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Note on the Nonprofit Coherence Framework

Overview

The imperative for any nonprofit organization is to provide its beneficiaries with the best possible product or service. To succeed requires a great deal more than noble intention and a high level of commitment. Even ample amounts of money do not insure that a nonprofit organization will become a high performer and successfully deliver on its mission.

While high performance is frequently referred to in the nonprofit sector, there is no commonly accepted definition for high performance. Without an accepted definition, high performance means different things to different people and may emerge as a vague objective for nonprofit leaders and an organization's stakeholders. The definition we propose is, *A high performing nonprofit organization is measurably achieving its mission with the effective use of resources over an optimum period of time*.

High performance is difficult enough to attain in the for-profit sector, where most stakeholders agree on what high performance looks like and push organizations to achieve it. It is a much greater challenge in the nonprofit sector, where fragmented but powerful capital markets and myriad stakeholders push a nonprofit in multiple directions, often away from adhering to its strategy.

Given these factors, we developed the Nonprofit Coherence Framework[1] to: 1) help nonprofit leaders identify the key elements that support an organizational strategy focused on attaining high performance; 2) bring those elements into a coherent relationship with the strategy and each other; and 3) help guide the actions of people throughout an organization in the pursuit of high levels of individual and organizational achievement. This note proposes that to attain high performance, a nonprofit organization must have all of its organizational elements—**culture, structure, systems, resources, stakeholders**, and the **operating environment**— working together to drive strategy.

Although the Nonprofit Coherence Framework has similarities to other frameworks used in the business and public education sectors, it is specifically congruent with the unique challenges of building and sustaining high performance in the nonprofit sector. For example, in the for-profit sector, organizational alignment is often referred to as a key requirement for achieving high performance. The definition of alignment "arrangement in a line or lines"[2] does not acknowledge the complex interaction of all the elements and activities of a nonprofit organization. Therefore, we chose to use coherence, the definition of which is "logical or clear interconnection or relation"[3] to replace

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Professor Allen S. Grossman and Lecturer Stacey Childress prepared this note. It draws heavily on the "Note on the PELP Coherence Framework" PEL-010 also written by the authors of this note and another colleague, Professor Richard Elmore, to whom we give special thanks for his contribution to the conceptual thinking embedded in both notes.

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alignment. Coherence, for the purpose of this note, means that the elements of a nonprofit organization work together in an integrated way to help implement an articulated strategy.

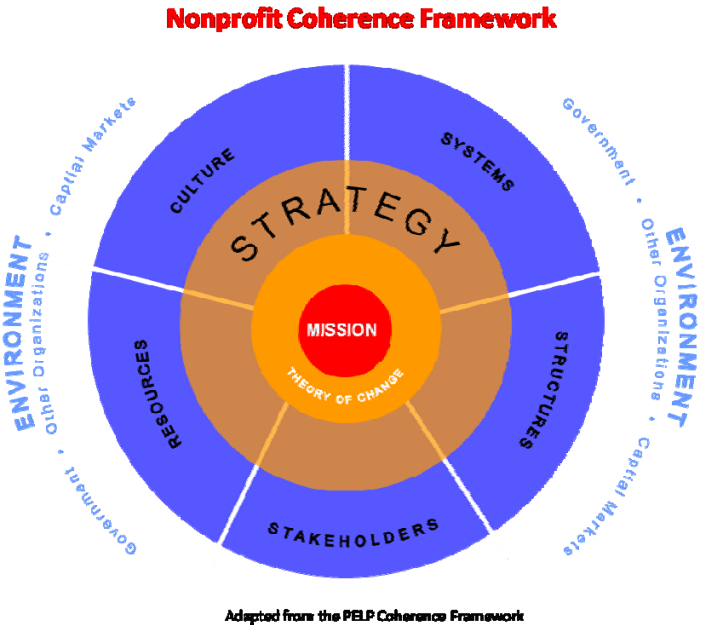
The framework illustrates the following vital links for attaining high performance:

1) The connection among the achievement of mission with a theory of change and an organizational strategy;

2) The interdependent organizational elements that can support or hinder effective implementation of a strategy;

3) Recognized forces in the environment that exert influence on the design and implementation of strategy.

Figure A below displays the Nonprofit Coherence Framework (Also see **Exhibit 1**)



At the center of the framework is the **mission** of a nonprofit organization, which is the stated purpose for an organization's existence. All activities of a nonprofit organization should be unrelentingly focused on the most effective means for achieving its mission.

Encircling the mission is the **Theory of Change**. Articulating an explicit theory of change[4] to link strategy to mission is a useful step in strategy formulation. In this context, a theory of change represents an organization's collective belief about the causal relationships between certain actions and desired outcomes. Some find it useful to think of a theory of change as an "if…then…" statement, or a series of such statements.

Surrounding the Theory of Change is **strategy** – the set of actions a nonprofit organization deliberately undertakes to achieve its mission. In order to insure that all the activities of a nonprofit organization are optimum, a strategy must stay focused on the mission and be faithful to a theory of change. The strategy also needs to be compatible with both the environment in which the

organization operates and the realistic capacity of the organization. The Nonprofit Coherence Framework, rather than prescribing a particular strategy, asserts that gaining coherence among organizational elements at the headquarters and unit level will make an organization's chosen strategy more effective, sustainable and scalable.

The framework includes five organizational elements: **culture, structure, systems, stakeholders and resources.** The outermost layer of the framework depicts the **environment** in which organizations operate and includes government policy, regulations and statutes; collaborating and competing organizations and the capital markets.[5] These environmental factors are for the most part outside of the direct control of an organization's leaders, but have the potential to greatly impact an organization's strategy and operations.

The remainder of this note is divided into three sections. First, we share some brief thoughts on the importance of developing a mission and setting objectives, as well as developing a theory of change. These components facilitate strategy formulation. In the second section, we discuss the role and characteristics of an effective strategy. Strategy drives decisions about each of the organizational elements. In the third section, we define and describe each of the framework elements; and provide a set of critical questions that nonprofit leaders can use to diagnose their organization's strengths and weaknesses and design action plans in their pursuit of organizational coherence.

Focusing on What Matters

Mission and Objectives

Mission statements typically include the societal problem the organization is committed to address. Some are broad, such as that of an international environmental organization, *to preserve the plants, animals, and natural communities that represent the diversity of life on earth by protecting the lands and waters they need to survive.*[6] Other mission statements are narrower, such as that of a national youth development organization, *to find resilient low-income high school students and inspire them to become responsible and altruistic leaders by providing year-round mentoring, life changing summer experiences, college advising, and a lasting support network.*[7]

Regardless of whether the mission statement is broad or narrow, high performing nonprofit organizations identify concrete performance objectives that measure the progress towards achieving a mission. Setting performance objectives can be difficult. Nonprofits often face competing demands from multiple constituencies at the funding, governance, client, employee and government levels. In addition, unlike private sector organizations, where financial success is embraced by most stakeholders as the key metric of accomplishment, in the nonprofit sector financial measures are not adequate proxies for evaluating high performance. Performance for nonprofits must be a measure of the impact of the organization. This is usually difficult to measure, and there is rarely an accepted standard, even within industry subgroups. To date, most of the attention on performance has focused on program evaluation as a way to measure success. However, a nonprofit organization may have a collection of highly evaluated programs that are not coherent with each other or its theory of change. Together, these programs may not add up to a high performing organization. Work on defining and measuring organizational performance in the nonprofit sector is in its earliest stages.

Theory of Change[8]

In order to develop a focused and effective strategy, an organization's leadership should develop a theory of change about how to best achieve its mission. There are often multiple choices available for what actions might be the most effective. For example, a nonprofit organization committed to reducing teen pregnancy in the United States had to select whether to distribute birth control information and devices, lobby legislators for more money for teenage sex education, run health clinics, or influence the behavior of teenagers so they did not want to become pregnant. Their ultimate approach was based on the theory of change that that if they could influence the beliefs and behaviors of teenagers in America to not want to become pregnant, they would have the greatest effect on reducing teenage pregnancy.[9] This theory of change pushed the organization to focus its strategy on influencing media outlets, mostly television, to introduce a bias against teen pregnancy in the dramatic content of television shows popular with teens. Another organization, with a similar mission, could easily choose a very different theory of change, which would lead to a different strategy.

Critical question:

- Does our organization have a clearly articulated theory of change that is based on current research for us to determine what interventions are most effective for optimum impact to the clients we serve?

Strategy[10]

Strategy is the set of actions an organization deliberately takes to provide capacity and support to implement its theory of change and accomplish its mission. Strategy informs how the people, the activities they are engaged in, and other resources of an organization work together to accomplish a collective purpose. A nonprofit organization must begin with its core—its mission—and develop strategy from the inside-out. This approach is quite different from strategy development in the for-profit sector where a company's strategy responds to its competition and other external factors. It is of course true that a nonprofit organization must be sensitive to its external environment when developing its strategy. However, as stated earlier in the note, the external environment actually encourages the fragmenting of focus, and we have therefore selected the mission and theory of change as the key drivers of strategy development rather than the external environment.

Having a clear strategy helps leaders choose what to do, and just as importantly, what ***not*** to do to enable nonprofit organizations to put their scarce resources to most effective use. Without a clear strategy and a commitment to pursue it, programs tend to be started one after the other, often because funding for the current "hot" new idea has become available. Nonprofit organizations often struggling for resources typically justify these programs because they are "close enough" to their strategy and can be rationalized as in line with their mission.

It is critical that when nonprofit leaders develop a theory of change and a strategy that they engage others, particularly within the organization, in its formulation and communicate the results effectively. Otherwise, the strategy remains largely in the heads of the organization's senior managers and is never fully embraced by the people on the front lines who are accountable for implementation. Once a strategy is developed, leaders must build and sustain an organization that can support and drive its implementation.

The following questions can help leaders of nonprofit organizations reflect critically on the effectiveness of their strategy as a key element of high performance.

Critical questions:

- Is our organization's strategy consistent with our theory of change? If not, do we need to revise our strategy? If so, given the range of available and likely resources, have we chosen the most effective programs to achieve our mission? Have we carefully analyzed how our programs fit together to support our strategy?

- What activities should be consuming our time and resources? What activities and programs currently consume our time and resources? Are these coherent with our strategy, or are they diverting our focus? Which programs should we grow, drop or modify?

- Is our strategy clearly communicated and well understood within the organization? Do people working in the organization, whether at headquarters or in the field, understand their role in supporting the strategy? How can we do a better job of communicating our strategy and inspiring people to be committed to implementing it?

- Does our strategy differentiate us from other organizations in the field? Should it? Do the important stakeholders in our operating environment know our strategy?

Framework Elements

The five organizational elements identified in the framework are critical to the successful implementation of a strategy for high performing nonprofit organizations: **culture, structure, systems, resources, and stakeholders.** The outermost layer of the framework is the **environment** in which the nonprofit organization operates.

Culture[11]

Culture consists of the norms and behaviors in an organization, in other words, everyone's shared understanding of "how things work around here." The nonprofit sector has had a culture that frequently focused on inputs (e.g., how much money did we raise) or outputs (e.g., the number of people served) more than outcomes or impact (e.g., the effect of our involvement on our clients). While there have always been some demands for impact measures, things began to change in earnest around the new millennium. Funders, board members, the public, and regulators, among others have begun to increase the demand for accountability around the effectiveness of nonprofit organizations. It is no longer sufficient to do good work, even a lot of it; it must lead to measurable results. As a consequence, nonprofit organizations must establish a culture of performance, which includes high expectations and accountability for everyone in the organization.

Leaders may view nonprofit organizational culture as less demanding than the for-profit sector—the inevitable product of the people attracted to the sector, the difficulty of measuring results and the relative lack of resources at most levels of an organization. This culture is often perceived as the antithesis of one that promotes high performance, particularly by those outside the sector, and is considered by some as a culture that cannot be materially influenced by management. However, by taking specific actions including redefining roles or relationships, altering performance expectations, and using job assignments in creative ways, leaders can shape and sustain a culture of performance. Leaders must engage people in specific behaviors that will reshape their individual beliefs about their

own performance and that of the organization. They must create a focus on an organization's impact. Some examples of the norms and beliefs to work on are: attitudes about accountability; orientation towards clients and staff; interaction between headquarters and operating units; and ways stakeholders are engaged.

Critical questions:

- "What do we believe?" As an organization, do we behave in ways that are consistent with these beliefs, or in contradictory ways? Does our existing culture support or hinder our ability to implement our strategy?

- What behaviors are needed from people throughout the organization to implement our strategy (e.g., data driven, collaborative, problem-solving, etc.)? How can we model these behaviors and give people opportunities to apply these behaviors in their daily work?

- What norms should be established to support desired behaviors (e.g., tolerance for mistakes that contribute to organizational learning, an attitude of service by headquarter' personnel for operating units, etc.)? What actions can we take to embed these norms in the way we work and interact?

Structures and Systems

Although structures and systems are separate components of our framework, we learned through working with organizations that they are so interdependent that it is most effective to discuss them together. They include such things as roles and responsibilities, reporting relationships, accountability mechanisms, compensation arrangements, resource allocation methods, organizational learning processes, and staff development programs. Many nonprofit organizations have under-invested in developing sophisticated structures and systems. Small organizations in particular often do not have access to the resources required for the design and management of structures and systems required for high performance. As a result, existing structures and systems may not reinforce each other and enable high performance. At its worst, poorly designed and implemented structures and systems can constrain high performance.

Structure helps define how the work of the nonprofit organization gets done. It includes how people are organized, who has responsibility and accountability for results, and who makes or influences decisions. Structures can be both formal and informal.

Formal structures are deliberately established organizational configurations that can be either relatively permanent or temporary. Examples of permanent structures are: how a multi-site nonprofit chooses to construct its governance of operating units; how departments are reflected on an organization chart; or how standing groups such as governing boards are established and populated. Temporary structures are time-limited, as is often the case with task forces or cross-functional teams established to plan or implement a new project or program.

Structural decisions can have a noteworthy impact on an organization's ability to achieve high performance. For example, some organizations create centralized human resource departments that are slow to respond to the unique needs of widely dispersed operating units. This centralized organizational structure can make it difficult to screen and hire personnel in a timely fashion, or be sensitive to the unique requirements of a unit's operating environment.

A word of caution is in order. Historically, the nonprofit sector, particularly multi-site nonprofits, has relied too heavily on formal structural changes as a key driver of improvement. A classic example is the debate over how "tightly" a headquarters office should manage its relationship with operating units. This debate is usually framed as a dichotomous choice between centralization and decentralization. Advocates of one organizational structure tend to decry the existing structure as the primary reason for poor performance. If an organization is heavily decentralized and underperforming then leaders (especially newly arrived ones) may blame the structure for a lack of focus and discipline and move quickly to increase centralized authority. The reverse is true when leaders find a highly centralized structure and poor performance—they push decisions about resources and programs out to operating unit heads, ostensibly freeing them from the burdens imposed by a centralized bureaucracy that is out of touch with the needs on the ground.

Both arguments have merit, but neither is "the answer." Framing structural design questions as a debate over centralized or decentralized power is too simplistic and usually misses the point—people at all levels of a nonprofit organization have a role to play in improving performance. Organizational structure should be designed to support the effective implementation of a strategy for high performance. Rather than having the conversation about structure based on power, politics or ideology, decisions about structure should focus on answering the question, how and *where* does the function get performed most effectively?

Informal structures and power Informal structures—the way decisions get made or the way people work and interact outside of formal channels—can be as (or even more) powerful than formal structures. Informal structures can be either positive—program heads calling each other to share ideas, or negative—decisions getting made by people "in the know" instead of by established working groups. While formal power is primarily based on rank or position, informal power is garnered and reinforced through social networks. Informal power can be difficult to manage because it is usually earned or developed through tenure, expertise or competence.[12]

Since those who possess informal power have considerable influence over the behavior of others in an organization, it is important for the leadership team to assess how this power can be either leveraged or mitigated in order to accomplish a strategy.[13] For example, individuals with strong informal power can help champion organizational values (e.g., collaboration) or potentially controversial initiatives; by the same token, they can be powerful roadblocks. The same holds true for informal structures; some can be leveraged while others may need to be disrupted. Asking questions such as, "Who do you go to when you really need to get something done?" or "How do things *really* work around here?" can help reveal informal structures and sources of power.

Systems Nonprofit organizations manage themselves through a variety of systems, which are the processes and procedures through which work gets done. These systems tend to increase in importance and complexity as the organization grows and moves from a single to a multi-site structure. Some systems are formally designed by the organization, while others emerge informally through practice. Whether formal or informal, the purpose of systems is to increase a nonprofit organization's efficiency and effectiveness in implementing strategy.

Systems are built to address such important areas as program quality, career development and compensation, resource allocation, organizational learning, and performance measurement and accountability. Most practically, high-quality systems help people get important, often multi-step, tasks done without having to "reinvent the wheel" every time.

For example, one nonprofit organization active in youth development conducts hundreds of outdoor programs annually throughout the country. They have created a comprehensive safety and

quality system, the objective of which is to provide field instructors, often leading student groups in remote wilderness areas with parameters for conducting their programs. At the same time, the system is designed to allow enough flexibility for instructors to make, on-the-ground decisions to address the unpredictable variables of the wilderness.[14]

Many nonprofit organizations must also develop systems to comply with a host of external requirements even if these systems do not help drive strategy implementation. For instance, most nonprofits receive funds from multiple donors and contractors that include both private and public entities, each of which may have different reporting requirements. It is not at all uncommon for nonprofit organizations to have numerous systems in place to capture the required data to fulfill the needs of each of their donors. As the trend accelerates for donors to want more and better information about a program or an organization's effectiveness, the need for more sophisticated internal systems to accommodate multiple donors is increasing.

Critical questions:

- Does the way we are structured (e.g., as a single organization with operating sites under one charter or as a franchise model) facilitate or hinder our ability to achieve high performance? Does our structure result in economies or diseconomies of scale? Who really has the power to make decisions? To implement decisions?

- Does our structure support the establishment and sustainability of effective governance? If we are a multi-site organization, does our governance promote a unified organizational perspective and set of activities?

- Is our governance structure aligned with our desire to build and sustain a high performing organization? What changes could be made to improve the effectiveness of our governance oversight and decision-making?

- Which reporting relationships would be most beneficial for implementing our strategy? Who reports to whom and why? What is the span of control of our key middle managers?

- How does headquarters make decisions, particularly ones that impact operating units? Who is involved? How do we solicit input from others? How do we communicate our decisions? How can decision-making be more transparent and coherent?

- When will we need cross-functional collaboration? How can we effectively structure them (e.g., ongoing teams, short-term task forces, etc.)?

- How can we recruit and select people who are aligned with our strategy? How can we deliver professional development programs that provide value to people within the organization?

- What systems do we need to help people get their work done more effectively? Are our systems user-friendly or are they cumbersome and/or outdated? Do they provide perceived value to those using them?

- Do we have a process in place to facilitate consistent quality and continuous learning across our organization? How might we create a system that enables people to analyze data in

order to improve performance? If we had such a system, do people have the capacity to make effective decisions based on their analysis?

- What types of accountability mechanisms are needed to help everyone feel responsible for driving improved outcomes? How will we measure our performance? Have we defined what success looks like for each program and for the organization as a whole? Have we established clear goals? Are we communicating our progress to all the appropriate stakeholders?

- How can performance measurement and management be used to help people focus on the work required to implement our strategy? Can compensation be used as an incentive to meet performance goals? Should these incentives target individuals, teams or both?

Resources

A nonprofit organization must have or be reasonably sure of acquiring the resources necessary to deliver on its strategy. Money is usually the first thing leaders think about when resources are mentioned. Money is obviously important, but organizational resources also include people and assets such as technology, data, knowledge, and, when applicable, physical structures. It is a critical responsibility of nonprofit leaders to systematically allocate a full range of resources in ways that are coherent with an organization's strategy. This means being disciplined about which current and planned activities receive resources, and just as importantly, which ones do not. Because nonprofit resources are usually quite constrained, freeing up the resources necessary to fully invest in appropriate activities usually means cutting off flows to others. It might also mean saying "no" to a donor who wants to provide funds for his pet project, when that project may pull a nonprofit organization away from its strategy.

People Many nonprofit organizations spend a good part of their operating budgets on salaries and benefits. With some notable exceptions (education organizations and hospitals) nonprofits tend to be less capital intensive than most for-profit organizations. Given this situation, leaders should think rigorously about how to deploy the organization's most valuable asset, its people. This includes a serious look at the skills and knowledge that people need in order to successfully implement a strategy, and an analysis that reveals any gaps between what people know how to do and what the strategy requires of them.

For example, in a private school, if the knowledge and skill of teachers is believed to be the most highly-leveraged component available for student learning, the organization must invest heavily in professional development to insure that faculty is current with effective pedagogy and abreast of evolving content.

Many nonprofit organizations also have volunteer time and expertise available to them. In 2007, over 60 million people in the United States provided volunteer labor to nonprofit organizations.[15] Volunteer time can take many forms from serving on a board, to providing free legal services, to acting as a tour guide in a museum. Because this time is not paid for, managing volunteers to high performance can be particularly challenging.

Financial resources Nonprofit organizations must consider how financial resources flow throughout the organization, so that the flow is coherent with the strategy and likely to produce desired outcomes. This can take a variety of forms, such as setting benchmarks for what percentage of total funds might be spent at the operating unit level versus headquarters or establishing ratios for amounts that should be spent on fundraising. In some cases, setting spending objectives that are too

low may decrease an organization's ability to achieve its mission. Some watchdog organizations advocate that an organization spend the lowest possible amount on "overhead." But since overhead includes all expenditures not directly related to the delivery of service, this can prevent the creation of essential systems such as quality assurance or performance management. Saving on these expenditures may undermine high performance and the long-term achievement of mission.

Raising adequate funds consumes, on average, a great deal of management's time in a nonprofit organization. There are three major categories of funding for a nonprofit organization—philanthropy, earned income, and debt. Earned income is the revenue raised by charging for the goods and services provided by the nonprofit. Debt sources include banks, individuals, government and foundations. Debt may be used for many purposes including bridge funding and capital expenditures. Philanthropy or grants usually fall into four broad categories—individuals, corporations, foundations and government. A multitude of possible sources fall within each of these categories. For example, there are over 70,000 philanthropic foundations in the U.S. alone.[16] The situation is complicated by the fact that even within a category of funders, (e.g., youth development) there is rarely agreement as to what success looks like and how it should be measured. Each funding source may have its own set of demands to satisfy. Funding is often based more on building relationships and establishing trust rather than on hard data. While there is evidence that this situation may be changing, nonprofit leaders today must contend with a disorganized capital market where capital does not necessarily flow to success.

Exacerbating this already challenging funding environment is the fact that a good deal of philanthropic dollars, particularly from foundations, flow to specific programs rather than to organizations. Funding sources often have a point of view as to how a client should best be served or a social problem addressed—their own theory of change. This has the net effect of pulling organizations in different directions and frequently causing nonprofits to try and "adapt" their existing or future programs to a funder's perspective. Since grants are often time limited, most nonprofit leaders find fundraising activities a constant part of their jobs. A host of nonprofit leaders stated that they spend, either directly or indirectly, 40-70% of their time raising money.[17]

Technology Investing in technology infrastructure is necessary, for among other things, reporting demands for external accountability and collecting meaningful data in order to allow workers at all levels of the organization to make informed decisions. A national nonprofit tutoring organization operating in 70 sites collects data weekly on the progress of its students and the effectiveness of its tutors. Having set benchmarks, the organization's leaders can rapidly identify performance problems. The board and top management review a monthly dashboard (with 12 indicators) that rolls up the individual numbers and provides an overview of how the organization is doing as a whole both in absolute terms and relative to its targets for the year. This data collection takes sophisticated technology but insures that management has the information critical for managing to high performance.[18]

Critical questions:

- How can we allocate our resources to be more coherent with our strategy? Do we continue to support activities, projects, or programs that are less consistent with our strategy?

- How can we think more strategically about matching people's experience and knowledge with roles and assignments that are critical to the strategy? What knowledge and skills does our staff at all levels need to implement our strategy?

What is the gap between what they have the capacity to do and what we are asking them to do? What will it take to close this gap?

- Is our organization soliciting and/or accepting funding that is pulling our programs away from our theory of change and our strategy? Should we say "no" to funds that pull us away from our focus?

- Are we doing all that is possible to educate donors why our theory of change and strategy are effective? Do we need to modify present or future agreements with funders in order to more effectively implement our strategy?

- Are we strategically directing our fundraising efforts to the largest potential donor or do we spend too much time on prospects that may not have a high enough return?

- Does our organization have the right mix of talent and capabilities on our board to provide maximum support to our strategy? If not, what kind of individuals should we be recruiting?

- Are we getting the maximum value from existing board members? Do we have a mechanism for evaluating the performance of board members in some routine way? If not, have we done everything we might to provide them with a role to engage them at a higher level?

- Do we have the technology infrastructure to capture and analyze data in a way that allows people at all levels of the organization to make better decisions to improve the effectiveness of their jobs?

Stakeholders

Stakeholders are people and groups outside and inside the organization who have a legitimate interest in the organization and can have an impact on a leader's decisions. It is a challenge for leaders of nonprofit organizations to be sensitive and responsive to all stakeholders. Certainly no stakeholder is more important than the client a nonprofit is committed to serve. Yet, many clients, such as homeless people in a shelter, do not pay for the service, and may have little impact on the organization's strategy or a program's quality. Another category of stakeholders are other nonprofit organizations that may advocate on behalf of clients. Communities and governments are often active stakeholders, which, depending on the scope of the nonprofit's operations, could be local, national or international. Some large nonprofit organizations may have to consider stakeholders in all of these categories and in multiple locations. The diverse list may also include unions, trade associations, multi-lateral organizations like the United Nations, and the press. Hence, nonprofit leaders may find themselves defending their organizational strategy and effectiveness to a host of different and possibly inconsistent challenges from stakeholders.

Board members often play a critical role in a nonprofit organization's ability to implement its strategy. Nonprofit board members perform many of the same functions as board members of a for-

profit organization. However, the demands on nonprofit board members can be considerably greater. Nonprofit organizations usually try to populate their boards with professionals who have skills and will volunteer them in areas such as marketing, legal and financial. These are services that nonprofits either do not have the resources to pay for or would rather spend on some other aspect of their organization. Also, many organizations rely heavily on their board members to both donate and raise money. "Get, give or get off," is a well known cliché in the nonprofit sector.

Because the role of a board is so wide-ranging and important to the organization, most nonprofit leaders find themselves spending a good bit of their time cultivating potential board members who can advance the organization's strategy, or building and maintaining relationships with existing board members. Boards can exert powerful pressure on a nonprofit organization's management. Ideally, the pressure will be to deliver on an agreed upon strategy, but they may also push management into activities that may not be optimum for implementing strategy.

***Critical questions*:**

- Who are our stakeholders? Which stakeholders will be affected by our strategy and how? Which stakeholders can have an impact on the design and implementation of the strategy?
- Which stakeholders should we look to for creating the most effective collaborations? What structure should these relationships take and how should they be negotiated?
- Is our value creation and strategy well understood by all the important stakeholders? Are any stakeholders causing us to pursue activities that distract us from our strategy?
- How might we best communicate our progress to our stakeholders in a way that garners their support and willingness to positively influence other stakeholders? How can we actively manage our relationships with stakeholders so that they will want to contribute to our success?

Environment

Nonprofit leaders may have little direct control over their operating environment, but must spend time trying to manage its effects in order to implement a coherent strategy. This time commitment will vary considerably depending on the nature of the service provided, its scope, clients served, etc. The environment can have an impact on organizations by making seemingly unreasonable demands, constraining decision-making, limiting resources, evaluating performance, and imposing sanctions. However, the environment can also serve as an enabler if leadership can influence policy and statutes and the contractual, financial, and political forces that surround them.

Nonprofit leaders must consider the factors in the environment and determine how those factors, singly or collectively, are barriers or opportunities for implementing their strategy. The categories of the environment in the Nonprofit Coherence Framework are:

1. **Government –** policy and regulatory influences in the areas we operate, (e.g., they usually differ from state to state, city to city, and country to country)
2. **Other organizations** – organizations in our field or interested corporations that may be likely collaborators
3. **Capital Markets** – emerging trends and disparate funding criteria

Critical questions:

- What federal, state and local policies would be most beneficial to implementing our strategy? What is the most effective approach to advocate for them? Are there regulations or statutes that are constraining our ability to implement our strategy that we can advocate to change? Are there ways we could better leverage existing policies or regulations?

- Can we leverage our impact by working with other organizations or becoming involved with a network of organizations?

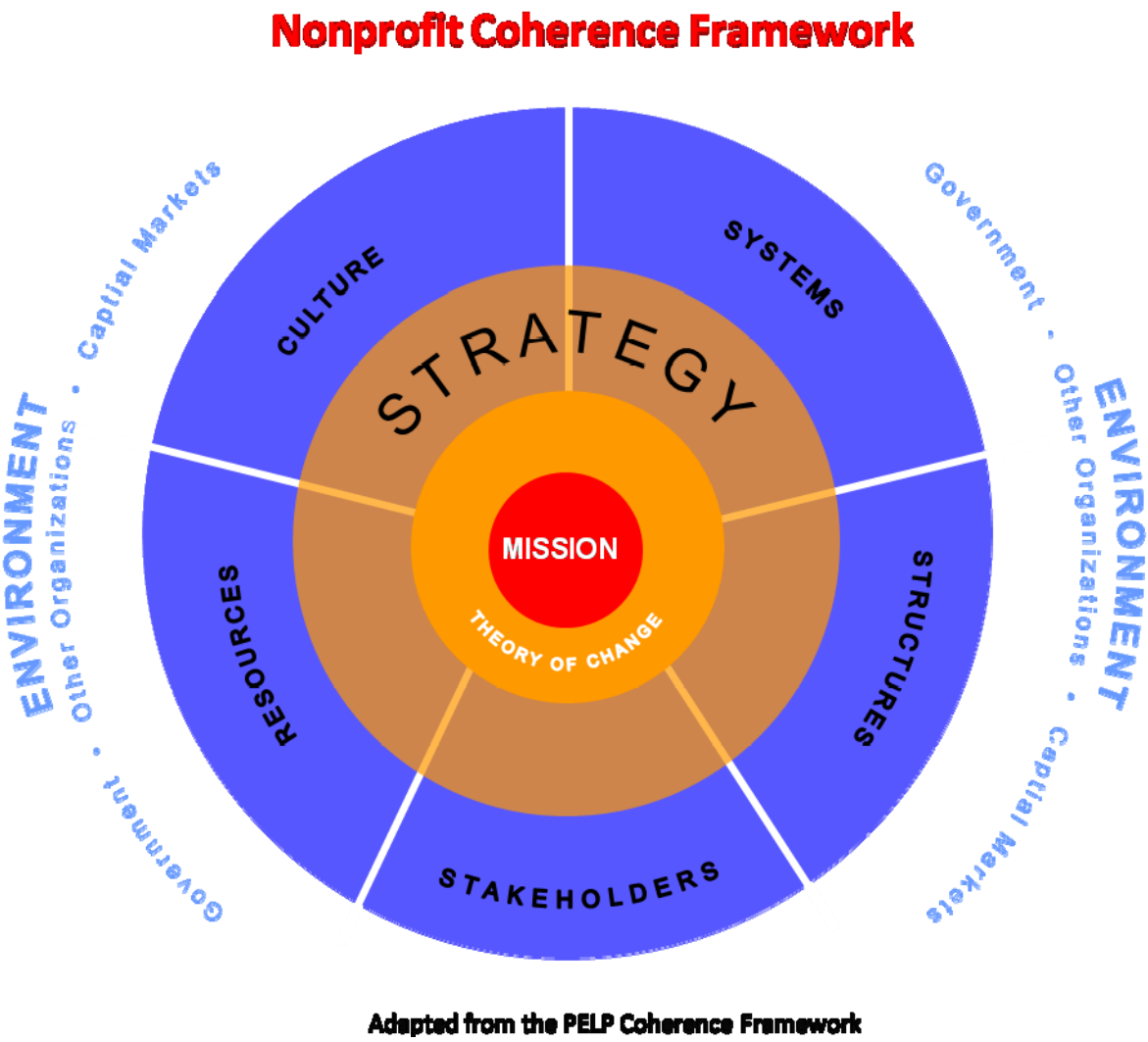
- What trends should we be aware of in capital markets? How should we modify our approaches and internal systems to accommodate these trends?

- How would we like our community to perceive us; what is our "brand" (e.g., best organization in the field, affordable with quality, etc.)? What is the gap between how we would like to be perceived and how we are perceived? How can we improve our image?

Conclusion

Guided by the Nonprofit Coherence Framework, nonprofit leaders can more easily organize and manage toward the goal of achieving their mission. The Framework serves as a useful tool for informing daily tactical decisions, as well as for evaluating or changing existing strategy, or developing new ones. By providing a common language and a consistent way to address the challenge of creating and sustaining high performance, the Framework can help leaders build nonprofit organizations that provide outstanding outcomes for the clients they are committed to serve. This, at the end of the day, is the reason for nonprofit organizations to exist.

Exhibit 1 Nonprofit Coherence Framework



Source: Note writers' analysis

Endnotes

[1] The Nonprofit Coherence Framework draws on organizational alignment frameworks such as The Congruence Model developed by Professor Michael Tushman of Harvard Business School and Professor Charles O'Reilly of the Graduate School of Business at Stanford University. For an explanation of the Congruence Model, see their book, *Winning Through Innovation,* (Boston: Harvard Business School Publishing, 1997).

[2] Shorter Oxford English Dictionary, "Alignment," (New York: Oxford University Press, 2002).

[3] Shorter Oxford English Dictionary, "Coherence," (New York: Oxford University Press, 2002).

[4] The scholar Carol Weiss created the forerunner to this idea under the name "theory-based evaluation", and has written about its purpose and value for three decades. Her work focused on measuring specific program design and implementation rather than creating and assessing an organization-wide strategy, but the latter notion is nevertheless rooted in Weiss's stream of work. See, for example, Carol H. Weiss, *Evaluation Research: Methods of Assessing Program Effectiveness* (Englewood Cliffs, NJ: Prentice-Hall, 1972); Carol Weiss, "How Can Theory-based Evaluation Make Greater Headway?" *Evaluation Review* 21, No. 4 (1997): 501–524; and, Carol Weiss, "On Theory Based Evaluation: Winning Friends and Influencing People," *The Evaluation Exchang*e 9, No. 4 (Winter 2003-2004): 2-3.

[5] Please note that the examples are not intended to be exhaustive, but rather to clarify some of the categories of environmental factors that exist in the nonprofit sector.

[6] Nature Conservancy, "Our Mission, Strategy, and Values," Nature Conservancy Web site, http://www.nature.org, accessed August 2008.

[7] Summer Search, "About Us," Summer Search Web site, http://www.summersearch.org/about, accessed August 2008.

[8] This section is adapted from Stacey Childress, "Note on Strategy in Public Education," Public Education Leadership Project No. PEL-011 (Boston: Harvard Business School Publishing, 2004).

[9] National Campaign to Prevent Teen and Unplanned Pregnancy, "Our Mission and Goal," National Campaign to Prevent Teen and Unplanned Pregnancy Web site, http://www.thenationalcampaign.org/about-us/our-mission.aspx, accessed August 2008.

[10] This section is adapted from Stacey Childress, "Note on Strategy in Public Education," Public Education Leadership Project No. PEL-011 (Boston: Harvard Business School Publishing, 2004). Please refer to this note for a fuller discussion of the characteristics of effective strategy and its role in the public education sector.

[11] The sections on culture, structure and systems draw from Michael Tushman and Charles O'Reilly, *Winning Through Innovation,* (Boston: Harvard Business School Publishing, 1997); Michael Tushman and David Nadler, "A Model for Diagnosing Organizational Behavior," *Organizational Dynamics* 9, Issue 2 (Autumn 1980) 35-51; Jeff Bradach, "Organizational Alignment: The 7S model," HBS No. 497-045 (Boston: Harvard Business School Publishing, 1996).

[12] See Linda A. Hill, "Exercising Influence," HBS No. 494-080 (Boston: Harvard Business School Publishing, 1994) for a discussion of networks and sources of informal power.

[13] See Wayne E. Baker, *Networking Smart: How to Build Relationships for Personal and Organizational Success* (New York: McGraw Hill, 1994) for examples of proactive and explicit strategies used to manage informal networks.

[14] Outward Bound, "About Us," Outward Bound Web site, http://www.outwardbound.org, accessed August 2008.

[15] Debra Blum, "Volunteers Fail to Return to Many Charities a New Study Finds," *Chronicle of Philanthropy* 20, Issue 20 (2008).

[16] Foundation Center, Foundation Yearbook: Facts and Figures on Private and Community Foundations, Foundation Center Web site, http://foundationcenter.org/gainknowledge/research/nationaltrends.html, accessed August 2008.

[17] Allen Grossman, "Philanthropic Social Capital Markets: Performance Driven Philanthropy," Human Interaction Research Institute Conference, Los Angeles, CA, December 3, 2001, pp. 7-18.

[18] Allen Grossman and Arthur McCaffrey, "Jumpstart," HBS No. 301-037 ((Boston: Harvard Business School Publishing, 2001).