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The Edmonton Social Planning Council
- A Strategic Analysis

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Executive Summary:

The major problems faced by the Edmonton Social Planning Council are: first, the lack of a suitably defined, effective strategy and second, the inherent difficulties in having integrated both profit and not-for-profit activities within an essentially not-for-profit system. The causes of these problems are: lack of long range planning, lack of effective outcome evaluation, a constrained Board of Directors, and the incremental growth of the ESPC'S fee-for-service element. Consequently, we recommend that the Edmonton Social Planning Council increase its strategy making effectiveness through a Mangement By Objectives approach, and that the ESPC develop a separate "not-for-profit Business" arm.

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Introduction:

The purpose of this paper is to apply a strategic business analysis to a non-profit organization - The Edmonton Social Planning Council. The analysis will discuss the organization's mission statement, managerial values and attitudes and 'corporate' performance as a background to the meat of the case - problem identification. This will be followed by an evaluation of the organization's internal environment, its strengths and weaknesses, and the external environment with the opportunities and threats to be found. Alternate Strategies for the organization will be posed and discussed with a final recommendation made. The best approach for implementing the recommended strategy will be the final segment of the paper.

Given that this model is generally applied to profit-oriented businesses it is important to note four key characteristics which uniquely constrain non-profit organizations: (Hosmer, 1982)

- a) Service Orientation. This orientation of non-profits leads to the creation of "products" which are difficult to measure and which have variable characteristics. Thus production and quality control are difficult standards to impose.
- b) Non Market Pricing. Most pricing policies of non-profit organizations (NPO's) are based on the clients' ability to pay, thus daily revenues have little relationship to the quality of service and hence neither ensure that quality nor act to improve performance.
- c) External Funding. The majority of funds for NPO's come from external sources rather than as a result of internal revenue

generating activities. This leads to a situation where resource contribution can have a direct and pervasive influence in the managerial process.

- d) Multiple Constituency. The major difference between business and non-business organizations is the presence in the latter of multiple and varied constituency groups, each with a separate concept of the proper mission or activities of the organization. This puts an enormous strain on the NPO as it typically tries to satisfy all groups.

As the following analysis of the Edmonton Social Planning Council (ESPC) will show, this NPO faces all four of the above constraints - some creating more problems than others.

Background:

The ESPC is a non-profit, registered, charitable organization established in Edmonton in 1939. The mission statement of the organization is to; monitor the effects of public policies, identify their social costs, highlight the difficulties faced by disadvantaged groups, and assist social agencies in their response to these policies. The values and attitudes held within the organization are; to be on the "cutting edge" of social research, to be committed to socially disadvantaged groups, to be involved in applied, participatory (as compared to academically removed) research, to assist in the education and development of the community at large, to meet the needs of volunteer agencies.

The ESPC has a definite service orientation and caters to a multiplicity of constituency groups. Both the Mission statement and the statement of values and attitudes show the diversity of perceived needs in the community and the extent of services offered by this organization of less than six personnel. Of note is the dichotomy which this NPO faces with on the one hand responding to voiced needs within the community and on the other, acting as a vehicle for social change on issues which may not yet have been perceived in the community as critical.

Corporate Performance:

A. Market.

The ESPC has three major products, Applied Research, Volunteer Consultation & Training, and Policy Analysis/Community Development. These can be lumped into two general product mixes; outreach and research.

There are several factors which differentiate these products, or services, from others in the Edmonton community. Firstly, the ESPC offers a highly credible, current voice on social policy issues. Its independence from any overseeing political body allows a certain degree of freedom in all three product areas with respect to topics/groups chosen, and appropriate action taken. Applied, participatory research is a unique commodity where by far the majority of research done is far removed from the actual group whose interests are at stake. Volunteer Consultation and Training was spearheaded and,

to a degree, formalized by the ESPC. Finally, with non market pricing of its products the ESPC can offer its service at affordable prices.

The market environment in which the ESPC strives consists of several categories; economic, technological, social, political, and competitive. As is apparent the economic situation in Alberta has been gloomy for the last few years, and looks to continue in that vein until the price of oil improves. This has resulted in increases in; unemployment, people on social assistance, and income disparity. In the information age where technology advances rapidly there is a growing, necessary reliance on various computer systems to keep track of internal and external information. Socially, Alberta is a province with some of the highest statistics for suicide, alcohol and drug abuse, divorce, and participation rates. This latter fact is a result of the growing numbers of women entering the labour force and brings attention to such issues as daycare and equal pay for work of equal value. On the political front two trends can be seen, first the growing politicization of Special-interest groups and second the trend towards the privatization of both Federal and Provincial government services. Due to the unique nature of the services offered by the ESPC it does not face a great many direct competitors. No other group seems to be providing applied, participatory research although alternate types of research are offered by the various academic institutions and private consultants. Policy Analysis/Community Development is somewhat provided by Edmonton Social Services. This organization, however, does not have the political independence which ESPC does. There are more competitors in the area of Volunteer Consultation and Training, these

include private consultants, the Volunteer Action Centre and Grant MacEwan Community College.

The ESPC serves a variety of customers. The majority of which are social agencies or organizations which comprise sixty percent of their client group, thirty percent are Government bodies (further broken down into twenty percent Provincial, five Federal and five Municipal), the final ten percent of their customers are individuals.

Finally, with respect to pricing and promotions the ESPC uses non-market pricing policies based firstly on the clients ability to pay and secondly on a cost recovery basis. The ESPC promotes its services through word-of-mouth, media interaction (eg. radio interviews), the publication of its newsletter "First Reading", and through holding lunchhour discussions on social issues called "Brown Bag" meetings. Due to the excessive demand which the ESPC faces for its' services it is felt that the only promotion required would be to increase the recruitment of volunteers and members who could then offer their expertise in areas where the ESPC is currently engaged.

B. Production, Performance, and Position

Due to the individualized, difficult-to-measure nature of the products which the ESPC produce standard production performance evaluations are inappropriate. This has resulted in there being no outcome effectiveness evaluations done on the services offered by the ESPC, with the exception of Volunteer Consultation and Training, for several years.

The dependence on external funding has resulted in a fairly short

term planning horizon. As a result, planning occurs on an annual basis by the Board of Directors in the summer and fall and is re-evaluated in the winter when funding agencies announce the allocation of their monies. This process can be somewhat problematic as new Board members are elected in the spring and thus may not be fully familiar with the agency at the time planning occurs.

On going planning occurs within several subcommittees of the Board. These are eight in total, and with a Board of fifteen results in a situation where along with the monthly general Board meeting there are at least one if not more sub-committee meetings to attend. Given the volunteer nature of the Board and the members personal committments this strain has led to a decrease in Board meeting attendance. This hinders the effectiveness of the Board in the planning process.

Operationally, the management of the ESPC has established scheduling and control systems based on the allocation and effective use of professional hours on a project basis. To assist in this process time sheets are filled in and tabulated manually. Although the ESPC does own a computer this system has not been exploited to assist in the areas of scheduling and control.

C. Development

Given the emphasis on research in two of the ESPC's product lines, the managerial value of being on the "cutting edge", and growing community demand, effective R&D efforts are essential for this NPO. Again, the existing computer system is not utilized to its

fullest potential in this regard.

D. Financial

The ESPC in 1986 received the following breakdown of revenue:

United way	53%
City of Edmonton	6%
Province of Alberta	1%
Fee for Service	37%
Donations, Membership, Publications	3%

(Consolidated Revenue and Expenditures Budget).

The organization's ability to have generated forty percent of its required revenues is good, but still there is a heavy reliance on external funding sources, especially the United Way. Further, the ESPC faces a chronic shortage of funds each November, which could be as a result of not having any cash flow statements and/or the fact that their revenue generating activities and accounts receivable systems are not organized in such a way as to anticipate and cover this need as required.

Problem Identification

From our analysis of the organization's background several key problem areas can be identified:

I Strategic Problems

a) The lack of a suitably defined, effective strategy.

The symptoms of this problem can be seen in the fact that all of the resources of the organization are spread too thinly. The actors in

the ESPC have difficulty prioritizing among the multitude of constituent groups it deals with and as a result has a tendency to try to become all things to all people. They are especially a victim of this tendency in the Volunteer Consultation and training area where many of their resource lie, yet which does not satisfy their goals and objectives in terms of desired research activities. Lack of long range planning and effective outcome evaluation are to a greater or lesser degree the primary cause of this problem. Secondary, are the constraints on the Board of Directors which make it difficult for them to plan and strategize effectively.

- b) The inherent difficulties of having integrated both profit and not-for-profit activities within an essentially not-for-profit system.

There are both internal and external symptoms of this problem; first internally, members of the organization express difficulty in switching between "profit projects" which require a high level of control and not-for-profit projects which require less control. Externally, those agencies and private consultants who compete with the ESPC feel that unfair competition is occurring with the ESPC's United Way funding allowing them to offer non market prices which tend to be lower than market prices.

The incremental growth of the ESPC's fee-for-service element has been the major cause of this problem. Due to the increased need for funds and the desire to internally generate revenue this system was developed and has grown incrementally. The time for the strategic management of the fee-for-service element has come.

II Operating Problems

- a) A small membership base with low participation rates.

Although the potential reservoir for highly skilled volunteers is large the ESPC has not fully tapped this resource. The reason for this is primarily due to inadequate volunteer recruitment.

- b) The demand in the community for Volunteer Consultation and Training is greater than either the ESPC wants or is able to meet.

Overall it is felt by management that more of the ESPC's resources could be spent in this area, but as it stands now they have allocated more than they would really like to to this function.

The primary cause of this problem is that despite the existence of several other agencies providing this service the demand far exceeds the supply. There is a great need for expertise in the volunteer management area in the Edmonton community.

- c) The ESPC does not use its computer system as effectively or efficiently as it needs to.

The symptoms of this problem are the lack of computerized planning and control systems, inadequate data bases and poor financial records. Insufficient training and time on the computer system, as well as a potentially obsolete system are the causes of the problem.

- d) The ESPC has an unstable, short term financial position.

The cash flow shortage in November is clearly symptomatic of this problem. The reliance on external funding sources and the inadequate fee-for-service management system are the major causes of this financial problem.

Analysis

With a view to the background of the organization and the strategic and operating problems it faces we can now assume an analysis of the internal and external environments in which it operates in order to formulate some appropriate alternatives open to the organization which will lead to a resolution of the problems it faces.

I Internal Environment

The ESPC has many strengths. It provides a high quality, unique, credible service to the Edmonton community a reputation it has built up over its nearly forty years of existence. Its products are professionally put together and are reliable. Personnel are experienced, motivated and committed to the organization's goals. The organization is politically autonomous. Finally, the Board of Directors is composed of highly skilled individuals with diverse backgrounds.

As with any organization, there also exists some weaknesses in the internal environment. The ESPC does not have a well integrated planning and evaluation system. Some members of the Board are inexperienced in the field of social planning. The ESPC does not have a high level of expertise in the fee-for-service business. Volunteer and member recruitment is not as effective as it could be. The available computer technology is not used to its fullest potential.

Finally, there is an extensive dependence on external funding sources.

II External Environment

In our analysis of the market environment each area - economic, technological, social, political and competitive - showed opportunities for the ESPC. These opportunities arise from the growing demand for the services ESPC offers and from the lack of appropriate supply in the community. The additional factor of political autonomy provides even more opportunity for ESPC services.

The situation in the current market environment also creates potential threats for the ESPC. Economically, with the continued erosion of income levels the funding base for United Way campaigns will shrink (as was evidenced in the 1986 Campaign), as well Governments will become less able to provide funds. Politically, both the United Way and Government bodies are tending towards the reduction of agency dependence on their funds as the prime source of revenue. There is growing "encouragement" for independent revenue generation. Technologically, with computer system developments the ESPC faces more intense competition from those agencies which utilize computer technology more effectively than the ESPC. Finally, although the ESPC is politically autonomous its reliance on the United Way as a primary source of funds leaves it vulnerable to the ideologies of the decision making bodies which allocate United Way dollars.

Alternatives

We are now ready to begin our evaluation of several alternatives open to the organization.

a) Status Quo

The advantages of remaining with the present situation are basically that any costs associated with change and any resistance to change can be avoided. The disadvantages are apparent; planning and evaluation will not occur as required, the problems associated with intergrating profit and not-for-profit activities will continue, as will the operational problems of marketing, production and finance.

b) Paring Down Operations; Drop Volunteer Consultation and Training

The adoption of this alternative would result in the consolidation of scarce resources. The ESPC would not be spread out as thinly, and released resources could be allocated to the areas of Applied Research and Policy Analysis/Community Development.

On the negative side, this alternative would not satisfactorily meet with managerial values and attitudes where the desire to meet the needs of volunteer agencies exist. Further, this activity gives the ESPC visibility in the community and also provides them with a source of revenue and a potential source of volunteer member recruits.

c) Increasing Strategy making Effectiveness through a Management By Objectives Approach

The advantages of a MBO approach are that the organization would be better able to meet and accomplish its real purpose, there would

be a better utilization of scarce resources, a reduction in wasted effort, a better ability to demonstrate the organizations' accomplishments, and consequently an enhanced ability to secure more dollars. (McConkey, 1980).

In the downside are the difficulties and associated time and cost requirements to successfully implement such an approach. This approach could also potentially lead to a redefinition of the ESPC's mission statement which may cause internal conflict.

d) The Development of a separate "not-for-profit Business" Arm.
(Upshur, 1982)

This alternative would diminish the existing problems of planning and evaluation, pricing, and staff responsibilities which are a result of an integration of the non-Business and the Business elements of the ESPC. Further, additional revenues would be generated with an appropriate reconfiguration of the organization which would allow the Business element to develop expertise and efficiency in fee-for-service, and which would enhance the effectiveness of the Board of Directors. With additional monies future dependence on external funding sources would be diminished, and opportunities for the development of new projects enhanced.

Recommendation

In summary, our recommendation to the Edmonton Social Planning Council is to adopt alternatives (c) and (d) and thus resolve their

strategic problems as identified. It is felt that when these strategic problems are addressed the operational issues will likewise be resolved and fall into place.

Implementation

A. Short Term; January 1987 - January 1988.

Right off the bat the Board of the ESPC in conjunction with management should engage in a Management By Objectives exercise. As outlined by McConkey, 1980 the basic four steps which must be taken are as follows:

1) The ESPC must ask itself; "Why does the Organization Exist?"

At this point the Board and management must agree to a focused rather than scattered approach - the ESPC cannot be all things to all people, it must concentrate its resources towards the effective resolution of the key problem areas it wants to address in the community at large. This may result in a change in the mission statement.

2) Criteria must be developed to establish a set of priorities for activities.

The management of the organization needs to establish criteria whereby it can evaluate and control the activities of the organization. These criteria could include what types of projects to undertake, what type of client to work with, hours spent in each

product area, the degree of revenue generation etc.

3) A set of Organizational Objectives must be developed.

These organizational objectives will then become the vehicle by which the efforts of all members of the organization are brought into focus. It gives participants a common direction and purpose. These objectives could include the amount of money to be generated internally, the amount of volunteer member resource time to be utilized, staff proficiency and the use of the existing computer system etc.

4) The ESPC must go about accomplishing those objectives.

Through the examination by each member in the organization of what each can do to achieve the top objectives set out there will evolve a set of sub-objectives which act as the stepping stones to success. The obtainment of these sub-objectives involves everyone in the process of increasing the effectiveness of the ESPC. These sub-objectives also act as points where planning and outcome evaluation can take place.

In the short term the ESPC must also consider the feasibility of developing a separate not-for-profit business arm. This analysis would need to cover the legal, political, philosophical, and economic issues which would arise.

Should the analysis - in light of the concurrent MBO exercise - prove that the concept has merit the ESPC needs to analyze the critical tasks within the organization and how this business arm could

successfully undertake some of the present tasks and develop some more necessary ones. For example, the critical tasks which the business arm might undertake could include: a Management Information System (MIS), cost control, fee for service activities and the consequent marketing, promotion, and budgeting of those activities.

An additional area where critical tasks need to be established is with the Board of Directors. The Executive Director and staff should ideally handle management matters and current crises at separate staff meetings. This avoids the problem which occurs when a single-sitting meeting considers a mixture of agenda items - "the urgent matters usually come first, leaving discussion of the long-range, in depth policy issues unresolved or only topically discussed".(Connors, 1980) If the present board of the ESPC asks; "What kind of problems will this non profit board face?" the answer will be found by defining the duties and responsibilities of the job. These two changes should enable the Board to fully determine its critical tasks and allow it to pare down its subcommittees resulting in a more effective decision making body.

Prior to June, 1987 the ESPC should determine the appropriate organizational structure which can incorporate a separate business arm. This structure must satisfy certain requirements: clarity; economy, in that self control and self motivation is encouraged; there should be a focus on results and be goal-oriented; there should exist task-identity for an individual in a specific as well as global sense; it must facilitate the decision-making process; it must provide stability without hindering the organizations adaptability and

flexibility; and finally it must facilitate the organization's survival, growth and improvement. (Christian & Hannah, 1983)

The organizational structure recommended is the "adaptive organizational structure" as can be found in Appendix A. This structure incorporates the following aspects of pyramidal design: centralization of authority; formal rules and regulations for program operation (as determined by legal policy and the mission statement); specific work standards; functional departmentalization (between the non-business and business components); and a small span of control. (Ibid)

To best prepare for separation of the business arm which would allow for its effective operation but which would offset the possibility of it becoming a locus of power (due to its financial potential) we recommend that this centre contracts out to the market place for fee-for-service activities and concurrently contracts within the ESPC for use of research and outreach resources according to a set time span and to fit with a specific budget according to the service to be provided. This approach should result in; a clear declination of the responsibilities between the Business and non-Business components, a system whereby outcome evaluation and planning can occur, and the ability of the business arm to develop revenue generating expertise.

By June 1987, the ESPC should be ready to fully determine whether or not the business arm and a subsequent reorganization can or should occur. If it is decided to go ahead with the proposal a staff person will have to be hired and installed in the Business unit to be trained to carry out the critical tasks in light of the set objectives and

criteria outlined by the Board and management.

B. Intermediate Term: January 1988 - January 1989

In the intermediate term it is recommended that the following goals and/or systems be either achieved or in place:

- a) Membership - The Board of Directors should have undertaken to increase membership in the ESPC by fifty percent and have established a system for ensuring the effective use of this valuable resource.
- b) MIS/Cost Control - The ESPC's computer system should be fully operationalized to resolve the planning and control problems of time sheets, cash flows and data bases. All staff should be comfortable with the use of the computer system and fully understand its application.
- c) Fee For Service - All functions of the organization paid for on a fee-for-sevice basis should be contracted out via the not-for-profit business arm. This arm should be fully operational and able to effectively interact with the market place. The use of revenues generated by this arm should be established by the Board, with planning and controls in place for the achievement of those objectives. One of these goals could be the establishment of a Voluntary Research Institute.
- d) Financial - Partly through the revenues from fee-for-sevice as well as by assessing additional sources of funds. Such as corporate donations etc. the ESPC should have

decreased its dependence on the United Way from 53% to at most 40%.

Should the ESPC wish to set up a Voluntary Research Institute in the long run a feasibility study with respect to perceived demand, and the ability of the business arm to generate sufficient funds should be completed in the intermediate term.

C. The Long Term

In the long term the business arm must generate enough revenues from its fee-for-service activities, and the non-business arm from fund raising to develop a Volunteer Research Institute. An Institute of this type would enable the ESPC to phase out their Volunteer Consultation and Training services as expertise in the field would ensure that supply could meet demand. It would also ensure that the ESPC would remain a forerunner in the social planning field as an Institute of this type would be the first in this community.

Conclusion

In conclusion, the Edmonton Social Planning Council on the whole is a very well managed, successful non profit organization. By appreciating and overcoming its strategic and operational problems it can more fully realize its potential and reach its worthy goals.

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