

Designing Nimble Organizations for a Changing World

by John Durel

There once was a time when cars were only for the rich, Mickey Mouse was just a cartoon, Japanese products were cheap, and accountants used adding machines. Then along came Ford, Disney, Sony and IBM. These successful companies did not wait for the future to just happen. They were pioneers. Their leaders built strategic organizations that were able to respond to opportunities and shape the future.

The Importance of Having a Clear Mission

In *Built to Last*, Jim Collins and Jerry Porras study eighteen successful businesses, seeking to understand how they have continued to thrive over multiple generations of leadership and products. Companies like 3M, IBM, Marriott, Disney, and Sony.

One of the key findings is that each of these companies has a clear understanding of its **core purpose**, and of the **core values** that guide it. These are things that will never change for these companies.

- For Disney, the core purpose is to make people happy; and to do so with imagination, and with fanatical attention to consistency and detail. Note that the purpose is not to make movies or build theme parks. These companies clearly distinguish between means and ends.
- For Merck Pharmaceuticals, the core purpose is to preserve and improve human life, and to do so through science-based innovation, not imitation.
- For Boeing it is to be on the leading edge of aviation, by tackling huge challenges and risks.
- For General Electric it is to improve the quality of life through technology and innovation.
- For 3M it is to solve problems with technology, and with a tolerance for honest mistakes.

The value of having a clear understanding of a company's core purpose and values is that it tells the leaders what not to do. It keeps them centered. It allows them to say: "That may be a good idea, but it's not right for us."

Many nonprofit organizations use their mission statements in this way. Their leaders have spent a lot of time over the past two decades revising mission statements, moving away from internally-focused descriptions of what they do, to externally-focused declarations of the value they bring to their constituents.

A Clear Mission is Not Enough

Having a mission is inherently a conservative stance. A good mission will keep you focused and centered. If that is all you have, you will be slow to respond to changing circumstances.

Successful businesses match the stability provided by their core purposes with processes and attitudes that drive them to change. They have ways to stimulate innovation and improvement. They know the difference between ends and means, and while the ends are lasting, the means change as circumstances warrant.

One means that some businesses have used to stimulate change is what the authors of the study call "**Big Hairy Audacious Goals**", or B-HAGs, which are major goals that focus, empower, and stretch the organizations.

- For Disney a B-HAG was to build Disney World;
- For IBM it was to create the 360 mainframe computer;
- For GE it was to become #1 or #2 in every market they serve;
- For Ford it was to build a car that every working person could afford;
- For Sony it was to change the world's opinion about the quality of Japanese made products.

Many nonprofit leaders also have used B-HAGs to stimulate progress. Often this has taken the form of a new building or physical expansion. Notably in education, healthcare, and museums, executives have used capital campaigns and new construction to focus, energize and stretch their boards and staffs.

The problem is that B-HAGs are expensive and tend to take many years to complete. They worked well fifty years ago, when Disney, Sony and IBM used audacious goals to chart their futures. In today's world, the pace of economic and technological change makes long-term, large scale projects increasingly risky and challenging. The assumptions you make today about your market and your resources—the need for your services and your ability to raise the resources necessary to deliver them—may not be valid next year, or even next month.

Nimble Organizations

B-HAGs are not the only way successful businesses stimulate progress. There is another method that is not so exciting or glamorous as having a B-HAG, and hence it has not been widely adopted by nonprofit organizations. It's called **"try a lot of stuff, and keep what works."**

3M is the best example of this principle at work. 3M's core purpose is to solve problems through technology. The company has in place many mechanisms to stimulate progress toward this end. For example, the 15% rule encourages technical personnel to spend up to 15% of their time on projects of their own choosing; and the 25% rule expects each division to generate 25% of annual sales from new products and services introduced in the previous five years.

The result is that this single company produces hundreds of products that touch our lives everyday, from post-it notes to sandpaper to audio tapes to Scotchguard fabric protector. Why would anyone expect so many diverse products to come out of one company?

3M is a nimble company, able to respond to opportunities and challenges as they arise. Businesses - and nonprofit organizations - that rely on B-HAGs to stimulate progress, are less able to respond. Instead of trying a lot of things and keeping what works, they tie up resources—money, staff, emotions—in a few big projects, and often have to keep the results whether they work or not.

Strategic Response to Unanticipated Change

Some nonprofit organizations are nimble. Here are four examples from the museum field.

On Wednesday, September 12th, 2001, I emailed Ruth Abram, Director of the Lower Eastside Tenement Museum in Manhattan, to see how she and her staff were doing following the terrorist attacks the day before. She wrote back:

"Yesterday, we closed the Museum to business as usual and opened as a center for the hundreds of people walking up from lower Manhattan - wearing dust masks, stunned, thirsty, exhausted. We handed out water, seats, phones, food and made toilets available. Such a small gesture in such a terrible tragedy, it nevertheless gave us all some sense of doing something. We are closed today, and I am working from home."

On Friday, after the city had lifted the ban on travel below 14th Street, Ruth and her staff were able to return to the museum. They gathered to comfort one another, and then to plan their response. Turning to the museum's mission, which is "to promote tolerance and historical perspective through the presentation and interpretation of the variety of immigrant/migrant experiences on Manhattan's Lower East Side", they developed an action plan that day, to take positive steps to stem any racist and anti-immigrant sentiments that might be exacerbated by the bombings.

Meanwhile, at the Louisiana Children's Museum in New Orleans, Julia Bland and her staff were grappling with the question of whether or not to go ahead with their 15th anniversary celebration which was scheduled for that Saturday. On Thursday Julia called the director of the Children's Museum of Manhattan and learned that that museum would be open on Saturday for free, to offer grief counseling and a safe

place for families and children. Julia and her staff decided to go ahead with their event, charge admission, and donate the proceeds to the Manhattan museum, to help support the children of New York.

In Dallas, attendance at the Sixth Floor museum dropped dramatically after the attacks. The Sixth Floor Museum depends heavily on gate revenue, so Jeff West and his leadership team quickly turned their attention to cutting expenses. But that is not all they did. Recognizing their mission to interpret another tragic event, the assassination of John F. Kennedy, they decided to shelve an exhibit they had been working on, in favor a new one to open around the anniversary of the assassination. The new exhibit, "Loss and Renewal," provides historical context about how we memorialize national tragedies, looking not only at their own site, but also Ford's Theater, Pearl Harbor, the Lorraine Motel, and Oklahoma City.

And in Los Angeles, Irene Hirano immediately recognized the parallel between September 11th and December 7th. Irene is director of the Japanese American National Museum, whose mission is to promote "understanding and appreciation of America's ethnic and cultural diversity." The museum had had no prior direct contacts with leaders of the Arab American community in Los Angeles. However, using their existing networks they made contact and began to talk. This resulted in a public radio broadcast at the museum, with a live audience, featuring leaders from both the Japanese American and Arab American communities.

I have singled these four organizations out not for *what* they did following the attacks on September 11th, but rather for *how* they did it:

- They did not merely react to what was happening, they **responded**.
- They **looked outward**, not just inward. They did not just ask how is this affecting us; they asked themselves what they could do to help others.
- They **stayed true to their missions**, while changing what they were doing.
- They **acted quickly**. They did not wait to see what would happen next.

Each of these organizations already has in place the people, the culture, and the processes that enable them to respond quickly to changing circumstances.

How to be Nimble

In addition to your mission or core purpose, which provides the stability you need for long term progress, you also need mechanisms that stimulate change. Here are some key ingredients of a nimble organization:

1. **People who know how to take risks.** Such people combine creativity: the ability to conceive of a new approach or product; and discipline: the ability to understand and manage the risk inherent in any new endeavor.
2. **An inclusive, yet quick decision-making process.** Decisions are made with the right people at the table, in line with the core mission and values, but without undue delay. The process is built on mutual understanding and trust, and not on the desire to defend turf or control results.
3. **An organizational culture that enables people to learn from mistakes.** Trying new things inevitably leads to mistakes. Instead of blaming, nimble organizations seek to learn. They routinely monitor results and debrief projects, so that they can learn how to do things better the next time.
4. **Resources held in reserve, for things that have not been tried before.** Because nonprofit organizations usually have tight budgets, they tend to allocate all available resources—money and time—for the annual work plan. Nimble organizations know that at any moment a new challenge or a new opportunity may present itself, and so they reserve resources just in case. It is not that people are sitting around doing nothing. They are busy, but their horizon for committing their money and time is less than a year, and they are able to shift resources quickly if necessary.

Practice Makes Better

One way to foster the ability to respond strategically and quickly to opportunities is to develop a **3-Month Innovation Cycle** in your organization. Every three months the staff tries something new in order to reach a targeted constituency and achieve organizational objectives. You will need to have an "innovation fund" in your budget, large enough to support the initiatives, but not so large that you risk losing too much money if an initiative fails. In the example below, \$1,000 is used for each initiative.

The innovation cycle has three phases.

1. Idea Phase

- \$1,000 to support an innovative initiative (program, product or service.)
- Initiative must be designed to reach a target constituency and achieve an organizational objective.
- Give funds to an individual (who must create a team and pull others into the process to make it happen.)
- Engage people who are creative, entrepreneurial and comfortable with risks.
- Unstructured, out-of-the-box generation of ideas.
- Go outside of the organization to get new ideas.
- Bring outsiders in to spark imagination.
- Come up with something that just might work, but might not.
- Be clear about what you hope will happen, what objectives you hope to meet, and what constituency you hope to serve.

2. Testing Phase

- Develop a detailed, structured implementation plan.
- Get advice from people who are really well-organized and who know how to get things done.
- Ensure that resources are adequate and used efficiently.
- Set a timetable and stick to it.
- Communicate with all who will be affected by the initiative, so that they know what to expect and can help when needed.
- Include a plan for evaluating both the results and the process.

3. Learning Phase

- Evaluate the initiative against the hoped-for objectives.
- Use dialogue to get a number of perspectives on what worked well and what did not.
- No blaming: the purpose is to learn.
- Assess not only what happened when the initiative was executed, but also the process that was used to create the program.
- Come up with ways to do things better next time.

These three phases should take no more than three months. This is to ensure that you are practicing being nimble and quick.

At the end of the Learning Phase you can decide:

1. that the project is not worth continuing, and so you begin a new innovation cycle;
2. that the project worked fairly well and that you want to run it through the cycle again, with improvements;
3. the project was very successful and it should become part of your regular services and operations.

MORE IMPORTANT THAN HAVING A STRATEGIC PLAN

Leaders of nonprofit organizations know they should have a strategic plan. As the saying goes, "if you don't know where you're going, you'll never get there." In today's rapidly changing world, even if you do know where you want to go you may never get there. If you have a plan, but do not have a nimble organization, the chances are you will not be able to respond to unforeseen opportunities, and turn unexpected threats into opportunities, to carry you forward. You need to attend not only to the future of your organization, but also to the present, in terms of how it makes decisions, solves problems, innovates, and learns from mistakes.

If you would like to assess how nimble your organization is, and create mechanisms to foster strategic response to unexpected changes, contact QM².