitor achievements and assess results.
- Information that can be used to market the organization to the public and to potential funders.

Successful strategic business planning improves the process of people working together in that it:

- Creates a forum for understanding why the organization exists and the shared values that should influence decisions.
- Fosters successful communication and teamwork among the board of directors and staff.
- Lays the groundwork for meaningful change by stimulating strategic thinking and focusing on what’s really important to the organization’s long term success.
- And, most importantly, brings everyone together to pursue opportunities for better meeting the needs of clients.
Research Approach

Consumers are statistics. Customers are people.

Burton M. Tansy
CEO of Neiman & Marcus Stores

To achieve the research objectives outlined for this project, this paper will focus on a number of key questions. The questions themselves will be both Intellectual and Practical. Not for Profits need to know or understand what types or classifications of strategies are available to them. This segues into the next step of selecting the most appropriate style. At that point they can make a choice in order to change, make themselves better or operate more efficiently. Specific areas to ask include:

- What business planning strategies are available?
- What are the advantages and disadvantages of each?
- What are the risks associated with moving to any of the identified models?
- What are the steps needed to adopt a new format of business strategy?

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4 Neiman Marcus Stores will implement Customer Relationship Marketing software in the sales and marketing divisions where users will access, analyze, and share information on shopping patterns of customers. Business Week, July, 2003
Introduction & Overview

*The purpose of an enterprise is to create and keep a customer.*

Theodore Levitt

This research project will be based on the premise that leaders and managers of Not for Profit associations must be effective strategists if their organizations are to fulfill their missions and satisfy their constituents in the years ahead. These leaders and managers will need to exercise as much direction as possible in the areas under their control, they will need to develop effective strategies to cope with changed and changing circumstances, and they must develop a coherent and defensible basis for decision making.

Strategic planning is a set of concepts, procedures, and tools designed to assist leaders and managers with these tasks. Strategic planning may be defined as a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it. In the past twenty five years, strategic planning has become a standard part of managerial thinking and practice in the business world. Only recently have leaders and managers in the non-profit sectors become aware of how strategic planning can help their organizations.

The environments of non-profit organizations have become not only increasingly turbulent in the past three years in Alberta but also more tightly interconnected; thus changes anywhere in the system reverberate unpredictably – and often dangerously. This increased turbulence requires a three part response.

1. First, these organizations must think strategically as never before.
2. Second, they must translate their insights into effective strategies to cope with their changed circumstances.
3. And thirdly, they must develop the rationales necessary to lay the groundwork for the adoption and implementation of their strategies. The key point of this research paper will be to emphasize that it is *strategic thinking and acting* that are important, not strategic planning. If any particular approach to strategic planning gets in the way of strategic thought and action, the planning approach should be scrapped!

Public sector strategic planning has a long history. Indeed, the word “strategy” comes from the Greek word *stratego*, a combination of *stratos*, or army, and *ego*, or leader.

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5 Theodore (Ted) Levitt is the Edward W. Carter Professor of Business Administration Emeritus at the Harvard Business School and former editor of the *Harvard Business Review.*
Strategic planning thus began as the art of the general and now has become the art of the general manager.\(^6\)

For the most part, however, strategic planning has been developed in the private sector. Recent experience now indicates that strategic planning approaches developed in the private sector can help public and non profit organizations, as well as communities or other entities, deal with their dramatically changing environments, and thus can help them to be more effective.

How can leaders and managers of Not for Profit organizations cope with the challenges that confront their organizations now and in the future? How can these leaders and managers determine how their organizations should respond to the increasingly turbulent environments in which these organizations operate? Or to rephrase it: “How should leaders respond to dwindling or unpredictable resources; new public expectations; demographic changes; deregulation; upheavals in the economy – both local and nationally; and new roles for non-profit organizations?” What should their organization’s missions be? How can leaders build on organizational strengths and take advantage of opportunities while minimizing weaknesses and overcoming threats to their organizations?

\(^6\) “Strategies for Introducing Marketing into Nonprofit Organizations,” Philip Kotler, taken from Philip Kotler, O.C. Ferrell ad Charles Lamb, Strategic Marketing for Nonprofit Organizations, 3\(^{rd}\)
Background

*Induce your competitors not to invest in those products, markets and services where you expect to invest the most... that is the fundamental rule of strategy.*

Bruce Henderson
Founder of Boston Consulting Group

Leaders and managers of governments, public agencies of all sorts, non-profit organizations, and communities face difficult challenges in the years ahead. Turbulence and upheaval surround them, and too many of them are woefully ill-prepared for the future. Perhaps now is the time to realize that they are – in essence – running a business with the same challenges and opportunities that “for profit” organizations face on a day to day basis. An organization overall strategy can make for major differentiators in the way they operate, and effect their sustainability or demise.

Drawing on various literature sources, strategic business planning is defined as a disciplined effort to product fundamental decisions and actions that shape and guide what an organization (or other entity) is, what it does, and why it does it. At its best, strategic planning requires broad-scale information gathering, an explanation of alternatives, and an emphasis on the future implications of present decisions. It can facilitate communication and participation, accommodate divergent interests and values, and foster orderly decision making and successful implementation.

Specifically, strategic planning can be applied to:

- Public agencies, departments, or major organizational divisions.
- General-purpose governments, such as city, county, municipality, or province.
- Non-profit organizations providing basically public services. Specific functions, such as transportation, health, or education, that bridge organizational and governmental boundaries.
- And, lastly – entire communities, urban or metropolitan areas, regions, or provinces.

It could be summarized that strategic planning requires a more comprehensive vision than that which normally guides comprehensive planning. At the same time, strategic business planning produces a more selective action focus.

In essence, the major benefits that a non-profit organization will realize from implementing a strategic business planning process include:

- Think strategically and develop effective strategies
- Clarify future direction
- Establish priorities
• Make today’s decisions in light of their future consequences
• Develop a coherent and defensible basis for decision making
• Exercise maximum discretion in the areas under organizational control
• Make decisions across levels and functions
• Solve major organizational problems
• Improve organizational performance
• Deal effectively with rapidly changing circumstances
• Build teamwork and expertise

Although strategic business planning can provide all these benefits, there is no guarantee it actually will. For one thing, strategic planning is simply a set of concepts, procedures, and tools to consider and use.

The Calgary Centre for Non-Profit Management is a registered not for profit organization headquartered in Calgary, Alberta. Community leader, builder, collaborator - these words highlight the key roles of The Centre in strengthening non-profit organizations by creating critical links with corporate, public and education sectors in the Greater Calgary Area. From their initial role as an innovative consulting enterprise, they have expanded their mission into a broader mandate of providing training and mentoring services through a diversity of new products and programs.

Since its inception in 1966, The Centre has evolved to meet its primary objective of understanding and responding to the needs of its stakeholders. For The Centre, these needs are two fold.

1. Calgary’s growing non-profit sector requires high calliper assistance to deliver ever more complex and timely community programs and services.
2. Calgarians have demonstrated their desire for unique and streamlined volunteer opportunities that allow them to make a difference in the lives of those around them.7

This concept is driven by a strong mission, vision and values statement. The strategy that The Centre uses is a combination of the best business strategies available, combined with a unique approach to conducting day to day activities. The Centre helps its clients build effective and sustainable organizations. Elements of sustainability planning comprise The Centre’s service offering and include:

• Human Resource Strategies – key directions that energize and engage an organization and its people.
• Team Building – training that helps to create supportive and collaborative work environments to encourage organizations and employees to be their best.
• Board Development – guidance to customize a model of governance to suit the unique parameters of an organization’s culture.

7 2002 Annual Report of The Calgary Centre For Not For Profit Management
• Planning – developing long term approaches to varying stages of an organization’s lifecycle. This work ranges from facilitating sessions around values, vision and mission through to strategic and business planning.
• Administrative & Financial Supports – establishing sound workflow processes that streamline an organization’s accounting and management controls.
• Marketing & Communications – dynamic planning processes designed to enhance an organization’s profile, image and reputation.
• Technology Assessment – adopting innovative practices to integrate technology supports into organizational processes and optimize overall effectiveness.
• Knowledge Management – gathering and structuring information that supports an organization’s core business and allows it to grow.

At the heart of The Centres work is the Volunteer Management Consultant. These are skilled professionals who give back to the community through The Centres match of business expertise with the training needs of its clients. Currently The Centre maintains a database of over 280 individuals who donate their time, talent and energy to provide pro bono expertise on a wide range of business issues. Their contributions of knowledge, skills and time reduces the consulting fees charged to client organizations and enable The Centre to offer high quality consulting services at substantially reduced costs. The tremendous work of these consultants affirms the mission of enriching the linkages between the corporate and non-profit sectors. The Centre is expanding the scope of its volunteer program through such new initiatives as the high-potential volunteer, ensuring that community agencies have access to leading edge business practices.

Since The Centre began, it has demonstrated its abilities to help non-profit organizations build capacity and sustainability through adoption and improvement of best management practices. In this time frame, over six hundred consultations to non-profit organizations of every size and from all sub-sectors have been completed. This has also resulted in over three hundred and fifty people learning valuable skills and tools through the training programs offered by The Centre. In addition to this, fifteen organizations have made major strides toward sustainability as participants in the Fundraising & Resource Development Program, and forty five organizations have benefited from various Technology programs.

All of this did not come about without some major challenges and difficult decisions over the past seven years. The Centre continues to change and evolve through a series of adaptations and modifications of its business strategy. Its success has been attributed to its ability to recognize and change with the market conditions of the Greater Calgary Area.
Defining Strategic Management

*Imagining the future may be more important than analyzing the past. I daresay companies today are not resource-bound, they are imagination-bound.*

C.K. Prahalad
University of Michigan – Business School
Ann Arbor, Michigan
Co-author of “Competing for the Future”

Strategic management can be defined as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives. As this definition implies, strategic management focuses on integrating management, marketing, finance / accounting, production / operations, research and development, and computer information systems to achieve organizational success. The term strategic management is used synonymously with the term strategic planning. The latter term is more often used in the business world, whereas the former is often used in academia. Sometimes the term *strategic management* is used to refer to strategy formulation, implementation, and evaluation, with strategic planning referring only to strategy formulation. The purpose of strategic management is to exploit and create new and different opportunities for tomorrow; *long-range planning*, in contrast, tries to optimize for tomorrow the trends of today.

The term *strategic planning* originated in the 1950’s and was very popular between the mid-1960’s to mid-1970s. During these years, strategic planning was widely believed to be the answer for all problems. At the time, much of the corporate world was “obsessed” with strategic planning. Following that “boom”, however, strategic planning was cast aside during the 1980’s as various planning models did not yield higher returns. The 1990’s, however, brought the revival of strategic planning, and the process is widely practiced today in both the “for profit” and “non-profit” world.

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8 C.K. Prahalad  ckp@umich.edu
Harvey C. Fruehauf Professor of Business Administration & Professor of Corporate Strategy and International Business, University of Michigan
The Stages of Strategic Management

“Most of us fear change. Even when our minds say change is normal, our stomachs quiver at the prospect. But for strategists and managers today, there is no choice but to change.”

Robert Waterman, Jr.

The strategic management process consists of three stages: strategy formulation, strategy implementation, and strategy evaluation. Strategy formulation includes developing a vision and mission, identifying an organization’s external opportunities and threats, determining internal strengths and weaknesses, establishing long term objectives, generating alternative strategies, and choosing particular strategies to pursue. Strategy formulation issues include deciding what new business ventures to enter, what business units to abandon, how to allocate resources, whether to expand operations or diversify, whether to enter other provincial markets, whether to merge or form a joint venture, and how to avoid a hostile takeover by another non-profit organization.

Because no organization has unlimited resources, strategists must decide which alternative strategies will benefit the organization most. Strategy-formulation decisions commit an organization to specific products, markets, resources, and technologies over an extended period of time. Strategies determine long-term competitive advantages. For better or worse, strategic decisions have major multifunctional consequences and enduring effects on an organization. Top non-profit managers have the best perspective to understand fully the ramifications of strategy-formulation decisions; they have the authority to commit the resources necessary for implementation.

Strategy implementation requires a non-profit to establish annual objectives, devise policies, motivate staff, and allocate resources so that formulated strategies can be executed. Strategy implementation includes developing a strategy-supportive culture, creating an effective organizational structure, redirecting marketing efforts, preparing budgets, developing and utilizing information systems, and linking staff compensation to organizational performance.

Strategy implementation often is called the action stage of strategic management. Implementing strategy means mobilizing staff and managers to put formulated strategies into action. Often considered to be the most difficult stage in strategic management, strategy implementation requires personal discipline, commitment, and sacrifice. Successful strategy implementation hinges upon managers’ ability to motivate staff, which is more art than a science. Strategies formulated but not implemented serve no useful purpose.
Interpersonal skills are especially critical for successful strategy implementation. Strategy implementation activities affect all staff and managers in an organization. Every division and department must decide on answers to questions, such as “What must we do to implement our part of the organization’s strategy? And “How best can we get the job done?” the challenge of implementation is to stimulate managers and staff throughout an organization to work with pride and enthusiasm towards achieving stated objectives. Strategy evaluation is the final stage in strategic management. Managers desperately need to know when particular strategies are not working well; strategy evaluation is the primary means for obtaining this information. All strategies are subject to future modification because external and internal factors are constantly changing. Three fundamental strategy-evaluation activities are:

- Reviewing external and internal factors that are the bases for current strategies.
- Measuring performance.
- And, taking corrective actions.

Strategy evaluation is needed because success today is no guarantee of success tomorrow! Success always creates new and different problems; complacent organizations experience demise.

Strategy formulation, implementation, and evaluation activities occur at three hierarchical levels in a non-profit organization: corporate, divisional or strategic business units, and functional. By fostering communication and interaction among managers and staff across hierarchical levels, strategic management helps an organization function as a competitive team. Most small non-profits and some large non-profits do not have divisions or strategic business units; they have only the corporate and functional levels. Nevertheless, managers and staff at these two levels should be actively involved in strategic-management activities.

Peter Drucker says the prime task of strategic business management is thinking through the overall mission of a business:

“.. That is, of asking the question, “What is our Business?” This leads to the setting of objectives, the development of strategies, and the making of today’s decisions for tomorrow’s results. This clearly must be done by a part of the organization that can see the entire business; that can balance objectives and the needs of today against the needs of tomorrow; and that can allocate resources of men and money to key results.”

A nonprofit must never lose track of the fact that:

- Public and nonprofit strategic business planning is important and probably will become part of the standard repertoire of public and nonprofit planners.

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• Public and nonprofit planners must be very careful how they engage in strategic planning, since not all approaches are equally useful and since a number of conditions govern the successful use of each approach.
The Benefits of Strategic Management

“A business is not defined by its name, statutes, or articles of incorporation. It is defined by the business mission. Only a clear definition of the mission and purpose of the organization makes possible clear and realistic business objectives.”

Peter Drucker

Strategic management allows an organization to more proactive than reactive in shaping its own future; it allows an organization to initiate and influence (rather than just respond to) activities – and thus to exert control over its own destiny. Many non-profit organizations have recognized and realized the benefits of strategic management.

Historically, the principal benefit of strategic management has been to help organizations formulate better strategies through the use of a more systematic, logical, and rational approach to strategic choice. This certainly continues to be a major benefit of rational approach to strategic choice, but studies now indicate that the process, rather than the decision or document, is the more important contribution of strategic management.

The manner in which strategic management is carried out is thus exceptionally important. A major aim of the process is to achieve the understanding of and commitment from all managers and staff. Understanding may be the most important benefit of strategic management, followed by commitment. When managers and staff understand what the organization is doing and why, they often feel that they are a part of the organization and become committed to assisting it. This is especially true when staff also understand linkages between their own compensation and organizational performance. Managers and staff become surprisingly creative and innovative when they understand and support the organizations mission, objectives, and strategies. A great benefit of strategic management, then, is the opportunity that the process provides to empower individuals. Empowerment is the act of strengthening staff’s sense of effectiveness by encouraging and rewarding them to participate in decision making and to exercise initiative and imagination.

More and more organizations are decentralizing the strategic-management process, recognizing that planning must involve lower-level managers and staff. The notion of centralized staff planning is being replaced in organizations by decentralizing line-manager planning. The process is a learning, helping, educating, and supporting activity, not merely a paper-shuffling activity among senior executives. Strategic-management

dialogue is more important than a nicely bound strategic-management document. The worst thing strategists can do is develop strategic plans themselves and then present them to operating managers to execute. Through involvement in the process, line managers become “owners” of the strategy. Ownership of strategies by the people who have to execute them is a key to success!

Although making good strategic decisions is the major responsibility of an organization’s CEO, both managers and staff must also be involved in strategy formulation, implementation, and evaluation activities. Participation is a key to gaining commitment for needed changes.

An increasing number of organizations and institutions are using strategic management to make effective decisions. But strategic management is not a guarantee for success; it can be dysfunctional if conducted haphazardly.

Benefits of Strategic Planning:

Greenley stated that strategic management offers the following benefits:

- It allows for identification, prioritization, and exploitation of opportunities.
- It provides an objective view of management problems.
- It represents a framework for improved coordination and control of activities.
- It minimized the effects of adverse conditions and changes.
- It allows major decisions to better support established objectives.
- It allows more effective allocation of time and resources to identified opportunities.
- It allows fewer resources and less time to be devoted to correcting erroneous or ad hoc decisions.
- It creates a framework for internal communication among personnel.
- It helps integrate the behaviour of individuals into a total effort.
- It provides a basis for clarifying individual responsibilities.
- It encourages forward thinking.
- It provides a cooperative, integrated, and enthusiastic approach to tackling problems and opportunities.
- It encourages a favorable attitude toward change.
- It gives a degree of discipline and formality to the management of the business.

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Why Some Organizations Don’t Plan Strategically

There was a time in America when business was easier. We set the pace for the rest of the world. We are immune to serious foreign competition. Many of us were regulated (and) therefore protected. No longer. Today’s leaders must recreate themselves and their ways of doing business in order to stay on top and stay competitive.

Robert H. Waterman, JR

Some organizations do not engage in strategic planning, and some firms do strategic planning but receive no support from managers and staff. Some reasons for poor or no strategic planning are as follows:

- **Poor Reward Structures** – When an organization assumes success, it often fails to reward success. So when failure occurs, then the firm may punish. It this situation, it is better for an individual to do nothing (and not draw attention) than to risk trying to achieve something, fail, and be punished.

- **Fire-Fighting** – An organization can be so deeply embroiled in crisis management and fire fighting that it does not have time to plan.

- **Waste of Time** – Some firms see planning as a waste of time since no marketable product is produced. Time spend on planning is an investment.

- **Too Expensive** – Some organizations are culturally opposed to spending resources.

- **Laziness** – People may not want to put forth the effort needed to formulate a plan.

- **Content With Success** – Particularly if a firm is successful, individuals may feel there is no need to plan because things are fine as they stand. But success today does not guarantee success tomorrow.

- **Fear Of Failure** – By not taking action, there is little risk of failure unless a problem is urgent and pressing. Whenever something worthwhile is attempted, there is some risk of failure.
• **Overconfidence** – As individuals amass experience, they may rely less on formalized planning. Rarely, however, is this appropriate. Being overconfident or overestimating experience can bring demise. Forethought is rarely wasted and is often the mark of professionalism.

• **Bad Prior Experience** – People may have had a previous bad experience with planning, that is, cases in which plans have been long, cumbersome, impractical, or inflexible. Planning, like anything else, can be done badly.

• **Self-Interest** – When someone has achieved status, privilege, or self-esteem through effectively using an old system, he or she often sees a new plan as a threat.

• **Fear of the Unknown** – People may be uncertain of their abilities to learn new skills, of their aptitude with new systems, or of their ability to take on new roles.

• **Honest Difference of Opinion** – People may sincerely believe their plan is wrong. They themselves may view the situation from a different viewpoint, or they may have aspirations for themselves or the organization that are different from the plan. Different people in different jobs have different perceptions of a situation.

• **Suspicion** – Employees may not trust management.  

An unknown educator once said, “If you think education is expensive, try ignorance.” The idea behind this saying also applies to establishing objectives. Strategists should avoid the following alternative ways to “not managing by objectives.”

• Managing by Extrapolation – adheres to the principle “If it isn’t broke, don’t fix it.” The idea is to keep on doing about the same things in the same ways because things are going well.

• Managing by Crisis – based on the belief that the true measure of a really good strategist is the ability to solve problems. Because there are plenty of crises and problems to go around for every person and every organization, strategists ought to bring their time and creative energy to bear on solving the most pressing problems of the day. Managing by crisis is actually a form of reacting rather than acting and of letting events dictate the what’s and when of management decisions.

• Managing by Subjectives – built on the idea that there is no general plan for which way to go and what to do. In short, “Do your own thing, the best way you know how” (sometimes referred to as the mystery approach to decision making because subordinates are left to figure out what is happening and why).

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14 Adapted from: [http://www.mindtools.com/plrecsn.html](http://www.mindtools.com/plrecsn.html)
• Managing by Hope – based on the fact that the future is laden with great uncertainty, and that if we try and do not succeed, then we hope our second (or third) attempt will succeed. Decisions are predicted on the hope that they will work and the good times are just around the corner, especially if luck and good fortune are on our side.  

15 Steven C. Brandt, *Strategic Planning in Emerging Companies* (Reading, MA: Addison-Wesley, 1981)
Pitfalls In Strategic Planning

An organization should approach all tasks with the idea that they can be accomplished in a superior fashion.

Thomas Watson, Jr.
Founder of IBM

Strategic planning is an involved, intricate, and complex process that takes an organization into uncharted territory. It does not provide a ready to use prescription for a process; instead, it takes the organization through a journey and offers a framework for addressing questions and solving problems. Being aware of potential pitfalls and being prepared to address them is essential to success.

Some pitfalls to watch for and avoid in strategic business planning include:

- Using strategic planning to gain control over decisions and resources.
- Doing strategic planning only to satisfy accreditation or regulatory requirements.
- Too hastily moving from mission development to strategy formulation.
- Failing to communicate the plan to staff, who continue working in the dark.
- Top managers making many intuitive decisions that conflict with the formal plan.
- Top managers not actively supporting the strategic-planning process.
- Failing to use plans as a standard for measuring performance.
- Delegating planning to a “planner” rather than involving all managers.
- Failing to involve key staff in all phases of planning.
- Failing to create a collaborative climate supportive of change.
- Viewing planning to be unnecessary or unimportant.
- Becoming so engrossed in current problems that insufficient or no planning is done.
- Being so formal in planning that flexibility and creativity are stifled.  

16 Adapted from http://www.des.calstate.edu/limitations.html
An Overview of Various Strategies

Alice said, “Would you please tell me which way to go from here?” The cat said, “That depends on where you want to get to.”

Lewis Carroll
Author of Alice in Wonderland

This research project will outline the basic details of several well known business strategies that can be implemented into the Not for Profit world. By comparing the advantages and disadvantages of each, and taking specific points from each, a template for the most optimum strategy is defined and outlined.

The strategies outlined include the following:

- The McKinsey 7 – S Framework
- The Miles and Snow Typology
- The Harvard Policy Model
- The Experience Curve and the Portfolio Framework
- The Competitive Strategy Framework
- Michael Porter’s Three Competitive Strategies

While these defined strategies are considered conceptual in design, the topic of strategy can be sub-divided into no less than thirteen alternatives. Taking the best components of the conceptual listings, they are:

1. Forward integration
2. Backward integration
3. Horizontal integration
4. Market penetration
5. Market development
6. Product development
7. Concentric diversification
8. Conglomerate diversification
9. Horizontal diversification
10. Joint venture / partnering
11. Retrenchment
12. Divestiture
13. Liquidation

Many if not organizations pursue a combination of two or more strategies simultaneously, but a combination strategy can be exceptionally risky if carried too far.
No organization can afford to pursue all the strategies that might benefit the non-profit in question. Priority must be established. Organizations, like individuals, have limited resources. Both the organization and the individual must choose among alternative strategies and avoid excess indebtedness.

<table>
<thead>
<tr>
<th>STRATEGY</th>
<th>DEFINITION</th>
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<tbody>
<tr>
<td>Forward Integration</td>
<td>Gaining ownership or increased control over other non-profits</td>
</tr>
<tr>
<td>Backward Integration</td>
<td>Seeking ownership or increased control over other non-profits</td>
</tr>
<tr>
<td>Horizontal Integration</td>
<td>Seeking ownership or increased control over competitors</td>
</tr>
<tr>
<td>Market Penetration</td>
<td>Seeking increased market share for present products or services in present markets through greater marketing efforts</td>
</tr>
<tr>
<td>Market Development</td>
<td>Introducing present products or services into new geographic area</td>
</tr>
<tr>
<td>Product Development</td>
<td>Seeking increased share by improving present products or services or developing new ones</td>
</tr>
<tr>
<td>Concentric Diversification</td>
<td>Adding new but related products or services</td>
</tr>
<tr>
<td>Horizontal Diversification</td>
<td>Adding new, unrelated products or services for present clients</td>
</tr>
<tr>
<td>Retrenchment</td>
<td>Regrouping through cost and asset reduction to reverse declining product or service usage</td>
</tr>
<tr>
<td>Divestiture</td>
<td>Eliminating a division or portion of a non-profit’s portfolio</td>
</tr>
<tr>
<td>Liquidation</td>
<td>Eliminating all of a non-profits assets, in parts, for their tangible worth or disbanding their charter altogether</td>
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The Nature of Strategies and Its Uses

Tomorrow always arrives. It is always different. And even the mightiest company is in trouble if it has not worked on the future. Being surprised by what happens is a risk that even the largest and richest company cannot afford, and even the smallest business need not run.

Peter Drucker

Given the uncertain economic environment that many Canadian nonprofit organizations face today, it is important for a nonprofit marketer and / or manager to be able to align the purposes and goals of his or her organization with the changes the environment may be imposing upon it.

This often necessitates positioning one’s institution in light of an uncertain future and to identify and make the necessary changes within an organization called for by this uncertainty. A nonprofit organization’s strategy can help these types of changes to take place if necessary prerequisites are in place:

- The strategy in place must be drawn up to reflect the institution’s major goals and policies.
- The strategy must coordinate and control actions in order to achieve a few key targets or goals.
- The strategy must take into account what is both known and unknown.
- The strategy in question should be supported by other organizational strategies, depending upon a company’s complexity.

Given this attention to developing strategies, any organizational direction can be changed so that the values and ideals of the nonprofit organization in question can be realized. Furthering this notion, Paul Nutt and Robert Backoff in their book, Strategic Management of Public and Third Sector Organizations, lists three ways in which a strategy can be used in light of its environments.

1. **Strategy as focus** – because people within organizations have individual goals that can be competitive and at odds with the organization, strategy can serve to break

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17 “Strategic Management of Public and Third Sector Organizations.” Jossey-Bass; (February 1992)
up personal “fiefdoms,” to root and grow by focusing effort which, in turn, helps coordinate activity toward an agreed-upon direction.

2. **Strategy as consistency** – Strategy can reduce uncertainty by offering direction for what is wanted, thereby satisfying the staff’s needs for order and predictability in their affairs.

3. **Strategy as purpose** – Strategy also provides meaning to those both inside and outside the organization by giving them a way to understand what the organizations engaged in seemingly similar activities.\(^{18}\)

The multiple uses of strategy within an organization have resulted in many documents and articles, with the list of its uses seemingly endless. At the very basic level, strategy seems to have at least six primary uses within a nonprofit organization:

1. Strategy is, or becomes, a plan by taking the organization in some intentional direction.

2. Strategy also can be used to send signals to competitors. In his popular book, *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, Michael Porter suggests that organizations can give signals which sometimes serve to dissuade another organization from entering the marketplace.\(^{19}\) For example, if someone runs a food pantry in a town and feels the field is too crowded for others to enter, he or she might institute strong promotional efforts on television, over the radio, and in print ads to give the impression to those considering entering the field that the food pantry already has much of the field sewn up, discouraging new entry attempts.

3. Strategy can be thought of as a pattern, with its stream of actions emerging and connecting those actions with those that were both intended and those actions that were not originally intended. The environment and organization is interacting with changes, forcing new thoughts and discarding the old as the environment provides continuous new information. This type of thinking can be best summed up by the quote from a business executive who said, “Gradually, the successful approaches merge into a pattern of action that becomes strategy.”\(^{20}\)

4. Apart from strategy being used as a plan, perhaps the most popular use of strategy is to create a market niche. Using an organization’s strengths in light of its environment, niche strategies try to direct organizational resources into areas

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where there is little competition, thereby protecting themselves from competitors and maximizing receptivity to its products.

5. While not often discussed in the nonprofit context, strategy can also be thought of as the personality of the organization, what Mintzberg calls “perspective ... an ingrained way of perceiving the world.” ²¹ Strategy defines how an organization will deal with problems and opportunities. In this light, strategy also may be thought of as the protector of the core values of the organization.

6. Finally, strategy is used as promotion. By setting out a direction for the organization, strategy begins the process of shaping action toward the organization’s long-term goals through its promotional efforts.

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²¹ “The Strategy Concept 1: Five Ps for Strategy,” Mintzberg, p. 16
Frameworks for Strategy

When a crisis forces choosing among alternatives, most people will choose the worst possible one.

Rudin’s Law

By viewing strategy through one – or more than one – of the previously mentioned uses, an organization is ready to begin merging its past, present, and future into a coherent strategy. This process begins by taking an historical look at the roots of the company and combining it with the present orientation that promotes and inspires action. This enables the nonprofit organization to target its long-range goals. It is then ready to choose its strategy.

The choice of a strategy is often aided by first using the theoretical framework, both showing structural strengths in an organization, and matching them with the surrounding environment. In undergoing this exercise, an organization begins to shape its structure and systems in anticipation of its strategy. The two are not mutually exclusive, nor do they work independently of each other; rather strategy and organizational structure must exist interdependently.

The McKinsey 7 – S Framework

Strategic management is not a box of tricks or a bundle of techniques. It is analytical thinking and commitment of resources to action. But quantification alone is not planning. Some of the most important issues in strategic management cannot be quantified at all.

Peter Drucker

The 7 – S Framework, though one of the older frameworks used for organizational analysis, is relevant to a nonprofit strategy discussion for a number of reasons. One critical reason is the Framework’s assertion that structure and strategy cannot be discussed sensibly without a consideration of the people and skill level of the organization being considered. Nonprofit organizations, which enact strategies without first looking at their internal, feasibility – and this happens with some regularity in many businesses – will inevitably run into some problems.

Though developed in the early 1980’s, the 7 – S Framework gained major recognition through two influential books on strategy, structure and organizations: *In Search of Excellence* and *The Art of Japanese Management*. Tom Peters and Robert Waterman, writing in their book, *In Search of Excellence* identified seven independent variables, which interact with each other in an organization.

1. Strategy
2. Structure
3. Systems
4. Skills
5. Staff
6. Style
7. Shared values

The first three elements – strategy, structure, and systems – comprise the “hardware” of an organization, while the skills, staff, style, and shared values form the “software,” to use a computer based analogy. When joined together, these seven variables create a managerial system that a manager must balance, with each variable being conditioned by the other six.

Of particular significance – and a second reason why the S – 7 Framework is important to nonprofits and other organizations – is the notion by Peters and Waterman that the four “soft” elements of the framework must not be assumed. The “soft” skills should be

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viewed as an indispensable part of a corporate commitment to its long-range plan and strategy, and such attributes must be cultivated, reviewed, and encouraged.

In retrospect, what the framework has really done is to remind the world of professional managers that “soft is hard”. It has enabled us to say, in effect, “All that stuff you have been dismissing for so long as the intractable, irrational, intuitive, informal organization can be managed. Clearly, it has as much or more to do with the way things work – or don’t work – around your companies as the formal structures and strategies do. Not only are you foolish to ignore it, but here’s a way to think about it. Here are some tools for managing it. Here, really is the way to develop a new skill.

Building on Peter’s and Waterman’s idea, Richard Tanner and Anthony G. Athos, in their book, *The Art of Japanese Management*, used the Japanese corporate giant Matsushita as a way to compare the differences in style between American and Japanese management. Of particular concern to the authors, and one of their major theses in the book, was the meticulous attention paid by Japanese managers to the “soft” S’s.

Much of the following explanation of the 7 – S Frameworks is taken from their book.

**Strategy**

Matsushita’s use of strategy – which involved primarily product-market investment decisions, coupled with the desire to be competitively superior to anyone else – was in the role of technological follower. Matsushita did not attempt to pioneer technology but instead tried to emphasize quality and price. Matsushita, itself undertook strategy, in anticipation of its external environment.

**Structure**

In deciding how tasks are divided and in developing its lines of authority and task orientation, Matsushita decentralized as much as possible, and alternately added and subtracted company-wide functions, like research and development and production engineering, depending on competitive changes in the environment. Within Matsushita, strategy and structure continually reinforced each other. The question asked by Matsushita managers seemed to be, “Is our structure and strategy building on each other’s strengths? If not, let’s change them so they are.”

**Systems**

Matsushita viewed its systems as powerful procedures and tools in the hands of managers, enabling them to control budgeting, training, accounting and scheduling. These indicators were constantly compared to the organizational plan, and variances with the plan were looked at and addressed.

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Systems allow a nonprofit manager to see how well his or her organization is functioning; likewise, they can allow a manager to change an organization from the inside out. Organizations are often reflections of the good or bad quality of their systems. For many nonprofit organizations, the notion of systems is still a new phenomenon.

**Skills**

The level or capabilities allow an organization to perform both efficiently and effectively; in fact, it is the skill level of an organization in particular competencies that usually allows it to have a competitive advantage. Skills are the crucial attributes of an organization. In conversations with nonprofit executives, the realization inevitably arises that the skill of the nonprofit employees needs constant attention.

**Style**

“Style” refers to both the way an organization and its manager go about making decisions, and the shared values, symbolic actions, and dominant beliefs of the organization that influence its decisions. For example, the “ideal” Japanese leader is often pictured as an elder sitting stolidly above the fray, whereas the North American ideal is often younger, kinetic and a go-getter involved in the fray.

**Staff**

Referring obviously to people, Matsushita has a centralized training program that attempts and proposes to instill in each employee a core set of values, alongside the specialized skills the company wants. As a consequence, the experience, skills, abilities, attitudes, and expectations of each person are looked at by Matsushita as a benefit to the corporation and lead to individuals being slotted into jobs that maximize their skill mix. In nonprofit organizations, managers more often talk about staff in the “hard” way; that is, their pay scales, their training programs, and how they will be appraised. Seldom do managers talk about the “soft” end of the spectrum: employee morale, behavior on the job, motivational systems, and attitude.

**Shared Values**

For Matsushita, values became both a spiritual and uniting force, as they became a belief system whereby thousands of people dedicated their productive lives to the needs of both the company at hand, as well as to society. It was thought; therefore, that one’s organizational experience helped to indelibly shape one’s character experience. These super ordinate goals are concepts that went beyond the formal objectives of the Matsushita Corporation.

Examples of these goals for a nonprofit organization could include superior client and donor service while meeting as many of their needs as possible.  

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26 Pascale and Athos, The Art of Japanese Management, pp. 1-86
Much of the Framework may sound somewhat unusable to nonprofit managers until they realize that by deconstructing an organization, this framework helps a nonprofit manager accomplish four critical tasks:

1. First, as an expository device it helps a manager understand his or her organization through a different set of lenses;

2. Second, the manager can take a comparative look at the seven dimensions and begin to understand the strengths and weaknesses of the organization.

3. Third, this understanding begins to help a manager shape his or her strategy in such a way as to key in on those areas that function as strengths and stay away from those areas that could pose vulnerabilities; and

4. Fourth, this framework helps any nonprofit manager focus on the fit and interaction of the strategy he or she chooses and the organization that will implement it.

Nonprofit managers should identify and document the strengths and weaknesses of their organization from most prevalent to least prevalent. The managers should discuss their lists with other co-workers and determine how to both amplify the organization’s strengths and minimize its weaknesses.

In order to properly use the Framework, a manager should bear two critical issues in mind: first, the Framework tends to speak organizationally with regard to its attributes and does not really address the personal attributes of those who will implement strategy; and second, the Framework does not place much emphasis on timeliness of action in strategy implementation. A lack of managerial focus on taking action after using the Framework could easily erase its benefits by ignoring opportunities, which might be presented, or be delaying the remedying of difficult problems.

The following questions are designed to help a manager work through the 7 – S Framework. The goal of asking and answering these questions is to gather the necessary data with which a manager can assess the “fit” between the various organizational components:

1. Do the systems fit the structure?
2. Do the people fit the culture?
3. Do the people fit the structure?
4. Does the structure fit the culture?
5. Do the people fit the tasks?
6. Do the systems fit the strategy?

7. Is the organization competent in the tasks required by the strategy?  

The Miles and Snow Typology

The best game plan in the world never blocked or tackled anyone. 

Vince Lombardi
Former Coach of the Green Back Packers
NFL Professional Football Team

While the McKinsey 7 –S Framework is useful as an internal measure of an organization and the congruence between its parts, the Miles and Snow Typology classifies strategy in terms of shifts in the environment surrounding the organization and, therefore, focuses more externally.

Raymond Miles and Charles Snow looked at eighty four “for profit” firms and their approaches to environmental shifts. As one might expect (and where there is significant application to the nonprofit world), the more successful companies were able to shift products and services that aligned with significant developments in their environments. As strategies were adjusted to new environmental realities, four strategic organizational patterns emerged which have significant for the nonprofit world.

Defender

Defenders try to protect their “domain” in order to maintain their current level of service. This may be done by either trying to be cost-effective in their operations or by producing products and services that have very high quality. In seeking to protect their “turf” from competitors, they rely on selling franchises, setting up local chapters, developing trade associations, and lobbying.

A for profit example of this type of defense can be seen in tobacco companies trying to defend smoking products in the marketplace through the Tobacco Institute, an organization founded and funded by companies who wish to sell tobacco and tobacco related products. A nonprofit industry example is that of many religious denominations who have tried to set up a local parish or meeting hall in as many communities across Canada as a means to “defend” their faith and develop local advocates or affiliates.

Prospector

Prospectors find new markets and market segments, often while engaging in product innovation. These types of companies spend significant portions of their budget on market research or environmental scanning in order to anticipate contextual shifts. Their entrepreneurial task becomes the search for new products that will fit into particular

28 http://www.bus.colorado.edu/faculty/decastro/DoctoralClassF99/miles&snow.doc
29 http://www.haas.berkeley.edu/faculty/miles.html
30 http://cold.smeal.psu.edu/facultybio/facultybio.cfm?ccs4
31 http://www.tobaccoinstitute.com/
market segments. To be successful in such an enterprise requires organizations that can move quickly in light of new opportunities, which in turn necessitates organizations with low levels of formalization and flexibility in systems, policies, and management, coupled with a willingness to take organizational risks.

The prospector model continues to be very popular in the nonprofit culture, particularly as nonprofit entrepreneurs move their organizations to popular donor causes, using either intuition or market research to support their movements.

**Analyzer**

An organization that is both a prospector and a defender is an analyzer; it is looking to both lower risk and take advantage of new opportunities. The strategy that analyzers implement is similar to the Matsushita example previously outlined. These companies enter into markets after both the products and markets are established. Using an imitation strategy, products are adopted by the company that has a proven track record in the marketplace.

Significantly, the analyzer company has two organizational cultures comprised of both prospector and defender loyalists, with one group looking to broaden its base of support and another looking to limit its operational focus. This can often lead to organizational friction.

**Reactor**

Reactors often do not change in the face of environmental upheaval and, if they do change, it can be inappropriate, ineffective, or unprofitable. This lack of change is usually attributable to two reasons:

1. There is either a leadership void or departure, resulting in a lack of clearly defined strategy;

2. The strategy that the organization is articulating is clearly at odds with the parts of itself.

The Miles and Snow Typology can be shown in the following points:

**Prospector:**

- Learning orientation, flexible, fluid, decentralized structure
- Strong capability in research
- Values creativity, risk-taking, and innovation
Defender:

- Efficiency orientation, centralized authority and tight cost control
- Emphasis on production efficiency, low overhead
- Close supervision, little employee empowerment

Analyzer:

- Balances efficiency and learning, tight cost control with flexibility and adaptability
- Efficient production for stable product lines, emphasis on creativity, research, risk taking for innovation

Reactor

- No clear organizational approach, design characteristics may shift abruptly depending on current needs
Preparing for the Application of the Chosen Strategy

*The best executive has enough sense enough to pick good men, and the self-restraint enough to keep from meddling.*

Theodore Roosevelt
Former President of the United States of America

The McKinsey 7 – S Framework and the Miles and Snow Typology provide the means to classify – both internally and externally – the organizational progress and identify areas of strength and weakness. The organization can then tailor its internal strengths to the external volatilities caused by market environmental conditions. From here, an organization can decide where it needs to innovate, how it must compete with other nonprofit organizations with similar product lines and services, how flexible it needs to be in its orientation, and the modifications in the strategy that need to be made as new market conditions arise.
Other Strategy Types

Having looked at frameworks for developing strategies, what distinctive strategy types are available to a nonprofit organization? While there are many different strategies available to profit and nonprofit managers, six schools of thought have developed in the private sector. The first of these is conceptual in nature. The Harvard Policy Model looks at the values and obligations of management coupled with the capabilities of the organization in order to find the best strategic fit with the environment that surrounds the company.
The Harvard Policy Model

Most of the time, strategists should not be formulating strategy at all; they should be getting on with implementing strategies they already have.

Henry Mintzberg

The Harvard Policy Model came out of the Harvard Business School curriculum and, as such, is as much a story of the school’s own curriculum development as it is a story of business strategy. The chief function of the model is to help an organization develop a fit between its own capabilities and resources and the environment in which it finds itself. As articulated by Kenneth Andrews, Professor Emeritus of Business Administration at Harvard University, the Harvard Policy Model defined strategy as:

The pattern of purposes and policies that defines a company and business in which the company is engaged and divides strategy into two problems:

1. Formulation decisions about what to do; and
2. Implementation decisions about how to execute formulation decisions.

“Strategy” is this definition encompasses both the ends of the corporate activity and the necessary means to achieve those ends.

In formulating its strategy, a nonprofit organization identifies an intended future that matches both its strengths and market opportunities. Perhaps more importantly, this intended future also needs to match senior management intentions and aspirations. Strategy is formulated through four steps:

1. Analysis of external environment for opportunities and threats.
2. Analysis of internal strengths and weaknesses of the nonprofit organization in question.
3. Analysis of the personal values of the senior management of the nonprofit organization.
4. Analysis of the responsibility of the nonprofit organization to the general public.

Fundamentally, the Model helps to identify the strengths and weaknesses of an institution, coupled with its value system, and then identifies the threats and opportunities of the environment surrounding the institution as well as the social obligations of the nonprofit organization. As such, the systematic assessment of the strengths, weaknesses,

32 http://www.henrymintzberg.com/
33 http://www.hbs.edu/units/cs/
opportunities, and threats (known as the SWOT analysis) is the primary strength of the Harvard Model and is applicable to both profit and nonprofit organizations.

**External Environment**

The Harvard Model directs managers to first focus on the environmental trends (an activity that benefits nonprofit institutions). Looking at economic, political, social, and technological trends forces a nonprofit manager to undertake the following observations:

1. *Economic trends* – trends in competition, cost, or donation structure in the industry, the seasonality of the clients and donations, and the relationship of the nonprofit organization to the local or national economy.

2. *Political trends* – public attitudes toward the cause addressed by the nonprofit organization; regulations that will affect how the nonprofit undertakes its daily business now and in the future; and the attitude of elected officials toward the organizational mission.

3. *Social trends* – the changing buying, loyalty, and donation patterns of certain age categories in relationship to the nonprofit organization, as well as changing patterns in the family, income, political identification, and raising of children within the nonprofit organization’s environment.

4. *Technological trends* – changes in gathering and retrieving data, the ways new markets are being created through the electronic media, all types of computer technology.

**Internal Strengths**

An organization looks at its internal strengths (and weaknesses) in order to determine which goals and objectives it is capable of pursuing, versus those that are simply beyond its grasp. Issues such as the pool of talent a nonprofit organization might have, its cash reserves, its material strengths, and the like, all help a nonprofit organization get a fix on its future.

**Values**

The Harvard Policy Model forces managers to ask: “What are our values and how do they affect the choices for our future strategy?” There is little doubt that the values of those in management play an important part in the organization’s goal attainment. In many nonprofits organizations, there is an implicit assumption or expectation made by management that all employees have the same values, yet rarely do nonprofit organizations undertake a formal values assessment of its top managers, much less all of its employees like the Matsushita example.
The General Public

One rising school of thought suggests that clients, constituents, donors, and all relevant stakeholders should be listed on the organizational chart first, with everyone else listed underneath the chart working for this important group. Clients, constituents, donors, stockholders, employees, suppliers, the community at large – these groups are often not included or thought about as nonprofit managers put their strategies forward.

Implementation

It is very clear in the Harvard Model that strategy without a method for implementation is a “disaster waiting to happen.” With its desire to be of use in the everyday world, in the Harvard Policy’s view, strategy that cannot be implemented is simply bad strategy.  

The Harvard Policy Model has real value to the nonprofit world, first is the aforementioned SWOT analysis and its strong internal and external focus. The Model provides a systematic way for managers to ask questions about themselves, their company, and their environment. In this way, a reasoned approach is prescribed as opposed to a more common entrepreneurial approach. The impact upon particular audiences also is of concern in the model, as opposed to the more unilateral approach taken by the entrepreneur.

In addition, by acknowledging that the values of managers play a key role in goal accomplishment, the Model helps to focus on an issue that is usually taken for granted in the nonprofit world; that is, the agreement of key personnel on the direction of the company in question. However, there is also a weakness in the Model because only a handful of senior executives in the Model are assessed, as if the options of middle and lower management do not matter.

An additional weakness of the Model for nonprofit managers is that after examination of both itself and its environment, the Model does not provide advice on how to build a strategy from the assessment; except to note that the strategy the institution builds should take into account the strengths of the institution and take advantage of the opportunities that are present. Though taking a strong look at the trends a nonprofit organization might be facing, the Model does not take the next step in prescribing the types of action it should take in light of those very same trends.

The Experience Curve and the Portfolio Framework

Unless strategy evaluation is performed seriously and systematically, and unless strategists are willing to act on the results, energy will be used up defending yesterday. No one will have the time, resources, or will to work on exploiting today, let alone to work on making tomorrow.

Peter Drucker

The next groups of strategies are analytical in nature. Typically, analytical approaches are used to determine how certain product lines are performing; as such, a portfolio approach is usually used. The most widely used such approach is the Portfolio Framework.

The Experience Curve and Portfolio Framework strategy are analytical in nature and were developed by Bruce D. Henderson, a man who is less known than the organization he started, the Boston Consulting Group.

The Experience Curve strategy suggests that as an institution develops competencies in building a product or running a service costs will go down. The Portfolio Framework is a classification system which determines the value of all services by measuring their market share and potential growth by focusing both on the financial and numerical growth of those services as well as taking an overall view of all an agency’s services. As such, both the Experience Curve and the Portfolio Framework have special significance to those nonprofit organizations that are diversified, as well as those who have been in business for a long time.

The Experience Curve

As a nonprofit organization grows, two particular events occur relating to its marketing strategy:

1. The organization’s experience in its services or product development allows the nonprofit organization to reduce costs (to not do so usually puts an institution at competitive risk)

2. As the nonprofit organization grows bigger, both financially and through its market share of clients, it accumulates experience in its operations faster (this becomes a subset of reducing your costs)

Both facets, taken together, can lead to significant cost advantages over competitors providing the same service since the Experience Curve grows out of this concern for cost analysis. So the Experience Curve strategy helps explain the pattern of declining costs.

35 [http://www.bcg.com/this_is_bcg/mission/growth_share_matrix.jsp](http://www.bcg.com/this_is_bcg/mission/growth_share_matrix.jsp)
The Experience Curve strategy grew out of the aircraft industry in the 1930’s. It was observed that as workers became more proficient in their jobs by performing the same tasks many times, labor costs decreased as efficiency in the job increased. While this was labeled the “learning curve” in the 1930’s, it wasn’t until the Boston Consulting Group in the 1960’s initiated many cost studies that it was discovered that total costs would decline as experience increased. In the quarter of a century since that time, the idea of quality has become an important strategic phenomenon.

The Experience Curve is actually a very specific and predictable function. It says that each time the cumulative production doubles, the value-added cost in real dollars will decline by a fixed percent which will vary from situation to situation. Thus, with an 80% Experience Curve, each time the total accumulated production doubles, the cost will be reduced by 20% to 80% of its previous level.

Henderson argues that all costs follow a well-known pattern: the unit costs for producing an item drops by one-third every time volume (sometimes called turnover) for the item doubles. The Curve’s effects are assisted by four overriding factors within an organization:

1. Learning
2. Improvements in production
3. A redesign of products
4. And scale

While the learning part of the Curve applies to production people and their repetitive tasks, there is no reason to assume it could not apply to other whole groups of workers in the Third Sector. Workers learn to do tasks more quickly and with greater efficiency as the task becomes routine. Improvements in production and services – especially technological improvements – can also lead to dramatic cost decreases. Even something as simple as a desktop computer, coupled with the “learning” of certain functions, can increases one’s productivity substantially.

Product or service redesign also can lead to dramatic cost reductions by introducing new materials that cost less, or undertaking the same function using a lesser number of steps, people, or pieces of equipment. An example of this would be a charity moving from using a stand alone receipt, thank-you letter, and response envelope as part of its receipting package to combining the receipt and letter into one unit, cutting its costs through redesign.

Finally, scale – which reflects the natural savings often associated with size – also contributes to the Experience Curve. An example of this is many nonprofits can benefit
from using direct mail programs through Canada Post\textsuperscript{37} by receiving a more cost-effective piece rate as their file expands.

All of these potential improvements in cost savings can positively affect a nonprofit marketer’s strategy and implementation. A nonprofit organization can often realize substantial cost advantages by having accumulated more experience in its market than its competitors either in its service, fund-raising, or promotional strategy.

Likewise, an organization’s experience can be used to forecast costs in the market or media. By having had experience in certain events such as running a banquet or auction, give a nonprofit organization advantages over others who have never run the same event. And, knowing its costs then allows the nonprofit organization to set the donation request size they need from their partners, donors, or the philanthropic community, as well as the prices needed for product sales.

The goal of an Experience Curve-based strategy is to drive down costs. However, the Curve does not simply happen by itself. An organizational commitment to making it happen through improved quality, reducing costs, and redesigning effort must take place, as must improvements to increase market share. Sometimes in their intensity to reduce costs, nonprofit organizations have little left financially for product or service innovation or to deal with shifting opportunities in their environments.

Gaining market share – another generic strategy proposed by Henderson as a means to building audience and thus facilitating the Experience Curve – also has merit in the nonprofit world, as does his Portfolio Framework. When a nonprofit organization diversifies its products and services, not all parts of the diversification grow as rapidly as each other, nor can they be strategically managed in the same way.

**The Portfolio Framework**

Nonprofit organizations with different divisions, causes, or services still have similar problems across divisions: each division is managed differently; each division needs differing amounts of cash; each division differs in its ability to generate clients. In particular, many nonprofit divisions are encouraged to fund their own growth. How does a nonprofit senior manager decide which service, division, or cause gets starved for resources (people, equipment, and money) and which division gets the amount it needs? Does he or she make such a decision based on potential, on loss, on the need for cash, or on the division’s ability to fund other divisions through its ability to stimulate cash?

Portfolio strategies force decisions regarding cash, service, opportunity, and growth strategies for these different causes, services, and divisions through an overt analysis as opposed to default decision making. In addition, this methodology appraises the financial

\textsuperscript{37} \url{http://www.canadapost.ca/segment-e.asp}
potential of each division and leads to marketing and management recommendations regarding the future of each division.

There are a number of portfolio models to consider as there are reasons why nonprofit and for-profit organizations diversify. The focus here will be on the Boston Consulting Group’s Portfolio Framework and Growth Share Matrix. More often than not, most for-profit and nonprofit managers allow diversification to take place either for opportunity reasons or to spread financial risk over different parts of their organization. An example of this could be as follows. A retreat centre in Bragg Creek, Alberta (Star Tree Centre) runs both a corporate-sponsored programs and allows groups using their own programs to rent its facility; both strategies bring in revenue but appeal to different parts of the market and different managers for each part of the business. A Portfolio Framework approach to this organization’s strategy would take a look at both of these endeavors and decide what the nonprofit organization does best and where the opportunities are the greatest.

In this retreat centre example, the nonprofit manager looks at his diversified nonprofit with its various causes, services, and products and thinks of it as a portfolio of businesses, with each business having varying degrees of client potential and cash flow. The manager may choose to keep both programmatical emphases within his retreat centre; he or she will have a different strategy, cost, audience, and expectations – service, financial, and otherwise – for each.

As stated previously, Henderson postulated a relationship known as the Experience Curve. And from this postulate grew the Boston Consulting Group Matrix, outlined in his 1979 book, *Henderson on Corporate Strategy*. Henderson said that any business could be categorized into one of four types:

1. **High Growth / High Market Share Businesses** – which he called stars – generate substantial cash but also require large investments in order to either maintain their share of market or to increase it.

   For a nonprofit organization, these are causes or divisions that are in a growth mode or in a strong competitive position. Normally, they have a strong Experience Curve and are able to generate sizable sums of money. These “star” divisions are generally self-supporting and are usually capable of commanding resource infusions from management.

2. **Cash cows are low growth / high share businesses** which not only generate large cash flows but require low investments and, therefore, generate profits that can be used elsewhere in the business.

   In a nonprofit organization, a “cash cow” normally represents a mature cause or service and client and donor market, with the “cash cow” division requiring little in the way of cash infusion from the corporate office.

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38 http://www.kellytobey.com/ Star Tree Integrations  
39 Henderson on Corporate Strategy – Out of Print ISBN # 0890115265
(3) Low growth / low share businesses – called “dogs” by Henderson – produce few clients and little cash and offer little prospect that their weak market share will be increased. Because they are presumed to be weak in their Experience Curve, divisions that are classified as “dogs” are often seen as “bottomless pits” for cash and usually represent both a management and financial drain to the nonprofit.

(4) High growth / low market share businesses – called question marks by Henderson – normally require substantial investment in order to become a “star” or “cash cow” and, therefore, their future is often undecided. If they continue to need heavy cash infusions they will become “dogs”; if they show promise and their market position can be changed, then these “question marks” can become “stars.”

Many nonprofit companies today consist of multiple causes or services that are only marginally related primarily because of entrepreneurism on the part of the founder or institution.

On a daily basis, some nonprofit managers make decisions about resource allocation to different causes or services. This is where strategic portfolio models can help. The strength of the portfolio method is that it provides a means of measurement against dimensions of strategic import.

Using the Strategic Business Unit

Central to the idea of portfolio management – and an idea the nonprofit world could embrace more fully – is the concept of a strategic business unit (SBU). An SBU is one way to identify those nonprofit operations where a distinct set of products or services is offered by the organization to an identifiable group of clients, constituents, or donors.

The United Way of Calgary is an example of an organization that has many divisions, and is currently concerned about one of them. One of the divisions is dealing with a problem that all of society has yet to fix because of lifestyle issues, a target market that is horizontal in nature with may different age and ethnic groups, different sexual persuasions, and a population mix that is all over the map. Because of the unwieldiness of the problem, the division’s goals are unclear.

The other division deals with a problem that has a history of being able to be treated, a population that is relatively the same age, clearly defined target groups, and thus clearly defined goals.

In this example, the division of the nonprofit organization that deals with providing the treatment for a problem that has a history of being untreatable, and deals with clearly defined target groups, could be considered an SBU within the nonprofit organization. The function of the SBU is to completely service the defined target group, including the tailoring of its products (in this case, treatment options), the tailoring of its strategy, and the fulfillment of customer service.

40 http://www.calgaryunitedway.org/java/index.jsp
The concept of the SBU grew out of diversification of organizations and the needs of its managers. The more an organization diversifies, the more a for-profit or nonprofit manager needs to be able to adapt his or her strategy to the market they serve. This necessitates the management of various strategies on a market-by-market basis.

As a consequence of diversification, competition increases. Given the idea of a SBU within the Portfolio Framework, the manager’s job is to find those products where an organization can realize distinct advantages in areas where their competitor may be vulnerable. Another consequence of diversification in larger nonprofit organizations is organizational in nature. In order to maximize profits or donations, a for-profit organization must decentralize to make SBU managers more accountable to their markets and strategies. This focus on SBU’s and the ability to also monitor their performance then has implications on the allocation of resources. Decentralization and adequate control are two important values and strengths of the Portfolio Framework.

The strength of the portfolio approach is that it provides a method of measuring nonprofit business options against dimensions of strategic importance.

As an example, consider that a manager is trying to determine into which of many divisions to invest their time, energies, and resources.

1. First, take a look at each product, or SBU, and the plans for each.

2. Second, look at the business strengths of the SBU. Strengths may include the size, growth rate, the amount of revenue that is generated by each SBU, the image in the community, the quality of the leadership; each, or any combination thereof. In each of the categories try to attach some measure, such as strong, average or weak. If you are looking at the growth of the SBU, you must ask whether the growth in comparison to others is strong, average or weak. By virtue of looking at the strengths of each SBU, you also look implicitly at the weaknesses.

3. Third, you do the same for the market attractiveness of the product in question. What is the size of the market for this product? Is the market diversifying rapidly? Are there legal problems in the market regarding the product? Is the audience for the product relatively stable? Is there strong competition in the market for this type of product? The goal is to rate the answers to each question against some type of measure.

4. Fourth, what are the strategy recommendations that come out of this type of analysis? For example, those nonprofit divisions and products that consistently rank strong or above average should embark on an aggressive attempt at growth. Those in the middle must seek ways to make themselves more profitable. For those products and divisions that rank poorly, the organization should consider a minimal investment of resources.
The Portfolio Framework is a relatively easy way to make some claims and recommendations for those nonprofit organizations with diverse operations. Its weaknesses include the difficulty of knowing where the appropriate strategic dimensions should lie.
The Competitive Strategy Framework

While strategy is a word that is usually associated with the future, its link to the past is no less central. Life is lived forward but understood backward. Managers may live strategy in the future, but they understand it through the past.

Henry Mintzberg

This strategy is specifically geared toward looking at industries and the forces that shape that industry. Professor Michael Porter\textsuperscript{41} of Harvard Business School developed a competitive analysis using industry norms that can be described as a managerial model. In such a model there is a strong linkage between strategy and the financial returns of the company in question. According to the model, managers only have to listen to the signals emanating from the industry that they are part of.

Michael Porter is viewed as the leading strategy theoretician in North America today. His first major work, \textit{Competitive Strategy: Techniques For Analyzing Industries and Competitors},\textsuperscript{42} developed an industry competitive model suggesting that the underlying forces that shape an industry can be used to predict the success of a strategy. In other words, Porter suggests that certain forces at work in an industry may help predict whether an organization will be successful within that industry. The five forces Porter cites are:

1. The relative power of buyers
2. The relative power of suppliers
3. The threat of substitute products
4. Industry competitors
5. Potential entrants

How do these factors affect a nonprofit organization? An example of how this works could be: assume an organization wants to open a youth camp in Southern Alberta. One industry force would be the presence of competitors and substitutes for what the organization wants to do. Given the fact that Alberta already has more summer camps per capita than any other Western Canada province, this may prove to be a problem in getting to the goal in question. Likewise, with so many camps and with large unpopulated areas

\textsuperscript{41} \url{http://www.isc.hbs.edu/} \& \url{http://www.isc.hbs.edu/course.htm}

in Alberta, the question arises whether there is a large enough pool of clients or customers for the proposed camp?

A manager’s job (in both the for-profit and nonprofit organization) in all of this is to pay close attention to the five forces that govern industry; the strategy’s job is to allow the organization to find a position where it can defend itself against these forces or influence them in an institution’s favor. An examination of each force should be undertaken.

**Relative Power of Buyers**

By “buyers” Porter means “clients and constituents.” His sense is that they are not all alike. An example from the nonprofit world illustrates this: The marketing director for a nonprofit publishing house knows that selling books to individuals is a very different proposition that selling them to bookstore chains. Individual buyers come into a store and buy the book they choose. They do not negotiate price. They pay the stated price. If the cost of the desired book is too much, they have little recourse. They may be able to find it cheaper elsewhere, or they may choose to save dollars until they have the required amount.

The bookstore chain, on the other hand, is in a better position to negotiate price because of the volume of books it will purchase. If the chain encounters a price that is too high it has significant recourse; it can threaten to take all of its business from several publishing houses, the bookstore chain negotiates among several publishers for the best price. It has stronger buying power than the individual customer.

Buying power is usually most significant for standard or undifferentiated products (i.e. products where there are many substitutes to be found). Extending the publishing industry, consider publishing houses that publish Bibles and religious books. In Canada there are numerous publishing houses available, with most products being substitutes for each other. In this example, buyers constitute a major force because of the sameness of the product and the ability of the buyer to shop around for the cheapest product.

**Relative Power of Suppliers**

“Suppliers” have a very general application in Porter’s Competitive Strategy Framework. Suppliers provide the means for an organization to continue. They include almost anyone from financial institutions to material goods dealers. In the for-profit world, suppliers exert pressure upon an industry by raising prices or reducing the quality of goods. Thus, they literally can squeeze the profit out of some industries. A supplier group becomes powerful if:

- it is dominated by a few companies;

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43 [http://publishing.about.com/cs/canadianpubs1/index.htm](http://publishing.about.com/cs/canadianpubs1/index.htm)
• its product is unique or if it has built up switching costs; (switching costs are fixed costs buyers face in switching suppliers. i.e. moving from one Internet service provider to another)

• it does not have to contend with other suppliers in selling to a particular industry;

• it poses a threat of integrating forward into the industry’s business;

• the industry is not an important customer of the supplier.

On face value, Porter’s supplier group may not sound like it has much to offer the nonprofit world. Consider, though, for one second. Many nonprofit organizations are dominated by just a few donors, upon whose gifts the organization relies heavily. What’s more, even though many nonprofit organizations resent being dependent upon just a few individuals or foundations, they have very little choice but to continue.

Nonprofit organizations in this situation tend not to try to find new donors to reduce their reliance upon the few. The psychological and pragmatic cost of undertaking such a task is too great. (In the for-profit world, these costs would be called switching costs. In the nonprofit industry, switching costs are just too high to be reasonable.)

In addition, because some donors waver today in their loyalty to nonprofit causes, especially with so many different groups doing essentially the same task, the importance of some supplier groups puts many nonprofit organizations’ financial future at risk.

**Threat of Substitute Products**

In many nonprofit situations, more than one cause or service can perform the same function for the client. The presence of substitute products limits not only the amount of service or profits an industry can enjoy, but also it’s potential.

An example of this takes us back to the Alberta summer camp market. The children’s camping industry has numerous competitors with many of the camps being roughly the same size and having the same disposition. Industry growth is slow and many of the camps lack any differentiation. In order to build camp traffic they often resort to cutting prices. Unfortunately, for many camps fixed costs are also high and, because their debt load is often high too, they are left with no choice. They can’t leave or exit the business so the camps keep competing even though they may be earning low or even negative returns.

Industry Competitors

Porter’s Competitive Strategy Framework requires that the nonprofit manager remember the strategy within his or her organization is a matter of interdependence. The success of one’s strategy often depends as much on what the other guy does as what the nonprofit organization does strategically. In his book, Porter puts the point succinctly:

In most industries, competitive moves by one firm have noticeable effects on its competitors and thus may incite retaliation of efforts to counter the move; that is, firms are mutually interdependent. 45

Rivalry within an industry is usually a function of a number of factors, including competitors that are equally balanced, slow industry growth, a large number of substitute services or products within the industry for clients and buyers and little differentiation among them, and high strategic stakes.

Rivalry intensifies when one of the competitors feels the need to seize an opportunity or feels pressure from other areas of expense within their firm. Such rivalry often leads, then, to new marketing moves and retaliation by other members of the industry.

An example of this is an initiative by an inner-city mission to start working with women on the street enables the mission to get new provincial and federal funding and good local press coverage. The mission’s strategic move prompts the other mission competitors in Calgary to retaliate strategically by starting their own special services for women. Likewise, a church in a community starts a day-care as part of its strategic growth strategy, in order to be seen as providing needed services to the community, while allowing the church to introduce itself to new community populations it might not normally contact. Other churches in the area, facing the same marketing dilemma, open their own day-care centers. In each example, action by one organization creates a response in other organizations.

Potential Entrants

The key to understanding how potential entrants come into an industry is to understand what Porter calls entry barriers. These barriers serve to prevent new competitors from both entering and then succeeding in an industry. Porter identifies seven barriers that limit industry access by for-profit firms, some of which very much apply to nonprofit organizations:

1. The lack of strong economies of scale; some nonprofit organizations simply cannot afford to enter some causes, even if they feel strongly about it.

2. Product differentiation (by which Porter means that some existing products within the industry enjoy high degrees of customer loyalty). Though there are many

45 Gilbert, Hartman, Mauriel, and Freeman, A Logic for Strategy, p. 88
organizations involved in building affordable housing, Habitat For Humanity enjoys a high degree of client, volunteer, and donor loyalty.

3. Capital requirements, especially when they are large and risky. By some estimates, it costs over $100,000 to build a youth camp. Not many nonprofit organizations can afford this expense.

4. A lack of access to distribution channels. Small, independent publishers often have a problem getting their books to a buying public.

5. The switching costs absorbed by a firm in moving from one industry to another, especially for new equipment that is needed or new training of employees.

6. Cost disadvantages that may arise if competitors enjoy either proprietary product technologies or are receiving sizeable subsidies from some entity. A nonprofit marriage counseling organization is able to offer its seminars very cheaply because a donor and client have endowed the organization’s marriage seminar division.

7. Government policy – whether licensing or regulation – that limits certain types of organizational operations. Some aspects of businesses have been put at risk by government regulations.

Industry Forces and Their Strength

The identification of these five industry forces and their comparative strength is key in determining what an organization’s strengths and weaknesses are in relationship to other nonprofit organizations within the industry. By knowing an institution’s strengths and weaknesses, a manager can then establish a strategy position with respect to each of the forces with possible approaches being:

1. Positioning the nonprofit organization so that its capabilities provide the best defense against the existing array of competitive forces. For example, a nonprofit organization in a highly competitive market should put its most experienced manager in a position of leadership in a division or product grouping experiencing a strong competitive backlash from its competitors.

2. Influencing the balance of forces through strategic moves, thereby improving the nonprofit organization relative position. An example of this type of strategy could be Mount Royal College announcing its “Bright Minds – Bright Future” capital campaign six months earlier than the University of Calgary, hoping that the early announcement will help it capture local community foundation and corporate gifts.

46 http://www.mtroyal.ab.ca/foundation/stories.htm
47 http://www.ucalgary.ca/giving/
3. Anticipating shifts in the factors underlying the forces and responding to them, thereby exploiting change by choosing a strategy appropriate to the new competitive balance before rivals recognize it. 

An example of this type of strategic move is the number of international disaster relief organizations now using television as a vehicle to get support from constituents, having seen the power of disaster and hunger news footage move television viewers into action quite on their own.

It is not a nonprofit organization that solely defines a marketing strategy; instead, it must also decide how it wants to compete with respect to the industry forces. Consider how the industry forces of competitors, new industry entrants, and the bargaining power of donors are affecting the Salvation Army Red Shield Appeal and their need to change their strategy.

The Salvation Army in Calgary has for years resorted to a door-to-door canvas to solicit its funds. Today, the costs of canvassing eat up a sizeable portion of the dollars raised. This is not the only problem the organization faces. Other organizations have entered the field, using sophisticated direct mail and television appeals. And, they are wooing away the organization’s donors by offering them a type of membership sponsorship package that donors are more comfortable with. The Salvation Army has ceased to use the door-to-door and postal drop method of soliciting funds and has reverted to using more selective methods of targeted direct mail methods.

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49 [http://ab.salvationarmy.ca/calgary/](http://ab.salvationarmy.ca/calgary/)
Michael Porter’s Three Competitive Strategies

If you don’t know where you are going, you might end up somewhere else.

Casey Stengel
Former Coach of Brooklyn Dodgers
Professional Baseball Team

Probably the three most widely read books on competitive analysis in the 1980’s were Michael Porter’s *Competitive Strategy* (Free Press, 1980), *Competitive Advantage* (Free Press, 1985), and *Competitive Advantage of Nations* (Free Press, 1989). According to Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus. Porter calls these bases *generic strategies*. *Cost leadership* emphasizes producing standardized products at a low per-unit cost for consumers who are price sensitive. *Differentiation* is a strategy aimed at producing products and services considered unique industry wide and directed at consumers who are relatively price-insensitive. *Focus* means producing products and services that fulfill the needs of small groups of consumers.

Overall Cost Leadership Strategies

A primary reason for pursuing forward, backward, and horizontal integration strategies is to gain cost leadership benefits. But cost leadership generally must be pursued in conjunction with differentiation. A number of cost elements affect the relative attractiveness of generic strategies, including economies or diseconomies of scale achieved, learning and experience curve effects, the percentage of capacity utilization achieved, and linkages with suppliers and service providers. Other cost elements to consider in choosing among alternative strategies include the potential for sharing costs and knowledge or modification of existing products, labor costs, energy costs and delivery costs for the products and services a non-profit delivers to its clients.

Striving to be the low-cost producer in an industry can be especially effective when the market is composed of many price-sensitive buyers, when there are few ways to achieve product differentiation, when buyers do not care much about differences from brand to brand, or when there are a large number of buyers with significant bargaining power. The basic idea is to under price competitors and thereby gains market share and driving some competitors out of the market entirely.

A successful cost leadership strategy usually permeates the entire firm, as evidenced by high efficiency, low overhead, limited perks, intolerance of waste, intensive screening of budget requests, wide spans of control, rewards linked to cost containment, and broad staff participation in cost control efforts. Some risks of pursuing cost leadership are that competitors may imitate the strategy, thus driving overall industry profits down; that
technological breakthroughs in the industry may make the strategy ineffective; or that buyer interest may swing to other differentiating features besides price.

A nonprofit organization gains leadership in this area by deciding to “manage away” its expenses as much as possible. As a result of such a move, the nonprofit organization can:

1. Often remain profitable when rival organizations are not only trimming expenses but margins;
2. Remain more competitively flexible as a nonprofit entity even though costs of providing services may increase;
3. Deter other nonprofit organizations from entering an industry – called entry barriers – by not allowing them to achieve sufficient economy of scale; and
4. Allow the nonprofit organization in question to compete with others that might also product substitute or similar products.

As with any strategy, there is also a downside to Porter’s cost leadership position. Cost increases in materials or services can wipe away any financial advantage to a nonprofit organization, even when it reduces its expenses as much as possible. Likewise, changes in technology can render past investments obsolete, again limiting the effectiveness of the strategy. Finally, an organization can simply cut too much expense or cut in strategically wrong areas, thereby hurting the overall mission.

Differentiation Strategies

Differentiation strategies offer different degrees of differentiation. Differentiation does not guarantee competitive advantage, especially if standard products sufficiently meet customer needs or if rapid imitation by competitors is possible. Durable products protected by barriers to quick copying by competitors are best. Successful differentiation can mean greater product flexibility, greater compatibility, lower costs, improved service, less maintenance, greater flexibility, or more features. Product development is an example of a strategy that offers the advantages of differentiation.

A differentiation strategy should be pursued only after a careful study of clients’ needs and preferences are done to determine the feasibility of incorporating one or more different features into a unique product that features the desired attributes. A successful differentiation strategy allows an organization to charge a higher price for its products and to gain customer loyalty because consumers may become strongly attached to the differentiation features. Special features that differentiate one’s product can include superior service, product performance, useful life, or ease of use.

A risk of pursuing a differentiation strategy is that the unique product may not be valued highly enough by customers to justify the higher price. When this happens, a cost leadership strategy easily will defeat a differentiation strategy. Another risk of pursuing a
Differentiation strategy is competitors may develop ways to copy the differentiating features quickly. Organizations must find durable sources of uniqueness that can not be imitated quickly or more cost-effectively.

Differentiation is exceptionally valuable to a nonprofit organization because:

- It isolates the nonprofit organization from different types of rivalry by developing loyalties between the service or product and clients, based on the product’s differentiation.

- Such a loyalty creates an entry barrier for a new nonprofit organization trying to enter the same field.

- If the differentiation is successful in a client’s or donor’s eyes, then the seller can charge higher fees for its purchase as customers become insulated from substitutes, or raise more dollars as donors get less sensitive to the cost of service being provided.

- However, there are some dangers to this strategy as seen in our economy today. Consumers – when perceiving or experiencing financially difficult times – often forsake product loyalty and instead purchase products based on price. In addition, a product or firm’s differentiation strategy is wide open to imitation by any number of competitors. When this happens the advantage for the differentiated product disappears.

Focus Strategies

A successful focus strategy depends on an industry segment that is of sufficient size, has good growth potential, and is not crucial to the success of other major competitors. Strategies such as market penetration and market development offer substantial focusing advantages. Midsize and large firms can effectively pursue focus-based strategies only in conjunction with differentiation or cost leadership-based strategies. All firms in essence follow a differentiated strategy. Because only one firm can differentiate itself with a lowest cost, the remaining firms in the industry must find other ways to differentiate their products and services.

Focus strategies are most effective when consumers have distinctive preferences or requirements and when rival firms are not attempting to specialize in the same target segment.

Risks of pursuing a focus strategy include the possibility that numerous competitors will recognize the successful focus strategy and copy it, or that consumer preferences will drift toward the product attributes desired by the market as a whole. An organization using a focus strategy may concentrate on a particular group of clients, geographic markets, or on particular product-line segments in order to serve a well-defined but narrow market better than competitors who serve a broader market.
Unlike Porter’s first two generic strategies, focus is not an industry wide strategy but is concerned with a particular client or buyer group, a segment of the cause, or a geographic market. The goal of a focus strategy is to serve a particular group very well and in thus servicing this strategic target, the nonprofit organization can operate more efficiently and effectively.

Potentially, the nonprofit organization which runs a focus strategy can often achieve above average financial returns because it offers to its market superior client and donor service, as well as producing specialized services and products meeting specialized needs.

Of course, once a nonprofit organization embarks on a focus strategy, it necessarily limits its overall market share achievability and service potential.

The Value Chain

According to Porter, the business of a firm can best be described as a value chain, in which total revenues minus total costs of all activities undertaken to develop and market a product or service yields value. All firms in a given industry have a similar value chain, which includes activities such as obtaining raw materials, designing products, building manufacturing facilities, developing cooperative agreements, and providing customer service. A firm will be profitable as long as total revenues exceed the total costs incurred in creating and delivering the product or service. Firms should strive to understand not only their own value chain operations, but also their competitors, and suppliers’ value chains.  

Summary of Porter’s Competitive Strategy

Porter’s Competitive Strategy theory serves as a comprehensive framework upon which a nonprofit organization can build its strategy. Just like for-profit companies, nonprofit organizations are affected by industry focus. Certainly donors, constituents, and clients can exert pressure upon a company, as can a nonprofit organization’s own labor supply. And, many nonprofit organizations are aware if how intensely they must compete for dwindling resources.

Unlike the Portfolio and Harvard Policy Frameworks, which do not always provide a clear picture of the actual way a strategy must interact with its environment, Porter provides a clear picture of how an industry operates. By understanding industry forces, a manager can better decide how to interact with each “force.” In addition, Porter goes beyond simple strategy concepts such as “build on your strengths” and “reduce your risk” which are implicit in both the Harvard and Portfolio frameworks, and instead gives the manager very specific plans of attack.

50 http://www.themanager.org/Models/ValueChain-Dateien/image002.gif
Unfortunately, there are major problems with the Competitive Strategy. First, it can be difficult to identify what forces are affecting a particular industry. And second, some nonprofits do not fit easily into one “industry.”

Applied to city government and provincial departments, the industry model has much less value. In other cases, industry types can be misleading. For instance, hospitals fall into three categories: the voluntary segment, the for-profit segment, and the government segment. The forces in each segment are more different than alike. However, examining homogeneous segments may be useful using the Porter model.  

In addition to this problem is the fact that Porter’s Framework focuses exclusively on the industry and not on the managers who manage the industry.

Finally, this may be in an age where some nonprofit organizations – in order to survive – are going to have to look at collaboration instead of strong competition. Given both the numbers of some nonprofit organizations producing substitute products and the inability of many nonprofits to receive funding they really need, a strategy model based on competition may be wrong for them.

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51 Nutt and Backoff, *Strategic Management of Public and Third Sector Organizations*, p. 110
The Stakeholder Management Framework

All men can see the tactics whereby I conquer, but what none can see is the strategy out of which great victory is evolved.

Sun-Tzu
Chinese Military Strategist

To date in this project the look has been at strategy models that assume a basic status quo in nonprofit operations and the environment in which they operate. The previous four models have not been specifically designed to accommodate new trends in the environment not the emergence of new ideas and groups. The governing assumption for the previous strategy models has been that the rules are the same for everyone in the industry, and that these rules are relatively stable. The question and challenge is, “What happens when this is not the case?”

The roots of stakeholder management grew out of the Stanford Research Institute in 1963 with the term “stakeholder” used to generalize the notion of “stockholder” as the only group to whom management need be responsive. Thus, the stakeholder concept was originally named for the groups without whose support would cease to exist. The Stanford Institute researchers felt that unless corporate executives understood the needs and concerns of the key stakeholder groups they would not be able to formulate corporate objectives which would receive the necessary support for the survival of the company. There was much criticism later generated for this notion, especially by H. Igor Ansoff who argued in his book, Corporate Strategy: An Analytic Approach to Business Policy for Growth and Expansion and in other articles that the “objectives” of a firm and those who were “responsible” for implementing those objectives were not synonymous terms as the stakeholder theory contended. Conflicting stakeholder objectives could serve as constraints upon the corporation’s growth and survival, and a manager’s job within this framework was to try to balance conflicting objectives.

Today, the basic idea behind the Stakeholder Management Framework involves the presence of a stakeholder – a person who can affect or is affected by actions taken by managers of a nonprofit organization or business – and the setting of objectives that takes their presence into account. Clearly in this two-way relationship the very notion of how a business is run takes on a new meaning. Still included in this notion is the idea that potentially conflicting stakeholder objectives must be managed into a stable pattern of objectives if the nonprofit organization is to succeed. In his book, Strategic Management, R. Edward Freeman writes, “the point of strategy is to chart direction for the firm. Groups

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52 http://www.sonshi.com/
53 R. Edward Freeman, Strategic Management (Boston: Pitman, 1984) p. 115
which can affect that direction and its implementation must be considered in the strategic management process.” 55

Who are the nonprofit stakeholders? They are the individuals or groups that have or hold a stake in the institution and its results: clients, management, unions, constituents, suppliers, community, and public government, the board of directors, and donors. The emphasis upon these groups means that the first step in stakeholder strategy is to identify the relevant stakeholders and determine how performance in each service or product area will affect them and the nonprofit environment as a whole. The ultimate operational goal here is to determine minimal needs, the expectations and the desired outcomes for each group.

In for-profit and nonprofit organizations, different stakeholders compete for attention, resources, and priorities of the organization. Key groups must be identified first.

Second, this identification of key groups must also be balanced with the notion that some stakeholders wear multiple hats; a nonprofit organization’s employee may also be a donor to the organization, a volunteer may give his or her time and also may be a voluntary member of a group that designates money to the nonprofit organization; and a volunteer also may be a member of a community benefited by the nonprofit organization’s efforts. With each “hat”, this stakeholder also may wield differing levels of power, influence, and the ability to influence different objectives in the nonprofit organization.

The third step is for the organization to determine how the stakeholders will measure its performance. This becomes important for two reasons. One is for the organization to estimate its own vulnerability; some stakeholders may simply expect outcomes from the organization that it has no intention of providing (at this point). Second, by asking stakeholders what their expectations are for the organization, manager’s move away from guesswork and into a realistic criterion.

The fourth step is a process step; generating objectives with the likely outcome that different groups of stakeholders will have different objectives and different outcomes.

Analyzing each role the stakeholder plays within an organization plays with the organization helps prioritize objectives.

It also forces the organization to develop a plan with the stakeholders in mind at the outset of the planning mode.

The punch line for the process level is simply this: if managers routinely have to answer questions about their stakeholders, they will likely pay attention to managing stakeholder relationships. 56

The fifth and final culminating step could be considered a negotiation step; satisfying the organization and the stakeholders regarding the direction of the firm. It is here that

55 Freeman, Strategic Management, p. 31
56 Gilbert, Hartman, Mauriel, and Freeman, A Logic for Strategy, p. 115
managers – both in for-profit and nonprofit organizations – often find themselves in unfamiliar waters. In the stakeholder relationship, managers do not, by definition, control their own fiefdom; they carve out a future in conjunction with others (stakeholders) who also must be taken as having a legitimate voice for the future.

This is contrary to the security most nonprofit managers enjoy by having the ability to control their own destiny. When nonprofit managers are questioned about stakeholder input, their usual responses are either: “We know what they like” or “They do not have the same level of expertise in this area as we do; therefore their opinion – while important – is not really necessary.”

Such transactions with stakeholders only work if the organization and its management view stakeholders as having legitimate concerns, and give the various stakeholder groups regular and periodic input into the planning and strategy process.

How Does this Framework Differ from Others Looked At?

The Stakeholder Management Framework differs significantly from the Harvard Policy, Portfolio Strategy, and Competitive Strategy Framework on a very basic issue: how to interpret the modern corporation.

From the stakeholder perspective, the corporation is a social institution whose walls are permeable by a host of persons and groups with a stake in corporate action. From the managerial perspective, which underlies the other three frameworks, the corporation is an institution that is meaningfully separable (that is, different in kind) from other social institutions such as government, family, and schools. The distinction can be carried further.

From the stakeholder vantage point, the corporation is a fragile institution, continually subject to revision as stakeholders come and go. Accordingly, strategy is an uncertain, dynamic process of juggling diverse and conflicting stakeholder relationships that make up the corporation.\(^{57}\)

Interestingly, the Stakeholder Management Framework sounds most applicable to the nonprofit world according to many individuals because of the emphasis on individual stakeholders meeting together to develop strategies and analysis that take into account the needs of all the various stakeholder groups. If an organization does not know who and how the organization is actually doing in light of these criteria, then there is no chance for a company to really say it works on behalf of its supporters.

Individual people being concerned about their own stakes are one of the cornerstones of this framework. It is here also, in its desire to be truly all-encompassing in its reach that stakeholder philosophy can run into problems. Central issues of profitability and performance can easily be crowded out by stakeholder agendas that are peripheral in nature. In addition, given the need to hear from many different points of view, the need

\(^{57}\) Gilbert, Hartman, Mauriel, and Freeman, A Logic for Strategy, p. 118
for timely action in the Stakeholder Framework can be paralyzed by the equal need to analyze many different points of view. How for example, does one take advantage of a special strategic business opportunity in this framework if everyone’s opinion must not only be solicited but somehow built into a firm’s objectives?

The next move is to the final strategy model which is not really about strategy at all. It is called the Planning Process Framework.

Annual plans or strategies generally take the form of the Planning Process Framework. For many nonprofit managers, strategy and planning are interchangeable concepts. By planning you achieve or derive a strategy.

The main idea behind the Planning Process Framework is that the most important part of any strategy is the way or process by which decisions are implemented. In this framework, managers make, implement, and control decisions across various functions and levels within a nonprofit organization. Planning process systems typically address four questions:

1. Where are we going? (mission)
2. How do we get there? (strategies)
3. What is our blueprint for action? (budget)
4. How do we know if we are on track? (control)  

The key notion in the Planning Process Framework is to link mission, strategy, resources, and direction so that their interrelationship can be identified and carefully managed. There is certain face value logic to the planning process. For most nonprofit managers, it makes sense to concentrate on the core mission of the organization, acknowledging where it is going, how it is going to get there, and accomplishing its mission while correcting any performance that does not contribute to the same mission. Many nonprofit managers agree that this is precisely what they want to accomplish in their organizations.

However, to work properly, the Planning Process Framework must be characterized by a high degree of organizational formality, tight controls with very precise goals and objectives, clear performance indicators, and strong centralized authority. While some nonprofit organizations may operate under these conditions, they are by no means universal. And as a result of this fact, most nonprofit organizations and their plans typically concentrate on a few areas of concern, and rely on decision-making apparatus where politics play a preeminent role both in getting the plans accepted and in controlling other outcomes like budget expenditures and resource allocation.  

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58 Bryson, Strategic Planning for Public and Nonprofit Organizations, p. 32
59 Bryson, Strategic Planning for Public and Nonprofit Organizations, p. 32
Organizations using such a framework often use a linear strategy, employing checklists and step-by-step procedures; strategies that might emerge because of competitive or environmental shifts are all but ignored. The effectiveness of the framework depends on how well managers devise and carry out procedures for fitting their organizations with the environment surrounding the organization behind this strong emphasis upon procedures and process discipline are two basic assumptions about managers:

1. Managers have limited reasoning capabilities; and
2. Managers do not always opt for the “best” way to act.  

The Planning Process Framework’s rigidity leads frequently to two shortcuts by nonprofit managers:

1. They do not consider alternative solutions to problems, nor do they gather the background information on the alternative solutions; and
2. Given the then limited set of alternatives, managers often accept the first convenient and satisfactory solution available to them.

The obvious strength of such a framework is its desire to control the outcomes of many systems and functions across an organization. There is tremendous benefit to nonprofit executives and managers, with well defined responsibilities, to think out and consider strategic questions. And should an organization contemplate a change in its operations or experience a change in its environment that is both complex and larger than normal, formal planning systems are useful.

The profound weakness, through, of the formal planning system is that in rigid organizations with strong centralized authority, strategy can be lost, as can attention to mission. In fact, strategy is treated quite differently in this framework, as opposed to those strategy models discussed earlier. Strategy is only incidental in the Planning Process Framework. The planning process is centrally concerned with its own maintenance as a process, not the strategy produced by the process.

The Planning Process Framework believes that managers can imagine both desirable futures and can plan in anticipation of the future competitive environment. The Planning Process Framework users believe they can see the world in sufficient enough detail to make correct strategic choices. Typically, formal planning as part of the framework is done in a planning cycle, usually addressing five issues:

1. Set objectives;
2. Generate alternative strategies for achieving objectives;
3. Analyze the pros and cons of each alternative;

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60 Gilbert, Hartman, Mauriel, and Freeman, A Logic for Strategy, pp. 128-132
4. Select the best strategic alternative; and

5. Prepare appropriate plans, budgets, cash flow statements, and so on.  

While there are literally hundreds of different formal planning frameworks, all tend to work in a linear manner, building upon the answers to specific questions until a full-fledged strategy has evolved. And in doing so, a nonprofit organization loses its ability to act quickly or take advantage of economic opportunities because of its commitment to the “system.”

James Brian Quinn, a Dartmouth policy professor, realized that even the best laid plans go awry and the environment sometimes dictates strategy. In studying 10 companies and how they dealt with change, Quinn discovered that most of the strategies were precipitated by external or internal events over which management had little control. The organizations responded to these events with incremental decisions, from which Quinn developed “logical incrementalism.”

In logical incrementalism – and the reason for including it as part of the formal planning frameworks – Quinn did not deny the importance of the planning process. In fact, his process is far more complex than the Planning Process Framework; however, his system is flexible enough to take the environment into account in planning through a series of feedback systems and consensus building as part of the planning framework. Quinn positioned his logical incrementalism not in contrast to the Planning Process Framework, but in support of it. Sometimes incremental decisions were formally part of the planning framework and were often inserted. Then sequential decision making took over. (An example of this would be testing a new service; once the test was finished, sequential decisions could be made regarding service refinement and introduction to the public.)

Without Quinn’s input, the formal planning process becomes a private affair between members of management within a single company. The public is really not included, nor their opinion asked for. Hence, the presence of “control” as a management imperative; soliciting opinions outside the organization would sacrifice some of this control.

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61 Gilbert, Harman, Mauriel, and Freeman, *A Logic for Strategy*, p. 132
62 James Brian Quinn, Ph.D., professor emeritus at the Tuck School of Business at Dartmouth College
Evaluation of the Eight Models

In the scenario outlined here The Centre is shown encountering a series of challenges and opportunities. How would each strategy planning model deal with these situations?

**Updating The Calgary Centre For Non-Profit Management**

The Centre is currently at a crossroads from an organizational perspective. Its growth over the past five years has been beyond its wildest expectations. Not only from a growth in the number of consultations done, but also in securing new volunteer management consultants to provide the actual project work. This has been compounded with an acute need for long term sustainable funding to look after the day to day activities incurred by the full time staff and daily operating costs. Some critical decisions must be made to take The Centre to the next level of its effectiveness. Selecting the correct strategy will provide the answers to a number of questions that have arisen over the past year. Quite apart from actually erecting a marketing and service strategy for a nonprofit organization, the evaluation of each strategy is critical for a number of reasons. The immediate one is. “What does the organization do if its strategy is wrong?” This research project now moves to examining each of the concepts and plugging in each strategy to see which one is best for The Centre. Looking at the challenges using the eight models presented in the paper, how would each model help solve The Centre's situations?

**The McKinsey 7-S Framework**

The McKinsey Framework suggests that the strategy and structure of an organization must be considered together when planning, with both components taking into account an organization’s staff, their skill levels, and the systems and style of the organization. Combined, they interact with each other in light of the organization’s goals. The McKinsey 7-S Framework would propose the following solution to The Centre.

First, the Framework would take into account the organizational structure looking at how tasks are divided between senior management and their team, as well as the level of each employee conducting those tasks in light of the organization’s needs.

Second, because the lack of long term sustainable funding is threatening the very existence of the organization, the senior management team might create a super-ordinate goal that becomes a rallying point for each of the other six factors in the Framework. It is important to note that if the goal is to accumulate more of a specific resource (i.e., money), and then the strategy must fit this goal. The structure of the organization may change in light of this goal, as might its systems and staff should the organization find no one on staff with the ability to raise the needed funds. The organization may decide instead to change its fee structure or begin charging for some services that used to be free. Each of these decisions will bring changes into the organization’s systems and structure.
Third, senior management will have to decide if the style of the organization in the past (minimum charges for services and no fund raising) is a style they are content with or whether must it be changed. Because change seems inevitable, the way in which they create a new organizational culture spurred on by fund raising or charging for services will be important.

And finally, because the 7-S Framework does not require senior management to interact with key stakeholders other than themselves. They can use the Framework and make the changes within the confines of their organization.

**The Miles and Snow Typology**

Unlike the 7-S Framework, which looks internally at an organization, the Miles and Snow Typology classifies in terms of shifts in the environment surrounding the organization. Berkeley Organization Theorists Raymond Snow and Charles Snow, in their research, concluded that organizations could be grouped into one of four groups:

1. *Defenders*, who try to protect their domain;
2. *Prospectors*, who find new products and markets while engaging in constant product innovation;
3. *Analyzers*, who try to discover new markets while keeping old ones alive; and

The Miles and Snow Typology would suggest the following course of action:

First, The Centre needs to realize that it has been in a reactor mode for some time, without a clearly defined method of meeting the many changes the organization has encountered. This fact may cause the organization to ask itself if the problem it faces has occurred because The Centre has not had an articulated strategy in the past or if it has just been employing the wrong strategy. In either case, much of the blame will fall on senior management; being cast as a *reactor* may prove harmful to their leadership.

Second, the organization must figure out how to move from a reactor to an analyzer as quickly as possible. As part of this move, the organization needs to shore up its financial support with the older, loyal donors in order for it to be able to survive financially while it makes other strategic decisions. As part of this analyzer strategy, The Centre will need to ready itself emotionally and pragmatically for two different types of strategies: one aimed at reassuring the established clientele that The Centre is still holding up to the values dear to them, and the other strategy aimed at securing new markets of interested individuals who appreciate The Centres products and will either pay for them, or help support them financially.
Harvard Policy Model

The chief function of the Harvard Policy Model is to help an organization create a “fit” between its own capabilities and resources and the environment in which the organization finds itself. This strategy is divided into two parts: formulation and implementation.

In formulating its strategy, the organization in question identifies its intended future and matches both its organizational strengths and market opportunities. The Harvard Policy Model might suggest the following course of action for The Centre.

First, senior management must identify opportunities where the organization can be successful, particularly as these opportunities relate to issues of money. For example, what services does the organization provide that they could charge additional fees for? In undertaking a task of this nature, the team must also identify the risks associated with these opportunities.

Second, in identifying opportunities, senior management and their team must determine the capabilities of the organization to achieve these opportunities in regard to managerial, financial, technical, and material resources; they must discount these opportunities beyond the capabilities of the organization.

Third, senior management must decide what personal aspirations they have for the organization and its future. Do they want to continue together as a team or not? Can they pursue the organization’s goals and their own simultaneously? Both questions will need to be answered by all concerned.

Fourth, they have to decide if the future they agree upon as an organization will continue to have a positive bearing upon society at large. One issue they will need to face here is that the perception by the public of what they do is different than what they actually do operationally. This difference in the actual operational goals of the organization for it will ultimately need to be resolved.

These first four steps taken by senior management have involved the formulation of their new strategy. The next three steps involve the implementation of their strategy.

Having decided what they want to do, the fifth step in this process is for the group to structure the organization so that it can achieve its intended objectives.

With new jobs and role definitions will also come the need for new systems. In step six, the organization should concern itself with developing the necessary systems to support the new strategy. For example, if the organization is going to charge additional consulting fees for its services, then an enhanced billing system and receipt system must be set up.

Step six is perhaps the most crucial. That is deciding if the leadership is right in the organization given the objectives it wants to achieve.
The Experience Curve

In using the Experience Curve for The Centre, the first critical question for the organization is, “Are there any services that you currently offer or undertake that can be produced at a cheaper rate than any of your competitors producing the same service?” given that the organization has a long history in the same field, but a relatively short one offering its newer services, the question may be hard to answer. On the other hand, if the entire industry is relatively young, then The Centre may have some slight, competitive advantage.

There are two compounding problems associated with this strategy. First, any advantage accrued by the organization through its experience in providing services relies on the notion of where financial breakeven occurs in its work. Given that the nonprofit organization has never offered services for a fee, it will take a minimum of one year to establish a financial trend line. Second, this industry may be one where experience is not an important selling tool, but reputation is. With the lack of a strong organizational marketing culture designed to cultivate a strong image in the minds of the public, The Centre may get competitively outclassed.

The Portfolio Framework

The Portfolio Framework is a classification system which determines the value of the different services organizations like The Centre offers. It does this by looking at both the numerical and financial growth of these services, as well as by taking an overall look at the organization. The Portfolio Framework’s recommendations and action steps regarding The Centre could look along these lines:

First, the nonprofit organization must view the services that it offers as distinct from each other in a management, marketing, and financial sense. Each service needs to be evaluated as to its financial worthiness. The reason for taking this point of view is so senior management and her team can know which services to continue, which to expand, and which to offer less of. Each service is called a strategic business unit and the ultimate objective for each unit is to have a significant financial return to the organization.

Second, senior management has to decide who takes strategic and financial responsibility for each of the services offered, particularly as they relate to other similar services competitively. In addition, the leadership team will have to decide which opportunities (if any) exist for some of the services and how best they can be grown.

Third, in undertaking this evaluation they may wish to use the following typology in making decisions about their services:

- Those services that show high growth potential are in a strong competitive position and can be self-supporting.
Those services that will not grow much more but are extremely lucrative to the organization should be maintained.

Services that product little cash and offer little prospect of growth should be seen as unsuitable for the future.

Services that might be growth-oriented for the nonprofit organization, but currently have a small market, should be evaluated as to what will happen if resources are invested.

Competitive Strategy Framework

The Competitive Strategy Framework is concerned with five forces that shape an organization and the organization’s industry, in general. The Strategy Framework believes these forces can be used to predict the success of an organization’s strategy. This underlying structure of industry forces then determines the nature of each organization’s strategy and the constraints with which it must operate. In particular, these five forces are:

1. The bargaining power of buyers (in this case the users of The Centre).
2. The bargaining power of suppliers (those who enable the group to continue such as donor and volunteers).
3. The threat of new entrants into the industry. (possible copy-cat organizations)
4. The threat of substitute products (other groups whose services could be used instead of The Centre).
5. The current rivalry amongst competitors.

Given these five industry forces, the Competitive Strategy Framework could propose the following steps to senior management.

First, because there is significant demand for the organization’s services, the relative power of buyers of the services could become quite strong. Of particular note are those groups using The Centre services frequently. When and if, The Centre begins to charge higher user fees for its services, larger user groups will be in a position to negotiate a lower price with The Centre, especially if it has an alternative source of services.

Second, the suppliers (donors) to the nonprofit organization also have the potential for great power because they are few in nature and are relatively concentrated. These donors can withhold their giving if they don’t like where the organization is going and can use their financial support to severely restrain or empower the organization.

New entrants seem likely in this field because of the apparent high demand for the types of services being offered by The Centre. The threat of new competition will force The
Centre to begin to move strategically in a way that will ensure it has a supportive constituency in the years to come.

Fourth, in many cases, more than one type of service will perform the same function as another for the buyer of the service. The threat of substitute services being offered is real for The Centre. Should substitutes be offered, no doubt The Centre will get in a pricing war for use of its services, thereby driving its prices down and further exacerbating its financial condition. Strategically, The Centre needs to look at services not currently being offered.

Finally, The Centre may not be aware of other organizations offering similar services. This is an area where it needs to do research in order to find out who its competitors might be, the tactics they are using to compete, and the signals they may be sending the marketplace, such as relocating to different areas, sourcing more volunteer management consultants for its practice, and so on.

**The Stakeholder Management Framework**

The Stakeholder Management Framework is concerned with two issues: the first concern is for the groups without whose support company operations would cease. The second is setting corporate objectives that take their presence into account. The first operational goal for senior management using this framework could include:

To identify those groups that has a critical bearing upon the operations of The Centre. This group would no doubt include people like donors, staff, clients, users of the services offered such as schools, families, board members, and local interested community residents.

The second operational goal would be to identify the minimal needs of each group, the expectations of each group vis-à-vis the nonprofit organization. In other words, what does each group want The Centre to be and how do they fit in the picture?

Third, senior management would have to work with each identified stakeholder group in helping them decide how would measure their performance in relationship to the organization. This would help the organization know its vulnerabilities and would move the organization toward realistic criteria.

Fourth, generate objectives with the likely outcome that different groups of stakeholders will have different objectives and different outcomes. Analyzing each role the stakeholder plays within the organization will help to prioritize objectives.

The final step is a negotiating step – satisfying the organization and the stakeholders regarding the direction of The Centre.
The Planning Process Framework

The main idea behind the Planning Process Framework is that the most important part of any strategy is the way or process by which decisions are implemented. Planning process systems typically address four questions:

1. Where are we going? (mission)
2. How do we get there? (strategies)
3. What is our blueprint for action? (budget)
4. How do we know if we’re on track? (control)

The mark then of effective managers using this framework would be how well they carry out their procedures in fitting the organization into its environment. The Planning Process Framework could suggest the following types of action for The Centre:

1. First, The Centre must set objectives for itself, particularly as they relate to finances, people and their roles, and direction of the organization.

2. Second, they need to generate alternative strategies for each objective. For example, the need for money may suggest a fundraising strategy, additional fee for services strategy, a takeover strategy in which The Centre tries to be bought out/taken over by another agency, or the like.

3. Third, senior management needs to evaluate each objective as to its sustainability, strengths, and weaknesses.

4. Fourth, they need to select the best strategic alternative in order to develop the necessary tactics and prepare the necessary budgets, resource allocations, new job descriptions if any, and so on.
Comparison of Private Sector Approaches to Strategic Planning and Their Applicability to the Public and Non-profit Sectors

<table>
<thead>
<tr>
<th>Approach</th>
<th>Key Features</th>
<th>Assumptions</th>
<th>Strengths</th>
<th>Weaknesses</th>
<th>Applicability to the Public and Non-profit Sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harvard policy model (Andrews, 1980; Christensen et al., 1983)</td>
<td>Primarily applicable at the strategic business unit level. Analysis of management’s values and social obligations of the firm. Attempts to develop the best “fit” between a firm and its environment; i.e., best strategy for the firm.</td>
<td>Analysis of SWOT’s, management values, and social obligations of the firm will facilitate identification of the best strategy. Agreement is possible within top management team responsible for strategy formulation and implementation. Team has the ability to implement its decision. Implementation of the best strategy will result in improved performance (an assumption held in common with all strategic planning approaches)</td>
<td>Systematic assessment of strengths and weaknesses of firm threats facing firm. Attention to management values and social obligations of the firm. Systematic attention to the “fit” between the firm and its environment. Can be used with other approaches.</td>
<td>Does not offer specific advice on how to develop strategies. Fails to consider many existing or potential stakeholder groups.</td>
<td>Organizations: Yes, if a strategic planning unit can be identified and additional stakeholder interests are considered, and if a management team can agree on what should be done and has the ability to implement its decisions. Functions: SWOT analysis is applicable if what is “inside” and “outside” can be specified.</td>
</tr>
<tr>
<td>Strategic planning systems (Lorange, 1980; Lorange et al., 1986)</td>
<td>Systems for formulation and implementing important decisions across levels and functions in an organization. Allocation and control of resources within a strategic framework and through rational decision making.</td>
<td>Strategy formulation and implementation should be rational and anticipatory. An organization’s strategies should form an integrated whole. The organization can control centrally all or most of its internal operations.</td>
<td>Coordination of strategy formulation and implementation across levels and functions. Can be used in conjunction with other approaches.</td>
<td>Excessive comprehensiveness, prescription, and control can drive out attention to mission, strategy and organizational structure. The information requirements of planning systems can exceed the participants’ ability to</td>
<td>Organizations: Less comprehensive and rigorous forms of private sector strategic planning systems are applicable to many public and non-profit sector organizations. Functions: Necessary conditions for strategic planning systems to succeed are seldom met.</td>
</tr>
<tr>
<td>Identification of key stakeholders and the criteria they use to judge an organization’s performance.</td>
<td>An organization’s survival and prosperity depend on the extent to which it satisfies its key stakeholders.</td>
<td>Recognition that many claims, both complimentary and competing are placed on an organization.</td>
<td>Absence of criteria with which to judge different claims.</td>
<td>Organizations: Yes, as long as agreement is possible among key decision makers over who the stakeholders are and what the organization’s responses to them should be. Functions: Yes, with the same caveats. Communities: Yes, with the same caveats.</td>
<td></td>
</tr>
<tr>
<td>Development of strategies to deal with each stakeholder.</td>
<td>An organization’s strategy will be successful only if it meets the needs of key stakeholders.</td>
<td>Stakeholder analysis (i.e., a listing of key stakeholders and of the criteria they use to judge an organization’s performance) Can be used in conjunction with other approaches.</td>
<td>Need for more advice on how to develop strategies to deal with divergent stakeholder claims.</td>
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</tr>
</tbody>
</table>

| A corporation’s businesses are categorized into groups based on selected dimensions for comparison and development of corporate strategy in relation to each business. Attempts to balance a corporation’s business portfolio to meet corporate strategic objectives. | Aggregate assessment of a corporation’s various businesses is important to the corporation’s success. Resources should be channelled into the different businesses to meet the corporation’s cash flow and investment needs. A few key dimensions of strategic importance can be identified against which to judge the performance of individual | Provides a method for evaluating a set of businesses against dimensions that are deemed to be of strategic importance to the corporation. Provides a useful way of understanding some of the key economic and financial aspects of corporate strategy. | Difficult to know what the relevant strategic dimensions are, what the relevant entities to be compared are, and how to classify entities against dimensions. Unclear how to use the tool as part of a larger strategic planning process. | Organizations: Yes, if economic, social, and political dimensions of comparison can be specified, entities to be compared can be identified, and a group exists that can make and implement decisions based on the portfolio analysis. Functions: Yes, with the same caveats. Communities: Yes, with the same caveats. |
| Competitive analysis (Porter, 1980, 1985; Harridan, 1981) | Analysis of key forces that shape an industry, e.g., relative power of customers, relative power of suppliers, threat of substitute products, threat of new entrants, amount of rival activities, exit barriers to firms in the industry | Predominance of competitive behaviour on the part of firms within an industry. The stronger the forces that shape an industry, the lower the general level of returns in the industry. The stronger the forces affecting a firm, the lower the profits for the firm. Analysis of the forces will allow one to identify the best strategy, whereby an industry can raise its general level of returns and whereby a firm within an industry can maximize its profits. | Provides a systematic method of assessing the economic aspects of an industry and the strategic options facing the industry and specific firms within it. Gives relatively clear prescriptions for strategic action. Can be used as part of a larger strategic planning process. | Sometimes difficult to identify what the relevant industry is. Excludes consideration of potentially relevant non-economic factors. Tends to ignore the possibility that organizational success may turn on collaboration, not competition. | Organizations: Yes, for organizations in identifiable industries (e.g., public hospitals, transit companies, recreation facilities) if a competitive analysis is coupled with a consideration of non-economic factors and if the possibility of collaboration is also considered. Functions: Yes, if the function equates to an industry. Communities: No |
| Strategic issues management (Ansoff, 1980; King, 1982; Pflaum and Delmont, 1987) | Attention to the recognition and resolution of strategic issues. Strategic issues are issues that can have a major influence on the organization and must be managed of the organization is to meet its objectives. Strategic issues can be identified by the use of a variety of tools (e.g., SWOT analyses and environmental scanning methods) Early identification of issues will result in more favourable resolution and greater likelihood of enhanced organizational performance. | Ability to identify and respond to issues. Has a “real time” orientation and is compatible with most organizations, Can be used in conjunction with other approaches. | No specific advice is offered on how to frame other than to precede their identification with a situational analysis. | Organizations: Yes, as long as there is a group able to engage in the process and manage the issue. Functions: Yes, with the same caveat. Communities: Yes, with the same caveat. |
| Process strategies | Strategic negotiations (Pettigrew, 1977; Fisher and Ury, 1981; Allison 1971) | Organizations are “shared power” settings in which groups must cooperate with each other in order to achieve their ends and assure organizational survival. Strategy is created as part of a relatively constant struggle among competing groups in an organization. Strategy is the emergent product of the partial resolution of organizational issues. | Recognizes that there are many actors in the strategy formulation and implementation process and that they often do not share common goals. Recognizes the desirability of bargaining and negotiation in order for groups to achieve their ends and to assure organizational survival. Can be used in conjunction with other approaches. | Little advice on how to ensure technical workability and democratic responsibility – as opposed to political acceptability – of results. No assurance that overall organizational goals can or will be achieved; there may not be a whole equal to, let alone greater than, the sum of the parts. | Organizations: Yes Functions: Yes Communities: Yes |
| Logical incrementalism (Quinn, 1980; Lindblom, 1959) | Emphasizes the importance of small changes as part of developing and implementing organizational strategies. Fuses strategy formulation and implementation. Strategy is a loosely linked group of decisions that are handled incrementally. Decentralized decision making is both politically expedient and necessary. Small decentralized decisions can help identify and fulfill organizational purposes. | Ability to handle complexity ad change. Attention to both formal and informal processes. Political realism. Emphasis on both minor and major decisions. | No guarantee that the loosely linked, incremental decisions will add up to fulfillment of overall organizational purposes. | Organizations: Yes, as long as overall organizational purposes can be identified to provide a framework for incremental decision. Functions: Yes, with the same caveat. Communities: Yes, with the same caveat. |
| Framework for innovation (Taylor, 1984; Pinchot, 1985) | Emphasis on innovation as strategy. Reliance on many elements of the other approaches and specific management practices. | Change is unavoidable, and continuous innovation to deal with change is necessary if the organization is to survive and prosper. A “vision of success” is necessary to provide the organization with a common set of superordinate goals toward which to work. Innovation as a strategy will not work without an entrepreneurial company culture to support it. | Allows innovation and entrepreneurship while maintaining central control on key outcomes. Fosters a commitment to innovation. Can be used in conjunction with other approaches. | Costly mistakes usually are necessary as part of the process of innovation. Decentralization and local control result in some loss of accountability. Organizations: Yes, but the public is unwilling to allow public organizations to make the mistakes necessary as part of the process, and development of an overall framework within which to innovate and maintain central control over key outcomes is difficult. Functions: Yes, but with the same caveats. Communities: Yes, with the same caveats. |

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Source for this chart: Adapted from Bryson and Roering, 1987, pp. 12 – 14

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Implementing An Eight Step Strategic Planning Process

This research paper has now provided a number of theoretical strategy frameworks to consider. Each allows the nonprofit manager to manage his or her organization from a different perspective; each has a different set of strength and weaknesses; and each can help an organization create a coherent strategy.

An eight step process for consideration by The Centre could include the following processes:

1. Initiating and agreeing on a strategic planning process
2. Identifying organizational mandates
3. Clarifying organizational mission and values
4. Assessing the external environment: opportunities and threats
5. Assessing the internal environment: strengths and weaknesses
6. Identifying the strategic issues facing the organization
7. Formulating strategies to manage the issues
8. Establishing an effective organizational vision for the future.

These eight steps should lead to actions, results, and evaluation. Each step in the process should provide a series of actions, results, and final evaluation. Implementation and evaluation should not wait until the end, but should be an integral and ongoing part of the process.

Step # 1

*Initiating and agreeing on a strategic planning process.*

The purpose of the first step is to negotiate agreement with key internal (and perhaps external) decision makers or opinion leaders about the overall strategic planning effort and the key planning steps. Their support and commitment are vital if strategic planning is to succeed. Also, involving key decision makers outside the organization usually is crucial to the success of public programs if implementation will involve multiple parties and organizations,

Obviously, some person or group must initiate the process. One of the initiators’ first tasks is to identify which persons, groups, units, or organizations should be involved in the effort. The initial agreement will be negotiated with at least some of these decision makers, groups, units, or organizations.

The agreement itself should cover the purpose of the effort; preferred steps in the process; the form and timing of reports; to role, functions, and membership of any group or committee empowered to oversee the effort; the role, functions, and membership of the
strategic planning team; and commitments of necessary resources to proceed with the effort.

Step # 2

Identifying organizational mandates.
The formal and informal mandates placed on the organization are “the musts” it confronts. It is surprising how few organizations know precisely what they are mandated to do and not do. Typically, few members of any organization have ever read the relevant legislation, ordinances, charters, articles, and contracts that outline the organization’s formal mandates.

It may not be surprising, then, that many organizations make one or both of two fundamental mistakes, either they believe they are more tightly constrained in their actions than they are; or they assume that if they are not explicitly told to do something, they are not allowed to do it. 65

Step # 3

Clarifying the organizational mission and values.

An organization’s mission, in tandem with its mandates, provides its raison d’etre, the social justification for its existence. For a nonprofit organization, this means there must be identifiable social or political needs that the organization seeks to fill. Organizations must always be considered a means to an end, not an end in and of themselves.

Identifying the mission, however, does more than merely justify the organization’s existence. Clarifying purpose can eliminate a great deal of unnecessary conflict in an organization and can help channel discussion and activity productively. Agreement on purpose defines the arenas within which the organization will compete and, at least in broad outline, charts the future course. Moreover, an important and socially justifiable mission is a source of inspiration to key stakeholders, particularly employees. Indeed, it is doubtful that any organization ever achieved greatness or excellence without a basic consensus among its key stakeholders on an inspiring mission.

Before developing a mission statement, an organization should complete a stakeholder analysis. A stakeholder is defined as any person, group, or organization that can place a claim on an organization’s attention, resources, or output, or is affected by that output. Examples of a nonprofit organization include clients or customers, third party payers or funders, employees, the board of directors, other nonprofit organizations providing complementary services or involved as co-venture in projects, banks holding mortgages or loans, and suppliers. Attention to stakeholder concerns is crucial because the key to success in nonprofit organizations is the satisfaction of key stakeholders.

65 Personal conversation with Sandy McArthur – CEO, Calgary Centre for Not for Profit Management on June 18th, 2003
A complete stakeholder analysis will require the strategic planning team to identify the organization’s stakeholders, their stake in the organization or its output, their criteria for judging performance of the organization, how well the organization performs against those criteria, how the stakeholders influence the organization, and in general how important the various stakeholders are. A complete stakeholder analysis also should identify what the organization needs from its various stakeholders – for example, money, staff, or political support. A stakeholder analysis will help clarify whether the organization should have different missions and perhaps different strategies for different stakeholders.

After completing the stakeholder analysis, a strategic planning team can proceed to development of a mission statement by responding to six questions:

1. Who are we as an organization? The question can be surprisingly difficult for a strategic planning team to answer succinctly.

2. In general, what are the basic social or political needs we exist to fill, or the basic social or political problems we exist to address? Again, the answer to this question provides the justification for the organization’s existence.

3. In general, what do we do to recognize or anticipate and respond to these needs or problems? This query should reveal whether the organization is active or passive, what it does to stay in touch with the needs it is supposed to fill, and in general what it does to make sure it does not become an end in itself. The answer to this question will also tell organizational members whether they will be praised or punished for bringing bad news to the organization about troubling events in the environment or critical evaluations by key stakeholders. Too many organizations shoot the messenger instead of attending to the message. Organizational members need to know they will not be punished for bringing back important but troubling information; otherwise, they will simply keep quiet and the organization will not have the benefit of useful feedback.

4. How should we respond to our key stakeholders?

5. What is our philosophy and what are our core values? Clarity about philosophy and core values will help an organization maintain its integrity. Furthermore, since only those strategies consistent with an organization’s philosophy and values are likely to work, the response to this question also helps the organization choose effective strategies.

6. What makes us distinctive or unique? It there is nothing unique or distinctive about the organization, perhaps it should not exist.

The mission statement itself might be very short, perhaps not more than a paragraph or a slogan. But development of the statement should grow out of lengthy discussions in response to the six questions. Complete answers to these questions actually may serve as
a basic outline for a description of the organization in the future, its “vision of success”, which is the last step in the process. It is important that considerable intermediate work is necessary before a complete vision of success can be articulated.

**Step # 4**

*Assessing the external environment; opportunities and threats.*

The planning team should explore the environment outside the organization to identify the opportunities and threats the organization faces. Basically, “inside” factors are those controlled by the organization and “outside” factors are those the organization does not control. Opportunities and threats can be discovered by monitoring a variety of political, economic, social, and technological forces and trends. PEST’s is an appropriate acronym for these forces and trends, because organizations typically must change in response to them and the changes can be quite painful. Unfortunately, organizations all too often focus only on the negative or threatening aspects of these changes, and not on the opportunities they present.

Besides monitoring PEST’s, the strategic planning team also should monitor various stakeholder groups, including clients, customers, payers, competitors, or collaborators. The organization might construct various scenarios to explore alternative futures in the external environment, which is a common practice of the private sector strategic planning process.

Members of an organization’s governing body, particularly if they are elected, often are better at identifying and assessing external threats and opportunities than the organization’s employees. This is partly because a governing board is responsible for relating an organization to its external environment and vice versa. Unfortunately, neither governing boards nor employees usually do a systematic or effective job of external scanning. As a result, most organizations are like ships trying to navigate rough seas without the benefit of human lookouts or radar equipment.

Because of this, both employees and governing board members should rely on a relatively formal external assessment process. The technology of external assessment is fairly simple, and allows organizations – cost effectively, pragmatically, an effectively – to keep tabs on what is happening in the larger world that is likely to have an effect on the organization and the pursuit of its mission.

**Step # 5**

*Assessing the internal environment: strengths and weaknesses.*

To identify internal strengths and weaknesses, the organization might monitor resources (inputs), present strategy (process), and performance (outputs). Most organizations have volumes of information on their inputs, such as salaries, supplies, physical plant, and full-time equivalent (FTE) employees. They tend to have a less clear idea of their present
strategy, either overall or by function. And typically, they can say little, if anything, about outputs, let alone the effects those outputs have on clients, customers, or payers.

Step # 6

*Identifying the strategic issues facing an organization.*

Together the first five elements of the process lead to the sixth, the identification of strategic issues – the fundamental policy questions affecting an organization’s mandates, mission and values, product or service level and mix, clients, users or payers, cost, financing, or management.

Strategic planning focuses on achievement of the best “fit” between an organization and its environment. Attention to mandates and the external environment, therefore, can be thought of as planning from the outside in. Attention to mission and values and the internal environment can be considered planning from the inside out. Usually, it is vital that strategic issues be dealt with expeditiously and effectively if the organization is to survive and prosper. An organization that does not respond to a strategic issue can expect undesirable results from a threat, a missed opportunity, or both.

The iterative nature of the strategic planning process often becomes apparent in this step when participants find that information created or discussed in earlier steps presents itself again as strategic issues. As an example of this, many strategic planning teams begin the task with the belief that they know what their organization’s mission is. They often find out in this step however, that a key issue is lack of clarity on exactly what the mission should be. In other words, the organization’s present mission is found to be inappropriate, given the team members’ new understanding of the situation the organization faces, and a new mission must be created.

Strategic issues, virtually by definition, involve conflicts of one sort or another. The conflicts may involve ends (what); means (how); philosophy (why); location (where); timing (when); and the groups that might be advantaged or disadvantaged by different ways of resolving the issue (who). In order for the issues to be raised and resolved effectively, the organization must be prepared to deal with the almost inevitable conflicts that will occur.

A statement of a strategic issue should contain three elements.

- The issue should be described succinctly, preferably in a single paragraph. The issue itself should be framed as a question that the organization can do something about. If the organization cannot do anything about it, it is not an issue – at least for the organization. An organization’s attention is limited enough without wasting it on issues it can not resolve.

- Second, the factors that make the issue a fundamental policy question should be listed. In particular, what is it about mandates, mission, values, or internal
strengths and weaknesses and external opportunities and threats that make this a strategic issue? Listing these factors will become useful in the next step, strategy development. Every effective strategy will build on strengths and take advantage of opportunities while it minimizes or overcomes weaknesses and threats. The framing of strategic issues therefore is very important because the framing will contain the basis for the issues’ resolution.

- The third point should insure that the planning team should define the consequences of failure to address the issue. A review of the consequences will inform judgments of just how strategic, or important, various issues are. As an example, if no consequences will ensue from failure to address an issue, it is not an issue, at least not a strategic issue. At the other extreme, if the organization will be destroyed by failure to address an issue, the issue clearly is very strategic and should be dealt with immediately. The strategic issue identification step is therefore important for the survival, prosperity, and effectiveness of the organization.

There are three basic approaches to identifying strategic issues: the direct approach, the goals approach, and the “vision of success” approach. The direct approach probably is the one that will work best for most governments and public agencies. It involves going straight from a review of mandates, mission, and S.W.O.T’s to the identification of strategic issues. The direct approach is best when there is no agreement on goals, or if the goals on which there is an agreement are too abstract to be useful. It works best when there is no value congruence. It is best if there is no pre-existing vision of success and developing a consensually based version would be too difficult. This approach also works best when no hierarchically authority can impose goals on other actors. Finally, it is best when the environment is so turbulent that limited actions in response to issues seem preferable to the development of goals and objectives or visions that may be rendered obsolete quickly. The direct approach can work in the pluralistic, partisan, politicized, and relatively fragmented worlds of most public sector organizations, as long as there is a dominant coalition strong enough and interested enough to make it work.

The goals approach is more in line with conventional planning theory, which stipulates that an organization should establish goals and objectives for itself and then develop strategies to achieve them. This approach can work if there is a fairly broad and deep agreement on the organization’s goals and objectives, and if they are detailed and specific enough to guide the development of strategies. The approach also can be expected to work when there is a hierarchical authority structure with leaders at the top who can impose goals on the rest of the system. The strategic issues then will involve how best to translate goals and objectives into actions. This approach is more likely to work in a single function nonprofit organization.

Finally, there is the vision of success approach, where the organization develops a “best” or “ideal” picture of itself in the future as it successfully fulfills its mission. The strategic issues then concern how the organization should move from the way it is now to how it would look and behave accordingly in its vision. The vision of success approach is most
useful if it will be difficult to identify strategic issues directly; if no detailed and specific agreed-upon goals and objectives exist and will be difficult to develop; and if drastic change is likely to be necessary.

**Step # 7**

*Formulating strategies to manage the issues.*

A strategy is defined as a “pattern of purposes, policies, programs, actions, decisions, or resource allocations that define what an organization is, what it does, and why it does it”. Strategies can vary by level, function and time frame.

This definition is purposely broad, in order to focus attention on the creation of consistency across *rhetoric* (what people say), *choices* (what people decide and are willing to pay for) and *actions* (what people do). Effective strategy formulation and implementation processes will link rhetoric, choices, and actions into a coherent and consistent pattern across levels, functions, and time.

Next, the planning team should enumerate the barriers to achieving those alternatives, dreams, or visions, and not focus directly on their achievement. A focus on barriers at this point is not typical of most strategic planning processes. But doing so is one way of assuring that any strategies developed deal with implementation difficulties directly rather than haphazardly.

Once alternatives, dreams, and visions, along with barriers to their realization, are listed, the team develops major proposals for achieving the alternatives, dreams, or visions either directly or indirectly, through overcoming the barriers. Alternatively, the team might solicit proposals from key organizational units, various stakeholder groups, task forces, or selected individuals.

After major proposals are submitted, two final tasks remain. Actions needed over the next two to three years to implement the major proposals must be identified. And finally, a detailed work program for the next six to twelve months must be spelled out to implement the actions.

An effective strategy must meet several criteria. It must be technically workable, politically acceptable to key stakeholders, and must accord with the organization’s philosophy and core values. It should be ethical, moral, and legal. It must also deal with the strategic issue it was supposed to address.

**Step # 8**

*Establishing an effective organizational vision for the future, the “visioning of success.”*

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66 Personal conversation with Carlo Jensen, Technology Co-ordinator – Calgary Centre for Not for Profit Management Centre on June 12th, 2003
In the final step of the process, the organization develops a description of what it should look like as it successfully implements its strategies and achieves its full potential. This description is the organization’s “vision of success”. Typically included in such descriptions are the organization’s mission, its basic strategies, its performance criteria, some important decision rules, and the ethical standards expected of all employees.

Such descriptions, to the extent that they are widely known and agreed to in the organization, allow organizational members to know what is expected of them without constant direct managerial oversight. Members are free to act on their own initiative on the organization’s behalf to an extent not otherwise possible. The result should be a mobilization and direction of member’s energy toward pursuit of the organization’s purposes, and a reduced need for direct supervision.

Visions of success should be short – not more than several pages – and inspiring in nature. People are inspired by a clear and forceful vision delivered with heartfelt conviction. They focus on a better future, encourage hopes and dreams, emphasize the strength of a unified group, use word pictures, images and metaphors, and communicate enthusiasm and excitement.

Following these eight steps come actions, results, and evaluation – all three of which should also emerge in each step of the process.
Conclusion

Under the tutelage of the senior management team at The Centre, their strategy employed is a moving target. The Not-profit sector in Alberta continues to face a number of challenges ranging from sustainable funding, technology requirements, and the on-going demand for high quality volunteer management consultants.

All of these challenges force The Centre to make nimble decisions and take decisive action in how they manage their business. By using the best opportunities of all strategies and relying upon advice and consultations from both the private and public sector, The Centre is able to stay ahead of the market.

Their overall business strategy model would have to be defined as a combination of the best of all strategies available on the market. This is far from being considered “stuck in the middle”, but instead recognizing and implementing the strategy that best fits the needs and requirements of the organization.

What is most refreshing is the fact that The Centre is not a complacent organization, and has the ability and knowledge management capabilities to use strategy as a differentiation approach to deliver the products and services they do to their client base.

They will continue to constantly source new ideas, approaches, weigh the opportunities and challenges and combine the best of both the for profit and not for profit models to achieve their goals and objectives in the Calgary marketplace.

They truly are a role model for other Non-profit organizations in the community and their approach to business strategy is to be acknowledged and modeled by others.
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