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COMPETITIVE STRATEGIES FOR NOT-FOR-PROFIT AGENCIES

I. C. MacMillan

I. INTRODUCTION

At a time when the long-run demands for not-for-profit agencies' services are likely to increase, and at a time of reduced government support, not-for-profit organizations are coming under increasing pressure to deliver more and more services, with less and less resources, supplied with more and more strings attached.

Of particular concern are those agencies which deliver welfare services. In the case of agencies delivering welfare services, the impact of cutbacks in budgets is particularly painful in that, once the limits of efficiency are reached, the only way that further cutbacks can be achieved is via some form of human suffering.

Thus the senior management of such agencies face agonizing choices: either the continuation of current programs (which, with fewer resources, means delivering ever lower quality) or cutting out programs entirely (which in effect means choosing between the crippled and the blind, say!). These agonizing choices are

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further compounded by the ordeal of watching what talented staff they do have, burn out trying to shoulder increasing loads.

The final irony is that, because the service is provided to vulnerable human beings, there are enormous exit barriers (Harrigan, 1980; Porter, 1980) preventing them from easily abandoning their past commitments. The private corporation finds it far easier to abandon a non-profitable market, than, say, an agency which is caring for abused children or blind mutes. Thus agencies that may desperately need to reduce their commitments find themselves locked into many more programs than they can afford. This situation has been aggravated in recent years by the propensity for government agencies to subcontract responsibility for these services to the private not-for-profit agencies (which were more efficient). Now that the government agencies have to cut back themselves, they cannot accept back the programs that were subcontracted, nor can they continue to support the contractor.

So if ever there was a desperate need for attention to be given to pragmatic, competitive, strategy formulation, it is in the area of not-for-profit organizations.

This chapter proposes some guidelines for strategy formulation in the not-for-profit area, based on work done in the Columbia University Institute for Not-for-Profit Management. The main focus of this chapter will be on welfare agencies, but the approach was equally valid for other not-for-profit organizations. In the balance of the chapter three fundamental assumptions are made. The first, mentioned above, is that the need for resources is essentially competitive, so the agency which wishes to survive *has* to view the problem of securing resources in a competitive context. The second assumption is that, given the desperate need for resources, agencies have no business *directly* duplicating services of other agencies (in the same region), thus fostering inefficiency and wasting resources. The competition is for *resources,* not for welfare clients, of which there are (distressingly) too many. Thus the approach to strategy formulation below will call for *very* aggressive strategies to concede programs to superior competitors and wrest away programs from inferior competitors. Third, it will be a fundamental assumption that mediocre or low-quality coverage of too large a client market is inferior to good quality service to a more focused market, and that the strategist will have to face up to the painful decisions of having to terminate some programs in order to concentrate on delivering high-quality service to a more focused client group.

Three levels of strategic decision making are discussed below: the first is definition of mission, the second is the formulation of corporate strategy (for the multiprogram agency), and the third is the formulation of competitive program strategies.

II. DEFINITION OF MISSION

The first step in strategy formulation involves clarifying the fundamental mission or missions of the organization. This is best specified by focusing on a clear and specific statement of what role the organization will play, in the segment of society it intends to serve (Hofer and Schendel, 1978). For instance: "The Y organization will train, and place in employment, 15% of unemployed youths in the X area" is a good specification of a *functional* role to be played by Y organization.

A crucial point is that mission can seldom be unilaterally determined. It is important for the strategist to identify the key groups which have a vested interest in the future of the organization and on whom the organization will depend for support, and to assess what power and influence they have to shape and support the mission. It is equally important to similar assessments about *future* interest groups. Thus the shaping of mission becomes an interactive process, as key interest groups attempt to use their negotiating positions to extract concessions in line with *their* interests. For a management which is desperate for support, it is all too easy to get drawn by "creeping commitment" to accept a mission which is impossibly broad or diffuse because too many disparate demands are conceded at once. It may take very tough-minded, calculated sacrifices of some support bases to avoid being drawn into a situation where the mission is specified too broadly (or too narrowly).

The selection of the *level of generality* of the mission is critical. Compare "We shall care for the disadvantaged" with "We shall provide food, shelter, and medical care for the aged of Brooklyn." The more *general* the statement, the wider the net can be cast in terms of searching for resources and support from stakeholders, but the less *intense* the identification of these stakeholders with the cause being served. The more *specific* the mission, the more those stakeholders that *do* elect to support the agency can identify with it and develop commitments to it, but the fewer there are. Thus mission statements need to be carefully tailored to time and circumstances, calling for rather profound judgments as to what the implications are of trends in societal norms, values, demographics and so on, both in terms of services that will be needed and the propensity for important stake holders to support such services or not.

If the ascendency of the Reagan administration truly represents a nationwide trend to conservatism, it is clear that the reduction of federal support for many welfare programs is likely to persist, and remain at reduced levels for some time. Federal support in the *past* required a specification of mission which was very broad, since no *hint* of discrimination or preferential treatment could be tolerated. In a less "government-supported" era, it may become a matter of survival for agencies to specify *narrower* missions in order to attract *other* supporters such as religious groups, business groups, and so on.

Another key consideration in definition of mission is to ensure that in defining a certain mission the organization does not later find itself facing the type of exit barrier problem mentioned above. If an organization decides to pursue a certain mission (and its associated programs), it needs to be fully aware of the fact that this decision may be highly irreversible. It may not be able to turn back from certain programs due to objections and powerful pressures from a number of external sources determined to have the program continue. These include government agencies, local community groups, political groups, ethnic or religious groups, or organizations convinced that maintenance of some other activity is dependent on continuing the current activity. Internally, sheer humane commitment to the clients themselves might create an exit barrier. Thus it becomes important for strategists to consider the long-run implications of choosing a certain mission.

A further consideration, when developing mission, is how success will be handled. The complete success of a mission (such as the stamping out of smallpox, polio, or tubercolosis), while a rare event, can also be traumatic. The vast amounts of energy and talent spent in building the organization are suddenly no longer needed and could go to waste if not systematically redirected. As indications of emerging success become evident, it is important to start developing alternative missions which best exploit the current strengths of the organization. Even if success is not on the horizon, the discipline of formally considering alternative missions has the advantage of increasing organizational flexibility.

Finally, the continuous review of mission and mission appropriateness is imperative. In light of trends in the environment, it is important to ensure that the mission remain appropriate to the needs of the society in which it operates. (Consider the appropriateness of the original YWCA mission in light of the attitudes of today's liberated women.) A mission which is inappropriate for the present or near future ensures only that valuable resources will be squandered in the process of sustaining an obsolete organization.

In light of the above arguments, it is obvious that a major component of effective mission development is as accurate a judgment as possible of what the future holds in store. Thus forecasting environmental trends is a crucial requirement. Charan and Freeman (1980) provide some interesting guidelines for undertaking this trend analysis. They suggest asking the key questions in Table 1. The answers to these questions should help in deciding what the appropriate mission for the organization should be.

Once mission has been determined, the next step is to review the "portfolio" of the current and pending programs, in order to develop a corporate strategy.

Table 1. Key Questions for Environmental Analysis

a. What major forces have impacted on the organization in the *past* several years?

b. Which are the 5–6 most fundamental changes?

c. What are the major forces which will impact on the next several years?

d. Which are the 5–6 which are likely to be more fundamental than others?

e. What are the major differences between the past and the future?

f. What are the implications for the mission, the organization and the key management resource requirements?

III. CORPORATE STRATEGY FORMULATION

The chief executives of not-for-profit organizations face a greater challenge than their counterparts in private industry when it comes to having to make resource allocations to various programs in their portfolio of activities. Their resources are generally much more limited. The problem is how to allocate these extremely limited resources across the demands of desperately needy programs.

One type of approach which has proved useful in terms of establishing priorities is to decide on the "strategic imperatives" of various programs, by using a modification of the approach suggested by various writers in the corporate strategy field (Rothschild, 1976; Robinson et al., 1978; Patel and Younger, 1978).

All current and pending programs are dichotomized according to three dimensions: program attractiveness; competitive position, and alternative coverage. By *program attractiveness* is meant the degree to which the program is attractive to the agency as a basis for current and future resource deployments. By *competitive position* is meant the degree to which the organization has, or is acknowledged as having, superior potential to support the program. By *alternative coverage* is meant the extent to which alternative agencies or organizations can, or are inclined to, serve the client base that is the target of the program.

This gives the eight program categories depicted in Figure 1. These have proven to be the major dimensions by which to judge the key role an individual program can play in an overall portfolio of current or pending programs. Before going into a discussion of such roles, it may be interesting to report some of the criteria used to rate the various programs.

A. Criteria for Program Attractiveness

There were two major subsets of criteria that proved useful in assessing program attractiveness: internal criteria and external criteria.

Figure 1. Eight Basic Program Categories.

		PROGRAM ATTRACTIVENESS			
		HIGH		LOW	
		ALTERNATIVE COVERAGE		ALTERNATIVE COVERAGE	
		HIGH	LOW	HIGH	LOW
COMPETITIVE POSITION	STRONG	I	II	V	VI
	WEAK	III	IV	VII	VIII

1. *Internal Criteria*

There are three such criteria to consider.

a. The *dominant* consideration is the extent to which the program is *congruent with the mission* of the organization. Thus, for an agency with a mission concerned with care of the aged, such programs as prisoner rehabilitation or youth employment have *low* mission congruence, however laudable their intent.

b. A second consideration is the extent to which the program can draw on *existing skills* of the organization—such programs reduce the additional diversity of skill required to deliver a quality service. (Obviously this requirement generally, but not always, correlates with the degree of mission congruence.)

c. The third consideration is the extent to which the program *activities can be shared* with or by other programs, thus providing the opportunity to spread overhead costs across a number of programs.

2. *External Criteria*

The following are some of the external criteria which have been useful in assessing program attractiveness.

a. *Support group appeal.* The extent to which the program is visible to, and appeals to, groups capable of providing substantial current or future support.

b. *Fundability and funding stability.* Related to support group appeal, the greater the perceived fundability of the program, the more attractive it is. Equally important, fundability which is not subject to wide variability is more attractive than sporadic or unstable funding.

c. *Size and concentration of client base.* The larger the client base, the greater its attractiveness, since there are not only large visible numbers of beneficiaries but also opportunities for economies of scale, particularly if clients are concentrated.

d. *Growth rate of client base.* Even if the client base is small, a rapidly growing base indicates that there may be a great need to address a future problem (perhaps requiring *urgent* attention to prevent major problems for the future).

e. *Volunteer appeal.* To the extent that the program can attract enthusiastic volunteers, staffing pressures could be avoided.

f. *Measurability of results.* To the extent that the results of program activity can be measured, demonstrated, or reported convincingly, the program is attractive.

g. *Prevention versus cure.* If human suffering may be involved, then clearly a program aimed at effective prevention is more attractive than a program for rehabilitation of the same phenomenon. However, a serious problem for many preventative programs is that prevention is less *measurable* than programs revolving around rehabilitation of the same phenomenon (e.g., child abuse).

h. *Exit barriers.* High potential exit barriers *reduce* attractiveness.

i. *Client resistance.* High resistance by target clients to the service reduces attractiveness.

j. *Self-sufficiency orientation.* Programs aimed at developing self-sufficiency or self-rehabilitation of the client base are more attractive than programs in which the clients continue to depend on agency inputs.

This list is by no means exhaustive, and in fact a substantial part of the creative challenge in formulating strategy for a specific agency lies in identifying the attractiveness criteria *unique* to that organization.

All current and pending programs of the agency should be reviewed using these criteria and judged as being either of high or low attractiveness. To avoid having a large number of programs categorized as "in between" high and low, the following heuristics have been useful: *first,* any program which does not have good congruence with mission should automatically be classified as a low attractiveness program; *second,* no program should be classified as highly attractive unless it is ranked as attractive on a substantial majority of the external criteria generated specifically for the agency. This heuristic keeps one from unnecessarily "upgrading" attractiveness of the portfolio of programs.

B. Criteria for Competitive Position

In assessing the competitive position of the program, one seeks criteria by which to assess whether the organization is in a stronger position to serve the client base than competitive agencies:

a. *Location and logistics.* The agency may be better located, or have in place better logistical delivery systems (trucks, sites, staff locations, etc.) to deliver the service.

b. *Stakeholder loyalty.* The agency may have a large reservoir of client, community, or support group loyalty which gives it an advantage over competing organizations.

c. *Prior funding history.* The agency may have succeeded in securing prior funding—in which case it may occupy a "first-occupancy" position with funding sources.

d. *Track record.* The agency may have an excellent or superior track record in delivery of services for this or similar programs, giving it a credibility advantage over competitors. Even if it has no specific track record in the particular service, its general image may give it a credibility edge.

e. "*Market share.*" The extent to which the agency serves a larger share of the target clientele than its competitors may give it an edge in costs: both in ability to negotiate better terms with suppliers and in potential economies of scale (fixed costs spread over a larger volume of clients).

f. *Momentum.* To the extent that the program is *gaining* share in relation to competitors, momentum is being sustained. This tends to reinforce any share position advantage. It is much worse when the agency is losing momentum, even if its share was large to begin with.

In addition there are a number of ways in which the agency can demonstrate *leadership* which will give it a strong competitive position:

g. *Quality.* Better-quality service or service delivery.

h. *Fund-raising ability.* Superior ability to raise funds, particularly for the specific type of program for which the agency is competing.

i. *Advocacy.* Superior skills at advocacy can enhance the cost effectiveness of the program.

j. *Technical skills.* Superiority in specific skills necessary for operating the program (e.g., child care, education of deaf, etc.).

k. *Organizational skills.* Superiority in administrative, managerial, or professional skill (particularly data retrieval and analysis) could give an advantage.

l. *Local contacts.* A superior contact network in the community or region where the program will be delivered could give advantages.

m. *Research skills.* Sometimes a competitive advantage lies in being able to research problems, and monitor program performance, better than other agencies. More effective identification of problem causes, need assessments, and so on saves valuable resources.

n. *Communication skills.* Superior communication (reporting) skills to stakeholders may provide a major competitive edge.

j. *Cost effectiveness.* Ability to deliver service more efficiently generally gives a long-run competitive advantage.

Using such criteria each program should be assessed as to whether it has a strong or weak competitive position. It should be stressed that the above list of competitive position criteria is not exhaustive. Nor need every criterion listed be valid to the specific agency under study. The list is merely representative of criteria used previously. Once again, the creative challenge in an actual case lies in identifying the specific criteria relevant to that organization.

As a guideline for obviating the tendency to ''upgrade'' competitive position, it is suggested that NO program be classified as being in a strong competitive position unless there is some clear basis for declaring superiority over *all* competitors in that program category.

C. Alternative Coverage from Other Agencies

If there are no other large agencies, or very few other small agencies, attempting a similar program in the same region, the program should be classified as ''low coverage.''

The above guidelines provide the basis for categorizing each program into one of the eight categories depicted in Figure 1. Once this categorization is accomplished, it is possible to decide on the ''strategic imperatives'' for the programs in each cell.

In the discussion below, implications for each individual cell will be discussed first, then the implications for the full portfolio of programs will be discussed.

IV. STRATEGIC IMPERATIVES

Cell 1: *Strong position, high program attractiveness, and high alternative coverage: aggressive competition*

The essential feature of programs in this cell is that there are a number of agencies competing for clientele in an area where the strategist's organization has a clear superiority. There is no particular social benefit in having many agencies fighting to serve the same client base—in fact, valuable resources are often *wasted* by such competition. Thus this cell calls for an aggressive ''share''-building strategy, designed to ''ease'' other agencies out of all those programs which are congruent with the mission of the strategist's agency, and to then secure such programs from further competition. This needs to be done *firmly and efficiently,* so as to minimize the amount of disruption to the client base.

These highly attractive, strong position programs will play a vital role in the future, in that they provide a growth base for the agency as well as generate surplus resources for other programs. At a minimum they provide a desperately needed, large growing base to absorb fixed costs for some of the low coverage, unattractive programs.

The first stage of aggressive competition calls for an analysis of the full set of programs being offered by each competitor. It may be that there are *other* programs for which both the agency and the competitor are competing, and a ''horse trade'' can be arranged whereby both agencies concede those programs that they are weak in, in exchange for those programs where they are strong.

Failing this, aggressive competition calls for identifying key competitive position variables (such as described above) and building up those competitive capabilities which will give the agency the full dominance needed to ''shut out'' competitive agencies from further support. This is discussed in more detail below under program strategy formulation.

Cell II: *Strong position, high program attractiveness, and low alternative coverage: aggressive growth*

The essential feature of this cell is that the field is open for the agency. Thus the imperative is to expand the program as rapidly as possible and to consolidate the strong position by building up capabilities in as many of the competitive position variables as possible, so as to secure these programs from future competition.

The agency which has not identified at least one substantial program in this cell is in serious strategic trouble, for it has no basis of *future* viability. In fact, the lack of such a program may call into question the viability of the mission itself.

Cell III: *Weak position, high program attractiveness, and high alternative coverage: aggressive divestment*

In this cell it is clear that there are substantial competitors providing *similar* services. If these competitors are also providing superior services, there is really no justification for the continued participation of the strategist's agency, no matter how attractive the program. Under these conditions the socially appropriate response would be to transfer these programs to the superior competitors (or, if possible, to exchange programs, as suggested for Cell I).

The decision to concede such programs is often a very difficult one to make, requiring strategic vision and tough-mindedness on the part of senior management to turn their backs on such ''easy money,'' high attraction programs. However, unless there is no clearly superior competition, continuation of such programs is essentially parasitic, for the agency is merely consuming resources while delivering an inferior program.

Cell IV: *Weak position, high program attractiveness, and low alternative coverage: build strength or sell out*

Programs in this category are rare—generally they are new programs for which there are recently developed but rapidly growing needs, and the strategist's agency does not have the necessary new skills in place to feel comfortable that it is in a strong competitive position, even if little competitive coverage is present. The philosophy here is that if the programs are truly attractive, congruent to the mission, the agency *has the resources,* and exit barriers are not anticipated, then the necessary resources should be deployed to developing the needed skills as rapidly as possible, thus moving the program into Cell II.

When resources are *not* available, the alternative to building required skills is to identify other agencies with appropriate skills and advocate *their* taking over the program (even aiding in skill building if necessary). Since the programs are attractive, it should not be difficult to find agencies willing and able to undertake such programs. Once again it takes some courage to recognize that in the long run the client base is better off if the agency does *not* take the easy, short-term option of continuing the program with inferior skills.

Cell V: *Strong position, low program attractiveness, and high alternative coverage: build up the best competitor*

This situation tends to lead to nonproductive competition between many agencies vying for ''share'' of an unattractive client base. Often, if a number of agencies

are able to scale the exit barriers, those *remaining* will find that the prograi environment becomes more attractive, even if only because the client base pe agency is enlarged. Since there are many competitors vying for these programs the only factor that should *delay* the transfer of such programs to other agencie is the fact that the strategist's agency has clear superiority (as manifest by it strong competitive position). If the agency has alternative programs on which t focus its resources, exit from these programs is called for—but not before th agency has ensured that those skills which gave it a competitive edge in the fir: place have been transferred to the recipient agency. Hence the imperative for thi cell is to transfer program coverage to the best of the agencies currently servin the segment (thus increasing the attractiveness of the segment for that survivor If the competitor needs to be assisted in developing key skills, the agency shoul provide such assistance. This then releases talent and resources for mor ''needy'' cells, and at the same time creates a more benign environment, wit stronger agencies, in the programs that were divested.

Cell VI: *Strong position, low program attractiveness, and low alternati coverage: soul of the agency*

The programs in this category that are congruent with agency mission pose th greatest challenge for the strategist, for this is where the soul of the agency lie: Generally the client base being serviced has *no* other viable organization to tur to, and conditions are unattractive, so that alternative coverage is unlikely to b forthcoming in the future. Thus the agency is the client's ''last hope.'' It is t support programs such as these that the tough-minded and/or aggressive stra egies mentioned above are recommended. The organization can *ill afford* t waste valuable physical resources and creative talent pursuing programs whic do not in some way provide support for the programs in this category. Th strategic imperative is to unleash the full creativity of management to findin ways to use programs in *other* cells to develop, piggyback, subsidize, leverage promote, or otherwise support the programs in this category.

It is vital that the number of such programs be trimmed to a minimum; the must be clearly and unequivocally congruent with the overall mission, and th full exit barrier implications of participating in such programs must be clearl thought through and understood. In contrast to business situations, where thes poorly positioned programs would rapidly be abandoned, the not-for-profit situa tion calls for deploying the maximum resources possible to support such prc grams—since *no one else* is likely to do so. It is here that the creative building c alliances (to be discussed below) can do much to leverage the limited resource available from the organization itself. It is here that maximum creative skills i advocacy are called for. It is these programs that call for the greatest imaginatio in creating innovative approaches which guide the client base toward self sufficiency.

Unfortunately experience has shown that, without continuous support ar attention for these programs from the senior executives, the more attractive and less difficult programs attract the attention of the agency.

Cell VII: *Weak position, low program attractiveness, and high alternative coverage: orderly divestment*

It is clear that the major strategic challenge here is to creatively dismantle any exit barriers and *responsibly* concede these programs to the best of the agencies currently serving the client base. The key theme is responsible, orderly concession, not abandonment. It should be clear to all constituents how the transfer is being made, and that the inheriting agency has accepted ownership of the client base. It may even be necessary (as happened in one case) for the strategist's agency to formally *manage* the transition, building an intermediate organization to carry out the transfer of the client base to the competing agency. In one case, it was also possible to mediate the consolidation and exchange of a number of programs between several agencies with programs in cells V and VII, resulting in the rationalization of a number of programs at once. This considerably enhanced the attractiveness of several programs, to the substantially increased benefit of the respective client bases.

Cell VIII: *Weak position, low program attractiveness, and low alternative coverage: foreign aid or joint venture*

Few programs tend to fall into this category—it is unusual to have a weak position *and* low alternative coverage. The limited times it does occur are when the agency finds itself in a program where the technical skills required were vastly underestimated (such as services for new immigrant groups from underdeveloped countries with radically different customs). The key challenge here is to find ways of transferring the programs to those agencies that may have the skills and providing *them* with support, or "joint venturing" with such agencies, or taking an activist position to attract the attention of the society or community to the problem.

Having discussed the strategic imperative for *individual* cells, it may now be informative to discuss the implications when one plots the entire portfolio of programs.

V. IMPLICATIONS OF THE FULL PORTFOLIO

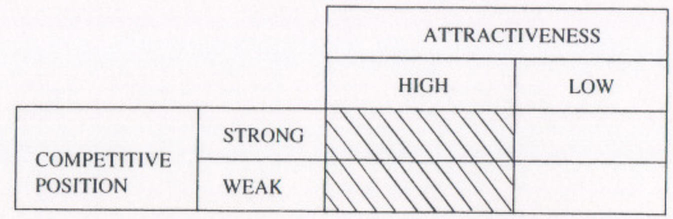
Once the full portfolio of programs is plotted into Figure 1, it is possible for a number of patterns to emerge, whereby programs tend to concentrate in a limited number of cells. The strategic implications of several key patterns will be discussed.

A. High Concentrations of Attractive Programs

Agencies that show the type of concentration shown in Figure 2 seldom have "hard-core" social problems as part of their mission. Sometimes they have drifted away from hard-core problems by increasingly focusing on programs that have high attractiveness and easy support. There is a danger that management will tend over time to pursue *only* programs where it is easy to get support and abandon all too readily those programs that are less attractive.

A more serious problem is that they continue to hold on to attractive programs where their position is weak. This denies needed resources to agencies better qualified to use such resources to deliver superior service.

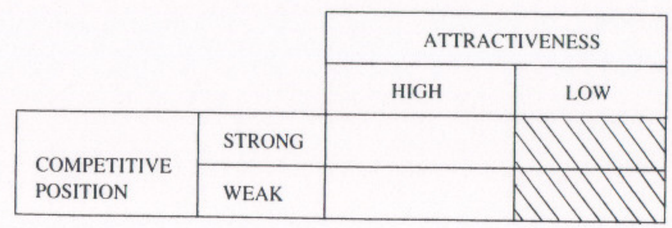
Figure 2.



B. High Concentrations of Unattractive Programs

The most common pattern is shown in Figure 3. It is often the result of years of being enticed into new programs because of a *transient* funding availability. This funding then disappears, but the agency finds itself locked behind an exit barrier, despite lack of funding. On closer inspection, many of the programs are peripheral to mission. Some of the more strategically successful agencies have been able to make the tough-minded, but essential, decisions to consolidate: by working with, and exchanging programs with, other agencies; by single-mindedly terminating programs where there was high coverage; and by focusing creatively on developing Cell I or Cell II programs to build some *future*. Smaller agencies

Figure 3.

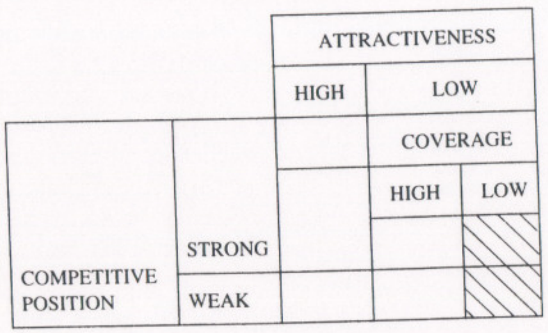


have bitten the bullet and recognized that mergers were a necessary, if painful, step to survival.

C. High Concentrations of Unattractive, Low-Coverage Programs

Unfortunately the suicidal pattern depicted in Figure 4 is also a common one. The long-run prognosis is dismal since there is just no resource base to support these programs. More unfortunately, some of these organizations have an almost fanatical (or ideological) independence and thus an intense aversion to the only solution to their problem, which is to seek a merger with a more viable organization that has a mission which is similar to theirs. It is almost as if they are seeking (and receive) martyrdom.

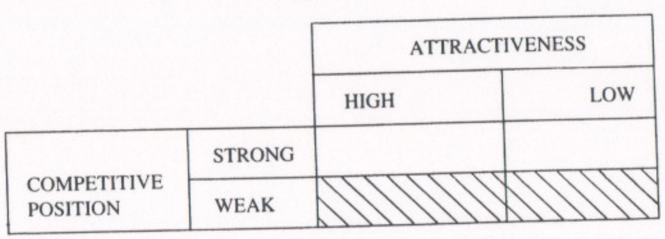
Figure 4.



D. High Concentrations of Weak-Position Programs

The pattern portrayed in Figure 5 is one of the most common (recall the rather strict heuristic to avoid upgrading of competitive position), calling for a tough-minded assessment of how best to develop competitive positions which *are* strong and concede weak programs to competitors, taking full advantage of reciprocation. If they cannot find a feasible set of programs in which they have a superior position, there is a real question of whether these agencies' existence is justified.

Figure 5.



E. High Concentrations of Strong-Position Programs

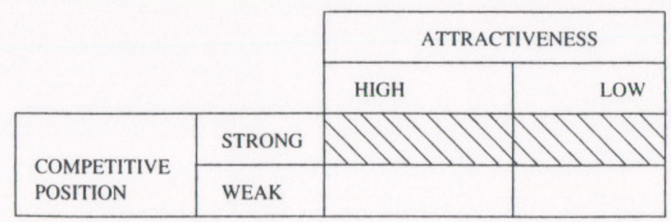
The unfortunately rare phenomenon shown in Figure 6 is the ideal portfolio, particularly:

1. If it has been systematically *built* by conceding attractive programs, where the agency had a weaker position, to superior opponents
2. If it has *constructively* eased out weaker competitors from those programs where it *is* superior
3. If it is using its attractive programs to find creative and constructive ways of supporting a few, *key,* low attractiveness programs where there is limited alternative coverage
4. If all programs are congruent with mission

Since it may take *years* to move to this position, such a portfolio is generally the strategic *objective* rather than the reality, setting the direction in which the overall organization should be moving and providing the basis for major resource deployment decisions.

Having discussed an approach to developing a corporate strategy (or portfolio of programs), it is now possible to discuss an approach to developing a strategy for a specific program.

Figure 6.



VI. PROGRAM STRATEGY FORMULATION

In this section there will be no attempt to repeat in detail the approaches which parallel those recommended in the industry literature for business strategy formulation. The approach calls for identifying the major challenges from the environment and the key strengths and weaknesses of the organization. For a good outline of such an approach see Newman and Wallender (1978).

Answers to the environmental analysis questions recommended above (Box 1) will highlight the *key challenges* that management can anticipate from the trends in the environment. In addition, the process of assessing each program's attractiveness would highlight further challenges for each program. One thing is clear about the environment: in the current era of cutbacks, a major imperative is the need to reduce cost per unit of service delivered, without major sacrifice in quality. (This is the driving argument behind the recommendations for cells in the matrix.) Finally the process of assessing the competitive position of each program will highlight the key program strengths and weaknesses (Greenberg, 1982).

A. Agency Analysis

A detailed analysis of major "policies" of the entire agency is also called for. This agency analysis involves reviewing the major policy decisions that shape the allocation of funds, staff, and managerial attention across the various programs, by formally identifying where major emphasis is being placed. It is a common phenomenon that a small proportion of programs, or client groups, receive a large proportion of the average agency's resources and management attention. A formal analysis of this phenomenon does much to reveal where this real emphasis of the agency lies and whether this emphasis is consistent with the mission, other policy variables, and trends in the competitive environment. Box 2 illustrates some key questions that have proved helpful in agency analysis. Again it should be stressed that these policy variables are by no means exhaustive, but should be identified specifically for each agency.

The basic purpose of such an analysis is to aid management in assessing consistency. The key policies should be reviewed for three types of consistency:

a. *Consistency with mission.* The major emphasis of current (and emerging) programs and client bases served should be consistent with mission.

b. *Internal consistency (with other policies).* If the program and client emphasis are consistent with mission, then the other policies should be checked for consistency with program and client policy and with one another. For instance, are key promotions and other rewards causing people to emphasize the desired programs and clients? Are the cost allocation systems supportive of this emphasis? Is discretionary spending in line with this emphasis? In several cases a thorough agency analysis revealed that substantial fixed costs were being incurred in programs that were not very congruent with the mission but that had received support because of the enthusiasm and persuasiveness of the program managers. By redirecting this enthusiasm back to the main mission, the problem was resolved.

c. *External consistency.* Finally the policy decisions need to be reviewed in light of external trends. Are the emphases being placed on programs and clients consistent with the 5–6 major changes identified in the environmental analysis? Are the emphases consistent with the major trends in each specific program area? Will these emphases remain consistent with the current and emerging sources of funding, of volunteers, of community support? Are the current promotion/ publicity efforts consistent with the trends in the environment? Inconsistencies identified here help to indicate where the agency (or specific program) may be drifting away from its appropriate support base. Sometimes this analysis *also* indicates a need to rethink mission.

Table 2. Key Questions for Agency Analysis.

a. *Program policy*—What major program/services are being emphasized? What percentage of staff, funds and management time are allocated to each program?

b. *Client policy*—Which major client groups (to which the programs/services are being directed) are being emphasized?

c. *Costing policy*—What are the major policy decisions governing cost allocations to programs and to client bases?

d. *Funding policy*—What are the major sources of funding, and the basis for this support?

e. *Disbursement policy*—How are the funds deployed by program and by client base?
   (a) Fixed investment?
   (b) Discretionary spending?

f. *Promotion/publicity policies*—How is major promotion/publicity effort focused? What does this say about the programs, client bases, receiving emphasis?

g. *Key personnel policy*—How are the key personnel selected, rewarded, deployed?

Once any corrections have been made in response to these consistency checks, the agency is in a position to start formulating competitive strategies for individual programs.

B. Competitive Strategy Formulation

The main thrust of competitive strategy lies in identifying and securing competitive positions in Cell I and II type programs and using benefits from these programs to support Cell VI type programs. It was suggested earlier that the organization use aggressive strategies in order to do so. In this section some guidelines for developing such strategies are discussed.

The most important consideration is to ensure that these competitive strategies should be *constructive* rather than destructive. There is need enough for resources without having them wasted by destructive competition. So it is essential to compete in such a way that it becomes demonstrably obvious to supporting organizations that the agency is superior to its competitors and thus capture support from key supporters. At the same time it is important for the agency to find ways to help the competing agencies redirect their efforts to areas where they *do* have strength. This is why so much emphasis was placed earlier on seeking opportunities to "horse-trade" programs.

Rothschild (1976) points out that for any strategy to be successfully implemented the organization needs to select an appropriate *basis of leadership* and develop a strategy around this. At different times different capabilities will determine the leadership in a particular group of competing agencies. An important way of establishing dominance is to identify, and build, the capabilities that constitute that basis of leadership.

C. Aggressive Competition via Leadership

Several leadership capabilities were identified above as criteria for assessment of competitive position. These include: superior logistics systems for delivering of the service, superior fund-raising skills, superior publicity/promotion skills, better advocacy capabilities, superior research and monitoring skills, more effective communication and reporting skills, better technical skills, superior organization and management skills, and superior data collection, interpretation, and retrieval skills. The development of superiority in only *one* of these skills requires considerable resources. Therefore, it is crucial to identify which skills are critical to the competitive arena for each program, so that the few *key* skills that are needed, or emerging, can be better cultivated.

However, in this era of budgetary cutbacks, a major factor will become cost leadership, and it is likely that cost leadership, combined with one or two other leadership factors mentioned above, will be sufficient for the agency to develop a *dominant* position against its competitors. The question which arises is: what strategic moves can be made to secure cost leadership? Several are discussed below.

D. Cost Leadership Strategies

An obvious cost-reduction strategy involves capturing a large share of clients and then using this large base to reduce per unit fixed costs, as well as using the resultant bargaining clout with suppliers to leverage down supply costs. The less obvious cost impact has to do with the impact on the costs of the competing agencies. Not only does increased share for the strategist's agency reduce *its* per-unit fixed costs, but this also *increases* the competitors' per unit fixed costs. So every client gained from competing agencies reduces their cost competitiveness and increases their willingness to horse-trade programs or redirect their efforts to where they are strongest.

Other than direct competition for clients, there are a number of creative ways of reducing costs that have been used:

a. *Find allies.* Some agencies have been extremely creative in finding other organizations (such as businesses, other agencies, community groups, and so on) who are willing and able to commit resources to aid the agency. This is generally not in the form of cash, but rather time, supplies, equipment, or professional advice. For instance, one agency was able to get substantial data processing support using the off-hours of a business installation. The key appears to be an ability to assess what type of resources are inexpensive for the potential ally to provide, often because of transient surplus conditions. Is it possible, for instance, that a company not wishing to lay off its workers might be prepared to donate employees' time if they volunteer?

b. *Folding together missions.* To the extent that the needs of two programs can be combined by creatively folding programs together, a great deal of resources can be saved. For instance, a senior citizen program was combined with a day-care program by training and using recent retirees to help run the nursery center. This reduced the costs of staff for both programs, gave the children "grandparents" to interact with, and gave the retirees what they considered to be a worthwhile and productive role.

c. *Creating programs with productive output.* The agency that can create a program with even a minimum of productive output can operate less expensively than one in which the recipients only consume resources. Thus Hands Inc., in which senior citizens undertake assembly contracts, can be operated less expensively than a conventional senior citizens' care center.

d. *Securing resources from competitors.* If the competitors are persuaded to exit from the program area, it may be much less expensive to take over staff, equipment, and facilities from these competitors than to build it. It can be particularly beneficial if programs are traded, both parties often securing resources at much lower cost than if they had to build them themselves.

d. *Use systems analysis skills.* Systems analysis, which focuses on a thorough analysis of the entire system of operations, can often unearth areas where major savings can be made in reaching, processing, and keeping track of client needs.

f. *Develop research and analysis skills.* It is often possible to avoid incurring major unnecessary expenditures by undertaking preprogram research activity to unearth major causes or contributors to the real problems, rather than launching programs which attempt to solve the wrong problem.

g. *Prevent rather than rehabilitate.* Costs of rehabilitation often exceed costs of prevention.

Leadership strategies are not the only strategies by which to capture support for the strategist's agency. Superior *demonstrability* can also capture support.

E. Demonstrability Strategies

Demonstrability involves being able to demonstrate effectiveness better than competing agencies. To do this requires approaches to programs in which the following are superior to the competitors' programs:

a. *Measurability.* The output or result of the program is more measurable by the external groups, either because the program is different, or the way in which the output is measured is different, from competitors'. This enhances the attractiveness of the program because it is easier for the external group to observe progress. This is a particularly important challenge for those programs aimed at prevention rather than rehabilitation.

b. *Relevance/salience.* The output is regarded as more relevant or salient to the support group because the support group can better identify with the output. For instance, one agency was able to attract strong support because it not only trained disadvantaged clients but also had a placement service which found employment for the graduates of the training program. This was regarded as a much more salient output by many of the business people providing support.

c. *Self-sufficiency orientation.* If the agency *can* point out the extent to which the program develops more self-sufficiency to the client base than programs of its competitors, it is likely to attract significant support from those support groups that are ''solution''-oriented.

d. *Decisive results.* Particularly with programs aimed at long-lasting, persistent, or widespread social problems, it can be important, in order to retain the support of groups, to break down the program into a series of intermediate steps. This creates the capacity to set targets for, and to demonstrate decisive progress at, each step (even though progress may be modest). The support group then gets a sense of progress, or accomplishment, rather than having to operate on blind faith.

e. *Track record.* To the extent that the agency can demonstrate a superior track record to that of its competition, or demonstrate a professional capability, it can capture support. However, if the agency's track record *is* formally invoked, then the agency had better *deliver* or its track record will be severely damaged.

f. *Overextension by competitors.* Whenever competitors have overextended themselves (as manifest by complaints regarding delivery or quality of service) they are demonstrably at a disadvantage, and the agency should move to capture support in those areas rather than in areas where competitors are doing well.

g. *Focus.* It is important for the agency to ensure that *it* does not overextend itself, and thus expose itself to attack, but rather concentrates its resources to delivering quality service to the broadest base possible. This enhances demonstrability. It is also why it is important that the competitive strategy be to *ease out,* rather than evict, the competition. Eviction may overload the agency which captures the program.

The final strategic weapon that can be used to capture support is the capacity to maintain levels of commitment and morale in the organization.

F. Commitment and Morale

Support groups are attracted to, and inclined to throw their support to, those organizations in which commitment and morale are visibly higher than for the competitors. In the current circumstances of reduced budgets, one of the single

most important challenges that management must face is to maintain commitment and morale in the face of adversity. Clearly morale *cannot* be maintained as easily as in the past, and thus it is important to recognize that at a minimum *the level of morale and commitment should at least be competitive.*

If the aforementioned ways of competing are used, the resulting competition is productive, rather than destructive, and the winner that emerges is not so much the successful agency as the client base, which benefits from cost reduction, demonstrably superior measurement, and/or the development of a greater leadership capabilities by the successful agency.

This concludes our approach to formulating competitive program strategies.

VII. CONCLUSION

In this paper we have discussed the need for pragmatic and competitive strategy formulation by not-for-profit agencies. The importance of a clear formulation of mission, which is best specified as the functional role to be played by the agency in its community, was stressed. This provided the basis for developing a corporate strategy (for allocating resources to a portfolio of programs). The key dimensions for assessing programs were argued to be program attractiveness, competitive position, and alternative coverage. It was argued that the agency ideally seek a portfolio of two types of programs. In the first type, attractive programs in which it has a strong position, the agency should compete aggressively to maintain its dominant position. It should use these programs to the maximum extent possible to support the second type of program, which is the unattractive program with low alternative coverage but which is highly congruent with the agency's mission. It was argued that society, and in the long run the agency, is better off if *all* other programs are transferred (responsibly) to competing agencies.

As for individual program strategies, aggressive competition need *not* be destructive competition. Cost leadership and other leadership capabilities, high demonstrability, and superior morale and commitment can be used to capture the resources of support organizations and secure them from the competitors, whose attention should be redirected to those programs in which *they* have superiority of position. In this way the strengths of both the agency and its competitors are exploited, with minimum waste of resources.

Such an approach calls for vision, courage, and sacrifice on the part of the senior management of the agency. However, the alternative scenario would be for competing agencies to squander desperately needed resources in destructive competition, which would obviously not be in the clients' interest.

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PART II

HUMAN RESOURCES STRATEGY