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Planning Meets Strategy

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VIEWPOINT

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The work of transforming an organization starts with a readiness to question its scale, its scope, and even its core identity.

BY JOHN ANNER

Later this year, the organization that I help lead—East Meets West (EMW)—will change its name. That change follows a series of other developments, some of them quite radical in scope, that EMW has initiated in recent years. In the fall of 2013, we completed a merger with Blue Planet Network, a clean-water organization, and early this year we merged with Reach Global, a group that focuses on education and microfranchising. We also plan to undertake several other mergers over the course of 2014. What's more, these moves follow significant efforts to expand our geographic reach, to broaden the range of fields in which we operate, and to overhaul our entire business model.

In fact, over the past 11 years, my colleagues and I have undertaken a wholesale reinvention of our organization—a reinvention that derives from our investment in strategic planning. Like Ben & Jerry's ice cream, strategic planning in the nonprofit sector comes in a wide range of flavors, from plain vanilla on one end to a wacky hodge-podge of unusual ingredients on the other. Yet not all forms of strategic planning are truly strategic. Most strategic plans generated by nonprofits could easily leave off the word strategic, as they simply outline a particular use of resources to achieve a given set of goals. They corroborate an existing way of doing things, even when they involve an aspiration to do those things better and on a bigger scale.

Strategy is something else. Strategy is the art of gaining influence and power. It requires making risky decisions under conditions of uncertainty. And it is, in almost every case, organizationally disruptive. Undertaking a strategic transformation almost inevitably leads to disagreement, and just as inevitably some senior people in an organization will end up leaving as a result.

At the same time, strategic planning can enable an organization to develop new competencies that bring major gains in the pursuit of its mission. Using the example of EMW, I want to explore how an organization can use strategic planning in that way.

FACING A BLEAK FUTURE

EMW is an international NGO (INGO) founded in 1988 by a Vietnamese-American woman named Le Ly Hayslip. At the beginning, its core strategy was to deliver "humanitarian services in Vietnam." When I joined EMW in 2003, it had a budget of only about $225,000, but it enjoyed a great first-mover advantage. When Vietnam opened to the world in the 1990s, EMW was one of the few US organizations on the ground with legal registration and a track record of implementing projects. We were therefore able to secure steady funding from donors eager to be part of Vietnam's sudden entry into the community of nations.

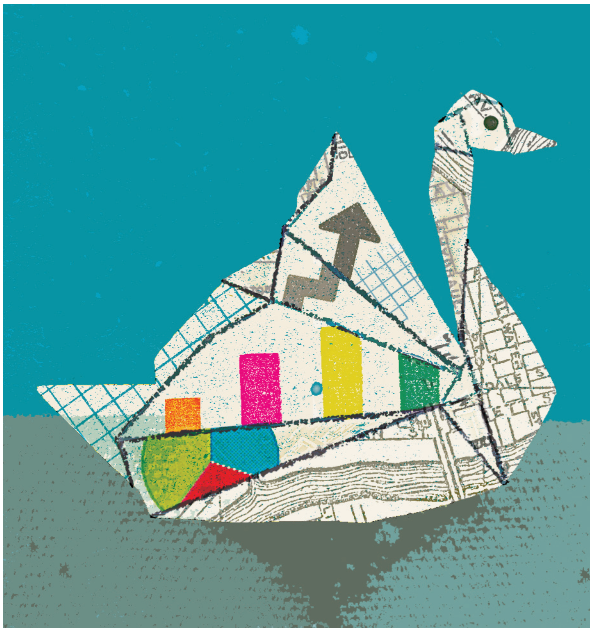

ILLUSTRATION BY DAVID POHL

As Vietnam developed, more funding opportunities became available, but the competition for that funding grew fierce. In 2000, there were no more than 50 registered INGOs in Vietnam. By 2008, there were 600, and today there are nearly 1,000. EMW's core business strategy was at serious risk. Donors were turning their attention to other countries, many other organizations were now competing for limited funds, and the rapid turnover of staff at funding agencies meant that EMW's history in Vietnam counted for less and less each year. Our biggest donors announced that they were leaving Vietnam altogether (the Ford Foundation), no longer had funds to support philanthropy (the insurance company AIG), were canceling entire lines of grant funding (the World Bank), or were planning to shut down operations in the near future (Atlantic Philanthropies).

At the same time, Vietnam was growing rapidly and no longer needed basic humanitarian services. Instead, it needed sophisticated, coordinated development strategies that could address large-scale, complex problems. Like most small organizations, EMW had very little ability to deliver that sort of program.

By 2008, our annual budget had climbed to nearly $20 million, thanks to a handful of very large grants, but our pipeline was running dry. The long-term outlook for an organization with a focus on delivering grassroots humanitarian services was bleak. We weren't in danger of going out of business. Yet we risked falling back into the

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tar pit of small organizations with budgets of less than $1 million that make up the great majority of US-based INGOs. Once you get stuck in there, it's very hard to get out.

EXPLORING ALTERNATIVE PATHS

We decided to reset our strategy in the hope of moving to a higher level of organizational development. Along with escaping the small-INGO trap, we were eager to expand the powerful set of programs that we had developed. Taking a new approach and adding new resources, we believed, would allow us to do a lot more. The EMW "reset" process unfolded over a decade in the form of three distinct strategic planning episodes.

In 2003, EMW shifted its mission from being a small-scale humanitarian aid organization to being an ambitious development group. We started investing more time and money in fundraising, and we set forth clear program criteria: EMW would invest only in programs that are catalytic (that is, system-changing), durable, scalable, fundable, and adaptable. We also started to close down programs that no longer fit those criteria and began creating new programs that did.

In 2008, EMW decided to expand its operations beyond Vietnam. Between 2008 and 2013, we launched projects and opened offices in Benin, Cambodia, East Timor, India, Laos, Myanmar, and the Philippines. This move led to the departure of board members and staff members (as well as donors) who had a specific passion for Vietnam but not for development in general. At the same time, we reorganized our operations around three core areas: education, clean water and sanitation, and child health.

In 2012, EMW began another intensive strategic planning effort that led us to initiate a fundamental change in our core business model. EMW had started testing new ideas and had begun to expand rapidly, but we lacked a common sense of purpose. We needed to have an existential discussion—one that focused less on what we do than on who we are. So we undertook a yearlong process of analyzing our industry and our place in it.

Four important insights resulted from this effort. First, size does matter. We set out to learn how other INGOs managed to grow, but we found that most INGOs are modest in scale and suffer from slow growth rates. Many small INGOs do excellent work, but they cannot access significant funding to invest in their own organizational capacity. As a result, they spend all of their time chasing down their annual program budget, and that budget rarely rises above $1 million or so.

Second, diversification is critical. EMW must offer new products in new areas if it wants to get bigger. Limiting ourselves to just one or two countries, and to a handful of program offerings, has excluded us from the majority of funding opportunities.

Third, back-office capacity is a competitive advantage. The headquarters staff at EMW, for most of its history, had consisted of two or three people in bookkeeping and finance, one fundraiser, one communications person, an all-around administrator (who also served as our IT person and our events manager)—and me. To land and manage large grants, we need to develop high-level financial, fundraising, and administrative capabilities.

Fourth, good branding and marketing are essential. In a gap analysis that we conducted to understand our organizational strengths and weaknesses, we rated our marketing efforts at 2 out of a possible 10. We also concluded that our name held us back; it signals our old way of working and causes a fair amount of confusion. So we resolved to change it.

Strategic planning in the nonprofit sector comes in a wide range of flavors. Yet not all forms of strategic planning are truly strategic.

BUILDING A NEW IDENTITY

In 2013, we put in place the building blocks of our new strategy. We hired senior people to run our three departments and put them to work on building our programs and raising funds. As before, the content of our work focuses on assisting people in low-income and disadvantaged communities.

What's different is our core business model. We have gone from delivering humanitarian services to building a network that's based on rescuing what I call "stranded social capital." In practice, that means identifying great organizations that are struggling to scale up, and combining them into a set of mutually reinforcing projects. We find organizations led by entrepreneurial visionaries who have significant skills, and we help them apply those skills to other parts of the network. With Blue Planet Network, for example, EMW gained high-level talent in network building and consumer marketing. With Reach Global, we attained top-notch expertise in leadership development and training. Other mergers will allow us to expand our skill set even more broadly.

By the end of 2014, our headquarters staff will have grown from a small crew of administrators to a team of about 15 leaders who build large-scale programs around the world. We will be managing programs in 10 or more countries and will have partners in two dozen other countries. By the end of 2015, moreover, planned mergers will add as much as $6 million to our annual revenues (which come to roughly $5 million today).

What matters most, however, is not the scale of our programs or the size of our budget. We are, and will continue to be, quite small in comparison with organizations such as Oxfam and CARE. What matters is that we have a business strategy that will allow us to grow for many years to come. ■