To Non-Profits …What Business will we be in?*

by Rosa L. Hunter and Lewis M. Rambo, PhD

The world-wide reaction to George Floyd's murder, coupled with the ongoing impact of the Covid-19 Pandemic, has impacted all of us in ways that are only beginning to be fully determined or appreciated. The resulting needs -- within every segment of our economy, our communities, our educational and social systems -- will defy our abilities to assess, let alone address and satisfy.

Even before these converging crises, our nation's political will and financial resources were under stress. Our national debt and the financial burdens of many Americans have grown to unsustainable levels. When, not if, we begin to emerge from these extraordinary times, a new vision and a carefully considered set of new and different operating assumptions and principles must be created and implemented.

Some may be surprised to know that we have more than 1.6 million organizations approved as tax-exempt under Section 501-c-3 of the US Internal Revenue Code. Each and every one of these non-profits will be in search of the donations and resources felt needed to restart themselves and fund their operations. The competition for resources will be fierce! For that reason, it is time, **right now**, for the leaders of every non-profit to begin creating a thoughtful, data driven, honest, no nonsense conversation among themselves about the organization's reason to continue to exist.

Every non-profit leadership team could, wisely, use this opportunity to examine the shifts that are occurring or implied by its particular "prevailing reality" and, yes, take a clear-eyed look at the impact these unimaginable forces have had on them, their organization and their Customers.

Like it or not , at the end of each and every day, not-for-profits are in business and, as such are actually serving ***customers***.

As we watch the effects of multiple Pandemics (virus, civil unrest, economic, educational, and more) play out, non-profits will have a unique opportunity to reexamine their missions, clarify their values, quantify their resources (both financial and human) and re-identify and re-define their customers. This process of careful, thoughtful review will produce meaningful data which will help sharpen the delineation and description of their organizational purpose and priorities.

The questioning will have to begin with asking: ***"What business are we in? What are we selling?"*** These may not be questions that the board members of a non-profit organization will think to ask themselves. Just because your organization is designated as a non-profit does not mean that it is not in business! The phrase "non-profit" refers merely to its tax status.[1]

Inevitably, a serious, further examination will lead to an in-depth assessment of:

- *"Is it reasonable to call the people we are trying to serve…Customers?*
- *If so, what are these customers actually buying from us?"*

These are the fundamentals that a non-profit board should deliberate as it re-examines its vision, mission and strategy. For a non-profit organization, the questions will require quite a bit of thinking "outside of the box!"

As surprising as it might seem, non-profit organizations are selling themselves to donors and potential donors, to their communities, and to those they have targeted to receive (i.e., buy) what they offer.

The board, its Executive Director and the leadership and management teams may have a hard time accepting that their organization has customers. Going a step further, determining exactly who their "customers" are, and then coming to an agreement on what their customers are "buying," can be even more confounding. We are certain each of you have stories to tell. We challenge you to think about times when other non-profits took a good hard look at where they were and made changes, some successful and some not.

Just as many businesses have products and services that are targeted to different sets of customers, non-profits face the challenge of recognizing and acknowledging that they, too, must think seriously about performing some careful, strategic customer segmentation.

Your board may actually pride itself on having a very narrow definition of your customer base. But in addition to your direct clients, your customers could also be the people in your community, the members of an association, or those seeking to impact what they see as an important issue or cause. They could be your individual donors, well-heeled benefactors, foundations, and/or the granting agencies that provide financial support.

The ultimate success of an organization very much depends on a deep understanding of what "business" it is in and what its "customers" truly believe they are buying. Hopefully your board will not get hung up on the terms "customer" and "buying". Once coming to agreement that the beneficiaries of your organization's initiative(s) are customers, it is then more reasonable to view them as buying or refusing to buy what you are actually "selling." Whether your non-profit is a startup, a national organization, or an institution of higher education, you need to understand what is in your customer's mind when they are "buying."

How carefully have you studied the costs, efficiency and effectiveness of the services you will be delivering to your customers during and after this crisis subsides? Will you understand their future needs, or will you be working from an outdated, business as usual understanding?

Satisfying Demand vs. Providing a Service or Producing a Product

As a non-profit, what demand are you satisfying and for whom? The challenge is to avoid convincing yourself that your organization is helping your targeted population with something that you or "they" want, need, and are clamoring for. A total reality check may be in order before your board begins to try to vie for funds in support of its organization's mission.

Fundraising feasibility studies used to be a way that non-profits learned the extent to which their products or services met individual and/or collective customer needs. In the future this kind of study may be a luxury because the number of organizations with their "hands out" will far exceed the abilities of even the most generous among us to respond to. Even the results of customer satisfaction surveys, focus groups, and participation in community conversations may not be as effective as they once were.

Improve Your Chances for Success

When success happens, it may be the result of a few creative and courageous leaders who asked questions that often challenged "the way we do things here." False steps and approaches that did not work are part of the creative process.

Without a doubt, not asking the question "What business will we be in?" is a sure path to poor performance and eventual failure. By action or inaction, your board and your organization will be choosing the way forward. Use all the risk reduction techniques you can to test your approach with smaller groups of customers before making big commitments. But in the end, your organization's success depends on how well your services satisfy real customer demand in the future.

Here are steps you can take to improve your chances for success.

1. Build a customer-focused culture within your organization.
2. Become the chief advocate for understanding your customer's point of view.
3. Periodically take the Steve Jobs' challenge and look forward to where technology, consumer trends, cultural values, demographics and other variables could create opportunities for new services that your customers themselves cannot yet imagine.
4. Within your organization's leadership and management team, develop an appreciation for and an understanding of the challenges they face when coming to different points of view and to making changes. *Note: Working through disagreements takes hard work but it is worth the effort as each team member will be heard and the amalgam of ideas may well spark that next "Great idea".*
5. Encourage your Executive Director to "Benchmark" other organizations with similar or related missions. This will ensure that your organization is delivering services that are as good or better than your competitors and/or your "sister organizations."
6. Look for opportunities to collaborate with other organizations. You may be pleased and surprised at what you discover
7. Suggest the creation of a board task force with the specific charter of asking the question: "*Do we still agree on what business are we in*?"
8. Invite others from outside the organization to share their perspectives on and evaluation of your organization to achieve a better understanding of the prevailing customer point of view.
9. Encourage your Executive Director to engage in a similar exercise with the organization's leadership and management team to gain additional input and to provide the basis for outside and inside comparisons.

"There is no right answer" is often the bottom-line result. The information and the insights gleaned from these exercises will not be perfect.

Expect competing centers of influence within your organization to have conflicting points of view. You and your board may be convinced that your organization is doing an OK job today; you have customers and are operating well, as far as you know. But choices must be made!

The old saying: “If it ain’t broke, don’t fix it” comes to mind; yet your challenge as a board is to make very sure your organization is positioning its services and organizational structure for what your “customers” will need, want and buy and constantly ask yourself, “What business are we in?”

References:

[1] Section **501**(**c**)(**3**) is the portion of the US Internal Revenue Code that allows for federal **tax exemption** of non-profit **organizations**, specifically those that are considered public charities, private foundations or private operating foundations.

[2] Christensen, Clayton M. (2016) *Competing Against Luck*: The Story of Innovation and Customer Choice. New York: Harper-Collins, ISBN:10: 0062102419

Drucker, Peter F., (1990) *Managing the Non-Profit Organization:* Principles and Practices. New York: HarperCollins Publishers, ISBN: 0-06+016507-3

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Dr. Rambo is an executive coach who brings international business and significant leadership experience combined with an expertise in organizational learning. He coaches entrepreneurs, executives and senior level leaders in a broad range of industries supporting the growth of both their leadership acumen and ability to navigate the complexity of their roles. For almost twenty-five years, he was Senior Vice President and Director of Human Resources at Arthur D. Little, one of the first and, at the time, largest management, research and technical consulting firms in the nation. Prior to joining Arthur D. Little, he held senior Human Resources Management positions at General Electric's Aircraft Engine Division and at the World Headquarters of the Ford Motor Company.

He has worked with leaders and teams in multinational corporations, family-owned businesses, educational institutions, professional corporations, governmental agencies, and NGOs in the United States, Europe, Asia, Africa and Latin America. His clients have included Cambridge Technology Partners, CBRE, Cook Compression, Genzyme, J. Baker & Company, Neustar Communications, Northeast Utilities, Piedmont Investment Advisors, Pfizer, Progenics, as well as for a number of colleges, universities and not-for-profits.

For more than ten years, he was a Professor of Practice in Organizational Behavior and Human Resources Management at the Hult International Business School with campuses in Cambridge, San Francisco, London, Dubai, and Shanghai. He also served as Dean and Professor of Human Resources Management and Organization Development at INCAE, the premier business school of Central America, located in San Jose (Alajuela), Costa Rica and Managua (Montefresco), Nicaragua.

Dr. Rambo received his M.A. and Ph.D. at Wayne State University in Organizational-Industrial Psychology. He studied Industrial Relations at the University of Illinois and completed postdoctoral studies at the Harvard University Graduate School of Education. He is a licensed psychologist and is the author and co-author of numerous articles and publications on a wide range of topics related to Human Resources Management, Organizational Development, Team Building and the Management of Diversity.

He spends much of his time working with aspiring entrepreneurs and also serves on a number of for profit and not-for-profit boards. He enjoys travel, is an avid reader, and loves to ride his bike.

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Through her consulting practice, Rosa focuses on diversity, inclusion and equity through the lenses of organizational change, leadership development, and employee empowerment. Her work with leaders results in the successful implementation of initiatives critical to the successful evolution of their organization's culture, policies and management practices. Her work with employees allows them to understand the key tenets of diversity, inclusion and equity and to identify tangible ways of contributing to their own and the organization's success. Rosa's consulting practice also provides a host of other services including strategic planning/visioning, organizational assessments and problem solving, meeting design and facilitation, management and leadership assessment and training, support for individual and group mentoring processes and employee resource groups.

Rosa's practice crosses industry lines and has included national associations, universities, financial institutions, teaching hospitals, publishers and manufacturers. In addition to Babson College, her clients in higher education include Bowdoin College, Harvard University, Wellesley College, Mt. Holyoke College and Boston University. Other clients of her 24-year practice have included State Street Bank, Partners HealthCare, Fidelity Investments, Bingham McCutchen, LLC, the American Cancer Society, John Hancock Insurance Co., and the World Resources Institute.

Before launching her practice, Rosa held a variety of positions at Bank of Boston, including internal auditor and senior administrative officer-Internal Audit Dept., commercial lender and vice president – International Banking and vice president - chief diversity officer. Rosa was an adjunct instructor in Bentley University's Management Department for 14 years, serving as a member of the teaching teams for the undergraduate and graduate level diversity courses, faculty for the staff and faculty diversity retreats and manager of a variety of special projects. She has spoken at innumerable national conferences including the American Management Association, Bank Administration Institute, International Institute for Internal Auditors, and American Cancer Association and authored several articles and case studies.

She continues to learn and to grow through her involvement in community-based projects such as the Boston Busing and Desegregation Project, the YW's Cross-race Community Dialogues and participation on the boards of local nonprofits.