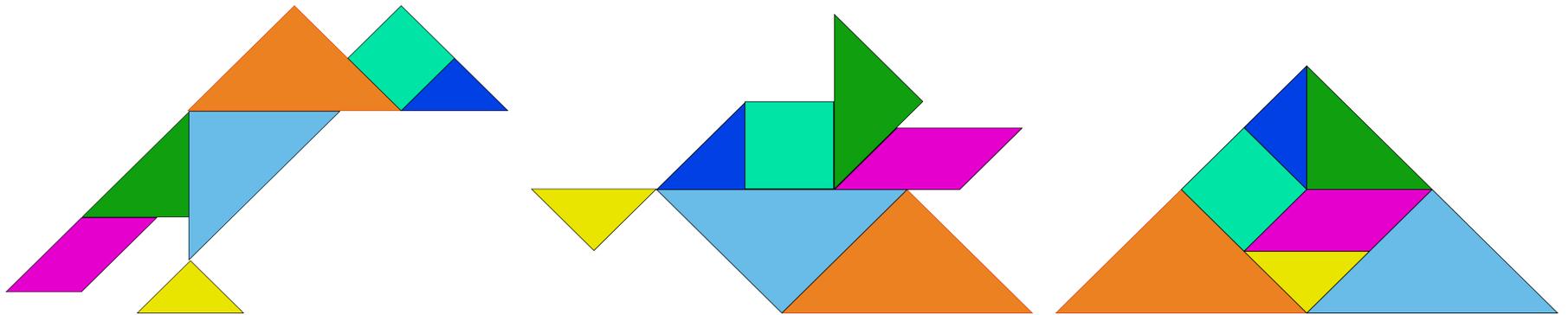


The Nonprofit Sustainability Planning Guide



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Welcome!

Welcome! You're about to take a major step towards ensuring the sustainability of your nonprofit!

The early stage of executive director succession is about making sure that the organization is ready to thrive with a new chief executive in place. A sustainability review and plan can be powerful tools in the preparation process.

This guide...

- Clarifies what sustainability is and isn't.
- Defines the six fundamentals that underpin organizational sustainability.
- Provides an easy-to-use assessment tool that will help you identify which of these sustainability factors need attention in your organization.
- Guides you through a five-step process for conducting an organizational sustainability review and developing an action plan.

What Sustainability Is and Isn't

Sustainability is often confused with financial viability, but as we'll see in a moment, sustainability means something more profound.

Sustainability factors are what drives financial viability. In other words, if you want financial viability you've got to look upstream to the underlying factors.

Adding to the confusion, we often hear the words “stability,” “sustainability,” and “vitality” used interchangeably. These terms are related, but each means something distinct.

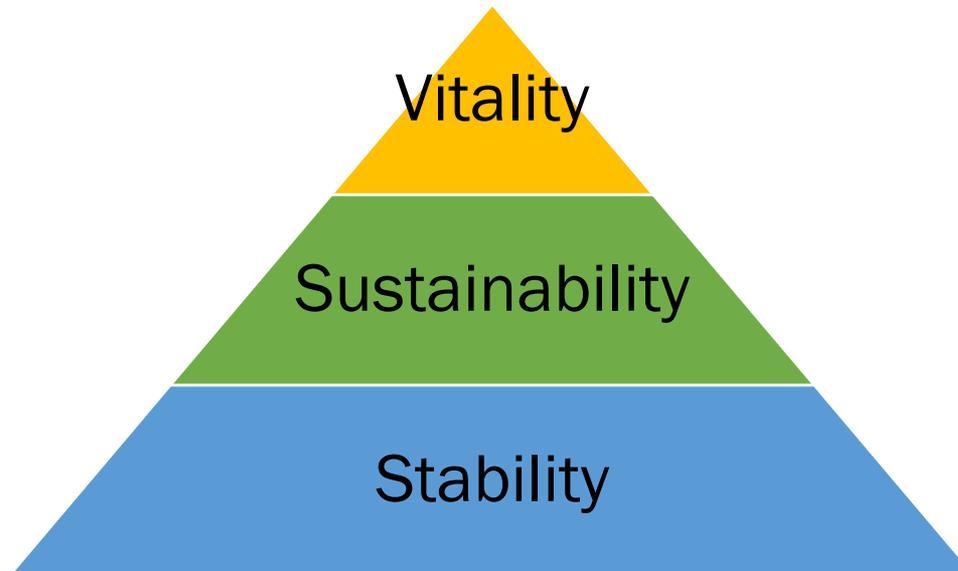
Stability is a basic level of health in an organization. It means that the organization's vital signs are okay. That could be financial indicators, but other factors can affect stability, such as politics, staff and leadership turnover, traumatic events, external threats, and so forth.

Sustainability means that the organization has strong fundamentals in place that enable it to endure as a high-value asset over the long term. The organization is strong in six core areas that empower long-term success. We'll explore those six fundamentals in a moment.

Vitality involves energy, vigor, and power – the capacity to grow and develop. It's about exuberance and forward momentum. People in a high-vitality organization are engaged, aligned, and energized.

What Sustainability Is and Isn't

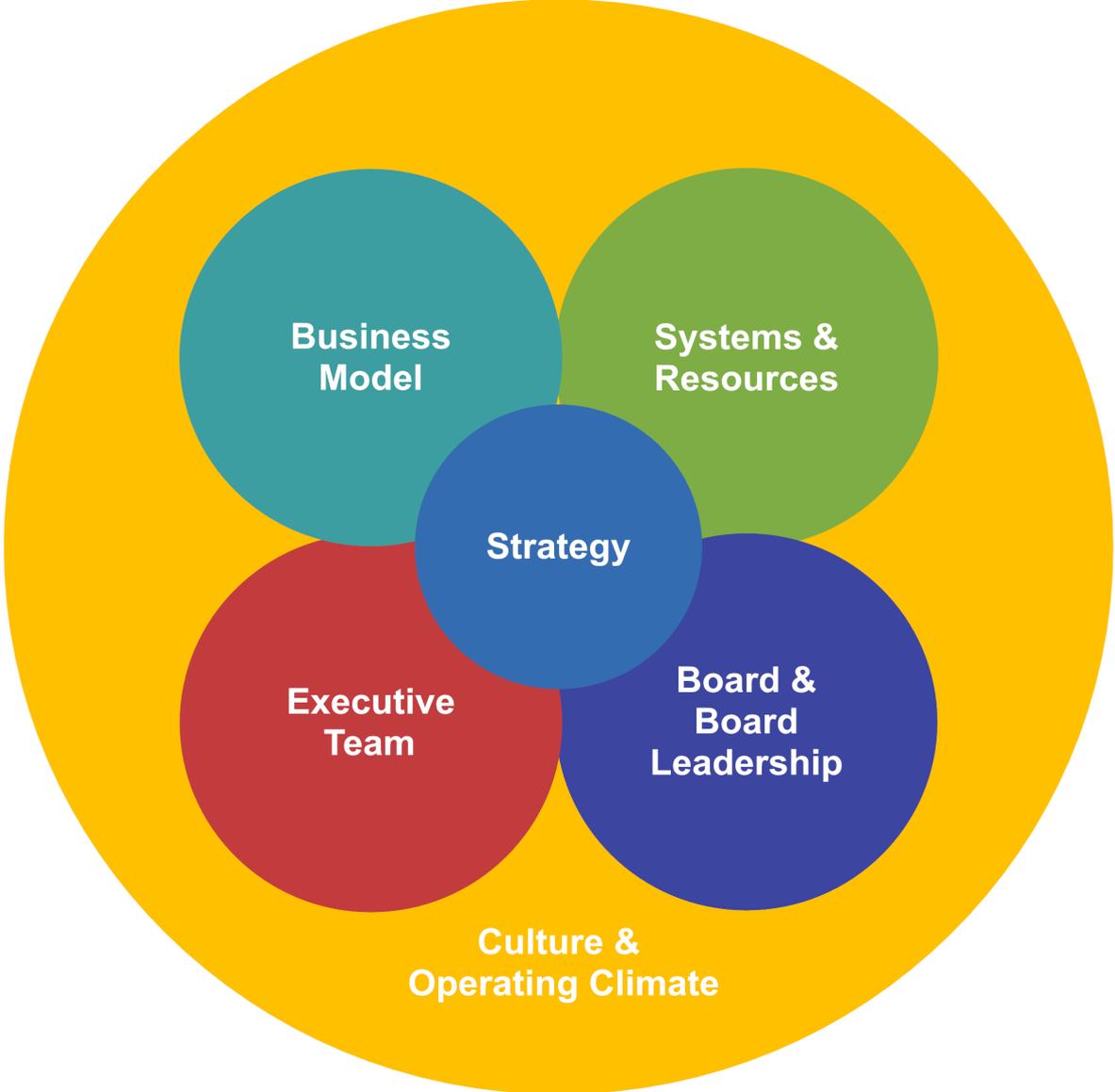
These characteristics fit together in a hierarchy. Stability provides the foundation for sustainability. And sustainability supplies the platform for vitality. In other words, the organization must be stable in order to be sustainable. Similarly, sustainability precedes true vitality.





**The Six Fundamentals
That Underpin
Organizational Sustainability**





Strategy & Strategic Direction

A strategy is an overall plan to advance an organization's mission and pursue its vision. It outlines how the organization will pursue that mission and vision by leveraging the organization's strengths while positioning the organization in the marketplace and the future.

A strategy is a story about the future that makes sense — organizational and business sense.

A powerful nonprofit strategy starts with an energizing social impact vision. A vision that's an inspiring, unambiguous declaration about how things will be different as a result of the organization's work.

A business strategy should have the following characteristics:

- It defines the organization's intended impact and declares how your world/community/client will be different as a result.
- It sets an inspiring direction and a pathway to the future — a magnetic destination that pulls everyone forward. It provides a North Star that points the way.
- The staff and board are aligned with it, and the organization is in action pursuing it.

Heading into the executive succession process, you'll want to ensure that your organization has a well-defined strategy and clear direction — it's critical to defining the future leadership needs of the organization, which is crucial to determining the ideal characteristics of the next chief executive.

Business Model

Strategy sets the direction, but the business model is the vehicle for getting there. A business model is a logic model that describes the value an organization creates and how it gets paid for creating that value. A good business model:

- Provides a logic model that demonstrates how your mission gets turned into an intended impact.
- Identifies your target customers or clients and the needs, issues, and problems that your services address.
- Defines the services you offer and their value proposition (and the link to customer needs/issues/problems).
- Outlines how you reach, acquire, and keep customers/clients.
- Explains how you generate revenue, your cost structure, and your margins.
- Identifies your organization's place in a value chain, if you're part of a collaborative effort.

Weak business models are the Achilles' heel of many nonprofits.

This is the time to ensure that the organization has a sound business model built on quality services or products that are needed by clients and valued by donors and funders and that your business model has longevity.

Board & Board Leadership

One of the overlooked aspects in executive succession is the board and the impact they can have on a new executive. The type of board that they inherit can make or break a new executive.

Too many boards see themselves as fixed entities. They assume that “how the board is, is just how the board is.” They drift along. Unfortunately, some drift along with numerous bad habits, outmoded structures, and antiquated assumptions. The sustainability review should take a serious look at the board. Here are some characteristics:

- Fits the current and future governance needs of the organization, and it’s a high-value asset.
- Has the right people, skills, structure, responsibilities, and mindset in place to govern the organization of the future.
- Is performing well the three universal governance roles: (a) setting mission and direction, (b) ensuring leadership and resources, and (c) being accountable for organizational performance.
- Has a positive working relationship with the chief executive. It isn’t a rubber stamp, micromanaging, or loose cannon board.

This is the time to make sure that you’ve got the right board in place with the right expectations for themselves and their relationship with the chief executive.

Executive Team

Good executive leadership is critical to organizational performance and sustainability. An executive team with skilled members structured appropriately and working effectively provides a supportive environment for the next chief executive.

Here are some key executive team characteristics:

- Team members fit the organization's current and future leadership needs. There's no one whom the chief executive is shoring up nor a missing skill set that the executive has been filling or "making do" without.
- There's a strong team culture and a history of working together effectively and in partnership with the chief executive.
- The chief executive would be proud to hand off this team to their successor.

This is the time to make sure you have the right management team in place. A team that's properly structured with no holes in it. A team that fits the current and future leadership needs of the organization, especially without the current chief executive's unique skills, attributes, and approach to the executive role.

Systems, Processes, & Resources

At the heart of any organization are its program delivery systems, business processes, and the resources that enable it to function effectively.

This includes financial trends and conditions and physical assets, e.g., money in the bank, buildings, equipment, so forth.

It also includes non-financial, non-physical or “soft assets” such as your social connections and reputational capital (who you know and who you are known as), and human and organizational capital (what you know and what you know how to do). Examples include systems, intellectual property, team capabilities, and leadership capacity.

Ideally, your resource picture should exhibit the following:

- Positive revenue and expense trends. Adequate operating reserves. Funding or revenue streams have some longevity. Ample revenue diversity. A reliable resource development process. Appropriate risk management. Suitable property, buildings, and equipment are in place.
- A positive, visible brand. Strong social connections with influencers and decision-makers. Sound systems, procedures, and processes for service delivery and back-office business support functions. A robust collaborator/referral partner network, if needed.
- Good stewardship of all assets.

Culture & Operating Climate

In the background, shaping people’s behavior and outlook is the organization’s culture and operating climate.

Organizational culture is the set of deep-seated (often unconscious) assumptions, values, and beliefs that shape how the organization and individuals within it behave. It’s the “operating system software” that governs how the organization works. It’s ingrained behaviors that are difficult to change. “It’s the way we do things around here.”

Operating climate is the weather patterns within an organization. It’s shaped by culture, but it’s also influenced by management actions, current events, the cyclical nature of the business, the level of team cohesiveness, and a host of other buffeting factors.

Nearly all nonprofits are a tale of at least two cultures: a staff culture and a board culture. Often these cultures diverge in meaningful ways, but the executive has to operate effectively in both.

When prepping for leadership succession, the board needs to recognize and understand staff culture. The board must be aware that the staff may have a different lens on the organization and take that into account. Otherwise, they’ll choose the new executive and make other decisions using the board’s cultural lens and may miss important details about the day-to-day culture.

This is the time to thoroughly understand the organization’s culture, particularly the staff culture. And to take those characteristics into account as you map out the succession process and define the ideal characteristics of candidates for the executive position.

The Sustainability Planning Process

The Sustainability Planning Process

How you approach sustainability planning will be influenced by where you are in your strategic planning cycle. If you're about to embark on a strategic planning process, you can include the sustainability review process as part of your internal scan and then incorporate sustainability-building actions into your strategic plan. But, if you're in the middle of your strategic plan cycle and want to address sustainability, this guide lays out a simple five-step sustainability planning process.

STEP #1 – Organize

The first step in the process is to get the project organized.

Appoint a planning committee or task force. Consider appointing a small team of three to five members to work on this project. The task force should include the chief executive plus one or two members of the senior management team and one or two board members, such as the chairs of related committees, e.g., fund development, HR, etc. Board members might include the board chair and another officer, or the chair of your personnel committee if you have one. Staff members might include the COO or other senior managers who will be responsible for implementing the action plan.

Orient the task force and make assignments. Review this guide with the task force and assign roles. A key role is “the scribe” or “author,” the person who assumes the responsibility for writing and rewriting the action plan. Other team members are “heads and hands” contributors – helping with the assessment, contributing strategic thinking about the appropriate actions, and reviewing and finalizing the plan.

Gather the supporting documents such as your strategic or business plan, plus any other materials to support the assessment and planning process.

STEP #2 – Assess

The next step is to gather the data – conduct a sustainability review or assessment.

Consider using a consultant to bring a fresh, unbiased perspective to the assessment.

If you conduct the sustainability assessment in-house, there's an *Organizational Sustainability Assessment Questionnaire* in the Appendix. Have your board and senior management team members complete the questionnaire. Then discuss the results to gain a deeper understanding of their point of view and the similarities and differences.

Review the results with the task force and identify areas for action. Some questions to consider:

- What do the collective results say about our organization's key sustainability issues?
- What were the similarities and differences between the board's collective assessment versus the senior management team's assessment? How do those similarities and differences further inform the sustainability planning process?
- As we think about our key sustainability issue(s), are there areas where we need to dig deeper? Do we need additional information to inform the action planning process?

Drill down on your sustainability issue, if needed. In some cases, the issues are obvious, and the actions readily apparent. In other cases, your presenting issue may not be the core issue; rather, it may be the result of underlying factors. You may need to dig deeper.

STEP #3 – Plan

The planning process typically entails one or more meetings with your task force. For example, an initial meeting to go over the results of the sustainability review and identify priority areas. Following that with a management team meeting to develop an action plan. And concluding with a task force meeting to review the action plan.

Some organizations choose to do the entire process with the task force because they don't have a broad management team or because the management team is one of the sustainability issues that needs to be addressed.

As you get into action planning, you may find that one or more sustainability factors require more exploration. For example, you might want to do a deeper dive into the business model, a board self-assessment, a deeper culture assessment, and so forth. Or you might find that a more extensive planning process is needed – for example, several sessions devoted to developing a stronger strategy. The idea here is to match your assessment and planning process to the scope of the issues that your organization is facing.

(An outdated business model is the Achilles' heel for many nonprofits. To get a better handle on yours, use Steve Zimmerman's matrix mapping process. Read about it and download the tools at <http://www.nonprofitsustainability.org/>. It will give you a crystal-clear picture of your program's mission impact and impact on the organization's finances.)

STEP #4 – Implement

The responsibility for implementing the sustainability plan typically falls on the shoulders of the management team, supported by the board and its committees. In smaller organizations without a management team, the board may be more involved with implementation. But, in either case, the board committees may be more involved depending on the issue, the structure of the board, expectations, etc. For example, if one of your sustainability issues involves resource development, then your board’s fundraising committee may play a key role, along with your director of development and team.

STEP #5 – Review & Adjust

Your sustainability plan should be a frequent “evergreen” topic at board and management team meetings. The results, accomplishments, learnings, and adjustments should be included on every board agenda, creating an opening for the board and executive to have not only a robust discussion about “how it’s going,” but also what’s needed to move the plan forward and how the next iteration of the plan should look.

Conclusion

Organizations are systems, and each of these areas must work together to further sustainability. A change in one area may require changes in other areas. For example, strengthening the business model might require developing core capabilities (resources and systems), which might require a change in your executive team (executive leadership) and maybe a shift in culture to sustain the change. In turn, that might lead to an adjustment of board roles and expectations (board and board leadership).

Organizational sustainability is the responsibility of top-level leadership. The commitment to sustainability, the planning, plan oversight, and periodic progress review must involve the chief executive and top board leadership. Much like leadership succession, it's one of those core responsibilities that can't be delegated. That said, involvement in sustainability planning should be broad-based. Your plan will be much stronger, and its implementation will be much easier with broader involvement from your team and their buy-in.

About the Author



Don Tebbe is a leadership succession consultant and award-winning author of *Chief Executive Transitions: How to Hire and Support a Nonprofit CEO*, published by [BoardSource](#), and *The Nonprofit CEO Succession Roadmap: Your Guide for the Journey to Life's Next Chapter*, available from [Amazon](#).

As a former nonprofit executive director and five-time interim CEO, he has experienced the challenges of leadership transitions firsthand. Since starting his consulting practice in 1993, he has helped hundreds of nonprofit leaders plan for and manage turnover in their chief executive position.

In the early 2000s, he was one of the thought leaders convened by the Annie E. Casey Foundation to address the wave of executive transitions that nonprofits are experiencing today. This group originated many of the leadership succession concepts and tools currently in use by nonprofit practitioners. Don was the co-architect of the *Executive Transition Management* model and creator of other tools to strengthen organizations during a leadership change.

For more resources, ideas, and inspiration, or one-on-one advice, visit [dontebbe.com](#) or connect with Don on LinkedIn ([linkedin.com/in/dontebbe](#)), Facebook ([fb.com/ceotransitions](#)), or Twitter ([@ceotransitions](#)).

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Appendix: Organizational Sustainability Assessment Questionnaire

Organizational Sustainability Assessment Questionnaire

INSTRUCTIONS

- **In Column A:** For each corresponding statement in Column B, indicate whether in your view the statement is completely true (Yes), somewhat true (Somewhat), not at all true (No), or if you don't know (Don't Know).
- **In Column C:** Note any actions you think we should take to amplify or preserve a strength or address a concern or weakness.

A. YOUR ASSESSMENT Please answer below with "Yes," "Somewhat," "No," or "Don't Know"	B. SUSTAINABILITY FACTOR/CRITERIA	C. ACTIONS TO TAKE
1. Strategy/Strategic Plan		
	We have a written plan that defines our organization's future direction and major goals for the next several years.	
	Our mission is current and relevant.	
	Our "North Star" is a clearly articulated social impact vision that identifies how the client/community/world will be different because of our services.	
	Our overarching goals are clear, and we have a sound strategy to pursue them.	
	Our board had a strong role in developing our vision, goals, and strategies. And our board, CEO, and executive team are aligned about these critical aspects of our plan.	
	Our plan is a constant touchstone. Progress towards our goals is frequently reviewed by the management team and periodically by the board.	
2. Business Model* (see definition below)		
	Our business model is sound and suits the future of the organization (at least the next 3 to 5 years).	
	Our services/products are needed by clients and valued by donors/funders.	
3. Board and Board Leadership		
	Our board is a high-value asset to the organization. It is well suited to our organization's current and future governance needs. It has the right composition and structure, and its members are working together well. We have the right board leadership in place.	
	Our board is effectively performing the three core roles – setting direction, providing resources, and ensuring organizational performance.	

THE NONPROFIT SUSTAINABILITY PLANNING GUIDE

A. YOUR ASSESSMENT Please answer below with “Yes,” “Somewhat,” “No,” or “Don’t Know”	B. SUSTAINABILITY FACTOR/CRITERIA	C. ACTIONS TO TAKE
	Our board is independent but working in partnership with the chief executive – it’s not a “rubber stamp,” “micromanaging,” or a “loose cannon” board.	
4. Executive Leadership Team		
	Our executive leadership team fits the current and near-term leadership needs of the organization. There are no holes and no weak links on the team. We have the right structure in place, and the team is working together well.	
5. Resources, Systems, Policies, & Work Processes		
	<i>Operating Reserves.</i> We have a reasonable level of operating reserves.	
	<i>Revenue Outlook.</i> Our revenue streams have some longevity. (Most of them will continue beyond the current year’s budget or current grant cycle.)	
	<i>Revenue Diversity.</i> Our revenue streams are appropriately diverse. (We don’t have too many eggs in one basket.)	
	<i>Resource Development Strategy.</i> We have an effective resource development strategy in place that includes reliable methods for producing revenue.	
	<i>Financial Assets.</i> Our financial assets (cash, cash equivalents, stocks, etc.) are invested well and appropriately sheltered from risk.	
	<i>Physical Assets.</i> We have the necessary physical assets (property, buildings, equipment, etc.) in place to support our operations well.	
	<i>Reputational Capital.</i> Our organization has a strong, positive brand and enjoys a high degree of visibility in our market/community.	
	<i>Social Connections.</i> Our organization is well connected with the influencers and decision-makers who are important for our field.	
	<i>Systems, Policies, and Processes.</i> We have the systems, policies, and work processes in place to deliver quality services/products and the business functions in place to support our programs well.	
	<i>Collaborator/Referral Network.</i> (If important to your service delivery.) We have the appropriate collaborators/referral sources in place.	

THE NONPROFIT SUSTAINABILITY PLANNING GUIDE

A. YOUR ASSESSMENT Please answer below with “Yes,” “Somewhat,” “No,” or “Don’t Know”	B. SUSTAINABILITY FACTOR/CRITERIA	C. ACTIONS TO TAKE
	<i>Stewardship.</i> All of our assets — soft assets (reputation, social, capabilities, systems, and capacity) and hard assets (fiscal and physical) — are stewarded well.	
6. Organizational Culture** & Operating Climate*** (see definitions below)		
	<i>Resilient.</i> As an organization, few things trip us up and we bounce back easily.	
	<i>Adaptive.</i> We readily change to adapt to new realities.	
	<i>Forward-Focused.</i> Our people are mostly focused on the possibilities the future holds rather than the glories and problems of the past.	
	<i>Outcome-Oriented.</i> Our people are clear about the outcomes they’re striving to produce and the specific impact those outcomes will have on our clients or community.	
	<i>Engaged.</i> Our people are absorbed by and enthusiastic about their work; they’re inclined to take positive action on their own to further our organization’s reputation and interests.	
	<i>Aligned.</i> For the most part, our people have a shared sense of purpose, values, vision, and goals; we have healthy differences and debates, but they serve to strengthen us.	
	<i>Energized.</i> Our people are in action, actively pursuing a shared vision; they persevere when confronted by obstacles and setbacks.	
	<i>Proactive Communications.</i> The value and impact of the organization are widely understood throughout our board, staff, and volunteers.	
	<i>Operating Climate.</i> The mood and morale in our organization is stable and positive. (Not overly politicized, emotional, strife-riddled, etc.)	

DEFINITIONS

***Business Model** — At the most elemental level, a business model is a logic model that describes an exchange of value — the value an organization creates and how it gets paid for creating that value. Some consider the business model a component of the organizational strategy. The author has carved it out for a closer look because it’s an area where many nonprofits are most vulnerable. Weak business models are many nonprofits’ Achilles Heel.

****Organizational culture** is the set of deep-seated (often unconscious) assumptions, values, and beliefs that shape how the organization and individuals within it behave. It’s the operating system software that governs how the organization works — ingrained behaviors that are difficult to change.