

The power of vision

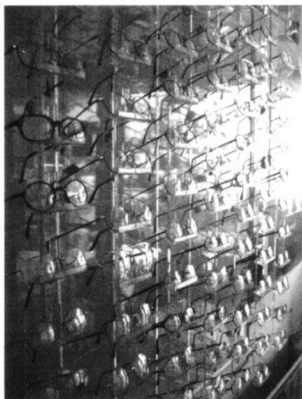
Andrea Kilpatrick and Les Silverman

Where should nonprofit leaders begin when they want to boost their organization's effectiveness? One approach is to spark debate about the nonprofit's vision, which we define as the set of aspirations its leaders hope to achieve during the next three to five years. Without a clear vision nonprofits can lose focus, which can, in turn, make it difficult to gain traction with other improvement efforts. We have learned, through recent experience helping over three hundred organizations set strategy, that the majority of nonprofit organizations have not taken the time to develop and update effective visions. And while many nonprofit leaders do not recognize the problem or feel helpless to solve it, weak visions can be corrected. Though the roots of the problem often lie in the very funding processes that sustain organizations, it is crucial for nonprofit board members and executives to undertake a redefinition.

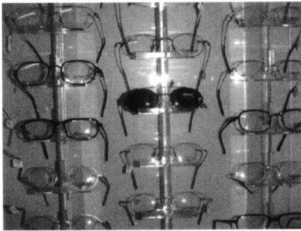
PolicyLink, a national Oakland, California-based organization dedicated to achieving social and economic equity in the USA, proactively took on the task of vision development and the process illustrates the challenges facing many nonprofits. The organization's inspiring mission^[1] helped PolicyLink raise more than \$25 million in support during its first five years. As PolicyLink began to plan for the next five years it sought to develop a vision for its next phase that would advance the mission, position the organization for the future, and build upon the assets and strengths that had been accrued during the start-up years. The organization's leaders knew that the vision choice would influence the direction and emphasis that PolicyLink would choose, from the many that were available, including adding new substantive issue areas or dropping some existing areas, increasing support for local coalitions to address equity issues in a few major cities, broadening geographic focus to include new urban and rural areas across the country, working with foundations to build equity into more of their giving, building the skills of local nonprofit leaders, and becoming an influential voice in the mass media.

Each choice brought with it a set of questions: Should PolicyLink hire additional research fellows (clearly important if the organization wanted to become an influential voice competing for space with established think tanks), expand staff in specific issue areas, offer consulting services to government (a means of facilitating policy change), take on projects in new geographic regions (demonstrating a commitment to be responsive), open branch offices in other locations (to provide more long-term support for partners), or beef up the New York-based communications office (critical for public will building goals)?

Deciding on the vision was challenging for PolicyLink because most foundations give money for specific projects rather than to organizations' general operating funds. As a result, many nonprofit leaders become tempted to broaden their scope—either in response to current funding overtures, or to increase their attractiveness to a larger universe of future benefactors. PolicyLink had been better insulated from this temptation than some nonprofits because it had received large, multi-year grants from several major foundations and because the organization was consciously attempting to explore new areas rather than plowing existing ground or merely following the lead of others. Yet even PolicyLink worried



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about how it would continue to focus on adding value and innovating as its stable source of funds might decline in a few years. These uncertainties led to organizational challenges that plague many nonprofits: insecurity about the future leading to wobbly criteria for accepting or rejecting new opportunities; differing opinions among leaders as to future direction; and overworked staff with multiple initiatives competing for precious time.

Vision problems are not confined to the nonprofit world, of course. Some for-profit businesses also lack a clear road map that describes in concrete terms where the company is headed for the next three to five years. But in the for-profit world, the share- and bondholders who finance a company's activities are less likely to advocate competing, potentially distracting, directions because they all want basically the same thing: to maximize their returns. A company's bottom line, in turn, delivers clear feedback that concentrates the minds of executives on what is working, what isn't, and where the organization should go as a result. And annual planning processes make this feedback more granular by providing managers with focused financial targets, while prompting them to develop plans to achieve those goals.

Since nonprofits operate without the feedback provided by profits and losses, their need for vision is more acute. Most effective visions comprise a compelling, easy-to-understand description of how the nonprofit would like the world to change in the next three-to-five years, what role the organization will play in that change, and how the nonprofit will measure the success of its role. Agreeing on such a vision is often more difficult than establishing a mission, because the latter is generally broad enough to encompass a wide range of priorities. Getting more specific typically demands vigorous debate by the organization's directors and top executives.

With a vision in hand, what is the best way for nonprofits to navigate their funding environment? First, it is important to become comfortable saying no to some alluring but potentially distracting funding opportunities. This can be frightening, but it need not cause the organization financial distress. When PolicyLink developed a vision focused on equitable development (de-emphasizing priorities such as community-centered policing), the organization's effectiveness increased. Staff strategy sessions became more focused, the decision making process became more transparent, communication to the outside world—including to foundations—became clearer, and budget forecasting became more sophisticated. After PolicyLink provided funders with in-person briefings regarding its direction and vision, they began to view PolicyLink as an organization that delivered focused returns. This has resulted in at least one new core funder and strong prospects for several more, though it is too soon to say whether the sharper focus will bring in substantially more core operating resources.

The second key is developing mechanisms that allow the organization to occasionally accept, without damaging the integrity of its purpose, donations that are not completely aligned with new vision. Since nonprofits, like all organizations, need to evolve over time, opportunism is sometimes appropriate—but not if it becomes a replacement for strategic direction. To help the organization avoid the "tunnel vision" that would prohibit constructive opportunism, PolicyLink built into its budget a "flexibility factor" of 10 to 15 percent for projects that strayed from its vision but maintained a high degree of alignment with the mission. Setting a quantitative target is important because it bounds the degree of potential distraction.

One nonprofit that made major strides following a reexamination of its vision was Take Stock in Children, a Florida nonprofit organization dedicated to helping high-risk, low-income children graduate from high school. In pursuit of this mission, the organization provides college

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scholarships, mentors and student advocates in support of its students. Take Stock in Children decided its medium-term vision was "to reduce Florida's dropout rate by 1 percentage point by enrolling 14,000 students in the program and doubling the graduation rate relative to their peers." The organization realized that the highest return on its scholarship dollars and mentors' time would come from working with students who had much higher than average dropout risk, but who were not performing so poorly that the organization's intervention was unlikely to help. Since establishing this vision, Take Stock in Children has grown its program to 10,000 students and has exceeded its objectives with respect to graduation rate.

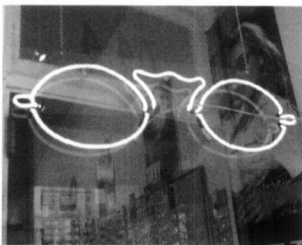
Investing in a vision can pay dividends beyond just keeping the organization focused. One benefit is increasing the ease of performance measurement. A vision containing concrete goals makes it far easier to track successes and identify early warning signs of ineffective programs. Clear visions also highlight gaps in talent, funds, or facilities; there is nothing like setting concrete, medium-term goals to concentrate the minds of executives and directors on what resources they need but lack. Finally, staff members operating with the help of a clear vision often are more efficient and happier.

The bottom line is that nonprofits need a vision, and it is up to their leaders to do the hard work of defining and maintaining one. Funding fears are no excuse for delay. Donors are looking for returns on their charitable dollars, and nonprofits with clear visions are more likely to provide them.

McKinsey & Company is an international management consulting firm with 6,000 consultants. More than half will participate in work with not profits during their careers.

Note

1. The PolicyLink mission is to "advance a new generation of policies to achieve economic and social equity from the wisdom, voice, and experience of local communities."



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