MANAGING FOR EXCELLENCE – OUTCOME-BASED PERFORMANCE FOR THE ECONOMIC DEVELOPMENT ORGANIZATION

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CHAPTER 1

AN INTRODUCTION TO MANAGING FOR EXCELLENCE

Managing any non-profit organization in the 21st Century is a challenge. A complexity of pressures is pushing many organizations into an atmosphere of accountability and the need to demonstrate results. Boards of Directors and organization stakeholders are becoming more aware of their responsibility to the constituents of the organization and to their communities. The top management of these organizations, whether they desire it or not, are increasingly being asked to show results for all of their activity and to demonstrate a return for the funding invested. Questions may arise about the value of local economic development organizations in bringing new jobs or investment into the community.

It is dangerous for any organization to ignore the reality and inevitability of being held accountable for results. However, how does the organization respond effectively to this accelerating trend? What can the organization accomplish that will satisfy the expectations and demands of its constituents, customers, clients, and funding providers? These questions are not easily answered, because no “silver bullet” or simple solution exists. In addition, the stakeholders of the organization often have unrealistic expectations as to what should be achieved.

An economic development organization is in many ways no different from that of any other nonprofit organization. However, the specific activities and programs that are managed and implemented are unique in their nature. What distinguishes the economic development organization is its focus on stimulating a healthier and more sustainable economy for the community or region it serves, as well as fostering a better business climate and quality of life.

Any trip to your local bookstore will demonstrate the tremendous number of books that have been written on the subject of management. In the author’s opinion, this material is unique in that it focuses on managing the non-profit economic development organization, although the principles of
management apply to most, if not all, non-profits. However, many of the examples cited in this material will be from the economic development arena specifically.

An additional aspect of this document’s uniqueness is the thorough and integrated approach to achieving organizational excellence that is presented. The management concepts that follow are based on a system of accountability through outcome-based performance and focus on the “customer.”

This material is written as a “how-to” manual for developing an excellent and more professional organization. In addition to describing what can or should be done to that end, an attempt is made to explain “why” a particular activity or approach is desirable. To assist the organization in achieving the desired results, a number of exercises are included that provide an opportunity to practice what is being preached.

**MANAGING AN ORGANIZATION**

*Most of what we call management consists of making it difficult for people to get their work done.* Peter Drucker

The purpose of managing any organization is to create an effective means for getting work done, and doing so in a way that ensures the predictability of what is accomplished. Therefore, managing an organization is really about getting the staff and volunteers to do what needs to be achieved in as efficient and as effective a manner as possible. Although this sounds simplistic, in practice it can prove extremely difficult, due to the complexity of the human relationships within the organization and between organizations.

For example, since organizations are comprised of people, they can easily get negatively impacted by the three “P’s” of Politics, Power struggles, and Personalities. This makes it extremely difficult to control the organizational operation and to predict the outcome of its actions. Good management, however, can reduce the negative impact from Board members, local
officials, and other stakeholders who may be more interested in pursuing their own agendas than ensuring the positive contribution of the organization.

Obviously, certain skills are required to manage effectively. The ability to plan and organize, for example, is very important. Nonetheless, when it comes to the inter-relationships between human beings, which is at the heart of leadership or management, plans often fall apart. People and the organizations of which they are a part tend to allow human nature to take precedence. A tendency exists to pursue the easiest path, rather than the needed route. Too often, simplistic solutions are sought to resolve long-standing organizational problems, thereby ignoring the complexity and long-standing nature of the problems. This is particularly true when the core of those problems may involve the simple dynamics of people working together more collaboratively.

THE NATURE OF THE “NONPROFIT”

Adding to the complexity of managing is the fact that most economic development organizations are structured as “nonprofit” organizations. Many people hear this term and translate it to mean that the organization is not interested in cash flow and, instead, is primarily focused on “doing good” in the community. However, it is positive cash flow that keeps any organization operating effectively, whether it is a for-profit business or nonprofit organization.

The main financial difference between a for-profit and a not-for-profit enterprise is what happens to the revenues in excess of the expenditures. In a for-profit company, profits are paid to the owners, including shareholders. But a nonprofit can’t do that. Any surplus money remaining after the bills are paid has to be plowed back into the organization’s program. So profit can’t be distributed to individuals in the organization, such as the organization’s board of directors or its stakeholders.¹

Understanding the nonprofit sector is easier if you are familiar with the characteristics of this type of organization. It is:

- Private (separate from government)
- Incorporated
- Self-governing (controlling its own activities)
- Voluntary (overseen – at least in part – by volunteers and benefiting from the work and contribution of volunteers)
- For public benefit (serving a public purpose and contributing to the public good)\(^2\)

Most nonprofit organizations are classified as 501 (c) (3) by the Internal Revenue Service. They receive exemption from federal income taxes, and are the only group of tax-exempt organizations that can receive tax-deductible contributions from individuals and organizations. Many economic development organizations, on the other hand, are classified as 501 (c) (6 ). These are business and trade associations that provide services to their members and work toward the betterment of business conditions. They are also, unlike the (c) (3), allowed to lobby for legislation.

**WHAT DOES AN ECONOMIC DEVELOPMENT ORGANIZATION DO?**

The management of an economic development organization often is made more difficult because it has to deal with a public or with local stakeholders that don’t quite grasp the nature of economic development. Far too frequently, government officials, community leaders, and/or the media use the term, but limit economic development to the *attraction* of new jobs or new businesses. This sometimes has led to the emergence of an anti-economic development attitude in a community that is experiencing problems with rapid growth. This is unfortunate, for the term “economic development” is not really the same as “economic growth.”

Economic *growth* in the context of a community is primarily about an *absolute change* in numbers, such as:

- More people

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\(^2\) Ibid., p. 8.
More students
More traffic
More jobs
More construction

Economic development is not just about attempting to bring about more jobs or more economic activity. It involves and is focused on “development,” which is about improvement and progress. Economic development can be defined in a number of ways, including:

- An increase in the local standard of living
- A “real” (adjusted for inflation) increase in average household income or per capita income
- Improving the “equity” of income distribution so that all citizens in the community benefit
- Government revenues in balance with its expenditures, allowing for necessary and desirable expansion of services
- Businesses investing more in the area than they require in cost of services or incentives and providing higher wage employment

When the local focus has been on attracting new employers, this process of Economic Development has often been pursued primarily as an advertising or marketing activity. The emphasis has been on recruiting new businesses and industries to the community, region, or state. Salesmanship and “closing the deal” have been promoted as the way to succeed in this pursuit. Some may refer to this as a “hunting and gathering” approach to economic development.

Times are changing, however. It is becoming increasingly recognized that economic development generally needs to be facilitated through careful planning and effective implementation of a community-building process. This “gardening” mindset involves a number of activities and programs that create a sustainable healthy economy, such as:

- Creation of a skilled workforce
- Development of the physical infrastructure
- Improvement of the business environment
- Availability of attractive and suitable land and buildings
• Maintenance of the environment
• Improvement of the quality of life

The promotion and marketing of the community is still important, but it is first critical to “create the product” to be marketed, namely a positive business climate and a community or region attractive for business investment.

If economic development is defined as the process that improves the standard of living of the people of a community, region, or state, then the role of the economic development organization is to positively influence that process. The role of the economic development practitioner in that effort is to provide professional leadership in setting policy and to implement that policy through appropriate programs and projects.

The following is the first of a series of exercises that are designed to assist in educating staff, Boards, local officials, and stakeholders involved in the economic development organization. This exercise is practical and easy to administer, and should reinforce the learning taking place through reading and applying the material presented.
Exercise 1: Use the following quiz with staff or stakeholders to provide a basis for an improved understanding of the nature of economic development.

Individually decide which of the following situations are most likely to result in an increase in the local standard of living, and place an X in front of those situations. As a group, discuss the results.

___ a. The community has experienced a job growth of 2% the past year, with most of the new jobs paying between $10 to $12 per hour.

___ b. Although the local wage levels have been rising the past two years, the cost of housing and local taxes has remained constant.

___ c. Most job growth in the community over the past five years has been in professional and technical employment.

___ d. Because of the influx of retirees, the community’s cost of providing municipal services has been escalating, but the voters will not pass any increases in local tax rates.

___ e. Recent growth in the number of new manufacturing firms in the community has diversified the local economy, with these companies paying more in taxes than they are receiving in municipal services (as measured by cost of the services).

___ f. Household incomes in the community on average have not been keeping up with the rate of inflation.

___ g. Unemployment levels keep rising as local manufacturing plants close or downsize.

___ h. Public investment in infrastructure (roads and bridges, water and sewer, airport) has been declining as a percentage of gross local product or income, affecting the productivity of local business and industry.
i. Deregulation and the competition among electric utilities has reduced the cost of electricity for local residents and businesses.

j. The excellent quality of local education and the innovative training programs available locally have attracted a growing number of employers using advanced technology in their operations.

k. The unwillingness of the local organized labor force to consider work rule changes, total quality management practices, and team approaches is hampering employers’ efforts to increase worker productivity so that they can remain competitive.

l. People in the community appreciate and support the variety of cultural and recreational opportunities available, and consider their community especially attractive for the quality of what they can do in their leisure time.

ACHIEVING “EXCELLENCE” IN MANAGEMENT

*Quality is not an act, it is a habit.* (Aristotle)

*Perfection is not attainable, but if we chase perfection we can catch excellence.* (Vince Lombardi)

All organizations are managed; many, however, are not well-managed. Effective management strives for excellence; it wants the organization to be *highly professional* and *first-class*. A high quality organization tries to do most things very well and is never satisfied with how its perceived and what it is doing. It is constantly working to be better.

Community leaders across the country are recognizing that "business as usual" isn't good enough in the highly competitive economic environment of the global economy. Achieving and sustaining a healthy and diverse economy as well as a satisfactory quality of life is becoming increasingly complex, as was pointed out earlier. Frequently, the "tried and true"
approaches are no longer effective or appropriate, and far too many of the organizations engaged in community or economic development are using management styles that belong to an earlier era.

The essence of being a successful community today is more than just adopting new programs, techniques, legislation, or activities. The community that will be able to successfully compete into the future is one that "has its act together." This means that the various development organizations, agencies, and government entities that are responsible for implementing the plans leading to the growth and development of the community are ready and willing to undertake what may be entirely new approaches to getting things done. It no longer is enough to be "good" as an organization. The economically healthy community must become more competitive in many ways, which happens through the excellence practiced by the management of such institutions as the local development organizations and government agencies.

How does an organization become excellent? That is certainly not an easy question to answer. Many dynamics are in operation in managing an organization. Just like a football team, you have a number of players, management, and “owners” (stakeholders). Each player has to have a set of skills that is mastered, but each also has to learn to work with teammates. The “coach” directs the action, but does not totally control it. Complex plays are designed and practiced. However, the team doesn’t know how well it is performing until it meets its competition. And, if it doesn’t perform well, the owners are likely to take action!

An article in the July 2003 issue of the Harvard Business Review entitled “What Really Works” reinforces the need for excellence in management. It reports the findings of a five-year research program that analyzed 160 companies over a ten-year period (1986-1996). Each company was graded on their use of some 200 different management practices. The main finding was that superior performance doesn’t depend on the use of a particular trendy management technique. What does really matter is that whatever approach is chosen to implement, it should be executed flawlessly. Flawless execution is one of the “old-fashioned” ideas that distinguish
successful companies over time.\textsuperscript{3} It is not a stretch to infer that the same conclusion can be reached about nonprofit organizations such as economic development agencies.

The author of this material has written a series of “chapters” that is an explanation of how to execute successfully those principles and practices that are likely to result in an excellent organization. This material is organized around key components of that organization. The emphasis is on \textit{principles} of effective management rather than on specific techniques or the details of office practices. The specifics of management, such as how to evaluate personnel, or what the bylaws should contain, or how to set up the office information system, etc. will not be addressed in any detail. Instead, the focus will be on “how” to organize and manage the agency to achieve the level of results desired by the organization’s stakeholders.

This material is designed to be “practical” and implementable. Although the author has strived toward making the material theoretically sound, the over-riding concern is the successful use of the management principles that are discussed. As was stated earlier, the intent is to create a document that not only explains “what” needs to be done, but “why” it should be done. In addition, recognition is given to the reality that no “simplistic” or “trendy” management techniques by themselves will bring about excellence. It takes a diligent application of all of the principles of excellent management that are discussed in these documents.

HOW DOES AN ORGANIZATION ACHIEVE AND SUSTAIN EXCELLENCE?

Reaching Higher

*Badness you can get easily, in quantity; the road is smooth, and it lies close by. But in front of excellence the immortal gods have put sweat, and long and steep is the way to it.*  (Hesiod [c.700-????] Greek poet; “Works and Days”)

Excellence is achieved in the organization as it continually works toward a high level of quality in its products and services. However, quality cannot be achieved if it isn’t defined. Defining “quality” involves setting clear and appropriate standards or requirements, and then doing the job right so that these criteria are met. Requirements are nothing more than the description of what needs to be done to do a job right. Without a clear understanding of what the requirements are for our work, we cannot perform effectively, and quality cannot consistently be achieved. And, without quality, there is no excellence or high level of professionalism.

At one time, the term “quality” conjured up images of the quality-control inspector who identified faulty products after they came off the production line. Today, however, the term refers to a comprehensive approach to producing high-quality goods and services that meet customers’ needs. To do so often requires a rethinking of how the organization functions and what it is trying to achieve.

The beginning of the quest for quality and excellence in companies and organizations is often said to have begun with the **Total Quality Management (TQM)** movement of Deming, which dates back to the 1950s. His fourteen principles are as follows:

1. Create constancy of purpose toward improvement of product and service with the aim to become competitive and to stay in business and to provide jobs.
2. Adopt the philosophy that we are in a new economic age and management must awaken to the challenge, must learn their responsibilities, and take on leadership for change.
3. Cease dependence on inspection to achieve quality. Eliminate the need for inspection on a mass basis by building quality into the product/service in the
first place.
4. End the practice of awarding business on the basis of price tag. Instead, minimize total costs. Move toward a single supplier for any one item on a long-term relationship of loyalty and trust.
5. Improve constantly and forever the system of production and service to improve quality and productivity and thus constantly decrease costs.
6. Institute training on the job.
7. Institute leadership. The aim of leadership should be to help people and machines do a better job.
8. Drive out fear so that everyone may work effectively for the organization.
10. Eliminate slogans, exhortations, and targets for the workforce asking for zero defects and new levels of productivity.
11. Eliminate work standards (quotas) for production output and management by objective or numerical goals, and substitute leadership.
12. Remove barriers that rob the employees of their right to pride of workmanship. The responsibility of supervisors must be changed from sheer numbers to quality.
13. Institute a vigorous program of education and self-improvement.
14. Put everybody in the organization to work to accomplish the transformation, which is everybody’s job.4

The extensive interest in TQM peaked in the 1980s, and its once-pervasive influence in corporate America seems to have waned in recent years. Perhaps the philosophy of slow, incremental, and continuous improvement is inconsistent with American corporate culture and the quarterly statement mindset. Vestiges of these principles can be found, however, in many of the practices of successful companies and organizations. These principles, in one form or another, continue to be valid, especially when applied to the development organization, and these will be incorporated as appropriate into the management approach promoted in this document.

In addition, considerable attention in these materials will be given to the concept of outcome-based performance, which is being adopted by many corporations, government agencies, and nonprofit organizations. Outcome-based performance management is one of the keys to organizational excellence. Establishing an “excellent” operation depends

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on how successful the organization is in clearly defining the outcomes it wants to achieve, being able to measure those outcomes, and setting performance standards that ensure the achievement of those outcomes.

Exercise 2: An exercise for the organization staff and management: List those “things“ which your organization does that is superior to other organizations. Share and discuss.

The Issue of Accountability

The news about the decreasing flow of revenues for state and local government and for non-profit organizations continues to be discouraging. In many instances, hiring is on hold, staff is being let go and not replaced, budgets are getting tighter, membership levels are dropping, and agencies and organizations are being asked to do “more” with “less.” Financial pressures are leading city councils, county commissioners, and contributors to ask for more information on the results being achieved by the programs they fund. They want to see evidence that these programs are well managed. They want to know what services have been or are being provided, at what level of provision, and the success in achieving desired results. The increasing scarcity of funding resources is forcing the question: “What kind of bang are we getting for our buck?” In other words, organization stakeholders want accountability. This is the new environment in which the economic development organization increasingly finds itself.

Certainly, the typical economic development organization has some level of awareness of what it is doing and what it is accomplishing. However, this activity and its results are frequently not being communicated effectively to the stakeholders of the organization and its Board members. Since most organizational planning documents are written as a guide for the actions of the organization’s staff, they don’t do much to educate or assist the local stakeholders. It is no surprise, then, that local leaders often have little awareness of or confidence in how the development organizations are spending their time and money.
Organizations clearly need to create a favorable environment for accountability if they intend to succeed over the long term. This accountability environment should not be meant to negatively criticize an organization or to place blame. Instead, the accountability system should be designed to motivate the organization toward higher levels of performance. In addition, this improved performance should be shared with the stakeholders and constituents of the organization so that they can appreciate the progress being made. To properly serve their stakeholders and customers/clients, development organizations need to make the necessary information available that can facilitate an understanding of what is happening and why. Of course, the other side of the coin is that the organization itself must be willing to accept the liability for its failure to produce the desired results.

The change in thinking about accountability is reflected in the actions of the U.S. federal government with the passing of the Government Performance and Results Act of 1993 (GPRA). GPRA directed most federal agencies to explain the results they seek to achieve, identify performance measures, and report on those measures. Agencies have been mandated to produce strategic plans every three years, an annual performance plan, and an annual performance report. Under GRPA, strategic plans are the starting point for each federal agency to:

1. establish top-level agency goals and objectives, as well as annual program goals;
2. define how it intends to achieve those goals; and,
3. demonstrate how it will measure agency and program performance in achieving those goals.\(^5\)

Congress can now use these reports to set budget priorities and to encourage performance improvements in federal agencies.\(^6\)

State and local government agencies and many nonprofit organizations (such as United Way) are following in the footsteps of the GRPA, as they


\(^6\) Jerry Ellig, et.al., Putting a Price on Performance: A Demonstration Study of Outcome-Based Scrutiny. Mercatus Center of George Mason University, December 2000, p. 2.
also face increasing pressures for accountability. The majority of state
governments now have some form of performance measures. Outcome-
based performance systems in government present an opportunity to
improve performance at a time of fiscal constraints and what appears to be
widely shared public discontent with government. Moreover, this
management approach offers public policy makers a means for redefining
how the public sector functions.

Although outcome-based performance management systems are gaining in
usage, they apparently haven’t been as successful as desired. As is often
ture of any new management system that involves considerable research
and organizing of information, problems are likely to occur when the
system is implemented. A considerable level of effort is needed to develop
the required information and to effectively use that information in making
policy decisions and in delivering improved services. The amount of work
required has clearly impeded the extensive use of this approach in an
effective manner. On the other hand, it appears that those agencies and
organizations that do use this management system are able to more
effectively demonstrate progress and results.⁷

The issue of accountability is not likely to go away, and will only increase
in importance. Accountability boils down to being able to answer the
following basic questions to key stakeholders:

- **Why** is the organization doing what it is doing?
- **Who** is taking the responsibility for getting certain things done
- **How** do we know what the organization is achieving?
- **Is** all this activity taking the organization and the community it
  serves in the right direction?

Accountability is not a complicated concept. It is basically about effective
communication between the management of the organization and its
constituents. It is fostered through thorough evaluation and well-directed
strategic planning. Evaluation provides the measurement of what has been
achieved, and strategic planning helps determine how those results will be

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⁷ Charlie Bennett and Herb Hill, “Performance Management Systems: the Importance of Defining Their
Purpose” a working paper, p. 1.

David Kolzow
achieved. Both of these topics will be covered in more detail in subsequent documents.

The correct application of accountability is focused on the achievements of the organization, which should be based on the outcomes that are desired by its key stakeholders. What changes would they like to see take place as a result of the activity of the organization? Why are those changes important?

Results and outcomes are synonymous. This is what is desired and expected of the organization. Organization improvement starts by identifying and measuring the vital actions and activities that are likely to have the most favorable results. For example, although the economic development organization can’t determine how many new jobs will be created in the community over the next 12 months, it can track the progress it is making as an organization that is likely to lead to new business investment.

Much of the frustration of the stakeholders is often due to the ambiguity of the reporting process of the management of the organization. What “really” has the organization achieved? Has it merely “shot at everything that flies and claimed everything that falls.” Increasingly, organizations need to demonstrate their results in more acceptable ways. In summary, desired but reasonable outcomes should drive the achievement of the organization. This issue will be covered in a subsequent document about organizational evaluation.
The Key Components of Organizational Excellence

Excellence in Management is not a “one approach serves all.” Because of the complexity of organizational management, it takes doing a number of effective practices well to achieve desirable outcomes. Recognizing that complexity, the author’s series of documents takes an integrated approach to managing an organization that involves the following twelve key components (the twelve “C’s” of excellent management):

1. **COMPETENCIES** – Determining the strengths, weaknesses, and competencies of the organization

2. **CULTURE** -- Establishing a organizational culture of excellence (nothing but the best performance)

3. **CUSTOMER-DRIVEN** -- Developing customer-driven policies and procedures

4. **CONTINUOUS PERFORMANCE IMPROVEMENT** -- Working toward continuous performance improvement through on-going training and effective project management

5. **CHANGE MANAGEMENT** – Making change work for the betterment of the organization

6. **COLLABORATION** – Team-building

7. **COMMUNICATION** – Creating a more effective organization through improved communication

8. **CREATIVE SOLUTIONS** -- Taking a problem-solving approach to organizational issues
9. **CHOICES** -- Developing an organizational strategic plan

10. **CHECKING UP** -- Setting performance standards and measurable outcomes, along with a reasonable and useful evaluation system to measure achievement and performance for the purpose of improving it

11. **CAPITALIZING ON PERFORMANCE MANAGEMENT** -- Developing a Balanced Scorecard approach to integrating management practices

12. **CHEERING ON** -- Creating reward and recognition systems

Each of these twelve components will be discussed in subsequent documents.
CHAPTER 2

UNDERSTANDING THE COMPETENCIES AND CAPABILITIES OF THE ORGANIZATION

INTRODUCTION

So, why start a book about managing with a discussion on assessing the capabilities of the organization? Doesn’t every organization know what it’s all about? Well, maybe not. This author has seen too many economic development organizations that lack a clear sense of purpose, or that have a Board or stakeholders that isn’t sure just what the organization does or is supposed to do, let alone knowing if it has the capacity to do what they expect from it.

It is difficult to start thinking about how to improve your organization unless you first know what needs improving or what strengths it can build upon. Think about how this plays out in daily activity. You start the day by looking in the mirror to see your appearance and what others will see when they look at you. You may have taken a Myers Briggs Personality Test at some point in your professional life to get a better idea of how you come across to others. You take your car in for a check up to make certain that everything is shipshape and ready for the road. And so on!

Assessment is part of our lives, both personally and professionally, but unfortunately it often isn’t given enough attention when we deal with the organization of which we are a part. We tend to be engaged in a wide range of activity and are “busy,” but we don’t step back often enough to take a more objective view of what we are doing well and what we might not be doing well. Typically, members of organizations – board, executives, staff – can become so immersed in daily tasks that they lose sight of the big picture. Even when organizations can define where they need to focus, or can identify the source of their stress or problems, it’s very difficult for a member of an organization, even the leader, to know
how to bring about needed changes in a way that empowers and strengthens members rather than creates more frustration and anxiety.

For these reasons, this book begins with discussing the need for an organization to take stock itself before it begins exploring who it wants to be and how it will get there.

**CLARIFYING EXISTING ORGANIZATIONAL CAPABILITIES BY ASSESSING STRENGTHS AND WEAKNESSES**

One important tool for assessing the organization is the SWOT (strength-weakness-opportunities-threats) analysis, which is sometimes known as a SWOC (strength-weakness-opportunities-challenges) analysis. The analysis of strengths and weaknesses in this context is focused on the internal functions of the organization. The opportunities and threats or challenges tend to be external to the organization, such as what is happening in the global/national/regional economy, socio-economic changes, transformation of manufacturing, etc.

A SWOT essentially clarifies what is good and bad about an organization and/or its individual operations. The aim should be to address the organization’s:

- **Strengths:** What do we do well that we need to maintain, build on, and leverage?
- **Weaknesses:** Where can we improve? What do we need to stop doing?
- **Opportunities:** What changes are taking place in our environment that might allow us to better achieve our mission and meet stakeholder expectations?
- **Threats:** What changes in the environment do we need to guard against or prepare for in doing our work?
A SWOT analysis for an organization can:

- provide a focus for developing or refining its mission and important strategies,
- enable a group that has not been functioning as effectively as they could be to refocus their efforts and get on track,
- assist the organization in a periodic renewal of its priorities in a
Successful organizations are those that take advantage of their strengths rather than just focus on their identified weaknesses. In other words, the purpose of the SWOT isn’t just about fixing the things that are wrong, but also nurturing what the organization is doing right.

The same approach should apply to how an organization deals with its opportunities and threats. These external forces can have a significant impact on what the organization can achieve. They can include the changing needs of their clients/customers, increased competition for business investment, changing federal and state regulations, national economic conditions, demographic changes, emerging economic clusters, etc. These are circumstances that can help an organization move forward (opportunities) or that can hold an organization back (threats).

The SWOT analysis typically includes gathering perceptions about the effectiveness of the organization in meeting stakeholder and/or customer expectations. This can encompass a broad range of the organization’s activities or be focused on just a few of its key operations. Obtaining valid input from the stakeholders and/or clients/customers is key to understanding how well the organization is doing. This requires a systematic inquiry that fosters an effective and clear response to perceptions of the organization’s effectiveness and what changes might need to be made. Consideration, however, should be given to the resource limitations of the organization.

The SWOT has minimal value unless what has been learned is translated into effective action. The following six categories can provide a framework by which SWOT issues can be developed into a set of strategic actions and managed:

1. **Service** (what are we providing?)
2. **Process** (how are we providing it?)
3. **Customer** (to whom are we providing it?)
4. **Distribution** (how does it reach them?)
5. **Finance** (what are the costs and investments?)
6. **Administration** (and how do we manage all this?)
Translating the SWOT issues into actions within the six categories can make it easier to set up performance measures and improve accountability. This will be discussed in greater detail in another chapter about the use of the Balanced Scorecard in outcome-based performance.

For one example of a detailed organizational assessment tool, take a look at the following website of the University of Wisconsin Extension: http://www.uwex.edu/ces/cced/nonprofits/management/documents/assessment.pdf

Another example can be found on pages 235 to 247 of the book entitled Strategic Planning for Nonprofit Organizations by Michael Allison and Jude Kay.8

**Exercise 3: An Organizational Assessment Exercise:** The staff, management, and Board/stakeholders of the organization should work through the following assessment process:

1. Brainstorm and record on flip charts a list of the Strengths, Weaknesses, Opportunities, and Threats of the organization. Staff and Board may meet separately or together at a meeting or retreat to do this exercise. The brainstorming should be preceded by a discussion of the SWOT process and its desired outcomes.
2. Consolidate the brainstorming results as appropriate into logical topics or issue groups to remove duplication or overlapping ideas and to clarify the results.
3. Decide which items in each of the four categories (SWOT) are most important or have the greatest impact on the organization.
4. Discuss the possible management approach to addressing these priority items.

**DETERMINING ORGANIZATIONAL COMPETENCIES AND CAPACITIES**

As the knowledge economy grows, intellectual capital becomes the key differentiating factor for organizations. To assure success, organizations must find ways of identifying, quantifying, measuring, assessing, and

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enhancing their intellectual capital assets. This is true of all organizations, whether for-profit or non-profit. One way of accomplishing this oftentimes difficult task is through competency-based management. Unfortunately, the existing literature provides no easy formula for building organizational capacity or achieving favorable outcomes.

Organizational competencies are often thought to be simply the skills of the employees rather than the set of competencies that drive successful organizations. Although the individual skill sets of staff and management do add up to the organizational skill set, business and nonprofit organizations require many competencies covering a range of functional activities (production, marketing, distribution, etc.) in order to function. Certain fundamental competencies are required by all organizations in order to operate effectively and carry out their mission. These competencies are called “organizational capabilities” and define the standard level of competency that the organization needs to sustain operations.

An organization’s vision and mission provide a good starting point for assessing its capacity and needs. They not only reflect the types of programs and services offered by the organization, but also affect the other components of organizational capacity-building. For example, the vision and mission of an organization will influence its ability to attract and retain leaders who share its goals. The leaders, in turn, will be influential in setting, maintaining, or redirecting the mission of the organization. The topic of the mission and vision of the organization will be covered more fully in subsequent chapters.

It would appear from research conducted by Taimerica Management on best practices that in addition to the above basic components of organizational capacity, regional economic development organizations (EDO) deemed most successful in the profession have three key core functions: business recruitment and regional promotion; economic development-related research; and information sharing among local EDOs in their region. Other core functions that are common are: handling

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9 The Urban Institute, *Building Capacity in Non-Profit Organizations*, April 2001, p. 16.
prospect visits; maintaining building and sites databases; technical assistance to local EDOs; and business retention and expansion.

Virtually all local EDOs that are successful generally have three core functions: handling prospects (which includes marketing and promotion of the community), business retention and expansion, and maintaining building and site inventories. Other common functions include research, building and site development, workforce development, and small business support.

Another important initial step in identifying the skills and talents of the organization is to complete a competency profile. This is a set of competencies that are required for achieving quality results in a specific organizational operation. The profile also includes associated behaviors that link directly to the work to be performed, as well as the levels of proficiency for each behavior. Effective job descriptions include all competencies and related behaviors required for outstanding performance in a job.

The International Development Resource Center has identified the following eight areas of organizational capacity and some of their components. This is another attempt at developing a Capacity Assessment Grid to help point out the capabilities that an organization must work toward.
Figure 2: EIGHT AREAS OF ORGANIZATIONAL CAPACITY AND THEIR VARIOUS COMPONENTS

<table>
<thead>
<tr>
<th>Organizational Capacity</th>
<th>Components</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Leadership</td>
<td>Leadership, visioning, strategic planning, innovative thinking, performance targets</td>
</tr>
<tr>
<td>Organizational Structure</td>
<td>Board governance and operational structure, performance management system</td>
</tr>
<tr>
<td>Human Resources</td>
<td>Planning, staffing, developing, appraising, and rewarding. Maintaining effective human relations. Knowledge management.</td>
</tr>
<tr>
<td>Financial Mgmt.</td>
<td>Financial planning, financial accountability, financial statements and systems, budgeting, fund-raising</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Facilities and technology management</td>
</tr>
<tr>
<td>Program &amp; Services Mgmt.</td>
<td>Planning, implementing, and monitoring programs/projects</td>
</tr>
<tr>
<td>Process Mgmt.</td>
<td>Problem-solving, decision-making, communications, evaluation</td>
</tr>
<tr>
<td>Inter-Org. Linkages</td>
<td>Planning, implementing, and monitoring networks and partnerships/alliances</td>
</tr>
</tbody>
</table>

Source: International Development Resource Center  

The McKinsey Capacity Assessment Grid is a tool designed to help nonprofit organizations assess their organizational capacity in core functional areas. The grid should be used in conjunction with the Capacity Framework, which explains the seven elements of organizational capacity and their components. The grid asks the reader to score the organization on each element of organizational capacity, by selecting the text that best describes the organization's current status or performance. The framework and the descriptions in the grid were developed based on the organization’s collective experience as well as the input of many nonprofit experts and practitioners.¹⁰

¹⁰ See the following websites for the McKinsey Capacity Assessment Grid, which can be used in a systematic process for assessing the organizations competencies and capacities:  
Finally, the Peter F. Drucker Foundation for Nonprofit Management has published *How to Assess Your Nonprofit Organization with Peter Drucker’s Five Most Important Questions*. This is a brief but challenging self-assessment tool.\(^{11}\)

The economic development organization needs to take the time to develop its own assessment tool based on the resources provided in this chapter. This tool should reflect the unique situation of the organization and its needs. It should also reflect the core functions of an economic development organization, which are unique to a great extent to this profession.

**ESTABLISHING THE ORGANIZATION’S “CORE” COMPETENCIES**

As previously defined, organizational competencies are about capabilities that make an organization successful. An organization may have few outstanding competencies, but all organizations have certain capacities to meet customer needs in their core operations.

However, if you asked your clients/customers/prospects/stakeholders what you do really well, what would they say? If you looked at all of your programs, products, and services, what “outstanding” organizational capabilities would you identify? *Distinctive, or core, competencies*, which are different from organizational functions or capacities, are those underlying capabilities that enable the organization to provide unique and superior quality products and services to its clients. Core competencies differentiate an organization from its competition—they create an organization’s competitive advantage in the marketplace. They are the knowledge, skills, and talents found in and demonstrated by the organization that enable it to be successful, to be viewed as excellent, and to give it a strategic advantage. The McKinsey Company defines them as: a combination of complementary skills and knowledge bases embedded in a group or

team that results in the ability to execute one or more critical processes to a world-class standard.¹²

The concept of core competencies was developed by Gary Hamel and C. K. Prahalad and published in their book, *Competing for the Future*, which became a best seller in 1994. In general, research has demonstrated that highly regarded organizations often have one main core competency, or a closely related cluster of core competencies that support each other.

Although it can be very difficult to identify core competencies, four guidelines can be used for this purpose:

1. They generally support the delivery and production of specific services and products in a way that serves the identified clients and customers in a manner that exceeds their expectations;
2. They are often difficult for the competition to imitate because they are generally developed with a significant investment of time and resources, and incorporate considerable innovation;
3. They are based on proprietary data or information not available anywhere else easily;
4. They tend to be relatively stable over time (i.e., the organization has had them for a while, and will likely continue to have them in the future).¹³

Since core competencies widen the competitive advantage the organization has against its competition, it is important to conduct an assessment of core competencies for the following purposes:

1. They can be an excellent source of ideas for new services and products. The core competencies that are the foundation of the organization’s current products and services can provide the basis for a myriad of new ideas, some of which might have potential to set the organization above others competitively.

2. They help the organization assess the likely viability of its product and service ideas. They represent what the organization is really good at, what its clients value, and what its competition would likely have trouble imitating.14

It is important to emphasize that a core competency is not specific to one product or service. When identifying core competencies, the process should not be confused with the “competencies” of individual members of the organization, as was mentioned earlier. Instead, core competencies as they relate to the strategic advantages of the organization are its combined capabilities (i.e., what the organization is able to do, through the combined and integrated efforts of all of its members) providing it with a sustainable ability to meet and exceed customer and stakeholder expectations. In the final analysis, is the competency unique and difficult to imitate by competing organizations?

Because core competencies embrace a range of products and services that lead to an outstanding capability, it is important to understand and take advantage of them if the organization is to achieve a successful operation. For example, the customer benefit for UPS and Federal Express is on-time parcel delivery; the core competency is superior logistics management. From an economic development perspective, core competencies might include unique approaches to meeting customer or prospect needs, an effective knowledge management system, an industrial site GIS system that is state-of-the-art, a collaborative network among organizational partners, a venture capital pool for local entrepreneurs, etc.

In addition, each competency needs to be demonstrated by measures and indicators. Otherwise, how would the organization be able to demonstrate that it is truly superior in that competency. Determining these measures and indicators, however, becomes more challenging at higher levels of complexity. For example, knowledge management can range from a simple sharing of ideas in a meeting to a complex software system that promotes systematic sharing of knowledge and experience within the

organization. Unfortunately, there does not appear to be any established way of gauging progress toward achieving organizational competencies.\textsuperscript{15}

To measure the knowledge, talent, and growth potential of the organization, the following steps can be taken:

1. Evaluate the “core competencies” your organization relies on to provide products and services that are unique or are perceived to be of high quality. Is the organization meeting customer/client/prospect ever-changing demands?
2. Examine your staff to see what talent and skills the organization has with respect to these core competencies. What are the organization’s strengths, and where does it need to increase competency and capability?
3. Determine what gaps you have between Steps 1 and 2. When you understand what you need, you can compare the needs to the employees’ current job skills and knowledge. These are the skills and knowledge that the organization needs to get its work done, but also to build future capabilities. Most organizations do not have the resources to develop core competencies in a multitude of areas. They must select the competencies needed to pursue the organization’s competitive strategy and growth goals.
4. Choose an appropriate strategy to close the gaps. This could include:
   a. Employee development through training, which is the least expensive way to acquire the needed talent and skills.
   b. Recruiting talent and capability, which may be necessary when the core competency must be developed quickly.
   c. Merging with another organization to expand capabilities.
5. Plan and execute your strategy. Make sure adjustments are made appropriately along the way so that the strategy can succeed.\textsuperscript{16}

Developing core competencies in the organization is much more difficult than

\textsuperscript{15} Kevin Coyne, Stephen J.D. Hall, and Patricia Gorman Clifford, “Is Your Core Competence a Mirage?” The McKinsey Quarterly, 1997 number 1, p. 42.
identifying existing ones. This requires a considerable amount of time and resources on an ongoing basis. As was stated earlier, competence is a bundle of skills, not just one specific skill. It is this integration of related skills that define a core competency. A core competency is the sum of learning across the skill sets that each individual in the organization possesses, including staff, stakeholders, and volunteers. However, most organizations are not successful at fully integrating and blending the individual skills of these players to achieve a unique client benefit or to make a significant contribution to the organization’s operation or record of success.

Clearly, new or emerging core competencies do not happen accidentally. They must be planned and nurtured. This requires a strong management commitment to their planning and development. The organization’s management must recognize this need and decide how it will be accomplished.

However, because they are long-term and resource intensive, not all organizations possess competitive core competencies. Very small organizations and organizations that provide standard services that are in high demand will usually not possess or need “core” competencies. It should also be pointed out that not all activities that an organization excels at or which managers are proud of should be considered core competencies.

Because economic development organizations operate in a dynamic market with changing customer expectations, those organizations possessing core competencies need to continuously evaluate them for market relevance and adjust them as the market changes. Periodic analysis of an organization’s core competencies often reveals gaps that need to be addressed.

Effective implementation of core competencies is key to the organization’s ability to meet Board, stakeholder, and customer expectations. If organizational competencies are properly managed then it is more likely that the organization will identify the appropriate strategic goals and that all parts of the organization will be tightly aligned to its mission and
vision. The critical task of management is to create an organization that is capable of providing services that its customers and clients need but don’t expect or possibly haven’t even thought of.

The rest of this series of chapters is designed to help the economic development organization move from mere basic levels of capability to excellence in their practices, or, what has been defined as competitive competencies. However, capacity and competency assessments can assist in setting the direction for what needs to be accomplished.

Exercise 4: An Organizational Assessment Exercise for Core Competencies: The staff, management, and Board/stakeholders of the organization should work through the following assessment process:

Instructions
1. List all of your organization’s core functions/operations (products and services).
2. Identify the key features or benefits of each function/operation that your clients really value.
3. Determine as best possible the uniqueness and competitiveness of these key features or benefits.
4. Look for common themes of excellence in the organization. These will help point to your core competencies.
5. Write down your draft list of core competencies.
CHAPTER 3

CREATING AN ORGANIZATIONAL CULTURE GEARED TO EXCELLENCE

CULTURE DEFINED

No man ever looks at the world with pristine eyes. He sees it edited by a definite set of customs and institutions and ways of thinking.

How often do you read about a newly hired corporate executive who had problems managing the company because he or she didn’t understand its culture. This author has personally witnessed economic development practitioners who run into problems with their Board due to disagreement on what is important to the community. It is likely that the reader of this chapter could come up with a number of examples of problems within organizations due to conflicts wholly or partially a result of the organizational culture.

Clearly, an organization is more than a set of products and services. It is also comprised of a number of human beings, and the interaction between them and with other organizations evolves into a particular culture.

Until recently, management tended to ignore the role of organizational culture in the development of an effective organization, even though such great management thinkers as Peter Drucker promoted its importance. The relationship between culture and excellence is highlighted in a study in the Harvard Business Review stating that one of the things distinguishing a successful organization over time is a culture that is based on aiming high.17

What is really meant by the “culture” of an organization? It is the understanding by its employees, members, and constituents of what the

organization is. It encompasses the beliefs, values, successes, failures, habits, practices, and lessons learned and shared by everyone in the organization. Basically, culture can be described as the “personality” of the organization; it is the glue that holds an organization together.

Every company has two organizational structures: The formal one is written on the charts; the other is the everyday relationship of the men and women in the organization.  

Harold S. Geneen

Schein, a leading expert on corporate culture, divides organizational culture into three levels so that it can be more clearly understood (see Figure 3).\textsuperscript{18} At the surface are artifacts, which are the more visible expressions of the culture of the organization. For example, the selection and arrangement of the office and its furnishings often reveal significant insights into organizational culture and its underlying values. Compare the cultures, for example, in an office in which everyone is located in private offices with their doors closed to one in which desks are in an open environment with cubicles and conference spaces. Other outward indications of culture include the clothing people wear to work, what people have on or around their desks, organizational celebrations, artwork, etc. An outsider can often spot these artifacts easily upon entering an office. For insiders, however, these artifacts have often become part of what they are accustomed to and aren’t really given much thought.

At another level are the espoused values, which are also somewhat obvious to the outsider. These values are often found within the missions, goals, and organizational philosophies. The third level is the core, or essence, of culture, which is not readily evident to the observer. This core is represented by the deeply embedded underlying assumptions and values of the organization, such as honesty, professionalism, the work ethic, etc. Ultimately, this core is what determines the perception that outsiders would have of the quality of the organization.

Figure 3: Schein’s Three Levels of Organizational Culture

Organizational Culture

Artifacts
Espoused Values
Core Values

Visible to outsiders
Internal to org.

These three levels of culture may not be recognized within the organization because everyone has become so used to their work environment. Nonetheless, these aspects of culture provide the key to understanding why things happen the way they do in an organization. Culture is expressed through “what is done, how it is done, and who is doing it.”\(^\text{19}\) Behavior within the organization determines just how “excellent” it will be.

Culture is also about the “meaning” that the organization’s actions have to its members. These “shared meanings” that exist within an organization

are unique to it and give it its identity.\textsuperscript{20} Certainly, employees are more comfortable working for an organization that has values similar to their own. The organization’s culture, therefore, not only guides behavior and responses to change, but also provides a sense of identity, continuity, and organizational direction.\textsuperscript{21}

The culture of an organization generally evolves over time as the staff and management of the organization work through and, hopefully, solve its organizational problems and respond to demands from its customers, clients, and constituents. What is learned “has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.”\textsuperscript{22} The basic assumptions that develop through this development of the culture become held so strongly by the organization’s members that they “would find behavior based on any other premise inconceivable.”\textsuperscript{23} Peter Senge has defined culture as those aspects of the organization that are so ingrained that we no longer notice them.\textsuperscript{24}

Although all organizations have a culture, some appear to have stronger and more deeply rooted cultures than others. A strong culture is one in which all or most members of the organization agree that a specific set of behaviors and values are expected.\textsuperscript{25} A strong culture, however, does not always lead to a more effective organization, as is evidenced when the organization and its members share a culture that is strongly resistant to change and improvement.

\textsuperscript{22} E. H. Schein, \textit{Organizational Culture and Leadership: A Dynamic View}, p. 9.
\textsuperscript{23} Ibid., p. 18.
THE EVOLUTION OF AN ORGANIZATION’S CULTURE

Although the organization’s leadership plays a key role in developing the organizational culture, this culture ultimately emerges from how the members of that organization behave in the workplace. This type of similar behavior takes time to develop and, as a result, cultures are slow to change. Furthermore, because cultures are based on a foundation of historical continuity, the possible loss of continuity in part explains the resistance to change.

This continuity of the culture of an organization occurs as new members are taught the old ways and eventually pass on the culture themselves. Rituals, such as publishing the accomplishments of the staff or year-end results, and ceremonies, such as retirement dinners or employee-of-the-month awards, contribute to organizational culture by dramatizing the organization’s basic values.

LEADERSHIP AND CULTURE

Although the organization’s culture is derived from the activity and attitude of the entire organization, its leadership plays a critical role in shaping it. Schein states that “the only thing of importance that leaders do is create and manage culture” and “the unique talent of leaders is their ability to understand and work within the culture.” The degree to which the organization’s culture is determined or influenced by its leaders and managers is important to understanding the culture itself. For example, if the behavior that is demonstrated by the leader(s) (which includes the Board and the management) is not geared toward “excellence,” the staff will soon quit striving to produce high quality services.

Clearly, management influences to a great extent:

• how the organization is known to its customers, employees, and others;
• what makes the people in the organization feel successful; and,
• what it feels like to work for the organization.
Furthermore, what management emphasizes, rewards, and reprimands can tell the members of the organization what is really valued.

On the pathway to excellence, it is certainly worth it for leadership to make the effort to understand the culture of the organization. If they understand its culture, they can use it in a number of positive ways, such as by:
• Developing organizational strategies that are more likely to be implemented
• Setting guidelines for how managers and staff should interact with their constituents and customers
• Making staffing decisions
• Setting performance criteria
• Guiding the nature of acceptable interpersonal relationships in the organization
• Selecting appropriate management styles.29

ASSESSING ORGANIZATIONAL CULTURE

Culture is the habit of being pleased with the best and knowing why. Henry Vandyke (1852 - 1933) U.S. "poet, clergy, educator"

Gaining a comprehensive understanding of the culture is not a simple task. An organization’s culture is likely to be comprised of a combination of at least the following dimensions:

- **Communications** -- how and what information is communicated within the organization and to its customers and constituents;
- **Training and development** -- management’s willingness to provide training and development opportunities, and the nature of those opportunities;

- **Rewards** -- which behaviors receive rewards and the types of rewards offered;
- **Decision-making** -- the way decisions are made and conflicts are resolved;
- **Risk-taking** -- the extent to which the organization values creativity and innovation, encourages risk-taking, and welcomes new ideas;
- **Planning** -- the relative emphasis on short- and long-term plans, reactive vs. proactive planning, and the extent of employee participation in planning;
- **Teamwork** -- the amount, type, and effectiveness of collaboration;
- **Management practices** -- the fairness and consistency of the administration of management policies, the accessibility of management, the provision of a safe and positive working environment, and the encouragement of diversity.  

It is important to recognize that not everyone within or connected to an organization may understand or appreciate its culture. It is therefore usually extremely worthwhile for management to conduct an assessment of the culture to determine what it is and to what degree it is supported within the organization. A systematic approach can help in determining what the organization’s culture will enable it to accomplish and what barriers may impede the implementing of certain programs and activities.

A number of commercial and sometimes detailed organizational culture assessment tools exist. It is not the intent of this document to highlight these. However, some simpler approaches can be taken to understand the organization’s culture.

**Participate in a Culture Walk:** One way to observe the culture in your organization is to take a walk around the office, and look at some of the more evident signs of behavioral patterns (artifacts).

- How is the space designed?
- How much space is given to whom? Where are people located?
- What is posted on bulletin boards or displayed on walls?

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• What is displayed on desks or in other areas of the office? In the work areas?
• How are common areas used?
• What do people write to one another? What is said in memos or email? What is the tone of messages (formal or informal, pleasant or hostile, etc.)? How often do people communicate with one another? Is all communication written, or do people communicate verbally?
• What interaction between employees do you see? Do you detect any conflict or tension?

These are just a few of the questions to answer when you observe and assess your organizational culture. Remember, however, that this is just the “artifact” level of the organization’s culture. It doesn’t adequately portray the “espoused values” or the “core” of the culture.

**Culture Interviews:** Another way to delve into the culture of your organization is to interview your employees in small groups. It is just as important, during these interviews, to observe the behaviors and interaction patterns of people as it is to hear what they say about the culture.

Since it is usually difficult for people to put into words what the culture is like, indirect questions will gain the most information. The following are examples of indirect questions you can ask during a culture interview.

- What would you tell a friend or someone in the community about your organization to describe it as a place to work?
- What is the one thing you would most like to change about this organization?
- Who is most respected around here? Why?
- What is the characteristic that you most like about your organization?
- How do people in the organization respond to activities or programs that don’t produce the desired results?
- What would you ask someone who is applying for a job in your organization?
**Culture Surveys:** Written surveys taken by people in the organization can also provide information about the organizational culture. These questions can be formulated based on the information in this chapter, or a survey/culture assessment can be purchased from a number of commercial sources, as was indicated earlier. However, an off-the-shelf survey may have questions that are not relevant to your organization.

**THE USE OF CULTURE FOR MANAGING THE ORGANIZATION**

As has been frequently stated, the primary thrust of this book is on organizational excellence. If any non-profit organization desires to create and sustain a culture that energizes the organization toward excellence, it should pay attention to the following issues:

- Make sure that the values of the organization are clearly articulated and adhered to across the entire organization
- Encourage and reward innovative thinking, and don’t punish someone if their idea proves unsuccessful (people tend to learn more from their failures than from their successes)
- Invest in the training and development of staff
- Strive to make work both challenging and fun
- Help staff to understand how their efforts make a difference.\(^{31}\)

Simply stated, the overriding goals of good management are to match people with tasks that inspire them and make best use of their abilities, and to design the organization’s tasks and strategies to more effectively respond to the challenges and opportunities it faces. The organizational culture should reinforce these efforts. It can be stated that, “*culture serves as the glue that holds the organization together.*”\(^{32}\)

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CHANGING THE CULTURE

To improve the effectiveness of the organization, it is generally acknowledged that the culture must be changed in a real and ongoing way. It is virtually impossible to make and sustain organizational improvements without positive change in the culture. However, as was stated earlier, cultures tend to resist change. It appears that one of the primary reasons that efforts to bring about organizational change fail most of the time is because the strong role of the existing culture is not well understood. Change, even if it is for the better, will always have to climb over the obstacle of routine, and routine is comforting to many people.

In the beginning of this chapter, it was stated that “one of the things that distinguishes a successful company (organization) over time is a culture that is based on aiming high.” Aiming high is another way of saying that the organization is working toward “excellence.” Because it takes a considerable effort and amount of time to change a culture, particularly one grounded in mediocrity, organizations must recognize that this is a long term project. In reality, achieving excellence is a “race with no finish line.” The effort never really ends. (This issue of change will be dealt with in greater detail in a subsequent chapter.)

Therefore, the management of an organization in its leadership capacity must be able to assess how well the culture is performing, and when and how it needs to be changed. Managers must actively work to keep the existing culture relevant to the present and future, while maintaining an appropriate sense of continuity with the past. For this to happen, organizations should periodically review their culture and determine what needs to change in order to be more “excellent.” Only by knowing the full details of what the culture is and what it needs to be can you hope to change it.

For example, if the customer truly is to come first in the organizational environment, usually something has to be adjusted in the organization’s culture. Customers don’t care much about how the organization is structured, or what’s in its strategic plan, or how it is funded. They are interested in only the results that they see, which are the benefits they
receive from the organization. A customer-focus forces an emphasis on results that the customer can experience and on fashioning a culture that supports that achievement.

Changes in the culture can be accomplished in a number of ways, including:

1. replacing key (and highly visible) employees
2. reorganizing
3. initiating new or significantly changed approaches to communication
4. establishing new reward and recognition systems (including changes in the types of behavior that are rewarded)
5. changing management practices, including meeting frequencies, attendance, and agendas.33

Although many approaches to developing or changing a culture exist, everyone in the organization will need to be a part of the process of change. Ultimately, successful culture change means that every member of the organization embraces it. Each member must strive to become a leader in this change, no matter what level he or she is in the organization.

To further build on this idea, a number of studies of organizational values and institutional change have concluded that organizations that are characterized by a commitment to teamwork looked at change enthusiastically and in positive terms. This is in contrast to organizations that were characterized as where people advanced due to individual effort alone, where they operated in their own “silos,” or where a strong “boss” environment dominated.34 The building of this important team approach will be discussed in more detail in a subsequent chapter.

In almost all organizations, if change for the better is going to happen, it will need to start at the top with the Board and executive director. However, this will usually require that this leadership has the necessary knowledge and experience with respect to culture change. Since they

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often lack that capability, trained consultants may have to be brought in to provide appropriate assistance. Bennis notes that “external consultants can manage to affect . . . the power structure in a way that most internal change agents cannot.” Furthermore, since experts from the outside are less subject to the politics and personalities found within the organization, they often can be more effective in facilitating significant and meaningful change.

Changing the culture is likely to take time, and there is no single formula or template to make it happen that applies to all organizations. What is important for long-term organizational success is probably not a particular type of organizational culture as such. Instead, the successful organization should be able to effectively manage and change its culture over time to adjust to changes in the situation and the needs of the organization.

Whatever approach to changing the culture is used, careful monitoring of progress and results should be made to ensure that the desired change is actually happening. Finally, the success of any transformational effort may well depend on the extent to which the members of the organization are able to incorporate and address issues of their culture in their strategic planning.

**Exercise 5: A Culture Assessment Exercise:** The staff and management of the organization should individually take the following questionnaire and then as a group discuss the results and any differences between management and staff.

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CULTURE
CHARACTERISTIC
QUESTIONS

Conformity
How do you feel about the importance of responding to the rules, procedures, policies, and practices of the organization vs. doing your work the way you would prefer to?
Is management open to being questioned?

Responsibility
Are members of the organization given personal responsibility for achieving their part of the organization’s goals?
To what extent do members believe that they can make decisions and solve problems without checking with management each step of the way?
Do the members have a feeling of shared responsibility and destiny – that everyone is in this “adventure” together?
Are mistakes encouraged or forgiven if people learn from them?

Standards
Does the organization set challenging performance measures and communicate these clearly to the members?
Does the organization emphasize excellence and outstanding performance?
Are people dressing appropriately in the office?

Rewards
How well does management reward and recognize the member’s good work?
Is there a tendency for management to ignore, criticize, or punish staff when something goes wrong?

Organizational Clarity
Is the staff of the opinion that things are well organized and that goals are clearly defined, or are they of the opinion that disorder, confusion, and chaos are frequent conditions?
Who is really in charge?
Is there any decentralization of decision-making?
Sense of Community
Is friendliness and cordiality a valued norm in the organization?
Do members of the organization trust one another and offer each other support?
Do good relationships prevail in the work environment?
How is conflict handled at all levels?
Do people use collaboration and cooperation regularly for problem-solving and decision-making at all levels?
How much interaction is there?
What is the prevailing attitude in the office?
Is there any pride in the workplace?

Leadership
How willing are members of the organization to accept leadership and direction from management?
Is the organization dominated by or dependents on one or two individuals?
Who is looked up to in the organization?
Will people follow the leader(s) willingly?

Values
What are the dominant values of the organization?
How are these values demonstrated in the way the office is managed?
What are some of the behavioral norms of the organization that an outsider or a newcomer would quickly notice?
How do the leaders of the organization reinforce these values and norms?
How are newcomers to the organization taught these values?

Exercise 6: In small groups or as a team, write down three to five statements that describe the organization’s culture as it exists. Try to think of both positives and negatives.

Now write down three to five statements that describe the ideal culture for the organization.

Compare and discuss the results of the two descriptions. Then, discuss the following questions:
  o What differences exist between management and staff in these statements?
  o How would stakeholders describe the organization’s culture?
What changes would be necessary to create the ideal culture?
What are the obstacles to successful cultural change?
How would you overcome these obstacles and make the necessary changes happen?

THE ROLE OF MISSION IN THE CULTURE

A small body of determined spirits fired by an unquenchable faith in their mission can alter the course of history. Mahatma Gandhi

An organization’s culture reflects the basic organizational philosophy of its leaders. The organization’s mission should articulate this philosophy as well as the most basic values, beliefs, and assumptions underlying the organization’s culture. The mission statement also provides a sense of purpose and direction for members of the organization, thereby unifying employees and stakeholders by providing them with a sense of articulated identity. The mission serves to both inform employees about the basic principles that guide the organization and give people outside the organization an understanding of the basic principles by which the organization operates. A well-stated mission also enables all employees to see how their day-to-day actions are consistent with the values of the organization, and helps them understand how those values are crucial to the success of the organization. Everything that an organization does and measures should directly support its overall mission.³⁸

In an economic development context, a mission statement articulates how the community or region will be different as a result of the activities of the organization. It is a statement of purpose based on the outcomes the organization is expected to achieve. Outcomes are not activities; they are the results expected from the activities of the organization. In developing the mission statement, upper management (the executive director and the Board) comes to grips with the essential concerns of the groups that have a stake in the organization to determine how best to serve them and the customers/clients of the organization. Failure to do so often leads to

“mission creep,” which is the accumulation of activities for the organization that aren’t necessarily important to the achieving of its key goals.

Unlike goals and strategic actions, which are formulated to be achieved over time, the organization never completely fulfills its mission. Instead, it serves as a blueprint for the ongoing work of the organization. It should neither be too short (a slogan) or too long (an essay), but should capture the essence of what the organization is about. It should also be easy to understand, but should at the same time inspire the staff and stakeholders to perform at quality levels.

Ideally, as was stated earlier, the mission statement should be derived from the expectations and understandings of the stakeholders and/or Board of the organization. However, it is often necessary to educate this group so that they understand what an economic development organization is all about and what it generally is expected to accomplish.

Unless the Board of Directors, the chief executive, and staff are working with a clear and concise mission statement for the organization, it is likely that they will not be moving in the same direction. Unless all parties connected with the organization accept that mission and commit to carrying it out, the organization is likely to flounder. People will be pursuing different goals, conflict will develop among and between Board members and staff, it won’t be clear in the community who is supposed to do what, and the organization will be less effective.

Clarity of mission can be aided by addressing the following key questions:

1. What are the basic needs to be fulfilled by this organization? What are we trying to achieve?
2. Who are our clients and customers?
3. What are the core values of this organization?
4. What makes our organization distinctive or unique in the community?
5. What would be lost if our organization ceased to exist?
At the core of the organization’s culture and its mission are its values. A **value** is:
- That which is worthwhile and important to the organization and its members
- Deep-seated standards that influence almost every aspect of their lives
- The organizational “bottom line”

For example, someone with the value of a strong work ethic believes that they should “do a good day’s work for a good day’s pay.”

Values are the principles and guidelines that each member of an organization adheres to and practices every day; they drive its culture. In other words, what does the organization **really** believe in? Values involve **beliefs about what organizations should do**. An organization’s values are the criteria by which employees make decisions about priorities. It is the standard by which they judge whether something they are asked to do is attractive or unattractive, whether a customer is more important or less important, whether an idea for a new service is attractive or marginal, and so on.

Some values are more critical to people and to organizations than others, and are called **core values**. These are less susceptible to change than **peripheral values**. Generally, an individual’s core values are derived from one’s personal experiences rather than from one’s work experience, which would make it difficult for management to change an employee’s core values through training or any other interventions. Similarly, an organization’s core values have a long history and strong internal commitment (whether conscious or not). The following are some examples of core values:
- **Disney** – the obvious core values of imagination and wholesomeness stem from Walt Disney’s belief that these traits should be nurtured for their own sake and not from any market requirement.
- **Sony** – being pioneers and doing the impossible; seemingly obsessed with creativity and innovation.
When the values of an organization are violated, the organization is likely to perform poorly. Seldom is anything done well unless people were committed to making that happen because of a commitment to personal or organizational values. Having common and well understood values provides everyone in the organization with “guiding lights.” They provide the means for choosing among competing priorities, as well as guidelines about how people will work together.

**Exercise 7**: What are your organization’s core values? Discuss this question among the Board, staff, and key stakeholders.

**Exercise 8**: Values Exercise

Conduct the following exercise with your staff or with your Board:

Select the ten values that are most important to you – as guidelines for how to behave, or as components of the way to live your life.

Now that you have identified ten, imagine that you are only permitted to have five values. Which five would you give up? Cross them off.

Now imagine that you are only permitted three. Which two would you give up? Cross them off.

Cross off one more to bring your list down to two.

Finally, cross off one of your two values. Which is the one item on this list that you care most about?

Now take a look at the top three values on your list:

1. How would your life be different if those values were key to your daily living and working, and practiced consistently?
2. What would an organization be like that encouraged employees to live up to those values?
3. Are you willing to choose a life, and an organization, in which
these values are predominant?

4. How do your organization’s values compare to those of yours?39

As important as the mission statement is, it doesn’t serve much of a purpose if it isn’t closely linked to the performance of the organization. Although the executive leaders of the organization are responsible for crafting the mission, the entire membership and staff must be committed to following it. If the mission statement is going to be adhered to, it has to be simple and clear. Furthermore, as new directions or programs are added, the old ones need to be de-emphasized and removed. The organization can only do so many things. Narrow is better than broad.

An example of an ambiguous mission statement follows: “to generate more leads and to build a strong external image and ‘brand’ for the region.” How much does this statement tell you about the values of the organization, who its customers are, and what is unique about it?

The following is a more clear statement of mission (but not necessarily complete), in the author’s opinion:

The mission of the Rural Development Council is to provide a framework within which public and private sector resources can be used to promote rural economic development. The Council will serve as a forum for effective collaboration between various entities to meet the needs and to identify issues affecting rural areas of the State. The Council will provide leadership in making strategic use of available resources to achieve short- and long-term rural economic development. In addition, the Council will serve as a focal point for identifying and addressing interdepartmental and intergovernmental barriers to implementing a long-term economic development strategy.

A mission statement can be too short or too long. One that is contained in one line resembles an advertising slogan, and a long, rambling statement is rarely read, even by the Board or staff members. The following example is

an attempt to provide a brief sense of purpose of the organization, with a further clarification of meaning:

To attract business investment by generating new business leads and building regional capacity through product development and effective regional engagement.

What does this mean?
We are an investor-based organization that supports the region’s economic development throughout our member counties. The efforts of the Partnership will:

Leads
Establish the identity and promote the brand of our region as one of the most business-friendly, innovative, and attractive regions in the Midwest;

Etc.

**Exercise 9:** Ask your Board members and your staff which current areas of activity of the organization, in their opinion, are not covered by the existing mission statement?

Which, if any, of these areas of activity should not be part of the organization’s operation, in their opinion, and why not?

**Exercise 10:** If the organization does not have a mission statement, work with your Board to create one. Begin by asking Board members to work through these questions without the current mission statement of the organization in evidence. Place the list on the flipchart.

1. What are the basic needs to be filled by this organization? What are we trying to achieve?

2. Who are our clients and customers?
3. What are the core values of this organization?

4. What makes our organization distinctive or unique in the community?

5. What would be lost if we ceased to exist?
CHAPTER 4

THE CUSTOMER-DRIVEN ORGANIZATION

Quality in a product or service is not what the supplier puts in. It is what the customers get out. Peter Drucker

The corporate world has long understood the importance of serving their customers. Those companies that have neglected to do so effectively are probably no longer in business. This issue is no less important for the non-profit development organization, although experience continues to demonstrate that customers don’t seem to get the attention they need or want from many of these organizations.

Clearly, the development organization exists to provide a service. Potential and past customers, clients, and constituents call on an organization to have their needs met. They either believe that this service can help them or they want to discover if it can. How can an organization truly serve others if it doesn’t value their needs and desires, if it doesn’t understand them, and if it doesn’t strive to meet those needs and provide excellent value? If meeting customer, client, and or constituent needs is really the focus of the organization, then the belief must be held by all within that organization that the customer truly comes first and everything else must come second. If this is the dominant philosophy and culture, the staff will tend to value their work more and be less bureaucratic.

The premise of this book is managing for excellence. “Excellent” customer service basically includes listening to your customer’s needs and desires, educating them about their choices, and then providing them with the resources to make an informed decision. Providing outstanding customer service assumes that the organization values the customers’ needs and ability to make choices.

It has been previously established that an organization’s values should be reflected in its mission. One of the core values of the mission of an organization striving for excellence should be that it promotes a customer-
driven culture. On a daily basis, this value should be evident in all of the activity of the organization.

If your customer’s perception of you and your organization is positive and trusting – i.e., they perceive that you will offer them quality (value) – they are likely to continue to do business with you. Customers must perceive that they are receiving a benefit by patronizing your organization. Otherwise, they are likely to look elsewhere to satisfy their needs. A nonprofit that doesn’t serve its customers well will likely have fewer and fewer customers and less and less of a justification for its existence. On the other hand, organizations that take customer service seriously, and approach it with passion and zeal, are the organizations that will prosper and continue to stand out among their competitors.

DEFINING THE CUSTOMER

Although your customers won’t love you if you give bad service, your competitors will. Kate Zabriskie

All nonprofits serve customers -- whether they are members, donors, or beneficiaries. The beginning point for an organization to develop a customer service orientation is to know who your important customers are and what they expect. Peter Drucker has defined customers as those who must be satisfied in order for the organization to achieve results. The “primary” customer is the person or organization whose situation is most changed through the organization’s work. These are the people for whom the organization exists; without them, little reason would exist for the organization to continue.

If you're not serving the customer, your job is to serve someone who is. Karl Albrecht

I can think of no corporation which has found a way of looking after external customers while abusing internal customers. Tom Peters

Every organization also has both external customers and internal customers.
Internal customers are everyone inside the organization who gets the results of your work next. If special scrutiny is not paid to internal customers, the problems that occur within the organization are sure to spill out to the external customers. An economic development organization typically has a wide range of external customers, including its Board, other stakeholders, foundations, local government, the community at large, the workforce, the business community, business prospects, and its funders.

Another type of customer is the potential customer. This is the individual who should be the customer, but currently isn’t. One of the most important potential customers of an economic development organization is the sought after business or industrial prospect. Traditionally, organizations have some understanding of their current customers and clients and know, or try to know, as much as possible about them. However, non-customers always outnumber customers. Until the needs of potential customers are understood and the reasons for their failure to use the services of the organization are clear, it will be difficult to convert them into existing customers.

What really matters at the end of the day is the quality and level of services that the organization is providing to its customers. Plans of action that indicate the range of activities of the organization generally do not adequately address the issue of the quality of the delivery of services, which focuses on how the customers view the organization’s efficiency, timeliness, accuracy, accessibility, and professionalism.

**CUSTOMER CONTACT**

*Listening to customers must become everyone’s business . . . with most competitors moving even faster . . . the race will go to those who listen (and respond) most intently!* Tom Peters, *Thriving on Chaos*

The kind of contact that an organization has with its customers and clients determines to a great extent how well their needs will be met. The very first contact has been called by Jan Carlzon of Scandanavian Airlines as *the*
**Moment of Truth**, which is any contact that the customer has with the organization and gets an impression of its service.

First impressions are critical. According to an old saying, "You never get a second chance to make a first impression." Nowhere is this more applicable than in business situations, because how you communicate with people the first time can be key to your overall success.

A variety of customer experiences can be used effectively to create a positive first impression. For example:

- your physical place of business (both the environment and how people are greeted),
- the telephone, voice mail and electronic mail,
- print materials, and
- how you present yourself and your organization outside of the office.

The value to your organization of creating a warm and welcoming environment cannot be over-emphasized. If you have any doubts, just think about the impressions you form about a restaurant as you walk in. In the same vein, what your customers and clients see when they first enter the premises, and the conclusions they draw, will affect the way they relate to your organization. Once formed, those conclusions, whether good or bad, resist change. Furthermore, your environment must not only speak
about the professionalism of your office, but should also be comfortable and inviting, easy to move around in, neat and clean, and encourage the flow of work and customer interaction.

Equally important to the physical environment is your organization’s "front desk" staff and their ability to provide any needed support and guidance. All customers deserve to be properly greeted by someone who can assist them in a friendly and meaningful way, whether that encounter occurs in person or over the telephone. The often-undervalued telephone should be recognized as the key business tool it really is. Since many of your customers will call before ever visiting your office, what they encounter when doing so is critical in creating a positive first impression. Remember that the greeting they receive should reflect the culture of your organization and that of the economic development profession as well as your own personal style.

If you recall first impressions you've formed of various organizations you've phoned in the past, in all likelihood they were often formed on the basis of what went on before the initial greeting even took place. For example, if you were left on hold or had to deal with a cumbersome voice mail system, chances are you formed a negative impression even before anybody answered. If at all possible, the organization should have enough phone lines (and enough people to answer them) so callers don't get a busy signal, or get put on hold for longer than 30 to 45 seconds.

Every organization that deals with customers should have an easy-to-use voice mail, especially to handle after-hours calls. Ideally, it should also have a voice mail setup to which its phone calls roll over during the day when all your lines are busy. After hours, the outgoing message should give the hours of operation and other relevant information about how to contact the person being called.

The voice mail message should be kept as short and simple as possible, with immediate instructions on how to bypass it so people don't have to wait to leave their own message. Callers need to be encouraged to leave enough clear and concise information so that some action can be taken
before calling them back. And, their messages should be responded to promptly! This is one of the key ways to take full advantage of a voice mail system, as well as being able to satisfy callers' needs quickly.

It is important to avoid having the phone answered by voice mail on a regular basis when you and/or your staff are available. Most people think they have fallen into the "black hole" of voice mail when that happens.

E-mail, which is quick, inexpensive, and increasingly secure and reliable, has become ubiquitous in American business. With e-mail, if users need to get a message to a lot of people or hear from a lot of people in a hurry, no more efficient (or cost-effective) way to do so exists. However, as convenient as e-mail is, there is no excuse for misspelling, bad grammar, truncated sentences, sloppy formatting, etc. Remember, first impressions count! Twitter, Facebook, and other social media are just now becoming factors in business communication, but many of these same issues are likely to be relevant.

If a mailing is what prospective customers see first, consider whether that mailing really represents your business. Does it look professional? Is it well written and well designed? How would you feel about receiving such a piece? This often-neglected area is full of opportunities to make lasting positive impressions.

In this era of electronic communications, the organization cannot pay too much attention to the impression its web site is having on those who “hit” on it. The ease or difficulty of maneuvering through the site, the visual impressions and graphics, the accuracy and timeliness of the information, and the relevance to the reader are all very important.

What do you communicate about your business when meeting someone outside of your office? How can you create the best first impression, whether doing professional networking or in social situations? How you present yourself, when the only thing you have to show someone is a business card, can contribute to your success more than you realize.
A useful exercise is to imagine that a reporter is going to interview you, and you will have only 10 to 12 seconds (or about 50 words) to describe your business and convince potential clients to seek you out. Write down the message and commit it to memory. The ability to clearly and concisely state what you offer demonstrates to others that you are focused on what you're doing, and can be persuasive in attracting the interest of new customers or prospects.

In terms of making a favorable first impression, a good rule of thumb is to consistently work at exceeding customer expectations. Since many customers have modest expectations to begin with, this may be easier than it sounds. Something as simple as the ability of a receptionist to unhesitatingly direct calls to the right person can give the impression of a quality organization.

However, don't just focus on one of the tools described above at the expense of the others. All of them need to be taken into account to ensure you are making a positive first impression. If one or two work well, but the others don't, you haven't really done the job you need to.

As important as first impressions are, the most significant impressions in terms of the success of your operation are the current ones. In business, as in other relationships, the real consideration is, "What have you done for me lately?" If you fall down at subsequent stages, whether being abrupt during a customer's second visit, or failing to get back to a customer or prospect in a timely manner, you can void all the good work you've previously done.

In other words, a good first impression isn't going to do you much good in the long run if a subsequent negative experience eclipses it. The best way to maximize the value of a positive first impression is to reinforce it with other favorable experiences throughout the course of future interactions.\(^40\)

\(^40\) Modified from "Small Business Success" magazine, Volume X, produced by Pacific Bell Directory in partnership with the U.S. Small Business Administration and the Partners for Small Business Excellence.
Generally, a customer or client has a series of contacts with a particular organization, which has been labeled the Cycle of Service. This is the complete sequence of “moments of truth” a customer experiences in getting some need met. It is important to recognize that all of these moments of truth contribute to the customer’s total perception of the quality being received.

Figure 4: Example of the Cycle of Service

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The cycle of service concept gives the organization a systematic way to start looking at the subjective issue of customer service. Each event, or moment of truth, in the cycle can be identified and assessed as satisfactory or unsatisfactory. This should aid in changing the work process to produce superior results. Additionally, the entire cycle can be analyzed to better understand how to manage the flow of a particular service from start to finish.

Evaluating moments of truth and the cycle of service does not lend itself to traditional numerical measurement. Performance must be measured through observation by capturing and quantifying opinions and attitudes of customer groups. Tools of choice include interviews, surveys, and focus sessions.

*Exercise 11: The employees of the organization should individually take the following quiz, then compare results with one another, and discuss the differences of opinion.*

**An organizational customer service evaluation**

Check all of the following that typically apply to your organization regarding customer service. During the past six months, the management and/or staff of our organization has:

a. ____ Clearly and consistently demonstrated that customers/clients are the primary judge of the quality of our services.

b. ____ Held meetings on the importance of being courteous to customers/clients and learning what they want.

c. ____ Kept track of all customer/client complaints.

d. ____ Set goals of obtaining unsolicited customer/client praise.

e. ____ Participated in a training session to learn how to provide better service to customers/clients.

f. ____ Met with or interviewed 10 to 20 customers/clients for feedback.
g. Called by phone some customers/clients who have recently used our service.

h. Visited other similar organizations to see what they're doing for their customers/clients.

i. Conducted a comprehensive study of customer/client expectations.

j. Worked as a team to define what constitutes a "quality" service.

k. Changed our organizational procedures significantly to provide a higher quality of service to our customers/clients.

l. Learned about each employee's strengths and weaknesses, and what expectations each has for his/her own performance in providing quality service to our customers/clients.

m. Met periodically as a group to review the immediate goals and objectives of our organization as they relate to work load demands and customer/client expectations.

n. Established clear incentives for employees to seek improvements to the organization’s work processes and systems so that the quality of services would improve.

o. Placed the needs of our customers/clients over in-house organizational activities.

p. Our organization’s mission clearly recognizes quality service to the customer as a core value.

**Exercise 12: Within your organization, as a group exercise respond to the following:**

- Share some examples of how customers and clients have been turned off by staff.
- Share some examples of how the organization has exceeded customer expectations.
SETTING CUSTOMER SERVICE STANDARDS

Once employees start thinking in terms of moments of truth, they can begin to reorient their thinking about excellence in customer service. They shift away from thinking about how they do their work to thinking about those many encounters that customers have with their organization. By defining the moments of truth and by focusing particularly on the ones most critical to the customer’s perception of quality, employees can see things as the customer sees them. The moment of truth must be their focus for defining, delivering, and measuring customer excellence.42

However, if the organization intends to respond consistently and effectively to its customers, it needs to develop a set of desired service quality standards. It has been generally acknowledged that customers have at least four basic needs, which are:

1. the need to be understood;
2. the need to feel welcome;
3. the need to feel important;
4. the need for comfort -- physical and psychological.

Any set of customer service standards should reflect these basic needs, as well as others identified by the organization.

More specifically, service standards should address:

a. Completeness -- providing service that includes all the components that a customer/client considers essential and eliminating those that are unnecessary.

b. Timeliness and Responsiveness -- time spent by the customer in getting the service; what is considered reasonable by the customer/client?

c. Competitiveness -- does your level of customer service match that of the competition?

d. Relationship-building -- are you focused on one-time transactions rather than on building long-term relationships with the customer?

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e. Creating benefits -- is the customer receiving more from the organization than what is basically required or expected?

As an example of customer standards, the 19th Judicial Court in Lake County, Illinois has established the following:

- Treat all customers with respect.
- Maintain a neutral and fair attitude toward all people.
- Demonstrate appearance and behavior that reflects positively on the Courts.
- Focus your attention on the customer.
- Respond knowledgeably and provide current and accurate information.
- Go the extra mile to be responsive to the customer’s needs.
- Maintain a professional attitude.
- Promote teamwork.
- Follow through on commitments.
- Respond in a timely fashion.
- Make a difference to your organization.  

The Chesterfield County VA Commissioner of the Revenue established the following customer service standards:

We are committed to providing you with excellent customer service. When dealing with our department, you can expect:

- to be directed to a staff member within the appropriate department who can best serve your needs.
- to receive prompt, courteous and professional service by all of our staff members.
- to be served by a well-trained and knowledgeable staff who will clearly communicate complete and accurate information.
- staff to make every effort to be helpful in resolving all tax issues in a fair and consistent manner within legal bounds.
- all personal information received by this office to be held in the strictest confidence under state law requirements.

Staff will:

- have a detailed knowledge of state and county codes pertaining to their specific area of responsibility.
- provide procedural details regarding doing business with this office.
- promptly mail out information or forms upon request.
- respond to telephone and e-mail inquiries within two working days of receipt of the inquiry.\(^{44}\)

One final example comes from the City of Rocky View in Alberta, Canada:

What you can expect from the Municipal District of Rocky View:

**To have**

- Our residents and visitors acknowledged immediately with eye contact and a sincere greeting.

**To have**

- Municipal staff do their utmost to assist you and if they cannot, they will find someone who can.

**To have**

- Telephones answered promptly and courteously. Live operators will be available during all regular business hours.

**To have**

- Voicemail greetings changed to reflect schedules and availability and/or identify an available alternate to call.

**To have**

- All voicemail messages returned within one business day.

**To have**

- Correspondence acknowledged, in writing, within seven business days upon receipt.

**To have**

- Identification tags worn by staff during working hours.

**To have**

- Adequate staff coverage maintained during breaks and meetings.

**To have**

- Every effort made to start and finish meetings and appointments on time.

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\(^{44}\)http://www.chesterfield.gov/content2.aspx?id=3107&ekmensel=c580fa7b_246_0_3107_7.
To have our staff maintain a high level of professional skill and positive attitude.

MEASURING CUSTOMER SATISFACTION

Total Quality, because of its focus on benchmarking customer and consumer satisfaction, is basically an insurance policy, for sustaining competitive advantage over the long term.

-Edwin Artzt, Chairman and CEO of Procter & Gamble

Many organizations believe that they are customer-focused, but that doesn’t necessarily mean that it is true. Far too often, the organization deludes itself on how well it is listening to its customers. The focus, instead, is on how the organization can meet its own needs, even to the extent of dictating to customers how they will be served.

A number of ways exist for listening to customers, including market research, user groups, customer-focus groups, conferences, and trade shows. The customer survey provides a systematic means of tracking customer relationships. A number of such surveys are available, but whatever form is used should provide a consistent form of measurement. This is key to determining customer satisfaction, including answers to such questions as:

- Who are our key (primary) customers?
- How do we know what our customers really are looking for?
- How do we determine when we're doing a good job?
- What are we measuring and why?
- Who's responsible for that measurement?
- What do we do with the data once we get them?
- How can levels of customer satisfaction be improved?
- What will our customers need in the future?

Sample Customer Service Survey Questions

Do you recall your recent contact with our economic development organization?
☐ Yes
☐ No

Thinking about your most recent contact, how would you rate the ability of the person you worked with to help you or to get you to someone who could help you? Would you say …
☐ Excellent
☐ Very Good
☐ Good
☐ Fair
☐ Poor
☐ Not applicable

How would you rate the staff person’s overall knowledge of your problem or question? Would you say …
☐ Excellent
☐ Very Good
☐ Good
☐ Fair
☐ Poor
☐ Not applicable

And how would you rate the staff persons on being courteous? Would you say …
☐ Excellent
☐ Very Good
☐ Good
☐ Fair
☐ Poor
☐ Not applicable

How would you rate the staff person on helpfulness, in other words, a willingness to assist you? Would you say …
☐ Excellent
☐ Very Good
☐ Good
☐ Fair
☐ Poor
☐ Not applicable

How would you rate the staff person on being able to help you resolve your issue/need? Would you say …
☐ Excellent
☐ Very Good
☐ Good
☐ Fair
☐ Poor
☐ Not applicable

How would you rate our organization on the length of time it took to find the appropriate response to your inquiry?
☐ Excellent
☐ Very Good
☐ Good
☐ Fair
☐ Poor
☐ Not applicable
How would you rate your overall experience during your last contact with us?

- Excellent
- Very Good
- Good
- Fair
- Poor
- Not applicable

Keep in mind that customer surveys should be as short as possible, easy to understand, and easy to answer. The survey forms should also be tested to ensure that they are clear and easy to use. Survey Monkey, Question Pro, and Zoomerang are just a few online resources that will not only help you with the logistics of doing a survey but also help you formulate a strategy so you get the answers you need.

Gathering information is one thing, effectively using it is another. The organization should identify opportunities in the current management system (e.g. monthly staff meetings) where the information gathered during the feedback process will be reviewed and give examples of how the information might be used to make changes in how the organization does business. This should be thought about at the beginning so that throughout the process everyone is aware of how the customer information will be reviewed and used. Nothing is more frustrating to customers than giving feedback that is never used or never makes a difference.

**IMPROVING CUSTOMER SERVICE**

“A lot of people have fancy things to say about customer service, including me. But it’s just a day-in, day-out, ongoing, never-ending, unremitting, persevering, compassionate type of activity.” Leon Gorman, President of L.L.Bean

*The customer may not always be right, but the customer is always the customer.*

In any organization, front-line employees (those who have direct contact with customers) are important sources of customer feedback; they also play direct roles in raising customer satisfaction. Research consistently demonstrates that customer satisfaction and employee satisfaction are
closely intertwined. You seldom find satisfied customers being served by unhappy employees.

Management can train employees in customer relations, but it cannot control the result. It is the individual employee that decides whether to follow strict organizational policy or to make a little exception for a customer’s unique circumstances. Employees can decide whether to smile and call customers by name, or to treat them as no more than files to be managed. Organizations need to give their employees the responsibility and the authority to deliver a higher level of customer satisfaction.

Many of the innovations and service improvements that occur in the organization come from a deeper level of customer understanding. This understanding goes beyond what current customers say they need. The organization’s staff should be trying to solve problems that customers either don’t realize they have or didn’t know could be solved. These innovations only become customer needs once customers start using them and get turned on to the possibilities. For example, in the early eighties, no focus group or survey could have shown a big demand for fax machines, lap top computers, or cellular phones. Steven Jobs did not create the I-pad based on customer demand at the time.

Innovation in the organization starts with staff interest in its customers. A desire has to exist to search for creative ways to do things better, different, or more effectively. Staff must want to understand how other people use, or could use, the services their organization does or could produce.

*Your most unhappy customers are your greatest source of learning.*

Bill Gates, *Business @ The Speed of Thought*

Training employees to deliver superior customer service is much more than going through “smile training” or “customer relations” training. Although service with a smile and personal warmth are certainly necessary components of quality service, this doesn’t provide a sufficient basis for long-term results. Desirable results come from significant training in practical knowledge that teaches skills and tools that each employee can
apply to increase his or her own satisfaction as well as to please the customers.

For example, organizations need to learn to deal more effectively with unhappy customers. This requires considerable training, because the skills needed to handle an upset customer are counterintuitive; they go against natural instincts. For the person receiving a complaint, too often the objection feels like an attack. When human beings are attacked, their instinct is to assume one of two behaviors: fight or flight. If service providers are expected to do something other than these two actions – for instance, to empathize with the customer – they need special training that makes the alternate behavior second nature. Employees should encourage the customer to express his/her anger and frustration. This act lets the customer know that the person cares, that he/she are prepared to continue with the interaction, and that every attempt will be made to understand his/her plight. It also indicates that staff will ultimately take “ownership” of the customer’s problem and will work on it until it is solved to his/her satisfaction. First you fix the customer; then you fix the problem.

Training also helps employees learn to identify what customers expect and develop the skills to meet those needs. If gaps exist between customer expectations and employee understanding and performance, specific training programs can be initiated to close these voids of comprehension and delivery. For example, if industrial prospects are looking for GIS presentations of sites and the competition is already doing that, then it is important that key staff can discuss and use that technique.

However, it is much easier to teach skills than it is to develop proper employee attitudes. Much of an employee’s success in dealing with customers depends on his or her attitude. Although you can’t train people to be outgoing, courteous, loyal, and helpful, which are important attributes to good customer service, communication skills and relational skills can be taught. Changing attitudes can also be facilitated through reward systems that encourage the achievement of customer satisfaction and the communication of organizational goals that foster this satisfaction. It can’t be emphasized enough that organizations must give their
employees the authority, responsibility, and incentives to recognize, care about, and attend to customer needs.

The impact of really implementing a customer-driven approach for the organization is reflected in a major change in how business is conducted. The following table shows the typical way of managing an organization versus having a customer-driven culture.

**Figure 5: The Changing Customer-Oriented Management Paradigm**

<table>
<thead>
<tr>
<th>TRADITIONAL PARADIGM</th>
<th>DIMENSION</th>
<th>CUSTOMER-VALUE PARADIGM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pushing product/service or promoting the community</td>
<td>BUSINESS MISSION</td>
<td>Delivering superior customer value</td>
</tr>
<tr>
<td>Seen as expendable &amp; replaceable</td>
<td>CUSTOMERS</td>
<td>Seen as appreciating assets</td>
</tr>
<tr>
<td>Obedient doers: minimum choice of what to do</td>
<td>EMPLOYEES</td>
<td>Highly empowered problem solvers: optimal choice of activity</td>
</tr>
<tr>
<td>Doing assigned tasks</td>
<td>WORK</td>
<td>Assuring quality outcomes</td>
</tr>
<tr>
<td>Evidence of task completion; outputs</td>
<td>MEASUREMENTS</td>
<td>Evidence of customer approval</td>
</tr>
<tr>
<td>Objective, material, rule-based</td>
<td>REWARDS</td>
<td>Psychological &amp; personal as well as material</td>
</tr>
<tr>
<td>Taskmasters (&quot;bosses&quot;)</td>
<td>EXECUTIVES</td>
<td>Leaders, enablers, &amp; supporters (&quot;coaches&quot;)</td>
</tr>
<tr>
<td>Structure &amp; systems define work life</td>
<td>ORGANIZATION</td>
<td>Structure &amp; systems serve people</td>
</tr>
</tbody>
</table>

**Exercise 13:** Discuss within the organization how it could improve its customer service.

In small groups, if appropriate, brainstorm about what economic development organizations need to know to more effectively respond to the demands, expectations, and needs of their customers and

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clients. List the ideas on a flipchart and be prepared to share the list with the other groups.

What would it take to exceed the needs and expectations of an economic development organization’s customers/clients? Make an individual list and then share it within your small group.
CHAPTER 5
CONTINUOUS PERFORMANCE IMPROVEMENT

If you’re not getting better, you’re getting worse. Pat Riley

We cannot become what we want to be by remaining what we are.
Max DePree

It’s not difficult to find quotes about changing for the better. Book stores are loaded with self-improvement books guiding us along a wide variety of change paths. As far back as the fourth century, St. Augustine of Hippo stated that “If you would attain to what you are not yet, you must always be displeased by what you are. For where you are pleased with yourself there you have remained. Keep adding, keep walking, keep advancing.”

However, being interested in improving is not the same as being committed to improve, as many of us have discovered. We may know the way, but we don’t necessarily have the will to pursue it.

The same can be said for changing the culture of an organization so that it is dedicated to constantly trying to achieve excellence, particularly with respect to providing excellent customer service. This doesn’t happen overnight, and it takes an ongoing effort to improve and maintain the process. However, it isn’t just a matter of working hard or harder. Putting a lot of effort into the wrong thing is no virtue. When customers come first, for example, mere hard work that doesn’t reflect understanding the customer’s needs, and flexibility and enthusiasm in responding to those needs, leads nowhere. Work must be smart, appropriately targeted, and adapted to the particular circumstances of the service to the customer. The organization is accountable for results, not for effort.

Being oriented toward results is key to excellent organizational...
management. Unfortunately, most organizations seem to lose sight of the results that are desired and expected of them from their stakeholders. Instead, as they confront organizational problems they approach them in one of two ways: they either blast through them and move on, or they change their work processes in a way that fixes symptoms but leaves the real causes of the problem unidentified and uncorrected.

In neither of the above cases does the organization take advantage of their opportunity to effectively address the causes of their performance problems. Even worse, as Deming has taught us, fixing symptoms while leaving root causes untouched often serves only to make future organizational performance worse. It’s like prescribing pills to reduce anxiety without finding out what is causing the anxiety.

Many organizations clearly fail to take advantage of their opportunity to learn how to improve performance. Every time an organization solves a problem, it has an opportunity to learn and grow from the experience. Yet, most of the time these opportunities go to waste. The organization moves on without taking the time or making the effort to ask: “what have we learned from this situation?”

This chapter is about understanding the concept of continuous performance improvement and why it is important to aggressively pursue it. Performance improvement will not happen by luck or casual activity. It takes a clear approach involving understanding the work process, how to improve it for increased productivity and more satisfactory performance, and how to achieve and then demonstrate results.

**PRODUCTIVITY IMPROVEMENT**

Virtually every organization says that it is interested in improving its productivity. However, as was stated earlier, doing so effectively and sustaining this improvement is another matter. Gains in productivity that are obtained through superficial motivational techniques such as snappy
slogans are much less effective than a rational and comprehensive approach to management that changes the way that the organization’s members are involved. Highly involved and well-trained workers can produce huge gains in quality, service, productivity, and innovation.

Far too frequently, management tends to blame its employees for poor productivity. Research consistently shows, however, that 85 to 95 percent of the quality or productivity problems in an organization originate in its structure and processes.

Organizations that focus on improving and simplifying their work processes rather than on trying to motivate their employees tend to be more productive and achieve higher quality. A management approach to improving productivity that incorporates the theme of “excellence” is likely to create enthusiasm naturally that no mere motivational techniques can sustain.

Exercise 14: One means for assessing the productivity of the organization is provided in the following two forms. One is to be filled out by management and the other by staff, and then a discussion should follow by both management and staff to explore the differences in opinion. The purpose is to identify activities in the office operation that could and should be improved.

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David Kolzow
# PRODUCTIVITY QUESTIONNAIRE

**Staff Members**

What degree of improvement do you feel is needed in each of the following practices or procedures in your office?

<table>
<thead>
<tr>
<th>Office Procedure or Practice</th>
<th>Need for Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily and weekly planning (you and your manager)</td>
<td>Little</td>
</tr>
<tr>
<td>Up-to-date job description (your manager)</td>
<td></td>
</tr>
<tr>
<td>Up-to-date job description (you)</td>
<td></td>
</tr>
<tr>
<td>Mission statement understood by you</td>
<td></td>
</tr>
<tr>
<td>Frequent meetings to discuss organizational concerns and get feedback</td>
<td></td>
</tr>
<tr>
<td>Regular, effective performance appraisal of your work</td>
<td></td>
</tr>
<tr>
<td>Group decision-making whenever possible and appropriate</td>
<td></td>
</tr>
<tr>
<td>Effective filing system and information retrieval</td>
<td></td>
</tr>
<tr>
<td>You feel that you have the authority to have meaningful contact with clients</td>
<td></td>
</tr>
<tr>
<td>Effective usage and cost control of office supplies/materials</td>
<td></td>
</tr>
<tr>
<td>Well-developed methods/procedures for completing work</td>
<td></td>
</tr>
<tr>
<td>Availability of office equipment/technology to work efficiently</td>
<td></td>
</tr>
<tr>
<td>Avoidance of last minute rushes from lack of planning</td>
<td></td>
</tr>
<tr>
<td>Regular training and development of staff</td>
<td></td>
</tr>
<tr>
<td>Manager makes full use of your time and abilities</td>
<td></td>
</tr>
</tbody>
</table>

How do you think productivity in your office could be improved?

________________________________________________________________________________________

David Kolzow
PRODUCTIVITY QUESTIONNAIRE

Manager/Supervisor

What degree of improvement do you feel is needed in each of the following practices or procedures in your office?

<table>
<thead>
<tr>
<th>Office Procedure or Practice</th>
<th>Need for Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily and weekly planning (you and your staff)</td>
<td>Little   Some Major</td>
</tr>
<tr>
<td>Up-to-date job description (yours)</td>
<td>_____   _____   _____</td>
</tr>
<tr>
<td>Up-to-date job description (your staff)</td>
<td>_____   _____   _____</td>
</tr>
<tr>
<td>Mission statement understood by staff</td>
<td>_____   _____   _____</td>
</tr>
<tr>
<td>Frequent meetings to discuss organizational concerns and get feedback</td>
<td>_____   _____   _____</td>
</tr>
<tr>
<td>Regular, effective performance appraisal of staff</td>
<td>_____   _____   _____</td>
</tr>
<tr>
<td>Group decision-making whenever possible and appropriate</td>
<td>_____   _____   _____</td>
</tr>
<tr>
<td>Effective filing system and information retrieval</td>
<td>_____   _____   _____</td>
</tr>
<tr>
<td>Staff has the authority to have meaningful contact with clients</td>
<td>_____   _____   _____</td>
</tr>
<tr>
<td>Effective usage and cost control of office supplies/materials</td>
<td>_____   _____   _____</td>
</tr>
<tr>
<td>Well-developed methods/procedures for completing work</td>
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<td>_____   _____   _____</td>
</tr>
<tr>
<td>Full use of staff's time and abilities</td>
<td>_____   _____   _____</td>
</tr>
</tbody>
</table>

How do you think productivity in your office could be improved?

____________________________________________________________________________________
____________________________________________________________________________________

David Kolzow
Sustaining productivity improvement is very difficult. The concept of Continuous Performance Improvement (CPI) states that all work is a process and you can always do it better. The assumption underlying continuous improvement is the Japanese concept of kaizen, which is that every employee, if given the opportunity, will seek gradual and continuous improvement in performance. CPI is a never-ending effort to discover and eliminate the main causes of problems in the organizational operation. It accomplishes this by making improvements in small steps rather than trying to tackle one huge improvement.

Continuous improvement ideally attempts to reduce the cost of quality by instituting measures to prevent poor quality rather than try to respond to it. These measures guard against internal failures, such as the need for rework or down-time, and external failures, such as customer dissatisfaction. In fact, one of the fundamental tenets of CPI is to look at the organization’s processes from the customer’s point of view. The starting point should be to find out what the customer and the end user want and/or need.

**Work Processes and Work Flow**

The effort to achieve excellence in the organization begins with each member of that organization. Most people tend to think of their own work in terms of a task carried out in relative isolation from other work in the organization. The first step in CPI is for staff to look at their work in terms of being part of the organization’s overall operation. This can begin with the following three questions that every employee should consider:

- Why do I do my work the way I do it?
- How can I do it better?
- How does what I do affect someone else?

As was stated earlier, achieving excellence requires a rethinking of how work is done in the organization. From the staff’s perspective, it is important to:

1) Identify the processes or tasks for which each one is responsible.
What is it that each individual does on the job?

2) Determine the customer's needs regarding those processes and the impact of these tasks on meeting the customer’s needs.

3) Make a flow chart of the processes and identify ways to measure how well customers' (internal and external) needs are being met.

A process is simply a sequence of tasks that together produce a product or service, similar to the Cycle of Service discussed in the Customer Service chapter. Work is accomplished through processes or work flows, and the organization improves performance by improving these processes. It has often been said that processes account for 80 percent of organizational problems, while employees account for only the remaining 20 percent.

The best way to understand a process is to draw a flow chart showing all the steps, from the beginning to the end. This can be done by the staff involved in the process, with a reality check provided by the “customer” of the process. The beginning of a process starts with a trigger that causes a specific action to be taken by a staff person or a work group, such as a request for information (the cycle of service). The ending occurs when the results get passed on to another person or work group. Each significant work-step needs to be identified and charted. When this is done, it is possible to visualize one’s own work in terms of being a step in the overall process. This will often lead to a whole set of new insights about how the work is done.

Most flow charts are made up of three main types of symbols:48

- Elongated circles, which signify the start or end of a process;

  ![Start](Start)

- Rectangles, which show instructions or actions; and

---


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• Diamonds, which show decisions that must be made

Within each symbol, it should be written down what the symbol represents. This could be the start or finish of the process, the action to be taken, or the decision to be made. Symbols are connected one to the other by arrows, showing the flow of the process.

Before drawing the flow chart, it is helpful to have the staff that is involved in the work process brainstorm the process tasks, and list them in the order that they occur. Questions can be asked such as "What really happens next in the process?" and "Does a decision need to be made before the next step?" or “What approvals are required before moving on to the next task?"

Start the flow chart by drawing the elongated circle shape, and labeling it "Start". Then move to the first action or question, and draw a rectangle or diamond appropriately. Write the action or question down, and draw an arrow from the start symbol to this shape.

Work through your whole process, showing actions and decisions appropriately in the order they occur, and linking these together using arrows to show the flow of the process. Where a decision needs to be made, draw arrows leaving the decision diamond for each possible outcome, and label them with the outcome. And remember to show the end of the process using an elongated circle labeled "Finish".

Finally, challenge your flow chart. Work from step to step asking yourself if you have correctly represented the sequence of actions and decisions involved in the process. Then (if you're looking to improve the process) look at the steps identified and think about whether work is duplicated,
whether other steps should be involved, and whether the right people are doing the right jobs.

The example below shows part of a simplified flow which helps chart how response to a prospect inquiry could be implemented in an organization:
Figure 6: Simplified Prospect Inquiry Work Flow Chart

Once the work group has flowcharted the process, the same group should be charged with redesigning or reengineering the process in such a way as
to eliminate unnecessary sign-offs and steps that provide limited value. To find out the best way to do anything right or well, you have to be ready to ask a lot of questions and listen to as many different answers as possible until you obtain a clear picture of what will work.

**Cycle Time and Process Time**

An organization beginning the CPI process should also focus on *cycle time*. Cycle time is the total length of time required to complete an entire process. It includes the time to perform the work and also to move documents, store, wait, review, and rework. The first step in measuring cycle time is to describe and outline the process that will be measured. This can be accomplished again using flow chart techniques and will require a person or a team of people physically walking through the process. A flow chart will show steps that are repetitive, superfluous, or insignificant. The flow chart provides a picture of the process that the staff can use to work on and to simplify. It helps people to focus on what *should* happen instead of what does happen.

Cycle time is also the time the customer sees; for example, from the initial request for information to its receipt. *Process time* is the actual time required to perform each step within the total process. The process time should be at least 50 percent of the cycle time. Most processes have a process time of only 2 percent to 10 percent of the total cycle time because of lost time while paper is flowing and sitting on desks.\(^{49}\) A study of the cycle time for many processes in the organization is likely to point out the value of speeding up the total time, from start to finish, that it takes to complete a given business process. Reducing cycle time is an ideal tool for a small organization because the concept is easy to grasp, its effect on quality and performance show up quickly, and it is inexpensive.

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Work Process Assessment

The improvement of work processes often encounters barriers or problems. Before an organization can work on where it wants to be, it must first assess where it is. If a problem is encountered, what is the root cause of this problem? What are the gaps between what you are and what you want to be? What are the organizational strengths and weaknesses that support or inhibit closing the gap? This is in essence an expansion of the SWOT discussion in an earlier chapter, but it is more specifically focused on the work process/flow.

This assessment phase is an opportunity to talk with customers, employees, and stakeholders about organizational performance. It’s an opportunity to do necessary research, to benchmark performance, to analyze work processes, and to investigate possible performance measures that will aid in determining progress. Furthermore, assessment is a time for getting down to the basics in the performance of the organization. It is a time to objectively identify and come to grips with the organization’s core values and how they support or get in the way of the performance needs of the organization. This assessment process was covered in the chapter on Understanding the Competencies and Capabilities of the Organization.

The cycle of service identified in the customer service chapter is an example of organizational work flow, but from the customer’s perspective. Applying the principles of continuous performance improvement to customer service, the organization should begin with the customer’s experience with what they receive:

✓ Are there significant complaints, dissatisfaction, or demands to do better?
✓ Are there customer problems your operation is neglecting, or even making worse?
✓ Are there opportunities to create benefits for the customer, especially with minimum additional expenditure of time and effort?

The organization should then work backward from these questions into the organization and its processes.
Ultimately, these work processes should be measured by their effectiveness, efficiency, and adaptability:

- **Effectiveness** is the extent to which the output of the process meets the needs and expectations of its customer. This could include timeliness, accuracy, performance, reliability, cost, responsiveness, and adaptability.
- **Efficiency** is the ability to minimize the resources and, therefore, costs required to perform each job, eliminating waste and non-value-added activities.
- **Adaptability** measurements determine how easily processes can be changed to meet future customer expectations and reduce processing costs.50

Another way of looking at this is that efficiency is doing things right, and effectiveness is doing the right things.

> We tend to meet any new situation in life by reorganizing, and what a wonderful method it can be for creating the illusion of progress while producing confusion, inefficiency, and demoralization. Petronius Arbiter, a 1st century Roman satirist.

An easy way to help people focus on redesigning their work process for excellence is to designate a few key tasks, procedures, or workflows as quality-critical ones. Then work with staff to set priorities for them based on the following five SPACE categories:

- **S**  Speed – How time-critical is this?
- **P**  Personal Touch – How important is it to deal with the customer’s attitude and feelings?
- **A**  Accuracy – How important is precision, conformance to specifications, information clarity, and error prevention?

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C  **Cooperation** – How important is it to dovetail with another staff’s task or with what the customer is doing?

E  **Efficiency** – How important is it to minimize the resource cost involved?  

The purpose of process improvement is to align all organizational systems and processes toward the ultimate purpose of delivering a higher level of value to the customer. Once the organization has satisfactorily addressed the key problem areas or organizational bottlenecks that inhibit achieving this purpose, it can go to work on areas of possible innovation. Particular attention can be paid to *exceeding* customer expectations. For example, a process performance outcome for improved customer service could be: *Raise customer satisfaction for receiving requested information by responding within 4 hours.*

*Exercise 15: Have each staff member make a flowchart of their most important work processes during the past month or so. Discuss in small groups what could be done to improve the process.*

**Project Management**

Charting work flow is an excellent way of improving the understanding of how the organization gets its work done in key areas of activity. It is also a good way to begin the process of project management in the organization. A project is an undertaking of the organization that has:

- A desirable and measurable result or outcome
- A specific timeframe – a start date and end date
- A budget

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David Kolzow
• Tasks that have to be carried out in sequence and in specific time segments
• Some idea of the resources that will be needed

An example of this could be attending a trade show as part of a marketing program, or local business visitation as part of a business retention/expansion program.

The aim of project management is to complete a project:
• On time
• Within the budget
• With the needed level of performance
• To the satisfaction of the client
• Without exhausting the team
• With a highly visible means for reporting the progress of the project.

The stages of a project management process are as follows:

• Project initiation stage;
• Project planning or design stage;
• Project execution or production stage;
• Project monitoring and controlling systems;
• Project completion stage.
Clearly, today’s complex operating environments require ongoing modification to what is being done in the workplace. That is made simpler and more effective by good project management, which is not a complicated process. It involves planning, which means thinking through all key aspects of a project before starting it. It also implies organizing, which translates to knowing what resources are needed and when, and then lining them up before getting into the project. Controlling is another characteristic of project management, which simply means checking progress as it occurs, spotting problems before they happen, and acting quickly to prevent or correct them. This approach leads to increased office productivity, and eliminates waste and lost time. Finally, good project management enables the organization to demonstrate performance and progress to management, stakeholders, and customers.

The value of project management is that it helps novice project leaders learn to apply the process steps as a roadmap to understand what is necessary in unfamiliar situations. Experienced managers can use the process summaries as a checklist to ensure that nothing essential is being left out (e.g., experienced pilots using a checklist).

Project management begins with designing the plan for the carrying out of the project. This should begin by determining the need and feasibility of
the project, confirming that it is needed and doable. The next step is to clarify and set the goals or outcomes for the project; in other words, what do you hope to achieve. Then a clear understanding of what must be done for the project to succeed needs to be developed, which is the big picture view of what the project is all about. Finally, the plan should facilitate obtaining buy-in from all the stakeholders and getting them on board.

Also as part of the designing process, it is important to set a schedule for determining when each activity must be completed for the entire project to be completed on time. In addition, the plan should provide a means for managing all the resources that can be spent on a project.

Basically, the project plan answers the following questions:

- What must be done?
  - What are the required resources?
  - What are the constraints?
  - What are the short and long term implications?
- Why do it?
- When must it be done?
- Where must it be done?
- Who does what?
  - Who is behind the project?
  - Who is funding the project?
  - Who is performing the work of the project?

A key element of the project plan is the Work Breakdown Structure (WBS). This is a hierarchical breakdown of all the tasks to be accomplished for a project to be completed.
Figure 8: Work Breakdown Structure

The WBS gives structure to the set of activities in a project. It fosters a process for identifying the major task categories to accomplish each goal of the project. Each activity in the WBS should:

- Have a single purpose;
- Have a specific time duration (a separate piece of work that has a start and a stop point);
- Be manageable;
- Be able to have its time and cost easily derived;
- Have deliverables that are clearly understood (e.g., buy a laptop computer, edit the brochure);
- Clearly assign responsibilities for its completion.

An example of this could be part of a targeted marketing effort:

- Assess assets to promote
- Identify the target audience
- Determine the location requirements of this audience
- Match location requirements with area’s assets
- Determine individual companies to contact
- Determine most effective means of contact
- Implement and manage the contacts
- Measure the results
A WBS should always break tasks into two or more subtasks. There is no point in having a single lower level on a WBS. The WBS should break down tasks to manageable levels. If responsibility cannot be assigned easily, or time and other resources determined easily, then the task needs to be broken down further. Activities should “add up” to the next level. That is, all the subtasks below a task should completely describe all the work being done in that task. There should be no subtasks which are tied to a level that is two tasks above.

The WBS should also be complete. No tasks should exist which consume resources that are not on the WBS (at least by inclusion into another task.) Tasks such as reporting on or managing the project must be included.

The WBS basically describes activities in more and more detail, until you get down to the smallest level of task you need to define for your project:
- The WBS is a really big ‘to-do’ list
- A WBS with too much detail is time-consuming to generate and to follow
- If the WBS doesn’t have enough detail, it is likely that you will miss important tasks
- The goal of the project should be accomplished when all tasks in the WBS are completed.
Once the tasks are identified, there needs to be estimates of the timing involved (the calendar). This should be based on:

- Staff-hours estimates
- Factoring in the percent of team members available for this project
- Factoring in holidays and vacations
- Factoring in other commitments
- Factoring in other heavy work periods

A schedule is a listing of planned events in a project. These events should be in a time sequence and show dependencies between tasks. Timelines, Gantt charts, and PERT charts can be used to visualize the schedule. An attempt should be made to minimize task dependencies to avoid delays caused by one task waiting for another to complete. The schedule should consist of key dates, including:

- board meetings
- due dates for reports
- milestones, including dates for delivery of specific outputs
- project review dates
• project completion date.
All of the activities of a project should be organized to produce tangible outputs for management to judge progress. *Milestones* are project achievements that help you to stage the development of the work and assess how well you are keeping to time. They must be visible to management, staff, stakeholders, and perhaps customers. *Deliverables* are project results delivered to management.

Project monitoring is a critical aspect of project management. It permits adjustment of a project if necessary, and even terminating it, if required. This is achieved through interim reports that contrast achievements against the schedule, board meetings, and regular reviews by the Project Manager of milestones, resource utilization, etc.

Project management systems work when buy-in exists within the organization for the methods and process. It does *not* work when:
- buy-in is lacking or there is minimal support for the methods by executives
- ‘short cuts’ are tolerated
- influential players are involved in project activity outside the project
- decisions made by project teams are not supported
- plans, schedules, and other work products of the team are not supported

Numerous books have been written about project management systems, and considerable software has been developed to facilitate it. It is the intent of the author to only introduce the concept of project management and to highlight its importance for improving organizational productivity.

**Re-engineering**

For many organizations, incremental improvement of work processes and procedures is not enough to significantly change it for the better. These organizations may need to *reengineer* themselves. Hammer and Champy
(Re-engineering the Corporation) describe reengineering as “the fundamental rethinking and redesign of business processes to achieve dramatic improvements in performance such as cost, quality, service, and speed.” The essence of reengineering is nothing more than continuous self-assessment, a process for improvement in which every organization (or individual) should be engaged.

The basic notion of re-engineering is that an all-out commitment for organizational excellence may require a need to uproot entrenched habits and work methods and virtually start over. Top management (the Executive Director and the Board of Directors) must be committed to re-invent the organization and keep changing it as necessary. The continuous improvement process should be driven from the top, but it will be implemented from the bottom. It is more a process of changing the culture and the system of the organization, and not the people involved in it. When the system changes for the better, the people change with it.

Human beings, however, tend to be resistant to change, as was discussed earlier in the chapter on Culture. It can be a fatal managerial mistake to think that resistance to new approaches won’t occur. According to Michael Hammer, the real cause of reengineering failure is not the resistance to change itself, but management’s failure to deal effectively with it.

THE LEARNING ORGANIZATION

The only sustainable competitive advantage, especially in knowledge-intensive industries, is the rate of organizational learning. Ray Stata, chairman of Analog Devices

In a time of drastic change, it is the learners who inherit the future. Eric Hoffer

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Continuous improvement of the work of the organization is not likely to occur without a significant measure of learning new ways of doing things. Essentially, all organizations “learn,” as they develop and respond to various situations. The critical issue is not whether learning takes place, but “what” is being learned. For example, do employees learn from their mistakes and their efforts to improve on their work processes, or do they learn how to avoid letting someone know that a mistake was made in the first place? In fact, although this may seem counterintuitive, organizations only learn when the staff and/or members don’t try to fix a mistake quickly but instead identify and remedy the cause of the problem so that it won’t happen again.

Nothing is as hard to understand as making the same mistake twice (or more!). Einstein is quoted as saying that “insanity is doing the same thing over and over again and expecting different results.” Yet this happens constantly unless what the organization learns is captured and shared, and is used to improve on the future. As the staff learns together, they also create core capabilities. The reason organizations strategically plan is because they realize that a gap exists between what currently exists and their organizational goals, or what they would like to see exist. The question becomes one of how creatively they will fill this gap through a process of constantly devising more innovative and hopefully more effective approaches. This needs to be a collaborative process that stimulates a number of new ideas.

Whether aware of the terminology or not, a number of companies and organizations are now attempting to create learning organizations. These have the ability to fundamentally and regularly revitalize themselves through rethinking and redesigning their work processes. A "Learning Organization" is one in which people at all levels, individually and collectively, are continually increasing their capacity to produce results they really care about. They are significantly more effective at accomplishing what is desired for the organization, and they enjoy doing it. However, it should also be emphasized that an effective learning


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organization not only creates knowledge, but it also transfers and shares that knowledge widely within the organization so that it can be effectively applied.

How learning occurs in an organization and what is learned are determined in large measure by the culture of the organization. The values, behaviors, and standards of the culture play a key role in setting the tone for learning new ways. If the culture doesn’t support sustained learning among the organization’s members, it isn’t likely that the organization will move toward becoming a learning organization and embracing ongoing change. Successful learning within the organization is based on continuous change and adaptation, and the culture has to support that environment if it is to be sustained. Learning organizations anticipate and more readily transform themselves so that they can be more responsive to the changes that need to be made. They also have a good time learning together. They wind up being excited about their work.

It would appear that three essential criteria are present in organizational learning:

1. **New skills, attitudes, values, and behaviors are created or acquired over time.** As the organization encounters changes in technology, socio-economic trends, and customer preferences, new ways of thinking and behaving are continually being created from the experiences of the members and the experiences of others. Learning is the conversion of such experiences into new skills, attitudes, values, behaviors, or services. To say that learning has occurred means that something has changed.

2. **What is learned becomes the property of the organization.** Organizational learning is a group process through which some insight or knowledge, created either by an individual working alone or by a team, becomes accessible to others. It is not about how individuals or work groups learn in an organization, but about how individuals or

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work groups working with others learn from one another’s experiences.

3. What is learned remains within the organization even if individuals leave. When employees of an organization leave, it loses an asset: access to that employee’s knowledge and talent. Organizations that are unable to retain experience must reinvest resources to regain the competence that is lost when learning on an organizational level does not occur.

Learning organizations can be further described as follows:

- Continuous learning by individuals, teams, and the organization provides a competitive advantage. Managers complete skill inventories and audits of the learning capacity of individuals and groups. They create systems for sharing learning and using it each day.

- Employees have a shared vision, which reflects the organization’s underlying assumptions and values. Managers and other organizational leaders help create and nurture the vision as well as inspire commitment from workers who contribute their ideas and are empowered to implement them.

- The entire organizational system is involved, which includes its strategy, structure, information flow, work processes, performance goals, training, individual and team development, and rewards and recognition.

- Management values learning as a continuous process. Managers clearly demonstrate a willingness to take calculated risks and try new ideas. They create a culture that rewards employee initiative and encourages feedback by employees to higher-level managers.

- Managers support decentralized decision-making and employee empowerment. They encourage a team approach to tackling organizational problems.

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The role of organizational leaders is to create the conditions essential for learning to take place. Learning, as a means for fostering organizational improvement, does not occur through chance but through the development and use of specific skills and knowledge. Barriers to learning exist due to the fundamental, conflicting ways in which individuals have been trained to think and act, which often runs counter to a progressive organization. Organizations themselves also erect barriers to discovering and implementing solutions to organizational problems. Therefore, leaders who want to make positive changes in the organization must work to create learning possibilities where there had been little or none before.

**TRAINING**

*Learning is like rowing upstream; not to advance is to drop back.*

(Chinese Proverb)

*The biggest obstacle to learning anything is believing you already know it.*

Any organization that is striving for “excellence” develops its members through a learning process, which implies education and training. The progress of an organization depends on the knowledge, skills, and competence of its members and staff. The concept of CPI is founded on the need for ongoing training in all of the areas related to the work processes of the organization and customer service. The quality of services of the organization is not likely to improve without significant staff training. The specific skills that employees need to be trained in will depend on what work processes they are involved in, and who their customers are.

It is important to provide excellence training within a context, so that people will understand its purpose and value. When everyone knows the right things to do and how to do them, fewer errors will exist in the delivery of services. Furthermore, when the organization institutes ongoing training, it demonstrates to its employees in particular that they
are valued, that their job is important, and that it is important that the job is done correctly.

The first step is to train the managers and supervisors thoroughly, so that they can appreciate and understand the training for the rest of the staff. Management also has to guide and support the employees through the training for and implementation of new skills. If employees and managers receive the same training and coaching, they are all in a position to teach and reinforce the competencies to any new employees who join their organization or work groups. This is the ideal of any high-performing team: the coach and teammates do the training.

Training staff in the organization needs to occur at three levels:
1) **Awareness** of what constitutes “excellence”, of effective customer service, and of doing it right the first time.
2) **Quality skills** – training in technical skills for analysis, “soft” skills, and the problem-solving and group process skills necessary for effective team action.
3) **Technical skills** -- a blend of job specific and group process skills will need to be developed, and training in these skills should be ongoing.

The key to successful training is to have comprehensive programs that are directly related to the mission of your organization. Unfortunately, far too often, when the organization has to make reductions in its budget, the dollars for training are some of the first to go. This is like telling a NASCAR driver that there will be no maintenance or improvement money spent on the car, but the expectation will still exist for winning races.

Rather than sending members of the organization to training sessions on an ad hoc basis or as money is available, the organization needs to have a plan in place that outlines the type of training needed to improve the performance of the organization, who should receive this training, who can best provide this training, and how the results of the training will be

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implemented. If the training acquired doesn’t improve the performance of the organization, what good is it? The strategic plan for the organization should ideally lay the foundation for the type and value of training needed to move the organization toward the results it hopes to achieve.

Once a session of training is completed, the participants should develop action plans that spell out what each participant will do to apply what was learned. These plans should be shared with fellow employees and with others who are stakeholders in their success. Some sort of assessment should be completed by the participants and their managers to determine what, if any, progress or improvement has been made as a result of the training.

Much of the training that is offered by economic development associations such as the International Economic Development Council, the Economic Development Institute, and Basic Economic Development courses around the U.S. is focused on “awareness.” Attendees are introduced to a number of topics in economic development and are given basic principles and practices to follow. This is useful, but it usually leads to adoption of only a few of these principles and practices back at the office. Much of the information that is provided is forgotten or filed away.

Acquiring “quality” skills can only occur through training sessions that give participants the opportunity to perform the skill. We learn best through use of a new skill, not through a presentation on it. Frequent opportunities need to be made available to staff and other members of the organization to participate in “soft skill” acquisition, such as teambuilding, problem-solving, decision-making, communication, leadership, conflict resolution, negotiation, customer service, diversity, etc. These are the quality skills that will advance the effectiveness of the organization ultimately. To further demonstrate this, a survey of senior training professionals identified soft-skills training as the highest training priority.58

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The value of charting work processes is that it can demonstrate the need to acquire technical skills, such as developing spread sheets, conducting impact studies, analyzing data, etc. This third type of training will require a combination of technical learning sessions and on-the-job practice. Computer-based tutorials or online (distant) learning can also provide a means for acquiring key technical skills. Again, these skills will only be really learned through practice and feedback.

I hear and I forget.
I see and I remember.
I do and I understand. (Confucius)

Earlier, the importance of being a “learning organization” was discussed. Clearly, the foundation for any learning organization is learning. Most of what will be learned will occur “on the job.” In fact, nearly 70 percent of all workplace learning takes place outside of the classroom, according to a two-year study by the U.S. Department of Labor. However, most organizations don’t pay much attention to or encourage effective in-house training. Furthermore, in this learning environment, management plays a key role in driving the training, which means that a lack of strong commitment at the top will subvert the training program.

As important as on-the-job training is in organizational learning, there is still the need for an infusion of new knowledge and skills from outside training. Regardless of where the learning takes place, the organization’s culture must reflect an expectation for continuous learning for the organization as a whole, and the management must take an active role in the process. A group of talented individual learners will not necessarily produce a “learning organization,” any more than a group of talented athletes will produce a great sports team. Learning organizations learn how to learn together. Only by functioning as a “learning team” can

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today’s economic development organization flexibly and quickly adapt to the changing demands it faces.

*Exercise 16*: *Each employee of the organization should take some time to think about the knowledge and skills he/she needs improving on or needs to acquire that will improve performance. These should be written down. At a meeting of the organization, set aside a block of time to have each person share his/her education/training needs. Record these on a flipchart.*

*After all the participants have shared their inventory of training needs, go back over the lists and look for commonality. Capture the more frequent needs on a new list.*

*Discuss and prioritize this new list.*

*Now determine through discussion if there are any additional training needs based on the mission and performance of the organization as a whole. Add these to the list and re-prioritize the needs.*

*Briefly discuss the “path forward” in terms of what to do next to pursue the acquisition of these skills. Set aside a future meeting to lay out a “plan of action” for organizational training.*

**MEETINGS**

*One either works or meets.*  Peter Drucker

No one particularly likes attending meetings. A meeting often involves getting people together to take an hour to discuss something that really could be resolved in ten minutes or less. Divergent points of view can sidetrack (or even derail) the proposed purpose of the meeting. People are often unprepared, have not planned in advance, or use visual aids that no one can read from more than five feet away. Participants walk away from boring meetings wondering, “what did we just discuss?” or, more likely, “why did I waste my time in there?”
According to a Wall Street Journal survey, meetings account for the greatest amount of unproductive time in an organization. They use up more time than telephone calls, paperwork, travel, and office gossip. Despite that, meetings are still the most used communication tool in today’s companies and organizations. Imagine how much time and money could be saved if only these gatherings were run a little more effectively. With a little preparation, meetings can be transformed into productive sessions helping the organization move toward, instead of away from, its goals.

**Meeting Preparation**

As important as many meetings may be, it should be decided at the outset if a meeting is really needed. Means of collecting needed information other than through meetings are described in the table below:
Figure 10: Meeting Alternatives

<table>
<thead>
<tr>
<th>MEETING PURPOSE</th>
<th>POSSIBLE ALTERNATIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feedback</td>
<td>o Phone calls&lt;br&gt;o E-mails&lt;br&gt;o Informal conversation over lunch&lt;br&gt;o Quick meeting in the hall</td>
</tr>
<tr>
<td>Briefing</td>
<td>o Letter/memo/e-mail&lt;br&gt;o Phone conference calls&lt;br&gt;o Informal conversation over lunch</td>
</tr>
<tr>
<td>Education/training</td>
<td>o Classes/workshops outside the organization&lt;br&gt;o Reading lists</td>
</tr>
<tr>
<td>Problem identification</td>
<td>o Questionnaire&lt;br&gt;o Phone conference calls&lt;br&gt;o Personal conversations&lt;br&gt;o Subcommittee</td>
</tr>
<tr>
<td>Solution – generating ideas &amp; options</td>
<td>o Subcommittee&lt;br&gt;o Individual work</td>
</tr>
<tr>
<td>Evaluation &amp; decision-making</td>
<td>o Individual work&lt;br&gt;o Subcommittee</td>
</tr>
<tr>
<td>Implementation</td>
<td>o Subcommittee or task force&lt;br&gt;o Individual work</td>
</tr>
</tbody>
</table>
Meetings can serve a number of purposes in an organization. They are a tool for sharing information, generating ideas, hearing a presentation, planning for the future, and getting together with colleagues. All of the following information is about how to conduct more effective meetings. This is important for increasing the productivity of the organization. However, these procedures don’t address the issue of the purpose of meetings. It is recommended that meetings should primarily be held when they do one of the following:

- **Resolve a customer problem or need.** Remember, these are the people for whom the organization exists.
- **Create a new way for the organization to do its work.** Organizational change and renewal require the effort of collective thought and feedback from senior management.
- **Solve an organizational problem.**

Although meetings can be much more productive when they involve resolving organizational issues, the approach of the meeting can vary. Some meetings serve the purpose of coming together to generate ideas and/or narrow down the field of ideas or options rather than making decisions. Information is shared and gathered, some analysis occurs, and positions are taken. Other meetings are about decisions and commitment to action. It is important going into the meeting to know what needs to be accomplished and how.

Some meetings are designed to be merely informative. The intent is to give or receive information about a specific idea or important matters concerning the attendees. Most meetings, in fact, are dominated by this information function. However, if the only purpose of having a meeting, other than getting together with colleagues, is for information, then why have a meeting at all? Meetings take up time and cost the organization a considerable amount of money in terms of staff time and resources.

Therefore, it is important to clearly identify the purpose of the meeting.

- Is it an opportunity for continuing education?

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• Is it to make a decision related to an organizational issue or problem?
• Is it to build support for a particular policy or program?
• Is the meeting being held to resolve internal conflicts or to engage in team building?
• Is the purpose merely information sharing and general discussion.

In other words, what is the desired outcome of the meeting. Ideally, this should be written down and shared so that it is clear why the meeting is being held and so that it can be used as a guide for planning the meeting.

Productive meetings don’t just happen. Producing a productive meeting is a lot like producing a great meal. You don’t just cook it. You think about it, plan it, and determine what it will look and taste like. The key recipe for a good meeting is preparation.

If it is clear that a need for a meeting exists, the following points provide a blueprint for an effective meeting:
1. Set a purpose for the meeting;
2. Define the desired outcomes;
3. Send out an agenda;
4. Determine who will participate and how each attendee needs to prepare;

The Agenda

A written agenda is important for an effective meeting. The agenda should:

- State clearly what you expect to accomplish (the purpose of the meeting)
- List key topics (place the most compelling items near the top of the agenda when members will have more energy to deal with them)
- Announce discussion leaders and speakers
- List anticipated participants
- Place a time limit on each topic, and a starting time and ending time
for the meeting
  □ Indicate expected outcomes/actions, such as:
    o Getting to a vote on an issue
    o Setting up a committee
    o Advisory comments only

A good agenda should avoid:
  □ Two time-consuming items in a row
  □ Two items of high emotion back-to-back
  □ Two similar subjects, one after the other
  □ Two routine items in a row
  □ Non-action items that can be covered in writing

The measure of a great agenda is its relevance to the meeting’s purpose and its importance to the participants. To anticipate and plan for relevance, it is helpful to ask three questions:
  1. To achieve our goal, what do we need to do in the meeting?
  2. What discussions will be important to the people who attend?
  3. What information will we need in order to begin?

Agenda items can be:
  □ Set by the leader of the meeting
  □ Developed from prior meeting minutes
  □ Standardized for periodic meetings of a work group (i.e., old business, new business, status review)
  □ Determined by a structured group process for planning or decision-making
  □ Submitted in advance by meeting participants
  □ Proposed by participants at the beginning of the meeting

Agendas ideally should be created and distributed in advance of the meeting. This also allows the opportunity to modify the agenda based on feedback. For formal meetings and meetings requiring preparation, this

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approach particularly makes sense. However, for informal meetings or for those called in the midst of change, building the agenda at the start of the meeting can also be an effective strategy. In this case, you will poll participants for items they think should be covered, build the agenda, prioritize, and budget the meeting time.

As was mentioned previously, each of the items on the agenda should have a stated desirable outcome. This is not to say that the plan for the meeting should attempt to predetermine the group’s action or decision.

Consideration also needs to be given to the group processes that will be used in the meeting so that it is efficient and effective. The basis for determining the meeting’s group processes should be the topics being considered, the desired outcomes, and the people involved. Should you bring in an expert or assign a small committee to gather and present information to the group? Do you need to do brainstorming to come up with new ideas? Should you use parliamentary procedures or a more informal process? Is the issue of sufficient importance that group consensus is required? Do you need a neutral facilitator to guide the group’s discussions and to reach resolution? Thinking through the topic and determining the process to be used will help keep your meeting on time, running smoothly, and increase the likelihood of success.

Location, date, and time are other important considerations. Meetings that require concentrated attention and/or creative thinking may be better held away from the routine work environment. If small group work is desirable, the availability of breakout rooms or sufficient space needs to be considered. In selecting the date, possible schedule conflicts should be avoided, and the availability of those who need to be in attendance should be confirmed. People like to schedule meetings well in advance to avoid the need for last minute schedule changes. In terms of time of day for meetings, this can greatly influence the amount of energy people bring to the meeting and the possible need for refreshments. Low energy times, such as immediately after lunch or late afternoon may require more frequent breaks or an increased number of energetic group activities.
Board Meetings

Meetings of the Board of Directors of the organization are a special form of meeting. Their purpose generally is:

• To hear about the organization’s progress.
• To hear reports from Board committees.
• To make policy decisions.
• To stimulate enthusiasm among Board members.
• To provide a vehicle for Board members to meet other Board members and staff.
• To maintain control over the committees and give them guidance.
• To communicate, coordinate, organize, and plan.
• To meet legal requirements for Board meetings.64

The chairman of the Board has the ultimate responsibility for planning an effective board meeting. In preparation for this meeting, the chair should:

• Meet with executive or key staff well in advance of the meeting.
• Consult with committee chairpersons.
• Define the major objectives of the meeting.
• Prepare an agenda and distribute it to members prior to the meeting.
• Assign responsibilities for each agenda item.

Because the Board is composed of volunteers, it is particularly important to make the meetings worth their investment of time. The length of the meetings should be no longer than two hours, and less if possible. After two hours, especially if the meeting is being held in the evening, attention will begin to wane. The chair should stick to the agenda and should keep people from wandering off the topic.

64 Adapted from: William R. Conrad and William R. Glenn, The Effective Voluntary Board of Directors
If the meetings are not scheduled for a particular day of the month, try to schedule the next meeting before the end of the current meeting. It is very difficult to do this later by phone or email.

It is hard to say how often a board of directors should meet. This really depends on the organization’s needs and the amount of business conducted in board meetings. The legal minimum is once a year, but most nonprofit boards meet more frequently than that. Some meet quarterly, some meet every other month, and others schedule monthly meetings.

The advantage of more frequent board meetings is that board members are more involved in the governance of the organization. The disadvantage, especially if the agenda doesn’t include much business, is that board members may be more tempted to skip meetings. Of course, the board president may call a board meeting at any time if special business has to be dealt with.

**Meeting Participants**

For every non-board meeting held by the organization, consideration should be given to who “really” need to attend. Those asked to attend should be those affected by the results, or who have something to contribute to the discussion. It is important not to waste people’s time by attending meetings in which they are not needed or for which they will receive little value.

Meeting participants also have a responsibility for increasing the value of the meeting to them and to the organization. They should:
- Review the agenda
- Be on time for the meeting
- Be prepared to contribute to discussion
- Remain on topic; avoid digression
- Be honest in discussions and avoid withholding information
Participation is a key to the attendees’ feeling good about a meeting. Receiving a report on operations may be important, but debating a future course of action is much more satisfying. When people are involved, contribute to the discussion, are able to ask questions, and feel that their opinion counts, they are more likely to leave the meeting satisfied that their time was well spent.

**Running a Meeting**

Whether the meeting is called to exchange information, coordinate action, motivate a team, or solve problems, it needs a leader. Lack of preparation on the part of the person chairing the meeting is inexcusable. His or her main objective is to keep things on track. The following are some easy, common-sense steps to keep in mind for running an effective meeting:

<table>
<thead>
<tr>
<th>Step</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start on time and don’t wait for late arrivals.</td>
</tr>
<tr>
<td>Open with a review of the meeting's purpose.</td>
</tr>
<tr>
<td>Keep the group on target -- define and clarify goals during the meeting.</td>
</tr>
<tr>
<td>Maintain an open and congenial atmosphere.</td>
</tr>
<tr>
<td>Discuss one issue at a time.</td>
</tr>
<tr>
<td>Allow interruptions only for genuine emergencies.</td>
</tr>
<tr>
<td>Support and encourage ideas.</td>
</tr>
<tr>
<td>Use active listening techniques.</td>
</tr>
<tr>
<td>Face tension frankly.</td>
</tr>
<tr>
<td>Control of the meeting should be firm but polite.</td>
</tr>
<tr>
<td>Maintain the proper physical setting.</td>
</tr>
<tr>
<td>During the meeting, be sure that someone is recording the ideas generated and the decisions made.</td>
</tr>
<tr>
<td>Use visual aids when possible and make sure those visuals are clear and colorful. (Researchers at the University of Minnesota found that presentations are 43% more effective when visual aids are used)</td>
</tr>
<tr>
<td>At the end of each major discussion point, clarify the steps for implementing actions and coordinating follow-through (who, how, when, and where).</td>
</tr>
</tbody>
</table>
Stay on schedule as much as possible. If a topic needs more than the allotted time, take a vote to either re-schedule it for the next meeting, or to eliminate another agenda point in its favor.  
Set the dates for the next meeting or meetings so that people can make arrangements to attend.  
End the meeting on time. Don’t exceed the completion time unless everyone approves.

Meetings can be formal (e.g., parliamentary procedure) or informal (e.g., interaction), depending on the need and circumstances. The differences are as follows:\textsuperscript{65}

\textsuperscript{65} Based on material by Michael Doyle and David Straus, \textit{How to Make Meetings Work}, Wyden NY, 1976.

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Figure 11: Informal vs. Formal Meetings

<table>
<thead>
<tr>
<th>Interaction</th>
<th>Parliamentary Procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>More informal, effective in smaller groups</td>
<td>Formal, designed for large groups</td>
</tr>
<tr>
<td>Leadership functions divided between chairman and facilitator</td>
<td>Chairman is responsible for both content and process of meeting</td>
</tr>
<tr>
<td>Stresses consensus and win/win decision-making</td>
<td>Uses majority vote, leading to win/lose decisions</td>
</tr>
<tr>
<td>Recorder and group memory makes progress of the meeting visible and self-correcting</td>
<td>Secretary takes notes privately for later distribution</td>
</tr>
<tr>
<td>Group memo summarizes notes made and corrected at the meeting</td>
<td>Minutes written by a single member of group, corrected at next meeting</td>
</tr>
</tbody>
</table>
Parliamentary procedure is well established as a traditional way to formalize decisions in a meeting. It has the advantage of being efficient, and it also offers a clear and well understood set of steps that lead the group to a decision. Its disadvantage is that people not experienced with the rules might be put off by its formality. In some situations, the reliance on voting and rule by the majority can be a drawback if consensus or support is needed from all members in the group, or if successful action can be blocked by a minority that does not agree with the decision.

An effective meeting can also be impacted by how comfortable the environment is. For example:

- The room should be large enough to accommodate everyone,
- seating should be comfortable,
- lighting should be adequate but also be able to be adjusted for PowerPoint presentations,
- drinks should be available,
- room temperature need to be comfortable, and
- outside distractions should be kept to a minimum.

A meeting setup checklist can be used to ensure that all of the necessary considerations have been given to the facilities, the informing of the participants, the equipment and materials, and housekeeping issues.

Ideally, the seating in the meeting room is arranged so that every person can see and hear everyone else. At the front of the room, equipment is provided to record ideas and decisions. A “smart board,” a computer projector hooked to a laptop, or an easel holding a flip chart is preferable, so that the recorded data can be saved. The use of a visual presentation visible to everyone rather than having someone record the proceedings provides these benefits:

- The visual display becomes a shared space that enhances collaboration.
- Everyone sees what is recorded, thus enhancing group responsibility for the group memory.
- Participants know when they have been heard because they get visual confirmation.
A useful tool for moving participants through the agenda is to create a separate page for issues raised that are important but either digress or are too complex to deal with during the meeting. Noting these issues on a separate sheet, which has often been referred to as the “parking lot,” respects the concerns of the participants and assures them that the issues will be ultimately addressed. Of course, it is important that these issues are addressed in a timely manner or this approach will soon lose its credibility.

**Resolving Conflicts**

If meetings are well-planned and well-run, conflicts are less likely to surface. If they do, they probably need to. Unfortunately, the most common reaction to conflict is avoidance. Repressing conflict or pretending that it doesn’t exist, with the hope that it will go away, solves nothing and only allows problems to fester.

The person chairing or facilitating the meeting is in a good position to help participants engage in “constructive” conflict. It is important for the meeting leader to understand, as best possible, the nature of the conflict, its sources, and how it is manifested. Then the chair can anticipate reactions when participants take opposing positions on organizational issues that come up in the meeting.

Generally, conflicts that stem from personal relationship issues are not likely to be solved in a meeting, nor should they be. This may require separate counseling, sensitivity training, or some other type of remediation strategy. However, those conflicts that arise from organizational disagreements can often be negotiated. The conflict can be framed in the same way a problem would be framed, and the negotiations would resemble a problem-solving process, such as will be discussed in a subsequent chapter.

What makes resolving conflict more difficult than solving an objective problem is the presence of strong emotions and lack of trust. The meeting chair or facilitator has to move through the meeting more slowly, spending
time talking with participants individually, and finding out from each individual or faction what it would take to be able to work together productively again.

**Meeting Reports**

At a minimum, the person recording the meeting should keep a summary that includes the following:

- **Action items** -- These are to-do’s assigned to attendees at the meeting. The task should be recorded, as well as the person responsible for taking action and the date agreed upon to complete the task.
- **Decisions** -- All decisions that may affect future activities of the group should be recorded.
- **Open issues** -- New issues raised at the meeting but not resolved at that time should be recorded so that they can be carried over to a future meeting.

To improve your meetings, end them with a brief discussion of what went well and what participants would want to do different in the future. In judging the success of a meeting, one could ask after the meeting is concluded:

- **What happened?**
  - Desired results achieved
  - Problems solved
  - Decisions made
  - Innovations brought forward
- **How well did the process of the meeting function?**
  - *How* problems got solved
  - *How* decisions were made
  - *How well* the group worked together
  - Level of participation
  - Enjoyment of the meeting (did the participants have fun?)
  - Was the meeting stimulating or challenging?
  - Did we build on each other’s ideas?

Comments regarding these items should be recorded and addressed in
The ultimate test of the value of a meeting is that it resulted in actions that advanced the progress and productivity of the organization. For that reason, the follow-up to a meeting is often as important as the meeting itself. A brief summary of what was said should be prepared right after the meeting and sent out as soon as possible. The summary should be concise and stipulate exactly what is to be done and by whom, and how it will be accomplished and by when. This summary creates a shared group memory. Individuals selectively perceive, retain, and recall their own experiences. Therefore, meeting participants will often remember a meeting quite differently from one another. Therefore, it is helpful to make sure that everyone agrees with the written summary.

Exercise 17: The purpose of this exercise is to identify the difference between good and bad meetings. Each participant takes about 5 minutes to think about meetings of the organization that he or she attended which was not as successful as it might have been, and then write down the things that blocked the people from good performance and that kept the meeting from becoming a success.

The participants then use a round-robin method (going from one person to the next for a single “block” until all meeting blocks are completed) to develop a list of blocks that kept the participants from doing their best and making the meeting successful.

Select the six most common blocks for general discussion. Try to arrive at solutions for overcoming these blocks in future meetings.
CHAPTER 6

CHANGE MANAGEMENT

THE REALITY OF CHANGE

*Change alone is unchanging . . . Nothing endures but change.*  Heraclitus (535-475 B.C. – Greek philosopher)

*All things must change to something new, to something strange.*  Henry Wadsworth Longfellow

Can you imagine life without change?  Knowing with certainty that tomorrow would be much like today, and that life would be very similar five years from now.  However, as we all know (even though we may find it difficult to totally accept), change is part of our human condition.  When we reflect on the major changes and the personal upheavals in our life, it often becomes clear that the setbacks and challenges that we encountered were actually catalysts for personal growth.

If it is certain that each of us personally changes and experiences changing circumstances, it is also true for every organization.  Organizational change can either occur as a response to an unexpected situation or can be carefully thought out because of a desire for making improvements.

The leadership of most communities recognizes the reality of change, but they often aren’t certain just what that change involves or what caused it or what can be done about it.  Economic development planning is designed to affect change for the better in a community or region, but the specific actions that should be taken are typically complex in their implementation and in their results.  For example, just about everyone would like to see improvement in the local standard of living, but for that to happen a whole lot of interactive programs and activities have to come into play.
This reality about local or regional economic change becomes reflected in the change management of the economic development organization and other development agencies. Many of the expectations desired for the improvement of the economy are impacted by events originating outside the community or region. This makes it difficult for the development organization to plan for or adjust to those changes. Clearly, the organization exercises little or no control over what is happening to it with respect to many outside events. These could include changes in legislation, major social and political events, the actions of competitors, shifting economic tides and trends, a loss of major local employers, and so on.

Unplanned change within the organization also can cause its members to respond in a highly reactive and disorganized way. Unplanned change might occur, for example, when:

- the Chief Executive Officer suddenly leaves the organization,
- significant public relations problems occur,
- poor performance quickly results in loss of customers or prospects,
- substantial cuts in funding are experienced,
- a need arises for adopting new technologies, or
- other internally disruptive situations arise.

Planned change occurs when leaders in the organization recognize the need for a major improvement and proactively organize a plan to address it. For example, organizations may need to undertake a significant change to embrace a more entrepreneurial or customer-focused culture. Planned change occurs most effectively with successful implementing of a strategic plan, a plan for reorganization, or other systematic retooling of the organization. It should be noted that planned change, even though based on a proactive and well-done plan, often does not necessarily occur in a highly organized fashion. Instead, planned change tends to occur in more of an unpredictable and disruptive fashion than that expected by participants.

Regardless of the driving force, improvement in a community or region and in the development organizations that serve it cannot occur without change. Since the focus of this book is on managing for excellence, the
complexity of change in a local or regional economy will not be addressed. Instead, the discussion will center on organizational change that fosters a more effective response to those events and circumstances that impact the organization.

A growing body of data shows that with more effective change management, projects are more likely to meet objectives, finish on time, and stay within the budget. An important “upside” to applying change management is improving the likelihood of success, and the data is quite clear about the correlation.

Research also clearly demonstrates that achieving “real” change in an organization means dealing with the reality of the humanness of that organization. *Organizations don't change; people do -- or they don't.* The behavior of the organization is nothing more than the collective individual behavior of each member. Each individual has his/her own pattern of behavior, much of which he or she is often not very aware. Although planned change typically begins with top management (Board and/or CEO), sustained change must occur with and within each member of the organization. Ultimately it is individuals doing their jobs differently that results in a successful and sustainable change (see Figure 12).
It is inevitable for employees to resist change, as they wouldn't be ready to accept anything that is unfamiliar and stressful. Employees are generally comfortable in working in their present surroundings and work environment. They don't want their schedule to be disturbed by any kind of changes in the process or work techniques that they have become used to. But when long-established working patterns are challenged by managerial or organizational changes, employees often try their level best to avoid these changes at any expense.

Furthermore, if the staff doesn't trust their leadership, doesn't share the organization's vision, doesn't buy into the reason for change, or isn't included in the planning, successful change isn’t likely, regardless of how brilliant the strategy. On the other hand, good managers work hard to help the employees understand the need for change to further improve the organization’s level of service and to enable it to move closer to excellence.

One of the most difficult aspects of change, therefore, is that it ultimately involves changing the attitudes and behaviors of the members of the
organization. That certainly is easier said than done. For example, many of us understand that to lose or maintain our weight, we need to reduce the intake of food in our diets and increase our exercise. Doing it consistently, however, can be very difficult. That’s because a tradeoff always exists between short-term gratification and long-term vision, or between believing about something in the future and using your energy to make a change or take a risk. It is often easier to simply revert back to your “comfortable” ways of doing things, and not having to think about your response.

A classic illustration of the personal change process is Charles Dicken’s *A Christmas Carol*. Through the visitations of the three ghosts on Christmas Eve, Scrooge sees more and more of the reality from which he has turned away. He sees the reality of his past, how the choices he made steadily whittled away his compassion and increased his self-centeredness. He sees the reality of his present, especially those aspects of reality that he has avoided, such as Tiny Tim’s illness. And he sees the reality of his likely future, the future that will occur if he continues in his present ways.

But then he wakes up. He realizes that he is not the captive of these realities. He realizes that he has a choice. He chooses to change. Significantly, Scrooge can’t make the choice to change before he becomes more aware of his current reality. Until we face up to our personal truths, we are not likely to change.66

"Cause change and lead; accept change and survive; resist change and die." Ray Noorda, technology pioneer and former president and CEO of Novell Corporation

Exercise 18: With you staff or Board, using this brief exercise really gets the point of change across. After the introduction of the “change” subject, ask the audience to “cross their arms.” The definition of “crossed” is folding their arms together, as if they were bored or waiting for something. Once they have completed this task, ask them

to “fold their arms the other way,” the reverse of what they just performed. It’s likely that 90 percent of the group will struggle with it.

Discussion Questions

- How did it feel when you were asked to cross your arms the other way?
- Did it come naturally or did you have to stop and think about it?
- Were you comfortable with doing this differently from your normal process?
- What are some things that make people resistant to change?

ARE YOU READY FOR CHANGE?

A formula has been developed by David Gleicher (Figure 13) that can be used to help decide if an organization is really ready for change.

Figure 13: Formula for Organizational Change Readiness

This formula demonstrates that three components must all be present to overcome the resistance to change in an organization:
- dissatisfaction with the present situation,
• a vision of what is possible in the future, and
• achievable first steps toward reaching this vision.
If any of the three is zero or near zero, the product will also be zero or near zero and resistance to change will dominate.67

On this basis, the organization must first come to grips with determining how dissatisfied they are with the existing situation. Merely being dissatisfied, however, doesn’t necessarily lead to improvement of the situation. The leadership must have an idea of what would be satisfactory in the future rather than just dissatisfactory. This would be part of their vision for the future. And, having a positive vision may provide a good feeling about the organization, but unless practical steps are taken to make it happen it will remain only an unfulfilled idea.

Unfortunately, missing from the typical management tool box is an understanding of how to move the organization toward desired change and how to integrate the existing shared values, or culture, into the change process.

As was indicated earlier, change in the organization cannot occur without change in each of its individual members. Individuals won’t change unless they see a reason to change. Willingness to change involves seeing that new behaviors are likely to be more effective at getting you where you want to go than old behaviors. It has been generally assumed that changes in attitudes lead to changes in individual behavior. In reality, the opposite is more likely to occur. Behavior is often shaped by the roles people are expected to play within the organization. Therefore, new roles, responsibilities, and relationships force people to develop new behaviors that may lead to changed attitudes.68

However, it also needs to be recognized that some people are naturally more "change-adept." The organization needs to identify and encourage the early adaptors. Change-adept people are naturally happier in their work because they have come to terms with a world that never stays the

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same. They can function even in a chaotic workplace, rather than fighting it. They are energized by, and actually thrive on, change. The change-adept are not necessarily more competent than their co-workers, but they have distinct advantages in the attitudes they hold and the strategies they adopt. Change-adept professionals build greater resilience and not only survive, but flourish, in changing times.69

Five factors appear to determine which individuals deal successfully with change:

1. **Confidence.** Confident people are self-motivated, have high self-esteem, and are willing to take risks. Quite simply, they know how capable they are.

2. **Challenge.** With any change, the danger of possible failures coexists with exciting opportunities for personal and professional success. Leaders need employees to be excited by the opportunities found in change. Employees need to recognize the benefits, even in a stressful environment, which can evolve from directed and desired change.

3. **Coping.** Some people are naturally more flexible than others, which makes them better at coping with and adapting to rapidly changing and complex realities. These individuals are more likely to lead the charge for change by accepting responsibility for it. To be successful in difficult times, the trick is not to brace yourself for change, but to loosen up and learn how to roll with it. Even with the best plans, alterations or revisions may be necessary because of unforeseen events. What managers need from employees is the ability to commit to a course of action and, at the same time, to stay flexible enough to quickly alter their behavior and attitude as needed.

4. **Counterbalance.** Those who are most resilient not only have a job -- they have a life. Change-adept individuals compensate for the demands and pressures of working for an organization by developing counterbalancing activities in other areas of their lives. For example, they engage in exercise

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David Kolzow 128
programs and healthful eating habits, they cultivate interests outside of work -- sports, hobbies, art, music, etc. -- that are personally fulfilling, and they have sources of emotional support. Because employees with counterbalance have a life that includes both work and recreation, they tend to handle stress better and, as a result, are more effective on the job.

5. **Creativity.** Buckminster Fuller once said, "Everyone is born a genius. Society de-geniieses them." Change-adept professionals have survived society’s tendency to develop a common mediocrity, and are able to remain curious, creative, and innovative. You can easily spot creative people in organizations. They are the employees who are constantly seeking ways to improve how the organization functions or how they perform. Typically, they question rules and regulations, and contribute ideas beyond their job descriptions. These creative employees seek out a variety of input from others that generate new thoughts, and they value any organizational experience that exposes them to new knowledge and skills.70

> We’ve got to live with chaos and uncertainty, to try to be comfortable with it and not to look for certainty where we won’t get it. Charles Handy, *The Age of Paradox*

As valuable as change-adept people are to the organization, most members are more likely to resist change. Even subtle resistance to change can be a problem. Most dissenters won’t stand up and shout at you that they hate what you’re doing to them and to their comfortable old ways. Instead, they will nod and smile and agree with everything you say. Then they will behave as they always have. Michael Hammer (*Re-engineering the Corporation*) calls this the “Kiss of Yes.”

Another part of the reason we may resist change within an organization is that a disconnect may exist between what we hear management say and

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how they actually behave. Those in charge who are advocating change must carefully model the behavior they want to see in others (they must “walk the talk”). If they do not send a consistent message and keep that message clear and pervasive over time, organizational change may be seen as just another fad. It is often perceived that the management of an organization doesn’t really mean it when it tells employees, “We want to try something new, and if you will help us, and stick with us, you will benefit as much as the customer.” Unfortunately, management frequently breeds cynicism rather than enthusiasm.

Exercise 19: Discuss within your organization the steps that could be taken to reduce resistance to change, inclusive of your Board and/or other stakeholders?

MAKING CHANGE HAPPEN

The need for change may be obvious, but, as was stated earlier, successful organizational change can be quite difficult to accomplish because it involves changing the habits of the members of the organization. This means that a transition must occur within each person in the organization that gives him/her time and motivation to change.
Clearly, an effective transition takes time because it requires that people undergo several phases for change to be embraced, and all of them are upsetting (see Figure 14). The first phase involves people letting go of the way that things used to be, and, in many cases, how they themselves used to be. They have to leave where they are, which may be asking them to give up tasks or ways of doing things that made them successful in the past. It could even mean changing their sense of “identity.”

This first stage is critical. For it to happen successfully, the members of the organization must understand why they must go through this change process. Otherwise, they will not be motivated to sustain the effort. A simple outline of the rationale for change can be found in the following hypothetical “dialogue” among the members of the organization:

- Why does our organization need to be more creative?
- Because we have to change the way we do things and we need new ideas about how to do that.
- Why do we have to change the way we do things?
- Because our services are taking too long to deliver and they aren’t meeting
customer needs.

- Why do they take too long to deliver?
- Because we haven’t got a clear process in place for delivering our key services.
- Why don’t we have a clear process in place?
- Because we have been satisfied with how we do things.
- Why have we been satisfied?
- Because no one has been pressuring us to do things any better.
- Why the change now?
- Because our funders and stakeholders are asking to see a clear demonstration of our results.
- And so on.

Asking “why” questions gets at the ultimate purposes of what we do and opens the door to finding new and better ways of performing our tasks. Why do we do what we do? Why do we do it the way we do it? Asking “why” questions also often gets into the motivation and attitude of staff, which is usually an important dimension of behavior change.

The best approach to preparing members of the organization for change is through increased and sustained communications and education. This should begin with management meeting with all the staff and stakeholders as appropriate to discuss reasons for the change.

Even after people let go of their old ways, they often find themselves unable to take on new ways. They are entering the second difficult phase of transition, which can be called the neutral zone. This state is frequently so full of uncertainty and confusion that simply coping with it takes most of the personnel’s energy. 71

Even if you’re on the right track, you’ll get run over if you just sit there.

Will Rogers

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When one door closes, another opens: but we often look so long and regretfully upon the closed door that we do not see the one which has opened for us. Alexander Graham Bell

The neutral zone is uncomfortable, so people are driven to get out of it. Some people try to rush ahead into some or any new situation, while others try to retreat into the past. Successful transition, however, requires that an organization and its people spend some time in the neutral zone. This time is not wasted. It is during this period that the creativity and energy are found that makes the transformation to a new way of thinking and doing possible. If this transition is not handled properly, the change may collapse. People cannot do the new things that the new situation requires until they come to grips with what is being asked.

The story of Moses in the Bible illustrates this situation. It was in the Wilderness that Moses was given the Ten Commandments, not in Egypt or in the Promised Land. It was the forty years in the Wilderness and not in the Promised Land that his people were transformed from slaves to a strong and free people.

Some people fail to get through the transition because they do not let go of the old ways. Others fail because they become uncomfortable and confused by the neutral zone, and don’t stay in it long enough for it to do its work on them. Some, however, do get through these first two phases of transition, but then freeze when they face the third phase, which is the new beginning. This phase requires that people behave in a new way, which can be upsetting and call past values or behavior into question. If the organization has a history of punishing mistakes, people are even more likely to hang back during the final phase of transition. They will wait to see how others are going to handle the new beginning.72

We must become the change we want to see. Mahatma Ghandi

As was stated earlier, the key to “excellence” in organizational management is to overcome resistance to changes in behavior so that significant improvement can occur. The dynamics of change involve inventing the future while the organization continues working in the present. It also involves working with ideas that aren’t likely to be familiar and that may be outside the organization’s “comfort zone.” This could result in the perception and feeling of substantial risk. It is also hardest to make necessary changes when things appear to be going well. However, if your organization is not changing, it will be left behind because your competition is likely to be looking for ways to improve.

Therefore, the reality is that members of the organization must be involved in the process of change and they need to know what that change means to them as individuals in the organization. They should be allowed to participate in coming up with ideas of what needs changing, how it should change, and what the change process should involve. When employees and stakeholders are part-owners of the change experience, resistance will diminish.

Clearly, “managing” change is important. At the heart of change management is the problem associated with change, which is how to make change happen in a way that can be supported by the members of the organization. As was stated earlier, it has to be understood that the current status is no longer acceptable before efforts can go forward to a new “state of being.” However, the means for making this happen is often not clear. Therefore, an effective systematic process needs to be put in place that will lead to the desired change.

One of the principles of managing change is to start by focusing on the desired results or outcomes of the performance of the organization as the primary goal of change, instead of focusing on the change itself. In fact, any major change effort must begin by describing the journey’s destination. Unfortunately, a lot of managers focus on the organization’s activities as opposed to focusing on measurable outcomes from these activities. For example, they will point to the creation of a new program or the expansion of the funding resources as proof that a change succeeded. However, these
are activities and not outcomes. To get employees to rally around change, you need to think about such changes as how the organization is improving customer satisfaction, meeting new needs in the community, or responding more quickly to prospect requests.

It should be obvious that major change within an organization is not likely to occur with a “big bang” because it takes time for people to accept the notion of change. Therefore, desired change is more likely if done incrementally. The following nine steps can be taken to implement effective change:

| 1. Establish a sense of need within the organization. Before starting organizational change, these questions should be asked: |
| • What do we want to achieve with this change, why, and how will we know that the change has been achieved? |
| • Who is affected by this change, and how will they react to it? |
| • How much of this change can we achieve ourselves, and what parts of the change do we need help with? |
| 2. Placing the reason for change within the context of a strategic plan. |
| 3. Communicating the vision of the organization as a guideline for change. |
| 4. Deciding which organizational processes need to be changed in light of what the organization is trying to achieve (the desired outcomes). |
| 5. Assigning accountability for the design of the change process and for the results. |
| 6. Involving as many people as possible, communicating the essentials simply in a way that appeals to and responds to people's needs. |
| 7. Generating short-term wins and rewarding and recognizing progress and achievements. |
| 8. Communicating the successes. |
9. Making change stick by reinforcing its value to employees and stakeholders and weaving it into the organization’s culture.

Management can help expedite desired organizational change by converting the previous nine steps into a well-thought-out plan. A good plan might include the following elements:

1. Kick-off Event — To demonstrate the importance of a change initiative, management could lead off with a kick-off event that would do the following:
   
   - announce the change
   - explain the compelling reason for the change
   - describe how this change will help employees and the organization
   - provide a high-level overview of the implementation schedule, including key milestones.

   The kick-off event could be made more interesting if it is festive, exciting, and uplifting. Some kick-off events include giving employees hats, t-shirts and other mementos that relate to the change initiative.

2. Training and Orientation — As has been pointed out, change requires employees to think and behave in new ways. It is important to provide them with the knowledge and skills needed for success. The first step is conducting a needs assessment, which can be part of a SWOT analysis. The next step is designing or finding the right training program.

   However, merely requiring staff to learn new skills and therefore change doesn't usually work because:

   - It assumes that people's personal aims and wishes and needs are completely aligned with those of the organization, or that there is no need for such alignment, and
   - It assumes that people want, and can assimilate into their lives, given all their other priorities, the type of development or change
that the organization deems appropriate for them.

It is for these reasons that a clear plan for change must be designed and initiated with everyone on board at the beginning of the process. This can be accomplished through such measures as structured employee involvement, an orientation to the reasons for change, and a clear program of new learning that will facilitate this change.

3. **Employee Input** – It is important to obtain as much feedback as practical from employees, including what they think are the problems and what should be done to resolve them. If possible, have the employees work closely as a team to manage the change. Check that people affected by the change agree with, or at least understand, the need for change, and have a chance to decide how the change will be managed. Furthermore, get everyone involved in the planning and implementation of the change. Use face-to-face communications to handle sensitive aspects of change management. Meetings should be held for organization members to express their ideas for the plan. They should be able to express their concerns and frustrations as well. Email and written notices are extremely weak at conveying and developing the needed understanding.

4. **Vision, Goals, and Measurable Outcomes** – Leaders in the organization (which is likely to include the Board and/or stakeholders) must articulate a clear vision that describes what the change effort is striving to accomplish. Ideally, people in the organization should have strong input to the creation of the vision and how it can be achieved. The vision should clearly depict how the achievement of the vision will improve the organization. It is critically important that people believe that the vision is relevant and realistic.

Often the vision is a description of overall outcomes (or changes) to be achieved by all or parts of the organization. This description should be clarified by the associated goals and strategies to achieve the outcomes. Sometimes, an overall purpose of the organization, or its mission, demonstrates the commitment to achieve the vision. All of this is about describing what the change would look like. The strategies would describe how to reach the goals, what resources are needed to reach the goals, how
long might it take, and how to know when the goals have been reached or not.

5. **Monitor and Measure**—The individual or team spearheading the change project needs to monitor performance and measure results. The staff should be informed and involved as needed. Implementing any major change requires course corrections and adjustments as the process proceeds.

6. **Reward and Recognize**—Specific dates should be established when staff will be rewarded and recognized as they achieve short-term wins. That builds momentum and keeps people motivated.

7. **Ongoing Progress Reports**—Relevant stakeholders and others should be informed about the progress in the desired change via the organization newsletters, group meetings, memos, e-mails, and one-on-one informal conversations. Management and/or the project leader should meet periodically with the staff to discuss relevant issues.

8. **Make It Stick**—The changes need to be integrated into the organization’s culture and its policies, procedures, and job descriptions. The less-exciting actions, such as updating procedures and manuals, makes the change become part of the organization’s behavior.

A very useful framework for thinking about the change process is in the context of problem-solving, which will be discussed in more length in a subsequent chapter. This planning effort for solving the change problem basically involves identifying the significant differences between *what is* and *what will be* (or should be). Then a systematic process similar to what has just been described is needed for determining ways of eliminating the differences between these two conditions. The last step is implementing the procedures for actually eliminating the differences between the two conditions. Managing change, therefore, can be seen as a way of moving from one condition to another, specifically, from a *problem* to a *solution*.73

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There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success than to take the lead in the introduction of a new order of things. Niccolo Machiavelli

**Exercise 20: Working with your staff or your Board and stakeholders:**

1. List the changes that could/should be made in the organization to help it become “excellent.”
2. One by one, consider each of these changes and discuss what might happen to or within the organization as a result.
3. Based on what happened in the previous step, choose the five changes which are the most compelling to you and your organization. Don’t be concerned about which changes seem realistic or easy to achieve.
4. Now discuss what the organization would need to do to achieve each of these five changes and how they relate to the organization’s vision and mission. What barriers and obstacles would have to be overcome?
5. Now consider each of these changes and name one indicator or measure for each change that would demonstrate that progress has been made.

**Exercise 21:** This exercise takes the change process from the overall organization level to the specific project level. Working with your staff, choose one key project that your organization is engaged in and work through the following questions:

1. Describe the project.
2. Why does the project need changing?
3. What in the project needs changing?
4. What changes are needed by the staff in order for the changes to take place?

**LEADERSHIP AND CHANGE**

Implementing major change in an organization is hard and difficult work. The responsibility for successful change must certainly include top management, including the board and chief executive. They must manage
the change in a way that employees can cope with it. The chief executive has a responsibility to **facilitate** and **enable** change, and all that is implied within that statement. This especially includes understanding the situation from an objective standpoint (to 'step back', and be non-judgmental). Subsequently, he/she needs to help people understand the reasons, goals, and ways of responding positively according to employees' own situations and capabilities. Increasingly the manager's role is to interpret, communicate, and enable - not to instruct and impose, which nobody really responds to very well.

Change is usually best carried out as an organization-wide effort. But for most organizations, the much bigger challenge is in “leading” change. Only strong leadership can blast through the many sources of organizational inertia. Only effective leadership can create a motivational environment around the actions needed to alter behavior in any significant way. Only committed leadership can get change to stick, which usually involves changing the culture of the entire organization.

Research on organizational behavior consistently demonstrates that it doesn’t work to have management simply demand changes. To many leaders, it would seem that change is a relatively simple process. All you have to do is lay out what needs to be done, when, and by whom. Then all that appears remaining for the organization is to implement the plan. Many leaders seem to believe that to make a change work, people need only to follow the plan, which shows how to get from “here” (where things stand now) to “there” (where they will be after the plan is implemented). “There” is where the organization needs to be if it is to survive and meet expectations, so anyone who has looked at the situation with a reasonably open mind can see that the change is essential. However, as was pointed out earlier, most people tend not to “follow the plan” and instead resist change.

Therefore, those leaders who are able to effectively **transform** the organization through fundamental change generally play three key roles:

- **Envisioning** -- Management must articulate a clear and credible vision of the new direction. This vision should be realistic and
attainable.

- **Energizing** -- Management must personally demonstrate excitement for the changes and model the behaviors that are expected of others. The organization’s leadership must talk to the staff and/or members about early successes in this process of change so that they are encouraged to continue the pursuit of future change.

- **Enabling** -- Management must provide the resources necessary for undertaking significant change and use rewards to reinforce new behaviors. Leaders must also build an effective management team to manage the changed organization and to develop management practices to support the change process.\(^7^4\)

> Organizational change begins with leaders who walk the talk by transforming themselves. Stratford Sherman

When an organization is attempting new behavior as a result of desired change and that effort is not reinforced by its leadership, employees are less likely to adopt that behavior consistently. The manager as coach becomes particularly important in this reinforcement, as well as the Board members. The leadership of the organization must “walk the talk” and be a good role model. As King Solomon so wisely stated in Proverbs 29:19, “Where there are words alone, even though the people understand, there will be no change.”

Although leaders drive the vision for change, it should be very evident that “managing” change is also important. Competent management is required to keep change efforts on track. A project manager may be assigned in a larger organization to help develop a realistic plan and to carry out the plan.

Most managers have limited experience at thinking about these things, and a minimal desire to start anytime soon. But unless decision-makers are willing to coach others through the change transition process, significant change is an interesting concept and nothing more. Clearly, most

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managers and organization leaders themselves usually need coaching and training before they can effectively coach others.

However, no training program by itself can fully prepare a leader for managing a transition. Yet no leader can effectively lead change – which is what leadership is all about – without understanding and, ultimately, experiencing the transition process. What leaders need is a process whereby they learn to:
  
  o Create plans to bring the rest of the organization through the particular transition that they face. This plan, as was outlined earlier, will need to clarify the rationale for the change, to describe what the change will look and feel like when the goal is reached, how the organization will get there (step-by-step), and what each individual can and should do to help the organization move forward. In many respects, if done correctly, the organization’s strategic plan can define and facilitate this transition.
  
  o Work with their own goals, limitations, and concerns to create a development plan that prepares them for the future.75

Benefits of Board Involvement in Change Management

The organization’s Board has a particular responsibility for ensuring that the organization is making a change toward excellence, as demonstrated by the following:

1. **The Board needs to ensure that the project is fully resourced and shows stakeholder support.**
   
   Board members have full authority for allocation of resources for the organization. Consequently, Board members can ensure that the change project has all necessary resources, including people, money, and time. Their allocation shows strong stakeholder support for change, which can sustain ongoing motivation and momentum for change.

2. **The Board ensures that project plans are developed and implemented.**

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The Board supervises the Chief Executive Officer. Therefore, although employees (including the CEO) usually develop and implement many of the action plans in the project for change, the Board can ensure that those plans are fully developed and completely implemented.

3. **Board members provide a wide range of useful expertise.**
   Board members often have a wide range of useful skills for governing the organization that can be employed in change management, such as planning, leadership, management, supervision, and problem-solving.

4. **The Board provides time and energy to help implement plans for change.**
   Employees generally are already overloaded. Giving them yet more work to do (during a change project) can completely overwhelm them and significantly damage the organization. Although the Board is responsible to govern the organization by establishing broad plans and policies, Board members still can help with implementation of change management by helping to develop and oversee development of appropriate plans that are designed to facilitate positive change.

5. **The Board provides objective assessment on program issues and results.**
   Board members usually are not (and should not be!) involved in the day-to-day activities of a program or project. Consequently, they often retain a relatively objective perspective on the activities and results of the change project. Their perspective can be useful when addressing issues in the project and evaluating results.

6. **Involvement of Board members is a powerful means to Board development.**
   One of the best ways to get good Board members is to give them something meaningful to do. One of the best ways to get rid of Board members is to give them too many irrelevant things to do. Your change project can be a help Board members believe that they are contributing to the improvement of the organization, which fosters the development of the Board.  

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To conclude, an earlier chapter discussed the importance of culture in the organization. It is imperative that consideration of that culture is found in the change process. A major mistake can be made by attempting to make organizational improvements without properly developing a culture of change. Furthermore, some aspects of organizations should never be changed, such as their core values. Figuring out what not to change is just as important as figuring out what to change. On the other hand, failing to anticipate and embrace the need for change is bound to have a serious negative impact on the sustainability of the organization.
Chapter 7

COLLABORATION (TEAMWORK AND BOARD MANAGEMENT)

INTERPERSONAL RELATIONSHIPS

"...thanks to the Internet and satellite TV, the world is being wired together technologically, but not socially, politically or culturally. We are now seeing and hearing one another faster and better, but with no corresponding improvement in our ability to learn from, or understand, one another."

Thomas L. Friedman, New York Times columnist

What Brings Us Together?

The eternal quest of the individual human being is to shatter his loneliness.

Norman Cousins

Most people value their relationships with family, friends, and colleagues. Although solitude is often to be treasured, feeling separate from people one cares about is generally not a desirable state. As John Donne stated, no man is an island, entire of itself; every man is a piece of the continent.

This need for belonging and relationships also carries over to the organizations within which we work. However, organizations are frequently thought of as “structures” that have their own life and being. We talk about organizations making decisions, carrying out programs, and succeeding or failing.

The reality of the organization is that it has no existence apart from the people who are part of it. Organizations evolved as society became more complex and more far-reaching. Large organizations came to dominate the socioeconomic landscape only in the last century. A lot less need for structured organizations and professional managers existed when people
tended to manage many of their own affairs.

Now, however, we now live in a vastly different world. “A century and a half of technological evolution produced communication and transportation technologies that make our entire plant a global marketplace... The changes mean that today’s executives deal with thousands of interdependent relationships – linkages to people, groups, or organizations that affect their job performance. And the diversity of goals, opinions, and beliefs among these players is typically enormous.”

Advances in transportation, communication, information technology, urbanization, and globalization have made the human experience a collective one. We are literally born, raised, and educated in organizations. We work in them, and rely on them for the goods and services we use. Our life and our work are centered in organizational activity. It is difficult to conceive of modern life without our organizations. Organizations enable us to respond to life’s complexity by determining who should do what (“division of labor”), and by creating rules, policies, and management systems to coordinate the diverse activities. As a result, all organizations have goals, boundaries, levels of authority, communication systems, coordinating mechanisms, and distinctive procedures.

As important as organizations are, they also bring problems. We all know of many examples of people being frustrated with or exploited by an organization. Too often, the products or programs of an organization do not work, their services are unsatisfactory, their clients don’t get what they want or need, their funders aren’t satisfied, and their policies make things worse instead of better. Conflicts within organizations or between them can escalate to all-out war. Resentment among employees reduces productivity. Management may struggle with the Board of Directors. Members of the Board may aggressively attempt to promote their individual agendas. Volunteers may become disenchanted. Government

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staff may be uncooperative with the business community. The list of potential disfunctions can go on and on. Every professional in the fields of community and economic development is well aware that it is getting much more difficult and complicated to create and implement effective organizational programs. Despite the growth in technical expertise, the development organizations frequently fail to deliver the level of services desired by customers and stakeholders.

It has become clear through extensive research that the core of most organizational problems is a problem with human relationships. As was previously stated, organizations are nothing more than a collection of individual people. Each person within an organization has distinct needs, feelings, and biases, as well as a set of skills and limitations. These individuals consist of staff, management, a Board of Directors or key stakeholders of some sort, and volunteers working in various capacities. Whenever these individuals interact, the emotions, values, experiences, viewpoints, and self-interests of each person come into play. When organizations interact, it is individuals within these entities that are coming into contact. Differences and conflicts between organizations are nothing more than differences between individuals in those organizations.

**Recognizing the Humanity of the Organization**

Because organizations are comprised of a group of people, they are only as strong or as weak as the individuals who work for or who manage them. If these individuals are experiencing problems in working together, the productivity of the organization will suffer accordingly. Unfortunately, the typical development organization spends more time and energy on creating new programs and procedures than on dealing with the human relationships within the organization or with those with whom the organization interacts. However, as a number of organizations have learned, increased productivity is less dependent on technology and more a function of personal motivation.

If the organization truly recognizes that it is people-centered, this can lead
to an organizational culture that stresses the improvement of relationships. This improvement requires that a great deal of attention is paid to the individual and to his/her ability to work with others. However, virtually everything we would want on a personal or business level is currently controlled, managed, owned, or protected by someone else. Conflict is therefore a normal occurrence in any organizational relationship. Consider the following line of reasoning:

“When the many parties who are linked together interdependently are very diverse from one another, they will naturally have difficulty agreeing on what should be done, who should do it, and when. Differences in goals, values, stakes, and outlook will lead different people to different conclusions. The greater the diversity, and the greater the interdependence, the more differences of opinion there will be. . . . When there are a lot of people involved (lots of interdependence), and when the differences among the people are great (a high level of diversity), resolving conflicts in efficient and effective ways becomes more difficult and complex.”

Just as conflict is likely with relationships between individuals, it is also to be expected within and between organizations, which are nothing more than sets of relationships. Very seldom do the goals and purposes of the various organizations in a community mesh in complete harmony.

**Interpersonal Behavior in Adults**

A useful framework for understanding the dynamics of relationships in groups or organizations can be built around Schutz’s three interpersonal relations orientations of inclusion, control, and intimacy. All people are viewed by this author as having these three basic needs that start developing in early childhood, with inclusion as the first need to satisfy (see Figure 15).

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Inclusion can be described as the need to establish and maintain satisfactory relations with other people. This is a need for belonging, to be wanted by other people, and, in turn, to be interested in them. Control is described as the need to establish and maintain a satisfactory relationship with people with respect to power and control. Intimacy is the need to establish and maintain a satisfactory relationship with people with respect to love and affection, which is the expressing of personal feelings. All adults must work out reasonably satisfactory interpersonal relationships in the areas of inclusion, control, and intimacy if they are to be happy, function fully, and use all of their abilities.

Because conflict is a normal part of human relationships, everyone experiences problems in their relationships. For example, while all people really desire to be included by others, some have had negative social experiences where they have been snubbed or hurt. Consequently, they

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David Kolzow
may react by withdrawing, thinking that “if I don’t try to belong, I can’t get hurt by being rejected.” In the control need, if people feel insecure with others, they may attempt to dominate all situations through aggressive behavior in order to achieve what they want. By dominating, it’s more likely that one wouldn’t have to do things in an effort to please others or be controlled by others.

The ideal relationships in the intimacy area are close, open, honest, and authentic relations with others based on a feeling that you are liked by other people and that you like other people. As people move toward more open communication with others and can express both positive and negative feelings, they are able to be more spontaneous in their actions and more creative in their thinking.

As we learn more about ourselves in relation to others and understand better why we do some of the things we do, we should be able to function more effectively in work and personal situations. Self-insight also leads to improved social sensitivity, which enables us to understand others better and to help them achieve more productive and satisfactory relationships. This is one of the major necessary qualities of the successful manager or supervisor.

Although it may appear too obvious to state, it is important to note that nothing contributes more to building and maintaining healthy relationships than a positive attitude. On the surface, attitude is observed only as you communicate your mood to others. Attitude really is an internal mindset that colors how you view others, how you feel about your situation, etc. When you are pessimistic and expect the worst, your attitude is often negative, which is then usually reflected in your behavior. When this happens, your fellow employees often avoid you or react negatively to you. When you are optimistic and expect that your encounters with others will be positive, you transmit a positive attitude. Normally, those around you usually respond favorably to a positive attitude.
What Individuals Bring to Their Experiences with New Groups

When people move to another organization, they bring with them the results of all previous work relationships and how they dealt with their needs, both personal and professional. Their attitudes and behaviors show up as new staff (or Board members) become involved in the organization. In observing the behavior of new members of the organization and trying to understand it, the following guidelines may be helpful to consider.

New members coming into a group (staff, Board members, volunteers) may find things that remind them of previous experiences, especially with the people they worked or interacted with. The attitudes and feelings they had toward the former person or situation may carry over and shape their relations within the new group. This process is often called transference, suggesting that people often transfer feelings from one situation or relationship to another (see Figure 16).

Figure 16

Especially important are the transference reactions to the person in authority (manager, executive director, or chairperson). People often have very significant reactions to authority figures. Group leaders should be aware that they are often the target of both positive and negative feelings from the members through no fault of their own. The important thing is for management to recognize these reactions, know that they may not have anything to do with them personally, and begin to work out a plan for dealing with them.

Individuals moving into a new organization may also become anxious
being part of an unfamiliar group, making them somewhat defensive in attitude. Most defensive reactions can be summarized as either moving toward (fight) or away from (flight) the source of anxiety. Competitive behavior is a typical “fight” response, and withdrawal is how insecure people often respond. It is important to deal with the real problem with new staff, which is the feeling of being threatened, rather than with the symptom (shyness or aggression), if the organization is to function fully.

Within any group, it is also typical that many members have two levels of agendas in their dealings with others, those that are on the surface and those that are hidden. Both sets of agendas are important. Hidden agendas, however, don’t come to the surface unless they are encouraged by a climate of mutual trust and acceptance.

Exercise 21: Each individual should take the Kiersey-Bates personality test, and then discuss the results and the implications for the operation of the organization. The test is available with the book entitled, “Please Understand Me II,” by David Keirsey.82

Exercise 22: Use the following questions to reflect on your Individual Effectiveness within the organization. When finished, share your results with the group and discuss the implications.

Over the past 12 months, think of a time when you were very effective. Then ask yourself the following questions:

a. What did I do?________________________________________

b. How did it reflect my type?_______________________________

c. How did I feel?________________________________________

d. How did others react (if others were involved)?_____________

Over the past 12 months, think of a time when you were not effective. Then ask yourself the following questions:

e. What did I do?________________________________________

f. How did it reflect my type?_______________________________

g. How did I feel?________________________________________

h. How did others react (if others were involved)?_____________

Over the past 12 months, think of a time when you were asked to do something that you were personally uncomfortable with because it was not consistent with your personality. Then ask yourself the following questions:

i. What did I do? 

j. How did it reflect my type? 

k. How did I feel? 

l. How did others react (if others were involved)? 

Based on your understanding of your temperament/personality, what strengths do you bring to the organization team?

What have you learned about your preferences that you think others on the staff need to know about you to build a better working relationship?

How can the information from this type of personality assessment help the organization?

Understanding yourself and those around you can empower you to move beyond the feelings and emotions that sometimes hamper your ability to create a more positive work environment. Sometimes in the clutter of the activities of the organization, we lose sight of those things that we are very good at. It is just those “things” that we need to turn to occasionally to repair our sagging self-esteem.

Exercise 23: In an organizational meeting or workshop, take a few minutes to list five things you are really good at on the job. After you have completed your list, share it with other participants.

Exercise 24: In an organizational meeting or workshop, each participant should share a positive major change that they made personally in the past year with respect to their involvement with the organization, and what motivated them to make that change?
People need to feel that they are special in some manner. When a person is able to be himself/herself and is free to grow in his/her own way, he/she develops a sense of *uniqueness*. That need to accept and recognize individuals is important to a supportive organizational environment.

**Moving from Cooperation to Collaboration**

It should be clear from the previous discussion that relationships within an organization do not start as collaborative. Collaboration, by definition, implies an ability to work together to solve organizational problems and issues. Typically, the individual agendas of the members of an organization or group preclude such a high level of interaction. At best, most organizations or groups have reached a spirit of *cooperation*. Cooperation has been defined as:

> Shorter-term informal relations that exist without any clearly defined mission, structure, or planning effort. . . . Cooperative partners share information only about the subject at hand.\(^{83}\)

As organizations move more effectively toward stronger internal relationships and getting work accomplished, coordination develops, which is defined as:

> More formal relationships and understanding of missions. People involved in a coordinative effort focus their longer-term interaction around a specific effort or program. Coordination requires some planning and division of roles and opens communication channels. Resources are made available to participants and rewards are shared.\(^{84}\)


\(^{84}\) Ibid.
Cooperation and coordination lead to improved relationships between members of an organization. The importance of good working relationships was reinforced in a study by John Kotter of hundreds of managers in many different settings. He concluded that:

Good working relationships based on some combination of respect, admiration, perceived need, obligation, and friendship are a critical source of power in helping to get things done. Without these relationships, even the best possible idea could be rejected or resisted in an environment where diversity breeds suspicion and interdependence precludes giving orders to most of the relevant players. Furthermore, since these relationships serve as important information channels, without them one may never be able to establish the information one needs to operate effectively.\(^\text{85}\)

A successful collaborative environment, however, goes beyond mere coordination and cooperation. Cooperation should lead to coordination and then to collaboration. Ideally, one of the key “quality” skills needed in an organization that is striving for excellence is the ability to work together as a collaborative team.

TEAMWORK

*Exercise 25: In groups, list some past experiences you have had with groups that didn’t work well? What was the problem?*

*In these same groups, list the characteristics of groups or teams you have been involved with that worked well together?*

*Be prepared to share your major conclusions with the whole group.*

We all need to feel that we belong to a group or team. From the beginning of time, people have formed groups. The attraction of being part of a group is partially that need to belong. We desire to feel *connected* to that

body of people. However, just being part of a group or an organization does not necessarily translate to being part of an effective team. There is an important difference between a group and a team.

**Work Group vs. Team**

A **work group** is two or more people in a work setting with a common goal. Groups stress *coordination* of activity in their early stages of activity. If the group is to solidify into a more effective collection of people, it is important that *cooperation* occurs among the members. However, very little problem-solving activity and few major breakthroughs occur within a work group. In these types of groups, it is common that the energies of individual members work at cross purposes, and much energy is wasted. Unfortunately, managers in many organizations seem content with performance at the level of a group. This is often because they have not thought beyond what *is* being accomplished to what *might be* achieved under improved circumstances.

The word “team” can be traced back to the Indo-European word *deuk* (to pull); it has always included a meaning of “pulling together.” In a “team,” a group of people functions as a whole. A commonality of direction emerges, and individual efforts get into sync with one another. To function effectively on a team, one must be able to understand oneself and others. Each individual within an organization has unique aspirations, different levels of skill and experience, a distinctive attitude toward work, and self-interest. Awareness of these differences provides a foundation for taking advantage of them in an organizational context. For example, discovering that one of the staff has a particular talent for graphic art and enjoys creating logos and graphs can enable the organization to use these skills productively.

When you ask people what it is like being part of an effective **team**, what is most striking is the meaningfulness of the experience. People talk about being part of something larger than themselves, of being connected, of

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generating exciting output. In teams, members are strongly committed to and responsible for one another’s personal and professional growth and success. It becomes quite clear that, for many, their experiences as part of truly great teams stand out as particularly memorable moments in their lives. “Teams, when they are led effectively, are truly the most powerful and productive means for accomplishing work.”

The following table (Figure 17) lists the differences between being just a work group vs. being a full-fledged team:

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**Figure 17: Groups vs. Teams**

<table>
<thead>
<tr>
<th>GROUPS</th>
<th>TEAMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members think they are grouped together for convenience only. Individuals work independently; sometimes at cross-purposes with others.</td>
<td>Members recognize their interdependence and understand that both personal and team goals are best accomplished with mutual support. Time is not wasted struggling over “turf” or attempting personal gain at the expense of others.</td>
</tr>
<tr>
<td>Members tend to focus on themselves because they are not sufficiently involved in planning the group’s goals and objectives.</td>
<td>Members feel a sense of ownership to their team and its tasks because they are committed to goals they helped establish.</td>
</tr>
<tr>
<td>Members are told what to do rather than being asked what the best approach would be. Suggestions are not encouraged.</td>
<td>Members contribute to the success of the planning process by applying their unique talents and knowledge to team objectives.</td>
</tr>
<tr>
<td>Meetings tend to be ambiguous discussion sessions.</td>
<td>Meetings are directed toward problem-solving in a collaborative environment.</td>
</tr>
<tr>
<td>Members distrust the motives of colleagues because they do not understand the role of other members.</td>
<td>Members work in a climate of trust and are encouraged to openly express ideas, opinions, disagreements, and feelings.</td>
</tr>
<tr>
<td>Expressions of opinion or disagreement are considered divisive or non-supportive.</td>
<td>Questions are welcomed.</td>
</tr>
<tr>
<td>Members are so cautious about what they say that real understanding is not possible. Game playing is likely.</td>
<td>Members practice open and honest communication. They make an effort to understand each other’s point of view, and to enjoy each other.</td>
</tr>
<tr>
<td>Members are discouraged from becoming too creative or pursuing higher risk alternatives.</td>
<td>Members are encouraged to think innovatively and to pursue more challenging possibilities.</td>
</tr>
<tr>
<td>Members find themselves in conflict situations that they don’t know how to resolve.</td>
<td>Members recognize that conflict is a normal aspect of human interaction, but they view such situations as an opportunity for new ideas and creativity. They work to resolve conflict and constructively.</td>
</tr>
<tr>
<td>Members may or may not participate in decisions affecting the group.</td>
<td>Members participate in decisions affecting the team, but understanding that their leader must make the final ruling whenever the team cannot decide, or it is imperative that a decision is made.</td>
</tr>
<tr>
<td>Conformity of behavior often appears more important than positive results.</td>
<td>Members agree on procedural standards, but allow people to be themselves as much as possible.</td>
</tr>
<tr>
<td>The focus is on setting goals.</td>
<td>The focus is on achieving goals and obtaining results.</td>
</tr>
<tr>
<td>Members may work for long periods of time without coordinating activities with one another.</td>
<td>Activities are coordinated within a specified timeframe.</td>
</tr>
</tbody>
</table>

“Leading business thinkers and top executives believe that teams, by melding the skills, experiences, and insights of several people, can outperform any individual.”

“Great” teams emphasize collaboration in accomplishing their goals: they attack and resolve problems together, creatively explore possibilities or alternatives, work well together, and/or execute well-developed plans, among other activities. The performance of the team is considered more important than the performance of its individual members. Extensive discussion, debate, and decision-making among the team members make the whole greater than the parts. As organizations face more complex problems, they need a high level of teamwork and collaboration.

Building Consensus

True consensus in a team or group exists when all its members agree on the decision. Consensus is about finding a proposal acceptable enough so that all members can support it and no member opposes the proposal. Consensus decision-making usually leads to the highest quality decision, but this process is the most difficult and time-consuming way to decide. Generally, reaching consensus requires:

- Time
- Trust
- Open communication
- Open-mindedness
- Creative thinking
- Active participation
- Effective listening

The following steps can help an organization or team reach consensus on an issue:

1. Generate a list of alternative solutions or ideas
2. Vote for the best ideas (maybe the top 20 percent)
3. Do a pro and con analysis of each idea
4. Discuss opinions about the proposed solutions
5. Determine if more than one solution can be used
6. Agree on the best idea; ask each person if they support it

This six step process is a form of problem-solving, which will be dealt with in more detail in the following chapter. When problems arise and there is disagreement, the successful team learns how to identify them and to develop solutions. A frequent advantage of arriving at consensus through problem-solving is that it can remove the focus on fault-finding and making excuses.

Although high levels of conflict may be involved in the consensus process, in the long run it is usually the most productive way to proceed. Members feel committed and responsible for decisions reached by consensus. They are all the more likely to work for implementation. Consensus also contributes to cohesiveness and increases productivity because it eliminates a losing side. Recognize, however, that consensus may also mean that the members agree to disagree. Total consensus, however, may be too high an ideal in many situations.

The Role of Trust

The team that enables people to excel together shows high levels of trust. Trust is the norm in a group that says that is okay for members and the team as a whole to take reasonable risks. Trust develops in groups that reward sharing of ideas, thoughts, opinions, and feelings. Trust also involves making and keeping simple agreements. People then feel free to devote their energies to the tasks to be accomplished instead of to protecting themselves.

As trust develops (and this occurs over time and through reinforcing experience), members of the team develop the confidence to share more and more of themselves, especially with respect to the work being done. Healthy teams develop an attitude that demonstrates acknowledgment and respect for each person’s unique point of view. They also encourage
members to use their special skills and talents in the process of achieving team goals. Members who trust each other also more often pick up the slack for one another, which results in the improvement of overall team or organizational performance.

One of the important factors that makes team members feel secure is recognition by the team that the individual well-being of the team members is more important than the team goals. In other words, a team would never sacrifice the well-being of a teammate in order to reach a team goal. This is what helps build trust among the members. A great example of this is found in the Marines, who have a high level of commitment to never abandon one of their own on the battlefield (“leave no man behind”).

Effective Teams

Contrary to popular understanding, highly effective teams are not characterized by an absence of conflict. Rather, it would seem that one of the more reliable indicators of a team that is moving forward is the visible conflict of ideas. In a team setting, conflict becomes productive, whereas in a group environment it may lead to “fight or flight.” The free flow of conflicting ideas is critical for the creative thinking needed by innovative organizations.

Because most economic development organizations are relatively small in staff size, the emphasis in this chapter will be on the entire organization functioning as an effective team. The economic development organization, regardless of size, should think of the team being the executive director, the staff, the Board of Directors, and volunteers.

Effective teams help their members meet the need to feel connected or belong. People who feel a sense of connectedness to the team and its members reveal different types of behavior than those who don’t. The person who has developed a sense of “connectedness” is able to:

✔️ Openly share feelings and thoughts within the team
✔️ Find it easy to work together appropriately to achieve team goals
✓ Develop relationships within the team
✓ Communicate and hear feedback without becoming defensive
✓ Provide encouragement to other team members
✓ Take risks in the team without getting overly anxious about getting rejected
✓ Have fun with other team members and share on a personal level
✓ Express disagreement openly

A team player isn’t born; he or she has to be developed. A “connected” individual must move into a level of commitment and responsibility to the team. This can include giving needed support even when doing so is difficult or unpleasant or comes at the expense of individual priorities. It is easy to be committed when no cost is involved. This is illustrated in the Chicken and Pig Fable. The basic fable runs:

A Pig and a Chicken are walking down the road.
The Chicken says, "Hey Pig, I was thinking we should open a restaurant!".
Pig replies, "Hmm, maybe, what would we call it?"
The Chicken responds, "How about 'ham-n-eggs'?"
The Pig thinks for a moment and says, "No thanks. I'd be committed, but you'd only be involved!"

As was stated earlier, true team commitment puts the best interests of the team first.

The difference between mediocrity and greatness is the feeling these guys have for each other. Most people call it team spirit. When the players are involved with that special feeling, you know you’ve got yourself a winning team. Vince Lombardi

A common mistake is to believe that because individuals are on the same team, they would tend to think and act alike. This is hardly ever true. The purpose of a team is to make the strengths of each person more effective, and to minimize the impact of his or her weaknesses. The focus is to look at the performance and the strengths of individuals combined in a collaborative effort.90 A cohesive team uses all the best individual assets of

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its members. Synergy is the result of this cohesion, which demonstrates 
that the whole (the team) is greater than the sum of its parts (the members).

A healthy team also recognizes the value of feedback on how their 
performance compares with what is expected of them. This is key to their 
learning, growing, and succeeding. The availability of good feedback 
enables the individual and the team to stay on target. Whenever a team 
shuts itself off from constructive analysis of its performance, it is likely that 
it will fail.91

The success of the team is based on the premise that two different but 
interrelated functions of group performance will be in place (see Figure 18). 
The task functions, which involve accomplishment of the various goals, 
are measured by the establishing and clarifying of performance or on 
“what” the group is doing. The relationship, or people functions, focus 
on group harmony and cohesiveness, and key in on “how” the group is 
functioning. The effective team, or organization, will pay as much 
attention (if not more) to the dynamics of the relationships of its 
members/staff as on what they are doing.

p. 39.
Figure 18: Effective Teamwork

Incorporated into the culture of the organization should be a clear and high level of support for a team approach. If team members (i.e., organization staff) know that teamwork is an important organization value, they will be less likely to become discouraged during the rough spots.

In summary, if the organization hopes to function as an effective team, the members should have:

- Authority as well as responsibility
- Shared goals
- Mutual trust
- Excellent communication
- A commitment to a problem-solving approach
- Continuous training
- Performance targets
- An evaluation process that focuses on team results rather than evaluation of individual staff performance
Exercise 26: What actions could be taken to improve the ability of our organization to work together better as a team?

Assessing the Level of Teamwork

Periodically, the organization should assess its capacity to function as an effective team. This can be accomplished by analyzing the team’s strengths and weaknesses. The key is to capitalize on the member’s strengths and manage around their weaknesses. This requires an understanding of fellow team members as well as yourself. That is one of the purposes of the Myers-Briggs or the Kiersey-Bates personality assessments, the latter which was mentioned earlier in this chapter. Each person must be viewed as a complex human being with unique values, aspirations, and motivations. It is this deeper understanding of people that enables the organization to work through the complexities of team dynamics and organizational life.92

This team assessment should also go beyond looking at the individuals in the organization. The work environment as a whole needs to be analyzed to see whether its mission, values, vision, policies, work processes, and organizational structure are in alignment. This can be accomplished through staff and stakeholder interviews, focus groups, and surveys. Constituents and customers should also be surveyed to identify their satisfaction or concerns.

Assessing team performance, or organizational performance as a team, can be accomplished to a great extent through structured dialogue among team members. Team members should be encouraged to identify factors that help or hinder their performance. Their individual expectations should be measured against those of the organization, as demonstrated in its goals. The feedback and discussion of results from this dialogue can help the team (organization) face its problems, evaluate its behaviors, and identify its challenges for future improved performance. Answers should be sought to such questions as:

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What is it like to work here?
What helps or hinders our working together?
What is each of our jobs and our responsibilities?
What are our expectations of one another and of the organization?
What changes could be made to improve performance?
What does each team member need to do differently?
What can this organization do to work more cooperatively?
What commitment is each member willing to make to increase our effectiveness?93

A wealth of printed material is available to help build stronger teams, including assessing team effectiveness. Teamwork training requires a significant commitment of resources, both in time and money. Numerous books have been written to aid in this process, and many professional trainers focus on team building assignments. For that reason, this document will not attempt to highlight specific team building exercises or approaches.

THE MANAGER AS TEAM LEADER

Managers are people who do things right; leaders are people who do the right thing. Warren Bennis

Every economic development organization will have an executive director whose responsibility it is to carry out its programs and to achieve its goals. Successful executive directors will design and manage the implementing of effective and efficient organizational systems. Ultimately, however, it will be the effectiveness of the executive director as the leader of the organization that will determine its success.

Management of an organization often does not recognize the importance of the leadership role. Managers frequently do not perceive that who they are as people affects virtually every aspect of their organization. They do not appreciate the extent to which they are role models. Almost everything

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they do is noted and absorbed by those around them, though not necessarily consciously. The behavior of the leader or leaders is reflected throughout the entire organization by those whom they influence. If a leader has a high level of integrity, a standard is set that others may feel drawn to follow. If a leader treats associates, subordinates, customers, and vendors with respect, this tends to translate into the culture of the organization.94

**Authoritarian vs. Facilitative Leadership**

Most organizations require a new type of leadership than what has been the traditional model. Supervisors need to act more as teachers, coaches, and leaders than as authoritarian bosses. The traditional management approach in which the manager takes on an autocratic role (i.e., the “boss”) is clearly losing favor to this more facilitative approach. “An autocratic manager announces decisions, does not solicit input from staff, and expects the decisions to be carried out. They may, however, put effort into promoting people’s acceptance of their decisions.”95 The facilitative manager, on the other hand, involves staff and others, such as Board members, in the decision-making process.

If the organization as a team is working effectively, members tend to manage themselves. No “boss” is required to watch over every task. When people are given the opportunity to contribute to leadership and are allowed to hold themselves accountable to standards they have helped establish, they begin to work as if they own the process. This feeling of ownership causes them to increase their attentiveness and caring. They care for customers, improve quality, and, in some cases, devise strategy. The resulting work behaviors add to the team member’s sense of well-being and increase the value of work life.

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95 CUED Managing Economic Development Organizations, p. 17.
If the executive director or manager of the organization is to succeed working as a facilitator to encourage team development, attention must be given to:

- Involving team members in making the decisions that affect them;
- Facilitating their problem-solving and decision-making activities;
- Providing social and emotional support;
- Coordinating team activities;
- Mediating and harmonizing interpersonal problems;
- Building strong, cohesive relationships within the team; and
- Helping members get recognition and self-enhancement as the team goes about its work, thereby increasing the attractiveness of being part of the team.

**Transactional vs. Transformational Leadership**

The manager/director of an organization has to be more than just adequate as a leader. He or she has to do exceptionally well if the organization is to achieve excellence. The leader has to take a broad view of the agency’s functions and take his/her role seriously, rather than taking himself/herself seriously.

Managing for excellence, therefore, requires transformational, not transactional, leadership:

- *Transactional leaders* watch and search for deviations from rules and standards (foul-ups) and take corrective actions. They intervene when standards are not met, rather than taking steps to ensure that the standards are met.
- *Transformational leaders* gain respect by developing a vision for the organization. They communicate high expectations and focus on higher ideals. They also promote intelligence, rationality, and careful problem-solving. Finally, they treat employees as individuals and give personal attention to them.96

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The goal of transformational leaders is to help all the members of the organization perform to the best of their abilities. They help employees see a need to create a more effective organization. They also involve the members of the organization in planning for and creating a new vision and organizational strategies. Generally, successful organizations are led by transformational individuals who can move beyond their own biases and think in terms of what it will take to achieve excellence in the organization.

Moving from a transactional manager to one who is transformational generally involves dramatic change. As was pointed out earlier, significant change is hardly ever easy. Managers who are trying to be more of a facilitator but are accustomed to close oversight of their organization often must go through a withdrawal process that can be described as follows:

1. **Fear and resistance** -- At first, managers feel that they are losing control as members of the organization strive to take on authority as well as responsibility.

2. **Tentative acceptance** -- Managers start yielding authority haltingly, clinging to old habits, such as numerous meetings and memos, and close policing of subordinates. The result is often overwork, buildup of stress, and inefficiency. Training programs can drive home the need to accept new ways and build teamwork.

3. **Surrender** -- When they at last see how efficient it is to trust staffers, managers acquiesce. Managers start acting more like coaches than overseers. By letting colleagues help shape policies, managers find people have a stake in their success.

4. **Advocacy** -- As they see colleagues enhance the organization’s performance, managers encourage subordinates to share authority even further down the line. Now the subordinates face their own cycle of letting go.97

_The most important task of an organization’s leader is to anticipate crisis. Perhaps not to avert it, but to anticipate it. To wait until the crisis hits is abdication. One has to make the organization capable of anticipating the storm, weathering it, and, in fact, being ahead of it._  

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97 *Business Week, Enterprise* 1993, p. 219
There is no “I” in “team.”

The leaders who work is most transformational avoid saying “I.” They don’t even think “I.” They think “we;” they think “team.” They understand that their job is to make the team function. They accept this responsibility and don’t sidestep it, but give the credit to the team. This is what creates trust and what enables the manager to get the task done. The worst thing you can say about a leader is that on the day he or she left, the organization collapsed.

It is important to note that transformational leadership skills are not something one is born with; they generally are acquired. The key acquirable skills, known as “soft skills,” are:
- problem-solving
- decision-making
- conflict management
- negotiation
- team management
- group process
- improved communication skills

This implies that the effective manager/leader will make the effort to continually improve upon this set of skills, which translates to education and training. Improvement will not likely happen through casual application.

It should be noted that the newly-hired leader of a development organization doesn’t have much time to get established; usually less than a year. To be effective in that short time, the role the leader takes has to fit in terms of the mission of the organization and its values. The role also has to fit the individual serving as director – who he/she is, and it has to fit the expectations of the organization’s stakeholders. This all adds to the difficulty of a new executive being able to be transformational, but doesn’t diminish the need to do so.

Exercise 27: Management Style Profile – the staff will fill out their assessment of the executive director as team leader, and the executive
director will do a self-assessment using the same form. The facilitator will average the staff evaluations and compare the two assessments for each item. This should serve as the basis of discussion within the organization.

Manager as Coach

Instructions: For each statement below, decide which of the following answers best applies to you, or to your executive director. Place the number of the answer in the space at the left of the statement.


1._____ I keep my staff informed about our overall organizational plans and operating results.
2._____ When I ask my staff to accomplish something, I specify the end result wanted rather than specifying how to do it.
3._____ I keep my staff informed of how they are doing on the job. I provide support and backing to my staff.
4._____ I provide support and backing to my staff.
5._____ I express my displeasure and concern to my staff whenever they don't achieve expected results.
6._____ I am accessible to my staff and easy to talk to, even when I am very busy and under pressure.
7._____ I have thorough discussions with my staff to help them learn from their successes and failures.
8._____ I talk with my staff about their ambitions and aspirations for the future.
9._____ I encourage my staff to participate in setting goals and/or objectives and in determining how to achieve them.
10._____ I insist that my staff think through problems and make important decisions on their own.
11._____ When I talk with my staff about their performances, I am open and frank in telling them what I think.
12._____ I provide encouragement to my staff whenever they are undertaking difficult assignments.
13._____ I praise my staff whenever they achieve a significant result.
14._____ I empathize with my staff's viewpoints when I discuss problems and undertakings with them.
15._____ I provide opportunities for my staff to broaden their experience and increase their competence.
16._____ I explain to my staff the requirements they would be expected to meet to qualify for larger responsibilities within our organization in the future.
17._____ I clarify with my staff their duties, responsibilities, and the important results they are expected to accomplish.
18._____ In working with my staff, I follow up on just the significant tasks rather than on all the various minute details.
19. _____ I work with my staff in developing agreed-to "standards of performance" to use in judging the results they have achieved.

20. _____ I contribute ideas such as tactics, strategies, and approaches to assist my staff in achieving their desired results.

21. _____ I provide appropriate recognition and rewards to my staff for the results they have achieved on the job.

22. _____ I encourage my staff to express themselves openly, even when their views differ from mine.

23. _____ I chat with my staff about the ways they might improve their effectiveness on the job.

24. _____ I discuss with my staff specific things they might do to better qualify themselves for taking on greater responsibilities in the future.

THE BOARD OF DIRECTORS AS PART OF THE TEAM

As was stated earlier, the Board of Directors of a nonprofit organization also is or should be part of the organization’s team. However, the line between Board and staff roles and decisions is often blurred. Too often, when the Board is asked to take some action, it is one of a trivial nature that should have been made by the executive director, such as: what kind of computer to buy, which insurance agent to use, etc. Some boards get involved in a higher level of administrative decisions, such as hiring staff, signing all checks, and approving grant proposals. As difficult as it may be at times to avoid getting involved at this level, the role of the Board is not to “manage” the office activities.

If Board members lack a clear sense of purpose, a danger always exists of them getting involved in activities that aren’t their responsibility. Although “micro-managing” gives many Board members a sense that they are doing important work, in the end they are causing major administrative problems for the organization. On the other hand, if much of what they are asked to do is rubber stamping at best, a tendency exists to either become apathetic or inappropriately involved.

How Board members spend their time with the organization is important. For example, some may complain about the mind-numbing details that occupy Board meeting time. As a result, Board attendance is frequently low and quorums hard to assemble. What these activities largely amount to is reviewing what has already occurred, and they have little relevance to
what are uniquely the Board’s responsibilities.

All things being equal, it would be easy to argue that organizations should be led by dedicated Boards and thoughtful, strategic leaders. Yet, many organizations appear to be led by under-engaged Boards and poorly trained leaders. Therefore, it is important to fully understand the most effective role of the Board and the management of the organization.

**The Board as Governing Body**

The Board is legally a governing entity for the nonprofit organization. In this role, the Board must stand outside the organization and hold it accountable to the public interest. This requires that the Board of Directors or trustees act as guardians of the public trust. Their task is to act as stewards, which means they are accountable to the state governments that granted the organizations their respective charters, to the federal government that granted tax-exempt status, and ultimately to the public itself.

In order to ensure that Board members of nonprofit organizations have the public’s interest at heart, the individuals should not serve in order to gain any financial benefits from their membership, as might be the case in a profit-making organization. For the most part, they are expected to serve without compensation (except for reasonable reimbursement for out-of-pocket expenses). They are expected to meet their obligations and to work for the organization’s and the community’s benefit. A governing Board also has a legal and fiduciary responsibility. They must make certain that the organization they serve is carrying out its mission as stated in the articles of incorporation, and that its financial activities are both legal and proper according to state and federal requirements.

The National Center for Nonprofit Boards has outlined three duties for members of nonprofit Boards: care, loyalty, and obedience. These are established legal principles, not wishful thinking.

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√ **The duty of care** refers to the responsibility to be a prudent Board member. In other words, Board members must pay attention to what is going on and make decisions based on good information.

√ **The duty of loyalty** means that a Board member must put the organization’s welfare above other interests when making decisions.

√ **The duty of obedience** requires that Board members act in accordance with the nonprofit’s mission and goals.

One of the primary responsibilities of the Board as a governing body is to establish the policies of the organization. Policies basically are rules and procedures. They are ways for the organization to set limits and to develop systems for how things are done within the organization. Policies serve as management guidelines so that, when implemented, they accomplish the day to day running of the organization without constant Board approval.

Examples of policies:
- Reporting procedures of the management to the Board.
- Process for monitoring and approving expenditures.
- Basic employee policies.
- Appropriate volunteer involvement in staff or organization activities.
- Process for evaluating the performance of the program and the chief executive.
- How Board meetings are to be conducted.
- Establishing who speaks on behalf of the organization.
- Avoiding conflicts of interest or asking for special favors.

**By law**, the Board is responsible for setting policy for a nonprofit organization. These policies are set forth in the Articles of Incorporation and the Bylaws. In addition, the Board may wish to develop other documents such as a personnel manual and a Board manual to further clarify roles. Fully documented policies also serve to protect the Board members from liability. Lawsuits are far less likely when the Board has taken the trouble to develop, discuss, revise, and adopt policies that demonstrate their involvement in the affairs of the organization.99

If a Board manual does not already exist, one should be compiled for the Board members that includes:

- The organization's articles of incorporation.
- Bylaws.
- The mission statement.
- Brief history of the organization
- Board roster.
- Description of the responsibilities and requirements of Board members.
- List of committees, with a statement of purpose and duties of each.
- Statement of Board policies.
- Organization chart and staff roster.
- Personnel policies.
- Most recent annual report.
- Current brochures and newsletters.
- Current budget and financial report, including funding sources.
- Board minutes from the previous year.
- Description of the organization's work program.
- Calendar of Board meetings, committee meetings, events, and deadlines.

Besides its role in establishing policy, other primary areas of governing responsibility for a nonprofit Board are to:

- Determine the direction of the organization through long-range planning
- Clarify the mission of the organization
- Establish the organization’s priorities
- Evaluate the performance of the chief executive and the organization as a whole
- Hire and, if necessary, fire the chief executive
- Monitor expenditures
The Board as Advocate

The Board also has a supporting, or facilitative, role to play with the development organization, which includes:

- Establishing contacts that benefit the organization
- Promoting the organization in the community
- Providing key advice and counsel
- Serving as a bridge between the organization and the community
- Providing adequate resources for the activities of the organization through direct financial contributions and a commitment to fundraising

One of the supporting roles of the Board just listed is the promotion of the organization. Often Board members are called upon to speak on behalf of the organization. The request may come internally from the president, through a Board assignment, from staff, from another organization, or from the media. Board members should not accept these invitations to speak for their organization unless they have full knowledge of the requester’s expectations so that they are certain they can respond “on behalf of the organization.” Any Board member accepting such an invitation should notify the president or chair of the organization prior to speaking so that they can discuss how to best present the organization’s position. Generally, in a broader sense, Board members should be positive and strong advocates for the organization, telling people about the value of the organization’s activities and its importance to the community.

Because a variety of important issues may arise in the community at any time that impact the organization, it is important for Board members to know the official position of the Board related to these issues. It is often helpful if the organization has brief position papers available that clearly identify its point of view and the rationale for the position. Again, Board members should review these carefully and obtain clarification on any points that they do not understand or do not agree with. If a Board member holds an opinion that is in conflict with Board’s official position on an issue, he/she should either be willing to provide the “party line” or refrain from stating any position. If a Board member continues to be in
conflict with the Board’s official position, he or she should consider resigning from the Board.

Both of the roles of the Board, supporting and governing, are critical to the effective work of nonprofit organizations. It is important that the Board does not try to eliminate the contradictions and tensions of their governance role. Instead, boards must find techniques for strengthening their independence and creatively using this tension for the good of the organization and the purpose it was created to serve. People who are recruited to serve on the Board should be able to be both supportive and governing.

**The Nature of the Board**

Based on research across numerous nonprofit organizations, the Board should have:

- An independent, volunteer membership
- A minimum of five voting members
- An attendance policy for its members
- Specific terms of office for its officers and members
- In-person, face-to-face meetings, at least twice a year, evenly spaced, with a majority of voting members in attendance at each meeting
- Policy guidelines to avoid material conflicts of interest involving board or staff
- A policy promoting diversity within the organization’s board and staff

The size and nature of the Board is often determined by the history of the organization, sometimes without adequate thought. Many nonprofit organizations are established with Board of Directors consisting of from 15 to 20 members. This includes officers and directors who chair each of the organization’s committees. A smaller Board (e.g., 10 to 12 persons) can,
however, provide direction for the organization while other constituents chair committees and task forces.\textsuperscript{100}

A number of economic development organizations and Chambers have boards in excess of 30 members. Generally, this is too large to be functionally effective. If a broad representation of the community is driving the large size of the Board, consideration should be given to creating an Advisory Board that incorporates this larger group and to establishing a smaller executive group to govern the organization. The Advisory Board can play an important role on committees, in meetings, and in fundraising, but they have no legal authority to make binding decisions for the organization.

The decision as to the size of Board should be guided by several questions:
- What functions are required of the Board?
- How many individuals, and in what roles, are needed to accomplish these functions?
- How many Board committees are needed to accomplish the organization’s goals?
- Do a sufficient number of individuals serve on the Board for participating on Board committees?\textsuperscript{101}

In most situations, the Board will have an executive committee with the authority to act between meetings on behalf of the full Board. Actions taken by the executive committee are reviewed, sometimes modified, and usually ratified by the entire Board at its next meeting. With a large Board, it is especially important to have strong, active committees to study issues in depth and make recommendations to the Board. This streamlines the decision-making process by preventing the Board from becoming bogged down in details and unable to make decisions.

The president or chairperson for the Board should be a person of authority who is respected by the members, the staff, and the community. He or she should also have plenty of time to devote to the job. It is desirable that he/she should serve on the executive committee for at least a year before

\textsuperscript{101} Ibid.
assuming the presidency, thereby becoming thoroughly familiar with the operation of the organization. A good president can set the work standard for the Board that keeps the uninvolved or inactive member problem to a minimum and keeps the members on track with their tasks in Board and committee work.

A good president can and should also serve as a buffer between “difficult” members and the executive director, mediating tensions and resolving differences. A weak president, on the other hand, may allow various factions to obtain too much authority and control. Personal agendas may then take precedence over organizational priorities. No one should be appointed or elected to the presidency who is afraid to deal firmly with those who are getting out of line or not doing their job.

Most governing Boards are elected, although in a number of cases Board members are appointed by the primary funders of the organization, such as County Commissioners, City Council, or other such entities. Many Board members are elected by the constituents at large, and some by the members of the governing Board electing their own replacements. In some organizations, only the directors are elected by the constituents at large, and officers (president, vice president, treasurer, and secretary) are elected by the Board. Decisions regarding policies and procedures for nominations and elections are organizationally unique.

No Board member should assume that he or she is going to serve the organization indefinitely. Limits should be placed on terms of office and on the number of times a member can be reelected. One system that seems to work well is to have a three-year term with one opportunity for reelection. Board member rotation offers a process for replacing weak or apathetic Board members with enthusiastic and committed members. Because continuity on the Board is important, however, it is desirable to stagger the terms of members so that only one-third of them should be reaching the end of their terms in any one year.

Accepting an appointment on an organization’s governing Board requires a commitment of time, energy, and expertise. The level of this commitment
will vary depending on the size, nature, and level of activity of the organization. All Board members, however, should respect one another by both attending and being prepared for meetings. Nothing undermines the effectiveness of a Board more than absence from meetings. Indeed, regular attendance at meetings is one criterion that could be used to judge whether a Board member had demonstrated reasonable care and diligence in carrying out his or her Board responsibilities. It should be a written policy of the organization that attendance at Board meetings is required. Unexpected circumstances may preclude attending a scheduled Board meeting, but any member of the Board who fails to attend at least the majority of its meetings should assess his or her commitment to the organization and consider resigning. The Board may also adopt a written policy that a certain number of unexcused absences in a year constitute an automatic resignation.

Members of a Board are entrusted with the care and nurturing of their organization. Board members must maintain high professional and ethical standards for the conduct of all activities within and outside the organization. This is particularly important in the areas of confidentiality and conflict of interest.

The issue of confidentiality in regard to Board meetings and decisions is often not dealt with until a problem occurs. Although disagreements may arise within the Board meetings, once Board members leave the room they have a responsibility to maintain the confidentiality of the discussion and support the outcome, whether or not they agreed with it. Sharing this dissension outside the Board is likely to lead to distrust and additional conflict among Board members, further straining possibly fragile interpersonal relationships.  

It may become possible for Board members to have an opportunity to benefit from its actions. For example, providing services to the organization for a fee, although not illegal, gives the appearance of self-interest. The same might also be said about promoting a piece of property

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owned by a Board member for an industrial site to be developed by the economic development organization. When confronted with a potential conflict of interest, Board members should identify the conflict and remove themselves from the discussion and any vote on the matter. Some organizations have stated conflict of interest policies to prevent even an appearance of a wrongful activity.

Finally, if an assignment is accepted by a Board member, it should be completed by the agreed-upon deadline.

**Board Recruitment**

The recruitment of good Board members is facilitated by having a “clear statement of individual Board member responsibilities adapted to the organization’s needs and circumstances.”\(^{103}\) Such as statement “can serve at least two purposes: it can help with the process of recruiting new Board members by clarifying expectations before candidates accept nomination, and it can provide criteria by which the committee responsible for identifying and recruiting prospective nominees can review the performance of incumbents who are eligible for reelection or reappointment.”\(^{104}\)

In addition to clarifying responsibilities of a Board member, the recruiting of new members can be facilitated by knowing what kind of individuals would best move the organization forward. It is helpful to define certain kinds of expertise, who has desirable influence in the community, who can provide minority representation, who can help raise funds, etc. A clear vision on the part of the organization allows existing Board members to ask if a new recruit can help it get there. Finally, a Board recruit should have a basic understanding of the purpose of the organization and be able to relate to it.

New Board members should receive a separate orientation soon after they have been appointed. This should include:

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\(^{104}\) Ibid.
• a discussion of the history of the organization;
• meeting the organization's staff;
• touring the office;
• reviewing the Board manual

Fiscal Issues

Governing Board members have a responsibility to ensure that the organization remains financially sound. Although the chief executive officer (CEO or executive director), the treasurer, and the finance committee have the primary responsibility for developing and monitoring the budget, it is every Board member’s responsibility to understand the budget, the budgeting and expenditure procedures, and the organization’s overall financial situation. The executive director has the day-to-day contact with the budget; any impending problem with income or expenses should be quickly relayed to the Board president/chair.

Financial reports should be on the agenda at every Board meeting. The Board should regularly review the:
√ Income statement showing income and expenses for the period compared to the budget;
√ Balance sheet showing the assets and liabilities;
√ Budget, which should be based on the organization’s work plan, and should be approved annually by the Board before the start of the fiscal year.

Financial statements provided during the year and year-end external audits should be presented clearly and concisely. If a deficit exists at the end of the year, the Board should share the responsibility with the staff. If a deficit is indeed the case, the Board clearly did not ask enough probing questions over the course of the year.

In addition to preparing the budget and monitoring it, the Board also has the responsibility of approving it. The approval step, which must be completed before the budget period begins, is an official action on the part of the Board that carries the power of an endorsement. It says to the staff,
“We have reviewed this budget and are satisfied that revenue and expenditures appear reasonable and achievable. We will take responsibility in helping you meet your revenue targets.”\textsuperscript{105}

Obviously, if such a budget statement indicates that projected revenues are based on fund raising, the Board members have implicitly made a commitment to assist in this area. Board members should be able to identify funding sources for the organization and, in some cases, to provide direct financial support. Besides direct financial contributions, a Board member through his or her company or organization may provide in-kind contributions for such activities as printing brochures, manning a booth at a trade show, mailing promotional materials, etc. It is much easier to solicit other individual and corporate support for a nonprofit’s program when all governing Board members of the organization have contributed as well.

**Executive Director’s Relationship with the Board**

A key role of the Board is the responsibility for choosing the chief executive of the organization. Obviously, this management position is critical to the development and effectiveness of the organization. Therefore, it is important that the Board take its role seriously when searching for a new executive director for the organization.

The Board may undertake the search for a new executive on its own, often working through a selection subcommittee to identify and screen possible candidates. However, larger organizations may choose to hire an executive search consultant to help recruit a strong field of candidates.

Regardless of the approach taken, the Board should work toward finding someone who can:

- operate within the mission of the organization,
- bring a high level of professionalism to the office,

• work effectively with the Board and other community stakeholders, and
• build a strong team that can accomplish the organization’s goals.

Far too often, the Board sets high expectations for the person they are seeking but is unable or unwilling to provide the level of compensation necessary to attract such an individual. It is therefore helpful to look at what comparable organizations are paying their management and work toward realistic expectations of who they should hire and what they should pay.

It is the author’s opinion that too many Boards hire an individual to head up their development organization that makes a lot of promises that are unrealistic to accomplish. For example, unrealistic promises could include the guarantee that within a year a very large vacant industrial building would be occupied, that a large number of high paying jobs would be attracted to the community, that the community would be recognized as a major high tech center, etc. As expectations are unrealistically raised, failures to deliver become more common. This results in a loss of confidence in the leadership ability and professional capacity of the executive director.

Therefore, it would be helpful to begin the hiring process with a clear assessment of the potential of the community and a setting of measurable outcomes that are realistic as well as challenging. The more time that the Board spends understanding what an executive director can reasonably accomplish, the more likely it will find someone who can make it happen. A written job description that captures the basics of what it expected helps both the Board in its search and the candidates in their decision to apply.

The relationship between the Board and the executive director of the organization is obviously very important. This individual works at the pleasure of the governing Board, implementing policies approved by Board action. It is often the case that this relationship is taken for granted, but like any relationship it requires good communication and a lot of attention to maintain it.
Most nonprofit organizations clearly define the roles and responsibilities of the executive director and what the procedures for reporting will be. Although the executive is accountable to the Board as a whole, quite often the direct line of communication is with the elected president or chairperson of the Board. However, all Board members should feel free to contact the executive, recognizing that no decisions of importance should be made without the action of the Board as a whole or its Executive Committee.

Staff, on the other hand, report to the executive director, who has the authority to hire and terminate employees. In nonprofit organizations, whether small or large, Board members should work with the executive when requesting staff time or staff support for activities.

Generally, the person hired to provide administrative leadership for an organization is chosen to accomplish the tasks identified by the Board at the time of hiring. As an organization changes or its functions change, the new demands of the organization may require someone with different skills or background. Ideally, however, the executive should grow with the changes in the organization. For that reason, Boards need to recognize the talents of their executives and support them with opportunities for professional development. An executive director who has gained knowledge and responsibility through experience can be an organization’s most valuable asset.

Six specific sets of behavior appear to characterize the work of successful chief executives with respect to working with the Board.106 Every executive director of a nonprofit organization should ask himself/herself the following questions within each set of behaviors:

- Facilitating interaction in board relationships
  - Does the chief executive encourage and solicit full participation by all board members?

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Is the executive skillful in helping the board achieve consensus about important matters?

Is the executive helpful in resolving differences among members of the board?

Does the executive view the board as a team where individual member’s contributions are prized and where collective efforts are encouraged and valued as much as those of individual members?

- **Showing consideration and respect toward board members**
  - Is the executive sensitive to board members’ interests and expectations?
  - Does the executive show concern for board members’ needs?
  - Is the executive fair and objective with all board members?

- **Envisioning change and innovation for the organization in work with the board**
  - Does the executive play a central role in sensing the changing environment outside of the organization and developing strategic responses to these changes?
  - Does the executive engage the board in seeking new and better ways to deal with old problems?
  - Does the executive originate efforts to explore new funding opportunities?
  - Does the executive regularly ask the board to discuss the mission of the organization, and is the executive helpful to a board in redefining the mission in response to changes in the environment?
  - Is the executive taking the lead in reviewing with the Board the organization’s vision and directions for the future?

- **Promoting board accomplishments and productivity**
  - Is the chief executive sufficiently concerned with the efficient use of board members’ time and efforts?
  - Are there ways for a board to assess the extent to which it is engaged in productive work?
  - Has the executive helped developed standards for the board to use to determine if it is meeting deadlines?
  - Does someone, such as the board chairman or chief executive,
follow-through with board members to see that assignments they have accepted are being completed?

- **Initiating and maintaining a structure for board work**
  - Does the executive ensure that board members are adequately prepared for meetings with agendas available in advance, materials, and information?
  - Are helpful minutes or records kept, collected in such ways as to record decisions and critical discussions?
  - Are the assignments and individual responsibilities of board members clear?
  - Do individual board members know what is expected of them by the chief executive, by the board chairman, and by fellow board members?
  - Are meetings well run?
  - Are goals and objectives clear, and are members really sure of what it is they are trying to accomplish, and can they make judgments about when they have accomplished their goals and objectives?

- **Providing useful and helpful information to the Board of Directors**
  - Does the executive collect and distribute information to the board and differentiate between information that may affect the organization and information that does not?
  - Is the information succinctly and clearly presented?
  - Does the executive seek to facilitate shared understanding among board members and use an appropriate variety of means of communicating with the Board?
  - Does the executive have a good sense of where various projects stand and communicate this to the board?

Through the executive director’s leadership, communication systems can be developed that are satisfying to the entire organization, including the Board. In some organizations, and depending on the current issues, contact is made with president or chair of the Board several times a week. In others, a telephone or conference call may be scheduled with the president/chair once a week or every two weeks. In still other cases, no schedule is maintained for regular contact, and staff members use email to
provide updates or obtain decisions when necessary.

In addition to communication at the level of top management, the organization should also maintain good communication with the rest of the Board and with other stakeholders and constituents. This could include monthly or quarterly updates of the organization’s activities sent by mail or email. Unusual circumstances may require more frequent communications.

Most often, nonprofit organization executives prefer flexibility and independence to manage activities without excessive oversight by their governing Boards. However, with each degree of independence granted, an equal degree of responsibility is assumed. If mistakes are made, the executive is held wholly responsible. Conversely, when success is achieved, the Board is likely to take credit, and, in many respects, justifiably so. After all, the Board established policy and granted the executive director the authority to pursue their directives.

If a Board member oversteps his or her role with the staff of the organization, this clearly undermines the authority of the executive director. Because the executive is hired by the Board and must report to them, he or she is not in a position to reprimand those Board members who are out of line. Instead, he/she must rely on the President or Chair of the Board to do so.

Sometimes it is necessary for the Board to consider the firing of the executive director of the organization, just as it is their responsibility to hire the CEO. In those occasions, when the majority of the Board agrees that the executive director should be let go, the basis for dismissal should be clear and documented. This could range from embezzlement or unethical behavior to a belief that the director is either not doing the job expected of him/her or is causing problems for the organization. When such a decision is considered, it preferably should begin within an executive session of the Board and the basis of dissatisfaction should be carefully determined. Then an appropriate decision can be made. If, for example, the executive committee finds that the executive director simply doesn’t
understand the approach the Board wants to see taken, it may choose to set up a series of meetings with the executive director to clarify directions and improve communication.

If performance doesn’t improve over time, and it proves necessary to fire the director, ongoing documentation can help deter a lawsuit against the organization by the former executive director. No level of documentation can guarantee that a lawsuit won’t be filed, but an organization holds a stronger position in court and in the community if personnel policies have been followed, if steps have been taken to recommend improvement in performance, and if those steps are documented as having failed.107

If, after appropriate investigation and deliberation, a Board believes that the executive director should leave the organization, it may choose first to have the Board officers approach the director and suggest that a resignation would be welcome. Many executive directors under pressure prefer resignation to being fired, and some Board members are likely to feel that a resignation leaves the organization in a better light than termination does.108

Whichever approach is chosen, Board action to terminate or to accept a resignation should be put into the minutes. The Board should document whether there is any severance pay, any remaining tasks to be completed by the departing executive director, and close any other financial relationship. The Board should develop a straightforward explanation for the resignation that can be communicated to staff, volunteers, funders, and others in the community.

108 Ibid.
Chapter 8
COMMUNICATION

I know that you believe that you understood what you think I said, but I am not sure you realize that what you heard is not what I meant.
- Robert McCloskey

Bottom line, what is more important to human relationships and being understood than good communication. It doesn’t take much effort to come up with numerous examples of problems between individuals, within organizations, and between organizations due to faulty communication or just lack of it.

Communication leads to community, that is, to understanding, intimacy and mutual valuing. Rollo May

The theme of this book is on “excellence,” which can’t be achieved without nurturing and working hard at good communication. Teamwork cannot exist without it, and collaboration is impossible if the players involved cannot effectively share their ideas.

What Is Effective Communication?

It must be noted that communication is not just about words spoken. Human communication takes place whenever one person stimulates a thought or a reaction in the mind of another person. Communication is occurring if you mutter and someone hears it, or if you frown and someone sees it, or if you wear cologne and someone smells it.

Most people spend the majority of their waking hours communicating. At work, this may include attending meetings and writing e-mails. At home, it could involve reading the newspaper or having a telephone conversation with a friend. We typically send 300
to 1,000 messages a day. We probably receive that many messages too.

“Each person’s life is lived as a series of conversations,” according to the speech expert Deborah Tannen. But talking is not the same thing as conversation. Henry Fielding defined conversation as the “reciprocal interchange of ideas, by which Truth is examined, (and) Things are, in a manner, turned around, and sifted.” How many conversations have you had like that lately?

Clearly, each of us is inundated with messages from family, friends, colleagues, management, television, printed media, emails, etc. However, that doesn’t mean we retain those messages. Typically, within 24 hours, we forget much of what we have been exposed to. The following table cynically demonstrates the forgetting process:

**Figure 19: Communication Retention**

<table>
<thead>
<tr>
<th>IT’S BEEN SAID:</th>
<th>Fraction</th>
</tr>
</thead>
<tbody>
<tr>
<td>We hear ½ of what is said</td>
<td>½</td>
</tr>
<tr>
<td>We listen to ½ of that</td>
<td>¼</td>
</tr>
<tr>
<td>We understand ½ of that</td>
<td>1/8</td>
</tr>
<tr>
<td>We believe ½ of that</td>
<td>1/16</td>
</tr>
<tr>
<td><strong>We remember 1/2 of that</strong></td>
<td>1/32</td>
</tr>
</tbody>
</table>

The ability to communicate effectively is one of the most important skills you can develop. For example, how well you inform, influence, and persuade others will help determine the progress you make in your career. Effective communication ranks at the top of the skills necessary to succeed in business as well as in life’s relationships.

People communicate because they wish to achieve some goal, satisfy some personal need, or improve their immediate situation. Conflict arises as individuals pursue their own goals, needs, and desires, which are bound to be at odds with those of others. These individual pursuits all too easily lead to a breakdown in communication. Our
mindset usually dictates what we expect the listener to our comments to receive, and we forget that the listener has his or her own mindset.

An illustration of the importance of effective communication is found in the following brief story:

A father came home from work one day and found his elementary-age daughter sitting outside on the patio. She was wrapped up in a big sweater with a blanket around her legs and her head buried in a library book. Dad stuck his head out the back door and called out, “Honey, what are you doing, sitting outside reading when it’s so cold? The little girl looked up. “Well, my teacher told us that if we wanted to be good students we should do a lot of outside reading.”

As another example, imagine that you are visiting Atlanta, Georgia, and go to a restaurant for dinner. When asked if you want a “Coke,” you may reply, “sure.” The waiter may then ask you again, “what kind?” and you may reply, “Coke is fine.” The waiter then may ask a third time, “what kind of soft drink would you like?” The misunderstanding in this example is that in Atlanta, the home of the Coca-Cola Company, most soft drinks are generically referred to as “Coke.” When you order a soft drink, you need to specify what type, even if you wish to order a beverage that is not a cola or not even made by the Coca-Cola Company. To someone from other regions of the United States, the words “pop,” “soda pop,” or “soda” may be the familiar way to refer to a soft drink; not necessarily the brand “Coke.” In this example, both you and the waiter understand the word “Coke,” but you each understand it to mean something different. In order to communicate, you must each realize what the term means to the other person, and establish common ground, in order to fully understand the request and provide an answer.109

These are clear examples of miscommunication. It occurs all the time. Between educators and students. Between management and employees. Between the executive directors of organizations and

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their Boards. Between politicians and constituents. We’re often just not communicating all that well. According to George Bernard Shaw: “The problem with communication is the illusion that it is complete.” There are messages we intend to send, messages we actually send, messages the listener thinks he/she heard, responses from the listener due to what he/she heard, and our reaction to the exchange of messages. Is it any wonder things may get garbled along the way?

The truth of the matter is that we can influence, but not control, how we communicate. Ultimately, our audience decides what we have communicated.

**The Characteristics of Communication**

> It was impossible to get a conversation going, everybody was talking too much. Yogi Berra

> The art of conversation is as much the art of listening as it is the ability to express one's self. Bits & Pieces, October 1991

It is often assumed that communication simply means telling something to somebody else. For communication to be effective, it must be a two-way process that involves effective listening as well as clear articulation of thoughts and expectations. Effective communication is a match between the message intended and the message heard.

To begin with, the phrase “communication stimulates a thought” indicates that unless you possess the power of mental telepathy you cannot literally transfer a thought from your mind to someone else’s. Instead, you must send a message that causes the other person to construct a thought in his or her mind similar to the one that exists in your mind. Successful communication, therefore, requires careful effort.
A second characteristic of communication is that a message can include more than words (verbal communication) and, in fact, may exist without words (nonverbal communication). Any stimulus that causes any of our five senses to react can create a thought.

Third, communication can occur accidentally. You may wrinkle your nose during a friend’s remark and he/she may think mouthwash is in order. You may express out loud your anger about something, and somebody nearby will know that you are angry. Your body language may be telling your audience something entirely different than what your words are saying.

Finally, human communication is an interaction between two or more people. As such, it involves what can be a dynamic and complex interplay of differing personalities, knowledge, opinions, and emotions.

**Content vs. Process**

Communication takes place on two levels – *content* and *process*. **Content** refers to what is being talked about. If you are having a conversation about a memo that is late, or office chores getting done, those topics are the “content.” Content is the common-sense angle. It is about taking something at "face value". A statement means what it says and nothing else. It follows the rules of logic: a statement may be true or false (or perhaps meaningless), but it is assumed to be uttered in a vacuum.\(^{110}\)

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\(^{110}\) [http://www.doceo.co.uk/tools/process_content.htm](http://www.doceo.co.uk/tools/process_content.htm)
**Process** refers to *how* the conversation is occurring. It involves body language, tone, and other strategies we use in how we communicate. Process is about the *impact* of a statement or action on a situation. To think in Process terms is to look for a meaning in what is being said beyond the words themselves.

If the content is "what" is said, and the process is "how we say it", then how we say something is unarguably where we have the most probable opportunity for more success.¹¹¹ For example, think about the voice tones and emphasis in the following and consider how many different things can be meant by changed inflection.

✓ I never said he lied about you.
✓ I *never* said he lied about you.
✓ I never *said* he lied about you.
✓ I never said *he* lied about you.
✓ I never said he *lied* about you.
✓ I never said he lied about *you*.

_The meanings of words are not in the words; they are in us._
S. I. Hayakawa

One of the first steps to improved verbal communication is to be able to identify what is content and what is process. Some negative “process” behaviors to look for are: defensive body posture, flirting behavior, manipulation through charm, sarcasm, attacking tone or words, interrupting, raising voices, etc. Positive “process” behaviors might include nodding in acknowledgement, reaching over to take someone’s hand, allowing someone to speak and to finish their point, and using respectful language to disagree.¹¹² It is interesting to note that many of the “talk shows” on television seem to violate a number of positive process behaviors.

¹¹¹ [http://www.nlplifetraining.com/general-articles/content-versus-process.htm](http://www.nlplifetraining.com/general-articles/content-versus-process.htm)
¹¹² [http://greenvalleytherapist.com/content-vs-process-the-key-to-better-communication/](http://greenvalleytherapist.com/content-vs-process-the-key-to-better-communication/)
If your communication doesn’t impact the emotions of the listener positively, the message is not likely to go through. Leaders who communicate well will listen, probe, read, study, and respect their various audiences.

The Impact of Attitude and Behavior

Part of the basis of communication is one’s attitude. Attitude determines to a great extent how we respond to something. Our attitudes develop over time based on our unique experiences and how we previously responded to those experiences. For example, if your attitude toward work is positive, you are likely to respond positively to the idea of going to work, doing your work in the office, helping your colleagues, and so on. In contrast, if your attitude is negative, it will undoubtedly show in your demeanor and work.

Clearly, attitudes influence how we perceive things. They reflect our values or what we value. Consequently, they strongly influence our behavior. Our behavior, however, is not the same as our attitude. Attitudes are abstract; they can’t be seen. Behavior is observable; it is an action. Suppose someone insulted your mother. Probably that would offend you, and you would develop negative attitudes toward the person. In other words, you would be predisposed to respond negatively to the person, now and in the future. But your actual behavior might reflect this attitude in different ways. You might tell that person off, get angry, sulk, get violent, walk away, or many other things. None of these behaviors itself is an attitude. The attitude is the internal system of beliefs and feelings that leads to the behavior. The actual behavior will depend on the situation – on who did the insulting, where it happened, when, and other circumstances.

Stating an opinion is a behavior that reflects your attitudes. In communication, we need to learn how to differentiate behavior from what we think someone’s attitude is. We can describe behavior, but
we can only guess about someone else’s attitudes. If we start inferring about what someone else is feeling and thinking, or what their motivation for doing something is, we are often skating on thin ice.

The following exercises are designed to aid in differentiating between behavior and attitude. A statement must pass two tests to be a behavior description.

1. A behavior description reports specific, observable actions rather than drawing conclusions about the person’s motives, feelings, attitudes, or personality traits. It states what was observed. It does not make assumptions about why.

   Exercise 28: Have the staff classify the following statements as behavior descriptions or assumptions:

   1. Joan walked out of the meeting 30 minutes before it was finished.
   2. Joan was annoyed.
   3. Joan had an appointment elsewhere.
   4. Bob had a cold.
   5. Bob’s eyes filled with tears.
   7. Becky did not hear Bill.
   8. Becky resented Bill’s questions.
   9. Becky did not say anything when Bill asked her a question.
   10. Becky was embarrassed.

   Discuss the differences in opinion.

2. A behavior description is non-evaluative. It does not say or imply what happened was bad or good, right or wrong. Evaluative statements (such as name-calling, accusations, etc.) usually express what the speaker is feeling and convey little about what behavior he observed.

   Exercise 29: Have the staff classify the following statements as
either behavior descriptions or evaluative statements:

1. Jim talked more than others on this topic.
2. Jim is rude.
3. Several times Jim cut others off before they finished speaking.
4. Jim wants to be the center of attention.
5. “Bob, you’ve taken the opposite of most statements Harry has made today.”
6. “Bob, you’re just trying to show Harry up.”
7. “Bob, you’re being stubborn.”
8. Joan is irresponsible
9. Joan doesn’t care about others.
10. Joan walked out of the meeting 30 minutes before it was finished.
11. “Tim, you cut in before I finished.”
12. “Tim, you deliberately didn’t let me finish.”

Discuss the differences in opinion

The Nature of Effective Communication

As was stated earlier, learning to be open and to work effectively in teams is shaped by our ability to communicate positively, and effective teamwork depends on effective communication. Most people in general and employees in particular find that verbal communication is critical to their life and work. Attempts to determine how much time is spent communicating in organizations reveal that about 70 percent of the working hours involve some kind of verbal communication. On the average, this time breaks down as follows:

- Writing -- 9%
- Reading -- 16%
- Speaking -- 30%
- Listening -- 45%

Based on these figures, most of us could save 30 percent of our time by not talking so much. Unfortunately, most of us choose to save 45
percent by not listening.

Communication clearly is more than talking; it also means hearing and weighing what others are saying. It means eliminating roadblocks to positive dialogue. It means trying to understand the ideas and emotions of the other party, which usually mean suspending one’s own views.

_Most conversations are simply monologues delivered in the presence of a witness._ Margaret Miller

Frequently we fail to pay enough attention to the receiver of our messages, concentrating too much on the sender (me). Using the “you-viewpoint” requires that you understand your receiver’s point of view. It means that you will give your receiver’s knowledge, interests, attitudes, and emotional state primary consideration as you develop and send your message. To achieve the goals of business communication – understanding, response, relationship, and goodwill – the sender should try to use the you-viewpoint.

The more you understand the viewpoint of the receiver of your message, the better will be your use of the you-viewpoint. For example, you can use your understanding of the receiver’s knowledge, background, and experience to influence the ideas you include and the amount of explanation you give. In addition, you are more likely to use words the receiver will understand and accept. You can design the message to address the receiver’s concerns, needs, and motivations. Determining your receiver’s opinions will assist you in avoiding or carefully handling negative situations.

The opposite of the you-viewpoint is the “I-viewpoint.” The I-viewpoint means the sender composes messages from his or her point of view instead of the receiver’s point of view. Poor communicators use the I-viewpoint and choose message content based on their own knowledge, interests, attitudes, and emotional state. Most of the time, when we communicate we use the word “I”
not in an I-message, but in a one-way communication. We are telling the other party what we think. We are not listening to them. Only rarely will an I-viewpoint achieve the goals of effective business communication.

**Exercise 30: Have the staff respond to the following table by providing a you-viewpoint for each I-viewpoint question mark:**

<table>
<thead>
<tr>
<th>I-Viewpoint</th>
<th>You-Viewpoint</th>
</tr>
</thead>
<tbody>
<tr>
<td>I liked what you had to say.</td>
<td>Your statement was well said.</td>
</tr>
<tr>
<td>I am happy to tell you that we liked your report.</td>
<td>Your report was good.</td>
</tr>
<tr>
<td>Am I making myself clear?</td>
<td>Perhaps an example will help make this clearer?</td>
</tr>
<tr>
<td>Our organization is here to serve you.</td>
<td>?</td>
</tr>
<tr>
<td>The meeting time has been changed from 4 p.m. to 3 p.m.; don’t be late.</td>
<td>?</td>
</tr>
<tr>
<td>I set extremely high standards for myself and for those who work for me:</td>
<td>?</td>
</tr>
<tr>
<td>your work isn’t meeting my standards.</td>
<td></td>
</tr>
<tr>
<td>What did you do to this computer?</td>
<td>?</td>
</tr>
<tr>
<td>Be quiet and listen to these important instructions.</td>
<td>?</td>
</tr>
</tbody>
</table>
Exercise 31: Have the staff pair off and for two minutes the two can talk about anything in the world they want to. One rule exists, however: they cannot use the word “I”. They can say anything they want; they just can’t say “I”.

Exercise 32: Check those statements below that indicate effective and positive communication:

**Communication Checklist**

- _____ Could you explain that a little more for me?
- _____ Here is what you ought to do.
- _____ Why don’t you try doing this?
- _____ If I were you . . .
- _____ You are always doing that.
- _____ Someone with your intelligence should know better than that.
- _____ We’ve tried that before and it didn’t work.
- _____ What I hear you saying is . . .
- _____ Your report has a lot of mistakes in it.
- _____ I’m feeling angry about your comment.
- _____ I think I understand how difficult your situation is.
- _____ Have you tried this approach to your problem.
- _____ You make me mad.
- _____ That approach will never work.
- _____ What I would like to accomplish in this meeting is . . .
- _____ I would like to get a better idea of what you mean.
- _____ You have the attention span of a zucchini.
- _____ We all have crosses to bear.
- _____ That reminds of the time . . .
- _____ You sound like you’re really frustrated.
- _____ Would it help if I . . .
- _____ I have to accept some of the blame for this problem.
- _____ I am really interested in reaching a mutually satisfactory solution to this problem.
- _____ I may have misinterpreted
what you were saying.
_____ Research indicates that . . .
_____ The best solution is . . .
_____ My experience tells me that . . .
_____ You are not thinking very clearly.
_____ You’re talking like a bureaucrat.
_____ What you really need is . . .
_____ You are being a bit paranoid.
_____ You’ll feel different tomorrow.

___ Behind every cloud is a silver lining.
_____ Don’t worry so much about it.
_____ Let’s have lunch and forget about it.
_____ You think you’ve got a problem!
_____ Please tell me if you heard our conversation differently.
_____ I get the impression that . . .

In a meeting of the staff, discuss the results, particularly noting differences of opinion on certain statements. Finish up by talking about the implications of this exercise on improving organizational communication.
Effective Listening

*We have been given two ears and but a single mouth, in order that we may hear more and talk less.*  Zeno of Citrium

Effective listening is a communication approach that reflects a positive attitude and that facilitates collaboration. As you work with others to build a relationship, share information, and solve problems, the key to success is the ability not only to speak but also to listen. Good listening means understanding the speaker’s total message. Unfortunately, our culture in the U.S. apparently tends to value effective speaking more than it values good listening.

Clearly, we can never be absolutely certain that we have completely or accurately understood another person. Therefore, it is essential to test the accuracy of our listening and minimize the misunderstanding and distortion that occurs in most interpersonal communication. Unfortunately, we are usually poor judges of our own listening skills.

*Heaven is a place where the wicked cease from troubling you with talk of their personal affairs, and the good listen with attention while you expound your own.*  Ambrose Bierce in his *The Devil’s Dictionary*

*A bore is a person who talks when you wish him to listen.*

Most people spend a good share of their lives listening, as was indicated with the statistic that we spend 45 percent of our time in that capacity. Success or failure throughout life often depends, however, on how well or how poorly a person listens. Almost any job involves a certain amount of listening, if nothing more than getting instructions on how to do something. Tests of listening comprehension show that, without training, the average person listens with about 25 percent efficiency. This low rating exists even though evidence demonstrates that it can be significantly raised through training.

The extent of the benefits from good, or effective, listening may be
surprising. Attentive listening can improve friendships, gain you respect, and obtain increased cooperation from others. Giving others the chance to clarify their thinking and to discuss problems thoroughly can relieve mutual tensions and lead to productive solutions on the job or with relationships. By listening carefully, you can acquire valuable knowledge, avoid errors made by speaking too hastily, and increase your confidence when you do speak.

Another benefit of listening is that it can improve your response to the speaker. The average rate of speaking is around 125 words per minute. Evidence exists that if thought were measured in words per minute, a person could easily think at about four times that rate. Thus, while you are listening, you have about 75 percent of your time free. You can use this extra time not only to improve your understanding of what is being said, but to think up answers, make decisions, and plan actions to be suggested. At times, you might deliberately ask questions to stall for time to think.

Four basic types of listening exist:

- **Inactive Listening.** This is the kind of listening you want to avoid. It is inefficient and unproductive. It is when you only hear the words, and they go in one ear and out the other.
- **Selective Listening.** This kind of listening is probably the most common. It is when hear only what you want to hear. You filter the message. Like Inactive Listening, it is also inefficient and unproductive.
- **Active Listening.** This is when you make a conscious effort to not only hear the words but also listen for the complete message the speaker is sending. It takes into consideration the intent and the nonverbal communication of the speaker. Active Listening also uses empathy and is nonjudgmental.
- **Reflective Listening.** Like Active Listening, Reflective Listening listens to the whole message. However, it also attempts to provide feedback to the speaker. This is particularly important if you are dealing with a complicated issue or resolving a conflict. Reflective
Listening is used to clarify what is being said and convey mutual understanding.\textsuperscript{113}

\textbf{Reflective Listening}

Three basic levels of reflective listening exist that can impact its effectiveness in the interaction. In general, the depth of this type of listening should match the situation. Examples of the three levels include:

1. \textit{Repeating or rephrasing} – the listener repeats what was said or substitutes synonyms or similar phrases, staying close to what the speaker’s statement. However, this does not mean simply parroting back to the person what they have just said.

2. \textit{Paraphrasing} – the listener makes a major restatement of what he/she understood the speaker to say. When done carefully and accurately, paraphrasing both avoids the tendency to evaluate and helps the receiver understand the sender’s point of view. When the listener has misunderstood and paraphrased a faulty understanding of the sender’s ideas and feelings, the sender can then respond in a way that will clarify the incorrect response. This should lead to an improved understanding between them.

3. \textit{Reflection of feeling} – the listener emphasizes emotional aspects of communication through feeling statements – this is the deepest form of listening. It is most applicable when someone talks to you in an emotional way, such as when they are unhappy, angry, happy, sad, etc. Generally, when people display these emotions, a subconscious desire exists for those emotions to be recognized and acknowledged by others. By reflecting those feelings back to them, you are acknowledging those feelings and demonstrating that you care how they feel. Examples include: “You seem to be in a good mood today” or “it seems that really upset you.”

People don’t care how much you know until they know how much you care.  
John C. Maxwell

When you listen reflectively, you express your:

- Desire to understand how the person is thinking and feeling.
- Belief that the person is worth listening to.
- Respect and/or willingness to accept other people's feelings.
- Willingness not to judge the person.
- Desire to explore a problem and help the other party understand the dimensions of the problem, possible choices, and their consequences.

A reflective response lets you communicate to a person what you perceive they are doing, feeling, and saying. It is clearly impossible to be the other person and your best understanding is only a reasonable approximation. This approach helps you be open-minded and not quick to judge.

Varying the levels of reflection can be effective in listening. Also, at times there are benefits to over-stating or under-stating a reflection. However, an overstatement (i.e. an amplified reflection) may cause a person to back away from the discussion while an understatement may lead to a continuing and deepening of the intensity of the speaker’s feeling.

Reflective listening, as effective as it is, is not intended to be used at all times and in every situation, which is neither practical nor helpful. Too frequent use of it can irritate those with whom you are talking. Those times when it is beneficial include:

- When the other person has a problem and needs a sounding board to sort through it.
- When you need clarity before acting on a request.
- When you are in a meeting and feel you must disagree or challenge what someone has said.
- When you are in a meeting and want to verify that you understand what someone has stated.
- When you are in a direct conversation regarding a matter of
mutual importance.

**Listening and Empathy**

An effective listener is someone who has *empathy* in his/her communication. Empathizing involves being able to understand what the speaker is feeling because you have felt the same emotion before. It also takes place when there is an attempt to understand the person from his/her perspective (putting yourself in the other person’s place) and remembering that what is best for you may not be best for the other person.

Empathy is not the same as *sympathy*. Sympathy usually means “to feel sorry for.” Empathy means “to feel with” another. You can empathize with both positive and negative feelings. Sympathy is usually extended only to persons with problems. To empathize with another is to share in his or her world. When you sense another’s feelings and attitudes as if you had experienced those feelings and attitudes, you are empathizing. Empathy is the ability to see as another sees, hear as another hears, and feel as another feels. But empathy always retains the “as if” quality, for in reality, no one can get “inside the head” of another.

It may be true that you can fully empathize only based on things you have actually experienced. If you have never lost a job, it would be difficult to empathize with someone who was recently laid off. To listen empathically, however, you don’t really need complete empathy. Caring about or wanting to share a person’s feelings is often enough.

The differences between empathic (or empathetic) listening and other types of listening to understand have more to do with intentions than techniques. An empathetic listener tries to hear the messages as the source is trying to express them. Carl Rogers defines empathy as seeing “*the expressed idea from the other person’s point of view, to sense how it feels to him.*”\(^\text{114}\) The difference between an empathic listener and others is the attempt to understand how the other person feels as the communication is occurring.

Empathic listening is not easy. The truth is that most of us don’t really want to see things from a point of view other than our own. If we let ourselves see things as others do, we run the risk of being changed. Our own attitudes and values might be threatened.

Empathic listening is even more difficult because it is usually needed when emotions are involved. The very emotion of the situation interferes with the effort to see things as someone else does. But if we impose our own values and perceptions – in other words, judge instead of understand – we’ll find it nearly impossible to empathize with people whose values differ from ours.

In spite of the difficulties, we usually benefit from empathic listening. Interpersonal relationships seldom move beyond acquaintance unless people work at understanding each other’s feelings as well as ideas. Moreover, if we fully understand others, we will be able to interact even if we must evaluate what they say. Empathic listening is the best way to assess motivations and to discover hidden purposes others may have. When we must evaluate, we can do it best when we thoroughly understand the entire message. That means we use empathic listening to understand the feelings as well as the ideas of the source.

The following is an interesting example of related terms:

A man walking down the street notices the cover off a manhole and hears a voice from within crying “Help, Help!” The man continues walking without any further notice…..
That’s APATHY.

Another man approaches the hole and also hears the crying “Help, Help!” from below. This man gets down on his hand and knees and begins sobbing, “Oh, my gosh, it’s terrible that you are stuck in this hole. Oh, my! I feel so sorry for you…..
That’s SYMPATHY.

A third man strolls by and hears the pleas for help and exclaims, “Oh my,
we do have a problem here! You must be terrified. I’ll bet you are very anxious to get out of that hole. Let’s see what we can do about it.".....

That’s EMPATHY.

A fourth fellow walks by the hole, hears the plea for help, sees the man in the hole and jumps in with him.....

That’s LUNACY.115

Listening and Trust

There is no such thing as an uninteresting subject; there are only uninterested people. (G.K. Chesterton)

Listening is also one of the best ways to develop trust. If people feel that you are listening to them and that you understand and care about what they are saying, then they are more likely to trust you and open themselves up to you. In reality, listening is more of an attitude than it is a skill. If our efforts to become better listeners do not start with our attitudes toward whomever we need to hear, we will simply become better imposters and will not likely build a higher level of trust in our relationships.

As trust develops in the organization, people are encouraged to be more open in their communication and more willing to hear what others have to say. On the other hand, if management plays a strong authoritarian role, communication is inhibited and people tend to use it to advance their own personal agendas. Also, when there is considerable competition within the organization, communication is hindered. Generally, the quality of interpersonal relationships significantly affects the quality of communication.

Developing Listening Skills

_Listening is not a skill; it’s a discipline. Anybody can do it._ Peter Drucker

A number of listening skills can and should be developed by the concerned communicator. Some of these were discussed previously, such as repeating, rephrasing, reflecting feelings, being empathic, and paraphrasing.

*Paraphrasing* in particular is a very useful technique to improve active listening. This occurs when the listener/responder restates the ideas and/or feelings expressed by the sender in the listener’s own words. When done carefully and accurately, paraphrasing both avoids the tendency to evaluate and helps the receiver understand the sender’s point of view. When the listener has misunderstood and paraphrased a faulty understanding of the sender’s ideas and feelings, the send can then respond in a way that will clarify the incorrect response. This will lead to an improved understanding between them.

Two important secondary purposes are part of paraphrasing. When you as a listener do it sincerely, it indicates your interest in the sender as a person and in what he/she is saying. Also, your paraphrase is helpful in the early stages of building trust in a relationship. Your understanding, non-evaluative response indicates your acceptance of the person and of what he/she has to say.

Another way to improve your listening is to _take notes_ on what the other person is saying. This obviously is not recommended for a casual conversation, but can be effective in meetings, speeches, presentations, etc. However, when you concentrate on taking notes, you tend to hear only half of what is being said. You should write down just enough to let you recall the key ideas.

To summarize, you can facilitate communication with the other party and be a more effective listener by:
- Hearing the other person out and not interrupting.
- Not evaluating, criticizing, or judging how something is said.
- Being attentive, even if the other person is boring or wordy. Avoiding the tendency for your mind to wander. Listening for main ideas. You have to work at listening.
- Avoiding jumping to conclusions when someone is speaking. Don’t anticipate what a person is trying to say.
- Listening to the intent and the emotional meaning of the speaker. Using your intuition to “hear” the underlying messages. Listening to the intent of someone is much easier if you know him or her. The closer you are to someone, the more familiar you are with his or her background, bias, position, and emotional approach on things.
- Demonstrating your understanding of what the other person is saying by giving feedback (summarizing the points made, asking questions to clarify points, indicating awareness of needs that were expressed, etc.)
- Establishing points of agreement.116

**Exercise 33: IRRITATING LISTENING HABITS**

**INSTRUCTIONS:** Place an “I” before any of the following habits of which you are guilty – even if rarely – when communicating with others. (BE HONEST! Only you will see your responses.) Then think about how you may avoid using these irritating listening habits in the future.

- 1. Sometimes don’t give others a chance to talk. I go in knowing what I want to say and sometimes don’t allow other’s concerns to be discussed.
- 2. Sometimes interrupt when others are talking.
- 3. Avoid looking at others when they talk.
- 4. Have been know to doodle or draw pictures while others talk.
- 5. At times, play with a pencil, pen, paperclip, or other object that may be in my hand while others talk.

---

6. Pace the room if I get impatient with others.
7. Use a “poker face” sometimes in my conversations with others.
8. Have been known to ignore others while taking several incoming calls.
9. Seldom smile while working with a customer or colleague.
10. Feel uncomfortable and change the subject if someone asks me a question about something I don’t know the answer to.
11. Have been known to prefinish others’ sentences while they are talking.
12. Frequently answer a question with another question.
13. Have been caught asking a question about some topic I was discussing with someone – only to show him/her that I wasn’t really listening.
14. Take prolific notes when others talk.
15. Have been known to interrupt others and say, “that reminds me of . . . .”
16. Sometimes check my watch if I am talking with someone and know that I have to be somewhere else in the next 20 to 30 minutes.
17. Often am rushed and forget to give important information.
18. Sometimes pretend to listen to others’ points of view when I have already made up my mind about an issue.
19. Find myself making others uncomfortable when I use a lot of eye contact.
20. Rarely let those I work with know what I am thinking about. That’s just the way that I am.

Nonverbal Communication

Words comprise perhaps less than 10 percent of what is communicated in most conversations and discussions, with the remaining 90 or so percent
being nonverbal. Therefore, effective listening should also pay attention to behavioral cues. A cue is a message sent indirectly whose meaning may be ambiguous and require interpretation. Three basic categories exist:

- Unintentional cues – behavior or words transmit an inadvertent message (e.g., the Freudian slip).
- Verbal cues – the tone of voice or level of emphasis sends a message that seems to contradict the words being spoken.
- Body language cues (non-verbal).

Cues can become particularly meaningful if they are part of a pattern or clustering, which can indicate a clearer sense of what is being communicated. A cue by itself is easy to misread. For example, the speaker may be frowning because he has a headache, while you may think he is displeased with something you said. Nonverbal messages must be interpreted in a total context.

When verbal and nonverbal messages contradict, people tend to believe the nonverbal ones. If you want to send messages effectively, be sure your verbal and nonverbal behaviors are consistent. A person who says, “Oh no, I’m not upset,” but cannot sit still and whose fingers tap nervously on the table sends contradictory messages.

Clearly, nonverbal cues can improve or obstruct the listening process. An open cue shows a receptive listener, and a closed cue shows a poor listener. Our culture teaches us what is acceptable nonverbal communication. Some cultures find certain types of body language (e.g., eye contact, standing too close) inappropriate or even offensive. Effective communication includes being sensitive to those differences. One should observe the body language and then check the message.
Figure 21: Cues in Communication

<table>
<thead>
<tr>
<th>NONVERBAL CLUE</th>
<th>OPEN CUE</th>
<th>CLOSED CUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tone of Voice</td>
<td>Soft tone or a soft sigh</td>
<td>Hard tone or a hard sigh</td>
</tr>
<tr>
<td>Facial Expressions</td>
<td>Face unobstructed with eyes observing the other’s face; Smiles, smacks lips, or licks open mouth; Appears interested</td>
<td>Hands mask face, chin, and mouth with eyes on ceiling or floor; Poker face, frowns, tight lips, clenches teeth, rubs nose; Appears disinterested</td>
</tr>
<tr>
<td>Eye Contact</td>
<td>Looks into the other’s eyes directly</td>
<td>Avoids looking into the other’s eyes; Shifts looks, usually with hand on face ready to hide eyes</td>
</tr>
<tr>
<td>Touching</td>
<td>Touches another softly</td>
<td>Avoids touching another; Scratches or pats self</td>
</tr>
<tr>
<td>Gestures</td>
<td>Palms are out and open; Appears open and welcoming; Hands are clasped behind the head</td>
<td>Clenches or clasps hands; Appears closed, as if guarding self and keeping others away; One hand holds wrist down over “private parts”</td>
</tr>
<tr>
<td>Spatial Distance</td>
<td>Up close</td>
<td>Distant</td>
</tr>
<tr>
<td>Stance</td>
<td>Crosses feet at ankles, leans against the wall, legs are slightly apart, arms at sides</td>
<td>Crosses legs high and tight, stands against the wall, one foot slightly forward, raises or crosses arms</td>
</tr>
</tbody>
</table>

Your posture and how you move can clearly have a negative impact on your ability to communicate. Mentally and physically, you should walk tall and feel tall.
Exercise 34: Evaluate your body language using the following checklist.

POSTURE AND MOVEMENT CHECKLIST

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Do you lean back on one hip when you are talking in a small group?</td>
</tr>
<tr>
<td></td>
<td>Do you cross your legs when you are standing and chatting informally?</td>
</tr>
<tr>
<td></td>
<td>Is your upper body posture erect? Are your shoulders in a straight line or do they curve inwards towards your chest?</td>
</tr>
<tr>
<td></td>
<td>When you speak formally, do you prefer to be behind a lectern or table?</td>
</tr>
<tr>
<td></td>
<td>Do you communicate impatience by tapping your foot when you are listening?</td>
</tr>
<tr>
<td></td>
<td>Do you take the “fig leaf” posture when addressing a group?</td>
</tr>
<tr>
<td></td>
<td>Do you move around or pace when talking informally?</td>
</tr>
<tr>
<td></td>
<td>Do you rock from side to side or back and forth when talking?</td>
</tr>
<tr>
<td></td>
<td>Do you use a “quick” smile with people?</td>
</tr>
<tr>
<td></td>
<td>Do you talk to others with your arms crossed?</td>
</tr>
</tbody>
</table>

There are hundreds of interpersonal communication habits all of us have, both positive and negative. To change any habit takes practice, remolding our minds to do certain physical behaviors that are repeated over and over again.
In Summary

The two words 'information' and 'communication' are often used interchangeably, but they signify quite different things. Information is giving out; communication is getting through. Sydney J. Harris

Organizational communication certainly involves more than listening. Learning how to speak effectively, writing reports and documents, and composing emails and other communiqués is all part of communication. It should also be pointed out that “more” communication is not necessarily “better” communication. Most of us suffer from information overload. What is often needed in most organizations is a method for cutting down on the output of information and for restricting its flow. The role of the organization’s management should often be one of sorting through the available information and then disseminating key ideas and facts to those who would benefit from that information.

Good communication is as stimulating as black coffee and just as hard to sleep after. Anne Morrow Lindbergh

Effective communication takes preparation, practice, and persistence. There are many ways to learn communication skills; the school of experience, or “hard knocks,” is one of them. But in the business environment, a lesson learned may come at the expense of your credibility through a blown presentation to a client. Training through a classroom environment, online session, or self-help materials can offer you a trial run where you get to try out new ideas and skills before you have to use them to communicate effectively to make a sale or form a new relationship. Listening to yourself, or perhaps the comments of others, may help you reflect on new ways to present, or perceive, thoughts, ideas and concepts. The net result is your growth; ultimately your ability to communicate in business will improve, opening more doors than you might anticipate.117

The issue of communication has many dimensions and complexities, and this chapter is only touching on what might be considered the most critical issue to teamwork, namely effective listening. Public speaking and writing are also critical in organizational communication, but those topics are extensively covered in books, articles, and on the Internet. It is not the author’s intent to create another document on this broad topic.
Chapter 9
CREATIVE SOLUTIONS (DECISION-MAKING THROUGH PROBLEM-SOLVING)

Much of what we do in life involves solving problems of one kind or another and making decisions about what we need to accomplish. This is true whether we are at work or at home or even at play. These problems can involve conflicts in relationships, work activities, turf problems between organizations, and on and on. Most of the time we try to arrive at solutions without spending much time or effort on the process. That’s why so many of our organizational problems continue without satisfactory resolution.

Decision-making is how we select the course of action we want to follow in bridging that gap between where we are and where we want to be, given that there are alternative possibilities. In that sense, decision-making becomes part of the problem-solving process. More on that later.

What Does Problem-Solving Involve?

The dictionary states simply that a problem is a difficult, perplexing situation. A problem can also be defined as “the gap between what is observed and what is desired.” In other words, problem-solving is about bridging the gap between where we are and where we want to be. Allen Newell and Herbert Simon, two of the more notable experts in human problem solving, wrote, “A person is confronted with a problem when he wants something and does not know immediately what series of actions he can perform to get it.”118 In brief, what makes a problem a problem is the uncertainty of not knowing exactly what to do; in other words, having a desired result and not knowing how to achieve it.

Managers in development organizations are engaged in a constant state of solving problems and making decisions. It’s one of their key roles. Some managers find this to be one of the most difficult tasks to perform. They have a fear of failure, and procrastinate mainly because they aren’t sure how to proceed. One of two things usually happens; they either put off making the decision in the hopes that someone else will deal with it, or even worse, make a decision without considering the consequences.

Most individuals, whether managers, or staff, or others also often try to solve problems and make decisions by reacting to them before they fully understand all of the possibilities the problem presents. The temptation is to skip right to the solution part of the process. People often feel that the quickness of a decision is more important than the long-term outcome. There are times when a quick decision is needed, such as dealing with a computer system crashing or loss of a major funding source. However, most decisions are not needed immediately and you do in fact have the time to think about them. It is important to find the correct balance of knowing when to make quick and easy decisions on the fly, and when to take more time with the complex decisions.

Whether “under the gun” to make a decision, or just impatient to get on with things, the tendency when people or organizations encounter a new problem or decision they must make, they react with a decision that seemed to work before. It's easy with this approach to get stuck in a circle of solving the same problem over and over again. Albert Einstein defined insanity as doing the same thing over and over again and expecting different results.”

As often as not, problem-solving is seen as an attempt to fix what has gone wrong. Fixing what has gone wrong is only one approach to problem-solving. This is of value primarily in a situation where things can be put back the way they were. However, in a fast-paced, rapidly changing world, attempts to restore something to its previous state are often futile and frustrating. The ability to efficiently come up with new solutions that significantly improve rather than correct the situation is of much greater value.
As was stated earlier, the problem-solving process is ongoing for all organizations. However, most of the time organizations don’t have an agreed-upon systematic procedure for solving their more important problems and addressing their key issues, so this process is less than effective and satisfactory. Tackling problems effectively, like many workplace issues the organization deals with, can be enhanced by employing a clear process. This is what usually leads to consistent, high-quality results; a clear process can improve the quality of almost everything we do.

Before one can start to make any decisions, he or she needs to be absolutely clear the problem or need is valid. Some of this validation can be gained by considering those who will be affected by the decision. Taking the time to talk with some key staff members helps to make sure management and staff fully understand the nature of the problem or need. The people engaged in the problem-solving process should be those who will speak up, are efficient, take necessary risks, have somewhat opposing views, and are strongly motivated. This issue of collaborative problem-solving will be discussed further along in this chapter.

There are times when it seems like the problem or need comes at the organization like “the sky is falling,” but when the time is taken to truly investigate the problem or need, the conclusion is often that it is overly exaggerated. This happens particularly when emotions take over logic, which is far too frequent. For instance, is it one person complaining about a particular situation or does everyone feel the same way? Is there a common complaint from your customers or just one or two disgruntled people who will never be happy? Is there a common trend or is it just speculation? Do you really need to invest in a new database or can you work with what you’ve got? Dig deep to find if there is a true problem, and then start on finding ways to improve. It isn’t cost-effective to spend a lot of time and resources to fix something that isn’t broken.
From Problem to Solution

Coming up with ideas is generally easy. Developing workable solutions to difficult and ongoing problems is often challenging. As was stated previously, many groups and organizations take the easier route to dealing with new or prevailing challenges by either ignoring them, using traditional practices to respond to them, or hoping someone else will deal with them. Unfortunately, the organization that takes the time and makes the effort to systematically study the problem or issue, and then tries to take an innovative and well-researched approach to dealing more effectively with it appears to be the exception rather than the rule.

When solving a problem, we typically wish to do more than simply rid ourselves of some unacceptable situation. More often than not we are trying also to achieve some other, more desirable state of affairs. Theoretically speaking, we’re trying to move from the problem state or situation to the solved state or situation. We do so by traveling what is called “the solution path” (see Figure 25).

Figure 23: The Solution Path

The problem-solving process needs to pay at least as much attention to what the desirable result would be as is paid to the problem itself. As Robert F. Mager’s (1962) fable of the sea horse reminds us, “if you’re not sure where you’re going, you’re liable to end up someplace else – and not even know it.” It seems obvious that if we do not focus some of our attention on the future situation once the problem has been resolved, the likelihood of achieving it is diminished. Unfortunately, the problem situation typically attracts all of
our attention (“the squeaky wheel gets the grease”). On occasion, this is an appropriate response. For example, if the computer system is crashing, then systematic discussions about what the problem is, what’s causing it, etc. can wait until the crisis is resolved.

But, if we’re not in an emergency situation, and if we still have nothing more in mind than doing something to rid ourselves of the problem situation, we can create an environment where all we do is move from problem to problem, the result of the solution to one problem often creating one or more new problems. This scenario certainly does not provide the efficient solutions that lead to a sustainable situation.

One way of improving the focus on the solved situation is to list possible measures or indicators of its achievement (measurable outcomes). Questions like these can be asked:

- How will I know the problem has been solved?
- What will we accept as evidence?
- What does the solved situation look like?

Another means of focusing on the solved situation is to be clear about all the goals of the problem-solving effort. For any problem situation, it is useful to ask the following questions as a way of clarifying all the necessary goals and desired results:

- What are we trying to achieve?
- What are we trying to preserve?
- What are we trying to avoid?
- What are we trying to eliminate?\(^{119}\)

### The Problem-Solving Model

Many different versions of problem-solving models exist, but essentially they contain the steps laid out in this chapter. No single or simple step-by-step process can guarantee that every problem that the organization

\(^{119}\) [http://www.nickols.us/ten_tips.htm](http://www.nickols.us/ten_tips.htm)
encounters can be easily solved. This is particularly true if the problem is out of the control or influence of the individual or organization. The organizations in this situation are faced instead with the requirement to configure or adapt its problem-solving processes with that realization in mind. In addition, as was just pointed out, this rational and rigorous approach would not be used every time someone or some organization had a problem. Furthermore, not all problems can be solved and decisions made by this process.

When appropriate, however, the following basic guidelines will get you started. It is easy to become intimidated by the guidelines and activities in the problem-solving process. After you’ve practiced them a few times, they'll become second nature to you -- enough that you can deepen and enrich them to suit your own needs and nature.

The devising of appropriate and effective actions to solve problems is not a process with which most people are familiar. As we have all experienced, the natural tendency is to jump in with solutions to ambiguously defined problems. Effective problem-solving, however, is a systematic process that can be said to involve the following six D’s:

1. Define the problem.
2. Determine the causes of the problem.
3. Develop the necessary information to understand the problem.
4. Devise solutions (identify specific actions that could be taken to remove or reduce the impact of the cause).
5. Deliver recommendations (evaluate these solutions or actions to determine which courses to take).
6. Do it! Implement the plan of action, building consensus on what needs to be accomplished.
Figure 25 demonstrates a workflow approach to problem-solving. The discussion of charting workflow was discussed in detail in a previous chapter on continuous performance improvement under the subject of project management. This charting helps in understanding the dynamics of the decision-making process within the problem-solving framework. It aids in determining whether the steps in the process are logical, and it helps in identifying bottlenecks, unnecessary complexity, and duplication of effort.
As was stated earlier, problem-solving can be accomplished in a number of ways. To be most effective, the organization needs to determine just what approach to take that would result in the desired outcome. It will not be the task of this chapter to discuss all of the various approaches to problem-
By this time, the reader is probably asking himself/herself “why am I taking the time to read all of this. It looks like too much work and too much time spent doing this.” The truth of the matter is that effective problem-solving does take time and effort, but “excellence” in the organization doesn’t happen by chance. Key organization issues and problems that may be impeding its effectiveness may not be getting the proper attention they need, resulting in reduced or negligible improvement of the operation. An Olympic athlete doesn’t move beyond a certain level of performance without understanding just what is keeping him or her from advancing, and then commits to working hard and long at attaining that solution. If the organization is satisfied with mediocrity, it can continue to do things the same way it always has and ignore those impediments to its improved productivity and achievement.

**Step 1: Defining the Problem**

“He who defines the problem, defines the solution.” Bob Baxley

“Before trying to find a better solution, you must find the problem.” Robin Williams

A problem well-stated is a problem half-solved. John Dewey

If the only tool you have is a hammer, you tend to see every problem as a nail. Abraham Maslow

This first step of defining the problem is probably the most misunderstood and poorly executed step in the process. For many people, “Define the Problem” means simply to provide a written definition or statement of the problem. There is much more to it than that.

To define means to establish boundaries, to differentiate, to set apart. To define the problem situation (or the solved situation) means, at the very least, to be clear on the nature of the problem or situation and its
characteristics. The problem should be stated in clear, concise, concrete language and be both realistic and worthwhile. Any experienced problem solver will tell you that it is critical not to get locked into thinking in depth about particular solutions before you have made sure that you fully understand the problem. Therefore, problems should be defined in a way in which they can lead to a solution. This may require clarification through additional research or brainstorming.

Rarely are definitions of the problem situation or the solved situation crystal-clear up-front. The problem as first stated is rarely the true problem. Clarity typically develops over time and with effort. In many cases, the definition of a problem may not be fully clear until after the problem has been solved. Until then, it is a shifting, evolving, changing part of the process. Thus, although “Defining the Problem” is a good step with which to begin the problem solving process, it is only a starting point and it must be revisited on a regular basis. This also is true of any definition of the solved situation.

Thus, although the problem-solving process outlined here consists of six steps, this is not a process that moves smoothly from one step to the next, but is one of cycling back and forth as needed.

**Using Questions to Define the Problem**

The following questions can assist in defining the problem:

- What do we know about the problem?
- Who’s involved in the problem?
- When did the problem start, or from where or who did it come?
- Who originally determined that the problem existed?
- What would the situation look like if the problem were solved (the desired state)? The desired situation is what we want to happen.
• What additional information do we need to better understand the problem?

Typical problems for an economic development organization could center around the following questions:

• What would our customers/clients/prospects want us to improve?
• What could we do that we provide more value to our customers/clients or stakeholders?
• How could we take more advantage of our core competencies?
• What small organizational problems do we have which could grow into bigger ones?
• What slows our work or makes it more difficult? What do we often fail to achieve?
• How can we improve quality?
• What are our competitors doing that we could do and maybe do better than they?
• What is causing conflict in our organization or with other organizations in our community?
• How could we raise more funds for our operation?
• Etc.

Drilling Down

Often the reason certain organizational problems go unsolved is because of their complexity. It is important to define a problem at the right level. Good problem-solvers often try to reduce a broad problem into a set of smaller and less complex problems. Big problems are normally made up of many smaller ones. If you ask questions that are too broad, then you will never have enough resources to answer them effectively. If you ask questions that are too narrow, you may end up fixing symptoms of a problem, rather than the problem itself.

Breaking down a problem into smaller ones should be done systematically in order to be effective. This is the stage at which you can use a technique
like *Drill-Down* to break the problem down to its component or more manageable parts. To use the technique, start by writing the problem down on the left-hand side of a large sheet of paper. Next, write down the points that make up the next level of detail on the problem a little to the right of this. These may be factors contributing to the problem, information relating to it, or questions raised by it. This process of breaking the problem down into its component parts is called 'drilling down'.

For each of these points, repeat the process. Keep on drilling down into points until you fully understand the factors contributing to the problem. If you cannot break them down using the knowledge you have, then carry out whatever research is necessary to understand the point.

**Figure 26: Example of Drill Down**

Drilling into a question helps you to get a much deeper understanding of it. The process helps you to recognize and understand the factors that contribute to it. Drill Down prompts you to link in information that you had not initially associated with a problem. It also shows exactly where you need further information. A similar process is generally used in
project management to ensure that all needed tasks to accomplish a goal or outcome are identified.

This approach can also be used in conjunction with the 5 Whys technique to ensure that you investigate each aspect of the problem systematically. This technique will be discussed in Step 2.

**Prioritize the Problems**

If you discover that you are looking at several related problems, then it is important to prioritize which ones should be addressed first. Note the difference between "important" and "urgent" problems. Often, what we consider to be important problems to consider are really just merely urgent problems. Important problems deserve more attention because they have a greater impact on the long-term effectiveness of the organization. For example, if you're continually responding to "urgent" emails at the expense of getting other work done, then you've probably got a more "important" problem and that is to design a system that screens and prioritizes your emails.

**Step 2: Root Causes**

The *root cause* is a controllable, solvable situation that explains why the problem exists. It's the pivotal reason that started the problem in the first place and must be dealt with in order to find a long-term workable solution.

*Effects* are often confused with causes; they are merely the by-products or symptoms of the causes. They indicate the presence of the problem, but not its real nature.Treating the effects or symptoms of the problem will not solve it. For example, if you have a headache caused by wearing the wrong glasses prescription, then treating it with aspirin is treating the symptom and not dealing with the cause. If your organization is finding it difficult to raise adequate funding, then the root of the problem could be lack of confidence in what the organization is achieving. A new fund-
raising campaign in that situation is not likely to resolve the problem.

Typically, when a problem hangs over an organization, there is often a tendency to blame one another for that problem. Obviously, the blame game doesn’t lead to the kind of communication that would lead to effective dialogue and problem-solving. Instead, an attempt should be made to identify the root causes of the problem or problems. Attacking these root causes is more likely to lead to satisfactory solutions. What may be perceived as causes are most likely symptoms and not the root cause, in which case the problem is not likely to be really solved.

It's amazing how much you don't know about what you don't know. Therefore, in this phase, it's critical to get input from other people who are aware of the problem and who are affected by it. It's often useful to collect input from other individuals one at a time (at least at first). Otherwise, people tend to be inhibited about offering their impressions of the real causes of problems.

**The Use of Brainstorming**

A technique that can be used to generate thinking about possible causes is brainstorming. Remember, in a brainstorming session, every possibility is initially equally valid. The idea is the get as many ideas captured as possible in a reasonable time frame. This is discussed in more detail on page 27 of this chapter.

**The Five Whys**

To facilitate the identification of the root cause, the Japanese have developed a procedure called the *five whys*. They ask “why” five times when confronted with a problem. Made popular in the 1970s by the Toyota Production System, the 5 Whys strategy involves looking at any problem and asking: "Why?" and "What caused this problem?" Very often, the answer to the first "why" will prompt another "why" and the answer to
the second "why" will prompt another and so on. By the time the fifth why is answered, it is likely that one will have found the ultimate cause of the problem. However, the number five for the “five whys” is really arbitrary. The idea is to keep “drilling down” until you reach the root cause.

The figure below illustrates the use of the “why-why” approach, drilling down to the most important cause of the problem.

Figure 27: Why-Why Diagram Example


Another way of simple diagramming of the “why” concept is found in the following figure, which starts with the problem. In the next step, the
questions revolve around why that problem or situation exists, which is stated in terms of “because.” The next level responds to why a particular cause exists. For example, one of the reasons the system is not in place for responding to inquiries more quickly is because the organization has not invested in up-to-date software. The next question would be why hasn’t the organization done that. And so on.

Figure 28: “Why” Diagram

This concept of the “whys” to solve a problem is further illustrated by the following series of questions, which start at the existing situation and work backward (toward the root cause). This is repeated as often as necessary until the root cause of the problem becomes apparent. For example, if the revenues for the organization have declined over the past two years:

1. Why have the revenues been declining?
   Answer: the funders have been dissatisfied with the results of the organization’s efforts.
2. Why have the funders been dissatisfied?
   Answer: they haven’t understood that the community has no suitable sites or buildings for new business.
3. Why haven’t they understood?
Answer: because we (the staff of the organization) haven’t done a good job of explaining the real estate problem

4. Why haven’t we done a good job of explaining?
   Answer: we haven’t provided our stakeholders with a good education and training program so that they understand broad economic development trends and how they impact our community.

5. Why haven’t we provided this training?
   Answer: we didn’t think it was important.


1. Write the problem on a Post-it Note and place it to the left of a large work area on the wall. A big sheet of brown paper or several flip-chart pages taped together can help.

2. Ask ‘What are the main sub-areas that may lead to this problem?’ Write each of these on a Post-it Note and stick them up, well spaced out (to allow lower-level trees to develop) to the right of the problem Post-it Note.

3. Repeat this sequence of breaking down the problem once more, this time simply asking ‘Why does this happen?’

4. After this third level, a fourth detailed level would overcrowd the work area, so start to focus by only developing likely-looking causes or solution areas. In each of these, keep asking Why until you have a root cause or a complete solution.

5. When you have completed the analysis, discuss and identify the key cause to address. When examining the diagram, the same sub-cause may turn up several times in various places. This may well mean that if these are addressed, then you will kill several birds with one stone, getting multiple benefits from one action.120


David Kolzow
Root Cause Analysis

Another approach to solving problems is called Root Cause Analysis. This rigorous technique has its roots in quality control. It is most clearly associated with famed Japanese quality guru, Kaoru Ishikawa, and it typically makes use of a diagramming method yielding a product known as an “Ishikawa” or “fishbone” diagram. This structured method identifies the factors that contribute to the effects observed in a given situation, but it is not a means for identifying the nature of the problem itself. The following figures are examples of this type of diagram.

Figure 29: Fishbone Diagram
After all of the individual events and all of the causes suspected have been worked through, the group should go back through the brainstormed list and figure out which of those, at the deepest level, is associated with the largest amount of activity. Sometimes, it’s obvious from all of the results where the problem lies, and sometimes the superfluous or distracting items have to be pruned out.

Bear in mind that there can be more than one “root cause”. Sometimes, several related causes act in concert, creating a more complex and difficult problem. Major failures to address a problem in the organization, for example, seldom occur because one person failed to perform their job adequately. Usually, it’s because several people or processes at very key points didn’t work as expected. For that reason, it’s important not to focus on finding just one “root cause”, forsaking all others. There may be a couple of contenders that are all worthy of consideration. It may even be discovered that an entire category of issues is the “root” cause, as in lack of sufficient management training of a particular department, or lack of accountability in a certain group, and so forth.
**Pareto Analysis**

A process of looking for a “big group of problems in one place” concept is called “Pareto Analysis”. The Pareto Principle is also known by its more common name, the 80/20 rule. The major premise behind Pareto Analysis is that you should spend your time trying to figure out that one thing (or small set of things) which will have the greatest impact if you fix just that. The idea is that by doing 20 percent of the work, 80 percent of the advantage of doing the entire job can be generated. Or in terms of quality improvement, a large majority of problems (80 percent) are produced by a few key causes (20 percent).

In essence, the problem-solver estimates the benefit delivered by each action, then selects a number of the most effective actions that deliver a total benefit reasonably close to the best possible one.

**Figure 31: Pareto Chart**

Using the Pareto Principle tool involves the following steps:

**Step 1: Identify and List Problems**

First of all, write a list of all of the problems that you need to resolve. Where possible, talk to clients and team members to get their input, and draw on surveys and other sources of feedback where these are available.

**Step 2: Identify the Root Cause of Each Problem**

For each problem, identify its fundamental cause. (Techniques such as Brainstorming, the 5 Whys, Cause and Effect Analysis, and Root Cause Analysis will help with this.)

**Step 3: Score Problems**

Now you need to score each problem. The scoring method you use depends on the sort of problem you're trying to solve.

For example, if you're trying to improve revenues, you might score problems on the basis of how much they are costing you. Alternatively, if you're trying to improve customer satisfaction, you might score them on the basis of the number of complaints eliminated by solving the problem.

**Step 4: Group Problems Together By Root Cause**

Next, group problems together by cause. For example, if three of your problems are caused by lack of staff, put these in the same group.

**Step 5: Add up the Scores for Each Group**

You can now add up the scores for each cause group. The group with the top score is your highest priority, and the group with the lowest score is your lowest priority.
Step 6: Take Action

Now you need to deal with the causes of your problems, dealing with your top-priority problem, or group of problems, first.

Keep in mind that low scoring problems may not even be worth bothering with. Solving these problems may cost more than the solutions are worth.121

Pareto Analysis Example

Jack has taken over a development organization that has a host of problems that need resolving. His objective is to increase overall customer and stakeholder satisfaction.

He decides to score each problem by the number of complaints that the center has received for each one. (In the table below, the second column shows the problems he has listed in step 1 above, the third column shows the underlying causes identified in step 2, and the fourth column shows the number of complaints about each column identified in step 3.)

<table>
<thead>
<tr>
<th>#</th>
<th>Problem (Step 1)</th>
<th>Cause (Step 2)</th>
<th>Score (Step 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Phones aren't answered quickly enough.</td>
<td>Too few staff for the level of demand.</td>
<td>15</td>
</tr>
<tr>
<td>2</td>
<td>Staff seem distracted and under pressure.</td>
<td>Too few staff for the level of demand.</td>
<td>6</td>
</tr>
<tr>
<td>3</td>
<td>Staff doesn't appear to be well organized. They seem to waste time on unimportant tasks.</td>
<td>Poor organization and preparation.</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>Staff doesn't know what time they'll tend to a particular customer’s request. This means that customers may have to be in all day for a response.</td>
<td>Poor organization and preparation.</td>
<td>2</td>
</tr>
</tbody>
</table>

121 http://www.mindtools.com/pages/article/newTED_01.htm
Staff doesn't always seem to know what they're doing. | Lack of training. | 30
---|---|---
When staff responds, the customer finds that the request isn’t adequately addressed. | Lack of training. | 21

Jack then groups problems together (steps 4 and 5). He scores each group by the number of complaints, and orders the list as follows:

1. **Lack of training** (items 5 and 6) – 51 complaints.
2. **Too few service center staff** (items 1 and 42) – 21 complaints.
3. **Poor organization and preparation** (items 3 and 4) – 6 complaints.122

As can be seen from the above figure, Jack will get the biggest benefits by

providing staff with more training. Once this is done, it may be worth looking at increasing the number of staff. It's possible, however, that this won't be necessary: the number of complaints may decline, and training should help people to be more productive.

By carrying out a Pareto Analysis, Jack is able to focus on training as an issue, rather than spreading his effort over training, taking on new staff members, and possibly installing a new computer system to help be more prepared.123

If you don’t apply the Pareto Principle to your analysis, you run the risk of “Analysis Paralysis,” where you spend so much time thinking about the problem that you never end up doing anything about it. As Voltaire said, “perfection is the enemy of good enough”. You need just enough information to do something about the problem.

Causal Caveats

Although it is often important to identify the causes of major or minor problems, this identification is not always relevant in problem-solving. Don’t misunderstand—the concept of cause is frequently relevant, but its usefulness depends on the kind of problem being solved. It’s not relevant all the time and, for some problems, it’s never relevant.

If the cause is far too complex to understand, or if it is beyond the control of the organization, the search for cause can waste precious time. That things go wrong in an organization is understood. That these things very often cannot be corrected is also understood, and irrelevant. The task of the effective manager and executive is to innovate and to invent new ways of achieving improved results, regardless of the circumstances. It has been said many times that “I can’t control what happens to me; I can only control how I react to it.” In other words, solutions must be developed in terms of what the organization needs to do even if causes can't be identified or are beyond the control of the organization. For example, the recent recession

123 http://www.mindtools.com/pages/article/newTED_01.htm
hit the profitability of many companies hard, forcing them to reduce their contributions to non-profit organizations. Is this cause of the loss of profitability for its community’s employers something the economic development organization wants to try to solve?

**Step 3: Researching the Problem and Its Causes**

Information does not make itself available to suit the requirements of anyone’s problem-solving process. Solving a problem in an organization has much in common with detective work. We are forced to follow leads and unearth clues. Furthermore, it is generally the case especially in larger organizations that no one individual possesses all the information necessary to solve a given problem. Vital information appears in bits and pieces. Members of the organization have different backgrounds, ways of viewing things, and differing values. Different people seek and understand information in different ways.

Consequently, if you listen carefully to almost any discussion of a problem in a group setting, what you’ll hear is conversation that shifts from problem to symptom to cause to solution and back again, often in no particular order. However, such “bouncing around” is natural. The problem-solving process is not meant to be followed in some lock-step, linear way. The task of problem-solving is very much a matter of piecing things together in a cyclical and back-and-forth process.

Generally, as the team or organization delves into the problem and its causes, it will become clear that additional information is needed to better understand what is happening and why. Frequently, this involves looking at what other organizations have done in a similar situation or reviewing the literature on the topic. Of course, in this day and age, using search engines like Google on the Internet is a very productive way to access information. Another excellent method for researching the problem is to define its boundaries, i.e., what is included and what is excluded from the problem.

A systematic approach to research gives you the depth of knowledge you
need to:

- Gain from the “best practices” of other similar organizations
- Understand customers’ needs in more detail (remember that the customer or client or prospect should be always your first and most important creative challenge)
- Know what has already been tried
- Analyze the collected information for relationships among the facts and look for reasons why the problem exists
- assessing the quality of the information that you have
- Fully understand any processes, components, services, or technologies that you may need to use
- Ensure that the benefits of solving the problem will be worth the effort you will put into it

**Exercise 37:**

- Using the problem statement agreed upon in Exercise 36, develop in your small groups a list of strengths, weaknesses, opportunities, and threats that are relevant to understanding the problem.

Systematically write down answers to the following questions:

- **Strengths:**
  - *What are our advantages?*
  - *What do we do well?*

- **Weaknesses:**
  - *What could be improved?*
  - *What is done badly?*
  - *What should be avoided?*
  - *Do our competitors do any better?*

- **Opportunities:**
  - *What new opportunities do we see for the future?*
  - *What are some of the interesting trends that are relevant to our situation?*
  - *What positive changes are occurring that could benefit us?*

- **Threats:**
  - *What obstacles do we face?*
What is our competition doing?
Is the current national or regional economic environment a detriment to our growth?
Is changing technology having a negative impact on our community?

- Decide within the group which of these are most critical to the problem, and share those with the whole group.

**Step 4: Specific Actions**

Ultimately, the aim of problem-solving is action. To engage in problem-solving is to search for a solution, which is a course of action that leads to a goal or solved situation. If these actions were immediately obvious, this problem-solving process wouldn’t be needed. Keep in mind that “nothing is more dangerous than an idea when it is the only one we have (Alain).” Usually more than one acceptable solution exists to any problem. All effective solutions change things in ways that produce the desired result. To actually solve a problem, then, is to implement the solutions that have been found and demonstrate that they work.

In summary, the search for a solution is a search through the structure of a problem for those elements, connections, and relationships that, if changed in certain ways, will produce the required results. In many cases, the definition of a problem is not really complete until after the problem’s solutions are identified.

Intervening in the work of an organization requires of us that we carefully think through the likely effects of any actions we are contemplating. An efficient solution is one that produces no offsetting side effects. Actions taken in an organizational context often “ripple” outward from the point of intervention, sometimes having unforeseen and unintended consequences. Some of these consequences we would prefer to avoid.
Brainstorming Revisited

Frequently, brainstorming by a knowledgeable team of professionals and volunteers can also generate a list of possible actions that can be taken to remove or modify the causes of the problem.

Brainstorming – 1st Stage
  • Focus on the problem, and then deliberately come up with as many solutions as possible (realistic or unrealistic; practical or impractical)
  • Give each individual time to come up with his/her ideas
  • No initial criticism of ideas
  • Stay on topic
  • Build on one another’s ideas to develop new ideas
  • Record the results so that everyone can see them
  • Have fun

Brainstorming – 2nd Stage
  • Eliminate the most impractical ideas
  • Identify the most promising ideas
  • Combine solutions as appropriate
  • Improve each alternative until it appears to adequately address the cause(s) of the problem

These actions should be solutions directed to the problem and its causes rather than merely a list of typical organizational activities.

Example dealing with lack of adequate funding:

Situation – funding levels for the organization have decreased by 10 percent over the past year.

Cause
Funders for the organization do not have a clear concept of the mission of the organization.
Goal (desired situation) – funding levels will increase by enough to meet the proposed budget for next three years.

Actions
- Conduct a workshop or retreat for the funders and stakeholders with respect to economic development trends and the activity of the organization.
- Review the mission of the organization with the Board and key stakeholders and receive feedback from them that they understand the purpose and needs of the organization.
- Prepare a report for the funders and stakeholders demonstrating the impact of the programs of the organization on the local economy.

These solutions or actions should be measurable and their successful implementation should lead to the solution of the problem.

1. Don’t start developing solutions until the problem & its causes are correctly defined.
2. Use necessary & appropriate research & information to generate possible solutions.
3. There is rarely only one acceptable solution to a problem.
4. Two or more minds are usually more productive than one (a collaborative team effort).
5. Don’t start evaluating until all possible solutions are listed.

The Logic or Issue Tree

Perhaps one of the most important tools in problem-solving is the logic/issue tree, which is similar to a decision tree. In essence, there are two types of logic/issue trees: namely, the “why” and “how”. A “why” tree is a diagnostic tree: its objective is to identify the root causes of the problem. A “how” tree is (almost) a decision tree: its objective is to identify various ways in which one can solve the problem. Perhaps a better name for “how” trees is solution trees, because they show various solutions to
your key question.

The aim of both types of trees is to bring rational thinking and logic to the problem, helping us be “mutually exclusive and completely exhaustive,” or MECE as it is sometime written. A central tenet of analytical problem-solving is the consideration of all the possible solutions to the problem only once; that is, the approach must be mutually exclusive and collectively exhaustive.

An issue tree is a graphical breakdown of your key question—the one all-encompassing question that you propose to answer. It is useful to both identify new ideas to answer your key question and organize them so that they only appear once in the problem-solving process. Here is a graphic example that illustrates the basic elements of these trees.

Figure 32: The Issue or Logic Tree

In constructing a logic tree, a presenter starts with the main idea, the one thing that he or she wants the decision-makers to remember or do. After
choosing the main idea, the presenter writes the major points that support that idea on the "branches" of the logic tree. The supporting points should answer the question that decision-makers ask when they hear the main idea. Assume, for example, that the main idea is "We are receiving inadequate revenues for the growth of our organization." The branches of the logic tree should contain actions for addressing that problem. The logic tree can save the organization time because it focuses its thinking, reduces the tendency to procrastinate, and allows the group to move ideas around easily to accommodate last-minute changes.

To be a good problem solver you must be able to see both the big picture and important details. The value of a solution tree lies in its simplicity. By separating the key question into independent branches, it simplifies the problem-solving process, explicitly showing all its components and how they relate to one another. But, by laying out the structure of the problem in a graphical way, the tree also provides a road map for the solution process: at any moment in your analysis you can see where your effort contributes to the big picture and you can identify branches that you might not be addressing. Such trees are particularly helpful in situations of complex multi-stage decision problems. For example, when you need to plan and organize a sequence of decisions and take into account how the choices made at earlier stages and the outcomes of possible external events determine the types of decisions and events at later stages of that sequence.

**Exercise 38:**

- In small groups, use the problem agreed upon in Exercise 36 and conduct a brainstorming session to arrive at a list of possible solutions or actions.
- One of the team members should write the ideas on a flipchart.
- You will have 20 minutes to complete the listing of ideas.
- When the 20 minutes is up, each team is then to evaluate each of the ideas generated. The team is to decide on the “best” three ideas.
- These three ideas will be presented to the whole group by the team’s spokesperson, along with a tally of the total number of ideas generated.
Step 5: Evaluation of Actions

It is important to remember that every alternative action for a particular problem is not necessarily an option that would be desirable to take. It only becomes an option when it becomes a real possibility for action. This involves determining which alternatives are most cost-effective and beneficial for solving the problem.

To that end, it is often useful to move through a process in which the actions are assigned weights or priorities. The basis for the weighting should be how effectively the action is likely to address the cause or causes of the problem and how cost-effective it will be.

Based on a weighting or priority-determining process, the team or organization should come to a decision on the top actions to pursue. Additional research may well be needed to further define the action, its cost and timing, and its likely impact on the desired results. These actions should be incorporated into the organization’s strategic action plan and its work plan to ensure their implementation. The nature of this step, in particular, in the problem-solving process is why problem-solving and decision-making are highly integrated.

Plus/Minus/Interesting Approach to Evaluating Solutions

PMI stands for ‘Plus/Minus/Interesting’. PMI is a good way of weighing the pros, cons and implications of a decision. It is designed to deliberately direct attention to the positive, negative, and interesting aspects of a particular idea, subject, or decision. PMI is designed to open up each participant’s thinking and encourage creativity. When a course of action has been selected, PMI is a good technique to use to check that it is worth taking. The activity is short – it was designed to last only three minutes.

During the brainstorming on the Plus column, only positive comments on the topic are allowed. This has the effect of temporarily stopping both
naysayers and devil's advocates so that their views are not allowed to stifle the creative comments of the rest of the participants.

During the Minus phase everyone points out problems with the topic. Note that in the Plus phase even people who dislike the idea must come up with things that are good about it and during the Minus phase even those who like the idea must come up with problems with it. This has the effect of not allowing people to argue only in favor of their position.

However, the real value is in the third phase, Interesting. Here the idea is to essentially finish the sentence, "If we did this, it'd be interesting to see if..." Note that the topics that come up here are ones that are not inherently negative or positive. They often end up being unproven assumptions and/or indications of how others will react.

Figure 33: PMI Example of “Moving to a Big City”

<table>
<thead>
<tr>
<th>+ (plus)</th>
<th>- (minus)</th>
<th>i (interesting)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Many jobs</td>
<td>Expensive</td>
<td>More people</td>
</tr>
<tr>
<td>Museums</td>
<td>Traffic</td>
<td>Mass transit</td>
</tr>
<tr>
<td>Restaurants</td>
<td>Pollution</td>
<td>Shopping</td>
</tr>
<tr>
<td>Parks</td>
<td>Crime</td>
<td>Close to an airport</td>
</tr>
</tbody>
</table>

Source: Enchanted Learning.com

Exercise 39:
- In small groups, use the problem agreed upon in Exercise 36 and conduct a PMI (Plus/Minus/Interesting) session to evaluate the list of possible solutions generated by the group in Exercise 38.
- Use a three-column table headed by “Plus,” “Minus,” & “Interesting” to list the effects of taking an action

- Assign a score (+ or -) to each point, & add up the total for each column
- Strong positive score = take the action
  Strong negative score = avoid the action

**Force Field Analysis**

Force Field Analysis (FFA) can be used to obtain a whole view of all the forces for or against a plan so that a decision can be made that takes into account all interests. It is a method for listing, discussing, and evaluating the various forces for and against a proposed change. When a change is planned, Force Field Analysis helps you look at the big picture by analyzing all of the forces impacting the change and weighing the pros and cons. By knowing the pros and cons, you can develop strategies and an action plan to reduce the impact of the opposing forces and strengthen the supporting forces. Specifically FFA can:

1. Determine if a proposed change can get needed support
2. Identify obstacles to successful solutions
3. Suggest actions to reduce the strength of the obstacles

Forces that help you achieve the change are called "driving forces." Forces that work against the change are called "restraining forces." Once the Force Field Analysis has been completed, you can use it in two ways:

1. To decide whether or not to move forward with the decision or change.
2. To think about how you can strengthen the forces that support the change and weaken the forces opposing it, so that the change is more successful.

After deciding to move forward with a project, you can use the Force Field Analysis to:
- Reduce the strength of the forces opposing the project
- Increase the forces pushing the project (for example):
- Train staff to respond to the identified challenge
- Demonstrate that change is necessary for the survival of the organization
- Demonstrate to staff that new office practices will introduce variety and interest to their jobs

The forces driving change can be converted into goals.

**Figure 34: Force Field Analysis Example**

![Force Field Analysis Example](http://www.mindtools.com/pages/article/newTED_06.htm)

**Exercise 40:** In small groups, conduct a Force Field Analysis of the problem identified in Exercise 36 or another problem, using the steps described below (skip Steps 1 through 4):
Critical Steps

1. Establish the problem to be solved, and a solution [change] that will solve it. The Nominal Group Process is a useful technique for garnering efficient group response and agreement about a problem and its solution. Even in those cases where administrators and/or specialists have made these decisions, FFA is effective in involving others and getting agreement quickly.

2. Devise both the question to which FFA participants will respond and the tailored materials masters for the FFA. (See the Worksheet A)

3. Identify the FFA participants. Participants should be members of the system targeted for the change. Their intimate knowledge of the system is necessary for generating realistic hindering and facilitating forces.

4. Schedule personnel and facilities for the FFA. A facilitator is needed to guide groups of three to five individuals' each with its own table, in a common work area. Any number of participants may take part; however, the larger the number, the more time required. Voice amplification and overhead projection equipment may be required for larger numbers of groups.

5. Divide participants into groups of three to five individuals, and assign half to generate forces hindering the adoption and half to generate forces facilitating it. This division results in more diverse and original responses; otherwise, many of the hindering responses will be mirror images of the facilitating responses.

6. Using Worksheets A and B, have the respective groups respond to the question of what facilitating and hindering forces affect the change's adoption. The brainstorming technique is effective in doing this

7. Using the space to the left of the listed forces, have each team weight the effect of each. They assign each force a value from the following scale: 1 = no effect, 2 = little effect. 3 = moderate effect. 4 = considerable effect, 5 = highest effect

8. Have each team choose five to ten of the most critical facilitating and restraining forces from their worksheets. Choices are based on their weighting of the forces. There will be overlap of choices from
group to group, but there will also be differences.

9. **Have each group graph its chosen forces on the FFA chart** *(Worksheet C).* The respective groups will list the restraining forces on the left side and the facilitating forces on the right side. Then they simply draw an arrow to represent the weighting of each of the identified forces.

10. **Have the groups, in round-robin sequence, state one of their most important facilitating and hindering forces.** This is repeated until all forces are listed. The facilitator, or a clerk, enters the forces on an FFA chart, i.e., Worksheet C, usually predrawn on a chalkboard or overhead transparency. The facilitator's task is to simplify and clarify responses and to eliminate duplicates.

11. **Assign a score to each force,** from 1 (weak) to 5 (strong)

12. **Using the completed FFA chart, have each group recommend means to enhance any facilitating forces, and to reduce the effects of any hindering forces.** The facilitator or clerk records the recommendations.

13. **Report the results of the FFA in terms of the feasibility of adopting the proposed change.** Often the report is sent both to participants and to administrators.


**Worksheet A**

Example of central question and participant response sheet.

<table>
<thead>
<tr>
<th>Worksheet A</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>&quot;What forces positively affect the ……?&quot;</em></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Weight</th>
<th>List of Facilitating Forces</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td></td>
</tr>
<tr>
<td>(b)</td>
<td></td>
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<tr>
<td>(c)</td>
<td></td>
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<td>(d)</td>
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</tbody>
</table>
(e)  
(f)  
(g) (In practice, you usually extend this list much further)

**Worksheet B -**  
Example of participant response sheet listing restraining forces and weights.

<table>
<thead>
<tr>
<th>Weight</th>
<th>List of Restraining Forces</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td></td>
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<tr>
<td>(b)</td>
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<td>(f)</td>
<td></td>
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<tr>
<td>(g)</td>
<td>(In practice, you usually extend this list much further)</td>
</tr>
</tbody>
</table>
Worksheet C -
Example of participant response sheet listing restraining forces and weights.

<table>
<thead>
<tr>
<th>Worksheet C</th>
<th></th>
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<tbody>
<tr>
<td><strong>Restraining Forces</strong></td>
<td>5</td>
</tr>
<tr>
<td></td>
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Step 6: Solution Implementation

As Peter Drucker, father of “modern management”, once said, “Plans are only good intentions unless they immediately degenerate into hard work.” The first measure of a good solution is that it gets implemented. No solution is ever really a solution until put to the test. Solving problems requires intervention as well as investigation.

An action plan emanating from the problem-solving process needs to have buy-in and support throughout the organization if it is to succeed. This is facilitated through the crafting of an action plan that clearly lays out the solution to each problem. This is in essence a “strategic plan” for the
organization that is focused on its key priorities, or problems. Questions that need to be answered in this plan include:

1. What are the goals to be achieved (convert the problem statements to goals) and how will we know if we have achieved them (measurable outcomes)?
2. How will each step be undertaken (strategic actions)?
3. What is the timeframe?
4. Who is responsible for each step or task?
5. What resources will be needed in terms of people, money, and equipment?
6. What value or benefit will be gained?

Problem-solving is only useful if it yields results. Once implemented, the chief measures of a good solution are whether or not it produces the desired effects, and the extent to which these are offset by any side effects. An important aspect of this step in the problem-solving process is continual observation and feedback. Indicators of success could include:

1. Are you seeing what you would expect from the indicators?
2. Will the plan be done according to schedule?
3. If the plan is not being followed as expected, then consider:

   1. Was the plan realistic?
   2. Are there sufficient resources to accomplish the plan on schedule?
   3. Should more priority be placed on various aspects of the plan?
   4. Should the plan be changed?

Problem-Solving and Collaboration

An effective organization “team” doesn’t really evolve until the members learn to collaborate with one another, which, as was pointed out in a previous chapter, is the highest level of interaction. Collaboration involves working closely together to solve mutually agreed upon problems within the organization or that the organization is facing. The team that actively solves problems is a team that knows where it is going and develops and
uses problems-solving processes that keep it on track for both the task and the human relationships required to work toward excellence.

Collaboration among team members and within an organization is most effectively achieved as part of a problem-solving process. Problems in any organization continue because they are not easily solved. Generally, new and innovative ways need to be found to resolve these problems. Such thinking can best be done in a team environment rather than depending on one or two staff alone. It has been stated that "there is nothing new under the sun," which in this case can be translated to mean that solutions to problems are usually combinations, new applications, or modifications of old solutions. The exchange of ideas and information among a knowledgeable and interested team is central to problem-solving.

Exercise 41: Teamwork and Problem-Solving

The following conditions support good team problem-solving. Check those now existing in your organization or team and circle the box of those you want to add in the future:

- The team conscientiously tries to identify members’ concerns about a problem before attempting to solve it.
- Team members readily contribute from their experience and listen to the contribution of others.
- Conflicts arising from different points of view are considered helpful and are resolved constructively by the team without becoming defensive.
- Team members challenge suggestions they believe are unsupported by facts or logic, but avoid arguing just to have their way.
- Poor solutions or alternatives are not supported just for the sake of harmony or agreement.
- Differences of opinion are discussed and resolved; consensus is worked toward rather than voting on or avoiding the issues.
- Every team member strives to make the problem-solving process efficient and is careful to facilitate rather than hinder discussion.
Team members encourage and support co-workers who may be reluctant to offer ideas.

Team members understand the value of time and work at eliminating unnecessary and/or repetitious discussion.

Team decisions are not arbitrarily overruled by the leader simply because he/she does not agree with them.

The team understands the leader will make the best decision he or she can, if a satisfactory team solution isn’t easily found.125

Discuss the results of the individual assessments of the team process for problem-solving.

Exercise 42: Choose a relatively simple problem that is common throughout the organization. Work through the problem-solving process, arriving at a brief action agenda.
1. Begin by more clearly defining the problem
2. Once the problem is clearer, move on to discussing possible causes of the problem
3. List positive actions that could be taken to remedy these causes.
4. Discuss how well the team worked together and what positive things happened that demonstrated teamwork
5. What negative things happened that were a barrier or impediment to teamwork?
6. Discuss the nature of the team process in light of this problem-solving experience


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Conclusions

To achieve the desired results from this problem-solving process requires *intervention*. Something in the situation must be changed, and changed in such a way as to produce the desired results. This implies knowledge of the situation and the problem involved. This is knowledge that enables one to say, for a given action, what effects will be produced, or, for a given effect, what actions will produce it.

A major advantage of this approach is that it gives a strong sense of order in an otherwise complex and difficult situation and provides a common for communicating. A major disadvantage of this approach is that it can take a relatively long time and a significant effort to finish. Some people might argue, too, that the situation is much too complex or changeable for this rational approach to be useful. Far too frequently, failure to address a complex organizational problem through the structured problem-solving process is likely to result in no significant progress or change. In other words, avoid a systematic problem-solving process at your own risk.
Chapter 10

CHOICES (STRATEGIC PLANNING FOR THE ORGANIZATION)

Up to this point in the book, a number of techniques for “managing for excellence” have been discussed. To some extent, reading the previous chapters is like learning a number of techniques for improving your golf. You may learn a better grip, improve your swing, keep your eyes on the ball, etc., but until you are able to execute the whole set of golf tips as one unified package your game isn’t likely to improve significantly. Of course, the ultimate test in golf is your consistent ability to hit the ball where you want it.

Strategic planning is that “package” that provides the framework for bringing together all of the key elements for successful organizational management. Its ultimate purpose is to help the organization do a better job. An effective organization must be able to clearly articulate its direction, its purpose, its goals, and its rationale for the actions it is pursuing, and then use a variety of management techniques to make it all happen. Unfortunately, management often has a tendency to be overconfident and to favor the status quo, which works against good strategic planning.126

Strategic Planning Defined

According to the National Performance Review, strategic planning is “a continuous and systematic process where the guiding members of an organization make decisions about its future, develop the necessary procedures and operations to achieve that future, and determine how success is to be measured.”127 Strategic planning therefore helps the organization identify and accomplish the most important actions for its growth and change in view of the

organization’s strengths and weaknesses, its constraints, and its opportunities.

An important benefit of strategic planning is that it can be an opportunity to unify the management, staff, Board, stakeholders, and customers/clients through a common understanding of where the organization needs to be headed, how everyone involved can work to that common purpose, and how progress and levels of success will be measured. Effective strategic planning provides the organization with the means for managing and influencing change, rather than being at the mercy of change. It helps to shape and guide what the organization is, what it does, and why it does it, all in a context of thinking about the future.

Strategic planning does not necessarily mean accurately predicting the future, but, instead, anticipating a range of likely future possibilities and being prepared for them as they rush toward you. Planning represents “a kind of surfing, seeing event waves coming and catching them, riding the waves rather than being pounded into the sand.” Strategic planning stresses the importance of making decisions that will ensure the organization’s ability to successfully respond to the unforeseen and unpredictable changes in the environment. Strategic thinking means asking, “Are we doing the right things now to get where we want to be in the future?”

Therefore, to be successful, the strategic planning process should provide clear guidance for making organizational decisions at all levels and should provide a template against which all decisions can be evaluated. The process should be as inclusive as possible, with a high level of involvement from the organization team (the Board, key stakeholders, staff, and management). The strategies that are found in good strategic planning are simply a set of actions that enable an organization to achieve the results that are desired.

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**Strategic Thinking**

At the heart of strategic planning is “strategic thinking.” This may sound obvious, but much of the so-called strategic planning in many organizations planning process is far from “strategic.” As a result, it’s been estimated that 75 percent of all strategic change efforts fail to achieve their intended results.129 According to the Center for Applied Research, “strategic thinking focuses on finding and developing unique opportunities to create value by enabling a provocative and creative dialogue among people who can affect a company’s (or organization’s) direction.” This mindset promotes an innovative approach to resolving key organizational issues or problems; in other words, to think “out of the box” so that the organization can achieve the results expected of it and move forward. Unfortunately, many planning processes are mired in traditional thinking, such as is indicated in Figure 34.

**Figure 35: Traditional Planning vs. Strategic Planning**

<table>
<thead>
<tr>
<th>TRADITIONAL</th>
<th>STRATEGIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emphasis on stability</td>
<td>Dynamic and change-oriented</td>
</tr>
<tr>
<td>It’s how we do things!</td>
<td>What do we need to do?</td>
</tr>
<tr>
<td>Emphasis on goals</td>
<td>Emphasis on action</td>
</tr>
<tr>
<td>Reactive</td>
<td>Proactive</td>
</tr>
<tr>
<td>Let’s study this some more!</td>
<td>Fire! Ready! Aim! (Tom Peters)</td>
</tr>
<tr>
<td>Who are we?</td>
<td>Who do we need to be?</td>
</tr>
<tr>
<td>That won’t work!</td>
<td>Let’s try something different!</td>
</tr>
<tr>
<td>Written in stone!</td>
<td>Continuous, ongoing process</td>
</tr>
<tr>
<td>Facts and numbers</td>
<td>Options and contingencies</td>
</tr>
<tr>
<td>Efficient</td>
<td>Effective</td>
</tr>
</tbody>
</table>

*Strategic thinking* asks such questions as:

1. What do we need to *do* to get *where we want to be* using the *resources* we have available to us?

2. Considering what is happening or is likely to happen in the world, our nation, our region, and our community, what can we do to be more competitive or effective as an organization?

3. How do we more effectively get the organization’s leadership involved in “building a better organization for the future?”

**Strategic Planning Benefits**

*Failing to plan is planning to fail.*

Strategic planning is not just an exercise that the organization goes through to impress its constituents and stakeholders. It has very tangible and important benefits, such as:

1. It facilitates discussion of issues in a proactive rather than reactive mode.
2. It provides the basis for an action plan that can help an organization more effectively solve the problems it faces.
3. It provides the framework for the reallocation of resources to respond to changing conditions, and develops the possibilities for obtaining additional resources if required.
4. It builds interrelationships among the Board, key stakeholders, and staff in a structured and sustainable manner.
5. It provides a means for informing constituents and stakeholders about the activities of the organization and how these respond to organizational problems.
6. It provides an opportunity to focus on the forest rather than the trees.\textsuperscript{130}

Typical Planning Timeframe

The scheduling for the strategic planning process depends on the nature and needs of the organization. Generally, an organization’s strategic plan is for a three- to five-year timeframe. However, if the organization is finding itself in a rapid state of changing demands on its services, it may have to carry out a strategic planning process at least once a year. Certainly, every strategic plan should at the least be reviewed and updated each year.

Beginning the Process

Before an organization embarks on a strategic planning process, it should make sure that it is ready for the effort by asking the following questions:

- Are the Board members and staff truly committed to making this happen?
- Is there a prevailing belief that this process is critical to the future of the organization?
- Is there a willingness to question the status quo and to look at new approaches to performing and evaluating the operation of the organization?

Strategic planning is not an exercise that should be undertaken in response to an organizational crisis, such as the sudden loss of major funding or the unexpected departure of the executive director of the organization. Strategic planning is about long-range thinking rather than short-term solutions to emergency situations.

If key stakeholders or staff in an organization balk at planning because of a fear of possible failure in pursuit of goals or in fear of being held accountable, these fears must be put to rest if the planning process is to succeed. It may require an honest discussion of possible significant problems within the organization and an education process demonstrating the benefits of moving ahead with planning. Planning is likely to force an
organization to deal with rather than avoid issues, and the organization members must be prepared to do so or no progress can occur. The planning process should include the time, focus, and skills for the mediation or negotiation needed to resolve any critical internal conflicts, so that the organization can face the future as a team. Failure to plan or to continue to avoid the issues can only lead to a worsening of the problems.

An organization that determines that it is indeed ready to begin strategic planning should perform five tasks to pave the way for an organized process:

1. Determine with the Board the general scope of the planning process.
2. Clarify roles (who does what in the process).
3. Define the specifics of how the strategic planning process will take place.
4. Revisit the organization’s mission to better understand the parameters or boundaries of the planning process; i.e., what should the organization be undertaking and what should it be avoiding.
5. Assess the strengths and weaknesses of the organization with respect to its ability to adequately respond to the expectations of the stakeholders.

The Role of the Mission and Vision

The issue of the organization’s mission statement was addressed earlier in this book. This statement, together with the vision statement which will be discussed in this chapter, provides important guidelines for the planning process. The mission statement sets the parameters for the organization’s program and activities, keeping the activity in line with the purpose of the organization. The vision statement provides the direction for the future, or where does the organization wish to go and what does it wish to become. Both the mission and the vision should incorporate a high level of Board involvement.
Organizational Assessment

An important part of strategic planning, strategic thinking, and strategic management is an awareness of the organization’s resources and an understanding of the environment within which the organization operates. This enables it to more successfully respond to changes in that environment. A situation assessment, or strengths and weaknesses analysis, therefore, means obtaining current information about the performance of the organization. This will help define the critical issues that the organization faces and that its strategic plan must address. These could include a variety of primary concerns, such as funding issues, new program opportunities, changing demands based on leadership concerns, improving customer/client relationships, etc. The process of conducting an organizational assessment was discussed in an earlier chapter. The point of such an assessment is to help the Board decide which are the most important issues to address.

The Strategic Plan

The “ideal” Strategic Action Plan for a non-profit organization is often organized as follows:

- Organizational assessment (S.W.O.T. analysis)
- Vision and mission statement
- Goals, measurable outcomes, and strategic actions
- Organizational work plan (annual)
- Evaluation and adjustment procedures

Although an effective strategic plan should contain the key elements listed above, it should be noted that strategic plans vary considerably. Every organization is unique in its history and culture, and, it is to be hoped, in its mission. Every plan should reflect that uniqueness. An organization should avoid taking some other organization’s strategic plan and merely changing the wording. This is a tempting shortcut, but it can easily lead to inappropriate actions for the organization doing this.
The following flow chart demonstrates the ideal process for strategic planning. This can serve as a model for your organization’s planning process, but be assured that considerable liberty exists within this structure for unique application to each organization.
Figure 36: The Strategic Planning Process

INITIATION & ORGANIZATION

- Conduct Org. Assessment
- Envision
- Prioritize Key Issues

RESEARCH

- Define Goals &
- Research Prioritize Key Issues

FORMULATION

- Develop Strategic Actions
- Finalize Strategic Plan
- Assign Organizational Responsibilities

IMPLEMENTATION

- Formulate Organizational Strategic Action Tactics
- Allocate Resources
- Monitor Activity

EVALUATION

- Develop a Work Program
- Review Performance and Progress
- Analyze Impacts and Outcomes
Ultimately, the strategic plan as outlined in the above flowchart needs to be clearly articulated in a written document. The elements of this plan are discussed in the rest of this chapter.

**Outside Facilitation**

It may prove useful for the organization to bring in an outside facilitator for the planning process. However, it is important to emphasize that this individual should serve only as a “facilitator,” (or, if a document is involved, also as an editor). The real work of planning can only be accomplished by an organization’s leadership in collaboration with staff and other stakeholders.

For an organization with little or no experience in strategic planning, an outside consultant can enhance the process by providing the following services:

- **Facilitating** of retreats, meetings, and the planning process as a whole: The use of a consultant is one method of ensuring that good ideas don’t get lost in the politics of the process or the personalities of the participants. A consultant can work with an organization to minimize planning barriers that impact effectiveness, using his or her experience as a source of proven strategic planning processes.

- **Training** in planning information and processes: It is critical for everyone involved in the planning process to be speaking the same language and using the same planning tools. Outside consultants can provide that conduit of information flow and education.

- **Providing an objective and different perspective** in the process: As an outsider to the organization, the consultant can ask questions and challenge existing traditions, assumptions, and routines more objectively than staff and board members. Having an outside consultant participate in the planning process helps ensure that the organization stays true to one of
the prerequisites of engaging in the planning process, which is the willingness to question the status quo.

- The process expert role: The consultant who has facilitated and conducted many strategic planning processes can provide significant information and advice on tools and processes that can best accomplish the planning goals of the organization.131

Certainly, the outside facilitator with considerable economic development experience can also make suggestions or recommendations regarding “best practices” or strategic actions that might aid the organization in accomplishing its goals. But the determining of priorities, goals, and outcomes should only be a function of the leadership of the organization. All key decision-making should be internal and should not be done by someone from outside the organization.

The Board’s Role In Strategic Planning

A primary responsibility of a Board of Directors as part of their governing and oversight is strategic planning, which provides a means for effectively guiding the organization. The key to meeting the expectations of the Board of Directors is to make sure that the Board assists the organization in setting its priorities. No organization can do everything asked of it, and can do only limited things well. A strategic plan for an organization articulates clear-cut actions that effectively address the goals and priorities of the organization’s stakeholders. It is important, however, that the Board recognizes that their role is to establish direction and priorities, and not to develop the specific actions that the organization’s staff will be implementing.

Once completed, the initial draft of the strategic planning document should be circulated among the Board members and other stakeholders for review and comment. This is also the time to consult with staff to determine whether the plan can be translated into a work plan, or operating plan, for


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the organization for accomplishing the desired results (usually on a one-year basis).

As the governing body, the Board should formally vote on adopting the plan as the management framework around which the organization will develop its work plan. This can be accomplished after the Board has had an opportunity to review and comment on the plan, and appropriate changes have been made to the document.

It should be noted that a strategic plan outlining where the organization wants to go is worth little unless the organization has the capacity to get there, and the resources to create the impact the plan seeks. It is the ultimate responsibility of the Board to provide the guidance, support, and means for successfully implementing the strategic plan.

Exercise 43: If the priorities of the Board and stakeholders are not in agreement with those of the organization’s executive director and staff, what should be done to remedy the situation? Discuss.

The Vision for the Future

"If you don't think about the future, you cannot have one."
- John Galsworthy, 1928

"If you don't know where you’re going, anyplace will do."
- from Alice in Wonderland

Strategic planning ideally begins with the crafting of a vision for the future of the organization. Envisioning involves a belief that we can influence our destiny by what we do now. Martin Luther King, Jr. said, in his now famous speech, “I have a dream.” What followed was a vision that changed a nation.

A vision is an ideal and unique view of the future. Considerable research has demonstrated that the vision for an organization generally flows from the knowledge and experience of the leaders connected with that
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organization. Widely-read organizational development author Warren Bennis identified a handful of traits that made great leaders “great.” Important among them is the ability to create a vision.

A vision statement for the organization is a word picture of what it would like to eventually become. It involves looking into the future and determining what changes key stakeholders or Board members would like to see happen. It is easy to develop rather vague and lofty statements about the future of the organization, such as “being the best economic development organization” or “one of the best.” However, these kinds of statements don’t translate very well in terms of what the organization does on a daily basis to accomplish that vision. As organizational learning expert Peter Senge has observed, “Vision translates mission into truly meaningful intended results – and guides the allocation of time, energy, and resources. In my experience, it is only through a compelling vision that a deep sense of purpose comes alive.”

The value of vision is that it gives a sense of direction to the actions of the organization. It answers the question, “What will success look like?” The vision helps build consensus around what an organization ought to be doing, and it focuses people on the tasks at hand. In addition, it challenges and inspires the organization to achieve its desired destiny. A vision has to be achievable to be inspirational.

The best way to predict the future is to create it. Peter Drucker

As stated by the Alliance for Nonprofit Management:

A vision is a guiding image of success formed in terms of a contribution to society. If a strategic plan is the “blueprint” for an organization’s work, then the vision is the “artist’s rendering” of the achievement of that plan. It is a description in words that conjures up a similar picture for each member of the group of the destination of the group’s work together.

Because an organization is comprised of a number of individuals, it should be assumed that each individual has his/her own idea regarding the

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133 Alliance for Nonprofit Management, “What’s in a Vision Statement?”
direction of the organization. The challenge within an organization is to assemble this assortment of “visions” into one unified theme. For an organizational vision to be effective, it should be:

- Widely shared among the members, stakeholders, and constituents of the organization
- Clearly articulated and easily understood
- Strongly committed to by management
- Challenging but attainable
- Responsive to change
- Consistent with the organization’s values
- Highly desirable; a substantial improvement on the present
- Concise and memorable

According to Peter Senge, a shared vision is more than an idea. Instead, it is “a force in people’s hearts, a force of impressive power.”\(^{134}\) It takes on a reality of its own; it’s as if people can touch it and feel it. A shared vision is one of the most powerful forces in human affairs. Bert Nanus wrote that: “There is no more powerful engine driving an organization toward excellence and long-range success than an attractive, worthwhile, and achievable vision of the future, widely shared.”\(^{135}\)

A vision is shared within an organization when everyone has a similar picture of what the organization is and where it is going, and they are committed to ensuring that it is truly shared. When people share a vision, they are connected and bound together by a common aspiration. Just as personal visions gain their power from an individual’s deep caring for that vision, so shared visions derive their power from a common caring.\(^{136}\)

It would appear that people long for a shared vision because they wish to be part of something more than themselves. They desire to be connected to activity that is viewed as worthwhile, “good,” and of benefit to the

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\(^{136}\) Senge, op.cit. p. 206.
organization and ultimately to the community. In that sense, the shared vision ultimately reflects the personal vision of those who share it.

A shared vision, if it embraces something that transcends the ordinary or mediocre, can lift the aspirations of the people associated with the organization. People move from thinking that they are merely working on projects to a mindset that they are accomplishing important tasks that will lead to a more excellent organization. "The" organization becomes “our” organization. A common identity exists among the employees and stakeholders of the organization.

According to Peter Senge, relatively few people are enrolled in the typical organization, and even fewer are committed. The great majority of people are in a state of compliance, which means that they will do what is expected of them but little more. When an individual is enrolled, it means that he or she has chosen freely to support the organization and its activities, as opposed to being told to do something or being sold on doing something. The committed individual is not only enrolled but also feels fully committed to making the vision happen.137

An organization that is made up of enrolled people would be far ahead of most organizations in productivity and excellence. People would not have to be told repeatedly what to do. They would be responsive, upbeat, and positive in their attitude. Beyond that, committed people would bring an energy, passion, and excitement to the organization. They would be willing to take on difficult tasks and take risks. In other words, compliant people accept the vision; committed people own the vision.138

Visions take hold and are shared because they become more clear as they are talked about. As the vision gets clearer, enthusiasm for it builds.139 If this process is encouraged, it includes more and more people. However, if conflicting visions aren’t resolved into a shared vision, the diversity of visions can lead to a confusion of ideas and even to polarities of thinking.

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137 Senge, op.cit. p. 218.
138 Senge, op.cit. p. 221..
139 Senge, op.cit., p. 227.
Make no little plans, they have no magic to stir men’s blood.

Daniel Burnham

The power of vision is that it expresses what people who share the vision will be working hard to create. Since most people don’t take the time to think systematically about the future, those who do – and who base their strategies and actions on their visions – have tremendous power to shape that future. The vision moves people to action, and because of their action, the organization evolves and makes progress. Since an organization must move forward or, like a bicycle, it will fall over, the role of vision in driving the organization forward is indispensable. The vision’s power lies in its ability to grab the attention of those both inside and outside the organization and to focus that attention on a common view of the future.¹⁴⁰

There are few things sadder for an organization than an exciting vision poorly implemented. -- Nanus

The relationship between vision and organizational excellence is clear. The correct vision establishes a standard that defines that excellence. People want to do a good job, to believe that they are effectively advancing the organization’s purposes, and to feel valued for their contributions. To do so, they have to be clear about what the direction of the organization is, and when a particular action is likely to move the organization in that direction. The vision provides the overall guideline by which workers and managers can evaluate their worth to the organization, and by which outsiders can measure the organization’s worth to the community.¹⁴¹

Walt Disney’s vision is a good example of how the organization can be guided by a clear direction:

The idea of Disneyland is a simple one. It will be a place for people to find happiness and knowledge. It will be a place for parents and children to spend pleasant times in one another’s company: a place for teachers and pupils to discover greater ways of understanding and education. Here the older generation can recapture the nostalgia of days gone by, and the younger

¹⁴⁰ Nanus, op.cit., pp. 15-16.
¹⁴¹ Ibid., p. 17.
generation can savor the challenge of the future. Here will be the wonders of Nature and Man for all to see and understand. Disneyland will be based upon and dedicated to the ideals, the dreams and hard facts that have created America. And it will be uniquely equipped to dramatize these dreams and facts and send them forth as a source of courage and inspiration to all the world.

Disneyland will be something of a fair, an exhibition, a playground, a community center, a museum of living facts, and a showplace of beauty and magic. It will be filled with the accomplishments, the joys and hopes of the world we live in. And it will remind us and show us how to make those wonders part of our own lives.¹⁴²

Unfortunately, despite the importance of the vision, many organizations lack a clear vision statement. Sometimes, the leadership of the organization needs to be educated as to what an effective vision is and why it is so important. The following questions discussed by these leaders can guide them in determining the organization’s vision situation:

- Does the organization have a clearly stated vision? If so, what is it?
- If the organization continues on its current path, where will it be heading over the next decade?
- How good would such a direction be?
- Do key stakeholders know where the organization is headed, and do they agree on the directions?
- Do the organization’s structures, processes, plans, and information systems support the desired direction?

Exercise 44: Involve the Board in crafting a new vision for the organization. In a retreat or workshop environment, break the board into groups of five or six. Give them the following instructions:

Put yourself five years into the future. Your hopes and expectations for the organization have been realized. Significant changes have occurred, but the best of the past has been retained. The organization is successfully serving the needs of its customers, clients, and constituents.

What is your vision for the future of this organization?

- What values are clearly evident in the organization which have led to its success?
- What impact have major social and economic trends had on the nature of the organization and its activities?
- What role do you want this organization to play in the community?
- How is the organization viewed by its customers, clients, and constituents?
- What new ventures has the organization undertaken?
- What significant organizational issues have been resolved?
- And so on!

Please describe in writing the five most important characteristics of this organization five years from now.

1. ______________________________________________________________
2. ______________________________________________________________
3. ______________________________________________________________
4. ______________________________________________________________
5. ______________________________________________________________
FACILITATOR INSTRUCTIONS FOR THE VISIONING EXERCISE

(A Consensus-Building Process)

Each participant in the visioning exercise will be asked to write down on the sheet provided the five major components of their vision for the organization. This will be explained to them in the "full group" session. The participants will then be dismissed to their small groups or will begin working with their facilitator.

1. Ask each member of the small group to share, in turn, one of his/her characteristics of the organization ten years from now. Write this on the flipchart. Go around the group getting one characteristic from each member. If the component or characteristic is similar to one already stated, try to combine them. If it is identical to something already stated, ask for another component from the individual.

2. Repeat the process, asking for a second characteristic.

3. Repeat the process asking for a third characteristic.

4. Ask if any additional characteristics need to be listed.

5. Go through the list with the group and consolidate those characteristics that are similar.

6. Start with the first characteristic and determine if there is group consensus on the inclusion of it within a vision statement for the organization. If not, move on to the second, the third, and so forth.

7. After you have determined those characteristics for which there is consensus, go back through the remaining to determine if consensus could be developed on any of those if minor changes or modifications could be made concerning the characteristic. Add those characteristics for which there is consensus to the list and eliminate those without consensus.

8. Working with the group, try to determine the priorities of the vision components. Give each component either an "H" for high priority or very important, "M" for moderate priority, or "L" for low priority or not very important. If complete consensus does not exist in rating a particular
component, give the appropriate rating that the majority of the group believes is correct.

9. Rewrite the high priority components on a flipsheet to bring it back to the group as a whole for discussion.

*The Executive Director of the organization should will take the results of the visioning exercise (i.e., the high priority components of the vision), and craft a vision statement within a week or two of the workshop. This should then be submitted to the Board or the Executive Committee of the Board for review, comment, and eventual adoption.*

Once the vision is crafted, it is important to evaluate it to see if it truly will take the organization where it wants to go. The following questions can help that process by asking:

- √ Is the vision likely to lead to a **better future** for the organization and for those whom it serves?
- √ Is it **appropriate** for the organization – i.e., does it fit in with its mission, culture, and values?
- √ Does it set standards of excellence and **reflect high ideals**?
- √ Does it **clarify purpose** and direction?
- √ Is it likely to **inspire enthusiasm** and encourage commitment?
- √ Does it reflect **uniqueness**?
- √ Is it **ambitious and challenging** enough?

It is recommended that every organization periodically review its vision based on the above set of questions. No vision should be considered permanent or inviolate. As circumstances for the organization change, so possibly should its vision.
Goals and Measurable Outcomes

People with goals succeed because they know where they're going.
Earl Nightingale

The organization’s priorities can be translated into goals and outcomes (often also known as objectives). As part of the process of determining priorities discussed in a previous chapter, the Board of the organization or its stakeholders needs to keep in mind its vision and mission. This all provides the context for the goals and desired outcomes of the organization in light of its priorities for action.

You must have long-range goals to keep you from being frustrated by short term failures. James Cash Penney

Once the critical issues have been identified and prioritized with the Board, and then clearly defined, it is time to figure out what to do about them. This ranges from the broad approaches to be taken (goals) to the specific results to be achieved (outcomes and actions).

A goal is, in essence, a subset of the vision of the organization. Considerable variation exists in defining what a goal is, but the general consensus is that it is a broad statement of what the organization would like to achieve. It speaks to the future, but it is more specific than the vision. A goal statement ideally should describe what the organization is working towards, and it should clearly reflect the priorities of the organization’s leadership. In other words, what would the organization or its situation look like in the future if the goals were achieved.

A good goal must be stated clearly, concisely, and explicitly. No quantitative measurements or performance criteria are involved in a goal, despite the fact that many goals are so crafted. On the other hand, a goal often winds up being no more than an ambiguous desire, such as to "diversify the local economy." Clearly, many courses of action could be taken in an attempt to diversify the economy. As stated, this goal provides little direction, and, therefore, minimal planning guidance. More useful
goal statements are explicit, such as: "the organization has successfully helped attract high quality jobs that will meet local workforce needs (written in the present tense)." Generally, the goal statement should be an expression of a priority issue of the organization as defined by the Board and/or stakeholders.

Although goals are by definition not measurable, outcome statements can be associated with them that are quantifiable. For example, “Industrial prospects and site selection consultants consistently report satisfaction with the services received from the local economic development organization” is one measurable outcome of a goal that states “Industrial prospects and site selection consultants expressing an interest in the community are professionally and effectively hosted by the local economic development organization.”

Generally, measurable outcomes are important to the work plan of the organization because they define the specific results that need to be achieved. By a generally agreed upon definition, an outcome is a specific statement about something to be achieved, defined in terms of results. It describes what will exist when the organization gets where it hopes to be going or what will result from the performance of some activity. It should, therefore, be measurable in terms of results achieved or acceptable performance. It is worth emphasizing that the plan should avoid stating outcomes in terms of jobs created or firms attracted; instead, they should be focused on the performance of the organization, not on the impacts beyond its control.

*If you can’t describe it, you can’t measure it.*
*If you can’t measure it, you can’t manage it.*

**Example of a goal and outcome:**

**Goal:** The organization is adequately funded to achieve the implementation of its action plan.
**Outcome:** Within the next twelve months, the executive director and the Board will raise $1 million in public and private sector monies for the organization’s funding.

**Figure 37: Diagram of the Strategic Plan Process**

Without written goals and outcomes, most organizations lack clear direction. Day to day activity is likely to lack focus, and many of the priorities of the organization can be overlooked. In summary, the goals and outcomes define the “end results” that the organization is striving to achieve.

From a practical standpoint, it is difficult to quantify every aspect of the economic development program. The emphasis of measurement should be on the outcomes related to the priority goals. Frequently, outcomes are likely to be more detailed subsets of the goals. For example, using the goal
of attracting new corporate office operations to the community, one outcome for this might be: "Within the next two years, promote the advantages of locating in our community to all of the Fortune 500 corporations." Another outcome for attaining this same goal could be: "Within the next year, formulate a program for attracting an additional commercial airline to serve our community."

Writing clear and effective goals and outcomes is more an art than a science. It is easy to set down fuzzy concepts like “the organization will be the best economic development agency in the South.” Such ambiguous statements, however, do not translate to clear outcomes and actions to accomplish them. How does an organization know when it is the “best” and how do you measure your organization against those of other communities.

Once the goals and outcomes have been initially drafted, they should be circulated to the stakeholders and staff of the organization for their review, comments, (and hopefully) support, and endorsement.

**Strategic Actions**

*Those who triumph,*  
*Compute at their headquarters*  
*A great number of factors*  
*Prior to a challenge.*

*Those who are defeated,*  
*Compute at their headquarters*  
*A small number of factors*  
*Prior to a challenge*

*Much computation brings triumph.*  
*Little computation brings defeat.*  
*How much more so with no computation at all!!*

*By observing only this,*
I can see triumph or defeat. Sun Tzu, *The Art of War*

Goals and the strategic actions for achieving them are the heart of a good strategic plan. The goals set the direction and ideally reflect the priorities of the stakeholders. Goals and outcomes define what the organization hopes to achieve (the “challenge” according to Sun Tzu); strategic actions describe how they will be achieved (the “computation” according to Sun Tzu). What makes a particular action “strategic” is that it is designed to accomplish a goal or address a priority issue of the organization. Meaningful actions are much more than ambiguous desires. They are specific activities and tasks to be undertaken to achieve a desired result.

**Example of a goal, outcome, and strategy:**

**Goal:** The organization is adequately funded to achieve the implementation of its action plan.

**Outcome:** Within the next twelve months, the executive director and the Board will raise $1 million in public and private sector monies for the organization’s funding.

**Strategic Action:** Organize teams of volunteers to call on prospective sources of funding.

Achieving goals takes much more than wishful thinking. In order to be proactive, the organization will need to pursue strategic actions aggressively and ambitiously. The organization’s situation cannot be changed easily and quickly. A number of strategic actions need to be formulated to address these goals, and these would be contained in the strategic planning document.

A strategy or strategic action usually consists of a project or course of action to be undertaken to accomplish a defined goal. Generally, it is possible to express a strategic action in a single sentence or phrase reflecting an approach that could encompass any number of specific activities or tasks. For example, one strategy for attracting new office
operations might be the establishment of a direct mail program. This strategic action would involve such tasks as establishing a mailing list, formulating a series of letters, mailing the package, following up, and so forth.

The following is another example of a goal, outcome statement, strategic action, and performance measure:

**Goal 4: New business parks are in various stages of quality development.**

**Outcome:** 200 acres of new business parks in the City are attractively developed and offer a variety of high quality options to meet the space needs of new and expanding firms.

**Strategic Action 1:**
The organization will form a “Real Estate Action Team” to guide the organization in the planning and development of new business parks and commercial areas.

**Performance measure:** Team organized and chartered with an adopted schedule of meetings

_Einstein_:
The significant problems we face cannot be solved at the same level of thinking we were at when we first created them.

_Insanity is doing the same thing over and over again and expecting different results._ -- Einstein

The formulation of effective strategies is a combination of rational thinking, research, and educated best guesses. The previous chapter outlined a problem-solving approach to determining innovative and effective actions. Organizations generally don’t take such a systematic approach to developing an action agenda. The level of time and effort involved leads many organizations to avoid innovation and instead rely on what has been done in the past, successful or not. However, developing key strategies can be an invigorating and fun process, which involves:

- Examining the organization’s critical issues
- Determining how the organization’s strengths and capabilities can be
used to address these critical issues
  o Analyzing the strengths of and opportunities for the organization, and seeking ways of bringing these two areas together
  o Exploring and choosing those approaches that are most likely to lead to the desired results for the organization
  o Ensuring that the strategies are aligned with the organization’s mission and vision, or using these strategies to reformulate the mission and vision as necessary

Developing effective strategic actions is often the most difficult part of strategic planning. Frequently, organizational issues tend to be complex and the answers are not immediately obvious. If they were, they would have been addressed sooner, and they would no longer be issues. As the process moves forward, it is likely that the organization will need to conduct research on how other organizations have responded to similar issues, what the leadership thinks would work, what research studies have concluded, etc. This level of research is likely to lead to new insights on how to improve the organization and resolve these issues. This should be an ongoing process that keeps changing to meet the situation; not one “written in stone.”

It has been the author’s experience that effective strategic actions are more likely to be derived from the problem-solving approach previously discussed rather than from a typical group brainstorming process. Typically, an action likely to bring about change or the desired results is something that hasn’t been tried by the organization previously, which means that the knowledge concerning this action may not exist currently within the organization.

**Work Plan and Implementation**

*Work is hard. Distractions are plentiful. And time is short.*
Adam Hochschild

*When all is said and done, a lot more is said than done.*
Lou Holtz
Significant differences exist between a strategic plan and the organization’s plan to implement it. The work plan is the means by which the strategic plan is implemented and the desired results are achieved and evaluated. The strategic plan for the organization, which should be a three- to five-year timeframe, should dictate the priorities of the work plan. The work plan ensures that everyone knows what needs to get done, helps to coordinate their efforts when getting it done, and assists in keeping close track of whether and how it got done.

**Most strategic planning fails at the implementation level.** Far too many organizations fail to set up effective mechanisms for getting the job done. As a result, the strategic plan often sits on the shelf gathering dust. Therefore, soon after completion of the organization’s strategic plan, an operating plan for the upcoming year should be prepared. An operating plan, or work plan, is a schedule of the activities and outline of the responsibilities that details the actions to be taken in order to accomplish the goals and objectives laid out in the strategic plan. Some actions are maintenance-related; others will lead to desired significant changes.

Work plans should be task-oriented and lend themselves to project management. Tasks need to be spelled out specifically and sequentially. The implementation of strategic actions is dependent on defining:

- The staff responsible for carrying it out
- Timing
- Resources required
- Cost
- Benefit to the organization and its constituents

*Never let the difficulty of a task stand as an adequate reason for not acting; force yourself to identify precisely what is to be gained in the long run by delay. In most cases you’ll find you can’t (delay).*

Edwin Bliss

Three important attributes describe a good operating plan:

- An appropriate level of detail – enough to guide the work, but not so much that it becomes overwhelming, confusing, or unnecessarily
constrains creativity

- A format that allows for periodic reports on progress toward the specific goals and objectives
- A structure that coincides with the strategic plan – the goal statements for the strategic plan and the operating plan are one and the same; the operating plan has specific outcomes.143

The implementing of the work plan can be facilitated through a project management process. Each of the strategic actions can be set up as projects, with time lines and clear assignment of responsibilities. More on this subject can be found in Chapter 5, which discusses project management within the context of Continuous Performance Improvement.

The Budget and Strategic Planning

Usually, budgets are included in the strategic plan, annual plan, and/or work plan of the organization. Budgets specify the money needed for the resources that are necessary to implement the plans. Budgets also demonstrate how the money will be allocated, which should mirror the priorities of the organization. Most detailed budgeting is done in connection with the one-year work plan, or operational plan.

Budgeting is a process of allocating financial resources to programs, funds, and projects, taking into account the organization’s expected expenses and income. Budgeting income is a crucial part of the financial management of an organization. This process allows agencies to monitor and control their budgets in a manner that is appropriate for their agency, because a budget projects when income will be received and expenses will occur over the year. Because the budget guides spending decisions, it should be revised annually.

A budget has three purposes. The first is its contractual purpose, which enables a manager to control or limit the amount of spending. The most frequently used format is the line-item budget, which enumerates salaries

and benefits of employees, supplies, expenses, and other items. This budget also stipulates what a particular program of the organization will cost. A budget takes the organization’s planned activities and translates them into dollars.

Another purpose of a budget is to assist in planning. This takes a longer term view and looks at the programs that the organization offers. For each program identified, the manager stipulates the goals and actions to be achieved, lists the different ways in which they can be achieved, and articulates the outcomes anticipated for each proposed expenditure. A budget can help identify where the organization’s actual activities are out of alignment with the cost of the desired activities. Organizations spend their resources where their “real” priorities lie, no matter what the plan says.

A third purpose of a budget is to achieve fundamental redefinition of the organization’s mission or policies. If this is the case, zero-base budgeting may be the correct approach. Although time consuming and anxiety provoking, it can provide some very helpful insights about how and why you are allocating your organization’s resources the way you are. In such an approach, each program needs to justify its existence from a base of zero or from the ground up. Programs and services are defined, costs are allocated to them, and these costs can then help in rank-ordering these programs and services in their importance to the organization.

Non-profit organizations do not normally receive all their funding at the same time of the year. Since many of them begin the year without complete funding, budgeting monthly income becomes a crucial ongoing activity. Throughout the year, financial reporting must include a timetable for when expected incomes will be available for expenses. If the expected income falls short of expected expenses, economic development organization managers will need to work to secure that amount of additional funding. For this reason, budgeting can be an important internal management tool.

The following guidelines are intended to aid in developing the organization’s budget:
Begin preparations a month or more prior to the close of the current year.
Complete and review the organization’s work plan for the upcoming year.
Determine available funds (carry over balance from previous years, cash on hand and funds in bank, interest, etc.)
Do careful studies of funding sources and revenues (income), and estimated costs and expenditures.
Define needed expenses.
Get price quotations on certain expenditures, delegating certain responsibilities to various staff.
Rank order expenditures by their relative importance; which activities are the wisest expenditures of funds in light of the organization’s priorities.
Determine which expenditures are “fixed,” and which are “variable” for possible reallocation.
Negotiate as necessary; eliminate less essential expenditures or limit other expenditures.
Revise, review, coordinate, cross-reference, and then assemble everything into a final budget; this budget must be flexible enough to anticipate conditions that might have been overlooked or could not have been foreseen during the planning process.\(^{144}\)

Additional guidelines for managing the budget once it has been prepared, approved, and adopted include:
Set and maintain a minimum cash balance.
Formulate general policies and procedures needed to achieve objectives.
Keep an accurate log of financial transactions (income and expenses) in your organization record book (check and balance records periodically).
Set up internal control designed for safeguards and accurate accounting data, and adhere to it.
Control costs; allow only approved expenditures.\(^{145}\)

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\(^{144}\) *Community Leader’s Guide* developed cooperatively by: Community Colleges of Spokane, Institute of Extended Learning and Washington State University Cooperative Extension

\(^{145}\) Ibid.
Using Strategic Planning to Determine Performance Expectations

The economic development organization is faced with difficult decisions every day. Ideally, these decisions should be made in the context of priorities that have been previously established by the Board and stakeholders to whom the organization is accountable. That is the value of strategic planning, if done correctly. It facilitates the determining of priorities, bearing in mind where the organization is and where it wants to go. It helps the organization discover why it engages in a particular activity or provides a particular service, at what level they are providing it, and at what level they want to be providing it.\textsuperscript{146}

As has been emphasized previously, strategic priorities ideally are derived from the expectations of the organization’s stakeholders. However, \textit{performance expectations} in the economic development organization are expressed in many different ways and should reflect its vision, mission, and goals.

The implementation of an outcome-based approach (which will be discussed in more detail in the following chapter) involves two essential management tools: strategic planning and performance measurement. Strategic planning is a process for setting priorities and allocating scarce resources. It looks ahead toward goals to be accomplished or outcomes to be achieved. Performance measurement, on the other hand, looks back to see what was achieved, or, what worked and what didn’t. When used together, they form a continuous process.\textsuperscript{147} In essence, strategic planning defines the performance to be measured, while performance measurement provides the feedback loop that keeps the focus on target.\textsuperscript{148} The combination of these two key elements facilitates a more “excellent” management approach.

\textsuperscript{147} Blaine Liner, et.al., \textit{Making Results-Based State Government Work}, Washington DC: The Urban Institute, April 2001, p. 5.
\textsuperscript{148} Ibid.
As was indicated earlier, selecting an intended change, or outcome, resulting from the activity of the development organization is only the beginning of the process. The organization also needs a strategic plan that lays out how the desired changes will happen. The strategic actions of this plan must take into account how the current situation occurred or evolved, as well as those influences required to change it.\textsuperscript{149} As stated previously, this “action plan” should identify what needs to be done, what resources will be required to do it, who will be responsible for doing it, and when it should be done.

Much more could be said about the nature and use of strategic planning within the organization, but that is another book. Suffice it to say that at least six principles should be satisfied for strategic planning to be successful.

1. \emph{The key leadership of the organization (Board of Directors, key stakeholders, and executive director) must be personally involved in all aspects of the strategic planning process.} These leaders must provide “clear, consistent, and visible commitment” throughout the process and its implementation.

2. \emph{These key leaders must clearly communicate the organization’s mission, strategic direction, and vision to employees and external customers and clients.}

3. \emph{Organizations need to operate with a sense of urgency.} It has been said that two types of organizations exist – the quick and the dead. The organization that responds slowly to customer needs or to changing conditions will soon find that its quality of services and effectiveness of performance is very inadequate.

4. \emph{Successful leadership within the organization requires a structure that facilitates, develops, and rewards leaders at all levels.}

5. \emph{External communication with constituents, customers, and clients is a must.} This feedback provides a critical foundation for determining the nature of the strategic plan and what must be done to modify it for more effectiveness.

\textsuperscript{149} United Way of America, \textit{Achieving and Measuring Community Outcomes: Challenges, Issues, Some Approaches}, April 1999.
6. *Communication within the organization is critical to success.* The more clearly that goals, outcomes, and actions are communicated, the easier it is for the staff to know what needs to be accomplished and why. If the staff are part of the planning process, they will support it. If not, even the best plan may fail.\(^{150}\)

Chapter 11
CHECKING UP
(Progress & Performance Measurement)

THE IMPORTANCE OF EVALUATION

If you don’t measure results, you can’t tell success from failure.
If you can’t see success, you can’t reward it.
If you can’t reward success, you’re probably rewarding failure.
If you can’t see success, you can’t learn from it.
If you can’t recognize failure, you can’t correct it.
If you can demonstrate results, you can win public support.

Tom Peters

Have you ever finished your day at work and wondered what you really accomplished. Certainly you were busy. Meetings attended. Projects worked on. Email responded to. Phone calls made. And so forth. But what did your day contribute to the ultimate success of your organization? Was much of your activity important or did it merely respond to an endless stream of requests?

Without explicit goals and measurable outcomes, and a set procedure in place for reviewing and evaluating progress, it is difficult to determine just how effective the programs of the organization are for advancing toward the results desired by your leaders and stakeholders. Would you agree that activity by itself does not necessarily equal progress? John Wooden, probably the greatest basketball coach of all time, said it best, “Never confuse Activity with Accomplishment.”

This book has been stressing the importance of striving for “excellence” in the organization. However, before any organization can be committed to excellence it must have more than a set of goals and outcomes for its activity and programs. It must also have developed a strategy for how it will accurately measure that which it is trying to meet or exceed. Unless the organization makes the effort to assess itself, it has no basis for really
knowing what it has accomplished and therefore no basis for considering change and improvement. And, effective evaluation must involve measurement, or it will be a waste of time.

*What gets measured, gets done.* Unknown

To be ultimately effective, ongoing evaluation of the organization should be conducted at three distinct levels:

- **Monitoring** day to day and week to week activity for use of time, staff, budget, and resources.
- **Assessing performance** to determine the effectiveness of the implementing of the tasks being undertaken in terms of the results expected.
- **Impact and outcome analysis** to document the positive changes occurring in the community and/or organization as a result of the program being implemented.

**MONITORING**

The easiest form of evaluation consists of monitoring the progress of the organization in terms of such questions as:

- Are the time deadlines being met?
- Is the budget on target?
- Is the staff allocating their time appropriately?
- If some major unexpected event occurs, how do you reallocate resources?
- Are we being realistic in the amount of work we are assuming?
- Are the priority tasks getting the attention they are supposed to?

The monitoring of progress is facilitated through the use of systematic project management techniques, such as were discussed in the chapter on continuous performance improvement. Corporations are very familiar with project management and frequently use project management software to ensure that they are on track. It would appear that nonprofit organizations tend to be less likely to take the time to set up and implement a project management system, even though such a system
would improve its performance.

However, project management does not have to be complicated. At its core, it is nothing more than planning the execution of an activity or project. It involves a start date, an end date, the tasks to be carried out and when they should be finished, and the resources needed. Project management software such as Microsoft Project are tools that may take time to set up initially, but they can dramatically improve the reporting process regarding project progress. Even a simple Gantt chart or timeline on an Excel spreadsheet is an improvement over an ambiguous sense of where various projects are in their implementation.

PERFORMANCE ASSESSMENT

“All of us need to know how we perform; the most important thing is to find out what we do well so we can do more of it, and what we do not do well so that we can stop doing it. If we don’t do it well, we must accept that maybe we shouldn’t be doing it.” Peter Drucker

Organizations need to look much deeper into their activity than mere allocation of time and budget. The “excellent” organization must be performance focused, because results are the key to survival. Results are what the organization is striving to achieve as defined by the mission and strategic plan. It is the responsibility of the chief executive to say, “Let’s look at what we are doing and how well we are doing it,” and get the evaluation of the organization underway.

Performance Assessment can be conducted at the following four levels:

• **Self-Assessment** – Am I accomplishing what I hoped to?
• **Personnel Assessment** – Is each staff person performing up to expectations and/or standards set?
• **Project Assessment** – Is each project accomplishing the expected results?
• **Program Assessment** – Is the organization achieving the goals and outcomes of the strategic plan?
Self-Assessment

Improved performance within an organization begins with each individual staff member. Each person has to feel that his/her work has value, and that he/she is doing a good job. We tend to be our “own worse critics,” and we need to balance our positive achievements with those areas in which we feel we fall down.

All staff members should be able to answer five basic questions about their individual jobs:

1) What am I expected to do?
2) Why is it important?
3) Do I have the authority to do it?
4) When I need help, where can I go?
5) How am I doing so far?

Organizational effectiveness and individual well-being suffer when these questions are not clearly and satisfactorily answered.

Each individual in the organization can use the information from their answers to these five questions to develop their personal set of goals for what they intend to achieve within the organization. These individual performance goals should be linked as much as possible to the organizational goals defined in the strategic plan. This connects employees to the strategic direction of the organization. By doing so, employees are more likely to view their work as more meaningful, which can result in greater motivation to perform. Each employee then feels a greater sense of ownership of the organization’s success.

Personnel Assessment

Two basic approaches exist for reviewing staff performance. One approach emphasizes reviewing the staff person’s personal traits as they relate to their work (reliability, cooperativeness, responsibility). Another approach focuses on the productivity of the employee by reviewing a set of tasks and objectives related to his/her position. Some mix of the two approaches can
also be used. Whatever the approach, employees need feedback as to how they are doing and on what they need to improve.

When conducting staff evaluations, it is important to keep in mind the following:

- They should take place on a regular basis (at least once a year).
- The performance benchmarks should ideally be set by both supervisor and employee.
- Evaluations are an opportunity for a manager to “coach” or guide his or her staff.
- An on-going record of the performance of each staff member should be maintained to serve as the basis of the periodic performance review.
- A manager may use a structured evaluation tool or conduct the evaluation as an open-ended discussion.
- Evaluations should also give the employee the opportunity to give the manager feedback on his/her performance as well, providing the climate for both to improve their working relationship.
- The evaluation should begin by reviewing the employee’s performance since the last evaluation, praising him/her for all the work that has been done well and on time.
- The subject of compensation should not be discussed during the performance review.
- Where appropriate, the manager and employee should work out an action plan for improving performance.
- Wrap-up the discussions by reviewing what has been discussed and agreed upon, reaffirming the most important points that each person should take away from the meeting.

It should also be kept in mind that, ultimately, assessing individual staff performance is not as important to the organization as is assessing the performance of the team within the organization (which may consist of the total organization). Too much emphasis on evaluating individual employees is likely to detract from thinking about how well the organization as a whole is performing, and what the contribution of each
member of the organization is toward achieving the desired excellence.

A plethora of personnel assessment and performance review materials exists from a number of commercial and online sources. It is not the intent of this book to go into detail on conducting such assessments, since they are not as vital to the progress of the organization as the assessments of its work activity. However, two examples from templates from Microsoft Word follow.

One example of such a personnel performance review from Microsoft Word:

**Figure 38:**

<table>
<thead>
<tr>
<th>Job Performance Review Guide</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee</strong></td>
</tr>
<tr>
<td><strong>Employee Name</strong></td>
</tr>
<tr>
<td>Department</td>
</tr>
</tbody>
</table>

### Performance goals and objectives

**Zero to 2 months**

- Become familiar with your department’s business goals.
- Work with your manager to define and document your goals. Include what you are expected to produce by your first review, activities needed to accomplish results, and success criteria.

**2 to 4 months**

- Make certain defined goals and criteria are realistic. Renegotiate if necessary.
- Are you focusing your time on the goals you committed to? If not, either work with your manager to change your goals or reevaluate how you spend your time.

**4-6 months**

- Review performance goals to see if you are on target. Reprioritize work accordingly.

### Notes/Actions

### Skills and knowledge development

**Zero to 2 months**

- Understand the specific skills and knowledge you need. Use the job profile as your guide.
- Build a skill development plan based on the goals agreed to by you and your manager.
- Complete the new administrator orientation.

**2 to 4 months**

- Attend one of the sessions in the Administrator certification program. See the training resource site for courses.
- Review your development plan and suggested curriculum for additional skills and training.

**4-6 months**

- Attend at least one more session in the Administrator certification program.
- Create a timeline with associated tasks that you will follow in order to attain the skills outlined in your personal development plan.
## Processes and Methods

<table>
<thead>
<tr>
<th>Zero to 2 months</th>
<th>2 to 4 months</th>
<th>4-6 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Familiarize yourself with work processes and methods used in your job. Be clear on who owns those processes and how you can support process goals. Set clear timelines for task due dates. Keep timelines up to date.</td>
<td>Identify and eliminate unnecessary variation in the way you perform work processes. Ensure that your work responsibilities are clear, defined, and realistic.</td>
<td>Get to know the people who work cross-functionality in common work processes. Seek to simplify any work processes in order to cut cycle time.</td>
</tr>
</tbody>
</table>

## Feedback

<table>
<thead>
<tr>
<th>Zero to 2 months</th>
<th>2 to 4 months</th>
<th>4-6 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understand the different types of feedback and the ways in which you will receive feedback.</td>
<td>Are you getting the feedback you need? Is feedback timely, specific, and frequent? Compare actual performance and expected performance.</td>
<td>Are you giving feedback to others who need it? Compare actual and expected performance.</td>
</tr>
</tbody>
</table>

The following is another example of an employee performance review produced by Microsoft Word as a template to use:
Figure 39: Employee Performance Review

Employee Information

<table>
<thead>
<tr>
<th>Name</th>
<th>Employee ID</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Job Title</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Department</th>
<th>Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Review Period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

Ratings

<table>
<thead>
<tr>
<th>1 = Poor</th>
<th>2 = Fair</th>
<th>3 = Satisfactory</th>
<th>4 = Good</th>
<th>5 = Excellent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Job Knowledge

Comments

Work Quality

Comments

Attendance/Punctuality

Comments

Initiative

Comments

Communication/Listening Skills

Comments

Dependability

Comments

Overall Rating (average the rating numbers above)

Evaluation

ADDITIONAL COMMENTS

GOALS
(as agreed upon by employee and manager)

Verification of Review

By signing this form, you confirm that you have discussed this review in detail with your supervisor. Signing this form does not necessarily indicate that you agree with this evaluation.

<table>
<thead>
<tr>
<th>Employee Signature</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Manager Signature</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Project and Program Performance

As just mentioned, managing for excellence emphasizes evaluation of projects and overall programs rather than the performance of individual staff. The functioning of the organization as a team or set of teams becomes paramount. The mission, strategic plan, and/or work plan of the organization should serve as the primary source of the criteria by which the success of the projects and programs are measured.

Measurement is key to organizational excellence. Appropriate performance measurement is intended to provide data to facilitate good management decisions; it is not intended to be used as a club to hold over the heads of management and staff. Important questions to address when approaching the performance measurement task include:

- How do you determine when the organization is doing a good job?
- What are you measuring?
- Why are you measuring what you’re measuring?
- What measures will you use?
- Who’s responsible for the measurement?
- What do you do with the data once you get them?

Measurement systems designed to support excellence must be focused on improvement of processes, not on control of those responsible for the work processes. The aim is to assess and improve work processes by identifying and correcting factors that cause undesired variation. According to extensive research, most quality problems are attributable to problems with the work processes rather than due to the workers themselves.

The sources of “performance” information can include:

- Project managers
- Staff
- Outside agencies
  - Advertising firms
  - Marketing and management consultants
State development departments or utilities

- Existing employers
- Customers and prospects

Key information for measurement can also be gathered from observations of work processes by management.

A number of approaches can be taken to conduct the evaluation of the organization’s performance, each of which has its positive and negative aspects:

- In-house staff
  - pluses – provides the greatest control and is least disruptive
  - minuses – is detracting from the work of the organization and lacks independence of thought

- Local volunteers
  - pluses – is least costly for using outside sources and builds local support
  - minuses – may lack the necessary knowledge, can bring their own biases, could be very political, and may lead to premature leaks

- Local higher education academics
  - pluses – can provide continuity in evaluation and contribute to coalition-building
  - minuses – is more expensive and tends not to be fully objective, since the college is often a player in local economic development

- Outside experts
  - pluses – more likely to bring independence, experience, and knowledge of appropriate techniques
  - minuses – is the most expensive approach, and can result in stronger feedback than is desired

Performance assessment is becoming increasingly important in organizational evaluation. Stakeholders want to know more than just “what” the organization is doing. They also want to know how well it is doing it. Questions likely to arise include:

- What is the quality of what the organization is delivering?
• How does the customer/client feel about it?
• Is the organization being efficient and cost-effective?
• Is its work timely and accurate?
• Does the organization radiate professionalism?

Getting at how well the organization is performing usually requires a different set of evaluation criteria than is typically used. Traditional economic development evaluation criteria are usually specific values that can be easily measured, such as:
  • Number of companies contacted
  • Completion of a strategic action by a designated date
  • Number of volunteers trained
  • Number of responses from an ad
  • Number of call trips made and companies called on

Performance measures such as these certainly can help guide the evaluation in important ways. They do demonstrate activity and give the organization milestones.

These traditional performance measures, however, don’t necessarily relate to the overall performance of the organization that leads to successful accomplishments. As will be discussed shortly, relevant performance measures lead directly to the achieving of desired outcomes; they measure and quantify progress. Effective performance measures assist decision-makers in determining the success or failure of a program or activity.

Furthermore, traditional performance measures don’t tell you how well you are doing in relation to competitor organizations. They don’t tell you how to become better or how to improve your performance. They don’t make you smarter as an organization.

In order for performance-measurement systems to work, it is important to make every effort to develop data and information related to the quality of the activity of the organization. The lack of profitability measures, or so-called “bottom line” measures, forces the nonprofit development organization to focus on determining the results of its activity as related to stakeholder expectations. Two types of results need to be captured:
Intermediate results – direct influences and impacts that the outputs of an agency have on short-term, leading indicators. These can be seen in changes in attitudes, behaviors, and the work environment.

End results and effectiveness indicators – assessment of the results of a program activity compared to its intended purpose. This is the bottom-line result; what the organization is trying to achieve.151

These two groups of indicators (intermediate and end results) help in defining quality. After all, it’s the results that really count. The difference between intermediate results and end (or long-term) results can be illustrated by business recruitment activity. Intermediate results might include the number of companies that, after initial contact with the economic development organization, actually came and visited the community. End results might include the number of such firms that ultimately located in the community, the amount of capital investment they made, the jobs they added, the number of jobs created in other sectors of the community as a result of those jobs and investment, etc.152

The work processes of the organization and the activities associated with them are the means for achieving desired results. However, the typical organization usually has a large number of processes and activities, each potentially needing performance measures. The capacity to do such extensive measurement is limited, so the secret to a successful integrated performance measurement system is to clearly identify the organization’s “key” business processes. The primary objective should be to keep the number of key processes and activities to a manageable yet useful level, with a particular focus on customer/client expectations. Too many processes or activities can lead to an overwhelming number of measures and excessive data. This could distract management’s focus from those measures that are most critical to the organization’s success. On the other hand, too few measures can lead to inadequate information on which to

base management decisions. The key to successful performance measurement is to collect only those performance measures that can or will actually be used.

A tendency exists for organizations to first determine which measures have data that are readily available and then use those for performance measures. This leads to limited effectiveness of the evaluation process and also to possible errors in the conclusions reached. According to the W.K. Kellogg Foundation, “it is better to have meaningful outcomes which are difficult to measure than to have easily measurable outcomes which are not related to the core of a program that will make a difference in the lives of those served.”

The approach to developing performance measures outlined in the Department of Energy’s Guidelines for Performance Measurement calls for the following six-step process:

1. **Use a collaborative process.** Develop the measurements using collaborative processes and include both the people whose work will be measured and the people who will implement important parts of the measurement process (if they are different).
2. **Describe your organizational processes.** Develop a description of the activities of the organization and its work processes.
3. **Design the measurements.** Design performance measures to demonstrate progress toward achieving the strategic goals laid out in the organization’s strategic plan.
4. **Collect the data.** Make sure that the quality of the data meets the needs of the measurement process.
5. **Use the data.** It is important to process the collected data correctly and present it in a meaningful way.
6. **Continually improve the measurement process.** Expect to change the measures and measurement process to respond to changing needs and priorities. Using the principle of continuous improvement, adapt the measurement system to ensure that the measures make sense and measure the right things.

---

Organizations adopting a performance-based management approach will find that a “cost” generally exists in developing and obtaining measures of performance. They will, therefore, need to assess this cost of measurement versus the benefit of knowing the outcome:

- Is there a decision likely to be made affecting the program design or resource allocation that is dependent upon outcomes measurement?
- Is the effort or cost of measurement likely to outweigh the benefit of knowing the outcome?
- What level of precision or accuracy in outcome measurement is required?\(^\text{156}\)

Generally, every effort should be made to find ways to reduce the cost of obtaining the necessary information. Outcome-based evaluation can provide an organization with information regarding the degree to which a program did what it set out to do. While it does not allow an organization

to determine and claim unique or complete credit for an outcome, it does allow that organization to demonstrate the degree to which a program contributed to the outcome for customers or clients. If you have no information, you cannot credibly claim any contribution to the program’s impact.\textsuperscript{157} Despite that reality, far too many economic development organizations lay claim to jobs created in the community that their organization had little to nothing to do with.

\textit{Shoot at everything that flies; claim everything that falls.}

Measurements should never be used without linking them to their purpose, which generally is the improvement of the performance of the organization. Weighing oneself ten times a day won’t reduce one’s weight. No matter how sophisticated the measurements are, they are only indicators. What the indicators say is much less important than what is being done with the information. Measurements that don’t lead to meaningful action aren’t just useless; they are a waste of time and energy.

For performance measurement to be effective, feedback must be provided frequently. Yearly reports do not provide managers and Boards with enough information. Performance reports, at the very least, should be produced quarterly.\textsuperscript{158} Once the system of performance measurement is in place, it will be much easier to produce reports on a timely basis.

Frequently, the problem with feedback is that we often don’t want to hear it. If it is critical, it hurts. The truth “may set us free,” but it will most likely make us miserable in the process. When we get feedback, we nod our head to the positive and supportive statements that agree with our own views. However, when it comes to our weaknesses or areas needing improvement, we take those to heart and sometimes dwell far too heavily on them. We can get ten rave reviews for work that was done and one critical comment. That one comment can linger like an open wound in our consciousness, and negate much of the good that occurred.

\textsuperscript{157} Beverly Sheppard, “Outcome Based Evaluation,” Institute of Museum and Library Services.
An important tool for measuring the organization’s performance with respect to the delivery of services is the customer satisfaction survey. Asking customers what they want is the most important part of setting customer standards and goals for the organization. Methods for determining customer needs include:

- One-on-one interviews of key customers,
- Focus groups,
- Asking systematically for input from staff who have customer contact,
- Questionnaires that allow for employee comments, and,
- Feedback from key stakeholders and Board members.

Using a variety of these methods will provide a laundry list of customer/client issues. From this list, the organization can distill a meaningful set of attributes that define quality for its customers. Once such a list of attributes is established, the organization can define measures of key performance indicators and measure current baseline performance against customer-desired performance. It should then work the results of that analysis into organizational performance standards and goals.\textsuperscript{159} Examples of customer service surveys are found in Chapter 4 of this book, which deals with customer service.

Careful consideration should be given to how the performance measures are reported. A graphical display of the actual output (bar charts, line graphs, meters, etc.) of any performance measurement system facilitates its interpretation. A key success factor in the development of such displays is that they are simple, comprehensible, meaningful, and, above all else, usable for the intended audience. By incorporating user feedback and clarifying user needs, better displays can be developed.

IMPACT AND OUTCOMES

Outcomes and performance criteria are activities that the organization controls; impacts are defined in this document as the results beyond the direct control of the organization.

Exercise 45: Which of the following economic development criteria are directly within the control of the economic development organization:

a._____ an increase in local per capita income.

b._____ making direct mail contact with industrial prospects.

c._____ measuring the expectations of local leadership.

d._____ locating five new firms into the community.

e._____ providing accurate and timely information in response to inquiries.

f._____ obtaining a 10% response rate on a direct mailing.

g._____ generating leads at a trade show.

h._____ reduce the local unemployment rate by 2 percentage points.

i._____ reduce the local cost-of-living.

j._____ assist companies in the community with problems related to financing and exporting.

k._____ increase the effective involvement of local leaders in the economic development effort.

l._____ increase the amount of government revenues available for infrastructure investment.

m._____ generate 50 “leads” per month through an advertising campaign.

n._____ get two articles about your community published in magazines and national newspapers every 6 months.

o._____ be responsible for two new high tech business start-up companies every year.
p._____ develop a Web site that is designed to attract the interest of business prospects.

q._____ determine which specific categories of business and industry are candidates for the community’s marketing program.

r._____ assist local education institutions in the development of a more educated and trainable workforce.

s._____ create 500 new jobs in the community each year.

t._____ Visit five companies in your community each month.

Use this list with your Board or stakeholders to determine their perception of what your organization directly controls, and then discuss the results. The goal is to clarify the difference between organizational outcomes and community or regional impacts.

Earlier in this series of chapters, the importance of change in the organization was discussed. The change that is most important to the organization is that which it can influence and direct. The bottom line for the nonprofit organization is to what extent it has had a positive impact on the community, on its constituents, and/or on its customers and clients. Change in the community might be reflected in such statistics as the:

-- Number of new businesses attracted
-- Number of new business formations
-- Net gain in jobs
-- Improvement in the local unemployment rate
-- Increase in real estate occupancy rates
-- Improvement of local wage and income levels
-- Improvement in the local quality of life

Impact can involve more than quantitative change. What qualitative improvements have occurred in the community as a result of the organization’s program and activities (labor attitudes, quality of educational programs, quality-of-life, etc.)? Interviews, surveys, or case studies can be used to document positive changes.
The measures of impact ultimately have more meaning if they demonstrate:
- Statistical comparisons with other areas
- Changes in statistical measures locally over time
- Achievement of desirable results

Impacts can be differentiated from outcomes, which is the approach of this document. **Impacts** are about the changes *external* to the organization that it cannot directly control (but hopefully can influence). **Outcomes** are about changes that the organization has brought about through its actions and programs. Outcomes are the “why” the organization’s services are delivered.

Far too many economic development programs and organizations are evaluated based on the impact, or change, that occurred in the community or region served by the organization. This is grossly unfair, since the organization cannot directly affect many of those changes. For example, what direct affect can any one organization in a community have on such criteria as the change in the per capita income (a measure of the standard of living, on the number of jobs created, on the level of unemployment, etc.). If you were a 5’8” basketball player up against a 7’ player, should you be evaluated on how many baskets the other player scored or should you be evaluated on if you did your best to play well under the circumstances?

The approach used in this book for evaluating the performance of the organization is one of measurable outcomes leading to measurable performance. The discussion of this approach follows.

**OUTCOME-BASED PERFORMANCE EVALUATION**

The value of outcome-based performance is its incorporation into a management approach that uses the information from performance measures to improve the organization’s performance and to demonstrate what has been accomplished. It provides a structured approach that facilitates achieving desired results rather than focusing on just the number
and type of activities in which the organization is engaged.160

The Four Key Elements of Outcome-Based Performance

Outcome-based performance includes a number of key elements, including inputs, activities, outputs, and outcomes. Each of these elements makes a unique contribution to the overall performance effort. As was discussed in the previous segment on performance measures, inputs are those organizational resources that are allocated in specific amounts for specific time-periods, such as staff time, expenses, revenues, the amount and type of computers and software, use of resources, etc. When organizations are focused on inputs, such as having their budget drive their program, they have little motivation to strive for better performance. For example, monitoring how much the organization spends monthly on advertising says little about how effective that advertising was.

Activities are what the organization does with the inputs to fulfill its mission. They include the products and services produced and delivered. An example of an activity would be creating and distributing a quarterly newsletter.

Outputs are measures of the level of a program’s activity; such as services created or delivered, customers served, or activities carried out. They stem directly from the organization’s inputs and activities. Outputs are almost always numbers: the number of prospects handled, the number of local businesses visited, the number of call trips made or trade shows attended, or the number of members of the organization. Outputs can be almost completely controlled by the organization.

Related to outputs is the efficiency in the use of resources. Efficiency measures indicate the amount of work performed in relation to the amount of resources used. It can also be described as the production of the desired effects or results with minimum waste of time, effort, or skill. Frequently,
these measures are expressed as ratios to present information about the cost per unit of output in terms of money or staff time spent. Ratios help express the relationships between different performance measures to convey more information about the productivity and cost effectiveness of a program or activity. Efficiency measures gauge how well an organization is using its resources (is it doing things right?).

However, because something is being done efficiently does not mean that what is being done is effective in terms of desired outcomes (is the organization doing the right things?). Effectiveness is about having the level of service meeting the demands of the customers, clients, prospects, and/or stakeholders. The question is whether the organization is really getting its money’s worth in a given activity, given the inputs and the outputs. An effort is effective if it is adequate to accomplish a purpose and produces the intended or expected results. An organization can be effective without being efficient. Efficiency is doing something with the least possible expenditure of resources; effectiveness is doing something well without regard to cost or level of resource expenditure.

Effectiveness is defined in the achieving of the results desired by the stakeholders of the organization. These outcomes are the “so what” part of the organizational process – what happened because of the outputs.¹⁶¹ For example, it could be stated that a desired outcome is that the organization’s staff will provide faster, more accurate, and more complete responses to prospect inquiries. Outcomes are the final results of an agency’s products and services, and they should be what drive the outputs, activities, and inputs of the organization. A key consideration in the selection of intended outcomes is whether it is reasonable to believe that the involved organizations actually can achieve or influence them.¹⁶² In the final analysis, an outcome should be a benefit that participants or “customers” receive from a program or activity of the organization.

Figure 41: Outcomes vs. Activity

Inputs → Activities → Outputs → OUTCOMES

HOW WE KEEP BUSY

HOW WE MAKE A DIFFERENCE
Each project or program of an organization is unique, and it is aimed at achieving a specific set of outcomes that will differ from project to project. The system of outcome-based evaluation replaces the question, “What activities did we carry out?” with the question “What changed as a result of our work?” If outcomes are convincingly documented, they are more likely to provide a basis for sustained funding, stakeholder support, and increased involvement in the organization. Successful outcomes provide good stories to tell.

**Outcome Indicators**

The outcome evaluation process facilitates answers to the following questions:

1. Who is the organization going to serve?
2. What outcomes is the organization trying to achieve for its customers/clients?
3. How will the organization measure whether it has achieved these outcomes?
4. What data and information will the organization collect and how will it collect it?
5. How will the organization use the results?
6. What are the organization’s performance targets?\textsuperscript{163}

If outcomes are to be effective in organizational decision-making, they need to have the following attributes:

- They should be measurable and quantifiable.
- They should be attainable. It should be feasible to achieve them within the designated time frame using the resources committed to the activities. The feasibility of the outcome measure is, in part, determined by the capacity to collect and process the data elements associated with the outcome measure.
- The outcome can be clearly attributed to the appropriate parties. This is not a case of “shooting at everything that flies and claiming everything that falls.”\textsuperscript{164}

The ability to measure outcomes depends on the proper selection of indicators. Indicators are the specific, observable, and measurable characteristics, actions, or conditions that demonstrate, or “indicate,” whether a desired achievement or change has happened. The accurate measuring of outcomes requires concrete, well-defined, and observable indicators; usually they are also quantifiable.\textsuperscript{165} A frequent problem with the choice of indicators is that they are too broad to credibly track change in the specific outcomes the organization’s initiatives are seeking to influence, such as becoming the “best” economic development organization in the State. Another problem is the difficulty of identifying indicators that adequately reflect the desired change in the outcome.\textsuperscript{166}

\textsuperscript{165} Beverly Sheppard, “Outcome Based Evaluation,” Institute of Museum and Library Services.
\textsuperscript{166} United Way of America, Achieving and Measuring Community Outcomes: Challenges, Issues, Some Approaches, April 1999.
An example of a poor indicator would be the number of prospects handled by the local economic development organization. This says little about the “quality” of the service provided. A better indicator would be the percentage of prospects who stated that they were “pleased” or “very pleased” with how well they were handled by the local economic development organization as a percentage of all prospects. Generally, effective indicators deal with changes in attitudes, skills, knowledge, behavior, work situation, etc., rather than with just numbers. In other words, they tend to be focused on customer or stakeholder satisfaction rather than on organizational activity.

What makes a good outcome indicator?

- It is derived from the goals and desired outcomes of the organization’s strategic plan.
- It is clearly defined and can be easily understood by the key stakeholders of the organization.
- It is realistic and within the scope of what the program can make happen.
- It captures the likelihood of change.
- It uses reliable data that are available or can be obtained cost-effectively.\(^\text{167}\)

\(^{167}\) Office of the Assistant Secretary for Management and Budget, U.S. Department of Health and Human Services
Figure 43: Example of Performance Indicators from Western Australia

Goal: To develop a strong economy that delivers more jobs, more opportunities, and greater wealth to Western Australians (WA) by creating the conditions required for investment and growth.

<table>
<thead>
<tr>
<th>Desired Outcome</th>
<th>Service</th>
<th>Effectiveness Indicators</th>
<th>Cost Effectiveness Indicators</th>
<th>Efficiency Indicators</th>
</tr>
</thead>
</table>
| Increased competitiveness and profitability of agriculture, food, and fiber industries | Food and fiber industry development | o Total factor productivity index  
  o Gross value of production  
  o % change in uptake of grain varieties | Change in value of production per dollar of government spending | Average hourly cost per person involved in investment attraction and market development |
| Responsible development of the State’s industry and resources for the benefit of Western Australians | Industry development services | o Environmental performance of the industry as a % of audited projects that attract zero major corrective action reports  
  o Percentage of Australian mineral exploration expenditure expended in WA | | Average cost of industry and trade projects facilitated |
Science and innovation has increased significance as a driver of economic growth for WA

<table>
<thead>
<tr>
<th>Science and innovation promotion and support</th>
<th>Science and innovation promotion and support</th>
<th>Science and innovation promotion and support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in the level of total investment in scientific research and development in WA</td>
<td>Cost per $m change in the level of investment</td>
<td>Cost % point change in the index</td>
</tr>
<tr>
<td>Index of funding leverage obtained for WA from Centers of Excellence grants</td>
<td>Average cost of administration per research capability and infrastructure grant</td>
<td>Average cost per science and innovation program and project managed</td>
</tr>
</tbody>
</table>

WA is promoted as an attractive destination

<table>
<thead>
<tr>
<th>Destination marketing</th>
<th>Destination marketing</th>
<th>Destination marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awareness among potential visitors that WA offers iconic tourist experiences</td>
<td>Ratio of cost of incremental tourism activities to visitor expenditure generated</td>
<td>Cost per consumer awareness strategy</td>
</tr>
<tr>
<td>Ratio of WA increase in visitor expenditures to the national average increase in visitor expenditures</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Simply reporting indicators for selected outcomes will not provide all the information decision-makers need. Organizations must also understand how these indicators are affected by various internal (within the organization) and external (outside the control of the organization) forces. Otherwise, management will not know how to most effectively respond to changes that are demonstrated by the indicators over time.

To a degree, indicators may be viewed as performance targets for the organization’s programs. In that light, they should be thought of as
“milestones” or progress indicators that specify the level of outcome attainment expected or hoped for. At the heart of an effective performance management system is this set of measurable expectations that express the direction or intent of the program or service to be managed.\textsuperscript{168} If these performance targets are meaningful, they will provide staff and stakeholders with criteria for documenting progress toward achieving program outcomes. These criteria or performance measures help clarify and provide specificity about where the organization is headed and whether or not it is succeeding.\textsuperscript{169} For example, in a target industry marketing program, it is possible to set targets in terms of number of firms contacted, number of leads generated per 100 contacts, number of personal calls made on prospects, etc. The following figure demonstrates how past data leads to targets as part of one indicator:

\textsuperscript{169} Ibid.
Using Outcome and Performance Measures

The purpose of the performance measures should be to quantify successful performance. When creating and selecting performance measures, it is important to be selective, as too much data can have the same effect as no data. People will not remain attentive to reams of information or statistical analyses that are difficult to understand. Furthermore, picking the “wrong” thing to measure is likely to lead the organization’s programs in undesirable directions or have unintended consequences.\textsuperscript{170}

The use of the results by the organization is a crucial issue. If the organization is clear from the beginning on how it will use those results, it

is more likely that the measures adopted by the organization will focus on the appropriate outcomes. It is also more likely, therefore, that the organization will select the most accurate and meaningful indicators, collect the most appropriate data and information, and analyze and interpret that information in the most meaningful ways. In addition, it will increase the likelihood that the staff will act on what they find, because they understood from the beginning what they were collecting and why they were collecting it.\cite{Ibid., p.34}

The following fundamental questions need to be addressed in the process of creating an effective outcome-based program:

- What outcomes (outcome measures) can be used?
- To what extent are outcomes, once defined, attributable to the specific type and level of services provided?
- Do these outcomes reflect the values and priorities of the development organization and the community that it serves?
- To what extent do the outcomes vary by type of customer/client served?
- To what extent does the outcome depend on services from more than one organization in the community?\cite{Alan Ackman, Guide to Performance-Based Management: Concepts and Approaches for the National Network on Aging, Administration on Aging, U.S. Department of Health and Human Services, 1997.}

**Exercise 46:** Work with the Board and/or stakeholders to create a comprehensive list of the desired outcomes for your organization. What would they hope or expect to see accomplished over the next several years by your organization?

After the completion of this list, work with this same group to identify which of these desired outcomes/results are within the direct control of the organization and which are something the organization can at best only influence.

For those outcomes/results that are within the control of the organization, have this group discuss approaches to measuring the achievement of these outcomes.

\cite{Ibid., p.34.}  
\cite{Alan Ackman, Guide to Performance-Based Management: Concepts and Approaches for the National Network on Aging, Administration on Aging, U.S. Department of Health and Human Services, 1997.}
BENCHMARKING

Benchmarking: a continuous, systematic process for evaluating the products, services, and work processes of organizations that are recognized as representing “best practices” for the purpose of organizational improvement. Michael J. Spendolini

Part of the process of determining how well the organization is performing can be accomplished by benchmarking, which should involve learning how other organizations with similar challenges do things. This information can then be used in developing an action plan to implement appropriate new or modified practices, which translates to applying the “best practices.” It is important that the benchmarking is relevant to the specific needs and conditions of the organization. This may involve asking the following questions:

- What are other organizations doing well?
- Are we as smart as our competitors?
- What are the “best practices?”
- How can we apply this information to our organization?
- How can we adapt faster and more effectively?

Benchmarking is stealing from the best with pride. Tom Peters

The ability to learn faster than your competitors may be the only sustainable competitive advantage. Arie De Geus, head of planning for Royal Dutch/Shell

However, as appealing as benchmarking may be, it is very difficult to undertake. A lot of hard work is needed to determine comparability across various organizations and to derive meaning from the comparisons. Bringing the best practices concepts back to an organization that may have very different operating needs or approaches is often difficult. Furthermore, it is a challenge to figure out how to apply the lessons learned in ways that will make things better, not worse. Additionally, individual staff performance can dramatically vary the performance of organizations doing essentially the same task. Finally, the number of
comparable economic development organizations that gather appropriate and systematic information is very limited, in the experience of this author.

Another important aspect about benchmarking is that in itself it doesn’t bring about desired change. It won’t improve performance unless an organization already has adopted a comprehensive program that is aimed at achieving excellence. If it doesn’t have a quality-oriented culture and practice in place, and hasn’t trained its employees in quality principles, trying to imitate “best” organizations will most likely just disrupt operations.

Benchmarking also is not likely to help the organization determine how well it is performing with respect to serving its customers and clients. If the primary focus of the organization is the customer, than the “bottom line” of satisfactory performance is having a satisfied customer.

One of the more difficult aspects of management is knowing where you are as an organization with respect to where you want to be. Measurement facilitates the creation of milestones (service delivery levels) that gives organizations a “sense of place.” Continual measurement allows the making of comparisons with previous years and/or similar organizations to see if targets or goals were met. These comparisons will also help the organization to discover if relevant practices from other organizations (benchmarking, or best practices) can be transferred to their organization.

PERFORMANCE-BASED MANAGEMENT

The use of an outcome-based evaluation approach facilitates more efficient and effective organizational management. Evidence suggests that the improvement of the quality of the organization’s services and activities is more likely to occur when organizations focus on results and performance.

rather than on the services and activities themselves. The benefits of performance-based management include:

- A structured and systematic approach for focusing on desired outcomes and results
- A means for accurately reporting performance to the Board and stakeholders
- The involvement of all “interested” parties into the planning and evaluation of performance
- A means for linking performance and budget expenditures
- An excellent framework for accountability
- A sharing of responsibility for performance improvement

As was stated previously, organizations should develop management and budget systems that focus on outcomes rather than on inputs such as budget expenditures or staff time. The emphasis of the organization’s programs should ultimately be on results achieved rather than just on dollars or staff time spent. On the other hand, performance-based management is able to show what goals will be accomplished and what resources, or inputs, will be necessary to accomplish those goals. This approach also can demonstrate what was actually accomplished and what resources were used to achieve those results. In this way, performance-based management takes the uncertainty out of allocating the budget and it provides an effective accounting for dollars spent.

The value of outcome-based evaluation is also that it can provide an organization with information regarding the degree to which a program did what it set out to do. While it does not allow an organization to determine and claim unique or complete credit for an impact or change in the community, it does help that organization to demonstrate the degree to which a program contributed to the outcome for customers or clients. As was stated earlier, if you have no information, you cannot credibly claim any contribution to the program’s impact.

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176 Ibid., p. 4.
When organizations focus on budgets, activities, allocation of staff time, etc., little motivation exists to strive for better performance. However, when they focus on outcomes, they are more or less forced to seek improved performance. Think about the Olympic athletes, for example. It is the striving for a medal and being the best in the world that drives them to work as hard and as long as they do. They wouldn’t spend all that time and energy just for the fun of it or because it’s expected of them.

Emphasis on outcomes rather than on inputs forces the organization to focus first on what they hope to accomplish. Then, going backward, it can more clearly determine from the desired result what it will need in the way of inputs and activities. This approach generally leads to more excellence in performance. The “ends” don’t necessarily justify the means, but they certainly help determine them.

When people think about outcomes, they usually think about the goals of the organization and its programs. The problem is that, often, these goals are stated in terms of broad achievements (e.g., becoming the most effective economic development organization in the State) rather than on clear and measurable outcome statements, such as how the clients of the organization will receive important benefits as a result of the organization’s activity. The most important question that an organization can ask is: “What difference will this program/initiative make in the lives of those served?” Increasingly, organizations are finding that they need to focus on the needs and expectations of their “customers,” both present and future, and less on the comfort level of the organizational bureaucracy.

The following example should clarify this distinction. A vocational training program can demonstrate that it has worked with a specific number of workers. A more important question is: do these programs actually help people get better jobs than they would have otherwise? One way of demonstrating this would be if individuals in the programs get placements at a higher rate than similar individuals who do not participate in the programs.

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179 Jerry Ellig, op. cit., p. 6.
More importantly, measurement allows decision-makers to distinguish policy successes from policy failures. This is what is motivating government agencies (especially at the federal level), corporations, and non-profit management across the nation to shift their attention to “outcomes,” which are measurable accomplishments or results of a program or services that address the central purposes of the organization’s program.

As was indicated earlier, selecting an intended change, or outcome, resulting from the activity of the development organization is only the beginning of the process. The organization also needs a strategic plan that lays out how the desired changes will happen. The strategic actions of this plan must take into account how the current situation occurred or evolved, as well as those influences required to change it. This is discussed in detail in the previous chapter.

The performance-based organization, then, is committed to achieving clearly defined goals with specific measurable outcomes. Its mission, services provided, and evaluation system are focused on improved performance through achievement of its targets. This achievement is measured by a set of key performance indicators.

In summary, the basic elements of performance-based management are:

1. **Planning** – establishing a direction (goals), a set of intended results, and strategies for achieving the desired results. Ideally, individual staff or team goals should be aligned with the organization’s goals.
2. **Outcomes** – establishing performance expectations and measures of those expectations that are reflective of a direction and strategy.
3. **Standards** – assuring performance is consistent with the plan through such functions as:
   a. **Monitoring** – measuring inputs and activities against the plan.

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b. *Performance assessment* – determining criteria or indicators that measure how well activities and outputs are leading toward the desired outcomes.

c. *Evaluation* – measuring the relative impact of program activities on those served and the extent to which impacts are attributable to program activities. This evaluation ideally should be tied to consequences in the form of rewards, incentives, or penalties.\(^{181}\)

Figure 45: Outcome-Based Performance Cycle

Developing a strategic management model for a non-profit development organization is clearly a top-down process. It is the responsibility of the Board and stakeholders to set policy, direction, and priorities. The organization staff sets goals, outcomes, and the program of action. This organizational strategic plan should determine the level of service, i.e., what it wants to achieve, and what it will do to achieve the goals and outcomes. The organization’s budget aligns the action plan to what can be

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realistically accomplished. The size of the budget and its “line items” should be a mere costing out of the strategic plan.\textsuperscript{182}

The staff of the organization may not set the organization’s priorities and long-term goals, but they should nonetheless be involved in the overall planning process. This makes them feel part of the team, creates buy-in, and improves communication. Study after study has documented that performance improves significantly if the staff understands the organization’s goals, measures their performance against those goals, and receives feedback on and is rewarded for goal achievement.\textsuperscript{183} Furthermore, the contribution of the staff can be critical to developing the specifics of the outcome and performance indicators.

Clearly stating expectations and associated priorities is not easy. Measuring whether those expectations are met is even more difficult. The job is made even more difficult when the service or program being managed is part of a larger effort -- for example, conducting a direct mail campaign as part of a broad-based marketing program. In this case, other forces can easily have an impact on results and it becomes difficult to determine cause and effect. Despite these difficulties, it is important for the management of development organizations to take a new, fresh look at clarifying expectations and measuring performance against those expectations.

The feedback mechanism in strategic planning is a very important attribute that contributes to effective performance measurement and vice versa. The information gathered as the plan is implemented can and should be used to re-think the approach to the delivery of innovative services. This feedback also provides policy-makers with information to “re-assess priorities as conditions change instead of merely duplicating the past.”\textsuperscript{184} Much of the

\textsuperscript{182} United Way of America, Achieving and Measuring Community Outcomes: Challenges, Issues, Some Approaches, April 1999.


value in an outcome-based performance system is that it should lead to improved decision-making in the organization.

The desired priorities and outcomes identified by customers, stakeholders, Board members, etc. as key to the success of the organization should drive the strategic planning process. The strategic actions of the plan should serve as the basis for the performance measurements. This approach can serve as an essential management tool, including:

- **Ability to focus on core missions and competencies** – data and information will enable agencies to reexamine the services they deliver. Comparisons with other organizations will improve decision-making and effectiveness with respect to resource allocation.

- **Increased discussion among local residents and leaders, and stronger involvement of these entities in the development process** – to become involved, the organization’s stakeholders must be informed. Having specific information make Board and public participation and deliberation easier and more useful. This involvement and discussion improves the clarification of community goals and priorities among competing and limited resources.

- **Increased accountability and efficiency** – An emphasis on results will ultimately improve processes and the way organizations work. Eventually, these organizations will seek the most efficient allocation of resources as management assumes appropriate responsibility for obtaining these results.

- **Finding solutions to management problems** – raising questions as to why outcomes are not meeting expectations and triggering in-depth examinations of why performance problems (or successes) exist.

- **Staff motivation** – create a positive working environment that helps staff to be motivated to continue program improvements.

- **A higher level of quality in services and in the delivery of services** – the ability to measure the relative changes in service delivery makes it possible to determine the likely success of meeting a required or stipulated service level. A focus on results
and accountability also makes it easier to ensure a high quality of services provided to customers and clients.

- **More informed policy discussions among the Board and other stakeholders** – evaluation of performance information can yield valuable insights into policy successes and failures, and guide examination of alternate strategies.\(^{185}\)

Basically, the real power of the use of outcome-based performance to drive the organization’s strategic planning is its ability to stimulate desired change. It can have a significant influence on getting the organization to rethink what it does and how it does it.\(^{186}\) It helps move the organization from a reactive approach to a proactive one. When management becomes interested in performance and measurement, it sets a tone that success and performance are imperative, for “what gets measured, gets done.”\(^{187}\) The simple act of defining performance and goals focuses an entire organization on achievement and success.\(^{188}\) Without this structure, organizations find it difficult to learn from their activities.\(^{189}\)

According to the United States Office of Personnel Management’s program called Great Leaders for Great Government, the following steps should be taken by an organization to make it performance-based:

1. Link organizational competencies to outcomes and results defined in the strategic plan.
2. Define “quality” performance for the agency using criteria that will drive the entire organization toward excellence.
3. Link individual staff competencies and performance with organizational needs and goals.

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5. Identify the gaps between existing conditions and desired outcomes.
6. Know what type of organizational structure to use, where and when.
7. Learn tools to create a learning organization that will design and redesign itself based on identified needs.
8. Evaluate the organization’s performance based on the performance measures.
9. Modify your action plan to increase performance in your organization.

IMPLEMENTING A PERFORMANCE-BASED MANAGEMENT SYSTEM

Developing successful performance measurement systems in an organization is a lengthy but rewarding process. Lessons that have been learned by organizations with effective, balanced measurement systems include:

- Design the measurement system with a clear, agreed-upon strategy.
- The leadership team (Board, stakeholders, and CEO of the organization) must be involved in and support the measurement process.
- Keep it simple – develop measures that everyone can understand.
- Communicate the results of the measures in order to reinforce the strategy.
- Link the measurement system to Board members and to staff so that they have a clear line of sight to organizational goals.
- Make the measurement system the centerpiece of the management evaluation process.¹⁹⁰

The total process of outcome-based performance is outlined in the twelve-step process that follows:

1. Board and/or stakeholder involvement in crafting the organization’s mission and setting priorities

2. Developing measurable outcomes and the desired levels of achievement, gathering ideas for what your program's outcomes should be from a variety of sources

3. Developing the organization’s strategic plan

4. Determining indicators to accurately measure outcomes

5. Getting buy-in and feedback from key stakeholders

6. Developing guidelines and surveying customers/clients

7. Gathering appropriate data and information

8. Analyzing the findings and preparing periodic reports

9. Documenting impact and change

10. Board review of progress

11. Adjusting the strategic plan

12. Improving ongoing organizational performance by using the results learned and training the staff accordingly

The uses of the findings from this system can be as follows:

- Internal uses of outcome findings
  - Provide direction for staff
  - Identify training and technical assistance needs
  - Identify program improvement needs and strategies
  - Support annual and long-range planning
  - Guide budgets and justify resource allocations
  - Suggest outcome targets
  - Focus volunteers' attention on policy and programmatic issues

- External uses of outcome findings
  - Recruit talented staff and volunteers
  - Promote your program to potential participants and referral sources
  - Identify partners for collaborations
  - Enhance your program's public image
  - Retain and increase funding\(^{191}\)

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The results of the outcome-based evaluation should eventually be reported to the Board of the organization and its stakeholders to maximize its value. The following is desirable information for these reports:

- Needs of the customers/clients identified
- Inputs (what we used to meet those needs)
- Activities and services (what we did to meet those needs)
- Audience (customers/clients and their characteristics)
- Outputs (what we produced)
- Outcomes (what results we achieved and how we know)
- Interpretation (what it all means and why it matters)\textsuperscript{192}

Although this approach may look complicated and lengthy, the rewards with respect to improved accountability and organizational performance will more than justify the effort.

**THE BOARD AND EVALUATION**

Evaluating the Organization

Ultimately, the evaluation process starts with and ends with the Board. As a governing entity, the Board has the responsibility for ensuring that the organization is meeting the desired expectations and accomplishing the agreed upon outcomes. This implies accountability, which involves:

- Setting expectations
- Agreeing to performance measures that demonstrate progress and achievement
- Checking to see if the expectations are met

Part of the Board evaluation should focus on how well the organization is staying with its mission. The other part of the evaluation should focus on the program of the organization. The Board's evaluation process should be focused on the following:

\textsuperscript{192} Beverly Sheppard, “Outcome Based Evaluation,” Institute of Museum and Library Services.
• **Assessing outcome and performance** to determine the effectiveness of the implementation of the tasks being undertaken in terms of the results expected.
• **Impact analysis** to document the positive changes occurring in the community or organization as a result of the program being implemented.

The responsibility for monitoring the day-to-day activities of the organization and evaluating the performance of the staff should fall on the chief executive, not on the Board. The Board, in its governing capacity, should concern its evaluation with the performance of the organization and its programs, and what kind of impacts and outcomes are occurring. The following information is only an outline of ideas related to organizational evaluation.

Key evaluation questions the Board should be asking:

- Do the actions and priorities of the organization match the mission statement?
- How is our organization like and unlike the best in our field?
- What changes in staffing, facilities, procedures, or modes of operation would it take for us to reach or exceed the level of competitor organizations?
- What do our intended beneficiaries think of our performance?
- How are the next five years likely to be different?
- What are the implications of such changes for the design of the organization (or program), for its mode of operation, for its staffing, or for its budget? Should we begin now to adjust to these changes?
- What positive contributions are being made by the Board toward achieving the goals and desired outcomes of the organization?
An effective approach to Board evaluation could include the following:

- The Board and chief executive should develop the process of evaluation and its timing together. A half-day workshop could be devoted to developing a Board evaluation process for the organization with the input of organization staff.
- The Board should not evaluate any staff other than the chief executive.
- Use a two- to three-member ad hoc committee of skilled Board members to conduct the evaluation.
- As the situation dictates, decide whether to interview staff.
- Give the entire Board an oral report after debriefing the chief executive.
- Write an “evaluation of the evaluation” for the file so the process can be even more effective the next time.

A danger always exists for the Board to allow measurement questions to inordinately influence its deliberations about what is to be accomplished, for whom, and at what cost. For that reason, it may tend to prescribe what is measurable rather than what is meaningful.

* A crude measure of the right thing beats a precise measure of the wrong thing. Jim Clemmer

**Evaluating the Chief Executive**

One key aspect of this evaluation is determining the performance of the management of the organization. It is often difficult for an executive director of an organization to “read” the Board regarding their perceptions of his/her performance. Frequently, there are inadequate and even conflicting signals emanating from the Board members. That is why a structured evaluation process is so important.

A number of important reasons exist as to why a Board should conduct a planned and thoughtful evaluation of its chief executive:
For the Board: Determining evaluation criteria makes everyone focus on the same assumptions about the organization’s direction and priorities.

For the Chief Executive: A good evaluation process offers protection from being judged (or even fired) based on personality differences rather than on accomplishments.

For other staff: When the Board and chief executive agree on their priorities, staff members usually receive clearer directions for their work and their performance evaluations.

A good performance evaluation process for the chief executive focuses the Board’s expectations. When there are not common assumptions about the evaluation criteria and no process for articulating the unspoken, a chief executive risks a lot by not insisting on a periodic evaluation.

Advice to prospective chief executives: Do not accept a position until you are sure of the criteria on which you will be evaluated and have a board commitment to complete an annual evaluation with you. A good evaluation process for the Board to follow with respect to the chief executive of the organization should:

- Allow the entire Board to create a customized evaluation form with both quantifiable and open-ended questions.
- Allow the chief executive to write a self-evaluation as part of the process.
- Give the chief executive an opportunity to discuss items to be sure of accurate interpretation of the Board’s conclusions, both positive and negative.
- Provide time at the end to write mutually agreed-upon performance criteria for the next year’s evaluation.

Board evaluation committees commonly ask whether the chief executive’s leadership has accomplished these goals:
√ Created positive relationships with Board members and helped strengthen the Board.

√ Built a strong internal organization in which systems, staff productivity and morale, and teamwork have improved.

√ Advance the quality and increased the quantity of the services provided.

√ Increased the public’s trust in the organization’s integrity.

√ Improved financial resources and accountability.

With respect to evaluation, an important difference exists between the chief executive doing something the Board doesn’t like versus doing something against Board policy. When a Board finds that a chief executive is performing below the required standards, it is sometimes tempted to fix, or help the chief executive fix, the problem. This is precisely the wrong thing to do, as it makes the Board unable to hold the chief executive accountable for fixing a problem and keeping it fixed.

Board Self-Assessment

A Board has a responsibility to assess more than the performance of the executive director and the organization’s programs. The effectiveness of the Board can be enhanced by regular assessment of its own activities and performance. A good assessment process can help Board members to understand their role, and encourage the fulfillment of their responsibilities.

The assessment process does not need to be complicated. It can be an ongoing activity, such as a discussion during Board meetings of questions that serve to refocus the Board on the most important issues for the organization. For example, a useful strategy is to conclude Board meetings
by asking Board members to rate their meeting on a score sheet or index card. The questions to be rated could include:

- Were the issues covered today significant?
- Did the materials you received prior to the meeting adequately prepare you to participate in the decision-making regarding organizational policy?
- Did the Board conduct matters of management or policy?
- Overall, was the meeting worth your time?

An ongoing stream of feedback created by these responses and used by the Board chair and executive director can greatly improve the value of Board meetings.193

An annual Board assessment gives each Board member the opportunity to evaluate the Board’s overall effectiveness at accomplishing its own goals, which assumes that the Board has set some goals as part of its governing responsibilities. This evaluation can be scheduled to occur during a regular Board meeting, or it can be completed by Board members on their own time and then returned to the Board chair. Results of the evaluation should be shared shortly thereafter, and appropriate follow-up then determined.

A number of organizational categories can be evaluated using a ranking system that reflects the level of accomplishment within each category (1=effective performance, 2=adequate performance, 3=inadequate performance). These categories could include the following:

- Board awareness of its financial and legal responsibilities
- Representation of the public interest by the Board
- Understanding and communication of the organization’s mission
- Effectiveness of Board procedures, including committee work
- Relationship with the executive director
- Managing and evaluating the executive director
- Strategic planning for the organization
- Policy development and approval
- Oversight of organizational financial activity, including revenues, expenses, fund-raising, audits, and general budgetary matters

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193 Minnesota Council of Nonprofits, “How Do We Evaluate the Board of Directors? “ May 1996.

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341
o Board performance in terms of meeting attendance and discussion participation
o Board succession and nomination process
o New Board member orientation\footnote{194}

**ADJUSTMENT PROCESS**

"It is a bad plan that admits of no modification."

Publilus Syrus, 1st Century B.C.

Evaluation is a worthless exercise unless it leads directly to specific adjustments in the implementation of the organization’s strategic plan and the associated work plan. Adjusting the plan should translate to:

- Reassessing priorities
- Reallocating resources
- Changing procedures
- Modifying the basic program or plan

**Don't be afraid to change the organization’s strategic or work plan! It is not written in stone.**

\footnote{194 Minnesota Council of Nonprofits, “How Do We Evaluate the Board of Directors?” May 1996.}
Chapter 12

CAPITALIZING ON PERFORMANCE MANAGEMENT
A Balanced Scorecard Approach

*If you’re not keeping score, you’re just practicing.*  Vince Lombardi

INTRODUCTION

Have you ever felt professionally unappreciated? Does your Board really know what your organization is accomplishing? Are your sources of funding growing in response to the value stakeholders perceive that your organization provides? Does the community or region you serve have a strong positive opinion about your work? These are just some of the questions that the typical economic development organization is faced with.

To help clarify the achievement of the organization, the Balanced Scorecard (BSC) has been developed as a management approach for improving organization accountability and performance. It is a tool used by numerous private companies and a growing number of non-profits to measure and align performance with the company’s or organization’s vision and strategies for success, and to assist in implementing those strategies. The Scorecard puts *strategic thinking*, which is the key driver of results for organizations, at the center of the management process.

It has been estimated that about half of major companies in the U.S., Europe, and Asia are using Balanced Scorecard approaches in one form or another. In 1997, the *Harvard Business Review* called the Balanced Scorecard one of the most significant business developments of the previous 75 years. Managers in the 1980’s began to understand that financial metrics, such as return on investment or profit margins, did not
help improve operations since financial measures are “lagging” indicators of performance. The Balanced Scorecard was developed by Professors Kaplan and Norton at Harvard in the 1990’s to overcome the weaknesses of financial measures as a tool for managing operations.196

In 1996, Charlotte became the first municipality in the United States to adopt the balanced scorecard. City officials realized that they had to modify the management tool in order to make it fit the public sector.197 Subsequently, a number of state and municipal governments have adopted the Balanced Scorecard as a management improvement tool, and economic development organizations have begun to adopt it as well.

The Scorecard recognizes that excellent performance involves much more than financial performance. This is particularly true in the knowledge-based organization where value is less on tangible products and more on the ideas and experience of people involved in the organization. The Scorecard system is designed to help everyone in the organization to create value by their understanding and working towards a shared vision and a common set of strategies. This can translate to day-to-day operations, with employees demonstrating desired behaviors that lead to achieving the key strategies for the organization.

As was discussed in the previous chapter, performance measures can and should be developed based on the organization’s strategies. These can then be used to improve decision-making and to show progress toward desired results. After all, an organization can’t improve what it can’t measure. Successful organizations must “Do the right things” to obtain desired outcomes, but also must “Do things right.” For many organizations, the ultimate outcome is to meet customer/client needs and requirements.

People and their managers are working so hard to be sure things are done right, that they hardly have time to decide if they are doing the right things.

Steven Covey

The system discussed in this chapter is called a “Balanced” Scorecard because it provides a means for achieving balance within the organization. For example, if an organization pays too much attention to their budget and internal processes, but ignores their employees’ needs for learning and growth or doesn’t try to find out how to better serve their customers, the organization is clearly “unbalanced.” This can lead to poor strategies and ineffective decisions. Too much time can be spent on trying to figure out what went wrong, and it is often likely that mistakes will repeat themselves.

PERFORMANCE MANAGEMENT WITH THE BSC

Kaplan and Norton, creators of the Balanced Scorecard, recognized several years ago that the most successful adopters of the scorecard technique excelled because they had harnessed it to guide the company’s long-term strategy. The Balanced Scorecard and Strategy go hand in hand, and Kaplan and Norton sum up this subject very well: “The formulation of strategy is an art. The description of strategy, however, should not be an art. If we can describe strategy in a more disciplined way, we increase the likelihood of successful implementation. With a Balanced Scorecard that tells the story of the strategy, we now have a reliable foundation.”

The successful use of this systematic approach leads to what might be called “high-performing” organizations, which all have:

1. A clear vision that is broadly held throughout the organization;
2. A mission statement that captures the purpose of the organization and its core values;

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3. A written strategic plan that with consistent, clear, and well thought out strategies that guides the long-term performance of the organization;
4. Excellence in managing the organization’s operations, with performance measures that demonstrate that excellence;
5. A perspective of providing value to customers as well as stakeholders in operations, budgeting, reporting, and planning;
6. An internal communications system that breaks down silos and encourages interaction;
7. A commitment to high ethical standards, and,
8. Leadership focused on learning, sharing knowledge within the organization, and adapting to change.

The most effective approach to the use of the Balanced Scorecard involves a collaborative effort within the organization to ensure that it will be implemented. This means spending time initially to develop effective and interactive communications, a challenging vision, and a clear mission for the organization, all of which have been discussed in previous chapters. Furthermore, the culture of the organization may have to be changed to support the building and implementing of a Balanced Scorecard if the organization is to succeed in improving to a high performance level.

The Balanced Scorecard can be the source of a true management system for the organization, but it must be fully developed, continually used, and managed carefully. Furthermore, this is an integrated process; the output from each step must link to the input of the next step. The strategic actions must be congruent so that they are tied together in a useful way. This is “a continuous journey, not a project.”200 It has no beginning and no end. “A scoreboard journey is a quest for high performance, a focus on results, an increase in group and individual accountability, and an embracing of organizational change.”201

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Furthermore, this framework helps the organization’s management and staff identify what actions should be taken and measured. As important as performance measures ultimately are, they will more likely fall into place once the set of strategies for the organization is clear. These measures will help the organization track its results against its targets, and will enable it to celebrate its successes as well as to identify potential problems earlier.

Once the strategic plan is in place and the necessary actions are determined, the organization can develop its annual work plans and its budgetary needs. As the scorecard management system is cascaded down through the organization, strategic actions become more operational and tactical, as do the performance measures. Another attractive feature of the Balanced Scorecard is that it can be changed without rewriting the entire plan. As one outcome is met, it can be replaced. If an outcome is not met, action can be taken to clarify, change, or more carefully delineate that outcome in terms that will make achieving it possible.

The final step in the completed scorecard is the evaluation of it. This answers such questions as:

- Are our strategies working?
- Are we measuring the right things?
- Has our environment changed?
- Are we budgeting our money strategically?

In conclusion, the Balanced Scorecard provides a number of benefits to organizations that adopt it:

- **Alignment** - The balanced scorecard provides a mechanism for aligning the various activities, processes, and people throughout the organization with the strategic goals and outcomes.

- **Communication** - The balanced scorecard and the decisions and actions that it drives become a mutually reinforcing, highly visible way to communicate the strategies throughout the organization.
• **Accountability** - The balanced scorecard links individual performance to organizational strategies and provides a constructive mechanism for holding people accountable for results.

• **Individual contributions** - As managers and individuals throughout the organization come to understand the strategy and how their performance contributes to success, they are able to take advantage of opportunities and make independent decisions that contribute to the strategy in ways not necessarily anticipated by the drafters of the strategic plan.

• **Transformation** - As people work together to achieve common outcomes, the balanced scorecard becomes a means for increasing the productivity of the organization. As performance is reported throughout the organization, the feedback process becomes a mechanism to transfer knowledge and to refine and modify the strategies based on facts and insights of people throughout the organization. Strategy development becomes an ongoing, dynamic process that can evolve readily in response to changing circumstances, new ideas, etc.²⁰²

The Balanced Scorecard is a good tool for interpreting why certain economic development organizations (EDOs) excel in the management of their operations. It is an effective tool that helps the organization develop goals and strategic actions that fall within the context of its mission and vision.

THE FIVE PERSPECTIVES OF THE BALANCED SCORECARD

Achieving effective balance requires that attention is paid to linking the organization’s strategies across the following five perspectives (the stakeholder perspective has been added as a complement to the customer perspective to reflect the nonprofit organization’s situation). Those organizations that are able to demonstrate “excellence” excel in each of these perspectives (see Figure 46 below).

Figure 46
Balanced Scorecard Model

These five perspectives (remembering that a stakeholder perspective has been added) tend to be either lagging or leading indicators of the performance of the organization. Lagging performance indicators are those that show how successful the organization was in achieving outcomes. The
financial, customer, and stakeholder perspectives tend to be lagging indicators when they focus on what has been accomplished. *Leading indicators* are those that are a precursor of future success; a performance driver. The internal process and learning perspectives tend to be leading indicators because they are structured to make positive change in the organization.

In tandem, the five perspectives from the BSC provide feedback from the activity of the organization and the results can then be used to continuously improve the performance and outcomes of the organization. In essence, an effective BSC is in reality a continuous improvement process.

**Financial Perspective**

The Financial Perspective covers the financial goals of an organization and enables management to track financial success. It should revolve around determining the financial steps that are necessary for ensuring the execution of the organization’s strategy. Financial measures, however, focus on past performance and past activities in the organization, and have little predictive power. Furthermore, they are more about short-term gains rather than long-term success. Financial measures are “lagging indicators” and not the “drivers” of the future performance of the organization, financial or otherwise.

The Balanced Scorecard does not ignore traditional financial matters, even though it moves away from a dependence on them for evaluating the performance of the organization. As was stated earlier, financial measures tell the story of past events, rather than provide a path to future actions. Financial measures don’t tell the organization how well they are serving customer needs, or the level of support of the Board, or the capabilities of the staff.

However, timely and accurate financial data will always be important to the organization. After all, the level of funding and expenditures will provide important parameters on the level of activity of the organization.
This information also can be used to demonstrate to stakeholders and investors a return on their investment in the organization. Use of the Balanced Scorecard also demonstrates to the funders of the organization a willingness to provide meaningful information that can be used in future decisions about the need for and use of resources.

The fundamental purpose of an organization’s budget is to allocate resources among the possible alternatives that the organization is planning for. However, most organizations don’t link their budgets to their strategic planning, and, instead, plan their strategies based on the size of their budgets. Instead, the human and financial resources necessary to achieve Scorecard targets should ideally form the basis for the development of the annual budgeting process.

Customer Perspective

The focus of this perspective, or component of the BSC, is on establishing excellent relationships with customers and clients. Performance measures of importance to customers might include timeliness, quality of services, levels of performance, and possible costs.

Recent research of literature on best management practices clearly demonstrates that all organizations, whether private, public, or non-profit, need to pay more attention to their customers and clients. Customer service should be a core value, an attitude, and a set of supporting management structures that make providing what the customer wants and values at the center of the organization. This topic has been discussed at length in a previous chapter.

Funders and other supporters are more aware than ever of the reputation of the nonprofits they support. Dissatisfied customers are a sure way to lose financial support. On the other hand, positive feedback from

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customers can form an essential element of an evaluation system. It can provide information to help improve services to better meet customer needs and can provide information that funders and other supporters are increasingly demanding to validate their financial support.

While nonprofit organizations have perhaps always intuitively recognized the importance of satisfying customers, they haven’t always taken the time to integrate the core concept of customer service into the way they manage their organizations. Employees aren’t necessarily rewarded for offering excellent customer service; management systems are not designed to track feedback from customers as a means of improving performance; evaluations may include customer activity but they don’t always include measures of customer satisfaction; and perhaps most disturbing, nonprofit programs are not always judged against the hard standard of providing customer value.

Leading economic development organizations tend to have a formal process for obtaining customer feedback on an annual basis, plus they use the results to improve internal processes. This is something that also occurs in the organizations that have been successful in their use of the Balanced Scorecard.

**Stakeholder Perspective**

Those local constituents of the organization who fund it and who receive value from it, including the Board, generally have outcome expectations. This is an important perspective for economic development organizations, but it isn’t included in the original Balanced Scorecard mode that is portrayed in Figure 45. In many respects, it can be merged with the customer perspective.

**Internal Process Perspective**

Internal business processes run a wide gamut. They include all of the
organization’s practices and activities that define its work. If these internal business processes are to be excellent, the organization must have the right people, knowledge, and work systems. The organization determines how to excel at its core operations with the intent of meeting customer needs, satisfying stakeholders, and demonstrating good financial performance. In the economic development arena, core operations typically focus on a combination of business recruitment, working with existing business, entrepreneurial development, creating a positive business climate, site development, etc.

The performance measures that are developed to define this work enable management to know how well the organization is performing, and whether its products and services are meeting the needs of its customers, clients, and stakeholders. These performance measures have to be carefully designed by those who know these work processes most intimately.

The whole point of developing performance measures is to improve performance. If the organization is to improve the performance of its internal business processes, it first has to know what those processes are and how well they are performing. Otherwise, it is difficult to determine where possible problems lie and what must be dealt with more immediately. This includes measuring the time it takes to get things done and how quality levels compare to what the customer or client demands.

As economic development organizations do not produce a tangible product or service (except for those in real estate development), their internal operations are simpler than their counterparts in private business. They don’t have to worry about distribution and delivery, R&D, or environmental regulations. Their Internal Business Processes are less likely to lead to competitive advantages than the other factors in the balanced scorecard. Exceptions might include: 1) ability to provide detailed site selection information to prospect companies on a quick turnaround; or 2) ability to rapidly resolve complex expansion issues of companies within their jurisdiction.
Businesses that use the Balanced Scorecard approach are likely to survey customers to rate the effectiveness of their internal business processes. This becomes the basis for change and improvement initiatives within the organization. However, the use of customer surveys is just emerging in economic development as a tool for the redesign of internal business processes.

**Learning and Growth Perspective**

The learning organization incorporates training, knowledge management, building staff capacity, developing leadership, using technology effectively, and changing the corporate culture as necessary to excel at sustaining change and improvement. The question that the organization must focus on is what capabilities, skills, and tools do its employees need to help them successfully execute the organization’s strategies. This measures the organization’s ability to adapt and innovate for the future.

This perspective is concerned with the organization’s intangible assets that build value. It involves employee training and changing the organization’s culture to support continuous staff and organizational improvement. The focus is on building employee’s skills, increasing their satisfaction on the job, and improving the flow of communication within the organization. The key ingredients for building organizational capacity and successful performance are motivated employees with the right mix of skills and tools operating in an organizational environment designed for sustaining operational improvements.\(^{205}\) It is in this innovation and learning perspective arena where an organization determines its destiny.

Unfortunately, many organizations pay too little attention to the need to build their capacity as a “learning organization.” This is despite the reality that the measures developed in this “perspective” are really the enablers and sustainers of all other measures on the Scorecard.\(^{206}\)


Remembering that good customer service is a vital perspective of the organization, it is important to recognize the power and importance of employees to provide that service. Employees that are in direct contact with the customer are ultimately the conveyors of good or poor service and consequently they need the training, support, and authority to provide that service. If the organization takes time to train and support its employees, they are more likely to take care of the customers, clients, and prospects.

In the Knowledge Economy, economic development organizations are becoming increasingly aware that the management and staff must increase their capacity as knowledge workers. People in the organization are the only repository of knowledge for the organization, and are therefore its primary and essential resource. Therefore, the “implicit knowledge” held within the minds of the staff and members of the organization need to be made “explicit” and become part of the discussion and learning process. Because of the increasing complexity of economic development and changing technologies, employees and management need to move into a continuous learning mode.

It is the set of strategies for the organization that should determine where the training is needed and how the results should be measured. It is especially important to train staff in the skills and knowledge that is necessary for them to be able to develop Balanced Scorecard performance measures that will help the organization execute its strategic plan. However, learning is more than training. It also includes the use of mentors and tutors so that the level of motivation for this learning can be increased and past experience can readily be incorporated. Knowledge management systems can help support the learning environment and ensure that knowledge is captured and not lost.

This Learning and Growth Perspective encompasses three dimensions: human, information, and organizational capacities.
Human Capital

The skill and knowledge of the workforce are at the core of the competencies of the organization. When measuring human capital, skills are the easiest to identify, measure, monitor, and improve. It is important that the organization identify the skills it needs now and into the future, then create an inventory of existing skills, then determine the gap between what is and what is needed, and finally put in place a plan to close that gap. Within the human capital dimension, training to develop employee skills is a factor that should distinguish excellent organizations from traditional ones. However, what really drives the success of that training are the results gained by the organization rather than the mere attendance of staff in training sessions.

It is more difficult to measure “talent.” Talent is a function of motivation, personality, experience, and skills wrapped into an individual. It is difficult to train to develop talent. It is important that the organization try to match its talented people with the appropriate jobs.

This issue is particularly important for economic development organizations, since they have fewer avenues for building competitive advantage than their counterparts in private business. A major corporation can build advantages through its asset deployment (location of production facilities, for example, or the level of capital it invests in R&D, software, or production plants). In economic development, competitive advantage stems largely from the talent within the organization, which is not to say that talent isn’t important as well to a private enterprise.

“Possibly the single most popular metric appearing in the Employee Learning and Growth perspective is employee satisfaction.” It is impossible to build a quality organization that meets stakeholder expectations and customer satisfaction without a staff that is committed to excellent performance. Employee satisfaction can be measured by valid surveys and can be


fostered through constant and effective communication. Additionally, it is possible to determine how well employees understand the mission, vision, goals, and strategies of the organization that they are expected to implement.

**Information Capital**

Information capital is frequently divided into three types of applications: transaction processing (which is an insignificant activity in most economic development organizations); analytic applications; and transformation applications (software and systems for managing change). Good research (analytic applications) is one area of Information Capital where nonprofits can gain competitive advantage.

**Organization Capital**

Organization Capital is often the most important contributor to the organization’s performance and growth. This resource, however, is rarely measured internally or reported to stakeholders, thereby seriously hampering both management’s efforts to effectively allocate resources and the policy-making decisions of Board members and other stakeholders.\(^\text{209}\)

Organization Capital consists of the unique systems and processes that are used by the organization in its work activity and in managing its human resources. It is the persistent creator of excellence and growth for any organization. Organization Capital typically can be categorized as having three components: the culture of the organization, its work practices, and the effectiveness of its leadership.

A number of work practices are key to building organizational capital. One key area is the facilitation of access to organizational information and open communication. This is occurring increasingly through the deployment of such information technology as groupware and business-intelligence tools.

\(^{209}\) Baruch Lev and Suresh Radhakrishnan, “The Value of Organizational Capital,”
http://pages.stern.nyu.edu/~blev/docs/TheValuationOfOrganizationCapital.pdf
The desired outcome is to empower workers to make more decisions with less supervision. Organizations also need to invest in promoting a corporate culture of excellence, especially with respect to customer service, and offer workers strong performance-linked incentives and rewards. The culture of quality organizations should promote a focus serving the customer, provide an effective means of communicating their strategic and financial goals on a regular basis, expect top-quality employees, and support an investment in "human capital" through training.

By and large, these actions are complementary. In fact, when organizations take only some of these steps, such as providing workers with more information but not empowering them to act on it, the quality of the output of the organization can suffer.

THE STRATEGIC PLAN

The interconnection, or link, between the five perspectives of the Balanced Scorecard is the strategic plan. The norm among economic development organizations that excel, based on best practice research, is a written long-term strategic plan to guide their operations. The organization’s strategies answer the question: “Are we doing the right things?” The vision and mission of the organization drive the strategies of the plan, of course. The performance of the organization must reflect that important reality. If the strategies don’t support the vision and mission, they are just isolated activities that may or may not build the organization’s capacity to excel.

On the other hand, the Scorecard can influence the organization to focus on improving or changing those work processes most critical to the organization’s strategic success. After all, the “execution of a strategy is more important, and more valuable, than the formulation of a strategy.”

The idea is that if the organization wants to deliver the right performance in one perspective (e.g., financial success), it has to deliver the right outcomes in the other perspectives (e.g., delivering what the customer wants). If done correctly, this plan integrates customer service with stakeholder service with financial performance. However, any strategy that the organization pursues is really only a “best guess” of how it can achieve the desired outcome.

For example, if one desired outcome of the economic development organization is to improve the ability to work with prospects and close deals, then the plan must outline how staff will be trained in how to respond to prospects, how they will be rewarded for good performance, how this will be demonstrated to stakeholders to increase their support, where the money will come from for additional training, etc. All of these are separate items in a strategic plan, but if they aren’t integrated into an overriding strategy, their importance will be lost and the likelihood of implementing them will be reduced.

This integration might be better understood by thinking about the use of “if-then” statements. If we increase training, then staff will be more capable of responding to prospects. If prospects are more satisfied, then more positive leads and projects will be generated. If the level of prospect activity increases, then the stakeholders will be more enthused. If the stakeholders are more enthusiastic, then they will be interested in increasing funding for the organization. If the organization has more funding, then it can be more aggressive in developing leads.

Effective strategic plans transcend the annual Programs of Work that are common in the non-profit world. These work plans function as more than a tool for setting annual budgets and staffing levels. Strategic plans set long-term goals to guide operations and community investments. The well-run organizations tend to have a formal structure for evaluating performance under the longer-term strategic plan on at least an annual basis. They believe that their plans are important in achieving their desired outcomes.
The strategic plan is also the beginning point for performance measurement. Performance measures need to be developed so that managers and staff pursue long-term outcomes rather than rely on short-term results. The best plans focus their organizations on “making a difference” rather than on just “keeping busy.”

The Scorecard gives management a way of ensuring that all levels of the organization understand its vision, mission, and strategies, and that all the activities of the organization are aligned with the plan. When the measures on the Scorecard link together properly, the strategy becomes much clearer. Furthermore, once the Scorecard has been developed, all of the strategic actions within the organization’s strategic plan should be reviewed with the intent of determining which are truly critical to the fulfillment of the desired outcomes and which are only consuming valuable resources.

The process of developing Balanced Scorecards at every level of the organization has been called “cascading.” The concept consists of ensuring that all employees at all levels are aligned with the organization-wide Balanced Scorecard. This means that the performance measures and desired outcomes at all employee levels are in line with the organization’s overall goals and outcomes, and it is clear how all levels of activity will contribute to the success of the organization.

Peter Drucker, the management guru, has stated that “the nonprofit must be information-based. It must be structured around information that flows up from the individuals doing the work to the people at the top – the ones who are, in the end, accountable – and around information flowing down. This flow of information is essential because a nonprofit organization has to be a learning organization.”

If done correctly, this approach can transform an organization’s strategic plan “from an attractive but passive document into the ‘marching orders’ for the organization on a daily basis.”

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212 Balanced Scorecard Institute.
management in executing the actions in their strategic plan. The strategies will reflect the priorities of the organization that need to be addressed in order to meet desired outcomes. This is important, because research has demonstrated that most employees in non-profit organizations often do not understand the organization’s strategy.213

If the organization hopes to have an effective strategic plan, it is important that the implementation practices across the organization are consistent with that plan. It must be clear to all involved just how their individual contribution is part of the whole effort of the organization. This can certainly be a benefit provided by the Balanced Scorecard.

**STRATEGY MAPS**

A “strategy map” shows a logical, step-by-step connection between the strategic actions in the form of a cause-and-effect chain. To develop a strategy map, the organization selects a few strategic outcomes within each of the perspectives, and then defines the relationship among these outcomes by drawing links between them. Generally speaking, improving performance in one Perspective (such as learning and growth) enables the organization to improve performance in another Perspective (such as internal processes), which in turn enables the organization to create desirable results in the Financial Perspective. Reading the map means starting at the bottom of it and asking the question, “Why?” In other words, “what is the logic behind the strategies?”

Good strategy maps can tell the story of your organization’s key strategies. For example, “if we provide employees with the necessary training, technology, and culture, then they will be able to implement the necessary internal processes that will provide customers a satisfaction of their needs that in turn will result in achieving our financial objectives, thereby allowing us to execute our mission and achieve our vision.” Figure 47

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demonstrates the rationale of the strategy map. Figures 48 and 49 are examples of a strategy map.

Figure 47
Strategy Map Rationale

INTERNAL PROCESS  \rightarrow  FINANCIAL STEWARDSHIP

Improve organizational efficiency  \rightarrow  Improve resource effectiveness and efficiency

LEARNING AND GROWTH

Increase client response capacity/capability
Figure 48: Example of Strategy Map

Strategy Map: Capture a Cause-Effect Relationship from the Bottom Up

- Stakeholder
  - Improved Returns on Investments
  - More Rapid and Accessible Services

- Internal Process
  - Project Management
  - Improved Quality of Services
  - Establish Web-Based Information System

- Learning & Growth
  - Expand Membership Outreach
  - Leadership Development
  - Knowledge Management

- Investments
  - Facilities and Fixed Assets
  - Human Capital
  - IT Infrastructure
Figure 49: Connecting the Five Perspectives

A strategy map provides a visual representation of the linkages in the five perspectives of the BSC

- **Financial Perspective**: Return on Investment
- **Customer/Stakeholder Perspective**: Customer/Stakeholder Satisfaction, On-Time Delivery
- **Internal Perspective**: Process Quality, Cycle Time
- **Learning & Growth Perspective**: Employees’ Process Improvement Skills

The graphic portrayal of the strategy map helps the organization see if there is balance within the five perspectives. It also helps in identifying any possible gaps or missing elements. The review of the strategy map also provides an excellent opportunity to communicate the strategies of the organization to its Board, its other stakeholders, its members, its funders, and its employees. This review process needs to take place frequently, especially when the Balanced Scorecard system is first initiated.

**PERFORMANCE MEASUREMENT WITHIN THE BSC**

Once the set of strategies, or strategic actions, have been laid out in the strategic plan, the organization needs to develop performance measures for each of them. Performance measures are basically the standards used to
evaluate and communicate performance against expected results.\textsuperscript{214} “You can’t improve what you can’t measure.”\textsuperscript{215} For example, how will the training of staff to improve their response to prospects be measured, or how will management be able to determine improvements and the effectiveness of what is being done.

Performance measures are the means by which the organization determines whether it is moving satisfactorily toward achieving its desired outcomes and successfully implementing its strategic plan. Performance measures are “the tools we use to drive desired action, provide all employees with direction in how they can help contribute to the organization’s overall goals, and supply management with a tool in determining overall progress toward strategic goals.”\textsuperscript{216} Clear and objective performance measures serve to describe in useful terms the strategic actions of the organization’s plan and how the broadly stated vision will be achieved. A well-functioning performance measurement system that could provide credible, meaningful and actionable insights into the success of the organization’s economic development strategies (or lack thereof) should be an important component of the economic development professional’s toolkit.\textsuperscript{217}

Organizations with experience in performance measurement tend to be better candidates for the Balanced Scorecard, because they are more experienced at responding to the complexity of tracking performance within the Scorecard Perspectives. In other words, understanding what the different types of measures are, what service aspects they capture, and how they can be used to make decisions helps management determine the appropriate measures for each Perspective.\textsuperscript{218}

\textsuperscript{215} Balanced Scorecard Institute.
Once the performance measures have been developed, it will be necessary to determine whether the data to support them is currently available or will need to be collected. For example, it may be necessary to survey past clients and prospects to find out how well their needs were met by the staff of the organization.

The metrics from this process should then be examined by management to determine if the desired outcomes are being met and the processes for getting to those outcomes are appropriate and being effectively implemented. It is this feedback that helps management and the organization’s stakeholders know how well the organization is performing and if it is appropriately changing to better meet the needs of the customers and clients.

The following criteria can be used as a checklist to determine the appropriateness of key performance measures:

1. Relevance
   - Addresses an operational or strategic performance issue
   - Is results- or outcome-focused
   - Provides useful information to enable decision-making

2. Measurable
   - Quantifiable and objective
   - Facilitates analysis
   - Can be done in a timely manner with high accuracy
   - Data are available and/or collectable

3. Actionable
   - Can be tracked to an appropriate person or team responsible for the activity measured
   - Measure relates to process inputs that can be controlled/adjusted to facilitate improvement

Traditional measures of performance among economic development organizations have consisted of measures such as jobs or projects announced. However, this approach suffers from the “attribution” problem (measuring outcomes over which the organization has no direct control). Successful economic development organizations will find that the
use of the Balanced Scorecard encourages measuring their performance from both stakeholder and customer perspectives. These measures are not readily available, but can be obtained using appropriate questionnaires and surveys. A simple, but very effective, question to ask when generating customer measures is: “What do our customers or stakeholders demand or expect from us?”\(^{219}\)

**TARGETS**

*To understand the heart and mind of a person, look not at what he has already achieved, but at what he aspires to do.*  
Kahlil Gibran

Performance measurement alone is not good enough. A target is needed for each measurement within the Balanced Scorecard. Targets define the desired result of a performance measure. They provide something specific and measurable to aim for. A 2001 survey of more than 500 studies indicated that performance increases by an average of 16 percent in companies or organizations that establish targets.\(^{220}\)

Targets are designed to stretch and push the organization in meeting its strategies. When an organization puts into writing its performance targets, it is more likely to commit to meet them. However, the targets need to be realistic as well as challenging. Appropriate targets may require considerable research, inclusive of looking at what other organizations are doing. The performance measures help the organization track its results against its targets so that it can determine how well it’s doing and can identify potential problems earlier. An example of a target in an economic development context is to visit 50 of the largest firms in the community annually as part of a Business Retention & Expansion program.

Figure 49 below uses an example from Southwest Airlines to demonstrate how outcome and performance measures can be incorporated into a


strategy map, along with the defining of targets and initiatives to accomplish the desired results.  
Figure 50: Southwest Airlines Example of a Strategy Map
**Exercise 47: Assessing the Need for a Balanced Scorecard**

<table>
<thead>
<tr>
<th>Characteristic</th>
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<th>2</th>
<th>3</th>
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<th>5</th>
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<tbody>
<tr>
<td>Our organization has a commitment to quality, but we haven’t seen a significant improvement in our operation.</td>
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<td>If we didn’t produce Performance Reports for our Board for a month, nobody would notice.</td>
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<td>We tend to ignore our intangible assets such as employee knowledge and innovation, customer relationships, and a strong culture.</td>
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<td>We have a strategic plan but have a difficult time successfully implementing it.</td>
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<td>We rarely review out performance measures and make suggestions for new and innovative indicators.</td>
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<td>Our executive director and Board president spends the majority of their time together discussing how to deal with planning contingencies and other policy issues.</td>
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<td>Budgeting at our organization is based largely on what we have spent in the past.</td>
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<tr>
<td>Our employees and Board members do not have a solid understanding of our mission, vision, and strategies.</td>
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<td>Our employees do not know how their day-to-day actions contribute to the organization’s success.</td>
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<td>Nobody takes responsibility for the performance measurement process at our organization.</td>
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<tr>
<td>We have numerous initiatives taking place in our organization, and it’s possible that not all are truly strategic in nature.</td>
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<tr>
<td>There is little accountability in our organization for the things we agree as a group to do.</td>
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<tr>
<td>People tend to stay within their “silos,” and as a result we have little collaboration within the organization.</td>
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<tr>
<td>Our employees have difficulty accessing the critical information they need for serving their customers/clients.</td>
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</table>
Priorities for our organization are often dictated by current necessity or for “putting out fires.”

The environment in which we operate is changing, and in order to succeed our organization must also change.

We face increased pressure from stakeholders to demonstrate results.

We don’t have clearly defined performance targets for both financial and nonfinancial indicators.

We can’t clearly articulate our strategies in a one-page document.

We sometimes make decisions that are beneficial in the short term, but may harm long-term quality.

This assessment helps the organization to determine the need for a Balanced Scorecard effort. To complete this exercise, read each statement and consider how much you agree with what is stated. The more you agree, the higher the score you assign. For example, if you fully agree, assign a score of 5 points.

**Scoring Key**

26-30 If your score fell in this range you most likely have a strong performance measurement in place. The program has been cascaded throughout your organization, to ensure all employees are contributing to your success, and is linked to key management processes.

31-60 You may have a performance measurement system in place but are not experiencing the benefits you anticipated or need to succeed. Using the Balanced Scorecard as a Strategic Management System would be of benefit to you.

61-100 Scores in this range suggest difficulty in successfully executing your strategies and meeting the needs of your customers and other stakeholders. A Balanced Scorecard system is strongly recommended to help you focus on the implementing of strategies and align your organization with overall goals.221

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David Kolzow

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Have the staff individually take this quiz, and then discuss the results collectively.

THE DASHBOARD

The Key Results Dashboard is like the dashboard of a car. It focuses attention on a manageable group of indicators, that when looked at together, provide a snapshot of the overall performance of the organization. The dashboard has one simple function: to present the information you choose in some form that makes it available for you to see in a format that is easily read and understood.222 Incorporated into this dashboard should be the milestones by which you’ll evaluate your plan and that will facilitate your reporting progress to your stakeholders. An example of a dashboard is shown in Figure 50.

Dashboards should not be confused with scorecards. You can use the Dashboard to see at a glance where the organization IS, where it WAS, and where it SHOULD BE (and sometimes even where it’s GOING). The process should start with the question, "How do we know if our organization is succeeding?" The trick is deciding which metrics will let you know if you're reaching your goals, and then refining as necessary both the goals and the metrics over time. Step two in this process is to figure out exactly what data points and how much detail is required to generate all this information. The final step is to create a dashboard that is both inviting and easily understandable; that communicates your organization’s progress toward achieving its goals.

Most community or regional development dashboards are geared to measuring economic and quality of life indicators that are external to a specific development organization. However, an economic development organization ideally seeks to accomplish two sets of outcomes:

- Ability to demonstrate that the community’s or region’s economy and quality of life are improving.

• Ability to demonstrate that the organization’s actions are leading to improvement in the community or regional economy and quality of life.

The first outcome reflects the level of activity in the region that only partially is impacted by the work of the economic development organization. This is the type of outcome that is typically documented by these organizations. The second outcome refers to what the organization itself is accomplishing.

The first outcome is only partially influenced by the work of the organization and is not subject to its control. It is the ultimate measure of success in transforming the region, but it should not be the basis for the organization’s accountability. However, if the region is not improving across key measures, then it is clear that the various programs and agencies involved in moving the region forward aren’t working and need to be reviewed and revised.

A search on the Internet will uncover a number of community or regional dashboards with a series of indicators. Many of these are lengthy and detailed, which probably means that few stakeholders will pay them much attention. The key is to determine just which indicators are important to monitor, and keep the focus on them. This can be ascertained by surveying the key stakeholders and discovering what they perceive as critical to the future of the community or region.

Figures 51, 52, and 53 are examples of a regional dashboard from Northeast Ohio, Connecticut, and Tampa Bay, with the emphasis on regional, rather than organizational, outcomes.
The evidence-based approach used to construct the Northeast Ohio Economic Dashboard yields regional economic indicators that local stakeholders can use to gain insights into how to structure an economic development agenda that focuses on issues that are directly related to growth. The indicators, by encompassing not only important economic factors but also societal values, allow the region’s stakeholders to advance a highly focused regional economic development agenda that can lead to a long-term economic transformation, both in terms of promoting economic growth and in improving its civil society.
Figure 52: Connecticut Economy Dashboard Example

Source: http://216.244.120.252:8080/idashboards/?guestuser=guest&dashID=52
The second type of outcome is under the control of the organization and should serve as the basis of accountability to its stakeholders. However, the stakeholders must understand this difference in types of outcomes or they may well hold the organization accountable for the wrong things. An effective dashboard for the work of a development organization should begin with clarification of the strategies of the organization as they relate to the goals and priorities of that organization’s strategic plan.

This issue of understanding the effort of the economic development organization versus general economic activity in the community or region.
is further clarified by the following quote from a recent article by George Erickcek of the W.E. Upjohn Institute:

*Change in regional per capita income is one of the best measures of an area’s economic performance. However, even the most effective economic development program will likely have little or no impact on the area’s per capita income. National, demographic, and industrial factors that are completely outside the influence of local organizations can have a much greater impact on an area’s per capita income. One of the greatest fears I have is that an outstanding economic development program that is cost-effective and generates positive results could be terminated because it did not do the impossible: make a noticeable bump in the area’s per capita income or employment statistics.*

Figure 54 is an example of an organizational performance dashboard focusing on the customer service of an agriculture extension program in Texas.

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Figure 54: Customer Satisfaction Performance Dashboard Example

Source: http://agrilife.org/od/evaluation/customer-satisfaction-program/performance-dashboards/
IN CONCLUSION

This chapter undoubtedly proved difficult to read and work through for those unfamiliar with the Balanced Scorecard concept. It has been the author’s experience that it takes considerable time and training of staff to successfully develop and implement the BSC, and it is particularly frustrating to attempt to do so without a well-thought-out strategic plan in place.

However, the plus side of all of this effort is the ability of the organization to clearly articulate and demonstrate what it is doing, what it is accomplishing, and how its various actions and programs are integrated toward accomplishing key goals and outcomes. The benefits accrue to the staff, the Board, other stakeholders, and the organization’s constituents. The organization is more likely to be effective in its programs and therefore more sustainable in its support and funding.
Chapter 13

CHEERING ON
(Recognition and Rewards)

What gets measured gets done, and what gets recognized gets done best. Maison Haire

About any behavior that is thought to be desirable by an organization, it’s useful to ask: Is this behavior rewarded, punished, or ignored? The answer to this question tells you what an organization really cares about, not what it says it cares about. Warren Bennis

EMPLOYEE MOTIVATION

When was the last time that someone tried to “motivate” you? What was your reaction? Where does your motivation come from? What drives you to work harder and better? Do you like to be recognized for the good things that you do? As basic as these questions might be, they lie at the heart of successful performance in all organizations.

Certainly, to best achieve excellence in the organization, employees must be motivated toward a high level of performance. Although the term “motivation” is complicated, many scholars and practitioners seem to agree that, in general, motivation is an employee’s willingness to make an effort toward successful work performance in the achievement of personal and organizational goals. Motivation is often used to describe the feeling that prompts people to do what they do. A motivated employee believes that he or she will share in the outcomes of his/her efforts. Performance that is rewarded is almost always stronger, more creative, more lasting, and certainly more positive.

The ultimate purpose of recognition and rewards is to create an environment that fosters the motivation of employees to these higher levels of productivity. It is important that managers understand what motivates
employees so they can avoid the pitfalls of inadequate reward systems.

Unfortunately, in many organizations the concept of motivation is not clearly understood and is poorly practiced. To understand motivation, one must understand human nature itself. Most managers have had no relevant education and background to prepare them for appreciating the role of human nature in the workplace and how to effectively deal with it. It should also be understood that management can’t directly motivate employees; they have to motivate and empower themselves. However, the organization can set up an environment that encourages employees to excel, although the nature of this environment is likely to vary for each employee.

Organizations must learn to recognize desired performance and encourage it. Organizational programs must be developed that are perceived as fair and equitable, and are tied to rewards or recognition based on clear performance criteria. These programs should be available to all members of the organization and be designed to make clear that all members of the organization are respected and appreciated for their contributions.

**REWARDING EMPLOYEES**

The goal of any rewards program should be to foster loyalty and team spirit, and have a good workplace where people feel appreciated. Rewards should operate at both the organizational level and at the individual level. Individual rewards work best when they avoid pitting employees one against the other for a fixed quantity of money, a trip, or a prize. When organizations rely on individual assessment and merit ratings to assign awards, employees will often ignore opportunities for productive collaboration and cooperation. Instead, they are more likely to pursue actions that will make them "look better" as individuals.

To avoid the issue of internal staff competition, individual rewards can be based on skill improvement, on the development of new skills, on quality improvement ideas and actions, or on a variety of other performance-relevant factors. Individual rewards should not, however, be based on the
assessment of individual productivity or, in particular, on measures of quality of product or service that are tied to the individual.

The importance of rewards should not be minimized, however. Research and experience demonstrate that rewards are important components of any deal between the organization and its employees. For the employee, rewards:

- Define one’s relationship with the organization.
- Define self-worth to the organization and in the external marketplace.
- Symbolize levels of professional achievement and contribution.
- Provide comfort in their presence and anxiety in their absence.
- Constitute the major way of “keeping score” in a culture that likes to keep score and encourages individual achievement. Rewards make the game interesting.²²⁴

Furthermore, rewards present major opportunities for the organization to:

- Attract and retain the kind of talent necessary for the workplace.
- Shape and develop the competencies required in the workplace.
- Continuously improve performance on key measures at the individual, team, and organizational levels.²²⁵

Before an effective reward or recognition program can be developed, however, management needs to really understand what it wants to reinforce. This decision should emanate from all that has been discussed in previous chapters of this book. The most important thing to remember about a recognition and reward program is that you are trying to build a team environment, stimulate employee interest, and create positive behaviors. Employee recognition is a communication tool that reinforces and rewards the most important outcomes people create for your organization. When you recognize people effectively, you reinforce, with your chosen means of recognition, the actions and behaviors you most want to see people repeat.

²²⁵ Ibid.
Employee satisfaction is certainly more than monetary rewards. A number of studies have found that there is a clear link between employee satisfaction and the quality of their interaction with the organization’s top leadership. Trust and confidence in top leadership is a strong and reliable predictor of employee satisfaction in an organization. This trust and confidence is developed through effective communication by leadership in three critical areas:

- Helping employees understand the company’s overall strategy for the organization (author and consultant William Schiemann found that only 14% of the organizations he polled report that their employees have a good understanding of their company’s strategy and direction226).
- Helping employees understand how they contribute to achieving key organizational goals and outcomes.
- Sharing information with employees both on how the organization is doing and how an employee’s own work flow is doing relative to the desired organizational outcomes.

It's been clear since the 1950s, when the first modern research on workplace motivation was conducted, that employees crave self-esteem through positive reinforcement and that management can provide this through reward and recognition programs. However, most managers think money is the top motivator for employees, but for most it is not. More than anything else, employees want to be valued for a job well done by those they hold in high esteem. Certainly, employees want to be adequately compensated for the work they do. However, recognition is a gift that is highly valued, because it is not part of the basic compensation required for the job.

**EMPLOYEE RECOGNITION**

Study after study has shown that praise and recognition motivates employees to put forth their best efforts and to perform at higher levels.

226 [http://leaderchat.org/2012/05/21/only-14-of-employees-understand-their-companys-strategy-and-direction/](http://leaderchat.org/2012/05/21/only-14-of-employees-understand-their-companys-strategy-and-direction/)
Getting the most out of workers is really a product of the “softer side” of management – how individuals are treated, inspired, and recognized. People want to feel that they are making a contribution at work. For most individuals, this is a function of having the respect of peers and colleagues, having managers who tell them when they do a good job, and being involved and informed about what’s going on in their department or organization.

It is ironic that recognizing employees’ accomplishments does not have to be costly or time-consuming. Various studies of employee satisfaction typically generate a list similar to the following:

- The chance to make a real difference to customers, co-workers, etc.
- The pure joy of the accomplishment
- Open communication within the organization, especially from top management
- The chance to grow as a person
- Recognition of the need of the organization to succeed
- The chance to do something to be remembered for
- To pursue something that was very worthwhile

On the other hand, as was stated earlier, managers seem to believe that monetary rewards are the primary reasons why their employees “produced.” While money is an important way of letting employees know their worth to the organization, it generally is not a sustainable motivating factor to most individuals. Management should reward the behavior they desire with recognition that is valued and meaningful to their employees and not just to themselves. It is only a matter of asking employees what they want. This can be accomplished in one-on-one discussions, by a brainstorming session, or by conducting a survey of the staff to determine what would be meaningful recognition.

By involving those you are trying to motivate in deciding on the type of recognition or reward they will receive, you are more likely to be on the mark. Furthermore, they will more likely take ownership of the recognition program or activities. Involvement leads to commitment, and
the best management is what you do with others, not to them.

The "what, when, and how" factors of deciding which employee or team of employees should be recognized is the cornerstone to any successful program. If this is done without much thought or employee participation, your program is doomed before it starts. Ask your employees what the criteria should be. It's best to have separate criteria for management and regular staff, as they will have somewhat different working goals.

Countless ways exist to show appreciation and add meaning to employees' jobs. These can include:

- Handwritten notes sent to an employee acknowledging his/her accomplishment.
- An employee could be featured in the organization’s newsletter.
- The chairman of the Board could call an employee to thank him/her for a job well done.
- Positive e-mail could be distributed.
- Positive letters from customers or clients could be read in staff meetings.

The list is almost endless; the principle is clear: people want to feel that what they do makes a difference. Money only partially does this; personal recognition is generally more effective.

Unfortunately, most managers fail to use the potential power of recognition and rewards. This is true despite the fact that a high percentage of managers themselves report that they would rather work in an organization where they could receive better recognition. As a guideline for management, the following seven strategies help improve motivation within the organization:

1. Positive reinforcement
2. Effective discipline and punishment
3. Treating people fairly
4. Satisfying employees needs
5. Setting work-related goals
6. Restructuring jobs
7. Basing rewards on job performance.\(^\text{227}\)

At a time when employees are being asked to do more and more with fewer and fewer resources, the issue of motivation and reward becomes even more important. Speed and the use of technology may often be given priority over common courtesy. Managers may become too busy and too removed from their employees to notice when they have done exceptional work and to thank them for it. Because of technology, interfacing with one’s computer terminal too often replaces personal interaction between manager and employee.

In his book *Megatrends* written thirty years ago, John Naisbitt predicted that as work environments become more technical, employees would need greater personal and human attention. He called the phenomenon “high-tech/high-touch.” At a time when employees appear to be seeking more meaning in their lives, their work environment often robs them of it.

The “excellent” organization obtains extraordinary results from its ordinary employees. Employees need to feel valued so they want to do their best work on a daily basis and to consistently act in the best interests of the organization. This enhanced level of energy and initiative can be achieved by focusing more on how employees are treated rather than on how much they are paid. “For the best results, pay them fairly, but treat them superbly.”\(^\text{228}\)

It is important to note that increased job satisfaction by employees does not necessarily translate into increased job performance. If the work of the employees, as satisfying as it may be to them, is not aligned with the mission and goals of the organization, their performance is not improving the quality of the organization. The value of a measurable performance system is that it provides a means for keeping the work of the organization in proper alignment.

\(^{227}\) Accel-Team, “Employee Motivation in the Workplace,” www.accel-team.com/motivation/
Another limitation of money as a reward is that performance reviews in most organizations, and corresponding salary increases and bonuses, occur only once a year. To motivate employees, managers need to reward achievements and progress toward goals by employees much more frequently than once a year. Indeed, performance should be recognized on almost a daily basis.

Typically, it is the “fun” of a celebration within the organization that makes recognition a positive and motivating experience. The simpler and more creative the celebration, the better. These celebrations of successes -- of the organization, a department, and of individuals -- are morale-building.

At times, more formal awards are useful for acknowledging significant accomplishments, especially as they span a long period. They can also lend credibility to more spontaneous, informal awards used regularly by management. However, these more formal awards of money, merchandise, or plaques to motive them can have negative effects. When emphasis is placed on the awards, rather than on the performance, employees are often given the wrong signal. Cash awards, as we indicated earlier, could reduce teamwork as employees concentrate primarily on individual cash gains.

To maximize the effectiveness of formal awards, and to ensure that the focus of the award remains on performance and achievement (rather than on the award itself), managers must be skilled in how they present such awards. Some principles for successful presentation include:

- **Present awards in a public forum.** Awards are not meant to be presented in the privacy of an employee’s office. This presentation should be done as part of a regularly scheduled meeting or a special meeting should be called that places the employee “in the limelight.” Besides honoring an individual or the team who performed well, recognition is also a message to other employees about the type of performance that gets noticed in an organization.

- **Provide a context for the recognition.** Managers need to provide a context for the accomplishment and explain how it ties to the
organization’s overall goals. Will this achievement lead to enhanced customer/client satisfaction, ongoing cost savings, or higher productivity? How will the achievement potentially affect the overall success of the organization and each person in it? Providing a broader context adds significance to the achievement and to the person or team being honored.

- **Share your feelings.** When presenting an award, managers should emphasize their personal feelings about the achievement or the individual who has achieved. Comments such as “I was excited by your success” or “I’m proud that you are part of my team” gives energy to the presentation. Positive feelings that are honest and sincere add power to the moment that everyone present can feel.

As was stated earlier, managers are often too busy focusing on what’s “urgent,” and they forget about the importance of regularly recognizing employees. Once the sense is gone that management cares, the result is that morale suffers, a loss in productivity occurs, and employees may quit. This should serve as a wakeup call to management. Then management must scramble to figure out ways to energize and motivate employees. At this point, regenerating poor morale is much more difficult than doing little things along the way to keep it high.

Recognition does not need to be as immediate or as frequent once management has achieved the desired behavior among its employees. Reinforcement theory tells us that after new behavior has been established, it can best be perpetuated through intermittent reinforcement. This doesn’t mean, however, that managers should become too casual about how often employees are rewarded.

Recognition is about feeling special. Many employees work hard to gain recognition for a job well done. Therefore, rewards and recognition shouldn’t be doled out in "turns"; they should be given to deserving individuals or teams only. The organization’s executive director shouldn’t think about "keeping the peace" by moving the award around so everyone gets one eventually, because it will lose its integrity. It is difficult to feel special from a recognition program where everyone gets the same thing,
like a five year pin or a birthday card.

The theme of this book has been “managing for excellence, and a key component of that excellence is customer satisfaction. If reward systems are expected to improve customer satisfaction, they must:

◦ Identify the appropriate employee behaviors that affect customer satisfaction;
◦ Reward employees for engaging in those behaviors, and;
◦ Monitor the effect of those behaviors on satisfaction levels.²²⁹

Timing is important in recognition programs. The sooner employee performance is acknowledged, the clearer they get the message and the more likely they are to repeat the desired performance. Be certain everyone understands what's expected, how to achieve it and that award decisions are based on an objective review of results.

Exercise 48: Use the following survey to determine the motivators for the staff of the organization, and then use the results to stimulate discussion with the employee:

Employee Motivation Survey

Name: _________________________ Date: ____________________

NOTE: Completing this survey is voluntary. Your answers may help determine methods to reward and recognize your efforts on behalf of our organization in the future.

Career
1. What skills are you interested in developing?

2. What would you like to be doing in five years?

3. What training programs are you interested in taking?

Office
4. What do you like best about the work environment?

5. What changes could be made in the work unit to improve your working conditions or job satisfaction?

6. What changes could be made to improve the products/services we provide to customers?

General
7. How do you like to be recognized for your efforts? Choose your recognition style preference: a. formally recognized by the organization b. informally recognized by the manager c. both
Please check all items that appeal to you as recognition for an accomplishment:

<table>
<thead>
<tr>
<th>Money</th>
<th>Job promotion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional</td>
<td>Plaque/certificate</td>
</tr>
<tr>
<td>development/conference</td>
<td></td>
</tr>
<tr>
<td>Time off</td>
<td>Childcare benefits</td>
</tr>
<tr>
<td>Thank you note</td>
<td>Flexible work schedule</td>
</tr>
<tr>
<td>Public praise/thanks</td>
<td>Autonomy over daily work schedule</td>
</tr>
<tr>
<td>Education/classes or seminars</td>
<td>Telecommuting</td>
</tr>
<tr>
<td>Increased responsibilities within current job</td>
<td>Committee work in an area of personal interest</td>
</tr>
</tbody>
</table>

Other:

__________________________________________________________________

Please rank order your top five of the incentives listed above:

1.
2.
3.
4.
5.

Thank you for completing the survey!
CHAPTER 14

SO WHERE DO YOU GO FROM HERE?

As the reader of this book has discovered, the quest for “excellence” in the economic development organization or any nonprofit organization is simple in concept but not easy in practice. No “magic bullet” exists, despite the tremendous number of fads and fashions in management articles and books. Compare this quest with the intent of an athlete to become an Olympic contender. Hours are spent each day for years in exercise, learning from mistakes what to do to become better, competing with others, and researching new equipment and training regimes. No short cuts exist in the pursuit of an Olympic gold medal.

The content of this book is designed to improve the organization over time, not overnight. It will require reading and rereading, reflection, response, and rigorous application of ideas and procedures. The material covered is comprehensive in terms of the key principles and practices needed to succeed in becoming excellent. However, the specific techniques and practices involved in the daily activity of the organization are not necessarily dealt with, such as how to do marketing, how to set up an information system, how to organize the office, how to set up a budget, etc. These activities will vary by the size and nature of the organization, and much of this detail is covered in other books such as the IEDC manual on Managing Economic Development Organizations.

It is recommended that time and training within the organization be allocated to many of the elements outlined in this book. One doesn’t become an effective communicator by merely reading something on communication. It takes knowledge and lots and lots of practice. Every principle and practice of excellent management discussed in this material requires understanding and practice for it to come together to achieve the excellence being sought.

This author has attempted to clarify the complexity of organizational management by organizing the ideas into the nine C’s. Each “C” is distinct
yet integrated into each of the other C’s. Everything is related to everything else. “You can’t have one without the other.” Nothing should be practiced as an isolated activity. Just as a golf swing is comprised of the proper club, a good grip, a smooth swing, and appropriate stance, so management is comprised of many different elements. However, the test of the golf swing is how well the ball is hit, and any one of many minor errors can send it careening off into the woods or lake.

The same is true of managing for excellence. The outcome is the organization that achieves its desired outcomes with excellent performance. However, for this to occur, all of the various components or elements of quality management must come into play in one seamless effort. This will not occur quickly, just as a good golf swing doesn’t happen in one lesson or one day on the course.

Each successful organization must work toward establishing and nurturing a culture that promotes excellence. This is reinforced by the mission and vision of the organization. This culture, mission, and vision should place a focus on the customers and clients of the organization, with the intent of delivering the value they seek. It will take a continuous effort to improve performance if this change of focus is to happen and be sustained. It will also involve considerable collaboration among all the players (the team) in the organization to make this occur. Effective collaboration takes place when creative solutions are found for the problems and challenges the organization is facing in moving toward excellence. The choices that are made should be part of a strategic planning effort that focuses on priorities and desired outcomes. As the organization moves through all of these processes and procedures, it will need to check up on how well it is doing so that it can be held accountable and so that it can adjust its practices and activities to achieve its desired results. The motivation for the team to work toward this end will depend on how it is cheered on and rewarded.

It is the author’s hope that this book helps you and your organization work toward a higher level of success and recognition. It is a beginning, not the end of your journey. This is, unfortunately, too often a “road less traveled.” Take these principles and practices to heart, work on them
diligently, and your organization will be acknowledged as excellent and outstanding. This will result in a better community or region or state that you serve.
Selected Bibliography


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