

The Need to Aim Higher

How to Lead Successfully in the Volatile Years Ahead

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Please understand. I'll be among the last to encourage megalomania when it comes to setting performance targets. I'm afraid I've studied just a bit too much psychology to embrace the folly of setting impossible goals. In fact, I'm a firm believer in the Goal Principle which states that goals should be "*big enough to matter, small enough to win.*"

The art of effective goal setting lies in avoiding the extremes. If goals aren't large enough to matter, no one is likely to be highly motivated to pursue them. On the other hand, if goals are too big to be realistic, neither will they inspire much traction.

While my intent here isn't to focus on goals per se, a brief excursion into what is known as expectancy theory may be worth the detour. I'll simplify a formula by Victor Vroom (*one of the patriarchs of motivational theory*) and say that **$M = D \times E$** . In plain English, this means that ***motivation equals desire times expectancy***. Desire is simply how much a given outcome is wanted, and the amount of motivation is that desire multiplied by the person's expectation that the outcome is in fact possible.

Let's assume for the sake of discussion that a manager in a non-profit has a very high desire to bring about certain changes. Her score on the desire for change index might be 9 on a scale of 10. After repeated unsuccessful efforts to bring about those changes, however, the expectation that once was also a 9 has now plummeted to a 3. Multiply 9 by 3 and on a potential motivational scale of 100, you get 27. Needless to say, no one's likely to persist in change efforts with that low a score.

But assuming that performance targets set should be both challenging and realistic, where do charities need to aim higher? More fundamentally, why should they even care?

Competition

To begin with, I don't know anyone who would say that fundraising in the non-profit world today is easier than it was 10 or 20 years ago. Competition is more intense while levels of sophistication for both charities and donors continue to grow. From a fundraising viewpoint – as well as the broader but critically

related issue of branding – the bar is being raised too (*i.e., the standards against which your organisational performance is measured are being raised regularly*).

Furthermore, donors' behaviour is changing too. You may not know that your donors are defecting in significant numbers, and even if you know that your attrition rates are sobering you may not know why donors are discontinuing their support.

Although without the benefit of research it would be sheer presumption for me to say why your donors are leaving, I will say this much: Apart from the causes you can do nothing about (*e.g., death, unemployment*) and thus over which you should lose no sleep, most donors are defecting because your charity failed to deliver on the things most important to them. In other words, the charity has failed in "*the relentless pursuit of donor delight*."

Should charities aim higher in terms of donor satisfaction? Without a doubt! As it relates to donor satisfaction, no one has put it better or more immortally than Mae West: "*Too much of a good thing is mahvelous!*"

The critical but far too often undetected logic of donor loyalty is this:

1. Maximize value creation* and you maximize satisfaction.
2. Maximize satisfaction and you maximize loyalty.
3. Maximize loyalty and you maximize donor retention.
4. Maximize donor retention and you maximize lifetime value.
5. Maximize lifetime value, and, all things being equal, you increase the impact of your charity's work .

While every non-profit needs to aim higher in terms of donor satisfaction, there are other critical areas where charities need to aim higher if they're going to survive and prosper in the years ahead.

Here's a handful:

- **Compelling vision** – Countless authors, including this writer, have addressed the issue of vision ad nauseum. And I'll continue to do so because a huge number of charities sadly still just don't get it. (For more on this topic, see my article "*Revisiting Vision: What We Still Don't Get*" in the Resource Center of our website).

You might be able to sustain the diehard loyalists on your donor base without a compelling vision, but if you're trying to significantly grow your donor base without an exciting and attractive picture of the future, good luck!

* "Value," from donors' perspectives, is whatever they say it is. Failure to proactively create that value for donors – that is, to scratch them where they itch – will inevitably show up in higher donor defection rates.

- **Board development** – Needless to say, Board development isn't the sexiest thing going, but for many charities it could be the most strategic thing they could do. Jim Collins is right when he talks about the need to get the right people on the bus (and the wrong people off the bus), and non-profits need to realise there's a Board section on the bus!

While the Boards of many charities are woefully impotent and chronically inconsequential, a relative few have top talent that is adding real value to their work! The impact of these Boards on multiple fronts is formidable, and non-profits who overlook the strategic design and management of boards are doing so to their detriment!

- **Organisational climate and culture** – Gallup's research has shown that 20 – 30% of organisational performance can be attributed to climate within the organisation. That's a sobering thought, especially when the creation and nurturing of climate and the alignment of organisational culture with vision virtually never appear as top priorities.

I'm a firm believer that regardless of what your charity's mission is, you're in the energy business. Why? Because the central task of leadership and management is to focus energy on productivity. And if your organisation's climate and culture can account for as much as 30% of your overall performance, doesn't it stand to reason that this should be on someone's radar screen?

- **Customer service and stakeholder delight** – You might call it something different in your charity, like "donor relations," and that's fine. But your work in this area should have stakeholder delight as the goal.

The unfortunate truth is that world-class service among non-profits that absolutely "wows" stakeholders is about as rare as square triangles. That's the bad news, but here's the good news: with the increasing commoditization and resulting parity of many non-profits (*that is, you may feel your charity is absolutely unique but the market doesn't know why you're any different than the others*), outstanding customer/donor service can be the most important tool in your branding toolkit.

Because the essence of branding and competitive strategy is increasingly about developing, articulating and consistently delivering a distinctive value proposition, great service can go a long way toward setting you apart from the herd. Especially because so many other non-profits are asleep at the switch on the customer service front, you don't have to "walk on water" to stand out from the ocean of service mediocrity that surrounds us.

- **Execution** – Although some non-profits are capable of prodigious performance, others are like mountains laboring to give birth to a mouse! When it comes to getting things done (*i.e., consistently and impressively delivering on key performance indicators*), they're "*all hat and no cattle.*"

Just as execution continues to be one of the most important strategic agenda items in the for profit world, so it must be a priority for non-profits.

Clearly, a list of areas where charities could aim higher could go on and on (e.g., strategy, staffing, systems, etc.), but I've identified five areas here where virtually every charity can focus attention and energy that will yield significant dividends.

Remember that when it comes to standing out in today's marketplace, there are no rehearsals only performances. So aim higher!

For practical assistance with strategic planning and management or other issues you face in your charity, contact us at:
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