

STAKEOWNER CENTERED NOT FOR PROFIT ORGANIZATIONS

Thomas J. Neuville

MAJOR TASKS NOT-FOR-PROFIT ORGANIZATIONS FACE

Three critically important tasks of not-for-profit organizations include:

- 1) To continue to generate the resources necessary to support and grow operations
- 2) To hold and strengthen the public trusts
- 3) To create processes for inclusion of all stakeholders and constituencies

These three major themes should not be approached as or treated as separate issues. Together as strategies and tactics that direct and inform operations they will support and organize a successful organization. Treated separately, the power of each of these strategies and their resulting tactics will be compromised and very likely be unsuccessful, deeming the organization unworthy of the rights and privileges afforded tax-exempt organizations.

Although interconnected, I will address each theme separately for purposes of clarity.

Resource Development

Continually generating the resources necessary for operation is a multi-faceted task that requires strategic thinking.

- 1) How do we define resources?
- 2) What sources are available and accessible?

The consideration of resources must be broad. Certainly financial resources are critical. The development of financial resources must be linked with specific tactics and strategies that serve stakeowners and result in the nonprofit organization (NPO) offering superior services that translate into stakeowner growth and retention. In addition to financial issues, there are other less traditional strategies and/or structures that qualify as important resources. Individual or organizational contributions of time, expertise and information are also critical resources.

Programs that organize stakeowners to provide added value to other stakeowners through bartering arrangements and or bringing together consumer businesses to develop desired products or services would also constitute resource development. The commitment and skill to continuously improve and remain flexible with stakeowner services is the key to developing and maintaining financial strength.

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Public Trust

Holding and strengthening the public trust is crucial for all not-for-profits. As an impartial mediator, information source and educator, the NPO must enjoy the trust of both the community and stakeowner services. The unfortunate National United Way debacle provides a salient example of the ramifications of losing the public trust. Executive perks and inappropriate pay scales represent both an image problem and a competency and character problem. The ability to do ones business is undermined when organizational policies and individual ethics are not leading and/or modeling social responsible behavior and decision-making.

Inclusion

Inclusion of all stakeowners and constituencies is the only path to assuring superior services that translate into first-rate stakeowner services. Across virtually every dimension of our society--from the classroom to the community, from the workplace to City Hall--Americans are giving shape to a profound new understanding of the role of everyday people in solving public problems (The Quickening of America, 1994). We must realize, and act accordingly, that elegance is found in small, self-organizing, pockets of quality. Bringing people together to generate information, strategies and tactics is the only pragmatic process to support. We can no longer build products and then convince the consumer of their need. Instead we must work together to meet existing needs of the community. An infinite number of new and renewing opportunities exist when organizations embrace this method.

MOST RELEVANT GOALS THAT MUST BE ACHIEVED IN THE NEXT 3-5 YEARS

The most relevant goals are linked to a discovery process that invites insights from all stakeowners. This process, implemented as an ongoing process within the NPO, will reveal specifically the appropriate goals. The three to five year perspective allows us to vision the future, however the danger is relying on what we think today. Things change so rapidly that thinking (as opposed to planning) strategically in 5 or 10-year increments must be done continuously. Within that context I offer my assumptions as

to the most relevant goals that seem to make sense today.

Goal 1.

Create relational self-interest among all of the NPO stakeowners.

We must work for customers to define their self-interests in relation to others' interests. Relational self-interest emerges within our communities when business owners, managers, employees, consumers and other citizens begin to see their interests linked.

Objective 1.

Build services and processes that result in customers having a real voice in decision making.

Objective 2.

Use information as a tool to be shared democratically.

Objective 3.

Every customer is rewarded for learning and innovating.

Objective 4.

Customers are trained for teamwork.

Objective 5.

Foster a culture of mutual respect through innovative changes.

Goal 2.

Develop a Customer Stake Ownership Plan (CSOP).

Stakeowners / customers are more committed than outside interests to long term financial and social profitability. Each individual directly experiences an increase in life quality as the community prospers. The mediating / organizing entity (NPO) becomes a force that is seen as indispensable.

Objective 1.

Enact services and benefits that result in stakeowner loyalty.

Objective 2.

Bring stakeowners together in whole systems planning processes that result in active stakeownership from all sectors.

Goal 3.

Originate a force of "ordinary" citizens as economic and service innovators.

Objective 1.

Developing educational processes that encourages citizens to take charge in order to; monitor and develop existing NPOs, get money to regular people, make our most needed services affordable and implement a range of innovations.

Objective 2.

Influence media to move closer to the community stakeowners and away from giving information as sound bites (complete information is a powerful community strengthener).

Goal 4.

Be a model of good and innovative business practices.

Objective 1.

Produce **quality** services that are based on the desires and directions of our stakeowners. This includes being focused on what we contribute not what we control.

Objective 2.

Be **accessible** when, where and how our customers require our contributions.

Objective 3.

Initiate **pricing** which is a delight to our customers.

**APPROACH TO PLANNING (FINANCIAL & ORGANIZATIONAL)
FINANCIAL**

"If you're growing customer satisfaction, your market share is sure to grow. Employee satisfaction gets you productivity, pride and creativity. Cash flow is the pulse, the key vital sign of a company."

- Jack Welch
CEO GE

When doing financial planning the rule to adhere to underestimates revenue and overestimates expenses. While actualizing the plan an organization must work to "overrealize" revenue and "underrealize" expenses. This is never done to the detriment of the service or by encouraging internal departments to compete.

The best financial planning occurs when up to the minute data is available at all times. A fiscal system that is clear, concise and can be manipulated for a variety of different financial views is critical. Reports must be accurate, timely, and understandable. Financial planning is not something that takes place once per year, but routinely as the information is embedded in every decision.

The three types of information most useful to track are:

Cash flow, both current and projected. Cash is like fuel to an airplane; you want to anticipate a fuel shortage long

before the panel display flashes: "WARNING!"

Financial accounting information (balance sheet & income statement) and financial ratios. It is particularly useful to have comparative statements.

Cost information is critical so that we know what services ACTUALLY cost. We may continue a losing service but we should know its fiscal impact on the organization.

ORGANIZATIONAL

Planning must encompass diverse processes with a variety of stakeowners. The planning framework to trust is founded on the framework proposed by the following:

- Global context - The world now and in the future.
- Industry context - Consumer advocacy now and in the future.
- Company context - NPO now and in the future.
- Action planning** - What should we do in the future?
What should we do now to be ready for the future?

Dealing with the world first forces participants to leave behind their daily concerns and centers the process on search and appreciation rather than decision making. The problems of the industry are then looked at in a much wider context. The individual NPO comes last. Its future will take place in these wider contexts, the full reality of which is not always taken onto account. Any proposals for the company are future oriented (Eric Trist). Following this process with a group that represents as many stakeholders as possible is the only method of pragmatic planning.

The "Contrasting Approaches to Planning" chart represents the changing approaches. The "new" column must guide the NPOs beliefs and practices.

CONTRASTING APPROACHES TO PLANNING¹

	Old	New
Dominant Metaphor:	Machines	Living Systems
Organizations are:	Corporations	Communities
Information is:	Reduced Processed Moved Vertically	Expanded Jointly Created networked
We organize by:	Command / Control Powerful / Powerless	Self-organizing Shared Influence
Humans are:	Bounded Rationality	Multi-dimensional
Change is:	Incremental Top-down or Bottom-up	Spontaneous, Constant All involved
Strategy is:	Simple, Explicit	Complex, implicit
Planning is:	Top-down, strategic	Concurrent, Tactical
Diversity is:	Tolerated Accommodated	Appreciated Encouraged
Leaders / Managers:	Get in the Front Control Information Create Boundaries	Get in the Middle Create Information Remove Boundaries
Consultants are:	Experts Content-based Information Providers	Partners Experience-based Coaches

¹From a letter by; Kellner, Rogers and Wheatley Inc, 1994. Utah.

APPROACH TO HUMAN RESOURCE MANAGEMENT

"A high wage will not elicit effective work from those who feel themselves outcasts and slaves, nor a low wage preclude from those who feel themselves an integral part of a community of free (people). Thus the improvement of this element of the supply of labour is an infinitely more complex and arduous task than if it depended upon wage alone."

- D. H. Robertson
"Economic Incentives" (1921)

Of course it is possible to get people to do something. That is what rewards, punishments, and other instruments of control are all about. But **desire** to do something, much less do it well, simply cannot be imposed (Kohen, A. 1993). The purpose of human resource management is to get the best people to do the best job. The best job is always done when the employee is excited about their contribution. Alfie Kohen, in his book "Punished By reward" lists three steps to human resource management. They most concisely match the effect NPOs approach.

The first step is to **abolish incentives**. Edwards Deming and many other respected leadership and management experts have come to recognize that incentives eventually turn into disincentives. Disincentives for the individual and for the corporation as a team.

Step two is to **reevaluate evaluation**. If we ask why people are being evaluated the answer is typically that we wish to assure productivity and set standards of behavior. This is better accomplished through establishing a persons duties as a path to their future and to be explicit about high order behaviors. We establish a person's path to their future by creating a career development plan, with the emphasis on development. Jack Welch, CEO of GE, offers us advice on rating high order and desirable behaviors. Rate such behaviors as, Tendency toward openness, directness in facing reality, power orientation, fairness, self confidence and ego management. Also we must ask questions such as, is the person mean spirited, are they a turf protector and do they believe in boundrylessness.

The third step is to create the conditions for **authentic motivation**. Changing the way people are treated may boost productivity more than changing the way they are paid. Once again Mr. Kohen has advice which matches the effective NPO approach. As managers we must **watch** for problems that need to be solved and help people solve them. **Listen** as we attend seriously and respectfully to the concerns of people and try to imagine how various situations look from their points of view. **Talk** to provide plenty of informational feedback. **Think** about the long-term impact of motivators we are using.

APPROACH TO MARKETING & COMMUNICATIONS

Creative marketing is important to the success of any business. The NPO and the not-for-profit sector are no exception. Many examples of "guerilla marketing" can be found in the business world. Ben & Jerrys for example advertised: "get a scoop of the action" on the ice cream container lids as a means of selling stock. Any business, but especially a not-for-profit must create ways of making a huge impact with limited resources. This is the key to guerrilla marketing. The creation of innovative services promoted through creative marketing will equal magic for any organization.

Accessible and high quality communication will drive a company to achieve being the best it can be. Poor communication will drive a company out of business. A few areas of communication which seem particularly important include:

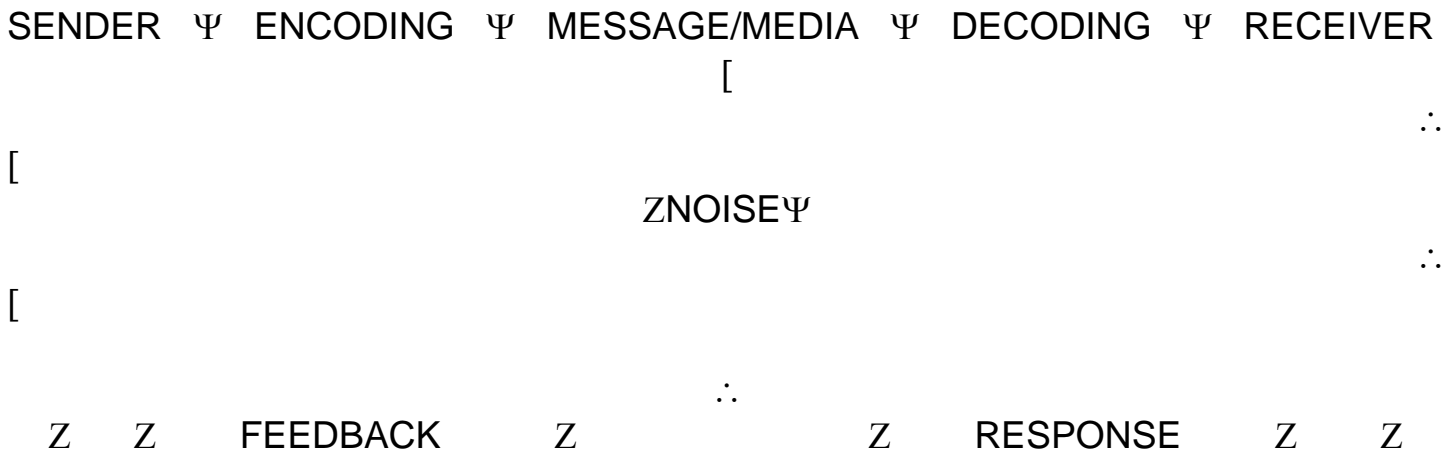
1. The NPO must identify and communicate its' image in a proactive manner. Image is not a luxury an organization chooses to have. Image is a reality and exists. Do nothing and your image is made for you. Usually the making is done by competitors, detractors or filtered truths regarding your services or organizational gossip. To choose an image and build the organizational messages as well as competencies around that image is the only profitable process.
2. Everyone is responsible for marketing. Although certain employees may play a marketing and communication role these individuals must co-opt the power that rests in every NPO employee. Marketing and communication must be an integrated part of the whole. If we wish to get the benefit of everything employees have, we've got to free them, make everyone a participant. Everyone has to be aware of the big picture so they can make the right decisions and give the right messages both formally and informally.
3. Understand the powers of the informal as well as the formal. Most organizations have some understanding of how to use the media or formal advertising. However many do not recognize the

"rule-of-250" which Joe Girard, called the greatest salesperson in the world, teaches us about. One person, delighted or dissatisfied, will tell about 250 people about that delight or dissatisfaction. The multiplier effect of that process informs thousands of customers.

4. Tell the truth. The best communication available is to deliver on promises. The integrity of the NPO, and thus the community, must never be compromised.

Marketers need to know how communication works. Some years ago, Lasswell said that a communication model will answer (1) who (2) says what (3) in what channel (4) to whom (5) with what effect (H. D. Lasswell, 1948). Over the years, a communication model with nine elements has evolved. The following table best represents these nine elements and the effective NPO approach to the complex issue of communication.

ELEMENTS IN THE COMMUNICATION PROCESS²



²Kotler, Philip, 1984. **Marketing Management, Analysis, Planning, and Control**. Prentice Hall, New Jersey.

- Sender** - The party sending the message to another party.
- Encoding** - The process of putting thought into symbolic form.
- Message** - The set of symbols that the sender transmits.
- Media** - The communication channels through which the message from sender to receiver.
- Decoding** - The process by which the receiver assigns meaning to the symbols transmitted by the sender.
- Receiver** - The party receiving the message.
- Response** - The set of reactions that the receiver has after being exposed to the message.
- Feedback** - The part of the receivers response that the receiver communicates back to the sender.
- Noise** - Unplanned static or distortion during the communication process, resulting in the receiver's receiving a different message than the sender sent.

APPROACH TO INTERNAL COMMUNICATIONS

1. **Leadership style and communication.** The need to develop a clear vision and strategy has been addressed. But developing is only the first step. They must be communicated clearly and often in speaking, writing and action. Leadership communication is responsible to keep the vision and strategy in front of the people at all times. Themes that develop from this clarity become the marketing message. A message everyone connected with the organization is responsible for communicating.
2. **Communication as a personal touch to relational strength.** Often in our efforts to be business like we extract all the personal from it. An effective communicator will make you feel as though you are having a personal conversation. All players must be willing to reveal themselves using a direct, personal, and unpretentious style.
3. **Informal communication is the most effective.** Whether we take advantage of this method or not it has an impact. We must have a high consciousness of informal contacts. Brief hand written notes, for example, can be far more effective than a memo. Conventional wisdom instructs that word of mouth is the most powerful marketing.

The flow of communication is important. Communication should not flow only from the top. Communication should be taking place at all levels in all directions. Asking, welcoming, listening and inviting are a few strategies to keep the flow moving in multi-directions.

Honest communication is always the best policy. Call a duck a duck. This is done kindly, with respect and at the correct times. Common sense about when where and what must always be used.

Amount of communication is critical. If we expect people to become adult contributing stakeholders of the team then it is everyone's responsibility (especially leadership) to use information democratically and as a resource not a tool of power and secrecy.

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From a letter by; Kellner, Rogers and Wheatley Inc, 1994. Utah.