

LEARNING FROM NONPROFITS – MISSION FOCUS

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Those of us in for-profit businesses can inadvertently think that those in the nonprofit sector have much to learn from us. We have a phrase to tell them so: “Doing good well”.

We tell them that good intentions are not a substitute for effective management, efficient processes, accountability, performance and results. We know better how to get all these done. Most for-profit companies also do not see what nonprofits do as relevant to making a profit and creating shareholder value.

Twenty five years ago, Peter Drucker, one of the best known and most influential thinkers on management, wrote an article in the *Harvard Business Review* entitled “What Business Can Learn From Nonprofits”. With the push towards a “new capitalism” and

the need to engage and satisfy stakeholders beyond regulators and shareholders, it is timely to revisit this.

THE MISSION STATEMENT

My experience in for-profit and not-for-profit boards suggests that there is an area from Peter Drucker's article that is well worth revisiting: the humble and often-forgotten mission statement which most only give lip service to and scant attention.

The not-for-profit organisations, or nonprofits, have this down pat. Nonprofits are, by definition, not known for turning a profit. They do not base their strategy on profit, nor are their plans driven by it. Their performance is not measured in terms of money made and their "bottom line" is not one in dollars and cents.

Instead, nonprofits exist to make an impact on society, so new capitalists might learn a thing or two from them.

A mission statement defines the purpose for the existence of an organisation. It is the organisation's *raison d'être*. The best nonprofits devote a great deal of thought to formulating their mission statement. The mission statement focuses the organisation.

The best ones have inspiring goals such as "to turn society's rejects – alcoholics, criminals, derelicts – into citizens" by the Salvation Army.

A well-defined mission statement serves as a reminder of the need to look outside the organisation not only for "customers" (or beneficiaries), but also for measures of success.

High performance nonprofits have mission statements that define clearly the cause (who, what, where), actions, and the impact desired. An example of a great mission statement is that of Charity: Water – "to bring clean and safe drinking water to people in developing countries". This is a New York based nonprofit, founded in 2006 and

has funded over 11,700 water projects in 22 developing countries, where 4.1 million people can have access to clean water.

A mission statement also focuses the organisation on actions and helps to define its broad strategies. Take the Bill & Melinda Gates Foundation’s mission statement “to help all people lead healthy, productive lives”. This statement is further defined in two parts: In developing countries, “it focuses on improving people’s health and giving them the chance to lift themselves out of hunger and extreme poverty”. In the US, “it seeks to ensure that all people – especially those with the fewest resources – have access to the opportunities they need to succeed in school and life”.

These two broad segment strategies are then executed through three grant making areas:

- the Global Development Program, which addresses polio eradication, family planning and agriculture development in developing countries;
- the Global Health Program, which invests in vaccines to prevent infectious diseases such as HIV, polio and malaria, and
- the United States Program, which is to get students to graduate from high school and have the opportunity to earn a post-secondary education with labour market value. The scope of the mission statement and its decomposition into three segments are clearly structured.

AUDACIOUS MISSIONS

Finally, a mission statement could foster innovative ideas. When the mission statement is so audacious, you are by necessity freed from convention, since you are unlikely to address such unmet needs and create such a huge impact by making only incremental changes.

When Mohammad Yunus wanted to make credit a human right and to make it (credit) more accessible to the poor so as help them overcome poverty, he could not use conventional banking facilities. Hence, the origin of microfinance and the formation of Grameen Bank. For this work, he was awarded the 2006 Nobel Peace Prize.

There are, of course, for profit companies that are driven by such higher order purposes and game changing missions. Google is a good example: Its mission is “to organise the world’s information and make it universally accessible and useful”. It has been said that when Larry Page and Sergey Brin walked into Sequoia Capital’s office, they explained their mission. This was so key to Sequoia’s decision to invest in Google, Sequoia now requires all the entrepreneurs to state the company’s purpose that defines the business in a single declarative statement, before they even get a meeting.

As we move into the era of the new capitalism, and with a new generation of knowledge workers entering the workforce, companies would do well to take heed of Peter Drucker’s advice for business and study successful nonprofit organisations more closely. ■