



Most organisations in the commercial sector commit to developing a robust strategy for their organisations – otherwise they would not have a business, but we find this impetus to work through this strategic process is not widely shared amongst organisations in the ‘Not for Profit’ Sector. This article highlights the action that can be taken by leadership teams to bring that change about and is a central theme of the authors’ new book *Excellence in the Not for Profit Sector*. By Philip Atkinson and Daniel Burger.

We can see huge advantages for NFPs learning and adopting best practice from successful businesses in the commercial sector. NFPs are generally resource hungry – so reviewing the strategic process may well provide big benefits in how they can deliver and improve their services. By doing, so they should be able to provide ample ROI or SROI to demonstrate effectiveness to their clients, end users, key stakeholders and Regulators.

What exactly is the NFP sector?

We refer to NFP in the widest sense. What NFPs have in common is providing and distributing services to clients, services users and the public. Some provide specific and particular products for consumption, whether they be educational, health, charitable, voluntary or welfare orientated. We would also include the massive element of local or central governmental bodies of the public sector. The NFP sector, and each type of NFP, can operate very differently and have very specific governance arrangements and legal bases for operating. Here we could include regulatory bodies, NGOs and a variety of other businesses in the NFP category. Of course, they are not all regulated in the same way, so you have to be cautious to avoid categorising all NFPs under this umbrella term.

What is important is that we can apply some of the ‘best practices’ of the commercial sector that are most valuable and useful to NFPs in service delivery.

Rigour in strategy making

We would argue that organisations in the NFP sector, more so than the commercial sector, need strong business strategy and goal clarity, simply because they have limited and defined resources with which to provide their services. It is not as if the typical NFP can easily extract or seek additional donations, monies or investment, float additional shares, seek support from financial institutions, government agencies, members, partners, suppliers or even end users. Even NFPs that are funded by the taxpayer or the Government do not have easy access to a repository where they can withdraw cash, or any other resource for that matter.

We would argue that NFPs need to be accountable for resources as their future is entrusted with them. They will certainly be on the radar of inspection or regulatory bodies.

Future direction

It's not just being accountable for existing and future resources, but also for the provision of the service for which the organisation was designed, to meet the needs of the end user, whether in a charity or public service.

Shaping NFPs' future

Future direction means establishing clarity of core goals and outcomes, and from that developing a strategic plan to meet them. As stated earlier, NFPs are not renowned for rigorous strategic planning or applying the models and techniques employed by their commercial counterparts. For that reason, we will be outlining specific approaches that could be of value.

SWOT

One of the most important things you must do is to establish how well you are doing currently. It's important to assess the

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SWOT (strengths, weaknesses, opportunities and potential threats) for your business. It is wise when doing this exercise not to limit it to the top team. Ideally, you are looking for an assessment of your SWOT from several perspectives in the hierarchy. This could include taking a diagonal slice of the business and consulting various staff and managers from a variety of functions and locations, as well as including perceptions of key stakeholders.

Internal	External
Strengths	Opportunities
Weaknesses	Threats

What is interesting is then focusing on both similarities and differences in perceptions of each segment of the SWOT. Once you have completed this, you may want to complete a potential future SWOT, where you undertake the exercise as if you were writing this from a future perspective, 18-24 months from today, looking at now from the ‘rear view mirror’. In fact, we are asking you to look back (from your expected future) and:

1. Identify the strengths that have shaped your business from end user, consumer and customer, as well as key stakeholder perceptions. You might want to think what strategies were adopted to achieve these.
2. Identify weaknesses or limitations which you have overcome in the last year, and how you did that. (This helps overcome potential barriers). Focus on the actions you would take to remove these limitations, especially the decisions you had to make.
3. Identify opportunities and the tangible actions you will have to take to convert these ‘opportunities’ into reality
4. Identify threats that your NFP business has experienced in the past, and the strategies you implemented to overcome them.

This is a powerful exercise to enable you and your team to establish the gap that you will have to bridge to move from your current SWOT, to the more desired SWOT in the future. CEOs of NFPs usually find they need support from advisors, mentors or facilitators to support this work. In this exercise, it is too easy to avoid issues that need resolution or fail to confront issues that need challenging. You are less likely to do this if you have an external support to ensure that there is structured, inclusive, authentic and honest feedback.

This would be the first stage that we would recommend you take on your strategic journey. You should apply specific

strategic models and techniques to your novel situation. We do not have the time or space to include these in this article but if you email the authors, they will provide you with the assistance you need.



We will be discussing what we call the Vision to KPI Model (see diagram) which can be used to support you in establishing a grounded and practical strategic plan. You really need a strategic plan to morph into a business plan which can ignite the energy of your people, and it needs to align resources and teams across the organisation.

Too many both large and small organisations in the NFP sector do not have clear business goals or a strategy in place. We have identified that less than 10% of NFPs have a detailed strategic plan linked to an annual business plan. Many don't even have the basics of a realistic Vision for their organisation. Without a realistic, and even challenging, Vision, how can senior managers ever develop a road map to take them from today to 18-24, 36 months into the future? Surveys and diagnostics in both large and small businesses highlight how many fail to focus on direction.

We will outline some of the key issues to explore if you want this Model to work—no matter the size of your business in the NFP sector.

So where should we start? We use our model called 'Vision to KPI's'. You need a big picture of where you want to go before you move forward. That big picture is a Vision and must include Leadership. You cannot have an effective Vision without the Leadership to drive it. After all, without leadership you are not promoting any sort of meaningful change.

If you have strong Leadership but no Vision, then you will be going around in circles, pursuing no more than good and vague intentions. So, the two elements are inseparable.

1. Vision and Leadership

You need a 'big' Vision to ignite people's aspirations and motivation, an exciting Vision of what your organisation is going to be doing in the future, and the type of organisation



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you want to become. If currently you are an NFP with 200 staff and £20 million budget, what will you become in the future? How many layers of management typify your business? How would you describe your culture and your relationship with your end users, consumers, donors and stakeholders? What development activities should you use to take your staff from where they are currently, to a stage where they are achieving their potential and providing genuine learning opportunities in the community?

Ask challenging questions of self

If you are a small community social enterprise with say 12 part time staff, a budget of £200k and an additional income of £50k, what will you look like in three years? What forces will shape you? What threats do you experience in your business environment? What measures have you put in place to overcome, avoid or confront those threats? Are you mastering the contribution of digital technology in the provision of services? Who can you learn from to support you in completing the journey to what you want your organisation to become?

Think about competitors

There may be others out there that provide a better service than you do currently. Perhaps you occupy a monopoly position, but that does not make you safe. You must still compete for staff, people, technology and suppliers who will provide you with the best services. You may currently use a provider of digital services whose only advantage is that they are cheap – so what is your Vision to attract the best provider in your location, and exchange long-term loyalty with them in return for fair and affordable cost – not simply lowest cost.

Here are some additional questions you should be asking:

- Where are we going?
- What are our strategic goals?
- What are our organisational goals in our key area?

Leadership in NFPs

Generally, the term 'Leadership' is not so welcomed as a concept in many NFPs. The term itself may smack too much of direction, control and even militarism usually associated with commercial businesses. The real issue is the perceived values that many see operating in private or NFP organisations. This does not fit well with organisations that have broadly community, altruistic and humanistic values and a philosophy which is largely governed through consensus and consultation. You may not think you are ready for it yet, but you do need Leadership to take the organisation from where you are now, to where you want to be in the future. At this stage, you need to have a firm idea of your desired leadership style. After all, it is going to have to progress you from where you are now, to your future.

Leadership rejected and neglected

Take it from us, those who reject the concept of Leadership as a core component of their culture are sadly putting their business at risk and failing to maximise its potential. They just do not see how important it is in moving and shaping the culture to meet the overall objectives and goals.

Leadership is often neglected because people misperceive Leadership as comprising one model, and that is usually



Authoritarian in nature. However, Leadership in shaping the culture is just too important to be left to chance, yet many organisations fail to address this early enough in their development. The type of questions to ask are to do with the Leadership model and behaviours which best suit your business. What development work do you need to commit to, in order to encourage staff at all levels to adopt those behaviours to better deliver services, as well as transact business internally with your colleagues?

Leadership and volunteers

If you work in any NFP you may have a large contingent of Volunteers who support you in your work. Creating a strong Vision and Leadership is as important for these people as it is for your employees, stakeholders and those who are recipients of the service you provide.

We have worked in many organisations where the numbers of Volunteers far outweigh the numbers of paid employees. One of the authors worked with an environmental charity with 1500 full time staff and 16,000 volunteers. Breaking down the demographic of the volunteering groups was amazing. Most were middle aged, university or professionally qualified, experienced in a variety of industry and sectors with free time they were willing to donate to the charity. What shocked us was that there was an assumption that the volunteers would be no more than spare pairs of hands when, in reality, many had superior experience and knowledge. Their potential was largely untapped.

It was made very clear that these people needed as much Leadership as paid staff and often had stronger Leadership capabilities that could be utilised and managed within the charity.

Consider how well you are making use of your volunteers. Do you have engaging, enriching induction and development programmes for them? And if not, why not? Could you be reaping more of the rewards of a plethora of experience and enthusiasm than you are right now?

Now you have the top of the pyramid, 'Vision and Leadership' right, and you know where you are going and how to get there, you need to deal with the cultural component. Ideally work out which culture is desired for your individual NFP.

There are four common cultures of:

- **POWER** – usually control is exercised by key individuals. Faith is put in people, not shared in teams. There is a central source of power and these cultures can change very quickly. However, this can work for or against the organisation depending who is in control, and their degree of competence in leading the process
- **ROLE** – this is stereotyped as a bureaucracy and most roles and duties are formally documented. Control is exercised through a narrow band of people who control the key functions. Coordination can be a long and hard process because of the degree of formality. This culture is slow to change and cannot see beyond its current operation.
- **TASK** – this is a project orientated matrix type culture



where influence and control are grounded in expertise and working together. It is typified by easy working relationships and is extremely adaptable.

- **PEOPLE** – here, individuals are key in making things work. Structure and reporting relationships are minimal, and it services the individuals within it. Control and hierarchy are not welcome in this culture. Those who prefer to work in this culture are not easy to manage.

You need to decide which element of your business should exemplify which culture, and why, and ensure there is a strong interaction between any cultures you have developed.

2. Culture and values

Now we deal with Culture and Values. Every organisation has a culture – no matter the size, structure or sector. The culture tells you how things are done and what is of key value in the organisation. Organisational cultures should be designed for the business, but most organisations have cultures which have largely evolved through the whim of CEOs, by accident, through critical events, the influence of charismatic or key characters in the evolution of the business, history, folklore and magic. As we said before, Culture tells us how we deal with end users, our consumers, members, donors and how we work together. It is not always easy to identify specific cultures, but you sure as heck know when you experience an organisation with a poor, negative or lacklustre culture. You can literally feel it. You just know that this place is not a good place to work, in the same

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way as you can judge a hotel, restaurant or bar just by walking through the door.

What are values?

Culture and values reflect each other. Corporate or organisational values are the guiding principles by which the organisation encourages its members and staff to conduct business with each other. Values are the stated version of standards and rules which the organisation believes is central in representing the identity and function of the business. Values reflect Leadership style, encourage desired behaviours and discourage other ways of working. For instance, in some private sector sales environments, competition and winning at all costs is a strong value reflected in the behaviour of some sales teams. We would argue that this does not have to be the case and is certainly not what we would install in a typical NFP. In NFP organisations, a strong value may instead be cooperation and adopting a 'win-win' mentality.

You might find that some organisations have less than

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helpful Values or ones that have evolved because of poor management. Generally, exploring Values is about trying to define more positive and uplifting standards of behaviour.

You can have Values about all variety of business activity. These include:

- Values about the end user or consumer, the donors or the customer and how you work with them
- Values about how you work as a team, both in and between organisational functions
- Values about learning and development for all staff
- Values about performance improvement and rewarding staff
- Values about the environment and how we treat the community, suppliers and stakeholders

You can see there are a variety of values; Values, like Culture, may be stated or unstated, but everyone knows what they are. The #METOO campaign highlighted the unstated core values and behaviours associated with many in the movie business, both in the US and Europe. In the UK, the MPs' expenses crisis, and in Europe and the Middle East the World Cup Corruption scenario, reflect the unstated (negative) Values that permeate many sectors, and rot the fabric of the business and the organisations. The NFP sector is no different, with the recent exposé in Oxfam with volunteers procuring sex workers whilst working in Haiti, and the infant sex crimes alleged to have been committed in the Catholic Church.

You see, Values are important in highlighting desirable behaviours, so it's a good idea to make them explicit as setting reasonable and uplifting standards of behaviour.

Develop articulate core values

We would strongly suggest that core Values should be stated, because that way people know the standards of behaviour to which they are expected to adhere.

Values need be stated positively and reflect the dominant and desired behaviours you want people to express. Successful businesses articulate their core Values that they want to live by, and how they treat their customer or users, how they will work with their people, and the business values which underpin how they operate.

3. Priorities, CSFs, goals and strategies

Next in the hierarchy are Priorities, Critical Success Factors

(CSF), Goals and Strategies. Priorities and CSFs indicate the relative importance of goals. The CSFs reflect those activities which much be achieved in order to meet the Priorities of the Business as NFP. Only when these have been defined, can the Goals be determined and the Strategies to meet those Goals adopted. Many people get the relationship between Goal and Strategies wrong. The Goals demonstrate the desired outcome – the Strategies are ways or paths to achieve those Goals.

Developing strategy

The formation of Strategy is not the sole province of the CEO or the Senior Leadership Team (SLT). The top team must drive the thrust of the business and be key in setting direction and goals, but that does not mean they are the font of all knowledge.

Organisations are knowledge-based systems and as such have layers and pockets of knowledge which are more than valuable in setting direction. We believe that the responsibility for Strategy lies with the top team, but input for the Strategic Plan lies within the organisation and across boundaries with stakeholders, regulators, service users and others.

Managing this process is critical to get the best minds working and information flowing. This exercise in consensus should be run like any special project. The focus of the NFPs' intention is critical to whether it fulfils its mission or not. Consider the tools and techniques you can use by taking a diagonal slice of the organisation and incorporating other input into the Strategic Plan such as fact-based evidence, data, opinions, and perspectives.

4. Behaviour and actions

In turn, behaviours and actions are heavily influenced by Priorities, CSFs and Goals and Strategies. Now you know where you are going, you need to demonstrate the right behaviours and actions, which of course are reflected in the Vision, Leadership, Culture and Values.

Insufficient time and energy is devoted to developing core behaviours which are central to achieving the desired outcomes. Yet, if you cannot agree on behaviour, how can you possibly develop meaningful KPIs by which you can measure individual and team performance?

You can ask some very simple questions to get you on the road to defining desired behaviours within your business.

What desirable behaviours are not being demonstrated in the organisation? Where are the deficiencies? What behaviours are lacking or hindering you in achieving your objectives? Explore what they are and what they could be, make decisions on behaviours, define them and then incorporate into a formal or informal performance management process.

Further, explore behaviours which are working counter to your intentions. Bring them to the attention of managers and agree a process of actively discouraging these and replacing them with positive individual and team behaviours which lead to success.

You may have to confront different value systems on the way. Some managers behave in ways that belong to a bygone age. You need to work through any conflicts and provide clear direction. You will find several cultures operating in your business that do not fit with your intended strategic thrust.

5. Structure, Roles, Processes & KPIs

From this level flows structure, roles, reporting relationships, as well as core processes to drive the business. Make no mistake, you need to put in place all the higher levels of tiers in the Vision-KPI model to make this work.

You may need to restructure

The structure of your business may have been created at a time when the demands and constraints on your NFP were radically different. Strategy determines structure – although many organisations think it's the other way around. You will need to restructure to fit with your strategic plan. If your structure does not reflect the strategic push for growth and improvement, rethink it.

Finally, in this model you need to look at how you measure progress, and this is through developing KPIs or KPMs or Key Performance Indicators or Measures.

Everyone should have KPIs

If staff and volunteers do not know and develop and engage with their KPIs, how do you know if they are progressing and doing what is expected of them? You should be able to relate KPIs to Strategy using the Golden thread idea illustrated below. You should also reward financially with the completion of KPIs. You may argue that strategy changes and so do KPI's – you need to constantly revise KPIs to fit the direction, intention, CSFs and Goals of the organisation.

Summary: The golden thread linking vision to KPIs

So, if you look at the model, you can see how applicable this is to the nature of NFPs. There is a golden thread that should run from the Vision to KPIs and this should be clear so that everyone knows how things work.

To make this work for your NFP, you need to engage in the following:

- Developing your own NFP business Vision and Leadership styles
- Defining and working on Culture and articulating core Values
- Identifying key Priorities and Critical Success Factors (CSFs)
- Setting stretching Goals, devising innovative Strategies
- Defining Behavioural standards for teamwork and customer focus,
- Implementing and refining Structures and Processes, and ensuring that everyone knows where they sit in the Structure, their expected Role, understand core Processes how to measure progress through KPIs.

At all stages you need to refer back to the Vision – KPI model and engage your end users, stakeholders and Regulators in the process. This strategic process can work for any NFP and, if in doubt, start sooner.

This article is an extract from a new book *Excellence in the Not for Profit Sector* authored by Philip Atkinson & Daniel Burger. To be published in October 2019.



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