ORGANIZATIONAL
SUSTAINABILITY
cohort program

Session 3

June 23, 2016

SESSION THREE: GATHERING COMMITMENT
Engage and Align

Today's objectives:

- ✓ Explore elements of a culture of sustainability and begin to identify how to shift organizational culture.

- ✓ Begin to identify the optimal revenue model for our work, along with the relationship and infrastructure requirements to support the model.

- ✓ Begin to articulate the potential decisions that will support our organizational sustainability.

BUILDING A CULTURE OF SUSTAINABILITY

SUSTAINABILITY AND THRIVING: A BRIEF REFRESHER FROM SESSION ONE

One way of thinking about **sustainability** is when *we generate more than we consume*. There is a clear parallel here to organizational finances – where this shows up as surplus or profit in a given year. Regular surpluses *are* an important component of organizational sustainability, but what might it mean if *all* of our resources – human, financial, organizational and otherwise – were aligned in a way that is designed to generate more than what it takes in? What happens when we stop thinking of organizational sustainability solely in the context of renewable funding and focus on fueling our overall efforts in an aligned – and energizing – way?

Adaptive leadership is specifically about change that enables the capacity to thrive. New environments and new dreams demand new strategies and abilities, as well as the leadership to mobilize them. As in evolution, these new combinations and variations help organizations thrive under challenging circumstances rather than perish, regress, or contract. Leadership, then, must wrestle with normative questions of value, purpose, and process. What does thriving mean for organizations operating in any particular context? Adaptive success in an organizational sense requires leadership that can orchestrate multiple stakeholder priorities to define thriving and then realize it.

> **What's possible when we align ourselves in a personally sustainable way?**
>
> ✓ We can be more creative
> ✓ We can take risks more comfortably
> ✓ We are more energized and able to weather challenges
> ✓ Morale is higher
> ✓ Teamwork is stronger
>
> **WE ARE MORE PRODUCTIVE!**
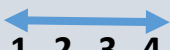
> **What is thriving*?***
> "Thriving" includes three characteristics:
> - Preserving what's core;
> - Letting go of what's no longer needed; and
> - Organizing ourselves in ways that enhance our ability to flourish in new and more challenging environments.

BUILDNG A CULTURE OF SUSTAINABILITY: *COMPASSPOINT EXAMPLE*

FROM THIS MINDSET …	1 2 3 4 (which direction are you facing?)	TO THIS MINDSET …
1. We assume our programs do good work and do not regularly revisit their degree of impact and relevance.	**3**	1. We have regular conversations about programmatic impact and continuously evolve our programs to remain relevant to our constituents.
2. Financial information is held and understood by only a few people in the organization.	**2**	2. Everyone has access to financial information and there is broad understanding of our primary financial drivers.
3. We celebrate those who "give everything" to the cause and expect that burn-out is likely.	**2**	3. We have an environment where people are personally thriving and feel a sense of sustainability in their work.
4. We think of fundraising as a necessary evil; we have to do it but no one likes it.	**2**	4. We understand that fundraising is mission-aligned and we celebrate philanthropy (voluntary action for the common good) throughout the organization.
5. We are wary of risk and when there is failure it is feared or punished.	**3**	5. We are comfortable with risk and we learn from failures.
6. People consistently turn to a few individuals who are expected to "have the answers."	**4**	6. Many of us across the organization are exploring questions and contributing to solutions.
7. Staff turnover is highly destabilizing to our operations and programs.	**3**	7. Turnover is expected and healthy; we invest in leadership development across positions to build bench strength and plan for transitions.

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BUILDNG A CULTURE OF SUSTAINABILITY: YOUR TURN

MINDSET FROM…	1 2 3 4 (which direction are you facing?)	MINDSET TO…
1. We assume our programs do good work and do not regularly revisit their degree of impact and relevance.		1. We have regular conversations about programmatic impact and continuously evolve our programs to remain relevant to our constituents.
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3. We celebrate those who "give everything" to the cause and expect that burn-out is likely.		3. We have an environment where people are personally thriving and feel a sense of sustainability in their work.
4. We think of fundraising as a necessary evil; we have to do it but no one likes it.		4. We understand that fundraising is mission-aligned and we celebrate philanthropy (voluntary action for the common good) throughout the organization.
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FROM HABITS TO PRACTICES

The Role of Habits

Habit: A recurrent, often unconscious, pattern of behavior that is acquired through frequent repetition.

Practice: A repetitive act consciously practiced for explicit benefit, improved over time (gets better and better with lots of practice); a habit is not a practice; a practice that becomes a habit loses its value.

Reflection:

What's Not Working? What habits do you currently have that undermine your personal sustainability? Organizational sustainability?

I SHOULD HAVE A MORNING RITUAL

What's Working? What practices do you currently do that foster personal sustainability? Organizational sustainability?

NAMING PRACTICES TO SUPPORT A CULTURE OF SUSTAINABILITY:

EXAMPLE: SELECTED 3 PRIORITIES FROM EXERCISE ABOVE

TO GET HERE…	WE WILL ….
Everyone has access to financial information and there is broad understanding of our primary financial drivers.	1. Schedule staff trainings 2x a year on finance. 2. Distribute the financial statements to all staff and regular review them together at staff meetings. 3. Share the board packets with staff.
We have an environment where people are personally thriving and feel a sense of sustainability in their work.	1. Schedule a conversation at staff meeting to collectively name organizational practices and management attitudes that are hindering personal sustainability. 2. Commit to NOT overscheduling, saying no to things that are not aligned with our priorities and values. 3. Empower supervisors to work with each individual to develop individually customized and appropriate practices to foster thriving.
We understand that fundraising is mission-aligned and we celebrate philanthropy (voluntary action for the common good).	1. Engage in regular storytelling about our individual volunteerism/philanthropy. 2. Schedule regular conversations about our revenue model and who supports us. 3. Set expectations that everyone engages in relationship building and donor stewardship.

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NAMING PRACTICES TO SUPPORT A CULTURE OF SUSTAINABILITY: YOUR TURN

Drawing from the "Building a Culture of Sustainability" reflection (page 5), choose 3 to 5 mindset shifts that most resonate with your team and develop corresponding practices and/or commitments that will support your ability to make the shift.

TO GET HERE…	WE WILL ….

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ARTICULATING YOUR NONPROFIT REVENUE MODEL

A nonprofit revenue model is a framework for generating revenues that allows the organization to maximize its intended impact while also generating small surpluses that will feed the organization's future efforts. Often, articulating the revenue model provides the leaders of the organization with focus and clarity as they pursue an optimal business model that allows the organization to thrive in achieving its intended impact.

WHAT IS RIGHT REVENUE?

The state of your revenue working in concert with your intended impact and values. Rather than focusing solely on the question of income diversification, the fundamental question is this:

Do you have the right revenue to pursue your intended impact in a financially viable manner that is aligned with your organizational values?

1. Does the Current Revenue Mix Reliably Produce a Modest Surplus?
2. Do We Have a Reliable Source of Unrestricted Support?
3. Are Our Largest Sources of Income Paying for Work That We Deem Essential to Our Intended Impact?
4. Are We Relying on a Funding Stream That Is Changing Substantially, and Is That Change beyond Our Control?
5. Are We Relying on a Funding Stream That Is Misaligned with Our Organizational Values?

A nonprofit revenue model includes:

- ✓ A commitment to which revenue streams the organization will actively pursue.
- ✓ A compelling case for how these particular revenue streams are aligned with the organization's intended impact.
- ✓ Identification of the stability of each revenue stream in the model (including the approximate number of *sources* within the stream, an assessment of the *flexibility* and *repeatability* of the stream, and an acknowledgment of whether the stream is *surplus generating* or not).
- ✓ An assessment of the relationship requirements for the revenue stream, including:
  - o Who are the decision makers behind each stream of revenue and what are their specific motivations to give to the work of the organization,
  - o The specific qualities of the relationships that keep those decision makers connected to the organization, and
  - o The characteristics and strengths of the people and systems needed in the organization to nurture those relationships.
- ✓ An articulation of the organizational infrastructure needed to maintain and nurture the revenue model, including:
  - o Competencies and strengths of the people positioned to support the articulated model,
  - o Processes and technologies that feed the systems needed to support the model, and
  - o Practices and cultural norms that underlie the success of the model.

Once an organization has articulated its overall revenue model, organizational leaders can regularly refer to it as they set annual priorities in the budgeting process, including:

- ✓ What specific investments do we need to make in people, process, or practice in order to strengthen this model?
- ✓ How will we resource these investments?

STRATEGIC DECISION MAKING

Ultimately, a sustainability orientation requires that the stewards of an organization – board and staff – embrace an ongoing process of strategic decision making. Too often, nonprofits can grow stagnant over time doing things "the way we've always done them," and in the process significantly undermine both the programmatic and financial sustainability of the organization. At best, this leaves the organization in a perpetual cycle of survival and maintenance. At worst, it's depriving the organization's constituents and its cause of the organization's highest potential contribution.

> "In the realm of adaptive leadership, you have to believe that your intervention is absolutely the right thing to do at the moment you commit to it. But at the same time, you need to remain open to the possibility that you are dead wrong."
>
> *-- From The Practice of Adaptive Leadership by Ronald Heifetz, Alexander Grashow, and Marty Linsky*

True sustainability – organizations that thrive and continually improve in the midst of an ever-changing context – is an outgrowth of multiple, simultaneous decision making processes that embody a practice of reflection, action, and learning.

Combatting the Four Villains of Decision Making

In their book, <u>Decisive: How to Make Better Choices in Life and Work</u>, Chip and Dan Heath identify four "villains" of decision making, or the things that frequently get in the way of effective decision making in every phase of the process.

In a typical decision making process	… the "Four Villains" often get in the way of effective decision making.
You encounter a choice.	*… but narrow framing makes you miss options.*
You analyze your options.	*… but you tend to gather self-serving information.*
You make a choice.	*…but short-term emotion can lead you astray.*
Then you live with it.	*…but you're overconfident about the future.*

--From <u>Decisive</u> by Chip and Dan Heath

In a "WRAP" decision making process	… you can unlock possibilities for an improved outcome.
You encounter a choice… and, **WIDEN YOUR OPTIONS.**	**This is important because:** Adding just one alternative makes very good strategic decision making more likely—six times more likely, according to one research study. **Possible practices:** ✓ Vanishing Options Test: what would you do if your current options disappeared? ✓ Multi-tracking: how might you test multiple options simultaneously to learn more about the possibilities? ✓ Toggle between prevention (avoiding negative outcomes) and promotion (pursuing positive outcomes) mindsets. ✓ Bright Spots: Look for what's working internal and externally to generate ideas for additional options.
You analyze your options… and, **REALITY-CHECK YOUR ASSUMPTIONS**.	**This is important because:** We are two times more likely to consider information that tends to confirm our assumptions than information that tends to disconfirm them. **Possible practices:** ✓ Embrace Skepticism: consider the opposite of what you think to be the best option. ✓ Zoom Out: gather information and get an outside view. ✓ Experiment: try things on in small ways to test our theories.
You make a choice… and, **ATTAIN DISTANCE BEFORE DECIDING.**	**This is important because:** The status quo is powerful. Research shows that over time, even arbitrary choices are regarded as valuable and right. **Possible practices:** ✓ Practice 10/10/10: what are the implications of this decision in 10 days, 10 months, 10 years? ✓ Look from the outside: ask, "What would our successors do?" ✓ Honor Core Priorities: does this decision help build the kind of organization you want to build?

Then you live with it… and **PREPARE TO BE WRONG.**	**This is important because:** Our predictions are often incorrect, even when made with high confidence. In one study, doctors who expressed complete certainty in a diagnosis were wrong 40 percent of the time. **Possible practices:** ✓ Pre-mortem/Pre-parade: imagine year from now when the decisions ha utterly failed, and then imagine that the decision was wildly successful. Prepare for both utter failure and wild success. ✓ Set a Tripwire: As you settle on the decision, anticipate possible outcomes and agree on a "we will act when" or "we will act if" statement that addresses potential future outcomes.

--From <u>Decisive</u> by Chip and Dan Heath

EXERCISE: DRAFT SEVERAL *POTENTIAL* STRATEGIC DECISIONS

POTENTIAL DECISION: COMPASSPOINT EXAMPLE **After 20 years, stop doing our annual Nonprofit Day conference because we lose money <u>and</u> we struggle with our relationship with our long-time sponsor.** *Note: NPDay was our signature event that brought 500 to 800 people from across the sector together each year. For many years it was break-even or modestly profitable, but that hasn't been true for the last few years. It has always been underwritten by one corporate sponsor with participant fees covering the remaining costs.*	
As you name a choice or set of choices… do you need to **WIDEN YOUR OPTIONS?**	*Find a different sponsor?* *Gather the NP community in numerous mini-days across the year, not just at one big day?* *Join forces with other conveners?*
As you analyze your options… do you need to **REALITY-CHECK YOUR ASSUMPTIONS?**	*Is another corporate sponsor going to be more aligned with our values and program focus than our current one?* *What would this cost, is it really more cost effective or less?* *What's the value of convening? Why do they come?*
As you make a choice… do you need to **ATTAIN DISTANCE BEFORE DECIDING?**	*In 1 month? Start floating the idea by close partners to see how they would feel if NPDay went away.* *In 1 year? Are we experiencing less connection in our community? Do they miss it and if so, does it have a negative impact on us?* *In 2 years? What conferences/provides fill the space?*
As you execute the decision… are you **PREPARED TO BE WRONG?**	*We will bring back the conference **IF** we find an <u>aligned</u> funder partner that will cover the <u>full costs</u> of the event.* *We will create new ways to convene our community **WHEN** we have clear feedback from them that this is a significant unmet need.*

YOUR TURN: DRAFT A *POTENTIAL* STRATEGIC DECISION

As you think about your sustainability planning work to date, consider:

- ✓ What can you do more of because it's working?

- ✓ What can you do less of, or do differently, because it's not?

- ✓ What's missing that needs to be in your business model for greater impact and/or financial health?

- ✓ Is there anything you need to stop doing entirely?

POTENTIAL DECISION:	
As you name a choice or set of choices… do you need to **WIDEN YOUR OPTIONS?**	
As you analyze your options… do you need to **REALITY-CHECK YOUR ASSUMPTIONS?**	
As you make a choice… do you need to **ATTAIN DISTANCE BEFORE DECIDING?**	
As you execute the decision… are you **PREPARED TO BE WRONG?**	

TEAM DISCUSSION QUESTIONS

- What are our next steps?

- Who needs to be involved?

- What's the most important thing people need to hear from us as leaders?