

## THE BONNERSPHAR QUARTERLY – FALL 2014



A BRIGHT  
& NIMBLE  
NONPROFIT  
CULTURE

### Greetings,

In our last newsletter, we focused on defining an organization's business model, why it was important, and the internal leadership barriers to innovation. In this issue, we go deeper into the topic of shaping an organizational culture that embraces change and innovation. We also invite you to attend our next workshop on October 16, where we will explore this topic in greater depth. Register for **BRIGHT & NIMBLE: Shaping a Board/Staff Culture That Drives Innovation & Embraces Change**.

**CLICK TO REGISTER FOR  
BRIGHT & NIMBLE  
WORKSHOP, OCT. 16**

Leslie's second article addresses how the nonprofit sector needs to take a cue from business leaders in recognizing and funding Culture, Leadership, and Human Capital Development as the keys to growth and Innovation.

In her article, Kate provides links to an array of helpful tools for nonprofits to assess their current state; which will help to start the conversation with Board and staff on how, when, and where to make change in an organization.

**CLICK HERE TO  
TAKE OUR  
SURVEY**

Finally, we ask you to help us gather data that supports the investment in culture change, leadership development, and Human Capital by completing a short, anonymous, survey. When you do, we will send you a summary of the results and a compilation of 20 Tips for Culture Change.

We hope to see you on October 16.

Leslie and Kate

## BRIGHT & NIMBLE OR TIMID & TIRED: Nonprofit Culture can mean the difference between growth and simply surviving.

LESLIE BONNER

Does this cycle feel familiar? If so, there is a good chance that the reason your innovation or planned change has failed is that your organizational culture, defined as "the values, norms, unconscious messages, and subtle behaviors of leaders and employees," is stuck in neutral. Resistance to Change, Fear, Uncertainty, Inertia, and Risk-aversion are all by-products of your culture and are the killers of innovation and adaptation. For nonprofits, your Board and Staff cultures can limit innovative ideas or execution of these ideas.



So who makes and who can re-shape an organization's culture? While research clearly identifies that top leaders (both past and present) shape culture, strategic direction and clarity, structure, processes, and rewards reinforce it. People practices, such as performance management, talent development, and empowerment, also play a strong role in an organization's culture. So top leaders, of both Staff and Board should heed this from a [Fast Company article](#):

*"Every organization is designed to get the results it gets. Poor performance comes from a poorly designed organization. Superior results emerge when strategies, business models, structure, processes, technologies, tools, and reward systems fire on all cylinders in symphonic unison. Savvy leaders shape the culture of their company to drive innovation. They know that it's culture--the values, norms, unconscious messages, and subtle behaviors of leaders and employees--that often limits performance."*

Nonprofit Leaders, Board Members/Chairs, and Funders are invited to join us as we further explore this topic in a 2 ½ hour workshop. We'll cover the latest ideas on organizational culture in a presentation that will spark lively conversations, gather our collective intelligence, and generate new ideas about how to tackle Culture Change in our sector.

## Business Leaders Recognize and Fund Culture, Leadership and Human Capital Development as key to Growth and Innovation. What's Stopping The Nonprofit Sector?

LESLIE BONNER

*"Business leaders worldwide are working to optimize their greatest resource - their employees and those who will lead them,...This emphasis on people-related issues makes perfect sense in a still-uncertain economy. Building a culture that supports engagement, employee training, leadership development, and high performance is something companies can control, and can mean the difference between growing market share and simply surviving in 2014. Moreover, if the focus of individual companies is sustained, Human Capital may well be the engine that revives economic growth."*

From the Conference Board's [2014 Report on CEO Challenges](#)

In a recent white paper from Strategy& (formerly Booz & Company) titled, [Cultures Role in Enabling Organizational Change](#), the result of a survey of 2200 leaders, managers, and employees found that:

- For all the money and effort that go into change initiatives, only half accomplish their goals. Among the biggest obstacles is "employee change fatigue" which happens when too many changes are happening at once. Lack of organizational capabilities to sustain change was another barrier. Also cited as a key finding was the tendency for leadership to exclude lower-level staff in developing and executing the change plan, leading to limited staff understanding and buy-in.
- In the survey, 84% agreed that their organization's culture is critical to business success, and 60% say culture is more important than strategy or operating model, still half of the respondents say that culture is not a priority (or even considered) when companies are trying to drive change.

I believe that these findings apply to our nonprofit sector as well. At our last workshop, we asked participants to select from a list of 12 topics they want to hear more about. "Building organizational culture for innovation and agility" was selected by almost 60% of the group. It's also a frequent topic in discussions with our client organizations and their leaders. Yet few organizations have a human capital or talent plan, and few leaders can devote enough resources (time and dollars) to shaping their organizational culture or developing leaders' capabilities to lead change and drive innovation. Contrast this with the number of nonprofits who devote resources to strategic planning, feasibility studies, or program and outcome evaluation - all very important activities that can be derailed by Culture and Leadership dysfunction.

I recognize that this lack of resources and focus is largely driven by funding availability. Culture change, Board development, and Leadership development often have qualitative (as opposed to quantifiable) outcomes, and changing behaviors and norms takes time and results are incremental. It can be difficult to persuade over-stretched leaders, bottom-line Board members, and outcome-driven funders to consider the case for dealing with these issues.

In this [recent blog post on Developing Nonprofit Leaders](#), I reference a great article by Ira Hirschfield, president of the Evelyn and Walter Haas, Jr. Fund, who makes a case for more foundations to fund Nonprofit Leadership Development. In, [Nonprofit Leadership Development Is a Vital Ingredient for Social Change](#), Hirschfield points to a recent study where spending on training and leadership development by U.S. companies grew by 15 percent in 2013, to more than \$70-billion. He then goes on to say that

**"While business is investing in its people with renewed vigor, the nonprofit world continues to lag in making such investments. The Foundation Center recently reported that foundation support for leadership development was less than 1 percent of overall giving from 1992 to 2011. That's not nearly enough."**

Culture, human capital, performance, and innovation are being addressed across the world in the business sector and nonprofits must follow suit if they are to adapt and survive. [The Conference Board](#) annually publishes a key barometer called CEO Concerns - results of a survey of CEOs in which they are asked to identify and rank the most pressing challenges they face and their strategies for addressing each. [Human Capital - how best to develop, engage, manage, and retain talent - was named the leading challenge by CEOs worldwide in 2014](#). The quote at the start of this article says it all.

So, much like the suggestion made by [Dan Pallota in his "Overhead Myth" TED talk](#) and Website, we need to engage in, or at least add this to, the conversation with nonprofit funders, leaders, Boards, educators, and capacity builders. Help us gather data on

Nonprofit Culture Change by clicking the graphic in the next block and taking our short and anonymous survey.

## PLEASE TAKE OUR NONPROFIT CULTURE SURVEY

Help us gather data on Nonprofit Culture Change by completing a short, anonymous survey about your Nonprofit's Culture.

**When you do, we will send you a summary of the survey results and our compilation of "20 Tips for Culture Change."**

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## Free Tools for Assessing Your Business Model and Starting the Conversation About What to Change

KATE SPHAR

In our last newsletter, we set out to answer two questions: What is a business model, and why is it important to understand? As a refresher, we define business model as **the design for how an organization creates and delivers value to its clients/community in a sustainable way**. An organization's business model encompasses all its activities (both programmatic and administrative), how it is structured, and the systems and processes it uses to achieve its aims, as well as the financial implications of all of those things.

So now that we've established the importance of a business model, the next question is, how do I figure out what works and doesn't work within my current business model? The first step is enlightenment - engaging in some kind of assessment that will provide you the information to make decisions about what needs to change. Obviously, financial analysis is a key first step; having a good understanding of how much each program or activity costs the organization, as well as where the money comes to fund it all, is core to assessing where your business model might need some work. But financial reports and projections alone won't paint the whole picture. There are a number of other tools that can help an organization take the first step towards building a strong business model.

Starting at the highest level, it's often a helpful exercise just to go through the process of articulating key aspects of the business model. The Nonprofit Finance Fund is always an excellent resource for tools and information about the business of nonprofit, and they have a simple [business planning worksheet](#) that can serve as an excellent tool for an initial discussion about business model.

A good old-fashioned organizational assessment can also help to identify both strengths upon which a good business model can be built, as well as problem areas that might need some attention. Ten years ago, McKinsey created the [Organizational Capacity Assessment Tool](#) (OCAT) that is certainly considered an industry standard, and now they offer a free, easy to use online version [here](#). The Assessment covers everything from strategy and culture to human capacity to organizational infrastructure and technology, so it goes beyond those aspects that would typically be considered "business model," but it's a great way to shine the light inward.

Going a little deeper into the "inner workings" of an organization, I've found the matrix map is also an indispensable tool for getting a big picture perspective on how a nonprofit's programs fit together to create the whole. I like the version created by Steve Zimmerman, Jeanne Bell and Jan Masaoka in their book Nonprofit Sustainability. Zimmerman provides [a great explanation of the map and how it is used](#) in the April 2014 edition of the Nonprofit Quarterly [here](#). The map's axes represent profitability and impact, and all organizational "business lines" (including programs, service, advocacy, events and/or other fundraising efforts) are assessed based on their ability to contribute effectively to the mix. Zimmerman's version also has the added dimension of illustrating business lines according to budget size - so you can visually see the significance of each activity in the business model.

The matrix map can be a thought-provoking way to start the conversation with Board and staff around making transformational change in an organization. With a lot of organizations we work with, folks may have a "sense" of where things are going right or wrong, but often there is a passionate attachment to historical programs and activities that may not be effective at providing either impact or sustainability. When it is visually apparent that a lower impact program is losing money, for example, it can make the conversation around discontinuing that program a bit easier.

Often, process is what gets in the way of having a well-functioning business model. Creating a flowchart or process map helps to delve into more detail about an organization's specific operations. Usually, a process map is most useful when taking a close look at the mechanics of how a particular program or activity functions - looking at the processes used in fundraising, for example. There are numerous types of process maps, and ways to create a process map. I usually use Excel, and you can download a nice template [here](#). In addition, programs like [Smartdraw](#) provide excellent templates for process maps and flowcharts, for a price, of course. The simplest way that doesn't require hours in front of a computer is to use an erasable white board to draw out the steps in a process. Keep in mind that one program or function within an organization may have multiple processes - for example, a residential program may have intake, admissions, and ongoing program activities that all get charted differently.

All of the aforementioned tools represent only a first step in developing a high-functioning business model. They provide information, but the real challenge is listening to what that information tells us, so that we can make smart decisions and take the leap into truly transformational change.

If you want to assess and redesign your organization's business model, we are here to help. Contact Kate at [kate@bonnersphar.com](mailto:kate@bonnersphar.com) or 412.443.0411.

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