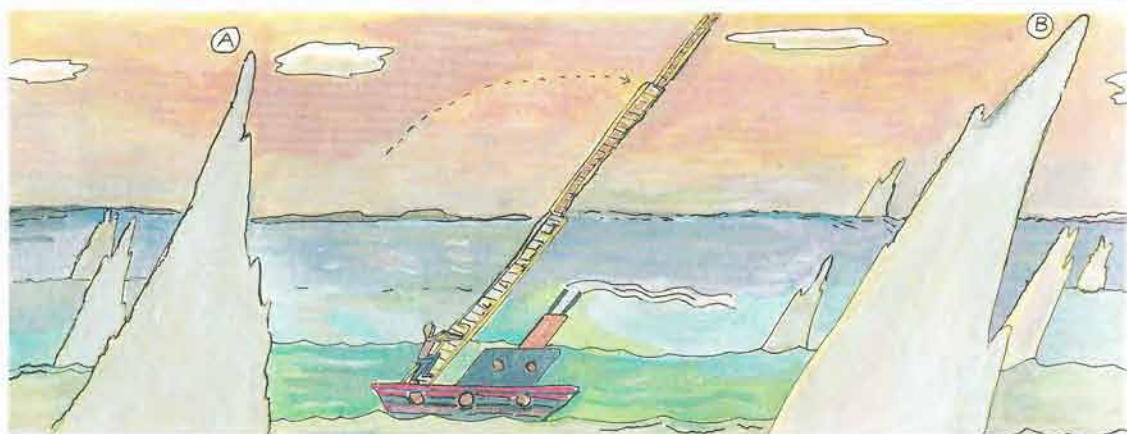


# review

## Strategy strikes back



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# What corporates can learn from not-for-profit strategy-setting

*Steven Bowman*

**M**any Australian not-for-profit organisations have been around for decades – a few for over a century – so they must be doing something right. In fact, a lot of things right. What are they? And can they help your business?

THE NOT-FOR-PROFIT sector is one of the largest in Australian society. There are more than 110,000 incorporated and 700,000 unincorporated not-for-profit organisations. They range from educational, charity, healthcare, religious and community organisations to trade union, industry, professional and sporting bodies.

As shown by their longevity, many not-for-profit organisations have developed certain characteristics that have ensured that they survive and prosper in an environment where their finances are increasingly limited and the majority of their projects are developed and managed by volunteers. Some of Australia's largest providers of services are from the not-for-profit sector.

These characteristics of successful not-for-profit organisations essentially revolve around their strategy-setting processes. Some of these processes have been uniquely developed by the not-for-profit sector, and include:

- creating a vision filter
- creating a strategic board
- involving stakeholders in strategy setting
- leveraging off the inheritance of the organisation
- embedding ethics into the strategic planning process.

## **TOOL 1: CREATING A VISION FILTER**

Not-for-profit organisations have a powerful sense of purpose. They are typically created to fulfil a vision or

a need of a group of people, and most often have the ethos of adding value to society and generally 'doing good'. They have very strong views on what is appropriate for their organisation, what are its core values and what is its core purpose.

All not-for-profit organisations have either a formal vision/mission statement, or such a strong sense of purpose that it hasn't needed to be defined in words. The key benefit of this sense of purpose, or vision, is that it attracts people and resources to the organisation – hence the strong history of volunteer time or resource donation to the not-for-profit sector.

This sense of purpose provides guidance to the organisation in good times and bad.

Corporates, on the other hand,

often do not have this strong sense of purpose. While successful in the production of goods or services for their markets, they may find it difficult to attract or keep staff, customers and resources, and very difficult to stay focused on their core activities.

The not-for-profit sector is very successful at creating vision statements that actually guide what the organisation does. Successful not-for-profits (NFPs) create vision statements that act as filters for all activities and programs that they are involved in. Vision statements provide the context in which the board, staff, constituents and the public all share a common expectation of the organisation. This common



expectation can be one of an organisation's most powerful management tools, as well as a powerful marketing message.

Exactly what is a vision statement and what is a mission statement is a vexed question that often derails organisations during their planning sessions. The difference is often explained as 'vision is where we want to be', 'mission describes where we are today'. However, in the context of the planning process, it is irrelevant whether the statement is called a vision or a mission statement.

If a corporate has a current vision or mission statement, conduct the following exercise. Take each of the substantive words in the statement, and ask three questions of it:

- What is the corporate actually doing to ensure that the intent behind this word/concept is embedded in all its programs and services? After all, the board has agreed that the vision/mission statement embodies the guiding principles behind all the corporate stands for
- How are all new or proposed programs filtered through the statement to ensure that the intent of the vision/mission statement is structured into the program?
- Are the board and staff able to express the key concepts and intent behind the vision/mission statement? The exact words are not important, but the intent is crucial.<sup>1</sup>

**TOOL 2: CREATING A STRATEGIC BOARD**

The nature of not-for-profit organisations has meant that they typically have to hold themselves more accountable than their corporate counterparts. The volunteer nature of their boards has meant that board members have been most interested in being efficient, effective and accountable. After all, they donate their time and don't want it wasted on meaningless activity or rubber-stamping projects. This has led to the creation of strategic boards.

This increased awareness of accountability has led to a number of worthwhile practices that corporates could emulate.

**Not-for-profit boards** are typically made up of non-executive directors, chosen either for their representation of a certain sector, or their possession of

skills necessary to move the organisation forward. A mixture of representation and skills-based board members is most common. The practice of board succession planning is taken seriously, with board skills analysis providing key planning guidelines for the board, and allowing the board to focus on extracting the most value from its members.

**Not-for-profit boards are focused on public and member accountability**, and typically reflect this by providing annual reports that provide

appropriate details of strategic plans, achievement against strategic plan success measures, forward projections for future years and how these tie in to the strategic plan.

*Ask what is the corporate actually doing to ensure that the intent behind its vision or mission statement is embedded in all its programs and services.*

One of the best examples of this is the Epilepsy Association Australia's annual report, which covers areas under headings such as: what we are; what we do; key influences this year; key strategies planned for this year, achieved this year or planned for next year; outlook and issues; performance targets for next two years, why they were selected, progress in achieving them, and benchmark comparisons.<sup>2</sup> Other accountability measures include board appraisal systems that allow it to reflect upon its own performance in light of the strategic plan and other agreed measures.<sup>3</sup>

**Not-for-profit organisations are skilled at ensuring that the CEO is accountable to the board.** The CEO's performance is typically reviewed at least annually, if not biannually. Directors of a NFP are most often in that position because they share the

same values as the organisation and will protect those values, even against a strong-willed CEO. While this can be a continual source of annoyance for the CEO, it does protect

*Directors of a not-for-profit are most often in that position because they share the same values as the organisation, and will protect those values, even against a strong-willed CEO.*

the organisation from staff who might wish to take it in a direction at odds with the board's wishes.<sup>4</sup>

**The agenda for board meetings often reflects the strategic plan**, which, in turn, reflects the core purpose of the organisation. This is because the NFP is typically focused on its core purpose. The board members are therefore focused on those key activities they have already agreed are the most important things to the organisation. Most corporates, on the other hand, have very operational agendas that reflect how well particular projects or divisions are going, rather than their contribution to the achievement of the strategic plan.



Corporates should review the agenda of their board meetings to ensure they include: a consent agenda item, declaration of conflict of interest, financial reports, board operation reports from board committees (eg, finance/audit, succession planning and compliance committees), reports on outcomes of relevant action plans from the strategic plan, professional board development, other business, and a section on changes to the strategic environment.<sup>5</sup>

*It is a mistake to use only senior staff of the organisation in the planning process.*

TOOL 3: STAKEHOLDER INVOLVEMENT IN STRATEGY SETTING

NFPs typically have a number of stakeholders that are interested in being part of the organisation. These stakeholders are often invited to participate in strategic planning, as it cements the relationship as well as adding value to the planning process through the additional perspectives and skills of the participants. For example, the Australasian Institute of Banking and Finance (AIBF) invited 76 stakeholders to participate in its strategic planning session. These stakeholders included strategists from the major financial institutions, CEOs of similar NFPs (eg, the Insurance Institute, the Financial Planners Association, the Australian Society of Corporate Treasurers), senior HR staff of financial institutions, students, older members, non-members and academics.

The most effective strategic planning process involves those people who can add value to that process. It is a mistake to use only the senior staff of the organisation in the planning process.

Senior staff, constituent representatives, supporters of the organisation, perhaps even some 'competitors' should be considered for the planning team. Planning teams made up of only staff leaders or the board may not be functional, as there is a tendency for CEOs to attempt to create something distinctive during their term, and often 'pet' projects get emphasised.

The first step in the strategic planning process is to identify those individuals necessary to the development of a strategic plan for the organisation, and to get support from these individuals for the planning process. They should be chosen for their knowledge and skills, not

just for their position in the hierarchy. Included should be a mix of constituents, board members, senior staff and some outside people who are not as familiar with the operations of the organisation. There is no ideal number of participants for the planning team, but it should encompass individuals who represent different skill levels in knowledge, expertise and thinking styles,

and more importantly, in group dynamics. The group could be anything from five people up to 76. The

facilitation of these groups will differ depending on size, but the outcome will be very similar.

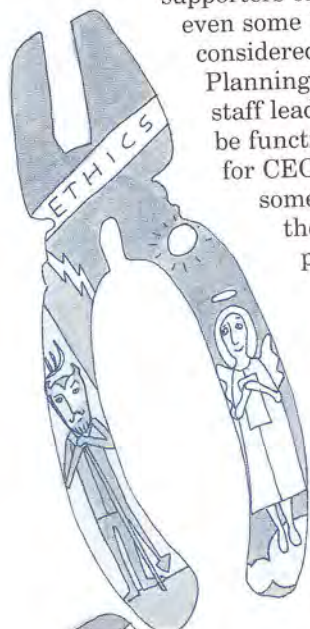
There are four roles played by the various groups in the strategic planning process:

- **The board:** The board has a monitoring role. It ultimately approves the strategic plan, but does not necessarily formulate it. Board members may participate in the planning process, but they do so as individuals, not as a formally constituted meeting of the board. The board then monitors the achievement of the strategic plan, and undertakes corrective action where required
- **The CEO:** The CEO has an implementing and controlling role. He/she sets the climate and tone of the strategic planning process, establishes the planning group, and ensures the action plans are completed on time and have appropriate control and measurement systems in place
- **Senior staff:** They have an implementing role. They duplicate the CEO's role within their respective departments, maintain communications between the board/CEO and other staff, provide functional guidance to other staff, and report on progress of the action plans
- **Stakeholders:** They have an expert advice or representative role. They could represent a current or potential consumer base, key suppliers, and indirect competitors.<sup>6</sup>



TOOL 4: LEVERAGING OFF THE INHERITANCE OF THE ORGANISATION

Many not-for-profit organisations have a long and distinguished history, and are proud of this inheritance, while at the same time remaining relevant and essential in present-day society. One of the major





strengths of a not-for-profit organisation is that its inheritance is a coalescing factor that partially drives the values of the organisation and partially attracts people to the culture of the organisation.

All organisations have a history – some more colourful than others. The Australian Funeral Directors Association published a book, *No Funerals on Picnic Day*, which traces the history of the profession and the association over many years, and the impact of this history on the profession.<sup>7</sup> The IOOF commissioned a book in 1991, written by Geoffrey Blainey, which captures the flavour and work of the IOOF which, it felt, was in danger of fading away.<sup>8</sup> Whatever the qualitative aspects of their backgrounds, it is critical for organisations, especially corporate organisations, to have a sense of their past.

Too often, organisations have tenuous links with their history. The reasons can include loss of key board members, loss of long-serving staff, involvement of younger people, involvement of personnel that come from different corporate cultures, or an emphasis on making money or raising finances as an end in itself, rather than the reward for achieving a core purpose.

An organisation needs to establish the importance of its history, its original purposes and how they align with current purposes, and the importance that customers and constituents place on the inheritance factor. To ignore this is to risk customers and constituents no longer seeing the relevance of the organisation, and moving elsewhere.

**TOOL 5: EMBEDDING ETHICS INTO STRATEGIC PLANNING**

The not-for-profit sector has always been preoccupied with ethics. The creation of codes of conduct and codes of ethics predates any formal legal attempt to codify ethical behaviour. Charitable, trade and professional not-for-profit organisations date back to the 17th century, and there is evidence of codes of ethics from this era. It is not surprising, then, that the not-for-profit sector is using ethics as a major strategic tool.

One of the most innovative uses of ethics, pioneered by Enterprise Care and now found in not-for-profit organisations throughout Australia, is the embedding of ethical decision-making into the strategic planning process. This is illustrated in the development of the

*Whatever the qualitative aspects of their backgrounds, organisations, especially corporate organisations, must have a sense of their past.*

*One of the most innovative uses of ethics, pioneered by Enterprise Care, is the embedding of ethical decision-making in the strategic planning process.*

SCORE analysis as part of the strategic planning process.

The SCORE analysis leads the strategic planning team through an environmental analysis that includes strengths, challenges, opportunities, risks and ethics. The ethical component is also embedded into the creation of action plans, where each strategy is drilled down into specific action plans with the following elements: scope, start date, completion date, resources, project manager, success measure and ethics.

The ethics element poses the question: are there any issues of rights, responsibilities, obligations or fairness inherent in what we plan to do in this action plan? If any issues are raised, they are considered and rewritten into the scope of the action plan.

The following are examples of the embedding of ethics into action plans of the strategic plan.

**Action plan 1.2  
Who should comprise our membership?**

- Scope:** Environmental scan of all possible members (eg, overseas associates, OHS, technicians and equipment suppliers, pharmacy assistants etc), identify potential organisations that can create value links, create memoranda of understanding (MOU) with identified organisations
- Resources:** Office personnel
- Start date:** November 2003
- Completion:** May 2004
- Project manager:** SB
- Success measures:** Establishment of new member category. Establish MOUs with 50 per cent of all identified organisations
- Ethics:** Confidentiality with sharing information. Obligations in relationships. Sharing of same value systems



**Action plan 3.1**  
**Establish volunteer program**

**Scope:** Establish resource file on volunteer co-ordinator positions/agencies, contact Volunteering Victoria, research how other organisations fund it/do it, develop position description and scope of role, budget including income streams/resources. Project plan to committee of management

**Resources:** Allocation of administration time

**Start date:** December 2002

**Completion:** February 2003

**Project manager:** FM

**Success measures:** Committee of management signs off on project plan

**Ethics:** Document ethics and rights of volunteers

**Action plan 5.1**  
**Identification of all current member services**

**Scope:** Identify current services and identify any gaps between current services and what we should be providing

**Resources:** Staff time

**Start date:** February 2003

**Completion:** March 2003

**Project manager:** GS

**Success measures:** Report for the project manager

**Ethics:** Are we disadvantaging any members by reducing some service?

This simple but powerful technique ensures that the organisation considers ethical questions before embarking on specific actions.<sup>9</sup> In today's environment of societal discomfort with corporate behaviour, this simple not-for-profit technique has powerful implications for the corporate sector.

**SUMMARY**

This article has explored five processes for strategy-setting developed by the not-for-profit sector, and their implications for the corporate sector.

Creating a vision filter ensures that the core values and core purpose of the organisation guide it through its life, provides a built-in innovation process whereby all activities are filtered through the vision statement, and ideas and products that enable the organisation to achieve its vision are created. Corporates have been urged by regulators such as ASIC, and by professional bodies such as the Australian Institute of Company Directors, to create strategic boards that are focused on the future, not short-term gains, and not-for-profit organisations lead the way in these types of boards.

The use of a mix of representational and skills-based board members, succession planning for the board, strategic annual reports, board appraisal systems, CEO reviews and strategic board agendas are all symptomatic of the strategic board.<sup>10</sup>

Extended stakeholder involvement in the strategic planning group adds value to the process, and ensures that management (or the board) do not get carried away with 'pet' projects. Understanding and celebrating the inheritance of the organisation is a powerful way to communicate the values and integrity of the organisation, and maximise the possibility of the best elements of the organisation being carried into the future.

Embedding ethics into the strategic planning process ensures that ethical issues are addressed before they become problems. It also makes sense that corporates promote the use of ethical strategic planning, both within the organisation and to stakeholders and the public.

These five tools from the not-for-profit sector can help corporates to repair some of the current damage to their reputations, and assuage societal concerns about the state of play in the corporate sector. ☞

**ENDNOTES**

- For further details on these concepts and relevant publications, visit [www.enterprisecare.com.au](http://www.enterprisecare.com.au)
1. S Bowman and DJ Smith, 2003, *The Secrets to Developing Strategic Plans that Work*, Enterprise Care Not-for-Profit Services.
  2. [www.epilepsy.org.au/epilepsy/epilepsyadult.nsf/Content/2002+AnnualReport](http://www.epilepsy.org.au/epilepsy/epilepsyadult.nsf/Content/2002+AnnualReport)
  3. S Bowman and DJ Smith, 2002, *Practical Board Appraisal Techniques*, Enterprise Care Not-for-Profit Services.
  4. *Developing Not-for-Profit Performance Management Systems*, Enterprise Care Not-for-Profit Services, 2002
  5. S Bowman and DJ Smith, 2003, *The Secrets to Developing Strategic Plans that Work*, Enterprise Care Not-for-Profit Services.
  6. S Bowman and DJ Smith, 2003, *op cit*.
  7. 1992, *No Funerals on Picnic Day*, Australian Funeral Directors Association.
  8. G Blainey, 1991, *Odd Fellows: A History of IOOF Australia*, Allen & Unwin.
  9. S Bowman and DJ Smith, 2003, *The Secrets to Developing Strategic Plans that Work*, Enterprise Care Not-for-Profit Services.
  10. DJ Smith and S Bowman, 2002, *Good Governance Guide*, Enterprise Care Not-for-Profit Services.