Learning Objectives

- Compare and contrast different aspects of organizational performance
- Identify the phases of the strategic management cycle
- Evaluate the features and importance of mission statements and other guiding statements
- Appreciate the potential conflict between mission purposes and resource opportunities

Strategic management is a blend of management practices that entail interpreting environmental conditions and designing systems to foster success (Miles & Snow, 1978). “The effectiveness of organizational adaptation hinges on the dominant coalition’s perceptions of environmental conditions and the decisions it makes concerning how well the organization will cope with these conditions” (p. 21). Effective managers develop coherent practices across all “parts” of the organization, which include operations, fundraising, managing people, and performance assessment.
No organization can drive out all paradoxes, inefficiencies, and contradictions, but strategic management is an attempt to facilitate alignment across various activities to achieve objectives. It is the ability of the dominant coalition—or as we might more commonly refer to it, the leadership of the organization—to interpret environmental opportunities, guide priorities, and control resources to achieve objectives (Mintzberg, 1979). This chapter reviews key principles in strategic management and considers how those principles apply to nonprofit organizations.

This chapter presents the strategic management cycle, which frames three decision areas: defining the operating context, creating systems to provide services, and monitoring performance accomplishments. Central to nonprofits and the strategic management cycle is the mission of the organization. This chapter reviews key principles of mission statements and considers how missions frame strategic management activities. Tantamount to this discussion on strategy is the recognition that organizational performance in nonprofits is complex and multifaceted. The lack of a financial bottom line means that managers must consciously define performance priorities and objectives as a fundamental aspect in strategic decision making. This chapter starts with a discussion of organizational performance and how managers must utilize multiple metrics to facilitate success.

Effectiveness in Nonprofits

Some key assumptions in business strategy are potentially problematic in the nonprofit context. As discussed previously, nonprofit organizations have unique features that impact management practices. As is reflected in the statement provided by Miles and Snow (1978), strategic management is intended to guide organizations toward organizational effectiveness. The concept of organizational effectiveness and performance, however, is problematic for nonprofits. In for-profit businesses, the accumulation of surplus funds and the distribution of those profits constitute the most significant measure of success. Now there are many intermediary activities to achieve that objective, such as growing market share,
providing good customer service, and retaining high-quality employees, but the universal measure of success is financial. Strategic management is based on the idea of positioning the organization in the environment and building organizational systems to be successful—and yet, if “success” is not clear for many nonprofits, what is a manager to do? What does it mean to be a successful nonprofit? A natural reaction to this question is to believe that fulfillment of the charitable purpose is success. So an organization that exists to eliminate childhood poverty is successful when that is achieved. Another way to describe this is the idea of mission accomplishment (Sheehan, 2010). In principle, this is a fine model to guide decision making, but in practice many nonprofits have mission statements that are too broad, ambiguous, or difficult to conceptualize as achieving success. Some case could be made that those mission statements should be redesigned to better reflect a realistic conception of what the organization intends or is able to achieve. Some mission statements are nearly impossible to measure. Yet those missions capture values and concepts that reflect the nature and character of the organization and effectively motivate stakeholders to support the organization.

If mission fulfillment is the ideal measure of success, but potentially problematic due to cost or conceptual limitations, are there alternative measures of success? There is extensive literature in the field (Herman & Renz, 1999, 2008; Sowa, Selden, & Sandfort, 2004) and, unfortunately, ambivalent recommendations for nonprofit managers (see Table 2-1). Some of the typical areas of consideration include, as was mentioned, focusing on outcomes of program participants and social value (Bagnoli & Megali, 2011; Sowa et al., 2004) or focusing on resources—the ability to secure necessary funds and labor to achieve objectives (Medina-Borja & Triantis, 2007; Moxham, 2009). Both these priorities are significant but also have limitations. An alternative is to recognize that there is implicitly a subjective aspect to nonprofit organizations. The ability of organizations to provide value to key stakeholders also turns out to be a reasonable way to focus organizational behavior (Freeman, 1984; Herman & Renz, 1999). Herman and Renz (1999) refer to this idea and proclaim that performance for nonprofits is “socially constructed.” That means
Table 2-1  Typical Concepts of Effectiveness

<table>
<thead>
<tr>
<th>Concept</th>
<th>Definition</th>
<th>Examples</th>
<th>Limitations</th>
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<tbody>
<tr>
<td>Mission accomplishment, social value,</td>
<td>Fulfill charitable purpose</td>
<td>Ending homelessness, building self-esteem of girls, making children</td>
<td>Difficult and costly to measure, forced quantification may oversimplify or</td>
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<tr>
<td>outcome performance</td>
<td></td>
<td>contributing members of society</td>
<td>miss key concepts</td>
</tr>
<tr>
<td>Resource accumulation</td>
<td>Secure necessary and increasing levels of</td>
<td>Growth in donations from year to year, expanded number of volunteers,</td>
<td>Too much focus on inputs can lead to misguided practices</td>
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<tr>
<td></td>
<td>financial and human capital</td>
<td>employee commitment and retention</td>
<td></td>
</tr>
<tr>
<td>Perceived value and legitimacy from</td>
<td>Gain support of key stakeholders</td>
<td>Widespread perceptions of legitimacy, strong support and advocacy by key</td>
<td>Can shift purposes of organization to interests of influential stakeholders</td>
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<tr>
<td>stakeholders</td>
<td></td>
<td>stakeholders</td>
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<tr>
<td>Operational efficiency and productivity</td>
<td>Operate according to best practice principles</td>
<td>Following management guidelines and principles (e.g., transparency),</td>
<td>Inability to link activities to long-term priorities</td>
</tr>
<tr>
<td></td>
<td>and produce goods and services</td>
<td>increased volume of services provided (outputs)</td>
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if people *think* you are effective, then you are effective. Given the ambiguous nature of much nonprofit work, performance is determined by impressions of stakeholders, and those perceptions of “performance” can affect survival. Or put another way, if a particular stakeholder perceives value in the nonprofit then, for them, the organization is effective. This conception of performance reflects the political or sociological aspects of nonprofit organizations. Many nonprofits fulfill the interests of significant stakeholders and thereby ensure their continued success. Several other propositions are proposed by Herman and Renz (2008), which include the idea that performance in nonprofits is inherently comparative and will typically rely on multiple different
dimensions. This reflects the multiple bottom lines of the sector. What is worth reiterating is that as managers, it is tantamount to develop definitions of performance that suit key stakeholders and then use those definitions to guide managerial activities. Without some agreement about what it means to be successful (effective), nonprofits can be awash with conflicting and competing priorities.

**Persistence and Growth**

Two common indicators of success—persistence and growth—are potentially misleading. Persistence is the idea that longer-lived, older organizations must be more effective than younger organizations or they wouldn’t have survived so long. There is indeed research to demonstrate that younger organizations are more likely to disband (Hager, Galaskiewicz, & Larson, 2004), but that does not necessarily mean that older organizations produce more social value. It does typically mean that they are more well-known and potentially more respected than younger organizations, but even that may not be the case. Growth is another example of a socially desirable attribute that might or might not reflect social value performance. Our economy and society thrive on the idea of growth. Growth might not be a useful measure of success for nonprofits that exist to prevent or abolish behaviors and beliefs. Expanded activities and services to reduce negative features in society (e.g., sickness, drug use) might be a good thing, but ultimately success is determined by the eventual demise of the social problem and the opportunity to provide services. The absence of need is potentially more indicative of success. The classic example is the March of Dimes, which was founded to end polio in the United States and achieved that objective with the development and distribution of the polio vaccine (“March of Dimes History,” 2010). Subsequently, the organization modified its mission to address premature births and birth defects. So, optimal growth was the increased prevalence of healthy babies and a reduced demand or need for the organization. Increased activity on the part of a
nonprofit does not necessarily reflect mission accomplishment. It most likely reflects increased resources (money or labor) that are released on the tasks, which typically is a good thing, but slightly different than performance. So unlike for-profit entities where there is a natural a link between increased market share (i.e., more customers served) and the propensity to secure surplus revenue (success), that is not the case for many nonprofits. For the nonprofit, it might be that serving more people and increasing revenue constitutes success, but as the March of Dimes example illustrates, it is only one aspect of what an entity hopes to achieve. Consider, for example the history and growth of the National Relief Charities (NRC), which is fraught with questionable business practices, bad press, and low ratings from national evaluators, but consistent and persistent revenue growth (see Exhibit 2-1). In fact, the only reason the NRC receives anywhere near acceptable ratings (2 out of 4; needs improvement) from a national review system is because of consistent and impressive year over year growth, which constitutes half of the criteria used by Charity Navigator (“Rating of National Relief Charities,” 2010).

EXHIBIT 2-1 National Relief Charities (NRC)

The National Relief Charities (NRC) originally formed as the American Indian Relief Council (AIRC). Operating under a number different names (eight are listed on their 2009, 990 tax form), including the Council of Indian Relations (CIR), Navajo Relief Fund (NRF), and Rescue Operation for Animals on the Reservation (ROAR), the NRC has experienced fairly significant growth in revenue during the 10 years of tax returns that were available. According to their annual report, the NRC partners with over 1000 American Indian reservation programs (“Program Partners”) to increase the partner’s capacity and effectiveness in serving the community. The NRC provides material aid and technical assistance to Program Partners and collaborates with them on programmatic activities and services (National Relief Charities, 2010). Primarily, the NRC raises millions of dollars through telemarketing fundraising and
Management Practices and Productivity

The example of National Relief Charities illustrates a fourth concept of performance: adhering to good management practice guidelines can serve as a proxy for performance. The most pervasive principle is that nonprofits should spend the majority of their funds on charitable purposes—program activities as opposed to administrative or fundraising costs. One reason the NRC is problematic is that they spend so much money to raise money.

Distributes funds to these partner programs. This is not without some questionable practices however. Operating under its affiliate, American Indian Relief Council (AIRC), the NRC was sued by the Pennsylvania Attorney General in 1993 for lying to donors about their practices (amount and percentage of funds distributed to charitable purposes). The then-president agreed to settle and pay the state $350,000 (Rubin, 1996). In 1999, it was estimated that just 30% of revenue was channeled into program activities; the remaining funds were used to pay for fundraising costs and executive salaries (1999 Return of Organization Exempt Income Tax [Form 990]: National Relief Charities, 1999). In the latest tax return documents (2009 Return of Organization Exempt Income Tax [Form 990]: National Relief Charities, 2009), the NRC raised over $40 million in revenue with a reported fundraising cost of just over $11 million, or about 27% of revenue, earning them two stars out of four (needs improvement) on Charity Navigator (“Rating of National Relief Charities,” 2010). The 2009 numbers are not as egregious as those in the past; for instance 2007, when they raised over $25 million and expended 50% on fundraising, earning a single star from Charity Navigator (“Rating of National Relief Charities,” 2010). Going back to 1998 they raised $6.4 million in revenue while spending over $4 million on fundraising (over 60%). The pattern seems fairly consistent and outside the bounds of generally accepted practice, but the organization has consistently seen revenue growth and, according to their documents, distributed significant funds to Native American populations (over $28 million in 2009) (National Relief Charities, 2010).

Data from National Relief Charities (2010).
They appear inefficient and wasteful with donor funds. As a widely accepted guiding principle, nonprofits should spend 75% or more of their expenses on program activities, although this may not necessarily be true in every instance. It could be imagined that during initial start-up phases some developmental or administrative costs could be higher. Consider for instance the need to develop information technology infrastructure to manage client relationships. It could take significant resources to develop a system that eventually increases efficiency. Typically, it is very difficult for nonprofits to justify these types of expenses because they appear to misdirect resources away from social needs and charitable purposes. How much should a nonprofit allocate to raising funds? Again, it could be the case that at different times in the organization’s expansion additional expenditures on fundraising or management could be justified (Crutchfield & Grant, 2008). The same is true for marketing and promotion. Rarely do nonprofits expend anywhere near the amount of funds for promoting their organization or cause when compared to for-profit corporations (Pallotta, 2008). Nevertheless, the idea that the vast majority of funds should be allocated to program activities at ALL times guides management activities. For many nonprofit managers it is better to emphasize program activities (outputs) then to expend too much on overhead. This principle is in place because of the lack of a clear bottom line that is objective and universal. Most donors want to hear that 95 cents (or some other significant proportion) of every dollar goes to meeting needs and not into administration (fundraising).

The Clarity of Failure

Even in instances when conditions improve as a result of nonprofit initiatives (i.e., meet service beneficiary needs and achieve social benefit outcomes), it might not be enough to ensure survival. It is easy to imagine a nonprofit that provides “good” services but fails to survive. The provision of needed services doesn’t unequivocally relate to securing resources. Failure often constitutes an inability
to secure sufficient resources. Nonprofits operate in muted markets with inconclusive evidence on performance and rely on third-party constituents to provide resources to augment or underwrite costs. Consequently, perceptions of influential stakeholders can be quite powerful. This is especially true if services are provided in a controversial or political environment. Understanding the power of different stakeholders to impact organizational survival is critical for success. As an illustration, consider the relatively spectacular failure of ACORN (Association for Community Organizations for Reform Now), which provides some insights into the reality of operating a nonprofit. The case reveals that bad exposure can be enough to initiate a landslide of reactions that culminate in the demise of the organization. The lack of resiliency is potentially indicative of poor management, but bad publicity served the final blow, and it was surprising how quickly the events culminated in the organization’s demise. ACORN operated in a political context, making them potentially more sensitive to negative publicity, but bad publicity can have a long-standing negative impact in raising resources. For instance, the William Aramony scandal at the United Way had a long-lasting effect on fundraising efforts at regional and national levels (Barman, 2002). In 1995 Aramony was sentenced (along with two other officials) to 7 years in prison for misappropriating $1.2 million in funds (Barrett, 2006). The behavior of executives (or frontline staff) might indeed be indicative of significant and systemic concerns, or it might just be errant behavior of a select number of individuals. The tendency to perceive a problem as either systemic or an issue of “one bad apple” is often based on biases toward or against the organization, which may or may not be formed on objective criteria of success. The ACORN story illustrates that sociopolitical realities can affect perceptions of legitimacy and, ultimately, operations (see Exhibit 2-2). The bottom line for many nonprofits is the ability to create value for stakeholders and, as a result, gain their support. The strategic task is to effectively interpret environmental conditions, which includes key stakeholders and opportunities to provide services, while building organizational capabilities to meet those demands.
Prior to its demise, the Association for Community Organizations for Reform Now (ACORN) appeared to be a fairly successful nonprofit organization. Established in 1970, ACORN served low- and moderate-income families by addressing neighborhood issues such as health care and affordable housing. Over its 40-year history, ACORN could claim many victories in helping low-income individuals. These include increasing the minimum wage and limiting predatory lending practices. It is difficult to know the exact size of the ACORN association as it was a conglomerate of independent organizations that did not file a consolidated financial statement. It is estimated that in 2010 ACORN had over 400,000 members and about 1200 neighborhood chapters in 100 cities across the United States, as well as international offices. Budget estimates range from $25 million to $100 million. The organization was not without controversy or concerns about management capabilities. ACORN was an activist-oriented organization that engaged in voter registration activities and lobbying for policy change, and through its separately organized political action committee, ACORN supported progressive candidates, including Barack Obama in the 2008 presidential campaign. In 2009 a video was circulated that appeared to show ACORN staff members giving business and tax advice to a pimp and prostitute. The video caused a firestorm of reaction from a broad range of stakeholders, including the federal government. Congress enacted legislation that cut funding to ACORN, and several foundations discontinued support. These activities culminated in the parent organization filing bankruptcy and hundreds of neighborhood chapters disassociating themselves from ACORN or closing completely. In November of 2010 ACORN closed or disbanded, bringing to an end a storied history.

Nonprofit Strategic Management Cycle

Strategic management emphasizes positioning the organization in the external environment and formulating internal practices so as to capitalize on the opportunities and overcome the challenges. If managers accurately perceive environmental conditions and actively build capabilities they can improve the likelihood of organizational success. The strategic management cycle provides a framework to consider the strategic choices managers confront (Backman, Grossman, & Rangan, 2000; Chew & Osborne, 2009; Courtney, 2002; Kong, 2008). The model, based on a modified version of the “adaptive cycle” developed by Miles and Snow (1978, p. 24), identifies three “problems” in strategic management (see Figure 2-1).

Managers and leaders make decisions about the following questions:

1. What is the organization going to do? What social issues is the organization going to address? What resource opportunities can they utilize?
2. How are they going to do it? What systems will be used and what capacities does the organization have?
3. How will they judge performance and allow innovation?

![Figure 2-1 Strategic Management Cycle](image-url)
This model is an abstraction of actual decision making in organizations. The three components and the complexities inherent in each are intermixed and interdependent, but if managers can address each of these questions with some consistency they are likely to help the organization perform better. The first question addresses the operational areas of nonprofits. Using for-profit language suggests that nonprofits operate in multiple related but separate “markets.” Nonprofits are active in (1) meeting social or community need, and (2) acquiring resources. These domains are external to the organization and operate in contested economic and social space. Other providers are directly or indirectly competing for influence in those domains. Managers interpret the opportunities in these two areas, which then set the course for organizational initiatives. Questions two and three are operational and reflect activities necessary to achieve the objectives specified by answering question one. Question two is primarily concerned with the systems and processes addressing social problems and securing resources. Question three relates to monitoring these practices to determine performance and to understand which activities should be improved, terminated, or expanded. The management tactics included in question three are incredibly important, as they guide adjustments and innovation, which are fundamental weaknesses for many nonprofits. All parts of the nonprofit strategic management cycle work together to constrain choices and facilitate performance (Schiemann, 2009). These questions are a cycle in the sense that modifications and interpretations at each stage are influenced by activities and learning that takes place in other areas. As choices regarding public benefit priorities are considered in phase one, implementation of operational tactics in phase two may reveal additional opportunities or may confront significant barriers that will require some readjustment of how the operating context is defined. Similarly, performance assessment guides operations to continually refine practices to achieve efficiencies, improve quality, and, ultimately, improve outcome benefits.

Operating Domains
Nonprofit organizations confront two fundamental questions regarding operations: What social value do they create and how
do they sustain the organization? The first concern is clarifying public benefit purpose. Managers must grapple to define an area of operational activities in relation to perceived social need. A significant aspect of defining the public benefit domain is clarifying the social issue and understanding the beneficiary. Social issues and needs are difficult to define and understand. The idea of an unacceptable social condition is the foundation for action. By understanding social concerns managers articulate the social value that is created by the nonprofit. There are various methods to help define and describe the operating context of nonprofits and how managers must develop answers to basic questions that provide a rationale for the nonprofit’s existence. These kinds of issues are often more salient during the founding stages of an organization, but periodic adjustments are appropriate and necessary. Another aspect of the public benefit operating context is a definition of the beneficiary. Who or what benefits as a result of the organization’s activities? Again, this is not necessarily an easy question, and the text will explore these ideas in more detail. There are often direct beneficiaries that participate in the services of the organizations, but there are also indirect beneficiaries. Considering the range and type of beneficiaries can also help define the public benefit domain.

Unfortunately, for nonprofit managers, defining the social value proposition and intended beneficiaries is not sufficient. The nature of the public benefit market typically cannot support organizational systems. Social value does not automatically translate into sustainability. Consequently, managers must address the resource domain. Can the nonprofit secure sufficient resources to gain capacity to fulfill public benefit purposes? The elements of the resource market are multifaceted and complex. Four broad resource categories are proposed as reflecting the resource domain: financial capital, physical capital, human capital, and social capital. These reflect key aspects of organizational capacity that nonprofits must secure to remain viable. In strategic decision making, nonprofit managers consider social value concerns and resource sustainability (Bell, Masaoka, & Zimmerman, 2010). Defining the operational domain for
resource options is potentially as important as defining the public benefit purpose. The ability to secure resources is contingent on a social value justification, but the ability to capture resources requires a distinct set of operational systems to ensure success. In other words, nonprofit organizations must, almost by design, operate in multiple domain areas and create organizational systems that might or might not utilize similar capabilities. Resource acquisition then is the second element of nonprofit operating context.

These domains are distinct because they often have different targets of activities. In the public benefit market, organizational activities are targeted on changing and improving social conditions. In the resource markets, nonprofits target activities at entities and individuals that can support organizational capacity. There might be overlap in these targeted groups (clients that pay fees), but often there is not. The approach and objectives are different in each domain, and without thoughtful articulation of distinct objectives, design of organizational systems, and monitoring of performance, managers are unlikely to exploit the full potential in each domain. There are also potential synergies between the operational activities in each operational domain, but those linkages must be actively managed to facilitate efficiencies and performance. Table 2-2 summarizes the two operational domains, typical organizational systems that nonprofits create in these areas, and example performance expectations.

<table>
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<tr>
<th>Operating Domains</th>
<th>Systems and Capabilities</th>
<th>Performance and Innovation</th>
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</thead>
<tbody>
<tr>
<td>Public benefit</td>
<td>Services, social capital building, preservation, creative initiatives, advocacy</td>
<td>Social impact, program performance</td>
</tr>
<tr>
<td>Resource</td>
<td>Financial, physical, human and social capital</td>
<td>Financial solvency, engagement, participation, organizational legitimacy</td>
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Systems and Capabilities

For each operating domain (public benefit and resource), managers need to formulate systems and structures that utilize organizational capabilities to fulfill operating demands. This is how the organization fulfills the objectives identified in the first question of the strategic management cycle. What are the methods utilized, and does the organization have effective systems to implement those methods? There is a complex array of responses, but each operating domain requires distinct delivery systems and management tactics. Table 2-2 summarizes example management responses to the different operating domains. The management options are adapted to reflect context requirements, but the table highlights how different systems are focused on different operating domains.

Methods to achieve objectives in the public benefit domain are related to the five functions nonprofits fulfill in society. These functions are listed as the repertoire of operational tactics that managers may utilize to active social value. These functions operate within industries such as health care, education, and human services. Based upon how the social condition is interpreted and defined in phase one of the strategic management cycle, managers may utilize different methods. The most common option and set of activities for nonprofit organizations is related to providing services. Service is defined simply as an act of helpful activity, to help and aid someone (“Service,” n.d.). Services are distinct from products or goods (tangible artifacts). While it is difficult to accurately measure, it is reasonable to estimate that roughly 70–80% of the activities carried out by nonprofits are related to providing services. There are countless services provided by nonprofits. Reviewing the National Taxonomy of Exempt Entities provides a thorough classification of industries and services carried out by nonprofits. Services tend to require direct engagement of the beneficiary and the target of activity is clearly focused on the beneficiary.

Social activities entail initiatives that build social capital, address social norms, and raise awareness of public benefit issues. These activities entail both direct and indirect interaction
with the intended beneficiary. Preservation activities are those intended to protect sociocultural, environmental, or historical artifacts. Many activities, such as environmental initiatives, do not directly engage beneficiaries in the transformation activities. Creative activities are those that result in the development of innovative ideas and artifacts, such as research and artistic initiatives. Political/advocacy methods are focused on changing institutional systems that affect the condition of intended beneficiaries; consequently beneficiaries are not the target of transformation activities. Advocacy and lobbying initiatives are examples of practices in this method.

In the resource market, managers need to build systems to address financial and human resource capital requirements. This includes the array of fundraising strategies used by development professionals. Human capital refers to labor requirements of non-profits. It includes paid and unpaid participants and the range of activities that must be addressed to engage and coordinate organizational participants. Social capital in the resource context relates to initiatives to build recognition and legitimacy of the organizational entity. Physical capital relates to the segment of organizations that actively secure physical goods as a significant aspect of their operational tactics (e.g., food banks). Systems need to be built that capture and utilize the physical capital.

**Performance and Innovation**

The third aspect of the strategic management cycle is related to performance, control, and innovation. The key concerns here are related to how managers determine accomplishments and seek opportunities for innovation. How does the nonprofit manager monitor organizational behavior to ensure performance and improvement? Table 2-2 covers some options related to the different market features, and the third column highlights the need to actively construct and monitor performance systems as well as ensure learning and innovation. In relation to services, the typical response is related to program monitoring and evaluation. Putting in place systems to monitor and assess the quality of services allows managers to modify and adjust programs to
meet the needs, interests, and preferences of service and program beneficiaries. Again there is a broad range of options and methods that can be utilized to monitor program delivery. In the resource arena, in addition to securing needed resources, performance considerations include attitudes and perceptions of donors, organizational employees, and volunteers. In the sociopolitical operations, performance measurement includes legislative accomplishments and softer attributes related to stakeholder attitudes and opinions. Performance and innovation is a challenge for nonprofits, and this aspect of the strategic management cycle is of particular importance for nonprofit managers. Given the lack of universal bottom-line indicators, creative and aggressive monitoring is very important.

Mission, Vision, and Values

Mission, vision, and values statements articulate important strategic perspectives of the organization. These guiding statements define the purposes of the organization. Why does the organization exist? Missions distill key principles regarding social value objectives and explain the philosophical perspective of the organization. This worldview is a critically important aspect of the organization’s strategic position (Checkland, 2000). Vision statements articulate what the organization hopes to accomplish—what is the future state of the community, issue, or field that will result from the nonprofit’s work? Values statements explain the key principles that guide operations and can be quite powerful but often lack sufficient credibility to be fully functional (Lencioni, 2002). Yet as values-based organizations, values statements and related management practices may be one of the most important and distinctive elements in nonprofits (Jeavons, 2010). Mission and vision statements are central for several reasons, but fundamentally they are an abbreviated rationale for the nonprofit’s existence and provide a cornerstone for subsequent decision making (see Table 2-3).

The next section discusses features of mission statements, the inherent challenges of developing and modifying a mission
statement, and how mission statements can be used in the management of nonprofits. Mission and vision statements are just one aspect of how a nonprofit explains its purpose, but they are used extensively by external stakeholders to ascertain roles and functions of an organization. Those interested in a nonprofit will use these guiding statements to make preliminary judgments regarding the operational domain of the organization. These guiding statements are at the highest level of the strategic management and should capture the “spirit” or heart of the organization. Extended attempts to get it “just right” are not absolutely necessary; rather, taken together these statements and guidelines should be a touchstone that help key decision makers enact the organization’s role, purpose, and activities. These guiding statements help mitigate the ambiguous operating contexts (unclear performance indicators, mixed market influences). The mission (and associated statements) should attempt to blend internal beliefs and capabilities with external influences. Table 2-3 lists some the features that should be covered by these statements. The mission statement is the most widely utilized element for nonprofits, but supplementary statements can further define programs, operating domains, and benefits.

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
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<tr>
<td>Distills purpose</td>
<td>Identifies the charitable purposes of the organization</td>
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<tr>
<td>Outcomes or benefits</td>
<td>Explains what the organization hopes to accomplish</td>
</tr>
<tr>
<td>Beneficiaries</td>
<td>Describes who or what benefits from organizational activities</td>
</tr>
<tr>
<td>Broad</td>
<td>Serves as umbrella of strategic decision making in the organization</td>
</tr>
<tr>
<td>Durable</td>
<td>Captures long-standing attributes and purposes</td>
</tr>
<tr>
<td>Distinctive</td>
<td>Summarizes the uniqueness of the organization and purpose</td>
</tr>
<tr>
<td>Short and memorable</td>
<td>Helps both internal and external audiences remember</td>
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</tbody>
</table>
Missions should capture the “purpose” of the organization. Why does the nonprofit exist? Typically missions articulate the benefit the organization hopes to achieve and who the organization serves (beneficiaries). It also should be broad enough to serve as an umbrella for the entire organization and to guide decision making for an extended period of time. Furthermore, the mission should be distinctive and somehow differentiate the organization from others. What is unique about this organization, and what does it hope to accomplish? Many recommend that a mission should be captured in a short pithy statement that “fits on a t-shirt.” The mission functions as both a guiding philosophy for the management of the organizations (internal) as well as a marketing tool to attract support (external); it is difficult to know exactly how to scope and create the mission to reflect these features and the organization’s nature and purpose. Take for example the mission of the Girl Scouts of America, which states, “Girl Scouting builds girls of courage, confidence, and character, who make the world a better place” (Girl Scouts of America, 2010). Such a mission broadly defines the primary customer (girls) and two benefits the organization intends to create. One directed toward the child (creating courage, confidence, and character) and a broader societal benefit (making the world a better place). The organization uses other documents and principles to describe how this is done, through “empowering girls,” and then defines a series of activities, which can be used in operational levels. Missions might go so far as to describe the specific customer (girls of a specific age) and service delivery strategy, or it might be more broad and then interpreted though vision and guiding documents that enact the mission in ways that are relevant to the particular division or department (Angelica, 2001). Take for instance the mission of Big Brothers Big Sisters, which states clearly that they will “provide children facing adversity with strong and enduring, professionally supported one-to-one relationships that change their lives for the better, forever” (Big Brothers Big Sisters of America, 2011). Such a mission specifies the primary customer (children facing adversity) and the method of service delivery (professionally supported one-to-one relationships). It goes on to further articulate the benefit (change their lives for the better). To refine
this benefit they go on, in separate documents, to identify several elements to which they will be “accountable.” They include higher aspirations, avoiding risky behavior, and educational success. Such a mission is very prescriptive and defines many aspects of how the organization is going to operate, while also challenging organizational actors to engage.

How to Use These Statements
The challenge, beyond crafting a set of values and principles that capture what the organization stands for, is putting them into practice. How do the hours of crafting these guiding documents pay off? More than a few individuals have spent painfully long hours in meetings searching for just the right words to capture the true nature of the organization. It may be asking too much of these statements to capture every nuance of an organization’s strategic value to all stakeholders. Nevertheless, as guideposts, these statements can be very helpful in a turbulent, uncertain environment. The idea that the mission can be used in management decisions is illustrated in a story told by two different executives. One executive of a child services organization explained that he used the mission as a mechanism to block ideas that were too far afield. “We could do that if you want to change the mission statement,” he would say to board members who suggested ideas he felt were outside the organization’s purview. In some ways this executive defined the mission as a box to frame and constrain organizational activities. An executive of a drug use prevention organization had just lost a major contract to run drug prevention programs on school campuses. The organization needed to consider how to respond. Some board members thought, “This is it, we were good at what we did and now the sponsor no longer wants our services. Our program is over.” Others, in particular the new executive director, felt the organization was about prevention and, although they had operated in one way, they needed to consider other ways to provide services to the community at large. The executive used the mission statement much more like a planter from which program ideas “grow.” The need for prevention services and drug abuse treatment wasn’t going away—if anything drug use and abuse was going up. The sponsor, however,
was not interested in paying for those services in the same way they had. The executive pushed forward and developed a new perspective that allowed them to expand their service delivery strategies to provide community-based prevention services to youth while staying true their mission. They might never have been involved in their award-winning community program without the new executive (Brown & Iverson, 2004). Neither one of these frames are necessarily “right” or “wrong” in a generic sense, but they do illustrate the difference between the Girl Scouts mission (much more like a planter) and the mission of Big Brothers Big Sisters (much more like a box or frame), and how these statements can be used as guides for decision making.

In another example, Jonker and Meehan (2008) discuss how program directors use the mission statement to make decisions about including and discontinuing program activities. This includes turning down opportunities to expand programs into new areas. Their case study illustrates the idea of “mission creep” and how these guiding statements can help organizations “stay on track.” Instead of following opportunities as they are presented, managers reevaluate activities in light of the original purposes of the organization and ultimately decide to discontinue certain programs in an effort to focus more effectively on certain areas. At what point do new opportunities distract from original purposes and when is it necessary to reconsider the mission and purpose of the organization? The idea that the mission or values statements are sacrosanct may not be in the best interest of the organization or the community. However, chasing resources without guideposts is probably not healthy either. Traditionally there may be some preference to remain “pure” in organizational purpose. Mission attachment, the attraction and commitment of key stakeholders, can be quite powerful. When you consider different stakeholder groups, some may be quite committed to the original purposes and somewhat out of touch with current demands. Consider for example what has happened in the credit union industry. Credit unions gained prominence in the mid-20th century, growing in number until the early 1970s. They were formed on the premise of cooperative banking and the principle of individuals joining together to meet member needs in finance.
and credit. Many of the board members for these institutions remember when they were formed, their first interaction with the credit union (they gave me a loan to buy my first car), and the sponsoring employer. The original names and constituents were very important and yet the operating context, the credit industry and banking, have changed significantly over the years. So there is, for many of these institutions, a substantial need to adjust operations and reconsider opportunities, and yet many board members are reluctant to shift customers and services. These same board members are often significant depositors in the bank. Shifting, changing, and merging is not the answer for every nonprofit (or credit union), but honestly evaluating original purposes in relation to external demands is a significant challenge for many entities (Brown, 2007).

**Mission Attachment**

The challenges associated with the mission as guiding beacon or constraining anchor are reflected in the concept of mission attachment. When employees and board members are asked why they work and volunteer for the organization, they invariably discuss the mission and purpose of the organization (Brown, Hillman, & Okun, 2012; Brown & Yoshioka, 2003; Kim & Lee, 2007). They are there because they believe in the mission and purpose of the organization. Employees are willing to accept less pay and volunteers engage more fully because they are attached and committed to the mission and purpose of the organization. They may or may not know the mission word for word, in fact many do not, but they do know core philosophies of the organization and how that relates to them. Board members at a local animal shelter who were in a protracted and rather nasty conflict with the local municipality over payment terms were asked, “Why are you fighting so hard and working these long hours to renegotiate a contract with the city?” The answer was simple: “The dogs (or animals). We are here to help save the dogs.” Executives and board members of a child advocacy organization provide a very similar answer to the question, “Why do you work so hard and donate so much time and money?” “The kids.” Obviously it is not quite that simple, because in both these examples these
organizations were experiencing some pretty impressive results as well. The humane society was securing nearly 50% increases in per-animal payments during very difficult economic times. Accomplishments toward the purpose of the organization were very motivating for these individuals. This is similar to what we heard from youth service employees who ultimately did feel they were underpaid although mission attachment was a significant factor in their overall satisfaction (as were their supervisor and coworkers). Given the power of these core guiding statements, organizations need to consider them carefully and recognize how mission statements signal the strategic position of the organization. They frame and define, for stakeholders inside and outside the organization, the public benefit purposes of the nonprofit, which is the cornerstone to guide operations and garner support.

**Mission Versus Sustainability**

Mission, vision, and values as the heart of the organization are an apt metaphor. It resonates with stakeholders, donors, employees, and volunteers and can guide decision making. However, the chapter starts with a recognition that nonprofits operate in two distinct domains: public benefit and resource. Strategy for nonprofit managers is framed by considering both social value opportunities and resource options that contribute to sustainable organizational systems. While these priorities do not necessarily have to operate in opposition, it is an ongoing tension in many nonprofits. It is one of the more interesting and intriguing challenges present in nonprofit management. Table 2-4 positions

<table>
<thead>
<tr>
<th>Social Value</th>
<th>Sustainability</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High</strong></td>
<td><strong>High</strong></td>
</tr>
<tr>
<td>A sweet spot for organizational participants and community benefits</td>
<td>Potential need to reevaluate exempt purposes</td>
</tr>
<tr>
<td><strong>Low</strong></td>
<td><strong>Low</strong></td>
</tr>
<tr>
<td>Must attend to interests of key stakeholders who are dedicated to organizational purpose</td>
<td>Likely struggling and marginalized</td>
</tr>
</tbody>
</table>
social value and sustainability on an axis to create a 2×2 table that reveals four types of organizational activities: those that are highly impactful and garner sufficient resources, those that are impactful but struggle to garner support, those with limited social value and yet capture significant resources, and those that are neither impactful nor sustainable. The table illustrates how managers balance opportunities in the two domains simultaneously and that the sum of organizational activities likely fall across different quadrants. For example, a special event that garners significant financial return and bonds stakeholders to the organization might have low impact but high-resource value. A treatment program that operates in conjunction with a local school district might be both sustainable (strong partnership) and impactful (successful program outcomes). Program activities that struggle to gain support but have high impact require managers to explore how to capture the interest of supporters. Program activities that are neither impactful nor sustainable should be abandoned or modified to achieve more success in one or hopefully both domains.

**Conclusion**

Strategic management in nonprofit organizations is the ability to understand external opportunities and challenges while weaving together systems to address the multiple stakeholders that are affected by the actions of the organization. Nonprofit managers should guide, strengthen, and modify those practices according to learning that is based on objective, quantifiable information and the guidance and intuition of the dominant coalition. The strategic management cycle frames strategic choices for managers. There are three key “problems”: (1) defining operating domains, (2) creating systems that utilize organizational capabilities, and (3) building control and performance management systems that foster learning. The operating domain reflects
both the social value proposition and the sustainability dimension. Central to this process is creating and adhering to guiding statements such as mission, vision, and values. These statements reflect philosophical and ideological principles that distill key aspects of the organization and distinguish it from others. Missions do not necessarily operate in opposition to “market” forces, and yet there is a conflict in decision making that must balance philosophical and ideological principles with resource opportunities. The mission is a powerful and useful management tool that attracts supporters and yet can, at times, be disconnected from practical realities of the operating environment. The chapter highlights the challenges managers confront in understanding performance in the sector. The focus on social benefits is mitigated by the influence of legitimacy and perceptions of key stakeholders. This is a central issue in decision making, as performance objectives guide subsequent management decisions including a focus on particular stakeholders and implementation of operational strategies.

**Discussion Questions**

1. Considering the example of the National Relief Charities, are they indicative of an organization that is ineffective in meeting their charitable purposes? See their website (www.nrcprograms.org) for additional information. What about their management activities do you find problematic? What do you find laudable?

2. Explain how mission statements can function as both a “planter” and a “box” for strategic decisions. What is more of a concern, that an organization might expand organizational purposes (detailed in a mission statement) or miss out on key opportunities to provide services?

3. Can you think of example activities that operate in each quadrant of Table 2-4?
References


