

Evaluating the attractiveness of your program/venture

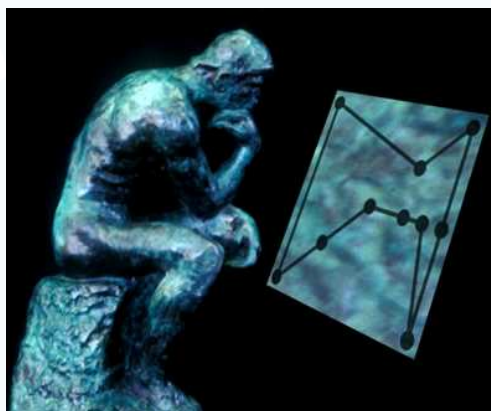
Being Market Focused

Focus and Adaptability

Modified MacMillan Matrix		High Alignment with Client Needs		Low Alignment with Client Needs	
		Effective Competition	Ineffective Competition	Effective Competition	Ineffective Competition
High Mission Fit	High Internal Capacity	Compete	Grow	Support Competition	Change Program
	Low Internal Capacity	Divest	Build Capacity or Joint Venture	Divest	Divest
Low Mission Fit		Divest	Divest	Divest	Divest

What problem are you solving and what are the different ways you can do this?

- What problem is your organization addressing?
- What are other possible interventions to address this problem?
- Is there a better or more efficient way of offering these services?
- Is there a way of offering these services that more directly meets the needs of the “market”?



- After doing the last exercise, some of you may be considering cutting or making some changes to a program. Here are a list of questions that may guide your thinking. We would challenge you to routinely ask these questions of all of your programs **every** now and then – not just the ones that are new or not working that well. Always questioning the relevance and efficacy of your programs is a key part of being adaptable.
- **SAY:** In this case of our gift shop example, the problem that the organization is trying to solve is helping women earn enough money to sustain themselves. Let's run the example through the questions listed above.
- **ASK:** Other than running a shop that sells handicrafts created by low income women, what are other ways that the organization could meet this objective?
- **(ANS:** job training or college programs, a business or jobs in a more attractive industry like healthcare, an employment agency or job placement program)
- **ASK:** Do you think that some of the other ideas that we brainstormed could be better or more efficient? Is there a way of offering these services that more directly meets the needs of the “market”?
- **(ANS:** Yes – the business has been losing money for many years. Handicrafts are also not big money earners. Both the organization and its clients might profit more from one of the other ideas we brainstormed.)



Next Steps: Process for Assessing Sustainability

Increase financial predictability by regularly assessing your financial health

- How much cash is needed to sustain your organization's operations?
- How much cash is in the bank?
- How strong are your financial statements? What trends do you see in your statements?
- Which of your programs and social enterprises cover their own costs plus a margin?
- Which units do not cover their own costs?

- Now that we have gone through a process for assessing individual programs and activities, in these final two steps we're going to move back and look at the organization as a whole from the perspective of the third driver, Developing Relationships and Financial Predictability.
- The first part of financial predictability is understanding your financial health. You need to know how much cash you have on hand and how much you need to sustain operations on a monthly basis. It is also important to regularly analyze your financial statements and take note of important potential proactively. It is important to note questions like “Are your customers or government funders paying you too slowly?” or “Do you see a cash flow shortfall at any point in the year that would require a line of credit or other intervention?”

Next Steps: Process for Assessing Sustainability

Develop relationships and financial predictability by regularly analyzing and communicating with financial stakeholders

- Which financial stakeholders are most engaged? Least engaged?
- What percentage of the organization's revenue is predictably safe?
- How diverse is your funding base?

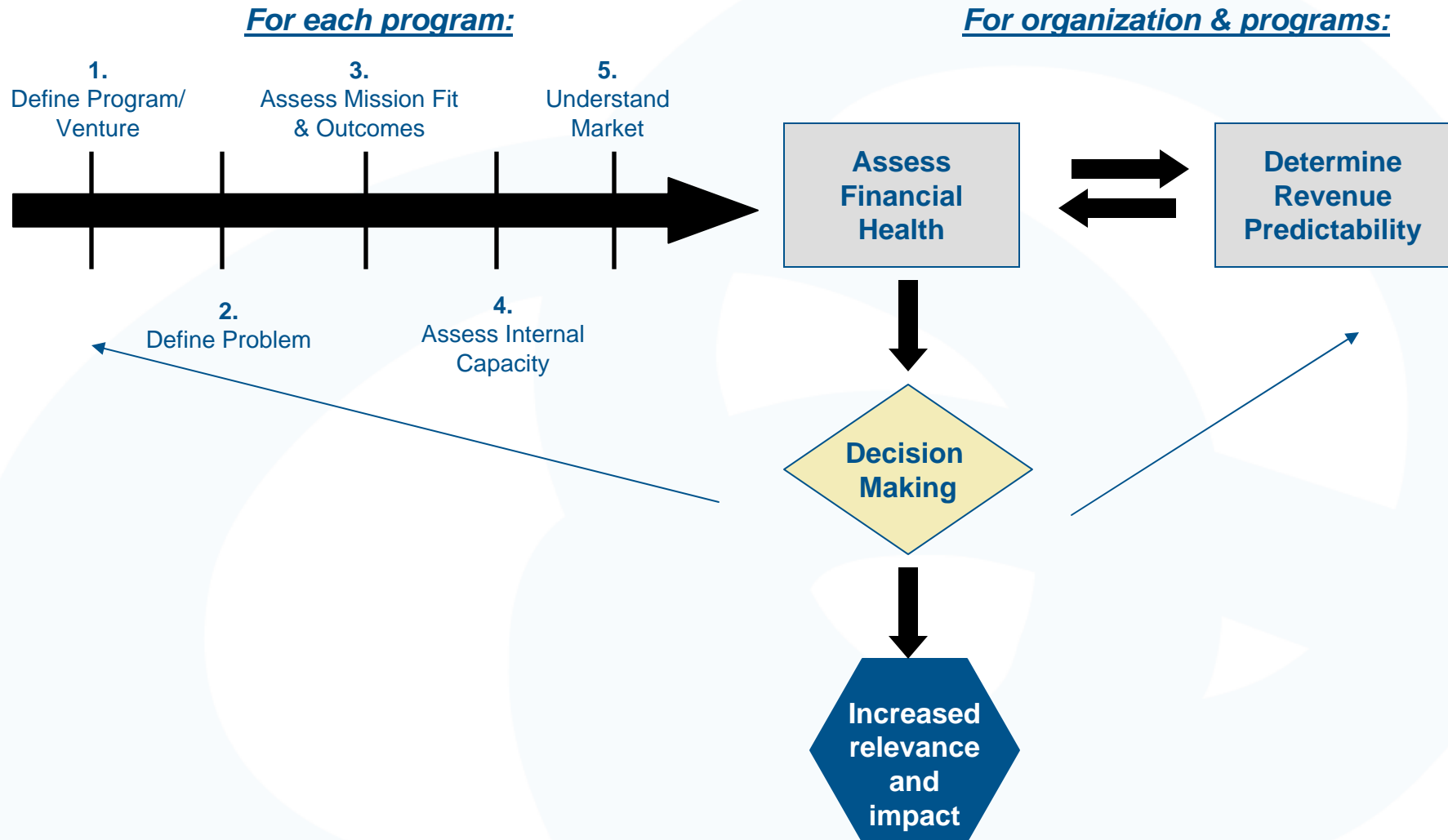


- The final activity on this list brings in the develop relationships part of “Develop relationships and financial predictability.” You do this by identifying your key financial stakeholders and analyzing their level of power and engagement. This will assist you as you look at the overall diversity of your funding base and to continually assess which sources of revenue are safe and which need to be monitored and cultivated with more care. It is important not to chase funding and make decisions on this criteria alone – that leads to a lot of unsustainable practices like mission drift that this sustainability frame seeks to avoid. However, you need to keep a watchful eye on the level of engagement of your funders and make sure that you are continually gaining their buy in for the value of your programs/ventures.
- On the next few slides, we will discuss how to identify, categorize, and create communication plans for your most powerful stakeholders to make sure that they remain engaged and interested in continuing to support you.

Agenda

- Introductions & Objectives
- Defining Organizational Sustainability:
 - Common Responses, Myths, and Recommendations
- The Drivers of Sustainability
 - Driver #1: Creating Tension Between Focus & Adaptability
 - Driver #2: Being Market Focused
 - Driver #3: Developing Relationships & Financial Predictability
- Sustainability Framework
- Wrap Up & Next Steps

Framework for Organizational Sustainability





- Once again, this is our full process for assessing sustainability. We recommend that you use this process to assess all of the programs and ventures in your organization. However, prioritize ones that you are thinking of starting or changing first.

Sustainability: Increased relevance and impact



To wrap up, I have a final word on sustainability. The way that we define sustainability is lasting, long term impact and relevance. By maintaining focus through constant vigilance with mission relevance, creating a learning adaptive organizational culture that is able to change course when new information comes in about the market and finally developing relationships and financial predictability, you are much more likely to achieve lasting impact and relevance. This is hard and unending work but also very inspiring. We are all here because we care about mission impact whether is teaching children, building housing for the homeless, or curing malaria. That is the real end goal of organizational sustainability. Thank you for your time today.

Questions?

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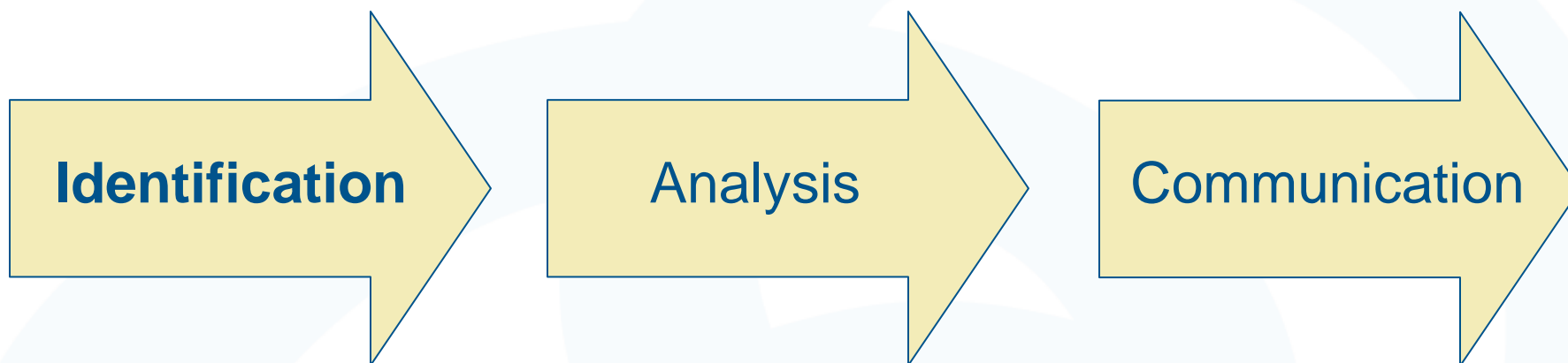


Appendix



The strength of financial stakeholder relationship influences revenue predictability

Financial Stakeholder Engagement & Management Approach

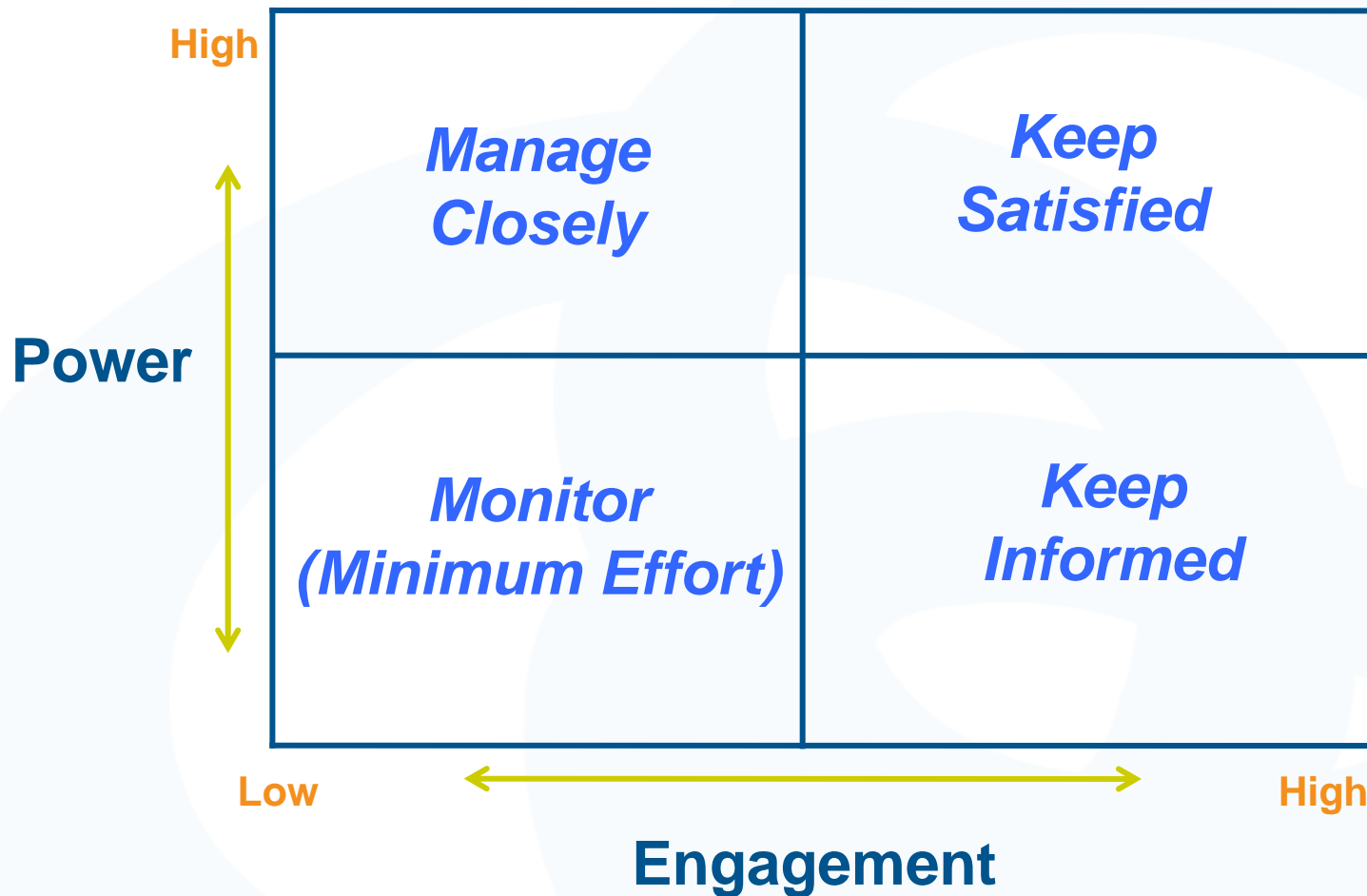


- **IDENTIFY** all financial stakeholders
- **IDENTIFY** if stakeholder's engagement is driven by:
 - Emotional connection to the organization's cause OR
 - Confidence in organization's performance outcomes



- The stakeholder management is a three-step process and consists of stakeholder identification, analysis and communication. It is important to note, though, that this is an on-going and iterative process. It is not as clean as it looks in this graph!
- **SAY** The benefits of using a stakeholder-based approach include:
 - You can use the opinions of the most powerful stakeholders to shape your programs or strategies at an early stage. Not only does this make it more likely that they will support you, but also their input can improve the quality of your programs or strategies.
 - Gaining resources from powerful stakeholders can help gain resources from others. A snowball effect occurs.
 - By communicating with stakeholders early and frequently, the more likely it is that they will understand what you are doing and why and engage earlier and on a more deep level.
- **SAY:** The first step in the management process is identifying all your financial stakeholders and identifying what drives the engagement of each stakeholder – by emotional connections or empirical data.
- **SAY:** Throughout the lifecycle of your organization, you are going to need to re-examine each step in the stakeholder management process. For example, if your organization has been in operation for several years, you may re-visit your current stakeholders and realize there are additional stakeholders who you need to engage. You will also need to re-analyze your stakeholders and regularly assess their level of engagement. You may find out that you need to re-engage key stakeholders or need to adjust how you communicate with them.

Analyze funders and customers based on their level of power and engagement



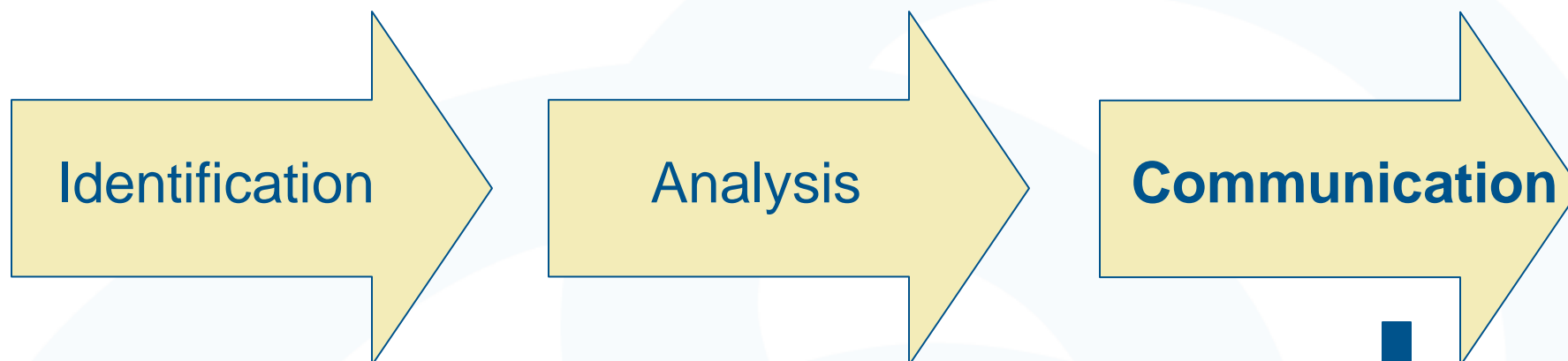
- Once you have identified your list of stakeholders, you'll need to analyze them, which is step 2 in the stakeholder management process.
- One common method for analyzing stakeholders is to consider three different factors: Level of power, level of engagement and type of supporter.
- Let's concentrate on the first two factors. It is helpful to map your financial stakeholders to a power vs. engagement grid like the one shown on the slide.
- 1. LEVEL OF POWER is how it relates to your organization. Some stakeholders may have a lot of power, perhaps the ability to block or advance a substantial amount of funding for your programs. Some might have very little or absolutely no power over your organization's finances. We're not talking about their opinion of your programs or organization, instead we are looking at it from a neutral perspective. Power in its essence is the ability to block or advance your organization's financial position.
- **ASK** Can someone give me an example of a financial stakeholder who has a lot of power and can block or advance your organization's financial health?
- **(Ex:** Major funders, large customers, contact for a government contract)
- **ASK** Can someone give me an example of a stakeholder who has very little financial power over your organization? They do not have any ability to block or advance your organization's financial? **(Ex.:** Junior Program Staff, Current beneficiaries)

- **2. LEVEL OF ENGAGEMENT**, again, is how it relates to your organization. How engaged is the stakeholder in advancing the mission or in the impact that the organization is making? Some financial stakeholders will always attend meetings or read your outcomes reports, they may proactively follow up on investments they have made or look for opportunities to expand their level of commitment or engagement. Others might not be that interested or engaged at all.
- **ASK** Can someone give me an example of a financial stakeholder who might not be engaged in your organization? What about someone who is very engaged? (**Ans.:** answers will vary greatly to both questions).
- **EMPHASIZE** that as we mentioned earlier, a financial stakeholders position on the grid is likely to change during the course of the organization. Someone might initially have very little power, but later in the lifecycle, the amount of power they have is tremendous.
- **SAY** The position on the grid provides guidance on how to approach communication. The light blue text in each box highlights how you should approach communicating with stakeholders in each square on the matrix. For example:
- High power, low engagement people: Manage closely. Seek more ways for them to become more engaged in your work.
- High power, high engagement: Keep them satisfied. These stakeholders are already highly engaged, so keep up the good work.
- Low power, high engagement: Keep adequately informed and make sure that no issues are arising. These people can be helpful with the details of the venture or program.
- Low power, low engagement: Monitor, but do not bore or burden with excessive communication.

- **(NOTE)** Prepare flipchart below in advance)
- **SAY** Okay, let's take one of the stakeholders that you identified earlier.
- **SAY** When you analyze where a stakeholder lies in terms of power and engagement, you are just making your best guess. Where do you feel they are at this point in time?
- **ASK** a participant to identify a stakeholder. Where do you feel this particular stakeholder lies in terms of level of power and engagement? High or low power? High or low engagement? Why?
- **MAP** the location on the matrix. **EMPHASIZE** the suggested communication approach for the stakeholder.
- **EMPHASIZE** Remember that this is an art, not a science. As a leader of the organization, you need to make your best guess at where you think each stakeholder belongs on the grid. When you map your stakeholders, you might not have a stakeholder in each quadrant of the matrix. That is totally fine. You may find that for your organization, you have a lot of low interest, low power stakeholders. Or maybe you have a lot of high engagement, high power stakeholders.
- Also remember that a stakeholder analysis is an internal document for your team. Don't feel bad by placing someone in a low engagement or low power quadrant!

The strength of financial stakeholder relationship influences revenue predictability

Financial Stakeholder Engagement & Management Approach



■ Marketing

- How does your organization package its emotional and data-based story to relevant financial stakeholders?

■ Communication

- How does your organization communicate the value of its programs and services to relevant financial stakeholders?





- Now that each group has a good idea of where your stakeholders are in terms of power and engagement, the next stage is to plan how you are going to communicate with them about your organization. For communication to be effective, it must satisfy the specific needs of each stakeholder.
- The power vs. engagement matrix that you developed provides guidance on the communication and marketing approach – how much and how frequently you communicate depends on where the stakeholder lies. It is also important to think about what drives the stakeholder's interest in your organization and what motivates their engagement. Not only does it determine how to package your story to stakeholders, it may also affect how you can further engage certain stakeholders with high power, but low engagement.
- Some questions to think about as you develop a communication strategy for each stakeholder include:
 - What motivates them? Is their interest driven by an emotional appeal to the cause or more by performance measurement and data?
 - What information do they want from you? What is important to them?
 - How do they want to receive information? Do they like email? Do they prefer a newsletter?
 - What is the best way to communicate with them? Informal or formal? Do you have someone who prefers to just touch base when you pass him/her in the hall?
 - Who influences their opinions?
 - If they are not likely to engage or think positively about your venture, what will change them to engage more?
 - If you don't think that you can change their opinion, how will you manage their disengagement?
 - Who might be influenced by their opinion or disengagement?
- The answers to these questions will help shape your communication plan. Developing and following a communication plan for your key financial stakeholders is critical for the ongoing operations and financial health of your organization.