

NOT FOR PROFIT ORGANIZATIONS

## Strategic Planning from the Inside Out

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and Kate Richardson



Innovative nonprofit organization leaders are tossing out traditional commercial approaches to strategic planning and instead approaching strategy from the inside out. As recent examples at the Association of Corporate Counsel (ACC) and the Center for Audit Quality (CAQ) demonstrate, a member-centric approach that focuses foremost on mission attainment rather than relying on corporate, “outside in” strategic planning tools can put an organization on firm footing for years to follow.

It’s no wonder that strategic planning tools such as SWOT (strengths, weaknesses, opportunities and threats) and PEST (political, economic, social and technological) analyses, product segmentation and activity-based costing models have become commonplace. Elite business schools teach this sort of strategic planning. Consulting firms built their reputations on those tools. Iconic companies such as IBM and GE have relied on traditional strategic planning for their long-term success. Following the principle of cross-pollination, executives and board members bring their experiences, approaches and preferences to the organizations they join, giving rise to a continuing cycle of traditional strategic planning.

*Unfortunately, that thinking often does nonprofits a disservice.*

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Many nonprofit organizations find out too late that traditional corporate strategic planning approaches actually create distractions and undermine their efforts to create more value for their stakeholders. There is a mismatch when the commercial approach is applied without giving full consideration to some of the fundamental differences between nonprofits and commercial businesses. Consider these important contrasts. A commercial enterprise’s highest objectives typically include profitability and market share. For an association, those objectives center on mission attainment. Public companies first and foremost must answer to the expectations of their shareholders and customers. Nonprofits exist to serve their members and constituents. Commercial strategic planning, in short, is aimed at financial viability. An overemphasis on financial measures can dilute the value a nonprofit’s stakeholders receive, and risks missing out on examining other issues that keep the group relevant.

Associations that recognize these differences are trying something new, what some are calling “Inside Out Strategic Planning.” While maintaining a bias for rigorous fact-finding, this approach centers operational and financial analyses on the drivers of mission attainment.

## **Inside Out at ACC**

The Association of Corporate Counsel (ACC), the world’s largest community of in-house counsel, with over 30,000 members across more than 75 countries, completed an inside out strategic planning initiative in early 2012 that the organization contends will serve as the blueprint for achieving ACC’s mission and solidifying its vision for five years.

According to Veta T. Richardson, ACC’s Chief Executive Officer, “It made sense for ACC to focus first on understanding our members’ needs and not over-invest in understanding how other associations address the specific needs of their professions. Instead, we made it a priority to ‘run our own race’ and develop a strategy to evolve ACC to continue to meet the needs of corporate attorneys now and in the future.”

Richardson added, “Initially, some of our stakeholders were skeptical of the inside out approach, because it is different from the more externally focused SWOT analysis-type of strategic planning approach utilized by many of their own for-profit organizations. In fact, many of the most experienced strategic planners had difficulty embracing the methodology until we explained why it was right for us. Our mission to promote the common professional and personal interests of in-house counsel worldwide is somewhat unique and provides a clear focus on our defined member constituents. Our success will be predicated, first and foremost, by how well we understand and serve their needs. And, while understanding the best practices of other professional membership associations or for-profits seeking to serve this target group is

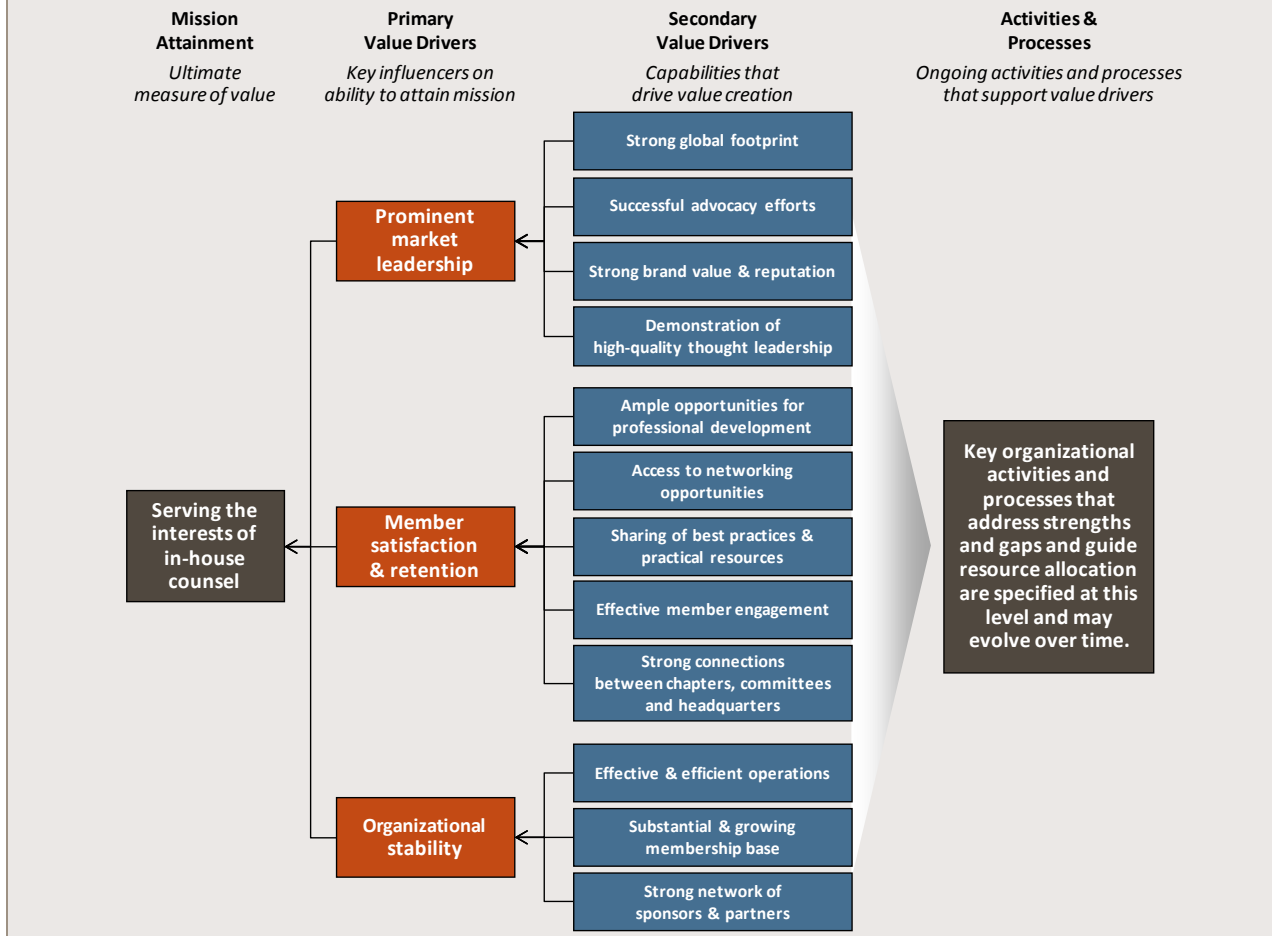
important as well, our belief is that ACC has to remain totally in synch with our members' needs to succeed so more internally-focused approach felt right."

Tom Sabatino, ACC Board Chair and Executive Vice President, General Counsel & Corporate Secretary of Walgreen Co., said, "The inside out process was a real eye-opener in that it honed in on the drivers of attaining ACC's mission. We had been and

continue to be a very successful, growing organization. Over the years we had added a number of programs that were independently good ideas, but we needed to take a hard look at what members were saying to ensure those programs remained relevant and that ACC was meeting the needs of its current and future members effectively and efficiently. Value mapping enabled ACC to be clearer about priorities so we can plan, budget, and act accordingly."

## Value Tree Mapping

One critical ingredient of an inside out strategy is a root-cause analysis called Value Tree Mapping that can reveal the key drivers of strategic imperatives such as effective advocacy, stakeholder engagement and membership/donor growth. Value Tree Mapping, as shown in this example from the ACC, is an illustrative means for understanding resource allocation and identifying gaps and overlaps in critical areas.



## Pruning Priorities at CAQ

The Center for Audit Quality (CAQ), based in Washington, D.C. and representing almost 600 public company auditing firms, also applied Value Tree Mapping as it considered its evolution from a start-up organization, founded in 2007 to enhance investor confidence and public trust in the global capital markets shortly after the passage of the Dodd-Frank act. CAQ's "convene and collaborate" approach to bring together audit industry, regulatory and public stakeholders has been highly effective in achieving the organization's mission. However, the pace of regulatory change made the work of this organization of fewer than 30 staff especially challenging as evidenced by the 24 drivers of mission attainment identified through the Value Tree Mapping process.

CAQ's Executive Director, Cindy Fornelli, said, "We knew that the CAQ covers a lot of ground, but putting together our value trees really helped us see the breadth of what we do to achieve our mission. It's evident that some things are more important than others and that our effectiveness in different areas varies. Knowing this puts us on firmer ground as we plan for the future."

Value Tree Mapping creates a firm and fact-based foundation for reviewing and prioritizing resource allocation – a perennial challenge for nonprofits. Because these organizations are member-focused and led by Boards of Directors who are selected to represent

their members, there is often "no such thing as a bad idea" according to one not for profit organization leader. The result is often a large portfolio of well-intended initiatives paired with limited resources or worse yet, long-term efforts being consistently displaced by short-term needs (often known as "the important being pushed aside by the urgent").

Building upon an understanding of value drivers, research among stakeholders about the perceived importance and effectiveness of key activities, resources and programs provides valuable insights into constituent views (spoiler alert: members and the Board are not always on the same page). Furthermore, value tree mapping facilitates prioritization and goal setting. In an age of finite resources, this analysis of both importance and effectiveness of services is an effective tool for identifying important gaps and redundancies.

Fornelli of CAQ said, "While our stakeholders regularly let us know that they are pleased with our results, it is sometimes challenging to prioritize our efforts because different stakeholders have different concerns. Analyzing effectiveness versus importance helps cut through the clutter. For example, once we concluded that our participation in key forums and events is highly effective but not critical to mission attainment, we were able to shift resources to important areas where we may have been less effective, such as communicating to our stakeholders the release of new information and tools the CAQ developed on their behalf."

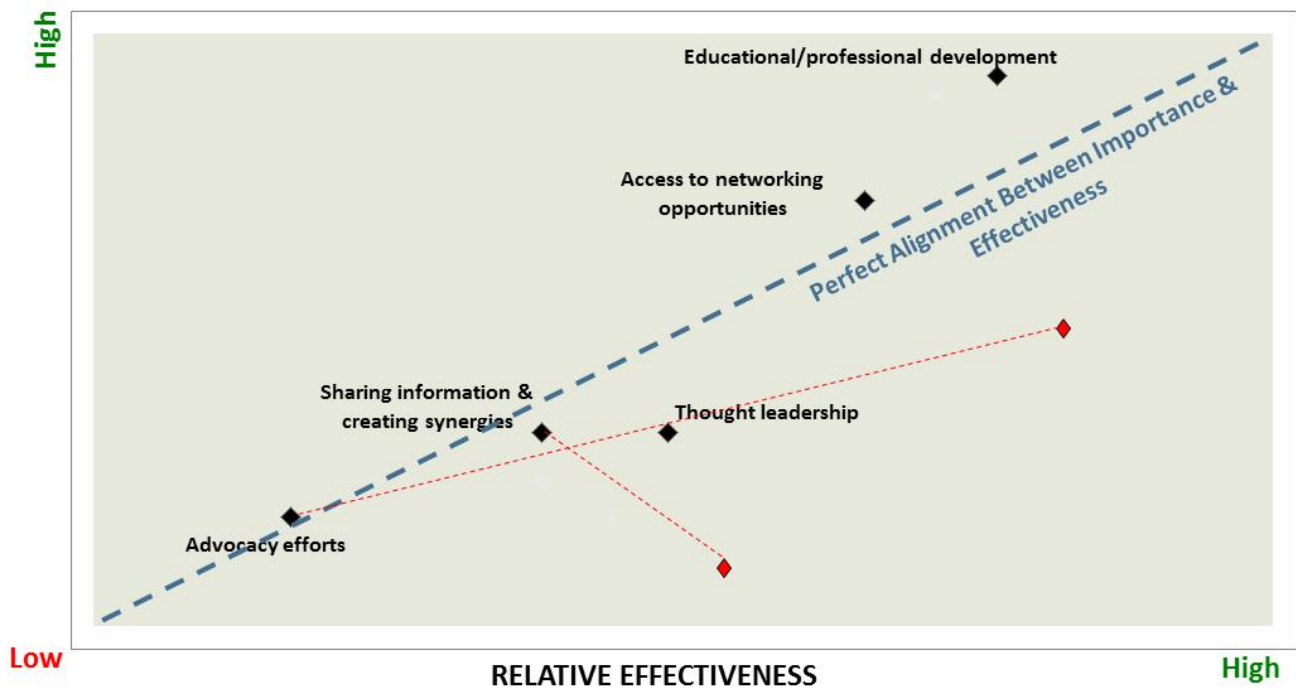
## Importance vs. Effectiveness

Importance/Effectiveness analysis is a powerful tool for association Boards to use for looking in the mirror. It can ensure that boards meet their long-term stewardship responsibilities as well explicit stakeholder needs and provide an effective platform for dialogue when these diverge.

For example, through this exercise the ACC's Board learned that members place a higher value on sharing information between member network groups than

did Board members. Conversely, Board members believed that advocacy efforts are more important than do members at large. While this finding initially concerned the Board, further analysis indicated that this was less of a misalignment and more a reflection of the Board's efforts to lead the organization and ensure its long-term relevance versus the practicality of serving the everyday informational needs of members who rely on ACC as a forum for seeking information and sharing knowledge.

Excerpt from ACC's Importance/Effectiveness Analysis of Value Drivers



### Summary

- This chart plots value drivers based on importance and effectiveness as assessed by Board members and all members.
- The black diamonds represent the general member assessment of relative importance and effectiveness.
- Red diamonds reflect board member assessment, where materially different from general member assessment.
- Value drivers close to the blue dotted line represent an accurate understanding of member needs and preferences. Value drivers further away from the blue dotted line represent potential areas to improve.
- Low relative effectiveness for a value driver does not imply that the driver is ineffective. It means that ACC's effectiveness on that driver is low compared to the other drivers.

**“DEVELOP CLEAR, SIMPLE STRATEGIC THEMES TO EXPRESS PRIORITIES IN LANGUAGE THAT IS FAMILIAR TO YOUR STAKEHOLDERS.”**

Each objective is a high priority and reflected in the strategic plan, but understanding these differences was important to the Board. ACC Strategic Planning Committee Co-Chair, Bill Sailer, Senior Vice President, Legal Counsel QUALCOMM Incorporated, said, “As a Board, it is essential that we understand and reflect the priorities of ACC’s members while at the same time serving as good stewards by thinking ahead to address longer term issues impacting the in-house professional. This knowledge enables us to plan and act decisively to ensure that our organization continues to evolve and meet the needs of our members and of the profession.”

This is not to say that the external environment should be ignored. The strategic plan needs to be fact-based and realistic given industry and professional developments and stakeholder opportunities and priorities. However, external research with potential members or peer organization benchmarking is best accomplished only after creating a clear understanding of stakeholder priorities and drivers of mission attainment.

## **Inside Out Strategy Success Factors**

Nonprofit organizations that approach strategic planning from the inside out can realize significant benefits including better discipline and stakeholder alignment and in turn, improved performance in the areas that matter most – those critical capabilities, processes, and activities that create the most value in the organization. Adhering to three key success factors will ensure a

successful inside out strategic planning process:

**1. ENGAGE STAKEHOLDERS** – Many key stakeholders will be familiar with traditional, outside-in, approaches to strategic planning. Address this confusion early on by being upfront about the adoption of an inside out approach and why it makes sense for the organization. Throughout the process, encourage input and feedback from these stakeholders (members, donors, board members, etc.). Online surveys, focus groups, and advisory committees are all effective in engaging stakeholders.

ACC, for example, surveyed its more than 30,000 members worldwide, conducted targeted focus groups at its annual conference and sought the input of member and non-member subject matter experts through interviews and panel discussions.

Robin Grossfeld, ACC Vice President and Chief Global Membership Officer, said, “Because our member retention and member survey participation are so high – in fact this survey received better than a 15% response rate – we’ve felt we have a good understanding of what members want and need. But seeking the perspectives of non-members and other subject matter experts has helped us think more actively about what will be most valuable to our members in the future.”

**2. KEEP IT SIMPLE** – Distill the research findings and outputs of the strategic planning process into accessible insights. Develop clear, simple strategic themes to express priorities in language that is familiar to your stakeholders. A well-expressed, jargon-free strategy will

serve as a common platform for communicating the strategy with members, staff, and the Board. The Center for Audit Quality's strategic planning process identified 24 value drivers that ultimately were distilled into three major, memorable themes.

### 3. FOLLOW FACTS OVER HUNCHES –

Successful inside out strategic planning must be fact-based and realistic given broader trends in the economy, industry, and the needs of the potential member population. For example, rather than relying on conventional wisdom and the organization's long-standing relationship with core members, ACC made it a priority to expand its perspective regarding how it could better achieve its mission in the future. Among the more interesting learnings were that other associations were competing with ACC for, and in some cases directly targeting, a particular segment of members – Chief Legal Officers in large legal departments. Because these members were potentially at a greater risk of joining other associations, and also because they are typically prominent members of the legal community who can positively impact ACC's visibility, a key strategy focused on increasing participation and engagement among this critical segment. However, ACC also had to remain focused on continuing to serve all of its Chief Legal Officer members, the majority of whom work in small law departments.

Another key finding from ACC's research was that in-house counsel are increasingly expected to play key strategic roles within their companies. ACC was already providing education

programs that were highly valued by members. But to fulfill its mission more comprehensively, ACC expanded its offerings by providing programs that enhanced the capabilities of their members as business professionals, not just as corporate counsel.

## Conclusion

Inside out strategic planning is particularly valuable for nonprofit organizations that are inundated with good ideas but short on resources. Value tree mapping and importance/effectiveness analyses bring facts to bear in setting priorities while reinforcing the interrelationships among programs and the individuals who support them. Furthermore, Inside out strategic planning addresses the perennial challenge of setting goals and metrics because it clarifies the linkages between critical activities, initiatives and measurable results. Instead of thinking outside the box, innovative associations are learning that it's best to start their strategic planning by thinking inside first.



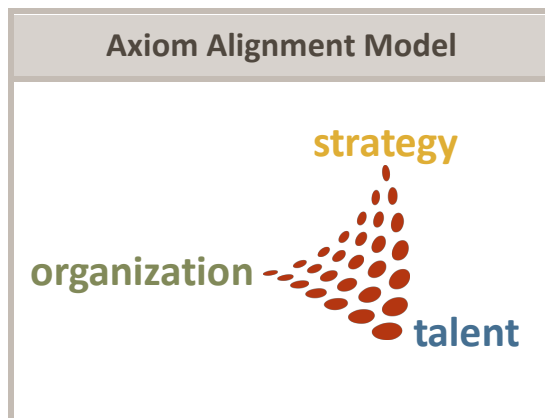
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