THE CENTRE FOR DEVELOPMENT
AND POPULATION ACTIVITIES

SUSTAINING THE BENEFITS:
A FIELD GUIDE FOR SUSTAINING REPRODUCTIVE AND CHILD HEALTH SERVICES

THE enable PROJECT

ENABLING CHANGE FOR WOMEN'S
REPRODUCTIVE HEALTH

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Abbreviations

ANC	Antenatal Care
CASP	Community Aid and Sponsorship Program
CBD	Community-Based Distribution
CBHMO	Community-Based Health Management Organization
CBO	Community-Based Organization
CEDPA	The Centre for Development and Population Activities
COPE	Client-Oriented, Provider-Efficient Services
CPR	Contraceptive Prevalence Rate
CQI	Continuous Quality Improvement
CYP	Couple Years of Protection
DHS	Demographic Health Survey
FADE	Focus, Analyze, Develop, Execute
FEMAP	The Mexican Federation of Private and Community Development Associations
FGC	Female Genital Cutting
GEM	Global Excellence in Management
IDB	Inter-American Development Bank
IEC	Information, Education, and Communication
MIS	Management Information Systems
MSH/FPMD	Management Services for Health/Family Planning Management Development
NGO	Non-Governmental Organization
ORS	Oral Rehydration Salts
PAI	Population Action International
PD	Positive Deviance

PDI	Positive Deviance Inquiry
RCH	Reproductive and Child Health
RH	Reproductive Health
SERVOL	Services Volunteered for All
SIFPSA	State Innovations in Family Planning Services Agency
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WHO	World Health Organization

Acknowledgements

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Introduction

Welcome to *Sustaining the Benefits: A Field Guide for Sustaining Reproductive and Child Health Services*. This guide is a reference for nongovernmental organization (NGO) leaders, board members and program managers who wish to build enduring community-based programs. It explains the term "sustainability" and accompanies readers through a process of transforming that understanding into organizational action. Although it can stand alone, users of the guide may find it useful to explore the sustainability concepts in a workshop setting. CEDPA has prepared a companion piece to the guide, called *Reproductive Health Awareness: A Wellness, Self-Care Approach,* as part of its quality of care series. Using the two manuals together allows NGOs to share experiences and ideas during a participatory workshop while having a reference that provides more depth on the topics covered.

The guide emerged from CEDPA's work in India; first under the USAID-funded project ACCESS and then under the follow-on project, ENABLE. CEDPA worked with NGO partners to build their capacity to provide community-based reproductive and child health (RCH) services. A critical issue faced by the partners—whether a training organization or dairy cooperative—was how to continue their RCH programs once donor support was withdrawn. The process of exploring this issue with partners, drawing both on their own experiences and best practices from around the world, resulted in the key concepts and tools presented in this guide. These were further developed and tested in international workshops and work with partners in Africa and Central America. Although written for organizations working in reproductive health, the ideas and approach presented in the guide can apply to any development organization that is interested in sustaining its programs.

The guide's underlying premise is that sustainability efforts should emphasize continuing community-level benefits rather than the survival of the organization. Sustaining the benefits means that the services remain available and that the intended population, often the poor or disadvantaged, continue to have access to them. From this perspective if an organization survives after a donor leaves by serving the middle class rather than its intended population, it has not sustained the benefits. The guide presents two ways to achieve enduring benefits—

1. Develop an entrepreneurial, mission-driven organization that effectively responds to changing community needs through the provision of valued services, and

2. Build the capacity of the community to own and manage the program, so the organization might exit while leaving the benefits behind.

Both scenarios require that organizations change the way they view and interact with their communities and their donors.

The guide uses a social enterprise model, introduced in Chapter 2, to describe the transformation an organization must undertake to sustain its benefits. Social enterprise marries an organization's social objectives—expanding RCH services in underserved populations—with basic business practices—lowering and recovering costs. While building on some aspects of commercial operations, social enterprises focus on generating value and change for society rather than

generating profits. So while terms typically associated with commercial activities including client, fees, efficiency, cost reduction, marketing and leveraging are used in social enterprise, the emphasis is on how these help a NGO to better serve its community and provide sustained benefits. The social enterprise model builds on best practices, which are presented in three case examples at the end of Chapter 2. These cases demonstrate that social enterprises are able to achieve both their social and financial objectives, resulting in lasting benefits for their communities.

Sustainability—Some Underlying Beliefs

The organizational transformation toward social enterprise reflects five sustainability ideas that informed the development of this guide. They provide the platform upon which the guide's sustainability approach rests. You will see them woven through the guide as you work your way from chapter to chapter.

1. Sustainability is Desirable

Sustainability is the logical culmination of the NGO participatory process and development philosophy. NGOs can make a difference, but this is only true when they operate with a clear intention of making lasting changes and creating conditions that facilitate self-determination and ownership. For example, when a NGO promotes the use of condoms it is not just advocating that couples try using them one or two times. It wants the couples to see the advantages of using condoms to plan their families, valuing condoms enough to continue to use them even if they must pay. Only then can the NGO say with certainty that its efforts have been effective and it has made a lasting difference. The guide explains how sustainability empowers your organization and community to make a lasting difference.

2. Sustainability is Achievable

It is possible for organizations to achieve a level of sustainability where they are not reliant on external sources of funding to continue their most effective programs. The guide includes several examples of organizations that have taken decisive action toward sustainability with tremendous success. The guide will help you to deliver a quality service or product that responds to clients' needs, leading you to this level as well!

3. Sustainability is a Process

Sustainability is not an end state but an ongoing process of understanding and adapting to the community's changing needs. It is led by a vision that results in deliberate actions. While there are some common activities to enhance sustainability, there is no one answer. Each organization must adapt its sustainability approach to reflect the unique characteristics of its intended population, environment and programs. Working through this process requires a shared commitment within the organization and between it and the donor agencies, government (public sector) and community. The guide provides a tool to determine where your organization is on the sustainability continuum and some ideas on how to move along it.

4. Sustainability is about Ensuring that Those Who Need Services Receive Them

Many believe that sustainability is in conflict with serving the poor. They fear that the poor will not have access to services as donors phase out and organizations increasingly emphasize cost recovery. Fortunately, this is not necessarily true, especially if the focus is on sustaining the benefits. It is possible to reduce dependence on donors and still serve the poor. By providing valued services and managing costs, you can charge your intended population affordable fees for quality programs. You can guarantee that no one goes without services by exempting the poorest of the poor from paying, using the fees you charge those who can pay to subsidize services for those who can not. The three case examples included in the guide illustrate this. Each agency was able to expand its services to the poor while lessening its dependence on donors. They did so by building demand for services, providing quality programs, charging affordable fees and leveraging community resources. The guide will show you how to do the same in your organization.

5. Sustainability is Not Just About Money

Sustainability is about a long-term organizational direction, a clear vision and mission, dynamic leadership, a strong image, and committed staff (institutional aspects). It is about responsive program planning and monitoring, provision of services valued by the community and community-level capacity building (programmatic aspects). Without these, you will not be able to generate sufficient resources to sustain the program benefits. Money is necessary but is not sufficient for sustainability. The guide highlights the interdependence between the institutional, programmatic, and financial aspects of sustainability. Each aspect is critical to enhancing sustainability. The guide will help you to assess and strengthen all three areas.

Section by Section, Chapter by Chapter

Following the *Introduction*, there are six sections that each build on the preceding information, beginning with *Unpacking Sustainability*.

Section 1: Unpacking Sustainability

This section explores the various meanings of "sustainability" and invites you to think about exactly what it is that you are trying to sustain. Examples are given of organizations that have been successful in enhancing their sustainability, and the elements and activities critical to this success are highlighted.

- *Chapter 1: Defining Sustainability* shares several definitions of sustainability and differentiates between sustaining benefits and sustaining the organization.

- *Chapter 2: Pillars of Sustainability* builds on several best practices for sustainability drawn from true case studies. It introduces the concept of "social enterprise" and links this vision of operation to achieving an organization's social mission in a sustainable manner.

Section 2: How Sustainable Is Your Organization?

It is important to understand the features of your organization that contribute to its sustainability and those that undermine it. This section presents assessment tools for doing just that.

- *Chapter 3: Sustainability Assessment* provides a tool for rating your capacity along three aspects of sustainability: institutional, programmatic, and financial. By rating your organization you can identify sustainability strengths and prioritize areas that require improvement.

Section 3: Institutional Aspects of Sustainability

There are many different kinds of actions and measures that organizations can take when working toward sustainability. This section introduces those related to institutional sustainability: values, mission and vision, good governance and strategic communication. Each chapter contains references to additional resources on the topics presented.

- *Chapter 4: Values, Mission, and Vision* reviews various sustainability strategies and provides the opportunity to revise them if required. The way your organization perceives and interprets the various strategies presented in this guide will depend on its mission and values. These act as a kind of lens.

- *Chapter 5: Good Governance* explores the role governance plays in a sustainable organization and specifically focuses on building an effective board of directors.

- *Chapter 6: Strategic Communication* walks you through the steps of developing communication strategies that are planned, focused on achieving an objective and issues-based. Being strategic in your communications will help promote the image of your organization and facilitate partnerships and community dialogue.

Section 4: Programmatic Aspects of Sustainability

This section presents different measures you can take to strengthen your organization's programmatic sustainability. This includes improved quality, marketing, and community participation. Each chapter contains references to additional resources on the topics presented.

- *Chapter 7: Community Participation and Ownership* shares best practices and steps for community participation and ownership that sustain program benefits through self-governed community structures.

- *Chapter 8: Improving Quality* describes how to continually improve quality using a problem-solving cycle. Adhering to technical standards and meeting client perceptions of quality are important aspects of quality improvement. This chapter presents tools to assess and monitor both aspects.

- *Chapter 9: Marketing* demonstrates how you can use marketing to meet client needs. It reviews a process of identifying needs, tailoring your products and services to meet those needs and communicating the benefits of your services and goods to clients.

Section 5: Financial Aspects of Sustainability

Money is often the first thing one thinks of when discussing sustainability. This section describes how to analyze and use financial data for planning, mobilizing resources, and managing costs. Each chapter contains references to additional resources on the topics presented.

- *Chapter 10: Financial Analysis for Sustainability* covers the various approaches to examining financial data and determining what the data imply. It looks at both expenditure and income data over time and links costs to program outputs.

- *Chapter 11: Reducing Costs* explores the different measures you can take to lower overall costs or lessen unit costs.

- *Chapter 12: Charging Fees for Services and Products* works though the process of setting fees for your services while limiting the impact of those fees on your poorest clients.

- *Chapter 13: Leveraging Resources* presents different options for mobilizing support from the community and donors. It addresses identification, cultivation, and solicitation of support.

Section 6: Implementing Sustainability

Having reviewed the various options to strengthen sustainability it is now time to select and tailor the options to your own organization. This section describes the actions you can take to form and implement a sustainability strategy that links the options with the priority areas you identified in the sustainability assessment. It also provides some suggestions on managing the change required for enhancing sustainability and for monitoring the progress you make.

- *Chapter 14: Crafting Strategies for Sustainability* shows how to develop a sustainability goal with related objectives, strategies and action steps, and encourages you to make this process part of the overall organizational planning process.

- *Chapter 15: Leading Change Efforts* asserts that translating the sustainability strategy into action will certainly require that some changes be made. Change can be disturbing and intimidating unless thoughtfully managed. This section outlines ways that organizations can be helped to maneuver through the turbulence of change.

- *Chapter 16: And One More Thing— Monitoring* describes how documenting the results of sustainability help to explain your achievements and enhance your image. This chapter explains the importance of documenting progress towards sustainability, demonstrates different ways to do this and shows how to use the results to "tell your story" for the benefit of both your organization and others.

Approach this guide in a spirit of curiosity. It contains proposals and options, not recipes and directives. Some ideas and concepts might work well for certain areas of your program but not for others. Learn all you can and apply what seems most appropriate.

Section 1: Unpacking Sustainability

Before launching into any exercise to become sustainable it is worth making a brief excursion into definitions and descriptions. What exactly are we talking about when we refer to sustainability, why is it a desirable state to aim for and what might it look like when we reach there?

This section of the guide deals with these questions. Chapter 1 outlines what is meant by the term "sustainability" and the importance of this concept to NGOs working in the area of reproductive health, while Chapter 2 elaborates on the nature of sustainability and identifies the key components (or "pillars") of any successful effort to become sustainable.

By the end of Chapter 1, *Defining Sustainability*, you will be able to—

- Define what sustainability means in a reproductive health project

- Consider what it is that you want to sustain

- Describe why sustainability is important

By the end of Chapter 2, *Pillars of Sustainability*, you will be able to—

- See new possibilities in the nature of your NGO's relationships to donors and the people it serves

- Describe NGO characteristics that contribute to sustainability

- Explain what social entrepreneurship means and how it builds on exchanging value for value

- Understand how sustainability can improve an organization's ability to achieve its social mission

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Section 1: Unpacking Sustainability

Defining Sustainability

The term "sustainability" means different things to different people and can evoke a range of feelings, not all of which are positive: confusion, uncertainty, and even cynicism about the feasibility of achieving sustainability are not uncommon responses.

1. What words come to mind when you think about sustainability?

_____   _____

_____   _____

_____   _____

_____   _____

2. What feelings does the word "sustainability" evoke in you?

_____   _____

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Now take a moment to reflect on the descriptions of sustainability in Box 1.1 and then provide your own definition, drawing on those in the box if you wish.

3. What do you understand by the term "sustainability?"

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The definitions in Box 1.1 share some common elements including an emphasis on—

- Continuing benefits/services at a steady or growing level
- Maintaining or increasing a specific client or community base
- Lessening dependence on donor support

Review your definition to determine whether it addresses these points. Whichever definition you choose, remember that sustainability is a matter of degree, a progression rather than an end point.

BOX 1.1 Some Definitions of Sustainability

"Sustainability is defined as a program's continuing to deliver services or sustain benefits after the donor's technical, managerial, and financial support has ended."

—SHIRLEY BUZZARD, DEVELOPMENT ASSISTANCE AND HEALTH PROGRAMS: ISSUES OF SUSTAINABILITY, (WASHINGTON, DC: AID PROGRAM EVALUATION DISCUSSION PAPER NO. 23, OCTOBER 1987), P. 2.

"Sustainability is considered to be the capacity of a national family planning program and the institutions within it to provide its current and potential clients with the information and services necessary to obtain the benefits of family planning -- on a continuing basis and without external aid."

—RUTH E. LEVINE & JOANNE BENNETT, SUSTAINABILITY OF FAMILY PLANNING PROGRAMS AND ORGANIZATIONS: MEETING TOMORROW'S CHALLENGES (WASHINGTON, DC: OPTIONS FOR POPULATION POLICY II, JANUARY 1995), P. 3.

"Sustainability has two dimensions. The first is institutional sustainability, which considers whether a provider has the capability and resources (i.e. infrastructure, staff, administrative systems, and stature) to provide effective services on a permanent basis without outside help. The second dimension of sustainability is financial sustainability, the ability of a provider to generate enough income to support itself when AID funding is no longer available."

—RICHARD MARTIN, AID'S CHILD SURVIVAL PROGRAM: A SYNTHESIS OF FINDINGS FROM SIX COUNTRY CASE STUDIES, (WASHINGTON, DC: AID PROGRAM & OPERATIONS ASSESSMENT REPORT NO. 5, OCTOBER 1993), P. 20.

"Development activities are sustainable when they produce outcomes of sufficient value and the program generates adequate local resources to support the continuation of benefits at a steady or growing level."

—THE SUSTAINABLE DEVELOPMENT SERVICES PROJECT, DETAILED IMPLEMENTATION PLAN, 1996

"The capacity of an institution and its reproductive health program to provide its current and potential clients the information and services necessary to obtain the benefits of maternal and child health, including family planning, on a continuing basis beyond the project period with adequate income from diversified financial resources."

—CEDPA/INDIA

What Are We Trying to Sustain?

There is no simple answer to this question. Different parties will have different perspectives. For example, communities would like to see *benefits* continued, while NGOs might be more interested in having program levels, staff, and the organizational base maintained.

Sustaining benefits is not necessarily the same as sustaining the organization. It is quite possible for the organization to phase itself out while the community continues to benefit—the program could be handed over to the public sector, to a community-based organization or services could be privatized, for example. It is also possible for the organization to continue while benefits deteriorate. So it is important to be clear which—organization or benefits—is the primary focus of efforts for sustainability.

In many organizations the perception of what should be sustained shifts over time. Most organizations are established because a group of people identify a common need that can be achieved more easily or efficiently by coming together[1]. Their focus is on the benefits they can provide. To deliver these benefits, programs are developed and an organization is established which oversees the programs. This development stage of an organization might be represented as in Figure 1.1 below. Notice how the focus is clearly on the benefits to the community. Rarely do people come together and *then* try to decide a purpose for organizing.

Figure 1.1 Focus on the Benefits
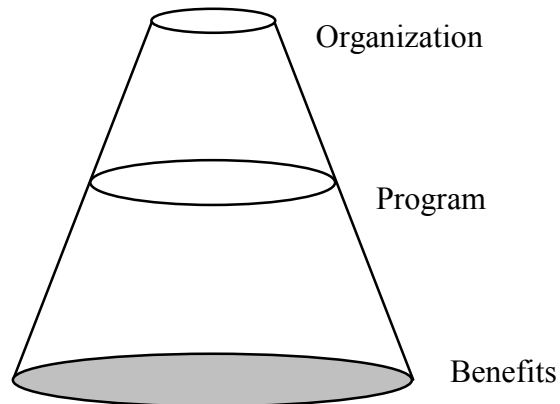
After an organization becomes well established, however, something peculiar often happens. Organizational members become more focused on maintaining the organization itself than on preserving the benefits to the community. You can see this, for example, when NGOs face the loss of grant money. They scramble for finance and will even accept a new project that contributes little to the original purpose as long as it allows the organization to continue. With

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[1] In the case of reproductive health NGOs, for example, will organize themselves for the purpose of improving access and quality of goods (such as condoms, pills, maternal delivery kits) or services (such as information, education, counseling, or antenatal care) in order to address unmet health needs or facilitate adoption of healthy practices (such as child spacing, consistent use of contraceptives, or taking iron/folic acid tablets daily during pregnancy).

this focus on organizational survival, sustaining the benefits can be forgotten. This arrangement might look more like Figure 1.2.

Figure 1.2 Focus on the Organization

Organization

Program
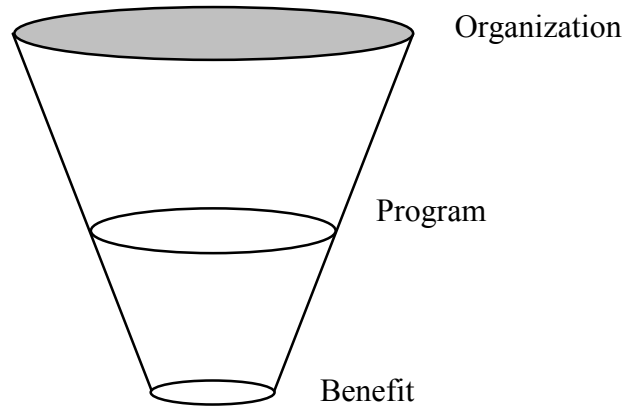
Benefit

Although it is important to keep in mind the distinction between benefits and organizations when trying to enhance sustainability, in practice the two tend to go hand-in-hand at least in the short to medium term. Even if it is sustainability of *benefits* that is the goal, this can often only be achieved by having sustainable NGOs. The reason for this is that transferring ownership successfully is a gradual process with the tutelage and mentoring of a support organization continuing over a long period of time. And in some cases, the NGO may be so rooted in the community that there is no intention of leaving even in the long-term.

Why Is Sustainability Important?

The fact that you are reading through this guide suggests that you probably have some idea as to why sustainability is important for your organization and its programs. *Take a moment here and write down some of those thoughts.*

Why is sustainability important for my organization and its programs?

"Sustainability" is a word that has been in the development lexicon for years. However, it is only relatively recently that attention has been paid to understanding, concretely, how sustainability can be achieved. The renewed focus on sustainability is driven by two important changes. Firstly, for development activities in general and reproductive health activities in particular,

donor funds both have been shrinking[2]. Secondly, and at the same time, the number of NGOs has grown. Naturally, these two developments have led to fierce competition for limited funding. Issues of sustainability have come to the fore. NGOs do not want to find themselves at the mercy of donors whose limited funds and changing priorities can play havoc with the NGO's control over its programs. And communities want consistent, enduring programs that address their needs as well as those of the donor. NGOs' desire for independence has led many organizations to seek alternatives to donor support as a means of empowering the organization and the communities they serve.

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[2] Official development aid (ODA) declined by US$600 million between 1998 and 2000 (OECD 2002).

Chapter 2	

Pillars of Sustainability

How Can Sustainability Be Achieved?

Fortunately for you, your organization is not the first that has struggled with the issue of sustainability and there is much that can be learnt from the experience of others. Lumbini Eye Care Hospital (Lumbini), Services Volunteered for All (SERVOL), and The Mexican Federation of Private Health and Community Development Associations (FEMAP) are three real organizations that have taken decisive action toward sustainability and have had considerable success. Their stories are included at the end of this chapter and referred to throughout this guide. These cases show that becoming sustainable is a process that requires the focused attention of an entire organization. They also illustrate that there are some transformations, particularly in the way an organization relates to its community and the role it sees for itself, that are critical to achieving sustainability. We call these foundations of sustainability "pillars."

Read now through each case study (at the end of this chapter) and note those critical characteristics or "pillars" that you think supported the sustainability efforts of the organizations. Once you have done this, compare your findings with ours below.

Sustainability pillars:

The four **sustainability pillars** we have identified from our experience are—

1. **Becoming community driven.** Past experience in implementing reproductive health programs has revealed the critical role that communities play in the development of sustainable programs. Community involvement in whatever form—monetary, volunteer time, donated materials, information—has been shown to be important from the planning phase through to implementation and evaluation. Such involvement helps to ensure that program services are of value not just to direct clients, but also to the community at large. And this broader base of support can be vital especially when, as is often the case, clients alone are

unable to bear the full cost of the programs they want. The case studies and examples in Chapter 7 demonstrate this point.

- **Lumbini** sought and maintained broad community support for its program, working closely with government and quasi-governmental agencies, and in so doing, was able to get approval to charge for services.

- **SERVOL** was clearly community driven from the outset. All community members were asked to contribute in some way to its programs. Local corporations donated materials, space, and expertise. Others contributed money or labor. SERVOL's staff even worked for salaries much lower then they could have earned elsewhere. This strong community involvement was not only a direct support to SERVOL but could be cited in applications made further a-field and allowed SERVOL to leverage funds from international donors and government.

- **FEMAP** has always been strongly community driven. Its affiliates were founded by a community patron and were developed to serve the communities. Volunteer community outreach workers have been the mainstay of the operation. The strong community base allowed FEMAP to lower costs by scaling back its central office and has also helped FEMAP to network with community business leaders and gain their monetary or partnership support.

2. **Committing to a business orientation.** To become sustainable, an NGO needs to shift from a welfare perspective to one that rests more on some basic business principles. These include raising cost consciousness among staff, clients, and the community; keeping track of efficiency so that as many services as possible can be provided with the available resources; developing and implementing financial plans that are linked with strategic plans. This does not mean the NGO loses sight of its social objectives—its mission (Chapter 4). This is the reason why the organization was formed in the first place, why staff work there, and why the NGO has received donor support in the past. It is perfectly possible to marry the two and have an organization that is both true to its mission and operated along business lines, as the case examples illustrate.

- **Lumbini** began its sustainability efforts by agreeing that it still wanted to provide eye care services to the poor. With this in mind, the management team began planning how it could do this without donor support. As a grant-dependent organization, it had followed donor requirements for financial accountability and reporting but had not used financial information to help shape its program and determine cost-effective strategies for operating. The management team decided to change this. They prepared a detailed breakdown of costs, segregated fixed and variable costs, and began calculating depreciation. They linked this cost information with service delivery data and used this information for financial planning, setting prices, and monitoring results. With this new orientation, Lumbini was able to increase the number of poor they served.

- **SERVOL** applied basic business practices early on in its operations. It brought leaders in from the private sector to sit on its board and so ensured that SERVOL had sound management, financial, and legal systems. As a result, SERVOL was aware of its costs and sought opportunities to keep them low by offering moderate salaries,

utilizing the services of volunteers, and soliciting in-kind contributions from the community and private businesses. This efficient use of its resources and solid management helped SERVOL to leverage additional support for its programs including donor grants and an endowment. These ensured that SERVOL could provide more services to greater numbers of disadvantaged youth.

- **FEMAP** began its sustainability effort by reviewing its mission and restating its purpose as continuing to provide quality services to the poor. It then developed a plan that incorporated basic business principles. Cost awareness among all staff was raised, unit costs were calculated, and used as the basis for making efficient decisions, existing human resources and supplies were better utilized, and both fixed and variable costs were reduced. Lower costs meant that FEMAP could lower its prices and attract more clients. FEMAP also set up commercially oriented enterprises and used the income earned to cross-subsidize services to the poor. The profile of their clients remained the same while the number of services they provided increased more than 600 percent!

3. **Developing a client/market focus.** Commercial enterprises will often say, "the customer comes first" or "the customer is always right." They know that if they want to stay in business they need to understand their current and potential clients. And they need to use this knowledge in the way they design goods and services and market them. This is true of NGOs as well. It is, in fact, at the heart of sustainability. The better your organization can define its client-base and tailor or develop services and products of value to them, the greater its chance of remaining viable. You can see this market focus in each of the case studies.

- **Lumbini** realized that if it were to begin charging for its services, it needed to know more about its current clients and to identify additional clients. Using market research techniques, it looked at client perceptions of quality, the scale of services, willingness and ability to pay, and the services provided by alternative providers. This information allowed Lumbini to restructure its services and prices to meet the demand for its services. By charging higher fees to wealthier community members, it was able to subsidize the cost of the services provided to the poor.

- **SERVOL** adopted a very broad view of who its clients were. By including corporate, government, and international donors as well as the community as part of its client-base and understanding what each of these stakeholders valued about their relation with SERVOL, it was able to leverage continued support for its youth training programs.

- **FEMAP** began its sustainability efforts by learning more about its clients and other service providers through market research. The information obtained helped FEMAP to develop plans to achieve high-quality, low-cost services to attract additional clients. It also helped in identifying other income-generating opportunities that contributed to its social mission. FEMAP found this information to be so valuable that it began conducting market surveys biannually.

4. **Emphasizing high-quality programs.** Studies around the world have shown that people are willing to pay in exchange for quality services. Too often NGOs neglect this aspect or they define quality as performing to standards that do not necessarily match clients' perceptions.

Much of the success of the three case studies can be attributed to the emphasis they placed on quality.

- **Lumbini** paid attention to both client perceptions of quality and to technical quality. It brought in ophthalmology experts to provide up-to-date medical training and provided ongoing training for paramedics. It also monitored client satisfaction and spoke with clients to understand their perceptions of quality and so identify ways to make the services provided, more valuable. For example, based on feedback received from these clients, it added private wards for those patients who were willing to pay significantly more for the service.

Figure 3.1. Exchanging Value for Value

Developed for the Sustainable Development Services Project
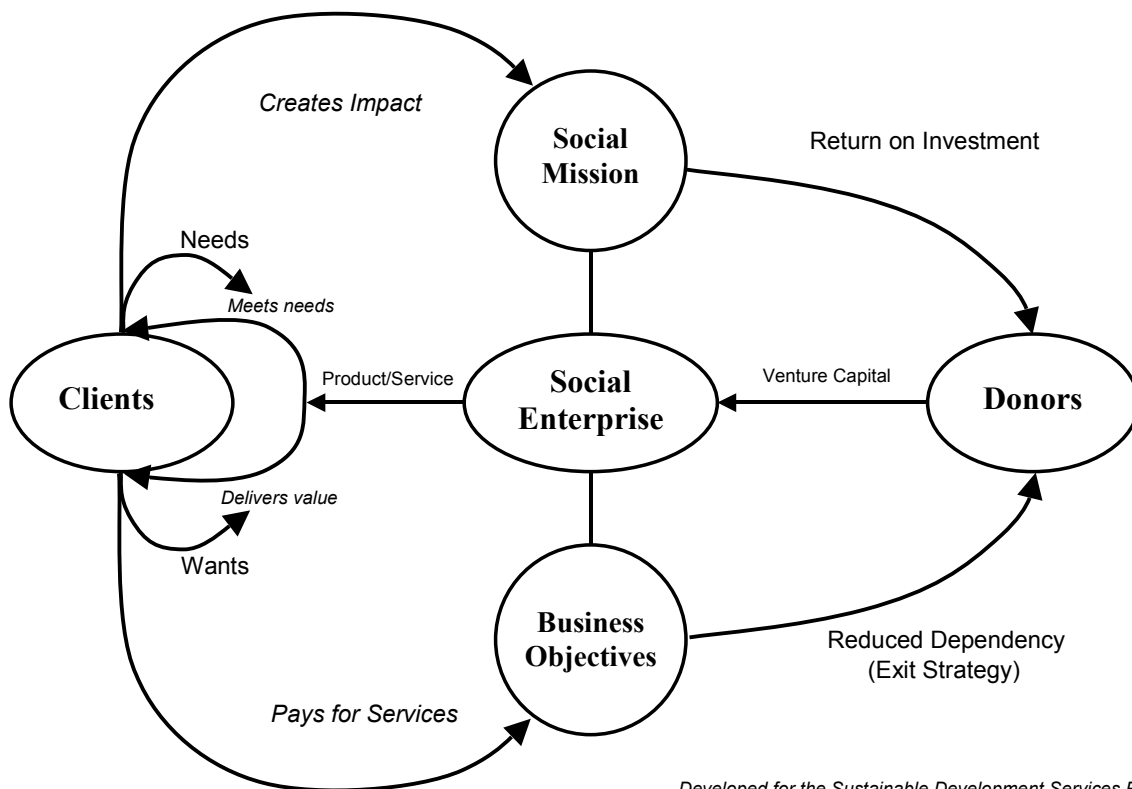
- **SERVOL** measured the quality of both its youth programs and its relations with corporations, donors, and the government. It adapted and expanded its programs to reflect feedback from the community and corporations. It drew on expertise from the private sector in designing new programs and developed parental involvement to ensure that the state-sponsored program met the educational needs of the children.

- **FEMAP** believed that high-quality services are a fundamental right of the population. It regularly monitored quality through client feedback, clinic inspections, and periodic evaluations. It not only collected information but took action, even firing a technically competent physician because of client complaints about the way he treated them.

Functioning as a Social Enterprise

By constructing these pillars, an NGO is essentially applying traditional business practices to the "business" of achieving its social mission. In other words, it is operating as a social enterprise. This involves a shift both in the way an NGO views its relationship with its donors and beneficiaries and in the way it operates. Instead of behaving as a charity organization that gives recipients what it believes they need, the NGO must see itself as providing something of value to the community in exchange for their support.

Social enterprise is built on the concept of exchange. As depicted in Figure 2.1, donors invest in NGO programs in exchange for producing results that meet their development goals (return on investment). NGOs use this investment to provide services and products that meet the needs and wants of clients and the community. In exchange, the clients and community pay (money or in-kind) for the reproductive health services they value. This exchange enables NGOs to address both their social-mission, through the impact created in providing needed services, and their business objectives through the revenue they earn. By meeting their business objectives, they reduce their dependency on donors. This view of relationships as an exchange is very different from the traditional one where the benefits were seen to flow one-way—a donor providing money to an NGO that then provides services to the community. The case studies show how NGOs can operate as social enterprises—

- **Lumbini**, recognizing that its services were valuable to clients, asked clients to pay. Basic business practices were adopted so that services could be affordable and tailored to clients' expectations. By operating as a social enterprise, Lumbini was able to achieve its mission, expanding the number of poor served, while also satisfying the financial objectives of decreased dependence on donors. In fact, a surplus was generated every year after 1994.

- **SERVOL** viewed itself from the beginning as a development organization rather than a charity, asking its beneficiaries to contribute their time and resources in exchange for the benefits it provided. Through this approach, SERVOL was able to leverage support from the community, businesses, government, and donors to expand its program and achieve its mission.

- **FEMAP** developed an entrepreneurial approach toward fulfilling its social mission. Clients were studied to understand what they found valuable about the services, and management practices were adopted to improve current services. FEMAP identified opportunities to address social needs and assembled the required resources to take advantage of these opportunities. Through this transformation it was able to lower costs and prices, increase the amount of services provided, ensure access for the poor, and improve cost recovery.

These cases demonstrate that organizations operating as social enterprises do not need to choose between serving needy populations and becoming financially viable. They can do both. Indeed, the two go hand-in-hand; a financially viable organization is better placed to serve its clients and serving clients well is likely to generate resources.

The Changing Roles of Donors, Community, and Organizations

In order for benefits to be sustained, relationships with donors, other organizations, and communities have to change (Figure 2.2). The old scenario, shown as the charity level in Figure 2.2, looked something like this—

> An NGO, seeing itself as uniquely capable of addressing the needs of the people and assuming that its services would always be required, decides to provide a certain kind of service, and searches for a community willing to receive the service. Believing that poor people cannot pay for reproductive health services, the NGO decides to deliver the programs at no cost to the consumer. To fund its operations, the NGO sells itself to a donor and finds that it has to develop programs that meet the needs of the donor, needs that are often shifting. In effect, the donor is hiring the NGO as an instrument to help fulfill its mission. Financial accounts are kept simply to satisfy donor requirements and the NGO remains ignorant of its finances. It has no expectation of recovering costs or generating revenue, and its main financial strategy is to apply for donor funding.

And where is the community in all this? The community is basically a passive recipient taking whatever services the NGO provides. It has no leverage to demand high-quality services and is at the mercy of donor-driven agendas and programs that are periodically suspended because of lack of funding.

A sustainable scenario, shown as the social enterprise level in Figure 2.2, would look rather different—

> Following careful market analysis the NGO searches for opportunities to satisfy important needs in a community. It then approaches those donors supportive of its mission to obtain "investments"—start-up funding for its social enterprise, being careful from the beginning to plan an "exit" strategy for weaning itself from donor funds. A marketing plan is put in place to tailor products and services to match client expectations and needs. The NGO's social mission and financial requirements are met when quality services are delivered in a sustainable manner.

The community is transformed into clients and the client is leader. Since the client is paying, s/he feels free to demand quality products and responsible service delivery and is prepared to give feedback about the quality of services as well as stating desires for additional services.

This may evolve even further to a point where the community can manage and deliver the services itself, relying on the NGO only for guidance, and access to funds (the top level in Figure 2.2). The community is now the owner of the program. The NGO can exit and begin the process in another needy community.

Most NGOs today lie in between these two scenarios—the charity and social enterprise levels. They work in partnership with their donors and communities, but are not yet at the level where their services are fully valued by either (the development level in Figure 2.2). At this limited level of exchange, the benefits will not be sustained. To move to the sustainable scenario (either the social enterprise or community ownership level), there must be increasing exchange that results in a dramatic shift in roles for all parties involved. Donors, instead of being contractors or

partners, become modest investors or an irrelevance! NGOs no longer act as providers or facilitators but as entrepreneurs and investors. The community is transformed from recipient or, at best, participant, to client or even owner. The level that you aim for—social enterprise or community ownership—depends on your agency's mission and vision. If your mission is to address the needs of a given community, then the social enterprise level is probably appropriate. If it is national or regional in focus, then community ownership is probably more suitable.

Figure 2.2: Changing Roles with Increasing Exchange
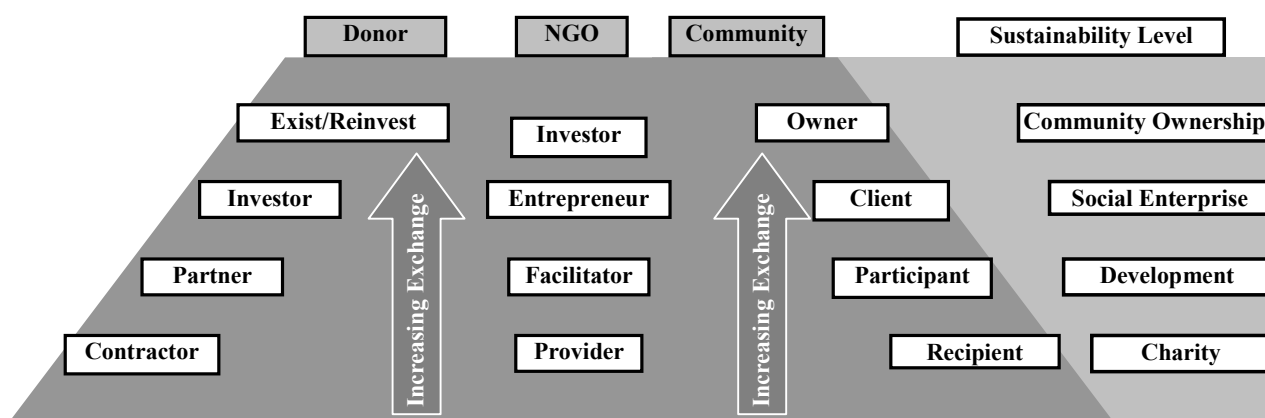
For an NGO to engineer this shift in roles, functioning as a social enterprise and building the pillars of sustainability requires changes in the way it operates. The next chapter discusses what these specific changes in practice are and presents a matrix for assessing how well an NGO is doing in its attempts to become sustainable.

Case 1: Lumbini Eye Care Project[3]

The Decision to Change

The Lumbini Eye Hospital is located on the Nepal/India border, in one of the poorest regions of the world, where cataracts account for 80 percent of the blindness in the region and are a major public health problem. It serves the needs of approximately 2 million people in southern Nepal and 25 million in northern India.

The SEVA Foundation and other donors, who donated equipment and consumables, particularly intra-ocular lenses, a key commodity in cataract surgery, supported the hospital for many years. At that time, the prevailing view of ophthalmologists, medical staff, and most donors was that charging fees was inappropriate, especially when serving moderate to low-income populations. The hospital made no charges for its services, which included around 6,000 surgeries and 88,000 outpatient visits a year.

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[3] This case study was developed by David Green of the SEVA Foundation and William LeClere of the Institute for Development Research.

In early 1993, the Lumbini Eye Care Hospital decided to change its strategy. It had observed that the Aravind Eye Hospital in India (at the time the largest eye care program in the world, performing more than 70,000 surgeries per year) was operating with little or no dependency on donor support from the outside. It charged some patients but was able to provide its services to the truly poor (who accounted for 65 percent of total patient volume) at no charge.

Under the leadership of Dr. S. P. Dhital, and with the continued support and encouragement of the SEVA Foundation, Lumbini Eye Hospital embarked on a journey to transform itself into a largely self-sustaining program. A transition management team was put in place, including the SEVA Foundation Director in Nepal, the SEVA Technical Director for Blindness Prevention and Dr. Dhital. This transition management team met for three sessions over a period of six months in 1993–94, with each planning session lasting for several weeks. Consultants from Aravind assisted the team in technical planning; management consultants from Katmandu helped assess management needs and conducted a survey of the socioeconomic needs and capabilities of the populations to be served.

Establishing Policy Objectives

Lumbini's mission remained essentially the same, and the hospital continued to provide preventive and curative eye care services to the poor of the area. However, in the review of its mission, the transition management team agreed on some new policy objectives—

- The Lumbini management team would be responsible for all major decisions.

- Free eye care and surgery would be given to those who could not afford to pay. Charges to patients would be defined at the outset and made high enough to cover all operating costs. Those paying more would receive greater privacy than those paying less or nothing, while patient care (frequency of staff visits, the quality of attention) and the types of surgery provided would remain the same regardless of the client's ability to pay. Any surpluses would be used to subsidize services or clients where needed and for future project development.

- Lumbini would become independent of donor assistance within five years. The SEVA Foundation agreed to support the project with decreasing levels of funding each year over that five-year period.

- Planning would be open, communications straightforward and decisions would be arrived at after full consultation with all affected parties.

These policy objectives were circulated widely and discussed before being adopted by staff and community leaders in those communities to be served in the newly developed programs.

Getting agreement on these policy objectives involved heated negotiations, behind the scenes in the beginning, with government and quasi-government authorities. The thorniest issues related, not surprisingly, to the hospital's right to charge fees for service and to be empowered with authority over the use of the resulting revenues. The concept of financial self-sustainability through charging fees to some in order to subsidize care for others is not always well received by government authorities. Nor is it seen, in many countries, to be politically desirable to promote the withdrawal of externally provided donor funds.

Strategic and Business Planning

Once agreement was reached on policy directions, the team identified four strategic activities to support these policies: conducting market research, determining the cost of services, exploring alternative price setting arrangements, and improving management and organizational practices.

Conducting market research. Lumbini undertook market research to find out what different clients could afford to pay for services. The research was not complicated or expensive. In the beginning, it amounted to finding ways to communicate with and listen to patients and potential clients and then having discussions to find out from these clients how their needs could best be served and what might be acceptable ways to make the program more financially sustainable. This information was supplemented by information gathered from specially commissioned formal surveys among various socioeconomic groups, and by examining existing epidemiological and demographic data available for both Nepal and India.

Prices for similar services in India and Nepal, including what wealthier clients were paying to alternative providers for high-quality services, were reviewed. Costs, prices, and organizational structures in other self-sustaining organizations serving poor people were researched and analyzed. Informal surveys of staff were also used to determine appropriate pricing structures.

Determining the current and future cost of services. As is often the case with grant-dependent organizations, the hospital started with little idea of the costs of its operations. The accounting systems that did exist were designed to suit the needs of the donors and lacked information vital to any organization aiming for sustainability; fixed and variable costs, for example, were not distinguished and no allowance was made for depreciation of buildings and equipment.

Appropriate changes were therefore made in the accounting systems to enable the hospital to calculate the full costs of its current service delivery and the costs per patient served. These data were then used to project likely future costs by putting them together with different reasonable assumptions about the volume of patients served, the kinds of services they would need, and the different mixtures of staff, consumables, and equipment that would be required to provide those services.

This information on the costs of different service provision, together with the results of market research concerning patients' ability to pay, made it possible to undertake the third objective, namely to estimate likely revenues under different price setting arrangements.

Projecting market revenues and price setting scenarios. Projections were made of the likely demand for services (i.e. the volume of patients) at different price levels by patients in differing economic circumstances. From these estimates it was possible to calculate both expected costs and income from different price structures.

More than 30 spreadsheets were developed to test for various scenarios. Each scenario included the following variables: costs of consumables, salaries, maintenance, utilities, vehicles, building, and equipment depreciation; income from cataract surgery, outpatient, laboratory, glasses, pharmacy; and, patient volume (by service type.)

After reflecting on the results of these projections and in light of the hospital's philosophy to set affordable prices, a multi-tiered pricing structure was proposed and gradually established.

Developing improved management and organizational practices. The transition management team reviewed organizational practices and management capabilities and found them wanting in some respects. It therefore developed a plan to reorganize the hospital with the purpose of improving efficiency and productivity, maintaining high staff morale, and delegating authority, responsibility, and accountability more widely among staff. This plan involved—

- Establishing new departments in order to spread the managerial load and, whenever possible, filling the resulting new management positions from within the hospital.

- Making substantial investments in training in both technical and managerial areas by having regular visits from ophthalmology experts, training paramedics in ophthalmic skills, and preparing supervisors to take on additional administrative responsibilities.

- Encouraging new attitudes, specifically—

  - People should take responsibility, not wait for it to be granted

  - Improved quality on a continuing basis would be everyone's job

  - Mistakes, particularly by those in new roles, would be expected and corrected

- Establishing special management practices. These included weekly departmental meetings to help clarify staff members' roles and responsibilities, and improve inter-staff communications; reporting systems to enable staff to monitor their own productivity on a daily basis; productivity incentives for professional staff, including changes in the compensation arrangements with ophthalmologists to enable the hospital to attract and keep critical surgical staff; and systems to track customer satisfaction and ensure quality of service.

Outcomes from the Sustainability Transition

The results from these various measures have been impressive. Lumbini has expanded its facility by 75 beds, increased its outreach by 30 percent to more than 125,000 patients, and doubled the number of surgeries it performs. This increase in demand for services has occurred despite the fact that most patients (75 percent) now pay for their treatment, with some (5 percent) actually paying significantly more than the treatment costs. Indeed, one could argue that it occurred, at least in part because of the fees charged—those fees enabling the hospital to invest and improve the quality of surgical outcomes. At the same time, Lumbini continues to serve the poor, with 20 percent of its patients still receiving free services.

And Lumbini's financial position? The hospital and its satellite clinics have managed a financial surplus every year since 1994. These surpluses have approximated, and sometimes exceeded, projections in the business plans. "Luck" has played some part. During the transition period, the most expensive consumables in cataract surgery—the intra-ocular lenses—became available locally through a non-profit manufacturer of lenses in India, bringing down the costs considerably. But there is no doubt that careful planning and the adoption of good management practices have been crucial ingredients in the hospital's financial success.

It is sometimes said that 'money attracts money,' and Lumbini is evidence that this might be true. In the three years prior to the transition the hospital sought a grant from a donor to extend its outreach facilities. Each time it was turned down. The hospital reapplied as a financially autonomous institution after the transition to a sustainable operation and received a $700,000 grant to build new outpatient facilities!

Case 2: Banking on Youth: SERVOL[4]

SERVOL (Services Volunteered for All) is a youth-focused NGO in Trinidad and Tobago. It was established over 30 years ago and today has activities in more than 200 preschools and adolescent training centers.

SERVOL began with the dream of one man—Mr. Gerard Pantin. Pantin was working as senior rector at St. Mary's College, the country's premier secondary school for the sciences. He decided to leave this job and move to a very poor neighborhood to work among the disadvantaged. Once there he approached one of the biggest private organizations in the community—a local distillery—and asked for their support in carrying forward a plan. He asked them if he could "borrow" the services of one of their spokesmen, Wesley Hall, a world champion in cricket, well-known and respected in the community. Mr. Hall agreed to join Pantin and together they walked the streets of Lanvenville talking with the community about its needs and how to address them.

Pantin and Hall did not give money. Instead, they offered to work with the communities and personally help them accomplish what they wanted. From the beginning Pantin saw his work as development rather than charity. He always asked the community to commit its own time and resources and so to claim ownership of whatever good resulted. For example, when a request was made for a basketball so that young people could be taught how to behave in a team and how to build on each other's talents, Pantin and his partner agreed, but only after those young people had provided some small money of their own. Similarly, when a request came for a basketball court, Pantin and his partner agreed on condition that the community covered half of the cost. Pantin and his partner then used this opportunity to introduce the idea of fundraising to the community.

SERVOL and the Community

Fundraising

Challenged to find half of the funds to build the basketball court, the community youth organized a dance and a bake sale to raise some cash and established work teams to clean up and lay asphalt on an area previously used for garbage. They approached local merchants who agreed to provide the building materials at a significant discount.

Volunteerism

Besides encouraging young people to be more organized and to maximize their abilities, Pantin also asked the privileged of Trinidad's society to support the youth initiatives. His request for

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[4] Adapted from: Weber, Ron. *Grassroots Development*. Volume 21/2. 1998, pp. 28-36.

assistance was responded to handsomely. A building was donated by one of the wealthiest men in the community. Soon men and women had volunteered their time and expertise by offering classes in art and public health and teaching various life skills to the young people in their community. SERVOL expanded and it became necessary to employ some professional staff, many of whom gave up higher-income jobs to dedicate their time to this youth development program. Volunteers, however, continue to play a significant role in SERVOL through their involvement in community boards, teaching, and fundraising.

Annual Poor People's Dinner

After mobilizing the community and raising awareness of the issues facing youth, Pantin's next goal was to help people to take a new look at their attitudes and values. SERVOL organized a very unusual event. It invited some high-profile community businessmen and women to a "poor person's dinner." For a $50 ticket, guests received a bowl of soup, a slice of bread and a glass of water. Pantin said, "For once in their lives well-off people would eat what the poor eat at Christmas and they would pay for this privilege." Guests included the Prime Minister, members of parliament, and diplomats, along with poor community members.

This occasion was so successful that the Hilton Hotel, where the dinner was held, agreed to host this event for SERVOL every year, and even provide the food. Gradually, it became a national event, widely covered by daily newspapers, radio stations, TV, and received the support and attention of government agencies, religious groups, white-collar workers, and many different community members. The function proved to be a major source of financial support for SERVOL especially in the early years when more than 80 percent of SERVOL's total income came from this source. SERVOL continued to hold the dinner, even after it became a relatively small part of its total income (see table below), as much to raise awareness and community support for its programs as to earn income.

Poor Person's Dinner as Source of Annual SERVOL Income

Year	Total Income (US $)	Dinner Proceeds (US $)
1970-71	$4,856	$4,053
1971-72	$5,652	$4,225
1972-73	$38,307	$3,921
1973-74	$42,590	$7,502
1978-79	$178,075	$5,731
1989-90	$747,696	$10,994
1996-97	$2,832,898	$22,522

Building on these successes, Pantin continued to cultivate community supporters through publicity, expanding circles of contacts and sending out newsletters to previous and current supporters. However, Pantin had long realized that the problems facing youth were so immense that community support alone was not enough.

SERVOL and the Business Sector

Pantin actively sought the support of the business sector. He took a realistic approach, noting that "the average businessman is concerned with running his business and maximizing profits. Any

bleeding-heart approach on behalf of the poor will be met with token financial support." Pantin, therefore, looked to capitalize on what the business could provide and match it with SERVOL's needs. He invited business people to join the board of directors. This provided SERVOL with sound management, fiscal, and legal advice, and pushed it into taking a business approach to its operations. Pantin also asked businesses to provide support through tax-deductible donations called deeds of covenant that raised $20,000 annually.

The interaction with the business sector was a two-way affair. SERVOL listened to the business sector and oriented its training programs to help meet the needs the business sector expressed. Skill development and capacity building among the youth became a much larger priority. Its Adolescent Development Program was designed so that youth that graduated from it would be able to join and remain in the adult professional job market. When the business sector needed people with computer skills, SERVOL set up a Youth Computer Training Center.

SERVOL and International Donors

As a result of its active corporate cooperation and strong community ties, SERVOL was able to leverage increased support from international donors. While SERVOL's goal was to become independent of international donor support, it realized that donors would still play a role as investors in its programs. Over the years it had developed collaborative relationships with various donors. It needed to manage the separation process to conserve all the insights and achievements built up during two decades of partnership. Together with its main partner/donor, the Bernard Van Leer Foundation, SERVOL set up an endowment fund. The foundation agreed to match dollar for dollar, every local donation that was made. Many contributors (business firms, insurance companies, and private firms) found this a bargain. The endowment now has a total of US$4.4 million and generates over $300,000 in income annually.

Another example of leveraging support was the Inter-American Development Bank's (IDB) agreement to provide a grant of $3.2 million to establish three Hi-Tech Centers to which business provided over $350,000 in volunteer consulting services and equipment. The IDB agreed to provide the grant because "…the endowment fund provided a secure reserve to draw on… and SERVOL had taken special care to use business principles in setting up the operation… …making it likely the centers would soon become self-sustaining. Second, SERVOL's recognized skills in working with disadvantaged youth ensured that the money being invested would reach the right people. And finally, SERVOL had reached out to the private sector to draw on their expertise in designing the project."

SERVOL and the Government

SERVOL understood the need to diversify its stakeholder base and build a larger constituency. It tightened its links to the government by agreeing to train instructors and to provide equipment for preschools and adolescent life-centers throughout the country if the government would finance its programs and pay the teachers. SERVOL's partnership with the government was a wise move, especially in a country where the state felt threatened by the expansion of non-governmental organizations.

Even though the government agreed to support SERVOL's expansion efforts, its fear of losing operational authority slowed the growth rate of SERVOL. SERVOL faced a significant threat when, with a change of leadership, the new government decided to reduce appropriations for SERVOL by 40 percent. Instead of giving up, Pantin started to mobilize the community by building a wide constituency and by encouraging a much broader involvement of the local board and the parents. The grassroots support together with the organizational skills and dedication of its stakeholders enabled SERVOL to lobby the government more effectively. Community members successfully organized a march to the Parliament in the city of Port of Spain to express their support for the SERVOL cause and to argue the case for "banking on youth" as the way to improve Trinidad and Tobago's future.

SERVOL's ability to understand and respond to the needs of all its stakeholders—the community, business, international donors, and government—has allowed it to adapt and grow, reaching the needy youth of Trinidad and Tobago.

Case 3: FEMAP—A Mexican Case Study[5]

The story of FEMAP (The Mexican Federation of Private Health and Community Development Associations) is an account of one non-profit organization's efforts to reach sustainability through entrepreneurial thinking, strategic planning, and good management.

FEMAP is a voluntary federation of 44 affiliates that offer a wide range of medical and community services to Mexico's poorest citizens. The affiliates voluntarily associate with a central office that supports them in a management capacity. Affiliates retain their autonomy as independently incorporated organizations, participating in the federation as part of a general assembly and as board members.

FEMAP carries out its mission through the work of *promotoras* (volunteer community outreach workers), service providers, managers, and volunteer patrons (community leaders who guide its work). The *promotoras* serve as a model and information source for the rest of the community. They empower other women to make similar changes and serve as the principal link between families and FEMAP's community health services. Community health is at the center of FEMAP's services. Attention is also paid to the connection between broad community development and improved health care. Affiliates offer ecological education, clean water and sanitation services, recycling campaigns, home improvement programs, and community banking in an effort to transform neighborhoods into thriving communities.

In 1992, USAID informed FEMAP that its bilateral population assistance of $1 million per year would end in five to six years' time. FEMAP would have to learn how to survive without its main source of external assistance. It would have to develop into a sustainable organization.

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[5] This case was adapted from *Building Sustainable Health Services: The Story of FEMAP,* Management Sciences for Health, (Boston: 2000) and was supplemented with information from FEMAP's website, www.femap.org. To order a copy of *Building Sustainable Health Services: The Story of FEMAP,* please e-mail Management Sciences for Health at bookstore@msh.org or order a copy through their website, www.msh.org.

How FEMAP Enhanced Its Sustainability

FEMAP started by re-examining its mission and as a result renewed its commitment to serve the poorest of the poor and decided to strengthen its client focus. It also developed a new strategy and began to implement it by focusing on three main areas: developing management practices, building capabilities at the central level and identifying new opportunities to generate revenue. The role of the central office was redefined, staff numbers were reduced and the central office began charging for its services, selling products, and developing central capabilities rather than giving away assistance to its affiliates.

Developing Management Practices to Sustain Services

FEMAP studied the market by conducting surveys to learn about its clients' characteristics, their reaction to services, the amount they would pay, and the competitive environment in which the organization functioned. The results supported a plan to develop high-quality, low-cost services to attract more clients.

FEMAP acted on the belief that accessible, high-quality health services are a fundamental right of the population. It identified ways to evaluate quality of care from its clients' experiences in health facilities. The central office also worked to institutionalize service quality in its affiliates by encouraging positive attitudes of staff toward clients and building technical competence of staff at all levels. The improved quality led, as expected, to increases in the volume of services. To serve this growing number of clients, FEMAP had to adjust its use of resources to ensure that quality standards continued to be met.

FEMAP systematically analyzed its cost structure (with assistance from the Population Council and MSH/FPMD). This enabled it to do several important things: identify opportunities for cutting unnecessary expenditures; assign priority to services that generated net income; eliminate nonessential services that did not generate a profit; improve and, if necessary, cross-subsidize, essential services; and set prices or fees as low as possible, just slightly above cost.

Building Capabilities to Support Expanded Services

The central office encouraged its affiliates to expand and develop, supporting them through a revolving loan system established with seed funds provided by donors. Loans were provided for purchasing construction materials and medical equipment, indeed anything that assisted growth.

The central office took over the ordering and handling of supplies, establishing a system to consolidate the affiliates' purchases and handle all logistics through an electronic ordering system. By pooling procurement services, the central office was able to obtain quantity discounts for large-volume orders, reduce affiliates' unit costs for supplies and services, and generate fees for handling supplies.

To deal with all the information from their expanded network of clients, FEMAP invested in the development of a proprietary management information system in partnership with a local computer-programming specialist.

Identifying New Opportunities to Generate Revenue

FEMAP's local board of directors networked intensively in the private sector, developing new contacts, and identifying regional opportunities for new services. As a result it was able to diversify its funding sources. New local and international donors were attracted by its recent success in generating income. FEMAP established a foundation in the U.S. to raise funds for its programs. By the end of 1998, the foundation had an endowment of $1.5 million.

To further diversify its income and address community needs, FEMAP added an array of community development services, such as micro-financing for small enterprises, to its health program. Using social entrepreneurship, FEMAP launched several new programs, including laboratory and imaging services, social marketing for contraceptives and health products, a factory-based health program, and a network of social pharmacies.

FEMAP's Sustainability Achievements

Over a six-year period (1992 to 1998), FEMAP increased its total revenue by 40 percent. At the same time the composition of its income shifted away from international and local donations, which fell respectively from 25 percent to eight percent and from 15 percent to 12 percent, while service fees increased from 60 percent to 80 percent of total revenue. Its cost recovery rate increased from 72 percent to 91 percent.

FEMAP significantly lowered costs and passed the savings on to clients in the form of lower fees (Graph 1). It increased the utilization of its medical services by over 600 percent (Graph 2)! At the same time it managed to maintain its core services (Graph 3) and remain true to its mission, namely to provide services to the poor.

All this was achieved by careful planning and execution of a strategy to generate more income by using resources efficiently and for the benefit of clients and by integrating its mission, structure and systems to support this strategy.

Graph 1. Performance of Seven High-Performing FEMAP Affiliates 1993-1996
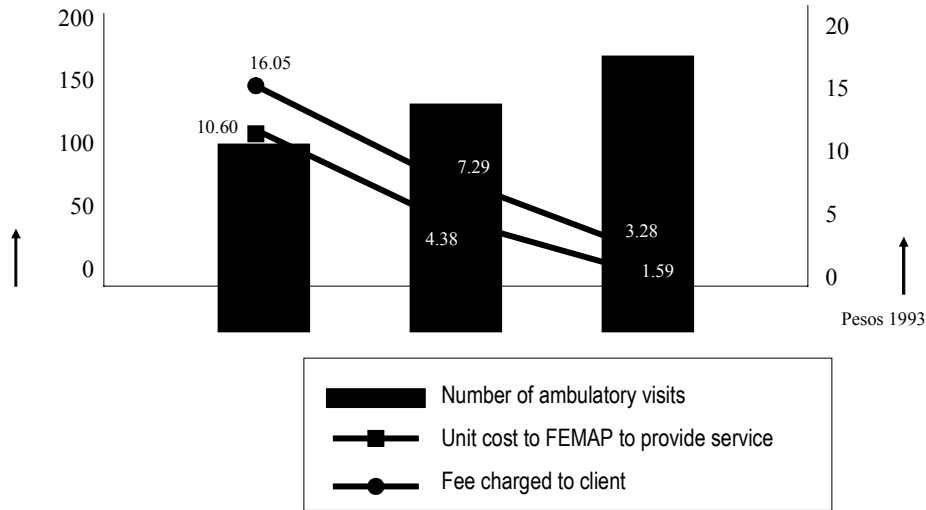
Affiliates: Acapulco, Cd. Juárez, Irapuato, Matamoros, Mazatlán, Tapachula, Veracruz

These high-performing affiliates achieved significant gains in efficiency by reducing costs by 85 percent and fees for visits by 80 percent.

Source: *Building Sustainable Health Services*, MSH, 2000

Graph 2. Increased Volume and Revenue from Fees in FEMAP's Clinics and Hospitals
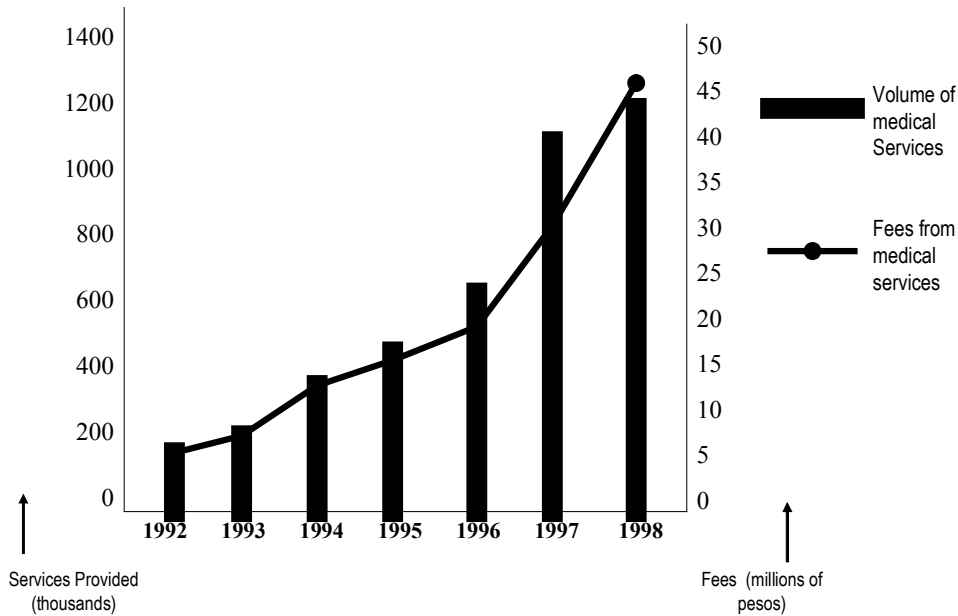
FEMAP made dramatic gains of 634 percent in the volume of medical services provided, from 160,158 services in 1992 to 1,175,175 services in 1998. Services included consultations and laboratory tests. Revenue from medical service fees increased from 6.7 to 46.1 million pesos, which represented a real increase of 123 percent.

Source: *Building Sustainable Health Services,* MSH, 2000

Graph 3. FEMAP's Gains in Couple Years of Protection
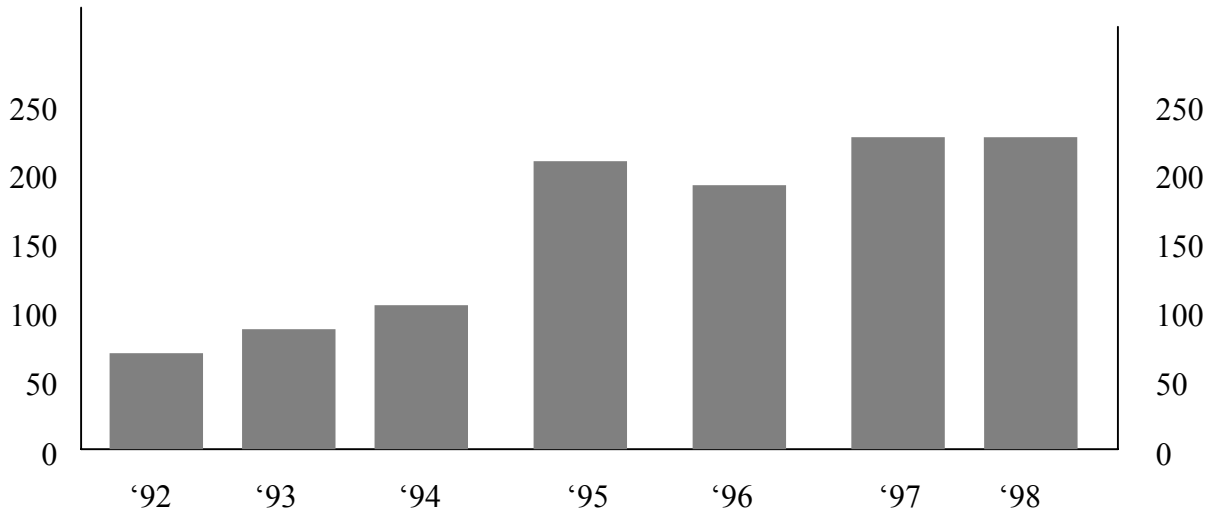
Couple years of protection (CYP) achieved by FEMAP's family planning program remained relatively constant from 1995 to 1998, despite a decline in promotoras in 1998 resulting from the temporary decline in the availability of low-cost contraceptives.

Section 2: How Sustainable Is Your Organization?

How do you know whether you are successfully on the path to sustainability? How do you know which areas need strengthening? How can you judge if you have made any progress?

These are the issues addressed in this second section of the guide. Chapter 4 presents a tool—an Assessment Matrix—that enables NGOs to assess their sustainability. The matrix is not designed to provide a comprehensive evaluation of the program, management systems, or functioning of the organization. It has the more limited purpose of assisting organizations to reflect on those current practices that have implications for achieving sustainability. These reflections will then serve as the basis for discussions about possible actions that could be taken to enhance sustainability.

Three broad aspects must work well for an organization to be sustainable—institutional, programmatic, and financial aspects. The Assessment Matrix is structured to reflect this.

By the end of Chapter 3, *Sustainability Assessment*, you will be able to—

- Recognize the specific features and actions that make an organization more likely to be sustainable

- Understand the process involved in assessing an organization's sustainability

- Assess how sustainable your organization is and where its weaknesses lie

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Section 2: How Sustainable Is Your Organization?

Sustainability Assessment

What an NGO Needs to Do to Become Sustainable

For an NGO to become sustainable it has, somehow, to put into practice the business of becoming a social enterprise. It has to build the four sustainability pillars. To do this the NGO has to make specific changes in the way it operates. This needs to happen in three key areas—the program, institution, and finances. All three are equally critical and have to be addressed simultaneously if efforts to become sustainable are to be successful.

> At the **institutional level,** the NGO needs to establish the internal systems, structure, and work culture that promote strong leadership and a positive organizational image, foster the belief that people are willing to support products and services they find valuable, and facilitate the development of plans for sustainability.

> At the **program level**, the NGO needs to carefully analyze the market and encourage community participation at all stages from design through implementation to evaluation of the program in order to offer quality services at reasonable prices.

> At the **financial level,** the NGO needs to have systems and strategies for generating adequate levels of finance and managing these resources well. It requires a good grasp of the nature and level of its costs and a preparedness to sustain its programs through a combination of cost reduction, cost recovery, and leveraging support from the community and donors.

To develop a sound institutional base, a strong programmatic approach, and sufficient funds, the NGO must undertake a number of different specific activities or practices within each of these areas. We have drawn up a list of 75 such practices and grouped them into 15 elements (five practices each element).

Of the 15 elements, five relate to *institutional* sustainability.

1. **Organizational commitment to sustainability**—the board and the senior leadership thinking and acting in terms of becoming self-reliant and decreasing donor dependency.

2. **Strategic planning for sustainability**—preparing long-term action plans based on market data and linking programmatic activities with their financial implications.

3. **Governance and leadership**—having governance arrangements that generate commitment, inspire and reward outstanding performance, and ensure accountability to their stakeholders.

4. **Human resources and personnel management**—establishing systems to attract, develop and retain competent and highly motivated staff.

5. **Image, external relations, and networking**—cultivating and maintaining a positive image among NGOs, government organizations, donors, and clients.

Another five of the elements relate to *programmatic* sustainability.

1. **Community participation and ownership**—preparing the community to assume greater responsibility for and ownership of the benefits.

2. **Program quality**—having systems to plan, monitor, and continuously improve quality in the provision of commodities and services.

3. **MIS and data based planning and decision making**—having systems to capture changing program and financial realities and to utilize such data for making timely decisions.

4. **Marketing/information, education, and communication (IEC)**—implementing marketing and communication strategies in order to understand changing demand and to promote services with a client focus.

5. **Logistics**—having systems that are effective in forecasting, procuring, stocking, and delivering supplies without delays and stock-outs.

The last five relate to *financial* sustainability.

1. **Financial management**—having financial systems and procedures that provide clear and timely accounts of the financial position of the organization.

2. **Cost reduction**—reducing the costs of providing services.

3. **Cost recovery**—recovering costs of service provision from clients and the community.

4. **Revenue/income generation**—raising resources through institutional earnings.

5. **Leveraging**—using assets to attract and leverage resources from the community, the government, and diverse donors.

Assessing Sustainability—The Matrix

For each of these 15 elements we have devised a set of five questions (i.e. 75 questions in total) to assess the extent to which an organization is doing well in relation to that element. We have taken these 15 elements with their 75 questions and put them down the vertical axis of a matrix. On the horizontal axis of the matrix we have placed four columns describing different

frequencies ranging from "not practiced" to "almost always practiced." This is our Sustainability Assessment Matrix.

The matrix is best completed by involving a cross-section of staff and board members together with the support of a facilitator. The first few steps are undertaken separately by each individual involved, then the group discusses its findings and draws conclusions.

Step one.   **INDIVIDUALLY**. Get an idea of the overall structure of the matrix and then go to the first point or practice described in the first column "The organization has a vision of itself as…." To what extent do you think this is true of your organization? Not at all? Somewhat? Mostly? Almost always? Tick the appropriate column.

Go to the next point or practice and do the same. Continue until you have assessed all the points in the matrix.

If the answer for any particular practice is that it is "almost always true," then specify more precisely what it is that your organization does in relation to that practice. We will want to refer back to these more successful aspects of your organization at a later stage (Chapter 14, *Crafting Strategies*).

Step two.   **INDIVIDUALLY**. Calculate the score for the different elements. Above each column there is a number that indicates the score to give each practice depending on whether the practice is common in your organization or not. The more common the practice in your organization the higher the score it will get, as follows.

Frequency	Score
Not true or not in practice	0
Somewhat true or being considered	1
Mostly true or often in practice	3
Almost always true or currently in practice	4

Add up the scores of the five practices in each element to get an "element score." You should have 15 element scores. Enter this score on the Score Sheet (at the end of this chapter) in the Individual Score column. Continue until all practices and elements have been scored and recorded.

Step three.   **AS A GROUP**. Now come together as a group to discuss your findings. Compare the individual scores you each have for the 15 elements. Agree on a common score. This may take some time particularly if staff and board members are in disagreement about several points. The debate may be quite revealing of differences in understanding and perceptions of the organization. The facilitator will need to judge just how much of the discussion is fruitful.

Step four.   **AS A GROUP**. Plot common scores for each element on the Sustainability Profile Matrix (at the end of this chapter).

Step five.   **AS A GROUP**. Identify the priority elements that your organization should work on to enhance its sustainability. Identify those elements in the Sustainability Profile Matrix that scored less than ten (out of a possible 20). These elements ideally need attention. But having a low score is not the only factor to consider in assessing which ones should have priority. For each of those low-scoring elements consider also the feasibility of making improvements. Give a higher priority to those low-scoring elements where it is easier to see how improvements can be made in the current circumstances, or where the biggest improvements can feasibly be made. Record your conclusions in the score sheet giving "1" to the highest priority element.

Using the Results for a Broader Assessment

The results from the matrix can also be used to develop a better understanding of the sustainability of the whole organization. Somewhat arbitrarily we have defined levels of organizational sustainability as follows—

- Sustainable: 11 or more elements are above 15

- Progressing Toward Sustainability: 11 or more elements are above 10

- Poised to Become Sustainable: 11 or more elements are above 5

- Presently Not Sustainable: 11 or more elements are below 5

Refer back to your Sustainability Profile and identify which category your organization is in.

These stages are not permanent categories. It is quite possible to move from the "Not Sustainable" to a more sustainable category. It is also possible to move down the continuum if you do not continue to adapt to the changing needs of your clients and the community.

Below is an example of what each of the sustainability stages might look like in one country. The specifics will vary somewhat from country to country depending on the context, particularly the current level of key reproductive and child health indicators, people's willingness to pay for services, and the availability of other options for generating income to subsidize services.

Sustainable

All board and management decisions within the organization are driven by a concern for sustainability, there is a long-range business plan, and collaboration and working in partnerships are the norm. The external image of the organization is favorable and its good performance has attracted the attention of the government and multiple donors. Staff members enjoy a sense of security and a culture that recognizes and promotes merit and performance. Community ownership and management, in conjunction with public, private medical and commercial sectors, ensure continuity of program benefits and maintain contraceptive prevalence rates and other maternal and child health indicators at a high level. Most clients walk to or pay for services.

There is a high level of client satisfaction; services meet set standards of quality and the recipients of services continue to be the poor. Operating costs have been substantially reduced, revenues are generated within the community, and donor support requirements have been reduced to less than 20 percent of total expenses on the program.

Progressing Towards Sustainability

Concern for sustainability has been developed within the board, management, and staff and sustainability plans have been developed and are being implemented. The staff is competent, highly motivated, and is beginning to experiment with innovative ways of reducing cost, generating earnings, and tapping into community contributions. The organization provides benefits to the intended population, maintaining the contraceptive prevalence rates, and maternal and child health indicators at greater than 50 percent utilization. Standards of quality are met and the recipients of the services continue to be the poor. One quarter to one half of the clients either walk to or pay for services. Linkages to the public, private medical, and commercial sectors are being strengthened. The community is interested in and being prepared for taking over management roles and responsibilities. The organization continues to depend on alternative external donor support (more than 20 percent) of total expenses on the program.

Poised to Become Sustainable or Emerging

The organization has a strong commitment to provide benefits to the intended population, to maintain the contraceptive prevalence rate, scale, and coverage of reproductive health indicators, to meet reasonable standards of quality and to maintain the client profile (serving the poorest sections, low parity). It has dynamic leadership, a team of dedicated and competent staff, a strong program, a positive image, and efficient systems and linkages with the community and the public sector. It needs support in the area of financial management including cost analysis, managing overheads and indirect costs, and cost value ratios. It is currently dependant on a single donor and preparing to incorporate sustainability measures through cost reduction and revenue generation as well as looking for other donors.

Currently Not Sustainable

The organization may continue to exist, but would not be able to provide benefits to the intended population when the current donor support discontinues. Substantial strengthening is needed in areas of program development, management systems, and financial management. The organization has no significant source of revenue outside the existing donor funds and there is no active seeking of alternate funding. The organization would continue to require substantial investments from donors.

NGO Sustainability Assessment Matrix

Institutional Elements and Practices	0 Not True or in Practice	1 Somewhat True or Being Considered	3 Mostly True or Often in Practice	4 Almost Always True or Currently in Practice	Verification When the rating is 4, specify indicator for verification
1. Organizational Commitment to Sustainability					
▪ The organization has a vision of itself as self-sustaining and is making efforts to decrease donor dependence and diversify revenue sources					
▪ The organization has a business-like approach to providing social services (e.g. concerned with efficiency and the value of services and is responsive to the client needs)					
▪ The organization views charging user fees as acceptable and viable					
▪ The organization is prepared to reduce costs					
▪ The organization is prepared to eliminate low-performing cost centers					
Element Score					
2. Strategic Planning for Sustainability					
▪ The organization's vision and mission are known, understood, and shared by the staff and community					
▪ Strategic plans exist and articulate goals, objectives, key activities, and financial implications of the activities					
▪ Strategic plans are based on market data, responsive to changes in external environment, and used to review progress and keep performance on track					
▪ Program staff and communities participate in strategic planning exercises					
▪ Strategic plans include activities for revenue generation and cost reduction					
Element Score					
3. Governance and Leadership					
▪ The board has a diverse membership (in terms of disciplines, age, and gender)					
▪ Board members are active in promoting the organization's image and fundraising for the organization					
▪ The board is distinct from management and supportive of the RH program					
▪ Systems are in place for participatory decision making, delegation, and team work					
▪ Performance and accountability are promoted or rewarded					
Element Score					
4. Human Resources and Personnel Management					
▪ Documented personnel policies are available and known					
▪ Personnel policies are consulted when hiring, supervising, or reviewing staff performance					
▪ Clearly-defined, written job descriptions and work plans exist and are consistent with the training and capabilities of staff					
▪ Staff development plans exist to improve staff's performance, motivation, and teamwork					
▪ Measures exist for retaining key staff and maintaining organizational continuity through promotions, time, and cost-sharing of staff and transfers between programs					
Element Score					

Institutional Elements and Practices	0 Not True or in Practice	1 Somewhat True or Being Considered	3 Mostly True or Often in Practice	4 Almost Always True or Currently in Practice	Verification When the rating is 4, specify indicator for verification
5. Image, External Relations, and Networking					
▪ The organization documents and widely disseminates experiences and achievements in the program via reports, articles, seminars, workshops, conferences, and exhibits					
▪ The organization has a positive image with the community, government organizations, and donors					
▪ The organization has strong linkages and networks, creating opportunities for collaborative activities					
▪ Key individuals demonstrate charisma and commitment and employ them to foster networks					
▪ Staff are assigned responsibility for developing messages that communicate the organization's direction and the issues it addresses					
Element Score					
6. Community Participation and Ownership					
▪ Community-based organizations or groups exist and their capacities have been employed to assist the organization and its programs					
▪ Volunteers have been identified, trained, and motivated to share program responsibilities					
▪ The community is involved in needs assessment, planning, monitoring, and evaluation					
▪ The community is involved in making decisions about how program funds are expended and generated					
▪ People in the community make contributions (in-kind, money, labor) to the program					
Element Score					
7. Program Quality					
▪ Eligible couples are in regular contact with community health workers during which they are given correct and complete information on the use of contraceptives (either through home visits or depots)					
▪ Systems are in place for training service providers and providing facilitative supervision to ensure compliance with service guidelines and protocols					
▪ There are a variety of family planning methods and reproductive health services being provided to clients with emphasis on client choice and satisfaction					
▪ There are low dropout and high client continuation rates					
• There are strong referral linkages with the public sector or NGO facilities that result in effective referrals					
Element Score					
8. MIS, Data Based Planning, and Decision Making					
▪ Data exists and are updated to assess the satisfaction and RH needs of clients					
▪ Data exist to identify current availability and utilization of RH services					
▪ Staff use data for planning, monitoring, and providing feedback on service delivery					
▪ Indicators exist for monitoring implementation and evaluating program impact					
▪ Managers utilize information gathered from the MIS to regularly monitor budgets vs. expenditures and program performance					
Element Score					

Institutional Elements and Practices	0 Not True or in Practice	1 Somewhat True or Being Considered	3 Mostly True or Often in Practice	4 Almost Always True or Currently in Practice	Verification When the rating is 4, specify indicator for verification
9. Marketing/Information, Education, and Communication (IEC)					
▪ The organization has a marketing/communication strategy for reproductive health promotion					
▪ A system exists for conducting market analysis and using the findings to tailor products and services					
▪ A variety of communication materials are available and are used at the community level					
▪ A high awareness of and demand for reproductive health services has been created					
▪ Managerial and field staff have marketing/communication skills					
Element Score					
10. Logistics					
▪ Systems exist for forecasting contraceptive and supply requirements					
▪ Contraceptives and supplies are procured following written guidelines and procedures					
▪ A system exists for inventory control and maintaining stocks					
▪ There have been no occasions in the last 6 months when an item has run out of stock (respond 0 if there was an occasion of no stock or 4 if stock was always available)					
▪ Managerial and field staff have been trained in logistics management					
Element Score					
11. Financial Management					
▪ The program uses cost analysis to determine unit, fixed and variable costs, and tracks costs against benefits to determine operational efficiency					
▪ Financial reports are consistently used for management decisions					
▪ The organization prepares long-range financial plans with projected income and expenditures					
▪ Financial data on income and expenditure are routinely collected and segregated by cost centers					
▪ Routine audits are conducted of the entire organization, not only individual projects					
Element Score					
12. Cost Reduction					
▪ Systems for competitive and bulk procurement are in place					
▪ Efficient options for delivery of services are assessed and implemented					
▪ The organization minimizes hierarchy and unnecessary management levels					
▪ When utilization is low, fixed costs are shifted to variable costs (e.g. pay nurses based on number of clients seen rather than a fixed salary)					
▪ Resources are shared with other organizations to minimize costs					
Element Score					

Institutional Elements and Practices	0 Not True or in Practice	1 Somewhat True or Being Considered	3 Mostly True or Often in Practice	4 Almost Always True or Currently in Practice	Verification When the rating is 4, specify indicator for verification
13. Cost Recovery					
▪ Systems/procedures for charging fees for services exist					
▪ A system of exemptions exists for the benefit of the poorest clients					
▪ A client survey has been done to determine the beneficiaries' capacity to pay					
▪ Beneficiaries value the quality of services and are willing to pay for them					
▪ Prices for products and services provided by competitors are routinely monitored					
Element Score					
14. Revenue/Income Generation					
▪ The organization sells program-related goods and services to new sets of clients (e.g. sell project materials or charge professional fees for services such as training)					
▪ A separate commercial venture is being undertaken or considered					
▪ Staff has basic business skills					
▪ Annual targets are set and systems and procedures exist for income generation					
▪ Investments, reserves, or assets are used to generate income					
Element Score					
15. Leveraging					
▪ The organization receives support from a variety of donors, government agencies, and individuals					
▪ Capacity exists to write new proposals for donor or government agencies					
▪ Endowments have been established with contributions from community organizations or donors					
▪ Local donors are cultivated through special events and other local fundraising activities					
▪ Income from unrestricted sources is used to subsidize the costs of other projects or to raise additional funds					
Element Score					

Score Sheet

INSTITUTIONAL ELEMENTS	Individual Score	Team Score	Priority order for low-scoring elements (1 = highest priority)
Organizational Commitment to Sustainability			
Strategic Planning for Sustainability			
Governance and Leadership			
Human Resources and Personnel Management			
Image, External Relations, and Networking			

PROGRAMMATIC ELEMENTS	Individual Score	Team Score	Priority order for low-scoring elements (1 = highest priority)
Community Participation and Ownership			
Program Quality			
MIS, Data Based Planning, and Decision Making			
Marketing/IEC			
Logistics			

FINANCIAL ELEMENTS	Individual Score	Team Score	Priority order for low-scoring elements (1 = highest priority)
Financial Management			
Cost Reduction			
Cost Recovery			
Revenue/Income Generation			
Leveraging			

**Plot the scores in the Sustainability Profile Matrix.

Sustainability Profile Matrix

	INSTITUTIONAL	PROGRAMMATIC	FINANCIAL

	0	2	4	6	8	10	12	14	16	18	20
Organizational Commitment											
Strategic Planning											
Governance and Leadership											
Human Resources and Personnel Management											
Image, External Relations, and Networking											
Community Participation and Ownership											
Program Quality											
MIS, Data Based Planning, and Decision Making											
Marketing/IEC											
Logistics											
Financial Management											
Cost Reduction											
Cost Recovery											
Revenue/Income Generation											
Leveraging											

Section 3: Institutional Aspects of Sustainability

The characteristics of an organization's internal systems, structure, work, and culture play a key role in ensuring its long-term survival. These institutional features underpin much of what makes an organization sustainable.

Three important elements of institutional sustainability are addresses in this section—the organization's vision, mission, and values, the way the organization is governed, and how the organization builds its external relations and image. These "big picture" features of an organization shape and guide "what the organization is," "what it does," and "why it does it."

Values, Mission, and Vision (Chapter 4) defines the kind of organization an NGO is or aims to be. They guide the actions of individuals, teams, and groups and focus energy towards the accomplishment of common goals. They help the organization create a distinctive image and identity, clarify strategy, and inspire commitment. And, they are critical to defining what should be sustained and how.

Good Governance (Chapter 5) is a key component in overall organizational effectiveness, vitality, and dynamism. Organizations that have systems of good governance tend to act in accordance with their mission, utilize resources efficiently, and balance the interests of external stakeholders and internal constituencies. They are also much better placed to achieve sustainability. The growing complexity of NGOs—in terms of range of services, size of operation, and multiplying sources of funding—makes governance a particularly pressing issue.

Strategic Communication (Chapter 6) promotes a positive organizational image and facilitates strong external relations. Organizations that communicate their successes, advocate for their issues and explain the benefits of collaboration are more likely to receive the support necessary to sustain and expand their programs.

By the end of Chapter 4, *Values, Mission, and Vision*, you will be able to—

- Clarify values that give life to your organization
- State, and if necessary modify, the mission of your organization
- Define the vision for the organization

By the end of Chapter 5, *Good Governance*, you will be able to—

- State the importance of governance in helping organizations become sustainable
- Identify the primary responsibilities of an NGO board of directors
- Define board effectiveness

By the end of Chapter 6, *Strategic Communication*, you will be able to—

- Describe strategic communication

- Understand how strategic communication can enhance your organization's image

- Recognize the steps involved in devising a strategic communication strategy

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Section 3: Institutional Aspects of Sustainability

Chapter 4

Values, Mission, and Vision

It is important to lay on the table the fundamentals of your organization before taking steps towards sustainability. This is true for two reasons.

First, you need to be sure to always have the basic purpose and rationale of the organization in mind before embarking on any change. What is it that is worth sustaining?

Secondly, you need to consider the underlying values of the organization so that these can inform any proposals for action that emerge. Are the kinds of strategies you are proposing compatible with the organization's guiding values? Perhaps you might even consider revising the values and mission of your organization, or at least opening a debate about them, if they appear unreasonably in conflict with sustainability strategies that emerge.

Values

Organizations working in the field of public health and social development exist because the board, senior leadership, and the staff in general share a set of values and beliefs. These values provide the inspiration to carry on working even under the difficult conditions that prevail from time to time. Values fuel commitment. They also define the boundaries of what is negotiable and what is not—specifying the central core that is essential to the distinctiveness and integrity of the organization.

It is likely that you remain in your job as a board member or a staff person in part because you share some personal values with the organization. These might be people-oriented values such as honesty, social commitment, trust, sharing, consideration, compassion, courage, or human service. Or perhaps they are work-oriented values such as accomplishment, efficiency, responsibility, learning, client focus, or responsibility.

> *Values are beliefs and judgments about what is worthy, important and desirable and are expressed through individual behaviors and organizational culture. Values determine the intent and form the basis of defining core priorities.*

List three or four deeply held values you have and would want to see expressed through your organization's work. These are values that come from the heart and that you would care about, no matter where you worked. Consider values in relation to clients, customers, community, colleagues, stakeholders, and donors.

_____

_____

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There may be tension between the organization's values and some sustainability strategies. For example, charging for services might be seen as undermining the value an organization places on serving the poor and staff might resist implementing that strategy. To build commitment to sustainability within the organization, these tensions must be addressed either by discussion on how the strategy fits within the values or by selecting different strategies.

Mission

Mission means purpose. An organization's mission statement is a description of why the organization exists and what, in broad terms, it does. The mission statement clearly charts the future direction of the organization and establishes a basis for decision making. Organizations with financial, operational, and image problems can often trace their troubles to the lack of focus that comes from not having or not communicating a clear institutional mission.

> *A mission statement describes the purpose of the organization and the reason for its existence.*

A mission statement has multiple uses. It is a management tool constantly referred to by those making management and policy decisions, a guide for action helping to define the way the organization conducts its activities. (It should, for this reason, be clearly understood by all staff of the organization.) Image building and "brand-marking" for an organization often draw on the mission statement for inspiration. Individuals donate money and become volunteers primarily because they identify with the mission of the organization. It can also guide the choice of sustainability strategies. For example, if the organization's mission is to reduce maternal and infant deaths, then it would be appropriate to seek funds from USAID or UNICEF.

If you have a mission statement, write it out or attach it here. Then consider the guidance provided in the following paragraphs and see how you might improve it.

If you don't have a mission statement, read the following paragraph, and prepare one.

Elements of a Mission Statement

WHAT?
(Goods and services offered to satisfy customer needs)

HOW?   WHO?
(Activities, technologies)   ("Customer groups" competence)
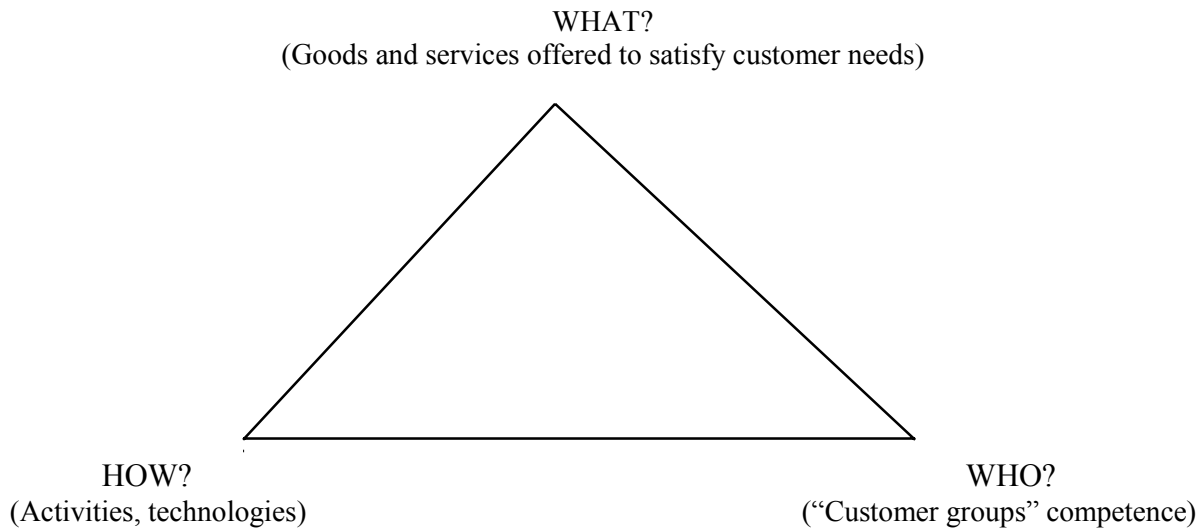
The mission statement should address the following questions—

- What are the basic needs that this organization fills?

- Whom does this organization serve? Who are its clients?

- How does the organization meet the needs of those it serves?

- What makes this organization unique?

- What values does this organization seek to promote?

The style of the mission statement should be—

- Clear, concise, and simple so that people within and outside the organization can easily understand it

- Brief enough for most people to keep in mind

- Focused on a single strategic thrust though broad enough to allow flexibility in implementation

- Able to energize the organization

Population Action International (PAI)

Population Action International (PAI) is dedicated to advancing policies and programs that slow population growth in order to enhance the quality of life for women and their children. It advocates the expansion of voluntary family planning, other reproductive health services, and educational and economic opportunities for girls and women. To these ends, PAI seeks to increase global political and financial support for effective population policies and programs grounded in individual rights.

Whitman-Walker Clinic

Whitman-Walker Clinic is a non-profit, volunteer-based, lesbian and gay, community health organization serving the Washington, D.C. metropolitan area. Our volunteers and staff are dedicated to providing or facilitating the delivery of high-quality, comprehensive, and accessible health care services. Our services are directed to all gay men and lesbians. We are proud of the Clinic's substantial contribution in the fight against AIDS. Our historic commitment to accessible health care moves us also to share our programs with anyone in need of HIV-related services.

Global Excellence in Management (GEM)

GEM's goal is to encourage and support new forms of cooperation between PVOs and NGOs and to build organizational capacities in order to promote sustainable, long-term development.

HIV Community Coalition

To educate, support, advocate, and voice concerns on HIV/AIDS related service, programs, and policies within the Washington metropolitan areas.

Children's Defense Fund

The mission of the Children's Defense Fund is to *Leave No Child Behind*® and to ensure every child a Healthy Start, a Head Start, a Fair Start, a Safe Start and a Moral Start in life and successful passage to adulthood with the help of caring families and communities.

Pact

Pact's mission is to contribute to the growth of civil societies—where citizens acting together can express their interests, exchange information, strive for mutual goals and influence government.

Having agreed on a mission-statement continued effort is required to make it a living template for day-to-day action. To achieve this—

- Ensure that those in leadership positions are seen using the mission statement daily, visibly, and consistently

- Recognize that it takes time before the mission becomes ingrained

- Incorporate the mission statement in training exercises, teaching staff why it is there and how to use it

Although a mission statement provides an anchor in the policy and decision making processes it is not immutable, cast in stone. It should be reviewed annually to see whether changes in the external or internal environments render the mission or parts of it obsolete. When considering a radical change in mission, consult lawyers or attorneys to ensure that the changes do not conflict with the requirements of registrations and other forms of legal documentation. Too many changes or changes that are too drastic could jeopardize the organization's tax-exempt status, for example.

Vision

The "vision" of an organization is the image of what the organization will be like in the future some three to five years from now. It is a dream created in waking hours that captures what the organization could be or possibly become based on the best of the organization's accomplishments. It describes what desired change will be achieved when the organization's accomplishments are sustained. It is a bold statement that goes beyond the present and challenges the organization to new levels of excellence. When guided by a vision, people believe their efforts can make a difference, and they work with greater commitment. Effective leaders create and communicate an inspiring image of the future and enroll others in its pursuit.

> *Vision: A living picture of a future desirable state.*

What are the accomplishments of your organization that provide a sense of pride for the people associated with it?

Based on this, describe your vision for your organization and the community it serves. Bear in mind that vision—

- Comes from the heart
- Is radical and compelling
- Provides a sense of pride for the people associated with the organization

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Good Governance

Governance and Boards

Governance is a term used to describe the processes and structures that direct the operations and activities of organizations.

An organization's board of directors plays a key role in governance. The board—comprising several individuals who work for a fixed term on a voluntary basis—is the governing and the policy-setting body that bears legal responsibility for the organization it serves. The nature of a board changes as organizational needs change, and it is possible to observe a "life cycle" in the transformation of many boards over time.

In the early stages of an organization the board will often follow a visionary leader or be steeped in hands-on work. As the organization grows, this arrangement becomes strained, compelling the board to take a stronger role in governance, be less of a cheerleader for the founding member and hand over the operational involvement to a strong chief executive. In this evolution from an "organizing" board to a "governing" board, a committee structure may develop, and the board begins to understand and accept the fundraising role. If the organization grows further, the board might transform into an "institutional" board with many well-connected members and a focus on fundraising.

Why Have Boards?

All organizations, including yours, have boards. *What purpose do you think they serve?*

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Boards represent the ownership of the organization and act as trustees of public good, protecting the integrity of those trustees not physically present. They bear legal responsibility for the organization. They are also a vital connection with the larger community of different stakeholders and constituencies such as management, staff, volunteers, governments, donors/funding agencies, communities, and clients.

Board members provide policy direction and leadership. They create operational frameworks that help ensure that the organization's mission is being accomplished, adequate resources are being

mobilized and spent efficiently, assets are well managed, and the image of the organization is fortified.

Primary Responsibilities of Boards

The board should be a key resource in any organization. Unfortunately, however, boards sometimes perform only the minimum legally required—these are known as "sleeping boards." Others totally dominate the organization's functioning, blocking staffs' ability to do their jobs, or are totally subservient to and manipulated by staff. To avoid this, board members should, from the beginning, understand and agree upon their roles and responsibilities, including those that go beyond the requirements stipulated in the law. The key responsibilities of boards follow—

1. **Establish and oversee the mission and purpose of the organization.**

   The board has a fundamental role in articulating and endorsing the mission of the organization in a manner that helps staff and others become familiar with it. It oversees organizational planning and decision making to ensure that it is guided by the mission. The board also reviews the mission statement periodically to verify its relevance and responsiveness to changing conditions in the environment and, when necessary, revises it.

2. **Select, support, and review performance of the chief executive.**

   The way the board chooses and interacts with the chief executive has a lasting impact on the development and effectiveness of any institution. The chief executive together with board members constitutes a leadership team that will determine program direction and efficiency, public image, and fundraising. The board and the management functions are different and complementary. The board offers direction and a policy framework while the management, headed by the chief executive, conducts day-to-day business. The board oversees and supports the chief executive and staff. Mutual respect and support should be the keystone.

3. **Provide long-range direction and evaluate programs.**

   The board of directors drives the organizational planning processes. By their proactive engagement, its members are able to define and shape rather than just react to and ratify program directions and plans. Strong, dynamic, sustainable organizations need a focus on the long-range vision that the board should provide. It should also ensure that all programs are consistent with the mission of the organization, meet the needs of stakeholders, are cost-effective, of good quality, and responsive to the shifts and trends in community needs.

4. **Ensure the financial stability of the organization.**

   An organization can be effective only when it has adequate financial and human resources. Attracting resources is an important duty of the board members requiring skill, commitment, and influence. Board members should actively participate in fundraising, often beginning by contributing money themselves or asking friends and colleagues to do so (Box 5.1). They have a significant contribution to make in preparing the case for supporting the organization and persuasively presenting this case to prospective donors.

Fiscal management is another element of board responsibility that contributes to the financial stability and fiscal health of organizations. Usually, boards approve and adopt annual budgets. They also protect and manage financial assets and verify that fiscal policies are in place and are followed. They ensure compliance with funding policies and regulations and scrutinize the reports of certified public accountants.

Box 5.1 Board's Role in Fundraising: The Three "Gs"
The active role boards should play in fundraising is captured in the three "Gs."

Give: Board members should themselves make a donation of their money or expertise. This makes them much more persuasive when asking others to donate.

Get: Individuals are often invited to serve on a board because they are influential members of the community. They should use their connections to attract additional donations.

Go: If a board member is not willing or able to give directly or raise funds through their connections, then their role should be re-assessed. If they do not clearly contribute in some way to the organization, then it may be time for them to leave and for another active member to be recruited.

5. **Promote the image of the organization.**

Board members have a very special role in shaping the organization's public image and creating awareness about it. They command public attention because of their commitment, convictions, and contacts and can add value to the public relation efforts of the management and staff. Individual members should be well informed of the organization's programs and plans and should speak for the organization at appropriate opportunities. They should also participate in the variety of promotional strategies an NGO utilizes, including annual reports and documentation, speeches, and positive media coverage.

6. **Assess its performance systematically.**

The board of directors needs to step back and review its functioning periodically. As organizations mature, the leadership, governance styles, and structures need to evolve. New types of skills or expertise may be necessary, requiring training of existing board members or the recruitment of new ones.

7. Serve as a court of appeal.

Boards do not get involved in personnel issues and conflicts. Their role is to ensure the existence of a framework of clear and comprehensive personnel policies to assist the chief executive and administration to manage these situations. Occasionally boards may have to seek legal counsel and in some exceptional situations may be required to serve as a court of appeal.

Worksheet 5.1 provides a checklist designed to test the effectiveness of your board of directors. Worksheet 5.2 provides a checklist for board members to assess their fundraising activities.

References

BoardSource, formerly the National Center for Nonprofit Boards, is the premier resource for practical information, tools and best practices, training, and leadership development for board members of nonprofit organizations worldwide. A number of publications are free and can be downloaded from the BoardSource web site and other publications can be purchased. Web address: http://www.boardsource.org

Brinkerhoff, Peter C., *Mission-Based Management,* (Oak Park, IL: Alpine Guild, 1994).

Mathiasen, Karl III, *Board Passages: Three Key Stages in a Nonprofit Board's Life Cycle,* (Washington, DC: National Center for Nonprofit Boards, 2000).

Worksheet 5.1 Checklist for Board Effectiveness

An effective board of directors should demonstrate most of the following features. Use this checklist to identify areas where your board needs to grow. Each member—

- Is able to state the mission and goals of the organization and supports them consistently

- Has up-to-date information on the organization's activities

- Is aware of and understands the primary responsibilities of boards of directors

- Concerns itself with policy direction and maintains checks and balances; leaves day-to day management to the chief executive and staff

- Understands the role and duties of the chief executive; supports and monitors his/her performance

- Is aware of board and committee structures and the roles of different members and the activities of committees

- Is aware of the process for recruiting, rotating, and replacing members

- Is well versed in the by-laws and the procedures and processes for amendments

- Knows how and when meetings are scheduled and always completes the quorum

- Contributes to well-planned agendas and well-facilitated meetings that conduct business in a timely and professional manner

- Oversees the fiscal management of the organization and actively engages in fundraising

- Actively engages in protecting and promoting the image of the organization

- Recruits new members in accordance with the changing needs of the organization

- Periodically reviews individual and group performance to make and implement plans for board development

- Provides leadership in defining long-range direction and organizational planning for sustainability

- Negotiates key stages in the board's life cycle

Worksheet 5.2 Board Fundraising Checklist

An effective fundraiser should be able to answer most of the following questions in the affirmative—

- Do I understand the plans and program for fundraising?

- Do I fully understand and endorse the case for why someone should contribute?

- Do I contribute to the fullest measure within my means? (i.e. make a "stretch gift")

- Do I continually offer suggestions of other names to add to the mailing list?

- Do I assist staff in identifying and evaluating prospects—individuals, corporations, and foundations?

- Do I share in cultivating key prospects?

- Do I make introductions to enable others to make solicitation visits?

- Do I accompany others on solicitation visits?

- Do I write follow-up and acknowledgement letters?

- Do I write personal notes on annual appeal letters?

- Am I prepared to make a solicitation myself?

Adapted from: F. Howe, *Fund Raising and the Nonprofit Board Member*, (National Center for Nonprofit Boards, 1990).

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Strategic Communication

What Is Strategic Communication?

Communication involves conveying a message or idea to an audience—some group having a stake in the organization, its community, clients, collaborators, or donors (i.e. one of the organization's "publics").

Strategic communication is communication that is *planned, focused on achieving an objective, and issues-based.* It is generally pro-active with opportunities being sought to deliver messages. But when a spokesperson put on the spot reacts by delivering a message, this can also be part of a strategic communication strategy. The key element is that some planning is involved. As well as being planned, strategic communication seeks to achieve a communication objective such as "to create awareness," "to inform," or "to change behavior." In general, strategic communication is issues-based. It addresses some specific topic—usually one that is having or might have an impact on the organization—and its messages are targeted to the audience that needs to hear about that issue.

Strategic communication is both an art and science. There are steps to follow, but much of what contributes to the process is subjective and personal. It is a long-term and ongoing process.

Strategic Communication—Essential for Sustainability

An organization needs to create a positive image in the minds of its various publics. Their perception of the organization, whether true or false, will determine, to a large extent, the success and survival of that organization. This perception is formed by what the organization does, what it says about itself and what others say about it. The public makes judgments based on all the different "messages" they receive from the organization. When the name of the organization is mentioned or when someone sees the name of the organization on a poster or in a brochure, it should evoke positive thoughts and images, a feeling of trust. Strategic communication seeks to increase the amount of trust between the organization and its publics.

Organizations often have limited resources. Networking with other groups to leverage resources or coordinate services requires good communication skills. For example, a spokesperson attempting to establish linkages and collaboration with other organizations needs to know how to communicate the benefits of collaboration or how to define "what's in it for them and us."

Finally, organizations need to maintain excellent external relations, not only with their community and other organizations with similar or complementary missions, but with other

stakeholders as well. Ministries, foundations, community activist groups, and other donors will bring needed support to the cause if they feel they have a good working relationship with the organization. Everyone needs allies.

The key ingredient in all these activities is good communication—the ability to send appropriate messages targeted to the audience.

Steps in Strategic Communication

The steps involved in strategic communication are similar whether one seeks to create a positive public image, to network with partners, or to create better external relations. Those steps revolve around three key areas—the issue, the audience, and the message. They are as follows.

The Issues

1. Identify the Issues

An issue is anything people are talking about that is having or might have an impact (positive or negative) on the way an organization does its business. Conduct as wide as possible a "scan" of the environment in which the organization operates, using everyone from the director to the drivers, housekeepers, and guards. All staff should be encouraged to keep their "ears to the ground," listening to what people are talking about. In particular, attention should be paid to—

- Informal communication in the form of gossip and overheard conversations
- Professional and technical sources including conferences, workshops, and journals
- Formal communications, such as speeches, letters, and telephone calls
- Policy, legislative, and regulatory actions
- Media in the form of news reporting and magazine coverage

Staff meetings should devote time to identifying the issues when a staff person notes activity or "buzz" from any of these sources.

2. Assess the Issues

Once identified these issues need to be assessed. This is best done by engaging different levels of the organization in the discussion of these topics. Ask—

- Who is doing the talking? Is it Mothers? Media? Nurses? Market vendors? Doctors?
- Are these publics important?
- What is the level of "buzz?" Lots of talk? Only one or two people? The whole town? At this stage it is the level of "buzz," not the intensity or passion which is of interest.

Classify the issues as "hot," "warm," or "cool," depending on whether they need attention immediately, need careful watching, or can be put aside for the moment.

3. Frame the Issues

Framing issues involves asking two questions. The information generated from this process will contribute directly to the content of the messages.

The first question is "Why is this an issue?" This question should be repeated and reconsidered until a clear understanding of the issue is reached. All aspects of the issue should be developed. Sometimes an issue will be so large that it will have sub-issues. Express issues in neutral terms without qualifiers. For example, use "resources" rather than "lack of resources" as the definition of the issue. This avoids biasing the discussion.

The second question is "What will happen if we don't address this issue?" The answers to this question should address the issue's potential impact on the organization's business.

4. Prioritize the Issues

Review the information generated during the identification, assessment, and framing of the issues and choose those that need to be addressed first. There is no harm in consulting "gut feelings." Remember that warm or even cool issues, when framed, may turn out to be a priority.

The Audiences

5. Identify the Audiences

Brainstorm to determine who needs to hear about this issue. Make and circulate a list. Start with those audiences closest to the organization (e.g. clients) and move outward, possibly ending, for example, with ministry officials and foreign donors.

6. Prioritize the Audiences

Based on the information gathered during steps one to four, determine who needs to hear about this issue right away. Establish some priorities. Once a primary audience(s) is identified, messages destined for other audiences may only need to be tweaked or adjusted. Try to be as specific as possible in defining audiences. "Community," "pregnant women," or "adolescents," for example, may be too broad as categories of audience. Try to narrow it down further (e.g. poor, young, pregnant women) as this will help in targeting your message.

7. Analyze the Audiences

This is a critical part of the strategic communication process. The better known the audience is, the more likely it is that a message can be crafted that will "hit home" and be well received.

Your audience will be interested in one main thing—what's in it for them. All other messages that fail to address this question will be quickly tuned out. So it is important to discover what are the audience's concerns, values, problems, issues, hopes, fears, worries, preoccupations, and dreams. See the world through their eyes.

Three tools that may help are described in the worksheets at the end of the chapter—

- What's In It for Me? (Worksheet 6.1)
- Likert Scales (Worksheet 6.2)
- The Trust and Agreement Grid (Worksheet 6.3)

Complete the three worksheets for each target audience. Work with a variety of individuals within the organization to gain different perspectives on the audience. Once the worksheets are completed, draw up a narrative profile or portrait of the audience based on conclusions drawn from the worksheets and developed by discussion in a group.

The Message

8. Set a Communication Objective for Your Message

Ask, "What do you want to achieve by communicating with the target audience?" Is it basically to inform or to persuade or is it to get agreement or motivate. Is it, more ambitiously, a call to action or an attempt to change a behavior?

Three critical points to remember when establishing communication objectives—

- Objectives such as "inform" or "create awareness" are easier to achieve than "changing behavior."

- Communication objectives are cumulative. Audiences that are aware, have sufficient information, and are persuaded and motivated will be more likely to change their behavior. This means that you should tackle the easier objectives before attempting the more difficult ones.

- Limit to one, or at most, two, your message's communication objective. Trying to achieve too many objectives dilutes the message.

9. Design the Message

Research shows that messages have a better chance of being "heard" by the audience if they are crafted so as to include the following three components—

- A general statement—a memorable, attention-getting phrase that is concise and broad in tone (i.e. a "sound-bite")

- Supporting facts—data that support and add credibility to the general statement

- Pertinent examples—locally relevant, audience-suited, "real-life" illustrations or anecdotes

Successful messages are also—

- **Relevant** to the audience and answer the audience's question "what's in it for me?"
- **Factual** (i.e. truthful, no matter how painful)

- **Consistent** with other messages disseminated from the organization
- **Concise** so that audience doesn't lose interest
- **Timely** (i.e. delivered at the right moment)
- **Believable**
- **Crafted in positive terms** with the "nots" left out
- **In plain language** (i.e. no jargon)

Box 6.1 illustrates some of these important features.

Box 6.1 Example of a Message

Clinic Anon wanted to attract couples who were interested in beginning to plan their families. Analysis of that target revealed that husbands were concerned about going to the clinic with their wives and about taking time off work and loss of income. Wives were worried about whether they would be able to get a contraceptive method that suited them. A message was developed targeted at these couples. It was structured in such as way as to inform and persuade.

It begins with a GENERAL STATEMENT of the services offered by the clinic. This is followed by supporting facts that address some of the concerns voiced by the target audience. A *story or example* helps to flesh out the reality of the clinic and the message concludes with a return to the GENERAL STATEMENT (or a close variation of it) as a way of reinforcing the essential message with the listener.

FOR STATE-OF-THE-ART FAMILY PLANNING SERVICES AND THE BEST CARE IN TOWN, VISIT CLINIC ANON.

- We offer the full range of family planning options for men and women.
- Our trained counselors and providers will help you pick the best method for you.
- We are open when you need us and payment is what you can afford.

Mamadou and Fatimata are interested in planning their family. They were worried and somewhat embarrassed about going together to the clinic. They heard through friends about Clinic Anon and went when Mamadou had finished work. At the Clinic, they were warmly received by a counselor. In separate facilities, each was able to talk freely with a provider. They were then counseled together to determine the best way to help them plan their family. Upon leaving the Clinic, they paid only what they could afford.

FOR THE BEST CARE IN TOWN AND FOR STATE-OF-THE-ART FAMILY PLANNING SERVICES COME SEE US AT CLINIC ANON!

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10. Deliver the Message

There are two types of vehicles that can be used to deliver a message: direct vehicles and indirect vehicles.

Direct vehicles involve people either in person as spokespersons (through speeches, meetings, one-on-one conversations, demonstrations, or rallies) or though the medium of letters, memos, live television, taped television, video conferencing, radio, email, or phone calls. If *you* are the vehicle, be aware of how body language and delivery style support or undermine your message.

Indirect vehicles include newsletters, posters, T-shirts, articles in a journal, briefing papers, radio reports, television coverage, advertising, and billboards.

Direct vehicles are generally more expensive (per individual touched by the message) but are often more effective in getting the message across. You will want to identify the vehicle that will have maximum impact for any given level of resources available (i.e. the most efficient).

(Item 11 is optional)

11. Link the Message with an Activity or Call to Action

Combining the message and audience with an activity (e.g. inviting adolescents to a clinic open house) is the ultimate in strategic communication and requires a lot of planning on all levels. If the decision is made to engage in such an activity, consider the following criteria. Does the activity—

- Contribute to the organization's mission or strategic goals?
- Provide ways to communicate your message using a variety of vehicles?
- Increase visibility and contribute to a more positive image?
- Demonstrate to the audience the organization's unique niche?
- Involve employees as ambassadors to the customers and community?
- Have high impact for the resources expended?
- Involve stakeholders?

Worksheet 6.1. Audience Analysis Tool—WHAT'S IN IT FOR ME?

Put yourself inside the head of your audience. Why is the issue you want to communicate important to them? How will the information you convey help them? How might a change in their behavior benefit them? Complete this exercise for each of your potential audiences.

Issue (e.g. Increase support for family planning services): _____

Audience	Why is this issue important to them?
e.g. parents	Healthier families, family resources not spread over many children
e.g. policy makers	Cost of providing public services (water, trash collection, health, education) increases with large population growth

Worksheet 6.2. Audience Analysis Tool—LIKELY RESPONSIVENESS

It is vital that you know your audience's interests and concerns. It is also helpful to know something about the way in which they are likely to respond to any communication strategy. Consider the following characteristics and rate your audience using a scale of (1) Low to (5) High.

Specify which particular audience you are addressing.

Characteristic	Rating (1 to 5)
Level of awareness of your organization	
Level of knowledge of your organization	
Level of awareness and knowledge of the issue	
Level of prior communication they have had from your organization	
Level of willingness to listen based on past experiences	
Level of receptivity to messages	

Worksheet 6.3. Audience Analysis Tool—TRUST AND AGREEMENT GRID

There are two features of the relationship that you have with your audience that have an important effect on the impact of any communication strategy you devise. They are trust and agreement.

Agreement is the degree to which the audience is in agreement with your goals, plans, vision, mission, strategies, and cause. Trust is the degree to which the audience perceives your organization to be credible, predictable, and reliable.

FOR ANY GIVEN ISSUE—and this should be done on an issue-by-issue basis—rate your audiences from low to high on both the "trust" and "agreement" dimensions. The following grid will show in which of five categories they can be placed: ally, opponent, bedfellow, fence sitter, and adversary. Someone, for example, who trusts your organization but is not in agreement with you on this particular issue, is an "opponent." A "concurrer" is someone who, on the other hand, doesn't trust your organization though s/he happens to agree with you on this issue.

A goal of good communication is to convert as many people as possible into "allies" by increasing the level of trust and agreement. Sharing information to encourage agreement and ensuring that statements are followed by actions to foster trust are good strategies.

Strategic Influencing

Concurrers Agree with your ideas. Low degree of trust between you. Unpredictable whether they will support you.		**Allies** Agree with your ideas. You trust them and they trust you. Likely to be your most enthusiastic supporters.
Fence sitters Unclear whether they agree. You don't trust them, don't know if they trust you. Never firmly for or against. Interest is self-protection.		**Opponents** Disagree with your ideas. You trust them and they trust you. You are "critical supporters."
Adversaries Don't agree with your idea. You don't trust them and they don't trust you. Negotiations of trust and agreement have not worked.		

AGREEMENT: High ↑ / Low ↓

TRUST: Low ←→ High

References

Alies, Roger*, You Are the Message,* (Currency/Doubleday, 1995).

Berg, Andy and Gilman, Karen*, Get to the Point: How to Say What You Mean and Get What You Want,* (Kendall/Hunt Publishing, 1995).

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Section 4: Programmatic Aspects of Sustainability

Programs are the hearts of organizations. They are how an organization achieves its mission. The other aspects of sustainability, while important, exist to support the provision of high-quality programs. The institution provides the structure to implement programs effectively and efficiently and finance provides and manages the required resources. The ability to provide high-quality services and products, that respond to clients' needs and to promote community ownership of the program, are critical to sustaining both the benefits and the organization.

This section explores how to improve the quality of programs, use marketing to understand needs and tailor and promote services, and facilitate community participation and, in some cases, eventual ownership. These three elements enable organizations to provide services and products that are valued by clients, the community, and donors. Valued services contribute to achieving the mission and meeting financial objectives, leading to sustainability.

Community Participation and Ownership (Chapter 7) explains how to mobilize community resources to support and eventually sustain programs. Organizations that build community capacity to plan, implement, and monitor programs have a solid foundation for continuing benefits. If done well, organizations can phase out of a community knowing that the program will be sustained.

Improving Quality (Chapter 8) includes technical and client perspective elements. It is a continual process built around a quality improvement cycle. There are a number of quality tools that can be used at the various stages of the cycle to identify and analyze problems, develop and implement solutions, and monitor results to ensure that quality has improved.

Marketing (Chapter 9) is a tool for understanding current and perspective client needs and translating them into valued services and products. It goes beyond advertising and promotion to underlie program development and implementation. By addressing the market mix of product, price, place, and promotion, organizations can effectively address client and community needs.

By the end of Chapter 7, *Community Participation and Ownership*, you will be able to—

- Explain participation and ownership concepts and draw their vital link to sustainability of program benefits

- Describe best practices for facilitating dynamic community participation and creating ownership (asset-based community development, positive deviance approach)

- Identify different steps in the process of creating sustainable community efforts and structures to maintain program benefits

- Assess the level of community participation and ownership

By the end of Chapter 8, *Improving Quality*, you will be able to—

- Describe what quality means and how it relates to sustainability
- Explain the quality cycle and the activities associated with each stage of the cycle
- Identify some tools to help you collect and analyze quality data

By the end of Chapter 9, *Marketing*, you will be able to—

- Explain the relationship between marketing and sustainability
- Identify the key elements in a marketing mix
- Describe the steps involved in marketing

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Section 4: Programmatic Aspects of Sustainability

Community Participation
and Ownership

> *"Go to the people. Live among them.*
> *Learn from them. Start from where they*
> *are. Work with them. Build on what they*
> *have. But of the best leaders, when the*
> *task is accomplished, the work completed,*
> *the people all remark: 'We have done it*
> *ourselves'."*
>
> *—LAO TSU*

Community Participation and Sustainability

As discussed in Chapter 2, *Pillars of Sustainability*, the transformation towards sustainability requires a shift in roles between the donor, the NGO, and the community. With growing sustainability the community moves from a passive recipient having no say in programs to a client who directly contributes to programs—in particular those programs and services that they value. This requires that the NGO truly understands community needs, builds on community assets, and provides programs that address identified needs. As the community's capacity grows, it may eventually own and manage the program, drawing on outside resources only for expansion and improvement. When the community reaches this point, the NGO is free to move to another community, assured that the program benefits will be sustained.

By actively engaging the community, you can build their self-esteem, their knowledge, and their skills. They in turn help you to achieve your mission by ensuring that your programs respond to

priority needs and by providing the local resources required for running them. This ability to marshal community resources, exchanging valued programs for community support, underlies all NGOs' efforts for independence from donors and the sustainability of benefits.

The Levels of Community Participation

Community participation can be viewed along a continuum. At one end is a welfare-oriented approach in which the community receives prescribed benefits. At the far end, the community ultimately owns and manages the programs and benefits. To enhance the long-term impact and sustainability of programs, you must foster a higher level of participation, working with your communities to move up the continuum.

> **Level 4:** The community runs the program, drawing upon external financial and technical assistance as required.

> **Level 3:** The community is actively involved in identifying priorities and designing programs. They provide financial and other resources in exchange for valued services.

> **Level 2:** The community is sensitized to the issues the planned program will address. There is an exchange of information between the community and the NGO. Community members may volunteer time to raise awareness of the importance of the program.

> **Level 1:** Identification of community needs, program design and definitions of success all come externally from the community. The community receives benefits but contributes nothing.

The first level of participation is appropriate to meet immediate, short-term needs of the community, for example earthquake or famine relief efforts. There is a lot of good work done at this level, but research has shown that it does not empower communities to act on their own nor will it likely lead to sustained benefits. In the next level the NGO consults the community and receives feedback on program ideas. This is an important step in community involvement and is a necessary prerequisite in the higher levels of participation as well. Listening and even incorporating feedback, though, does not promote the level of learning and community empowerment necessary for sustainability. This learning begins in the third level. Here the NGO works with the community to generate and analyze information, define priorities, and identify strategies. Through this process, the community learns new knowledge and skills and understands the rationale for the changes they must make. They value the benefits because they address needs the community identified. The NGO is continually building the capacity of the community as it promotes their participation. Once the community understands the value of the service and has the expertise to manage the program, the final level of participation is achieved.

Moving along the continuum is not any easy task for a number of reasons. It is a time-consuming process, and many NGOs are working within short project periods. It also is more difficult to control as the NGO must let the community learn and make decisions, which are not always predictable. The community may not identify the NGO's core program as a priority need. Even so, the benefits of greater participation—responsive programs that the community values and contributes toward—reward those NGOs that find their way around the challenges.

Best Practices for Facilitating and Creating Community Participation and Ownership

Asset-Based Community Development[6]

One approach to fostering community participation and ownership is called asset-based community development. This strategy, developed from work done in "devastated communities" in the United States, has been successfully applied in many countries—Northern and Southern—since then. The asset-based strategy begins by valuing what works in the community rather than focusing on its problems. This appreciative approach breaks the problem-solving cycle, where community members view their community and often themselves as a problem that can only be solved by outsiders. By emphasizing problems, NGOs place communities in a recipient role. By instead building on the existing assets in a community, the community members feel empowered and able to address their issues.

There are five steps to asset-based community development—

1. Mapping Assets

Instead of entering your community and listing all of its problems, you begin by mapping out its assets. There are several levels of assets that you need to explore.

The first is individual assets. What skills, expertise, experience, and abilities do individual members of the community bring? How can these strengths be used to address community problems? Besides individuals themselves, family members, and neighbors are sources of information on individual assets. At this juncture, you may want to identify positive deviants—those individuals or families from within the community who despite being poor exhibit positive behaviors or outcomes (e.g. family planning acceptors) well-nourished children, parents who do not practice female genital cutting (see next sub-section for details on positive deviance.)

Next are community-based groups such as trade associations, religious groups, self-help groups, health committees, cooperatives, youth groups, and cultural gatherings. Make an inventory of all the groups located in the community—both formal and informal. You can begin by asking community members about the groups to which they belong and then share that list with those associations and add any missing groups and activities. Once you have a comprehensive list of the groups in your community, identify the key activities of each. Be sure to include both formal and informal activities. For example, a church group for women may meet regularly for fellowship and prayer and also provide social services to church members such as help with household chores if someone falls ill. You can also use a mapping exercise such as those used in participatory rural appraisal or other participatory data collection approaches.

Local institutions form the final level. These include schools, private clinics, other NGOs, public-sector health facilities, private health providers, medical shops/pharmacies, and private

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[6] Material in this section was drawn from Kretzmann, John P., and McKnight, John L., *Building Communities from the Inside Out: A Path Toward Finding and Mobilizing a Community's Assets*. (Chicago: ACTA Publications, 1993).

businesses and shops. These organizations may be more or less engaged in community activities, but they each have assets that help their communities address problems. The process of discovering these institutions is similar to the one you followed for community-based groups. The assets of your local organizations go beyond the activities they undertake. Some assets may include facilities, equipment, stocks of commodities and supplies, staff expertise, financial capacity, and connections with outside decision makers.

Once you have completed your mapping exercise with the community, you need to share the results with them. This is a powerful moment, when the community discovers all the strengths that exist within its individuals, local groups, and institutions. The community realizes that by drawing on its assets it can address its priority needs. However, this exercise should not be a one-time activity. As you and your community work together, the community will continue to develop its assets. With each new challenge, the response should be what community assets will help us to overcome this challenge.

2. Building Relationships

Now that you have collected information on all the resources available within the community, you need to begin linking those resources together to address the community-identified priorities. Explore possible ways to begin connecting the community assets together. How might the community draw on the gifts that various community members bring? Could the skills of individuals strengthen the work of local associations? Are there under-utilized assets or unrecognized groups, such as youth, that can contribute to the program? What different roles might the current associations and groups take in the community? How might they be connected to local institutions and individuals to magnify their potential? As the community begins to see the possible links, its true potential becomes much clearer.

3. Mobilizing for Information Sharing

Information exchange is critical to moving along the participation continuum. It is not only important to share the results of the mapping exercises; there must also be an ongoing mechanism to share information between individuals, local groups, and community institutions. To facilitate this, build on existing communication patterns. Where does the community currently have its public conversations? Is it at the village well? At an intersection? A barber shop? Build on these existing communication channels and work with the community to exchange information on their hopes, plans, priorities, and skills. Share examples of success stories, best practices, and technical knowledge from other communities to create well-informed community members. This will help with the next step, planning, and will be critical to the success of those plans.

4. Developing a Vision and Plan

As the community better understands what strengths exist within it, it is better positioned to become actively involved in planning for the future. First, there is a sense that there is something valuable in the community that is worth preserving. Second, community members begin to believe that they each have something to contribute. It is from this base that planning can begin. Knowing the range of assets also helps to determine who should be involved in the planning. You should ensure that representatives of community assets are part of the planning. If you have broad representation, you will have more resources to draw on during the planning. And any plan

they develop is more likely to appeal to a larger section of the community. Finally, keep the planning realistic. Aim for small activities that will show immediate results. If the community sees that it can make positive changes, it will be energized to continue contributing. This will eventually lead to sustained benefits.

Pulling it Together: An Example

Assets: Many women have developed health care skills from caring for their family members; local clinic has skilled nursing staff and educational materials; a number of local associations provide general support to members.

Priority need: A number of people are infected with HIV/AIDS and their families and community clinic are not able to provide all their care needs.

Linking assets: The individual women could join together. The nurse from the clinic could provide them with more information on nutrition and infection prevention. These women could provide home care, rotating various aspects of care among the group. Other community associations could support the women by working their gardens when they are busy providing care. As more and more of such relationships are built and their success demonstrated, the community will have more confidence to take on other priorities and manage programs themselves.

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5. Leveraging Community-Based and Outside Resources to Support the Community's Efforts

When the community knows its strengths, understands how the different assets might work together to solve problems, shares information, and begins to plan and implement strategies to address priorities, it is ready to take full ownership and management of the program. They are now ready to use their assets to reduce costs, recover costs, generate revenue, network, and create linkages. Before exiting, however, you must ensure that the community is able to attract the required outside resources—to address new problems or expand current efforts. This means transferring the skills described in Chapter 13.

Positive Deviance Approach to Sustainable Development[7]

Another approach that promotes community participation and ownership and ensures sustainability of program benefits is the positive deviance (PD) approach. Save the Children USA has used this approach extensively and describes PD and its uniqueness as follows.

> *"Positive deviance is a development approach based on the premise that solutions to community problems already exist within the community. The positive deviance approach thus differs from traditional 'needs-based or problem solving approaches' in that it does not focus primarily on identification of needs and the external inputs necessary to meet those needs or solve problems. Instead, it seeks to identify and optimize existing resources and solutions within the community to solve community problems.*
>
> *Through a positive deviance inquiry (PDI) program staff and their community partners identify the unique practices of some community members that set them apart from others within the same community and allow them to cope more successfully within the same resource base. Based on identification of these successful practices, program staff and their community partners develop strategies to enable all members of the community not only to learn about these practices, but also act upon them."*
>
> —M. STERIN, J. STERIN AND D. MARSH, 1998

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[7] Adapted from Sterin, M., Sterin, J. and Marsh, D., *Designing a Community-based Nutrition Program Using the Hearth Model and the Positive Deviance Approach—A Field Guide*, (Save the Children, 1998).

The cornerstone of the PD approach is in fact community participation and ownership and finding realistic solutions from within the community. Save the Children (Save) utilized the PD approach to reduce childhood malnutrition in Vietnam, and a sustainability plan was built into the program. From the onset of their work in a community, they informed the community that Save would work in partnership with the community for a two-year period and develop the skills of the community to independently implement the required interventions. After that period, Save would move on to other communities. Save describes how they integrated sustainability and community participation.

> "The program sustainability is ensured by the identification of solutions to nutritional problems based on existing resources accessible to all community members. Involvement of local community leaders, and local women volunteers, also reinforces the sustainability of impact of the program."

> "The Save the Children's Hearth program in Vietnam encouraged full community participation in assessing local resources and in designing and taking part in the program. All relevant groups in the community gained full ownership of the program through the following processes.

> - Mobilization to carry out household registrations and growth monitoring and promotion sessions
>
> - Identification of practices which affect positively or negatively the nutritional wellbeing of their children
>
> - Discovery of community-based solutions through the PD identification
>
> - Elaboration of community-based strategies to solve community-based problems
>
> - Involvement in the program as volunteers, parents of malnourished children, or village health community members"

This approach resulted in the reduction of second and third degree malnutrition by 80 percent among children less than three years old. These benefits continued as long as two years beyond Save's participation, and the younger siblings of the children enrolled in the program continue to benefit.

The positive deviance approach follows what are known as the six "Ds."

The Six Ds of the Positive Deviance Approach

Define   What is the problem? What are the perceived causes and related community behavioral norms? What would a successful solution/outcome look like (described as a behavioral or status outcome)?

Determine   Are there any individuals/entities in the "community" who ALREADY exhibit desired behavior or status (PD identification)?

Discover   What are the unique practices/behaviors that enable PDs to outperform/find better solutions to problems than others in their "community?"

Design   Design and implement intervention that enables others in "community" to access and PRACTICE new behaviors (focus on "doing" rather than transfer of knowledge).

Discern   What is the effectiveness of the intervention (determined by ongoing monitoring and evaluation)?

Disseminate Make intervention accessible to wider constituency (replication/scaling up).

Steps in the Process of Creating Sustainable Community Efforts

Local ownership through a process of developing a sustainable community effort is key to sustaining program benefits. Based on elements of self-help, autonomy, and independence, community mechanisms respond to a challenge or an opportunity for improving the quality of life of people in any of the development sectors of health, education, livelihoods, and environmental protection.

Effective community ownership is more than just stakeholders' participation and partnership building. It requires the development of an ongoing governance structure for sustaining community efforts for continuing need-based program activities that people value.

Communities develop initiatives to sustain program benefits in many different ways. To illustrate this process, a sample of the most commonly used steps is as follows—

1. Evolving a Structure for Ongoing Governance

Often any effort at participation by a community is the result of a few enthusiastic individuals or a small group of persons who help motivate others to join in this process. To begin with, the structure functions in a loose manner, hinging on a core group of volunteers who operate like a committee with intensive encouragement and support from an external agency. The transition to a more sustainable community effort that could take over the need for ongoing governance would depend on the level of readiness among people in the community to work in a democratic manner, meet regularly to take decisions and be open and accountable to the public at large.

2. Creating a Community Vision for Sustaining Program Benefits

A common preliminary step in creating community ownership is that the determined need of the people is being met to their satisfaction through a program mechanism/response. There exists a demand in the community to avail services on an ongoing basis, for example family planning supplies, ANC check-ups for pregnant women, Tetanus Toxoid, iron supplementation, and immunization. In this step a wide range of potential beneficiaries and other stakeholders in the community would be approached to answer the question "What is to be sustained?" or "What service/benefit does the community consider to be of value?" and is willing to exchange with something of value that they possess—their own money, time, or effort.

This process frequently includes a series of focus group discussions, public meetings, consultations, and consensus building to create a shared community vision for sustainability. As a result of this process, communities can create their own unique definitions of what they wish to sustain and how.

3. Developing Guiding Principles for Sustainability

Values, beliefs, and assumptions are important drivers in the kind of choices people make when it comes to determining what needs to be sustained and how. To help in the process of determining acceptable and unacceptable choices, some communities develop guiding principles for sustainability. Examples of such are: ensure financial viability through cost reduction and use of local resources; equalize benefits and burdens; pay for services at doorsteps; walk for free supplies from designated depots; draft criteria for providing free services; and determine the extent of subsidization for serving the poor.

4. Setting Goals and Objectives

The group defines the goals and objectives and estimates the resource requirements for sustaining agreed levels of program benefits. This too is an inclusive process in which different stakeholders deliberate to reach some consensus.

5. Choosing and Implementing Activities

Committees, subcommittees, and task forces are often used to generate ideas and take decisions. What resources could be mobilized internally? What support would be necessary from outside? Where could we network? Where could costs be cut? Community-based organizations (CBOs) require assistance in establishing criteria for choosing appropriate activities that do not compromise legal, ethical, or technical principles and guidelines and enable them to weigh the costs and benefits of an activity.

Case Study: Legal, Ethical, and Technical Considerations for CBOs in Choosing Activities

A CBO proposed setting up ultrasound services in its community clinic to bring in revenue. However, the country was experiencing a significant decline in sex ratios that had been linked to the use of ultrasound services for sex determination, resulting in sex-selective abortions. The government was cracking down on misuse of ultrasound equipment, and development organizations were actively advocating measures to curtail this misuse. Therefore, the financial objectives of the CBO had to be balanced against accomplishing the intent of the program, which was to improve reproductive and child health. The proposal to establish ultrasound services was clearly in conflict with the goals and technical guidelines of the program, could result in legal difficulties, was ethically questionable and thus was rejected as an option.

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6. Evaluating Progress and Revising Activities

Communities need to periodically review their progress and revise activities. The move towards sustainability is an evolutionary process and there are no cut and dried solutions. When communities are engaged in a process of measuring the effectiveness of their activities, the process ensures consolidation of the successes and a deeper awareness of lessons learned in the process of difficulties or failures.

Not all sustainability processes happen in the same way. Each community, depending on its situation, has a unique pathway in its journey towards sustaining community efforts to sustain program benefits. These process steps constitute a broad generalization of some of the most common elements from the experiences of communities that have managed successful transitions towards sustainable community efforts.

Creating Effective CBOs

One fairly common approach to ensure long-term community participation and ownership is through the formation of CBOs. CBOs are informal or formal groups comprised of democratically elected community representatives who have the credibility, skill, time, and commitment to work for the betterment of the community or to address a specific community issue or opportunity.

CBOs begin to work effectively only after a process of group development, consensus building, and team building, leading to a shared vision for sustainability. This requires considerable capacity building and support so that CBOs acquire the requisite skills they need to manage a certain level of program effort to sustain benefits. Thus it is necessary to initiate strategies for community participation and create ownership at an early stage of program implementation. When CBOs are involved from the outset, as the program matures by way of increased demand and greater utilization of services, they concurrently mature and increasingly take over responsibility and control in leading and managing the program.

The Community Aid and Sponsorship Program (CASP) in Delhi, India offers an example of the process necessary to form effective CBOs—

- CASP organized cluster meetings to explain the rationale for forming CBOs and their link with CASP and the community

- The community elected one representative for every 400 family clusters. The criteria were literacy, influence, free time, and enthusiasm

- CASP held a joint meeting of 15-20 cluster representatives to form one CBO and create a shared purpose and identity

- Elected representatives were trained on CBO Formation and Functioning of Cooperatives (benefits of cooperative effort, basic norms for success of cooperative efforts, process of democratic working) and sustainability

- CASP worked closely with the CBOs to help clarify roles, set up a system for regular elections and election procedures to ensure rotation of leadership, establish by-laws, develop and implement protocols for holding effective meetings, decision making, and recording minutes

- The CBO made a resolution to charge fees for clinic services as a way of generating revenue and opened a bank account to manage these funds

- The CBO members organized themselves into subcommittees and established duty rosters to accomplish different tasks (e.g. clinic management, ambulance management, community mobilization, and IEC)

- The CASP field and professional staff maintained contact with the CBO for encouragement, support, problem-solving, and the management of group dynamics

- CASP and the CBOs established a mechanism for monitoring financial transactions and guidelines for purchasing, procuring, and storing commodities

- The CBO applied for and obtained a registration as a legal entity

Assessing Levels of Community Participation and Ownership

As programs mature, it is important to assess progress towards community participation and ownership. Levels of community participation and ownership can be measured through quantitative and qualitative methods. Below are two tools that may assist you in determining your program's current level and determine what needs to be done to move to the next level of community participation and ownership.

Tool 1: Quantitative Analysis of Community Participation and Ownership

Involvement of Clients/ Community Members in	Never	Occasionally	Frequently	Most of the Time	Always
Score	**0**	**1**	**2**	**3**	**4**
Implementing program interventions					
Program administration					
Needs assessment					
Program planning					
Taking leadership roles in programs					
Resource mobilization for program					
Monitoring or evaluation of the program					
Decision making about policies and changes in the program					

Score	Levels of Community Participation and Ownership
0-6	Low
7-13	Some
14-20	Average
21-27	Good
28-32	Excellent

Tool 2: Qualitative Analysis of Community Participation

Focus group discussion guidelines for clients, community members, or CBO members—

- How much does the community know about the program?
- How much do they know about the organization implementing the program?
- How often do they come face to face with program personnel?
- What responsibilities does the community carry out on behalf of the program?
- What kind of difficulties do they find in undertaking these responsibilities?
- How satisfied are they with their involvement in the program and why?
- Do they have any suggestions to improve their participation in the program?
- Are all sections of the community equally involved in the program?
- Is there a differential advantage to some group? Why does it happen and who gets the preferential advantage?

Increasing Community Contribution and Participation Through Community-Based Organizations: The Example of CASP in Urban Slums of Delhi, India

At the end of its Child Survival Project, CASP needed to hand over responsibilities and management for reproductive and child health activities. A feasibility study that investigated sustainability options suggested the community come up with a structure for an organized body with democratically elected members. The CASP project staff shared the results of a feasibility study with the community and the community health guides. The result was the formation of Community-Based Health Management Organizations (CBHMOs) comprised of 16-18 members from among Community Health Guides and members of existing community-based organizations.

CEDPA provided the members with an orientation to sustainability and trained them in various aspects of organizational management. CASP assisted the CBHMO to—

- Prepare by-laws
- Open a bank account
- Form sub-committees for various tasks (e.g. clinic management, operating the ambulance, and social marketing)
- Network with the private sector, private voluntary organizations (PVOs), and governmental organizations to generate revenue, provide services, and update skills
- Shift costs from project to community by introducing fees for services, social marketing of health commodities, and implementing revenue generation activities
- Manage services, including ensuring continuous quality improvement of services at clinics, the collection and management of clinic and laboratory earnings, and procurement, storage, and sales of social marketing stocks

As a result of the community taking over management of the clinic and ambulance, the ambulance service, which was no longer functioning after the child survival project ended, was revived. Costs for maintenance and operations were reduced by 60 percent from Rs. 10,000 to Rs. 4,000 per month and ambulance cost recovery increased from 14.3 percent to 34.9 percent between April 2000 and January 2002. In addition, the CBHMO recovered 70 percent of the laboratory service fees in 2002, compared with 10 percent in 2000.

With experience, time, and technical assistance, the CBHMOs are gradually on their way to taking complete responsibility of the management of the health services in their respective units.

Source: CEDPA, *Building Sustainable Reproductive and Child Health Services*, (New Delhi: CASP and CEDPA, 2002).

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Chapter 8

Improving Quality

Quality and Why it Is Important

There are many different definitions of quality. Most of them focus on performing to some standard or defined level of acceptability. For reproductive health, the Ministry of Health or an international organization such as the World Health Organization (WHO) typically sets these standards. By following these standards an organization is understood to be providing technical quality.

In community-based programs there is another dimension of quality, called perceived quality. This acknowledges that clients may be concerned about other dimensions to quality not normally captured in technical definitions, such as the responsiveness of the health worker, privacy, and convenience. Both perceived and technical quality are reflected in the Box 8.1 definitions.

Box 8.1 Some Definitions of Quality

"Service delivery, according to accepted protocols/standards via monitoring of (1) provider performance and/or (2) support systems, i.e. training, supervision, logistics, information."
— USAID'S DEFINITION OF QUALITY OF CARE

"...conformance to requirements or specifications."
— PHIL CROSBY, 1979

"...proper performance (according to standards) of interventions that are known to be safe, that are affordable to the society in question, and have the ability to produce an impact on mortality, morbidity, disability, and malnutrition."
— M.I. ROEMER AND C. MONTOYA AGUILAR, WHO, 1988

"Doing the right thing the first time. Doing it better the next time."
— ODI CONSULTING

"...meeting/exceeding needs of customers."
— JURAN INSTITUTE, INC.

"...that which meets the customer's expectations. Quality isn't asserted by the supplier; it's perceived by the customer."
— GUASPARI

A quality orientation is one of the four pillars of sustainability. It lies at the heart of exchanging value for value. People do not value low-quality products and services and will not use them even when they are free, preferring instead to turn to the commercial sector, where they feel assured of product and service quality.

Providing high-quality services helps achieve the impact you desire. It is also important for meeting financial objectives. Studies have shown that clients are willing to pay for those products and services that they believe are high quality. Donors also fund programs that they believe are high quality because they anticipate they will have greater impact.

Box 8.2 An Example of an NGO Addressing Quality Issues

The Houghton Park Private Clinic in Harare provides an example of the linkages between quality and sustainability. Four months after beginning to keep service statistics, the staff noted a decline in the number of family planning clients. They also had received six letters complaining about the rising cost of birth control pills. The clinic's quality team designed a questionnaire and distributed 150 copies to clients attending the clinic and homeowners in the area. From the 110 returned questionnaires they learned that, while clients were happy with the clinic's services, they preferred to buy pills in the public sector where they cost less. Staff did some research on the "real" cost of the public sector services and wrote the following letter.

Dear Valuable Client,

Houghton Park Clinic wants you back. …Pills are only Zim$15 per packet. This may sound expensive, but if you buy pills elsewhere…you need to catch a lift, imagine the stress of waiting, the queue at the public clinic.

By the end of the day, you will have paid Zim $20 and [experienced] four hours of stress. You could save this by walking to Houghton Park where you get served coffee, tea, or a cold drink while you wait. Or watch the 6 o'clock news on our TV. Time spent is less, amount paid is only $15.

The strategy worked. Clients came back and attendance returned to previous levels and grew from there.

Source: *Mainstreaming Quality Improvement*, Family Planning Service Expansion and Technical Support (SEATS II) Project, January 2000.

Approaches to Working on Quality Issues

Four approaches to tackling issues of quality are described in Box 8.3.

Box 8.3 Approaches to Quality Improvement

- **Continuous Quality Improvement (CQI):** quality (measured in terms of client satisfaction) is improved through a problem-solving cycle that focuses on systems and processes.

- **Client-Oriented, Provider-Efficient Services (COPE):** a practical set of tools for improving the quality of family planning services at a clinic or hospital.

- **Performance Improvement:** a step-by-step method to analyze performance problems and set up a system to ensure good performance.

- **Quality Assurance:** in which standards are set and performance monitored and improved so that the care provided is as effective and as safe as possible.

They all share some common elements. They—

- Focus on the process, not the provider, they recognize that people work in systems and if something is not done well it is best to look first at the system rather than the individuals involved

- Are data based, data driven, using tools to assess, analyze, plan, and monitor quality

- Are team-based and require input from many levels

- Focus on the client or customer

And they all follow a cycle or are continuous. They may use different terms for the steps in the cycle but generally cover the same activities: identifying quality successes and issues, analyzing them (root causes, contributing factors), developing and implementing improvements, and monitoring results. If the results indicate that an improvement has been effective in addressing the selected quality issue, another area would be identified on which to work and the cycle would start over. If not, a new approach to the issue would be developed and the cycle continued from there.

One of the clearer cycles is FADE (Focus, Analyze, Develop, Execute), used by Federal Express to improve the quality of its services (outlined below). If you do not already know and feel comfortable with another quality analysis cycle, you might like to use this one.

"**Focus**" is the first phase in the quality improvement cycle. In this phase you develop a written statement of the problem by—

- Generating a list of quality issues

- Selecting one issue

- Verifying and defining the issue

"**Analyze**" is the second phase of the cycle. In this phase you examine your issue using data and—

- Decide what you need to know

- Collect baseline data and questions

- Determine influential factors

"**Develop**" is the third phase in the cycle. In this phase you start developing solutions for the issue identified by—

- Generating promising solutions

- Selecting a solution

- Developing an implementation plan

"**Execute**" is the final phase in the cycle. In this phase you implement your solutions by—

- Gaining commitment for your implementation plan

- Executing the plan

- Monitoring impact

Tools for Improving Quality

To implement a cycle of quality improvement, such as FADE, involves a rather daunting number of steps. Most of them, fortunately, are not very difficult, and many are possible to do satisfactorily in a number of different ways. We have selected and described below a few tools that can be used to implement some of those steps.

Identifying Quality Issues and Possible Solutions

When identifying issues one of the first places to begin are your program records. Routine record reviews would highlight potential problems such as changes in utilization or the profile of clients. These changes may or may not be related to quality, but as your records are an easily available source of data they are a good place to start.

Another very useful strategy for identifying issues and possible solutions is to TALK with those involved in the service. Client interviews, community focus groups, provider interviews, and brainstorming with colleagues are all very useful techniques for generating lists of quality successes, issues, and possible improvements as well as some sense of relative importance. If you are following the FADE approach you may wish to do interviews in two stages—the first to concentrate on identifying successes and issues, the second to tease out some detailed possible improvements once the priority areas have been identified. It is always useful to at least touch on the question of possible solutions in the first round, since the feasibility of a solution is very likely to influence the choice of priority areas to focus on.

If the interviews are conducted both before and after initiatives are taken to improve quality then they can also serve as a method for monitoring progress. With all interviews it is important to have good records of any relevant characteristics of interviewees (e.g. age, sex, education, and marital status of clients or community members; qualifications, experience, and age of providers).

Interviews can be used in two ways—

The first is by collecting information that directly measures the quality of the service or related indicators or causes of quality.

- **Client** interviews provide the opportunity to assess the quality of the service by looking for the kind of outcomes one would expect to find in clients if the service were a good one: what level of knowledge and what attitudes do clients have concerning the health issues and the NGO's services, what access do they have to the services and how appropriate is their use of the services?

- **Community focus groups** provide an opportunity to generate some useful indicators of the overall quality of the services (e.g. what proportion of the community are users of the service) as well as addressing community-related issues such as the overall involvement of the community in the NGO's initiatives, the level of support from community leaders, and the degree of community approval for what is taking place.

- **Provider** interviews are an opportunity for assessing the competence of staff delivering direct services, their level of information and understanding, and their attitudes and the circumstances in which they work. This can then be compared with available standards and protocols.

Interviews are not the most reliable method for assessing behavior, and it may be desirable (though it will usually be more effort) to supplement interviews with direct observation of reported behavior. This is usually difficult to do outside the clinic setting but is perfectly possible within the clinic. Both specific provider-client contacts and general clinic procedures can usefully be observed directly to identify strengths and weaknesses and pinpoint obstacles.

The second use of interviews is to directly ask the opinion of the interviewee about the problems of quality in the service and possible solutions they might perceive.

- **Clients**, who after all have an intimate experience of the service, may have very clear ideas about what is or is not working well and how important those factors are to them. Issues that are important to the client must be important to the organization as well, whether or not they correspond to any technical definition of quality. They are likely to be crucial factors in determining the use of the service.

- The **community's** views are equally important but for a rather different reason— information can be gathered from individuals who are *not* necessarily users of the service. These may be the very individuals who are particularly sensitive to quality issues (which keeps them away from the service) and that perspective can be a very useful one to tap.

- **Providers** deal on a daily basis with technical shortcomings. Brainstorming with colleagues is a very useful way to generate a list of quality issues.

Determining the Influential Factors

Some tools primarily used to guide users when attacking an identified problem include—

Process flow chart, which is a useful tool to better understand a potential quality improvement area. It presents, in pictorial form, a process broken into activities and decisions. Traditionally, circles are used to represent any first step that has no antecedents, rectangles represent subsequent activities, and diamonds represent decisions. Start by defining the beginning and the end of a particular process or system you wish to see improved, and outline the activities that complete the process. Connect all the rectangles (activities) and diamonds (decisions). By analyzing the process step by step, problem areas can be highlighted and the relationship between the activity and the desired outcome emerges more clearly. (See Figure 8.1 for a sample flow chart.)

Some tools are used primarily to help to decide about priorities. Which of the (probably many) identified quality problems should have the highest priority; which of the possible solutions for any given problem should have priority?

Selection matrix is a table that lists possible areas for quality improvement (possible solutions) on one axis and the criteria for judging which of these should be a priority on the other axis. Criteria might include pre-determined organizational priorities, the speed with which action can be taken, availability of resources (budgetary constraints), the feasibility of change, likely size of the impact of any change (effectiveness), or the cost in relation to the impact (efficiency). Brainstorming with colleagues, clients, and community members is a good way to generate criteria for judging what should be a priority. (See Table 8.1 for a sample selection matrix.)

Pareto analysis helps to identify "vital" factors. Generally speaking only a few factors are responsible for producing most of the impact. When all the factors that might contribute to a quality problem are listed it is often possible to identify a relatively small cluster of underlying causal factors that are responsible for most of the problem. By identifying these "vital few" factors and concentrating resources on them, significant improvements can be achieved. A Pareto diagram shows the frequency of responses, or occurrences, of different data categories and orders them from the highest to lowest so that the "vital few" causes can be found. (See Figure 8.2 for a sample Pareto analysis.)

Cause-and-effect diagrams (also known as a fishbone diagram) record the multiple causes that lead to a specific problem and organizes them in a logical way. It helps ensure that none of the possible causes are overlooked, clarifies which causes are primary and which secondary, and can be used to pinpoint those aspects of the problem over which the group has control.

Samples of these tools and more information on their use are available through the resources listed at the end of this chapter. (See Figure 8.3 for a sample cause-and-effect diagram.)

Figure 8.1 Sample Flowchart of the Client Registration Process

```
                    ╭─────────────────╮
                    │  Client arrives at │
                    │      clinic       │
                    ╰─────────────────╯
                             │
                             ▼
                    ┌─────────────────┐
                    │ Client checks in with │
                    │  registration desk  │
                    └─────────────────┘
                             │
                             ▼
                          ◇ Is it clients
   ┌──────────────────┐ Yes  first time? ◇
   │ Open new client record │◀──────
   └──────────────────┘
            │                    │ No
            │                    ▼
            │           ┌─────────────────┐
            │           │ Pull client's record │
            │           └─────────────────┘
            ▼                    │
   ┌──────────────────┐          ▼
   │  New client form is │   ╭─────────────────╮
   │     filled out     │──▶│  Client waits to be │
   └──────────────────┘   │      called       │
                           ╰─────────────────╯
```
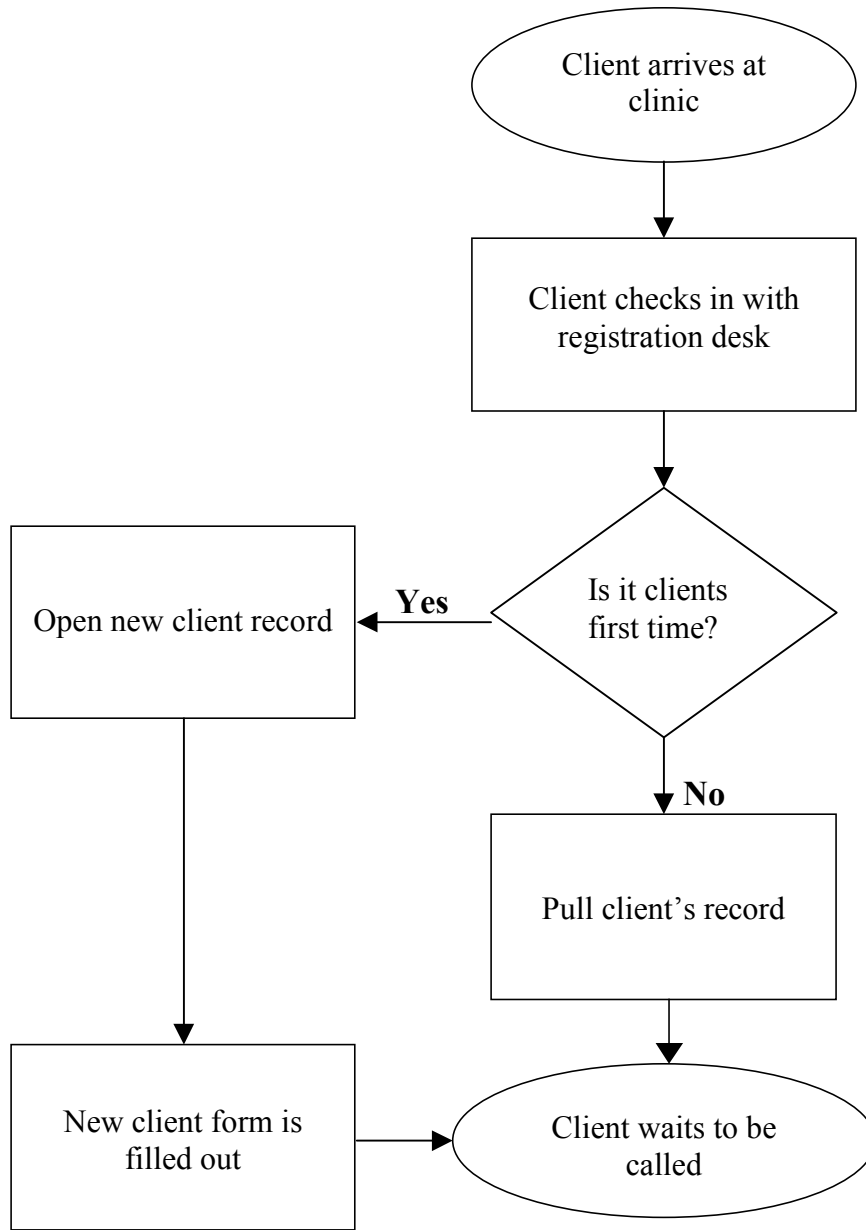
Table 8.1: Sample Decision Matrix[8]

Items to be Prioritized	Criteria				Total Score
	A problem has existed for some time and is widespread	The benefits from addressing this issue are obvious	This issue can be quickly resolved	Resources are available for making changes	
Item 1					
Item 2					
Item 3					
Item 4					

Sample Criteria for the Selection of Quality Priorities—

- The issue is important to clients; improvement in this area can have high external impact

- The issue is important to staff; improvement in this area can have high internal impact

- A problem has existed for some time and is widespread

- The benefits from addressing this issue are obvious; the process has high visibility

- The issue is within the Quality Team's control and authority

- Management and the team are technically capable of making changes in this program area

- Support for change exists in this area, management and those involved in the process recognize the need for change and are committed to it

- There are risks associated with not addressing this issue

- This problem undermines or affects the achievement of program objectives

- This issue can be quickly resolved

- Data on this issue are readily available

- Resources are available for making changes

Sample Criteria for the Selection of Solutions—

- The cost of implementing the change is low

- The opportunity cost is low (the program won't have to give up anything else)

- The solution will be easy to implement

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8   *Training Curriculum in Continuous Quality Improvement for Family Planning Programs*. SEATS II. (Arlington: John Snow, Inc., 2000).

- Management would support the approach (this may be influenced by the extent to which the management burden is eased or added to)

- There are few or no potential side effects (to the system or clients; impact on other activities)

- There should be little resistance to the change within the organization

- The change could be implemented quickly

- The change would have the support of those who will be affected

Figure 8.2 Sample Pareto Analysis

Data Table: Reasons for Clients' Failure to Return for Follow-up Visits

Category of Response	Number of Times Response Given	Percentage of Total Responses	Cumulative Percent
Unsure when to return	24	33%	33%
Forgot about visit	16	22%	55%
Didn't think visit was necessary	13	18%	73%
Traveled/moved away	10	14%	87%
Hours are inconvenient	6	8%	95%
Other reasons	4	5%	100%
All reasons	73	100%	100%

Pareto Chart: Reasons for Clients' Failure to Return for Follow-up Visits
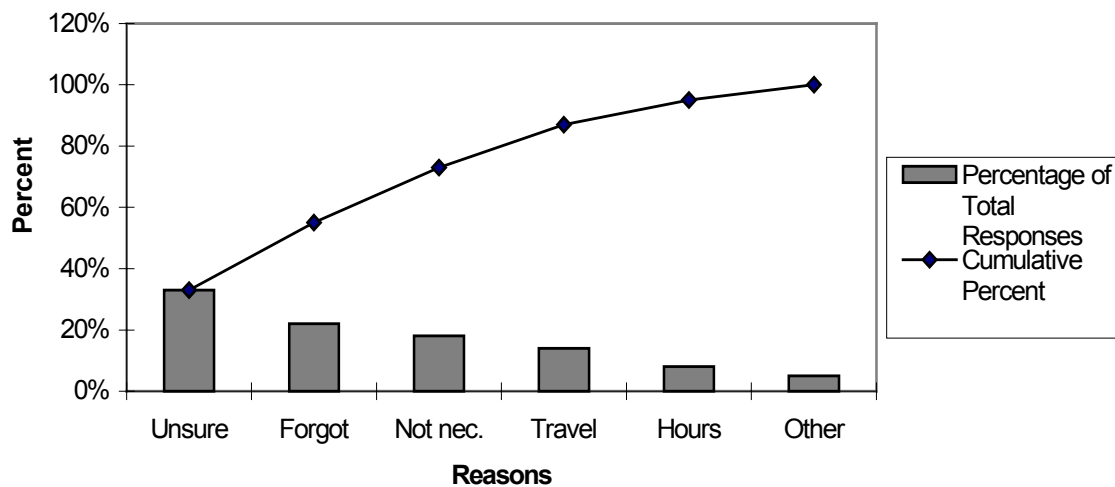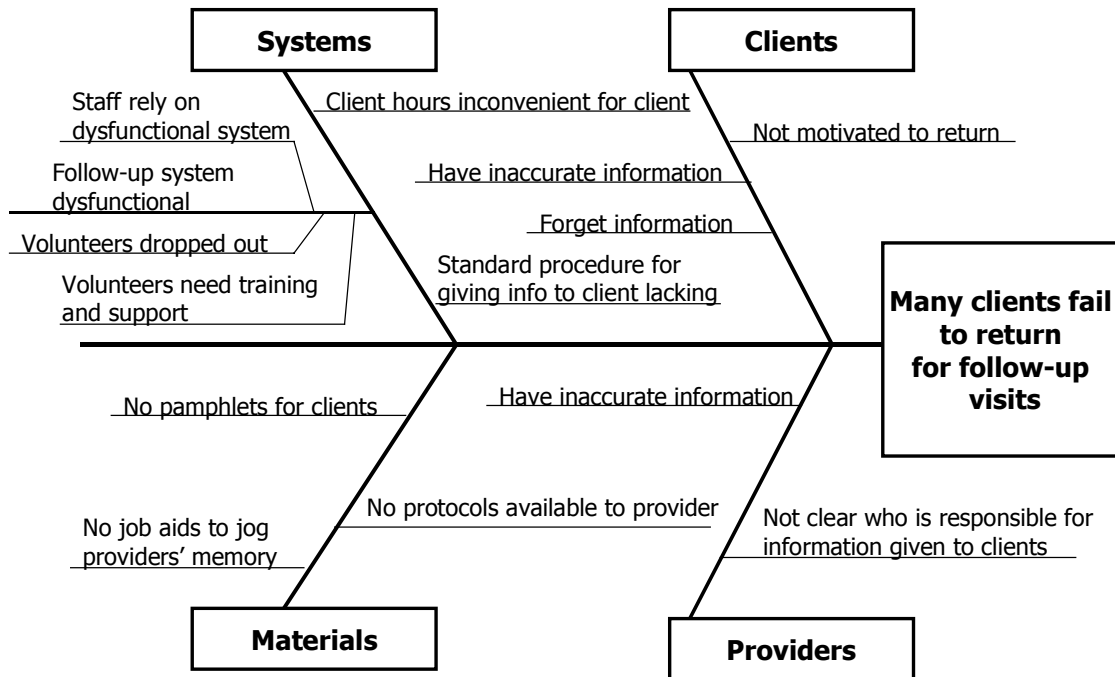
Figure 8.3. Sample Cause and Effect Diagram

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INTRAH/PRIME II, *Performance Improvement Stages, Steps and Tools*. This document is available electronically through the PRIME II website, http://www.prime2.org/pi.shtml or you can order a copy at INTRAH/PRIME II, 1700 Airport Road, Suite 300, CB# 8100, Chapel Hill, NC 27599-8100, Tel: 919-966-5636 and Fax: 919-966-6816

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The Quality Assurance Monograph. Quality Assurance Project. The monograph is a series of publications that provide QA tools and materials for health practitioners. It is available electronically through the Quality Assurance website, http://www.qaproject.org or you can order it at Communication Division, Center for Human Services, 7200 Wisconsin Ave., Suite 600, Bethesda, MD 20814-4811, Tel: 301-941-8524, Fax: 301-941-8427, Email: qadissem@urc-chs.com

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**Chapter
9**

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Marketing

Marketing and Its Contribution to Sustainability[9]

We often think of advertising and promotion when we hear the term "marketing," but it is actually a much broader concept. Marketing provides the tools to help both identify client needs and tailor products and services to address those needs. It can help in understanding those environmental factors that affect the organization's ability to satisfy clients' needs effectively.

Box 9.1 Definitions of Marketing
"Adjusting the whole activity of a business to the needs of the customer or potential customer." "…marketing is concerned with the idea of satisfying the needs of customers by means of the product and a whole cluster of things associated with creating, delivering and, finally, consuming it." "The activity that can keep in constant touch with an organization's consumers, read their needs and build a program of communications to express the organization's purposes." "The process of (1) identifying customer needs, (2) conceptualizing these needs in terms of the organization's capacity to produce, (3) communicating that conceptualization to the appropriate locus of power in the organization, (4) conceptualizing the consequent output in terms of the customer needs earlier identified, (5) communicating that conceptualization to the customer." "…determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors do." Adapted from: Malcolm H.B. McDonald. *Marketing Plans: How to Prepare Them, How to Use Them, (3rd revised edition).* (Oxford, UK: Butterworth Heineman, 1995). pp. 14-16.

Marketing is a critical aspect of sustainable operations. In fact, many believe that marketing is key to achieving organizational goals and objectives. This is because marketing involves identifying the needs and wants of clients and serving them more effectively and efficiently than alternative providers. In other words, it facilitates the "exchanges" between an NGO and its

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[9] Information in this chapter is based on materials developed by Joseph A. Sclafani, Change Management Associates International, for CEDPA's Institution Building Workshop (IB 11), Aug/Sept 2000.

clients or donors, exchanges that are the lifeblood of sustainability. This section focuses on marketing in relationship to clients but the same principles apply to relationships with donors as well.

The Four "Ps"

Marketing is often described as a mix of the four "Ps"— Product, Price, Promotion, and Place.

> **Product.** You need a product or service that meets the needs and preferences of potential customers. This requires understanding how these needs and preferences may vary among different clients. For example, adolescent girls may be primarily concerned with privacy and protection from pregnancy and disease. For these clients, your product may be male and female condoms provided through peer educators. Married women with three or more children may primarily want to end their fertility. For these clients, your product may be surgical contraception provided through clinics.

> **Price.** Two factors are crucial for deciding on the prices to charge: the willingness and ability of potential customers to pay and the income you want to realize. From a marketing perspective, you should focus on what customers perceive the product or service is worth to them rather than what the product or service costs. The challenge is to add features that cost little but increase customers' perceptions of the product or service's value.

> **Promotion.** This involves generating demand for a product or service by informing and persuading potential customers about its benefits. It can be done through education and outreach, advertising, or word of mouth, and other activities designed to generate demand among consumers in the intended population. Promotion is critical to the success of the marketing effort and should be planned carefully. It can be designed to interest new customers in trying your product or service or encourage existing customers to buy and use the product or service more often.

> **Place.** Managers need to find the most effective and efficient ways to get their products or services to the people who want to buy them. Customer expectations influence "place" decisions. For example, if consumers expect to receive services or products at home, it may be difficult to provide them at a fixed location. The number of potential customers, their geographical location and concentration, and their buying patterns are also important. If your potential customers are concentrated in a few areas, you might be able to serve them through fixed sites in the high concentration areas.

These terms—product, price, promotion, and place—reflect the organization's point of view but have a corresponding client perspective (Box 9.2). Recognizing that organizational-success and client-satisfaction are two sides of the same coin is the foundation of the marketing concept.

Box 9.2 Marketing Mix	

Organizational Point of View	**Client's Point of View**
Product: quality, features, function	Do I want it?
Price: how much to charge	Can I afford it?
Promotion: telling the client about the product	Am I convinced?
Place: where it is provided	Is it convenient and accessible?

How to "Do" Marketing

Marketing is a systematic process involving the use of information about clients and an organization's environment to determine what services to provide, how to provide them, where to provide them, and to whom. It is a continuous process: the needs and expectations of the client and the operating environment are constantly changing. Because it is a continuous process, marketing should be an active function within your organization, with staff and resources allocated to it.

Three important steps in this process are—market research, market segmentation, and developing the right marketing mix. You will need to repeat these steps, though not necessarily in this order. For example, perhaps you might define your market segment first and *then* do research on the needs and wants of those groups.

1. Market Research

Market research provides the information you need to develop your market mix. In broad terms you want information on your current and potential clients and on your competitors.

Since the essence of marketing is meeting the needs of clients, you need to know what they are—

- The knowledge, attitudes, and practices of current and potential clients
- The perceived value of your proposed service or product by current and potential clients
- Current service or product use (where they receive the service, why they seek the service, how much they pay)
- The size of the potential market for your service or product

Knowing the "the competition"—other NGOs or non-profits, for-profit organizations, or government agencies—is an essential element of marketing. You need to be able to predict the

impact of their activities on your ability to sell products and services and distinguish your services and products from theirs. The information you need on your competitors includes—

- The characteristics of the population they serve; the differences or similarities to your current or potential clients

- Their institutional strengths and weaknesses

- The related products and services they provide and the differences or similarities with your products and services

- Their cost structure, pricing policies, and general promotional practices

Competition can change rapidly. Once you demonstrate that there is a market for the services and products you provide, others will attempt to follow suit. Success is likely to generate competition.

Research need not be exhaustive or expensive, and it need not be quantitative. Some of the practical techniques for conducting preliminary market research include—

- Focus group discussions

- Structured interviews, such as exit interviews

- Community surveys, such as intercept surveys

- Message, concept, and advertising testing

- Informal interviews, such as discussions with clients

- Observations of potential customers

- Reviews of existing studies gauging current knowledge, attitudes, and practices

- Demographic and economic data analysis

Some of these are the same tools used for quality improvement and are described in more detail in the next chapter. Although some of the types of questions (those focusing on the current service) are the same, in marketing you would also explore the possibility of providing new services, attracting new clients and differentiating yourself from the competition. The worksheet at the end of this chapter will assist you in identifying potential sources of information for your market research.

Keep your research focused and cost-effective. Only seek the information you need. The Lumbini case study (Chapter 2) is a good example of how to undertake market research and use it to improve service delivery.

2. Segmenting the Market

You need to determine your intended population. What clients, actual or potential, do you want to serve? This population is unlikely to be homogeneous. There will be clusters or subgroups who share similarities with respect to important characteristics such as income, education level, health needs, reproductive intentions, geography and demography and who differ from others outside that group. Recognizing these subgroups—a process called market segmentation—is

vital to the success of marketing. It allows you to effectively tailor your product or service and its pricing, promotion, and distribution so as to meet the needs, preferences, and perceptions of diverse groups of potential customers.

For example, urban women may have access to oral rehydration salts (ORS) packets whereas rural women may not. If your market segment is rural women with young children you might focus on teaching them to make their own sugar and salt solution or selling ORS packets through community-based distributors. If it is urban women, you might sell packets through existing chemist shops and markets.

Segmenting your market requires knowing the characteristics of your various current and potential clients and grouping those with similar characteristics together. Your market research will help to inform this effort. Some common ways to segment your market are—

- Age—adolescents and older men and women have different reproductive and health needs

- Sex—men, women have different reproductive and health needs and probably different income

- Income—rich clients have different expectations and demands from poorer clients

- Geographic location—urban dwellers are not the same as rural dwellers in terms of access to services, both of the NGO and any competition, income levels, and educational status

- Reproductive intentions—the products you produce should vary depending on whether your clients want to delay pregnancy, space pregnancy, have a child, or end fertility

The more you know about your different clients and community, the better able you are to group them appropriately. You will probably want to identify a *primary* target market and one (or more) secondary target markets. The most likely users of your product or service are your primary target audience. They, and possibly those who influence them, will be the main focus of your marketing efforts. Worksheet 9.1 provides space to list the main characteristics of your primary and secondary markets.

3. Developing the Right Marketing Mix

Designing the appropriate marketing mix—product, price, promotion, and place—builds on the information collected through market research, information on how your competitors provide similar products and services as well as on the needs, perceptions, and behaviors of clients. You want to meet client needs effectively and efficiently while distinguishing your services from those of your competitors. You may need different market mixes for your different market segments.

Tailor the **products and services**.

- What products and services do your different market segments need and want?

- How can you make these products and services more valuable to your clients? For example, you could shorten the waiting time, increase privacy, offer more choices of products, add benefits to the core product, (private room with a fan, free drinks in the waiting room), or package services together (include three prenatal visits in the price of delivery).

- Who provides the service? Community workers, nurses, doctors, specialists, females, or males?

- What can you do to distinguish your services from other providers?

Set the **price**.

- What can your current and potential clients afford to pay?

- What are they willing to pay?

- What does it cost for you to provide the service or product?

- How much do your competitors charge?

(More details on determining the price are discussed in Chapter 12, *Charging Fees for Services and Products*.)

Determine the **place**.

- How can you get your services or products to your clients? Where are they currently getting the services or products? What is the most convenient location for them?

- Where is your competition providing services and products?

- When is it most convenient to the client to access the service? Mornings? Evenings?

- What is the least expensive delivery approach for you?

Generate demand through **promotion**.

- How can you make current and potential clients aware of your products and services? Word of mouth, advertising in newspapers, sponsoring radio shows, health fairs?

- What benefits will your service or product offer to clients? How does it meet their needs? What data supports your claims? Any personal stories or testimonials that support your services?

- What distinguishes your services and products from competitors?

You may want to refer back to Chapter 6 on strategic communication for ideas on how to promote your services and products.

References

Berkowitz, Eric N., *Essentials of Health Care Marketing,* (Gaithersburg: Aspen Publishers, Inc., 1996).

Kotler, Philip and Roberto, Eduardo, *Social Marketing: Strategies for Changing Public Behavior*, (New York, NY: The Free Press, 1989).

Kotler, Philip and Andreasen, Alan, *Strategic Marketing for Nonprofit Organizations. 6th ed*, (Englewood Cliffs: Prentice Hall, 2003).

Worksheet 9.1 Sources of Data for Market Research

In the space provided, record the different sources of data that you can use to better understand the different client areas listed. Potential sources of data include the demographic health survey (DHS), client records, community discussions, client exit interviews, etc.

Client Areas	Sources of Data
Knowledge, attitudes, and practices	Current clients: Potential clients:
Perceived value of proposed service or product	Current clients: Potential clients:
Use of service or product: Where do they receive the service? How much do they pay for it? Why do they seek the service?	Current clients: Potential clients:

List potential sources of data for areas relating to your competitors.

Competitor Areas	Sources of Data
Who do they serve? How are they different from your clients?	
What services or products do they provide? How do they differ from what you provide?	
How much to they charge for their services or products? How do they promote their services?	

Worksheet 9.2 Characteristics of Primary and Secondary Markets

In the space below, record the main characteristics of your primary market and your secondary market (i.e. rural women of reproductive age, illiterate, average family size of five children). The more specific you are the easier it will be for you to use this information for developing your market mix.

Primary Market:
Secondary Market:

Worksheet 9.3 Market Mix

Based on your research list some areas in which you might enhance your market mix.

Product: How do the products and services meet the needs of clients? How might you adapt your services or products to better meet needs?
Price: What prices are you proposing for your various services or products?   How do they compare with competitor prices?
Promotion: How will you promote your services or products?
Place: Where and how are you planning to provide your services or products?

Section 5: Financial Aspects of Sustainability

> *"Lack of money is no obstacle. Lack of an idea is an obstacle."*
>
> —KEN HAKUTA

Often the first thing NGOs think of when they hear the term sustainability is money: "How can I get another donor grant?" "Will the clients pay for the services?" "Will others in the community give to our good cause?" We have already seen that sustainability means much more than having enough money. However, ensuring that there are sufficient resources is an important component of sustainability. It is also an area in which many NGOs need to strengthen their skills. For this reason, the next four chapters of this guide are devoted to money issues, how to analyze finances, reduce costs, increase locally generated revenue, and leverage resources from donors and the community.

The best approach to financial viability will depend on the unique characteristics of the NGO and its operating environment. It will not necessarily mean full cost recovery nor does it exclude a role for donors. Indeed it will usually involve a package of different measures.

> "[Financial viability is] when NGO financing relies on a diverse base of funding sources to minimize an organization's dependency on any one source and its vulnerability to both shifts in fund availability and donor preferences." —Lee Davis, *The NGO-Business Hybrid: Is the Private Sector the Answer?* (Washington, DC: The Paul H. Nitze School of Advanced International Studies Program on Social Change and Development at the Johns Hopkins University, 1997). p. 16.

In trying to decide which approaches might work best in a particular NGO it can be useful to look at the level of demand. If demand for services is low, for example, people might only use your products if they are delivered to their door at no charge and you would need to seek funding from others that value your programs (donors, government, or community). If people are willing to travel to receive your products or pay a subsidized price for them (i.e. demand is moderate) then you can begin charging modest fees while reducing the costs such as those associated with demand generation. If demand is high, people are willing to travel and pay the full price for services and the community is willing to provide resources so those who cannot afford to pay can

still access the services. Then the focus can be on cost recovery and leveraging resources from the community.

By the end of Chapter 10, *Financial Analysis for Sustainability*, you will be able to—

- Analyze basic financial information on revenue and expenditures

- Describe methods to link financial and program information

By the end of Chapter 11, *Reducing Costs*, you will be able to—

- Recognize the various ways in which costs can be reduced

- Identify opportunities for lowering costs in your organization

By the end of Chapter 12, *Charging Fees for Services and Products*, you will be able to—

- Identify opportunities for increasing revenue by charging for the services and products you provide

- Explain the different approaches for setting prices

- Describe how to limit the impact of fees on low-income clients

By the end of Chapter 13, *Leveraging Resources*, you will be able to—

- Explain how to use your organizational assets to attract additional resources

- Identify opportunities to mobilize and diversify resources for your organization in your community and internationally

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Section 5: Financial Aspects of Sustainability

Chapter 10

Financial Analysis for Sustainability

> *"A wise man should have money in his*
>
> *head, but not in his heart."*
>
> —JONATHAN SWIFT

What Is Financial Analysis? Why Is it Important to Sustainability?

Financial analysis involves examining financial data to better understand the composition, balance of income (sometimes called revenue), and expenditures (sometimes called costs). It generates information on how much was required to carry out programs in the past, how diverse sources of income were and will be, and whether there are likely to be future shortfalls in funding.

In general, it is important to look at income and expenditures over a three to five-year period so that you can get a better idea of trends and averages. It is also important to look at your organization overall, not just a specific program. NGOs often examine only those limited elements of their income and expenditures that interest donors. This is not appropriate when sustainability is the goal. For that, it is essential to include the whole organization and all its various activities and programs.

Before presenting the main steps in financial analysis, it may be helpful to define some commonly used financial terms.

Inputs are any of the resources utilized by the program. They can be grouped according to what they are (e.g. salaries, supplies, buildings, vehicles) or what they do (e.g. activities such as training, education, service provision, transport).

Recurrent or Operating Costs are costs of items that are purchased and used (or replaced) within a period of one year or less. They are usually grouped into the following broad input categories: (1) personnel salaries, (2) supplies such as medicines, contraceptives, training materials, gasoline, and (3) utilities. Costs that are not recurrent are **Capital Costs** and are the costs of items which have a life expectancy of one year or more, usually grouped into (1) land and buildings, (2) vehicles, and (3) equipment.

Variable Costs are costs that vary with program size. Examples include the cost of contraceptives, gasoline, and vehicle maintenance. Costs that do not vary with minor changes in program size and the level of services and outputs are **Fixed Costs.** Examples include the cost of buildings, permanent staff, and equipment.

Unit Cost is the cost per unit of outcome (also called average or mean cost), computed by dividing total costs by the number of units of outcome.

Efficiency is the achievement of objectives without wasting resources. It is measured by the relationship of output to input. For example, if two programs use the same amount of resources but one provides twice as many couples with family planning services, that is the more efficient one.

The following sections cover the steps in financial analysis. An example from an organization called Aidni is used to illustrate how to complete each step.

Composition and Balance

Income

- Is income going up or down over time?

- Is the money coming from donors, fees, loans?

- Are these sources of income changing over time?

- Are they reliable?

- Are they flexible?

- Do they promote independence?

Expenditures

- Is expenditure going up or down over time?

- What is the balance between operating costs and capital costs?

- How much are the fixed costs?

- How much are the variable costs?

- What key activities are taking the most resources?

- What key inputs are taking the most resources?

- Is efficiency improving?

Income and expenditure

- What is the balance between income and expenditure over time?

- Will there be shortfalls?

Steps in Analyzing Expenditures

1. Summarize the Organization's Costs Over the Last Five Years

Draw on financial reports that provide expenditure information and organize and present the costs of your organization over the past five years two ways—by type of input (salaries, travel and construction) and by activity (training, administration and family planning services). As you will see in the Aidni example, they organized their input costs under capital and recurrent costs (Table 10.1). They also calculated the percentage of total costs the input or activity represented for each year. For example, four years ago their recurrent costs accounted for 97 percent of costs that year (Table 10.1) and clinic operations represented 60 percent of costs that same year (Table 10.2). This is a very useful way to present your costs and will help you analyze them as seen below.

Make sure that all costs, whatever the source of support, are included. Sometimes records for expenditure of money from different sources (e.g. fees, membership dues, grants) or for different purposes (e.g. for recurrent and capital costs) are kept separately and need to be pulled together.

Note how the total amounts for Table 10.1 and 10.2 equal each other. This is because they are representing the same costs, just broken down in two different ways—one by inputs and the other by activities.

Table 10.1 Aidni's Expenditures by Inputs

| | Expenditure (absolute and as a percentage of year's total) | | | | | | | | | | Total | |
| | 5 years ago | | 4 years ago | | 3 years ago | | 2 years ago | | 1 year ago | | | |
Types of Input	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Capital	**$520,000**	**84%**	**$3,000**	**3%**	**$7,000**	**5%**	**$1,000**	**1%**	**$21,000**	**11%**	**$552,000**	**45%**
Buildings	$500,000	81%	$0	0%	$0	0%	$0	0%	$3,000	2%	$503,000	41%
Equipment	$20,000	3%	$3,000	3%	$7,000	5%	$1,000	1%	$3,000	2%	$34,000	3%
Vehicles	$0	0%	$0	0%	$0	0%	$0	0%	$15,000	8%	$15,000	1%
Recurrent	**$100,000**	**16%**	**$109,500**	**97%**	**$134,430**	**95%**	**$153,039**	**99%**	**$165,543**	**89%**	**$662,512**	**55%**
Salaries	$40,000	6%	$54,000	48%	$59,400	42%	$65,340	42%	$71,874	39%	$290,614	24%
Travel	$5,000	1%	$5,500	5%	$6,050	4%	$6,655	4%	$7,321	4%	$30,526	3%
Supplies	$6,000	1%	$5,800	5%	$7,260	5%	$8,452	5%	$9,297	5%	$36,809	3%
Utilities & Rent (or mortgage payment)	$14,000	2%	$14,200	13%	$14,420	10%	$14,662	10%	$16,128	9%	$73,410	6%
Commodities	$30,000	5%	$20,000	18%	$36,300	26%	$49,930	32%	$54,923	29%	$191,153	16%
Workshops	$5,000	1%	$10,000	9%	$11,000	8%	$8,000	5%	$6,000	3%	$40,000	3%
Total	**$620,000**		**$112,500**		**$141,430**		**$154,039**		**$186,543**		**$1,214,512**	

Table 10.2 Aidni's Expenditures by Activity

| | Expenditure (absolute and as a percentage of year's total) | | | | | | | | | | Total | |
| | 5 years ago | | 4 years ago | | 3 years ago | | 2 years ago | | 1 year ago | | | |
Types of Activities	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Clinic Operations	$95,000	15%	$67,300	60%	$85,830	61%	$94,913	62%	$110,514	59%	$453,557	37%
Adolescent Program	$0	0%	$15,000	13%	$16,500	12%	$24,150	16%	$26,565	14%	$82,215	7%
Training	$10,000	2%	$20,000	18%	$22,000	16%	$21,200	14%	$19,310	10%	$92,510	8%
Administration*	$515,000	83%	$10,200	9%	$17,100	12%	$13,776	9%	$30,154	16%	$586,230	48%
Total	**$620,000**		**$112,500**		**$141,430**		**$154,039**		**$186,543**		**$1,214,512**	

*Administration includes building costs

2. Analyze Input Costs

Look at costs by input and determine the overall trends. It is useful to record these using a line or bar graph such as Figure 10.1. Are your costs going up or down over time? Look at total costs, capital costs and recurrent costs. In the Aidni example (Figure 10.1), their recurrent costs have been steadily increasing meaning that they need more funds each year to keep their programs operating.
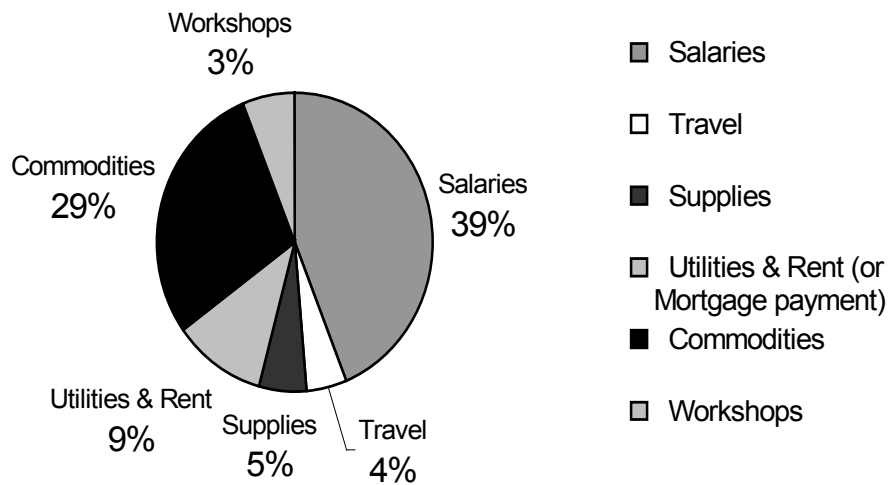
Figure 10.1. Recurrent Costs
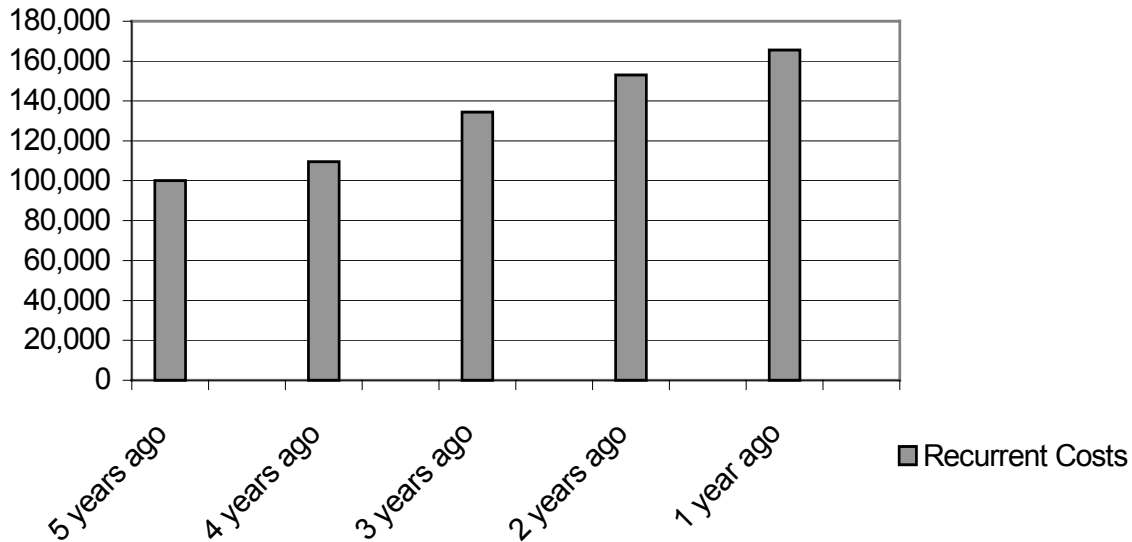
Now consider the balance between capital and recurrent costs. Does it seem reasonable? Aidni started with significantly higher capital costs (84 percent of total costs) than recurrent costs (16 percent of total costs), though this quickly shifted as their capital costs declined and recurrent costs increased. This is probably reasonable, as Aidni required a capital investment up front for its clinic.

Identify those categories of inputs that consume more than 25 percent of the organization's resources; think about ways those inputs might be used more efficiently. This is particularly important to do with recurrent costs, as these costs need to be covered each year in order to continue operations at your current level. Again, it is useful to graph the information. Use a pie chart such as in Figure 10.2. This shows the balance between Aidni's recurrent cost inputs over the five-year period: both salaries and commodities are over 25 percent. Aidni may want to explore options to lower the cost of these items, such as purchasing their commodities in bulk.

Figure 10.2. Breakdown of Recurrent Costs (1 year ago)

Workshops 3%
Commodities 29%
Salaries 39%
Utilities & Rent 9%
Supplies 5%
Travel 4%

- ☐ Salaries
- ☐ Travel
- ■ Supplies
- ☐ Utilities & Rent (or Mortgage payment)
- ■ Commodities
- ☐ Workshops

3. Analyze Activity Costs and Cost-Effectiveness

Organizing costs by activity can be somewhat difficult because routinely collected data are often not summarized in this way. However, it is worth attempting, since by putting together information on both the costs *and* outcomes of particular activities vital information on efficiency is generated. Knowing how much it costs, for example, to train one assistant or provide one client with contraceptive advice is an important step in looking for approaches to keep costs low.

Look at your activity costs and consider whether the balance of activity costs seems reasonable. For example, you might be concerned if the majority of your expenses relate to administration. Instead you would like most of your costs to be associated with your core program. For Aidni, their clinic operations took up the majority of costs every year, except five years ago when the cost of their building pushed the administration costs above the clinic costs (Table 10.2). Identify the activities that consume more than 25 percent of total costs and think about ways those activities might be done more efficiently.

Identify a suitable and measurable output indicator and calculate the cost per unit of that output for each of the last five years. Some possible indicators include couple years of protection (CYP), contraceptive prevalence rate (CPR), number of clinic visits, number of members, number of community-based distribution (CBD) visits. For example, Aidni calculated the cost per training participant (dividing the training cost per year by the number of people trained per year as taken from their program records, Table 10.2). From this analysis they found that the cost per trainee has fallen from $100 spent five years ago, to $48 last year. In other words, efficiency had improved (Table 10.3).

Table 10.3. Measuring Efficiency

	Amount per Year				
	5 years ago	4 years ago	3 years ago	2 years ago	1 year ago
Numbers Trained	100	300	400	550	400
Total Cost of Training ($)	10,000	20,000	22,000	21,000	19,310
Cost per Participant	100	67	55	39	48

4. Estimate Projected Expenditures

Consider the general plans you have for your organization over the next five years and make some broad projections of the costs these activities are likely to entail. If no major changes to your operations are forecast, then it should be a relatively straightforward exercise—costs in the past will provide a useful guide. Otherwise, you will need to give some careful thought to the ways in which past expenditures are likely to change with the planned program changes. In Aidni's case they were planning on providing the same program with only the addition of private wards as an income generating activity. So they based their projections on current expenditures plus inflation (Table 10.4).

Table 10.4. Aidni's Projected Expenditures

Projected Expenditure	Expenditure				Total
	Year 1	Year 2	Year 3	Year 4	
Capital	**$101,000**	**$1,000**	**$1,000**	**$1,000**	**$104,000**
Buildings	$100,000	$0	$0	$0	**$100,000**
Equipment	$1,000	$1,000	$1,000	$1,000	**$4,000**
Vehicles	$0	$0	$0	$0	**$0**
Recurrent	**$172,300**	**$187,730**	**$204,703**	**$223,373**	**$788,106**
Salaries	$75,000	$82,500	$90,750	$99,825	**$348,075**
Travel	$7,000	$7,700	$8,470	$9,317	**$32,487**
Supplies	$9,000	$9,900	$10,890	$11,979	**$41,769**
Utilities & Rent (or Mortgage payment)	$18,000	$18,000	$18,000	$18,000	**$72,000**
Commodities	$57,000	$62,700	$68,970	$75,867	**$264,537**
Workshops	$6,300	$6,930	$7,623	$8,385	**$29,238**
Total	**$273,300**	**$188,730**	**$205,703**	**$224,373**	**$892,106**

Steps in Analyzing Income

1. Summarize the Organization's Income Over the Last Five Years

Prepare a set of tables that summarize your income history over the last five years including, where possible, by type of resource (grant, fees, membership dues), purpose of income (what it could be used for such as specific projects, capital/operating costs, unrestricted), who provided the income (the source), the amount provided or earned by year, and the total amount. See Table 10.5 for an example of how Aidni organized this information.

Table 10.5. Aidni Historical Income

Type of Resource	Purpose	Source	Amount per Year					Total
			5 years ago	4 years ago	3 years ago	2 years ago	1 year ago	
Loan	Building costs	World Bank	$520,000	$0	$0	$0	$0	520,0
Membership dues	Operations	Members	$10,000	$15,000	$15,000	$10,000	$20,000	70,0
Grant	Training in RH	USAID/CEDPA	$30,000	$30,000	$30,000	$30,000	$30,000	150,0
Fees	Clinic operations	Clients	$22,000	$28,000	$41,000	$53,000	$65,000	209,0
Grant	Contraceptives	UNFPA	$40,000	$40,000	$40,000	$40,000	$20,000	180,0
Grant	Adolescent Services	NGO	$0	$20,000	$20,000	$10,000	$20,000	70,0
In-kind donation	Equipment, Vehicle	UNICEF	$0	$3,000	$7,000	$1,000	$18,000	29,0
Total			$622,000	$136,000	$153,000	$144,000	$173,000	$1,228,00

It is important to include an estimate of the value of in-kind donations such as contraceptives provided to you by the government. This way you know how much might be needed in the future if the donations end.

2. Analyze Historical Income

Review your historical income table and determine the overall trends by creating a line or bar graph. Is your income going up or down over time? It may be useful to look separately at income that is restricted and may only be needed one time, such as Aidni's World Bank loan, and income that is funding your core operations. As you can see from Table 10.5, Aidni's income dropped significantly between five and four years ago. However, this is not a significant problem as the figures from five years ago include the World Bank loan, which was used for a one-time expenditure.

Compare your income trend with your expenditure trend using a graph. In general, you want income to be greater than expenditures. Sometimes, though, surpluses from previous years can cover deficits in other years, such as was the case for Aidni (Table 10.6 and Figure 10.3). While Aidni is not immediately threatened by its expenditures exceeding its income, this is a trend that Aidni's leadership should monitor closely. If it continues they need to identify options to either increase their income or lower their expenses.

Table 10.6. Comparison of Aidni's Historic Income and Expenditure

	Amount per Year					Total
	5 years ago	4 years ago	3 years ago	2 years ago	1 year ago	
Income	$622,000	$136,000	$153,000	$144,000	$173,000	$1,228,000
Expenditure	$620,000	$112,500	$141,430	$154,039	$186,543	$1,214,512
Variance	$2,000	$23,500	$11,570	-$10,039	-$13,543	$13,488

Figure 10.3. Adini's Income and Expenditures
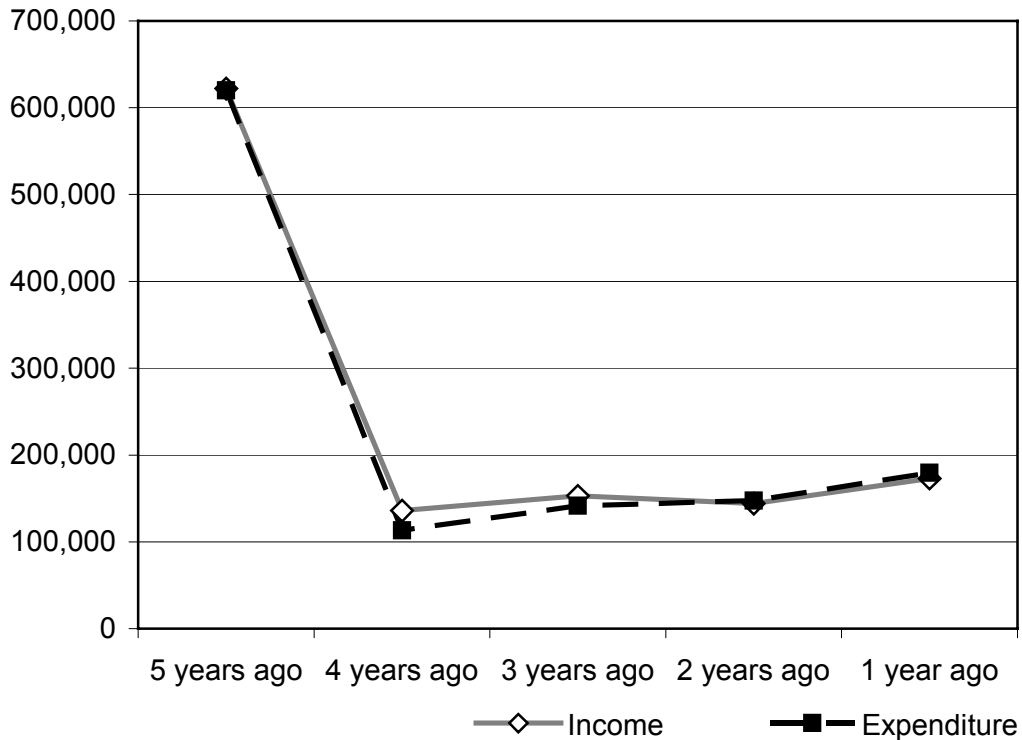
Now examine the composition of your organization's income, using a pie chart or stacked bar chart. Is most of your money coming from donors, fees, or loans? You may want to look separately at income for operating costs and income for one-time costs. Figures 10.4 and 10.5 illustrate the composition of Aidni's historical income, with Figure 10.4 including the World Bank funding and Figure 10.5 excluding it. Have your sources of income changed over time? Are they reliable? Are they flexible (i.e. can be used at your discretion or are they restricted)? Are your sources of support promoting your independence or creating dependence on donors? In Aidni's case, the World Bank funding skewed Aidni's income picture, as the one-time capital loan accounted for 42 percent of total funding. For Aidni it was more useful to examine its longer-term funding (Figure 10.5). From this they could see that 60 percent of their funding was dependent on donors, with 40 percent coming from clients and members.
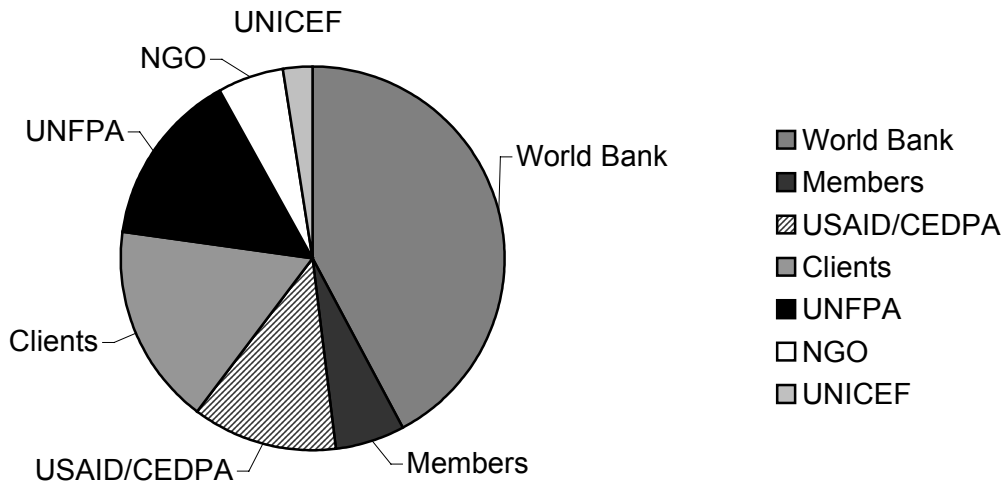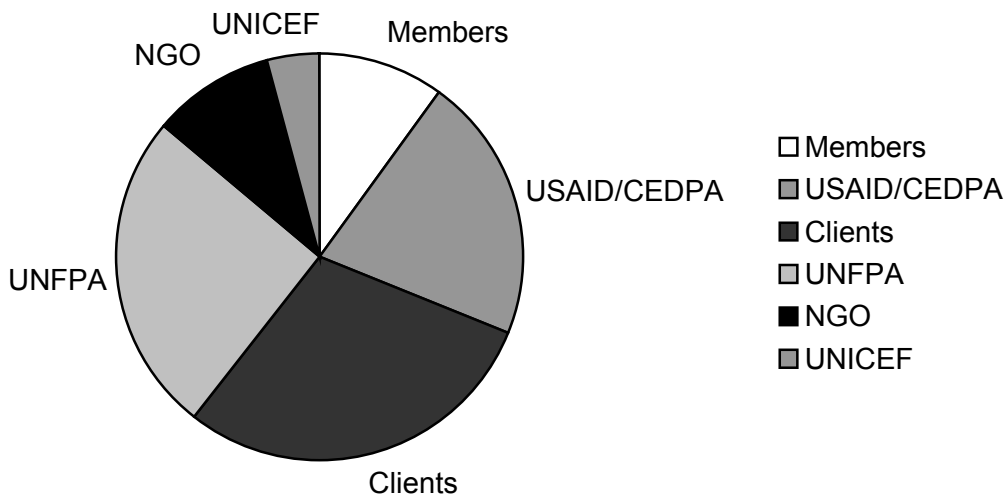
Figure 10.4. Composition of Historical Income

Figure 10.5 Composition of Historical Income Excluding World Bank Funding

3. Estimate Projected Income

Sustainability is about planning for the future. Use information you have on income in the past to get an idea of what funding might look like in a year or so.

Record information on the income you expect to receive in the next five years. Only include future funding that you strongly anticipate receiving due to actions you have already taken to secure the resources (i.e. it should not merely be a wish-list). It could include grants, endowments, loans that have already been agreed to, income from client fees for an established system, and support for community activities that have already been set up. Use the same categories described in the first step. It is also useful to include a column with comments on the

project income and any plans you have to continue it. This will help you during the analysis described in the fourth step. See Table 10.7 for how Aidni recorded its projected income.
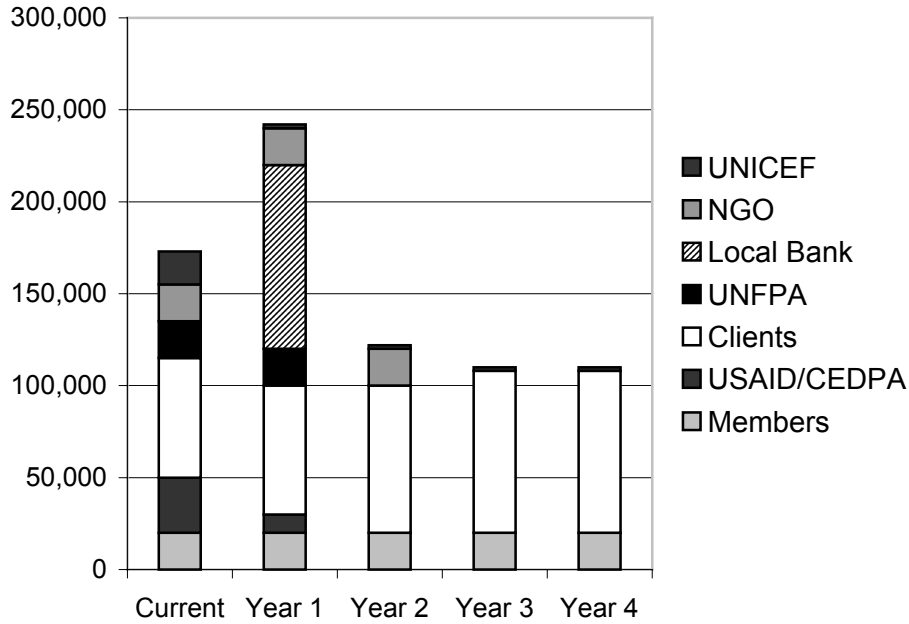
Table 10.7 Aidni Projected Income

| Type of Resource	Purpose	Source	Amount per Year					Comments and Plans for Continuing
			Current	Year 1	Year 2	Year 3	Year 4	
Membership dues	Operations	Members	$20,000	$20,000	$20,000	$20,000	$20,000	Hopefully stay at same level
Grant	Training in RH	USAID/CEDPA	$30,000	$30,000	$0	$0	$0	Project ends
Fees	Clinic operations	Clients	$65,000	$70,000	$80,000	$88,000	$88,000	Adding private ward should increase income from fees
Grant	Commodities	UNFPA	$20,000	$20,000	$0	$0	$0	Grant ends
Loan	Renovation costs	Local Bank	$0	$105,000	$0	$0	$0	Renovations for private wards
Grant	Adolescent Services	NGO	$20,000	$20,000	$20,000	$0	$0	Project ends
In-kind donation	Equipment, Vehicle	UNICEF	$18,000	$2,000	$2,000	$2,000	$2,000	Hopefully stay at same level
Total			$173,000	$267,000	$122,000	$110,000	$110,000	

4. Analyze Projected Income

Determine the overall trends, using a line or bar graph. Is your income going up or down over time? It may be useful to look separately at income that is restricted and may only be needed one time, such as Aidni's World Bank loan, and income that could fund your core operations. Is your income likely to be sufficient to cover your operations? In Aidni's case, income does increase from the current to the next year. However, a significant amount of that increase is due to the bank loan for the renovations. The income that could support core operations is actually dropping each year. See Figure 10.6.

Figure 10.6. Projected Income (US $)

Examine the composition of your projected income, using a pie chart. Is most of your projected money likely to come from donors, fees, or loans? Figure 10.7 shows the composition of projected income for Aidni after four years.

Figure 10.7 Projected Composition of Income in Four Years
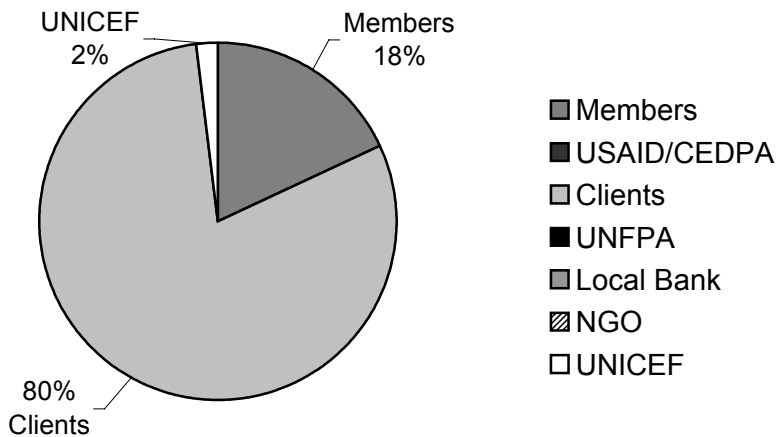
The composition looks good with 80 percent coming from client fees. However, if you compare it with Aidni's income trend (Figure 10.6), it is unlikely that there will be sufficient funds unless other sources of support are found or the income from current sources is increased.

Putting Income and Expenditure Together

By comparing projected income to projected expenditures, potential shortfalls can be identified before they happen. This is very important information to have when planning for sustainability.

By analyzing projected income, you can get a good idea of the general financial goals you should have for the next several years. Do you need to identify additional sources of income to continue operations? Do you need to lower costs or cut an unfunded program? Do you need to diversify your sources of support? Do you need to reduce your dependence on donor support? These are all questions you can answer by projecting anticipated income and expenditure. For Aidni, this analysis highlighted the fact that it would continue to operate with an annual deficit, one that would grow each year (Table 10.8). Because it only had $13,488 in surplus from previous years (Table 10.6), by the second year they would not be able to cover its costs and would need to shut down part of their operations. By identifying this problem now, Aidni has some time to explore and implement strategies to increase its income and lower its costs.

Table 10.8 Comparison of Aidni's Projected Income and Expenditure

| | Amount per Year | | | | |
	Year 1	Year 2	Year 3	Year 4	Total
Income	$267,000	$122,000	$110,000	$110,000	$609,000
Expenditure	$273,300	$188,730	$205,703	$224,373	$892,106
Variance	-$6,300	-$66,730	-$95,703	-$114,373	-$283,106

Worksheets 10.1 and 10.2 are provided at the end of the chapter for you to record your income and expenditures.

Resources

Management Sciences for Health, *CORE: A Tool for Cost and Revenue Analysis*, (1998).

Reynolds, Jack and K.C. Gaspari, K.C., *Cost Effectiveness Analysis*, (PRICOR Monograph Series: Issues Paper 2, 1985).

Worksheet 10.1 Financial Analysis of Expenditures

Types of Input	Expenditure (absolute and as a percentage of year's total)											
	5 years ago		4 years ago		3 years ago		2 years ago		1 year ago		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Capital	**0**		**0**		**0**		**0**		**0**		**0**	
											0	
											0	
											0	
Recurrent	**0**		**0**		**0**		**0**		**0**		**0**	
											0	
											0	
											0	
											0	
											0	
											0	
Total	**0**		**0**		**0**		**0**		**0**		**0**	
											0	
											0	
											0	
											0	
											0	
											0	
											0	
											0	
Total	**0**		**0**		**0**		**0**		**0**		**0**	

Worksheet 10.2 Financial Analysis of Income

Income History

Type of Resource	Purpose	Source	Amount per Year					Total
			5 years ago	4 years ago	3 years ago	2 years ago	1 year ago	
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
Total			0	0	0	0	0	0

Income Projections

Type of Resource	Purpose	Source	Current	Amount per Year				Comments/Plans for Continuing
				Year 1	Year 2	Year 3	Year 4	
Total			0	0	0	0	0	

Worksheet 10.3 Comparison of Historic Income and Expenditure

	Amount per Year					Total
	5 years ago	4 years ago	3 years ago	2 years ago	1 year ago	
Income						
Expenditure						
Variance						

Worksheet 10.4 Comparison of Projected Income and Expenditure

| | Amount per Year | | | | Total |
	Year 1	Year 2	Year 3	Year 4	
Income					
Expenditure					
Variance					

Chapter 11	
	Reducing Costs

To become financially viable you need to balance costs with income. The less it costs to run a reproductive health program, the less revenue that needs to be generated and the lower the fees that need to be charged. This, in turn, makes the services accessible to a larger number of clients. Cost reduction has further appeal, as it is something over which organizations have more control than they have over income. The challenge lies in lowering costs without limiting the quality and effectiveness of the program or being diverted from your mission.

There are a number of strategies for reducing costs. Some focus on lowering total costs while others look at reducing unit costs (or the cost per unit of output) by increasing demand. Only lowering total costs will limit the amount of income you need to earn, but both can result in lower prices to clients.

Use the results of your financial analysis (Chapter 11) to determine which of these are appropriate for your particular organization.

Choosing Less-Costly Delivery Approaches

The unit costs you calculated in the financial analysis section can help in identifying potential areas in which to lower costs. It may show that different types of services can be provided at less cost by changing the delivery approach. The family planning program in Bangladesh, for example, has recently changed its emphasis from community-based distribution to fixed sites based on an analysis that showed that community-based services cost more to deliver than depot-based services.

Trimming Unfunded Services that Cannot Recover Costs

This is an approach that most organizations find difficult. It often means letting go of staff and sometimes letting down the community, although the latter problem can sometimes be avoided by arranging for other organizations to take responsibility for the service. This is what an NGO in Zambia did when funding for its program ended, getting the District Health Management Team to agree to supervise and supply the community-based agents to ensure that services would continue. The decision to cut a service is easier if that service is not directly related to your mission. For example, a reproductive health organization, which had accepted to run a literacy program funded by a donor, decided to stop its literacy work when funding ceased so as to focus on reproductive health.

Improving Quality and Eliminating Re-Work and Waste

Although improving quality may increase costs in the short-term, in the long-term the benefits often out-weigh the costs. Improving quality can increase utilization and demand for services, and reduce unit costs.

Doing things well the first time, limits both re-work and waste. If a woman is properly counseled on available family planning methods and is given appropriate information on use and potential side effects of the method she selects, she is less likely to have problems with the method and need additional clinical services.

Reducing hierarchy and management levels may be a way to reduce waste and unnecessary overheads. Both Lumbini and FEMAP took such steps and in doing so lowered costs and improved productivity. FEMAP decentralized its program; the central office shifted from an administrator to the role of supplier and consultant to the affiliates. Central staff fell from 49 to nine and administration expenditures dropped from 15 to three percent. Lumbini reorganized from a narrow hierarchy into a broader structure with seven departments. It used a combination of supervisors and paramedics to take over most of the administrative burdens. Ophthalmic assistants were trained to serve the hospital and satellite clinics and provide the majority of the outpatient services to the community at significantly less cost to the organization. All staff received ongoing technical updates and feedback from client satisfaction surveys to ensure that quality was maintained and even improved.

Using Excess Capacity to Your Advantage

Excess capacity occurs when fixed cost items are not used as much as they could. Building space and staff are normally fixed costs and often represent a high proportion of total costs. There are a number of strategies for dealing with excess capacity.

One option is to share the fixed cost with other organizations. For example, an NGO might share the services of an accountant or split the time of a trainer. A group of NGOs might rent a large space together rather than costlier individual spaces or might share some central services such as a fax machine and photocopier. Subletting excess space is another similar approach that can be used to generate income. As with any business venture, be cautious. One organization in Nigeria rented the top floor of its building to the State Ministry of Education. Two years later the Ministry had still not paid any rent!

Another approach is to change some fixed costs to variable ones. An organization in Guatemala decided to pay its providers based on the number of clients they saw and in so doing changed its staff payments from a fixed to a variable cost. This meant that when utilization was low, and in turn the amount of revenue generated from clients' fees was low, the organization also had lower costs. Had their providers been paid a fixed salary, the organization would have had a hard time covering the costs.

Outsourcing functions for which the organization does not require full-time expertise is another way to reduce fixed costs, e.g. hiring an outside individual or company rather than employing a staff person. For example, a hospital might hire a cleaning company rather than employing

cleaners directly. Or an NGO, instead of having a full-time accountant, might employ a bookkeeper at lower rates and have an outside accountant come in once a month to prepare the financial reports.

Excess capacity can also be used to generate more demand and more income. An example of this comes from a reproductive health organization in Cambodia that was opening several new clinics. It always took some time for these to be fully utilized so instead of having staff sitting idle, they asked some staff to spend part of the day doing community outreach. This helped to make the community aware of the services of the new clinics and develop a relationship between the clinic staff and the community. This approach soon increased the utilization of the clinic and its services.

If the excess capacity occurs in all your fixed costs, then perhaps you should be increasing the level of services. By increasing the volume of services without having to increase fixed costs, you can provide additional services at lower cost. This is called "economies of scale" and FEMAP demonstrates how it can be achieved. Be careful to ensure that the level of quality does not suffer with the increase in utilization.

Reducing the Costs of Inputs

Staff is one of the most costly resources for NGOs. Opportunities for lowering this salary component should always be explored. Using volunteers is one approach though it should be recognized that it is not a cost-free option. Resources will need to be invested in managing, training, and supervising volunteers. These costs must be weighed against the benefits of having volunteers including those associated with the new skills and the network of potential supporters they might bring to the organization.

What Volunteers Can Do for Your Organization

- Help distribute information and commodities

- Provide financial and legal expertise

- Help with general administrative tasks

- Edit the newsletter or other publicity materials

- Help with all aspects of fundraising, including the actual "asking" for support

- Organize and run special events

- Coordinate raffles, collections, and membership drives

Asking suppliers for discounts is worth doing. Often suppliers are willing to make a contribution to their community by giving a discount to non-profit organizations.

Purchasing supplies, contraceptives, and pharmaceuticals in bulk is an effective way to reduce costs. Often the more you buy of any particular commodity, the cheaper the price. If large enough quantities are involved you may be able to get them at wholesale prices or substantially discounted. If your organization is too small to be able to "bulk purchase" on its own, explore the possibility of joining with other organizations interested in similar products and purchase in collective bulk. The Christian Health Association of Nigeria did this for its members and FEMAP did it for its affiliates.

References

Dabel, Gregory J., *Saving Money in Nonprofit Organizations*, (San Francisco: Jossey-Bass, Inc., 1998).

Charging Fees for Services and Products

Surveys around the world show that people, even poor people, are willing to pay for the services they value. Indeed they often value the services more and use them more judiciously when they have to pay for them.

Charging fees, often called cost recovery, is an approach to generating revenue that all NGOs should consider. It is based on the concept of exchange: people paying for services and products they value. Some NGOs are reluctant to charge fees because of concerns that their clients, often the poor, will be unable to pay them. This is a legitimate concern, but there are ways to design fee-systems to protect the most vulnerable clients. This section will explore how to set prices and ensure that those who are unable to pay still have access to required services.

Before establishing a fee system, consider the costs involved in operating it. Staff will need to be assigned to manage the system and operate its various components, including preparing a fee schedule (price to charge per service), collecting the fees, recording the charges, reconciling and depositing the money collected, and preparing regular reports. How much it costs to operate the system will depend on how complex the system is. Keep the cost of administering the system low compared with the revenues generated through the fees collected. If this is not possible, consider a different system.

Setting Prices

The fee system you are aiming for is one that maximizes revenue without limiting access for your intended population.

There are several approaches to setting prices based on some combination of each of the following—

- What other providers (your competitors) charge for similar services and products

- What your clients are willing and able to pay

- What it costs to provide the services and products

You might choose different approaches for different products as we explain in the following paragraphs.

Whichever approach you adopt, remember that setting prices is not an exact science. There is often an element of trial and error. Be prepared to adjust your fees if they are not resulting in the

right balance between income earning and client access. Periodically study the response to any fees you introduce. Has utilization of your services changed? Are your client profiles the same? Are you still serving your intended population? You should be looking at the trend, not a single data point. It is common, for example, that immediately after a fee is introduced or increased utilization will dip and then return the level it was before the fees were increased.

Fees Based on Competitors' Prices

This is one of the more common approaches to setting fees. It involves finding out what the competition charges for its services and base prices on that. It is rarely as simple as charging *exactly* what the competition is charging. For one thing, the services you provide are likely to be somewhat different and so too are your clients. Your prices need to reflect these differences. The following are ways to do this for a specific service or product.

1. *Identify your competitors.* Include the public sector, commercial sector, other NGOs, and anyone who provides a similar service or product in your community.

2. *Find out what they charge for the services.*

3. *Identify how these services compare with your own in terms of quality*, where they are provided (e.g. clinic, work site, door-to-door), how they are provided (e.g. privacy, friendly staff, in one site), when they are provided, (e.g. 24 hours, specific clinic days, evenings, and weekends), and what their clients value about them.

4. *Identify any differences between your clients and those served by your competitors* (e.g. sex, age, education level, occupation, income, and location).

5. *Set prices based on the differences you noted.* Consider charging more if your product is perceived to be superior by your client or if your clients are from a higher income bracket. And vice versa. The table below can assist you to organize the information you collect.

Type of Service or Product			
Name of other providers	**The amount they charge**	**Differences/similarities between you and them in**	
		Clients served	**Quality of product/service**
Proposed fee:		**Why this amount?**	

Knowing what your competitors charge is useful information whatever approach you use to determine fees. For example, if you base prices on cost, and this is significantly higher than your competitors' price, you may find it difficult to attract clients. Or, if you use willingness to pay and find that clients are willing to pay much less for your services than for your competitors', then this could be a signal that you should examine the quality or the unique features of your service to become more competitive.

Fees Based on Willingness to Pay for Services

This approach is probably the most appropriate when the prime concern is ensuring that clients continue to have access to required services.

1. *Identify a sample of current and potential clients for your service or product.*

2. *Estimate their willingness to pay for your service or product.* One way to estimate willingness to pay is by knowing certain characteristics of current or potential clients— their income, occupation, housing characteristics, what they currently pay for services. You can collect this information using the methods described in the chapter on marketing (Chapter 9).

Another more direct approach is to use a simple questionnaire (Box 13.1) that asks how much they are currently paying for a service and how much more or less they would use the service at various higher and lower prices. The questionnaire could also test their willingness to pay for variations in the service or product such as receiving the service in the evening, in a private room or at home, or having the option to stagger payments over three months.

Box 13.1 Measuring Willingness to Pay

One simple approach to measuring willingness to pay features a short list of questions that can be rapidly administered to current or potential clients. To implement it—

- Take the current price as a starting point
- Ask a series of questions about willingness to pay a moderate or a large increase (being considered by management)
- Ask for the maximum price clients are willing to pay

This approach is illustrated in the following example of a "willingness to pay" questionnaire used in Mali—

1. How much do you usually pay for your pills? _____ CFA
2. If the price of your pills were to increase by 100 CFA, would you continue to buy from your usual source?
   1) Yes
   2) No—go to 4
   3) Don't know—go to 4
3. And if the price of your pills increased by 150 CFA, would you continue to buy?
   1) Yes—go to 5
   2) No—go to 5
   3) Don't know—go to 5
4. If the price of your pills increased by 50 CFA, would you continue to buy?
   1) Yes
   2) No
   3) Don't know
5. What would be the highest price you would be willing to pay for 1 cycle of pills? _____CFA
6. If the price of pills at your usual source increased by more than you would be willing to pay there, what would you do instead?
   1) Look for cheaper brand/method at the same source
   2) Look for a cheaper source of the same method
   3) Look for cheaper method and cheaper source
   4) Stop contraception
   5) Other _____

Source: Foreit, Karen, *Using Simple Survey Techniques to Set Prices.* (Washington, DC: The Futures Group, 1998).

3. *Set price based on information collected.* Setting the price at a level that most of the people surveyed indicate they are willing to pay enables clients to continue utilizing the service. This price will not necessarily coincide with the full cost of providing the service, however, and if it is below the full cost you will need to think of other ways to generate revenue. This could include providing some services for which clients are willing to pay cost plus a surplus and using this excess income to subsidize those services for which people are not willing to pay the full cost.

Fees Based on the Cost

This approach to setting fees is the most appropriate if revenue rather than access is your key goal. There may be products or services that are not vital to your mission and for which you are prepared to charge what it takes to make a profit. For example, you might agree to run training

courses for other organizations, or provide certain non-essential pharmaceuticals or luxury elements of service (e.g. private rooms) but only if the full costs are covered.

1. *Determine the unit cost of providing your services and products.* Add together all the costs associated with a product or service for a specified period (e.g. one year) and divide by the number of services provided during that same time. Include in costs the value of the time the nurse, doctor, or others spend on the procedure or the client, the cost of rent or utilities, and any drugs or materials (Box 13.2).

BOX 13.2 Calculating the Unit Cost of an IUD Insertion

	Amount per month ($)
Salaries*	
Nurse/midwife	2000
Medical assistant	700
Receptionist/cashier	300
Supplies	
IUDs	1500
Other supplies (gloves, instruments)	600
Other direct costs**	
Portion of rent	300
Portion of directors daily salary	500
Portion of daily utilities	100
Total Cost	6000
Number of IUD Insertions	30
Unit Cost of IUD Insertions	200

* *Using timesheets, the proportion of time that was spent with IUD clients was estimated and that proportion applied to the monthly salary of each staff member.*

** *Five percent of all visits during the month were for IUD insertions, so five percent of these "other" costs were allocated to IUD services.*

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2. *Set a price based on your goals for cost recovery.* Identify those services or products you would like to generate revenue. Use any information you have on willingness-to-pay to identify a price that will maximize net revenue (the difference between total revenue and total costs). Abandon that service or product if net revenue is not positive. For those products and services, which you see as essential, calculate any financial shortfall that you are likely to have by charging what people are willing to pay (i.e. the difference between costs and willingness to pay). Are you willing and able to subsidize the service to that extent?

Table 13.1 can help to organize the cost information.

Table 13.1 Organizing Cost Information

Name of service or product	Cost of providing service or product	Proposed fee	Reason for any difference between cost and price
e.g. IUD Insertion	*200*	*150*	*Willing to subsidize because trying to promote long-term methods*

Protecting Low-Income Clients

There are several ways to limit the impact that charging fees may have on your low-income clients including the following—

- **Exemptions.** Fees are waived for the neediest clients, while everyone else pays the full fee. One challenge here is knowing who should receive the exemption. In many community-based programs, staff that live and work in the communities they serve can make the judgment. In some countries, people who earn below a certain level are issued an identification card to indicate that they are eligible for benefits. This could also be used to offer exemptions. Alternatively, it is possible to conduct a survey of the community to determine who cannot pay for services. This can be difficult, as many people are not comfortable providing information about their income.

- **Sliding scale.** Under this system, different clients are charged different amounts based on their ability and willingness to pay. For example, the poor might only pay 20 percent of the cost, middle-income earners the full cost and wealthy clients 10 percent over the cost of the service. Although such systems can be complicated to design, they can operate fairly smoothly. Lumbini, for example, provides some augmented services, such as having a private room with TV, and charges more than it costs to people who choose that option. Of those who elect the more economical service (e.g. shared rooms, no TV), most are charged almost the full cost, while 20 percent receive the services free of charge.

- **Charging for some services but not others.** For those services you believe your clients need, though they are not willing to pay the cost (e.g. preventive services such as nutrition education, growth monitoring, and immunization), it may be appropriate not to charge any fees while charging for the other services you provide.

In choosing a system, bear in mind the costs involved in establishing and operating it. These costs can be significant and may override the benefits of discriminating between clients or services.

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Leveraging Resources[10]

What Is Leveraging?

Leveraging refers to the ability of an organization to use its assets—experienced staff, community linkages, quality services, and visionary leadership—to attract additional resources from donors in support of its programs. Leveraging involves an exchange. Donors invest in your programs because you are helping them achieve something they want. Perhaps the work you do supports their mission, or they believe that by publicly giving to a good cause they will receive social recognition and status. The challenge is to identify the reasons donors give and convince them that giving to your organization will help them to accomplish those goals.

There are many potential sources of support, more so than ever before, both in the immediate community and further a-field. Think broadly about who your potential stakeholders—those with an interest in your organization's activities or resources—might be. There are opportunities for support that could be missed if you fail to think beyond your immediate environment.

There are two major sources of support—

- *Community supporters,* including individuals (both wealthy and non-wealthy), nationals living overseas, local businesses, international businesses, and board members

- *Donors,* including local and international governments, multilateral donors (e.g. the European Community, United Nations agencies, the World Health Organization, the World Bank), bilateral donors such as those from the U.S. (USAID), the U.K. (DFID), Germany (GTZ), and Japan (JICA), foundations (including Ford, Gates, Packard, and Rockefeller), international NGOs (e.g. PLAN International and CARE), and volunteer organizations such as the U.S. Peace Corps and the British Volunteer Service Overseas

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[10] This chapter has drawn from and adapted some of the material in: Hare, et al. *Guide to Leveraging: How to Mobilize and Diversify Resources for Reproductive Health*, Family Planning Service Expansion and Technical Support (SEATS II), June 2000.

How to Leverage Support

Regardless of whom you approach, there are three essential steps in leveraging support—

- Identify potential supporters
- Cultivate their support
- Solicit support from them

1. Identifying Potential Supporters

Community Supporters

Your own staff and board members are a good source of information on potential community supporters. Brainstorm with them and ask—

- Which individuals currently support our organization?
- Which individuals might be most affected by our activities?
- Who is committed to the organization's goals and objectives?
- What connections do we have through staff and board members to influential individuals?
- Who supplies our organization with office supplies, medical supplies, pharmaceuticals, accountants?
- What businesses are known to be charitable?
- Who (both individuals and businesses) are in close physical proximity to us?
- Who employs our clients and family?
- Which individuals and businesses have expressed interest in our work?

Begin to keep a list of everyone who comes in contact with your organization. Include friends and family, professionals with whom you do business and other business connections. This, along with your brainstormed list, can form a database of potential donors.

Once you have a list, learn more about these potential supporters. Why would they be interested in supporting your organization? What type of support might they reasonably supply?

Worksheets 13.1 and 13.2 at the end of the chapter provide prompts for collecting information on potential individual and business supporters.

Donors

The number of sources of information on donors has grown dramatically in recent years—

- **Resource books** (see resource list at the end of the chapter).

- **The Internet.** Most major international donors now have a web site. Their sites provide important information on the objectives of the donor and where it operates. There are even web sites that serve as clearinghouses for donors. The U.S. Foundation Center has a site that makes it possible to search through thousands of U.S. foundations to find those that best match your own requirements.

- **Government agencies.** By directly contacting government agencies you can find out which donors are active in your country and what sort of causes they support.

- **Other NGOs.** Most NGOs in developing countries have received support from a donor at some point during their history and are usually prepared to share this information with others.

- **Embassies.** Embassies have information on the development organizations from their country. Some of the smaller bilateral donor agencies might even operate from their embassy.

Worksheet 13.3 will help you collect information on your potential donors.

2. Cultivating Support from the Community and Donors

Cultivating potential supporters is time well spent as it increases the chances of success in the final leveraging step—soliciting support. Unfortunately, many organizations largely neglect this key step.

Community Supporters

Make friends before trying to make money. Build a relationship between your organization and its potential supporters. Start with those who currently give to your organization: they are more likely to give in the future than those who have never supported your organization. Meet with potential corporate donors, preferably accompanied by someone who already has had contact with them. Use this first opportunity to provide information about your program, to learn about their business, and to discuss future partnerships.

An example of this is provided by CEDPA. Interested in expanding its support from individuals in the U.S., it has been holding a number of "friend-raisers" around the U.S., hosted by its board members. This is an opportunity to share with people CEDPA's accomplishments and the work that it is doing. No requests are made for donations at these events. They are just held to develop stronger relationships with potential donors.

Box 13.1 Building Good Relationships

1. Be honest and sincere. Let your commitment show.

2. Be prompt. Reply quickly and efficiently to any request from supporters.

3. Be interesting. Use dramatic and compelling material. Tell a story.

4. Be involving. Encourage regular feedback and dialogue from supporters.

5. Be helpful. You are there to help your supporters.

6. Be faithful. Stick to your promises. Stand by your organization's mission and do not compromise what it stands for.

7. Be cost-effective. Supporters do not want to see their funds wasted.

8. Be informative. Show supporters that their money is in good hands. Share problems as well as successes.

9. Be respectful. Treat each small supporter as though he/she might become a large one.

Donors

Cultivate your potential donors before sending any proposal. This increases the chances that the donor will notice your proposal, out of the thousands it receives each year. Even in this internet-world, nothing replaces face-to-face contact. Try to arrange a meeting with potential donors. Have both your executive director and a board member attend. This demonstrates the importance that your organization places on establishing a relationship with the donor. Even better than a meeting at the donor's office is one in which the donor comes to visit your community. There they can see first hand your organization at work. If a meeting is not possible, a telephone call is the next best option followed by a letter. It is vital to prepare well before making contact, so that the impression you make is a favorable one.

3. Soliciting Support

Soliciting support, whether from the community or a donor, requires a focused and strategic approach. Sitting around and waiting for a donor to come and give you money is a risky strategy: you need to be active and ask.

Community Supporters

There are several proven approaches to soliciting support from your community including the following—

- **Special Events.** These can include dances, dinners to honor someone, music or cultural performances, lecture series, street fairs, sporting events, car washes, bake sales, and auctions.

- **Public Collections.** These can be conducted house-to-house, on the street, or using a collection box in a local business.

- **Membership.** This involves formally affiliating community members with your organization. Members pay regular fees and receive something in return (a newsletter, special services, etc.).

- **Sponsorship.** Both individuals and businesses can sponsor your organization or particular events or activities that your organization runs. For example, some international NGOs (e.g. Save the Children, Plan International) offer individuals the opportunity to sponsor needy children through a monthly payment plan. In exchange, the NGO provides information on how the child is developing and benefiting from their sponsorship.

- **Raffles.** Tickets are sold each having a chance of winning a specified prize or prizes. Arranging to get the prizes donated can save costs. Raffles are often held in conjunction with other special events.

Most of these approaches involve asking for money or cooperation from individuals or businesses. To do this successfully, follow these suggestions—

- Use a personal touch; have community members meet with your clients

- Ask for a specific amount that is within the means of your community supporter

- Convince supporters of the difference that their contribution will make

- Link your request to your potential supporter's motivation for giving

- Give yourself first; givers make better askers

- Acknowledge all donations with a personal letter

Donors

Soliciting support from donors usually requires a proposal or at least a plan of action and a budget.

An effective proposal will involve the following—

1. **A good idea.** Before writing a proposal, attention needs to be given to developing the proposal and its justification. This may require considerable planning, consultation, and data collection. You should aim to develop a proposal that would—

   - Fit within the mission of your organization

   - Address aspects of community need

   - Have a well-defined population

   - Excite the executive director of your organization

   - Focus on services that clients use, like, and buy

   - Meet the needs of the funding agency

   - Enhance future organizational development

To do this you will need to track down statistics about your current and proposed activities; collect articles, references, and statements from others to demonstrate the credibility of your organization; gather information on the donors you plan to submit a proposal to; draw up a list of key points as to why donors would want to fund the proposed program; and pull together any relevant budget information.

2. **A well-written and well-structured proposal.** Most follow a similar model.

   - *Summary* provides a synopsis of the key information (the problem, proposed solution, and the amount of funding required). In some cases, this might be the only piece the donor reads closely. Make it clear and "punchy" so as to grab the reader's attention.

   - *Introduction* describes your organization's mission, history, and future planned directions.

   - *Needs assessment and problem statement* describes the problem. Document it with facts and statistics and link the problem to your organization's mission and experience.

   - *Goals and objectives* describe the difference you want to see by implementing the proposed project.

   - *Strategies and activities* outlines how you plan to accomplish the stated goals and objectives.

   - *Monitoring and evaluation* describes how progress will be monitored and how success will be defined.

   - *Sustainability* explains how the program benefits will continue once this donor's funding ends.

   - *Budget* links the proposed program with the required finances. Specify any contribution your organization is making as well as highlight what it is that is being requested from the donor.

   A proposal checklist (Worksheet 13.4) can be found at the end of the chapter.

3. **Proposal follow-up.** Once the proposal is submitted, call or email the donor to make sure they have received it and to see if they have any questions. Ask when you might hear their decision. Continue to cultivate the donor even after submitting the proposal by, for example, inviting them to visit your organization or attend a special event.

   Often donors' decision-making processes are lengthy, so your situation may change before you hear from them. Make sure that you keep the donor informed about any significant changes or any new funding you receive while your proposal is being reviewed.

   If you are awarded a grant, send the donor a thank-you letter acknowledging their contribution. Then focus on doing a good job with the funding they have provided and ensure that the required reports are submitted in a timely and accurate manner.

If you do not receive the requested funding, use this as a learning opportunity. Thank the donor for taking the time to consider your proposal and ask if they have any suggestions as to how you might improve your proposal for future submissions. Besides offering you valuable information on proposal writing from the donor's perspective, it also keeps the lines of communication open.

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GrantStation: http://www.grantstation.com

Worksheet 13.1 Community Supporters

Below is the information you should collect on your potential supporters.

Name of Community Supporter _____	
• Age • Sex • Education • Religious background • Residence	
Association with your organization • Has he/she used your facility? • Does he/she have friends or family who have used your facility? • Has he/she supported your organization before? • How? (cash, volunteer, in-kind)	
Associations with other groups • Does he/she support other NGOs in the community? • Which one and why? • What community associations or groups does this supporter belong to?	
Attitudes to your organization and reproductive health • Does he/she know what your organization does? • Does he/she approve of your organization? • What does he/she like about your organization? • What does he/she not like about your organization?	

Reference: *Guide to Leveraging: How to Mobilize and Diversify Resources for Reproductive Health*

Worksheet 13.2 Business Sponsors

Below is the information you should collect on potential business supporters.

Name of Business _____	
Contact Information • Name of individual in your organization who has contact with the business • Contact person in the business • Address • Telephone/Fax Number • Email/Website	
Annual report or any other documentation?	
Their business • What products or services does it provide? • Are these of possible interest to your organization?	
Policy of giving • Does the business have a policy of corporate giving? What is it? • What is its motivation for giving?	
Type of support provided • What type of support has it provided before and to whom? • Has it sponsored events or organizations? • Does it have spending limitations? • What level of support does it normally provide?	

Funding mechanism
• What is its procedure for reviewing appeals for support? What is the timetable for—
  - Acceptance of proposal?
  - Review of proposals?
  - Decision making?
  - When funding becomes available?	

Proposal requirements • What type of application for support is required? • Requirements once support is provided (e.g. reporting conditions)?	

Reference: *Guide to Leveraging: How to Mobilize and Diversify Resources for Reproductive Health*

Worksheet 13.3 Donor Information

(Bilateral, Multilateral, Foundation, National and Local Government, Voluntary)

Below is the information you should collect on your donors.

Name of Donor _____	
Contact Information • Contact person • Address • Telephone/Fax Number • Email/Website	
Annual report or other documentation?	
Programmatic priorities • What are the five priority topics? • Through what programs could reproductive health activities be supported (e.g. education, health, reproductive health)?	
Health priorities • Within health, what are the five priorities? • Any future projects in reproductive health planned? • Any interest in involving your organization in these plans?	
Geographic priorities • Where in your country does this donor work? • Are there preferences or limitations in terms of where support is provided?	
Type of support provided • In-kind, grants, loans, endowments?	
Funding limitations • Maximum, minimum, average size	
Funding mechanism • Directly or through intermediary (who?) • What is the donor's role?	
Funding cycle—What is the timetable and deadline for— • Acceptance of proposal • Review of proposals • Decision making • When funding becomes available	
Proposal requirements • What type of application is required? (Letter of intent, formal proposal, financial statements, resumes of staff) • What should be the content and size of the proposal? • What are the award criteria? • Are there printed guidelines, application forms, and a copy of an example of good proposal?	
Requirements once support is provided • Reporting or other conditions	

Reference: *Guide to Leveraging: How to Mobilize and Diversify Resources for Reproductive Health*

Worksheet 13.4 Proposal Checklist

Summary: Clearly and concisely summarizes the request—

- Appears at the beginning of the proposal

- Identifies the applicant

- Includes at least one sentence on credibility

- Includes at least one sentence on describing the problem

- Includes at least one sentence relating to the project objectives

- Includes at least one sentence on methods

- Includes total cost, funds already obtained, and the outstanding amount required

- Is brief, clear, and interesting

Introduction: Describes the applicant agency and its qualifications for funding (credibility)—

- Clearly identifies the source of the proposal

- Describes the applicant agency's purposes and goals

- Describes the applicant agency's programs and activities

- Describes the applicant agency's previous/current clients

- Provides evidence of the applicant's accomplishments

- Is brief, interesting, and free of jargon

Problem Statement/Needs Assessment: Documents the needs to be met or problems to be addressed by the proposed activities or funds—

- Relates to the purposes and goals of the applicant agency

- Is of reasonable dimensions (not trying to solve all the world's problems)

- Is supported by evidence and/or statements from authorities

- Is stated in terms of the client's needs—not the applicant's needs

- Is not stated in terms of "the lack of a program"

- Does not make unsupported assumptions

- Is free of jargon, is as brief as possible, but makes a convincing case

Goals and Objectives: Describes outcomes of the project in measurable terms—

- Identifies at least one objective for each problem that is to be addressed by the project

- Describes the results—not how the results will be achieved

- Describes clearly who will benefit from the project

- States the time by which the objectives will be achieved

- Identifies measurable objectives

Methods: Describes the activities to be carried out to achieve the objectives—

- Flows naturally from the problems and objectives

- Clearly describes the project activities

- States reasons for the selection of strategies and activities

- Describes the sequence of activities

- States who will be responsible for which activities

- Presents a reasonable scope of activities that can be carried out within the timeframe and resources of the project

Monitoring and Evaluation: Includes a plan for monitoring progress in project implementation and for evaluation of project effectiveness—

- Describes the indicators that will assist in monitoring and evaluating project accomplishments

- Presents a plan for evaluating project achievements

- States who will be responsible for monitoring project implementation

- States who will be responsible for project evaluation

- Explains any instruments or questionnaires to be used

- States when formal monitoring and evaluation will be carried out

Sustainability: Contains a plan for continuation of project beyond the life of the current project—

- Presents a specific plan to obtain future funding if program will require continued financial support

- Describes how the project will seek to develop self-reliance for continuation of project activities beyond the project period

Budget: Identifies total, project costs, existing source of funding and net costs requested—

- Supports information given in the description of the project

- Is sufficiently detailed to identify all calculations and unit costs

- Does not include any unexplained amounts

- Includes all items to be charged to the project

- Includes all items to be paid by other sources

- Is reasonable and sufficient to perform the tasks described

Reference: *Guide to Leveraging: How to Mobilize and Diversify Resources for Reproductive Health*

Working through this guide, you have assessed organizational capacity for sustainability and reviewed the various approaches to strengthening institutional, programmatic, and financial sustainability. Now these approaches must be pulled into a strategy that takes into account organizational need and capacity. Implementing this strategy will require changes in operations, programs, and external relations. This change must be managed to ensure that there is a balance between innovation and continuity. And as the strategy is implemented, it must be monitored to both ensure that progress is being made and to capture best practices.

This section covers these three aspects of implementation—forming a strategy, managing change, and measuring results.

Crafting Strategies for Sustainability (Chapter 14) involves discovering what the organization is doing well, envisioning what the future might be and building on successes to reach its vision. By celebrating the good, acknowledging what must be strengthened and forming a plan to apply best practices, the organization can map out specific activities to move it into a sustainable future.

Leading Change Efforts (Chapter 15) is a constant. In today's world all organizations need to adapt to change to sustain their operations. Change, neither inherently positive nor negative, can provide opportunities and present challenges. Whether imposed by an external force or proactively undertaken by the organization, change must be managed. Building a leadership team to manage the changes required for sustainability will help to capitalize on available support and limit resistance.

And One More Thing—Monitoring (Chapter 16) helps determine whether a sustainability strategy is being implemented as planned and how effective it is in enhancing sustainability. It also helps to capture best practices and the process used to achieve them. The ability to monitor progress and make required corrections enhances the likelihood that an organization will achieve its sustainability goals. Communicating successes to the community, donors, and other NGOs can attract additional support and resources.

By the end of Chapter 14, *Crafting Strategies for Sustainability*, you will be able to—

- Understand the importance of crafting strategies for sustainability

- Learn the various benefits of a strategy development process

- Practice developing inquiry questions that will help your organization uncover its best sustainability practices

- Learn a participatory process for involving organizational stakeholders in the crafting of strategies for sustainability

By the end of Chapter 15, *Leading Change Efforts*, you will be able to—

- Describe the benefits and challenges associated with a change in your organization
- Relate the principles of systems thinking to your own change initiatives
- Identify three dimensions of change influencing sustainable social enterprises
- Analyze leadership team strengths as they relate to change management

By the end of Chapter 16, *And One More Thing—Monitoring*, you will be able to—

- Describe the benefits of monitoring and evaluating your sustainability efforts
- Identify appropriate indicators to monitor your progress in achieving your objectives and to evaluate the final results
- Use the data collected to revise your sustainability approaches and to share your best practices with others

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Section 6: Implementing Sustainability

Crafting Strategies for Sustainability

> *"Vision without action is merely a dream.*
>
> *Action without vision just passes the time.*
>
> *Vision with action can change the world!"*
>
> —JOEL BARKER

NGOs face a dynamic, unpredictable, and at times hostile environment of political, legal, economic, social, and demographic elements. To survive, they need to reflect and to plan, to focus on the longer term and to do this not once but often. In today's turbulent times "business as usual" is no longer a viable option.

Most of us use planning processes without even realizing it. We know when, roughly, we will get out of bed, eat breakfast, and be at the office. We have staff meetings and field site visits planned for certain times. Without planning ahead of time we would probably not accomplish nearly as much. Having a strategy is very similar but it relates to planning processes at the organizational level. It is something akin to a road map, with general directions, landmarks, and a final destination that, in this case, is the construction of a sustainable organization.

Our Approach

If you are already familiar with strategic planning or your organization has undergone a strategic planning process, you might notice that the process recommended here is rather different. For one thing it is not a full-blown strategic planning process but rather a method for developing some quick strategies for addressing sustainability. For another, it focuses on the organization's achievements rather than its problems. We feel that this works well. Put simply, the process discovers those moments when an organization is at its best, creates a dream of the world the

organization is trying to achieve, designs a plan to move toward the ideal future and finally acts in a way to meet the organization's destiny.

The approach is based on a methodology called Appreciative Inquiry that was pioneered at Case Western Reserve University in the mid-1980s. Students and faculty there discovered that traditional problem-solving approaches to planning left participants overwhelmed and uninspired about the organization's future. By asking questions and having conversations that were intentionally positive, they found, even in the weakest of organizations, seeds of change that could transform organizations in ways previously unimagined. We tend to find what we look for, and if those things are possibilities rather than problems, this creates an environment conducive to change and action.

For whatever issue is being considered, this approach involves asking the following questions.

> **What does your organization do well?** Every organization has moments of outstanding performance. These moments are discovered through stories told to each other about the organization's activities. By intentionally focusing on "peak moments" or "exceptional responses," best practices are revealed. It is within these best practices that the seeds of change exist. If something can be done once, there is a good chance it can be done again… and again once the circumstances surrounding the action have been understood. The aim is not to solve a problem but to embrace solutions embedded in an organization's own experience.

> **What does your organization want to do?** Best practices, if done consistently, transform an organization and form the basis for changes in the way the organization does business.

> **How will your organization do it?** Having understood and valued best practices, and developed propositions for an improved future, the next step is to build an action plan that will identify more specifically who is responsible for what and by when. This is your organization's action plan for sustainability.

The Value of this Approach

Strategy development can be time consuming. Most NGOs are so engaged in service delivery and responding to the immediate needs of the client that they feel as though they are on a fast-moving train. What is to be gained by slowing down to take stock of the situation?

- **Affirming the organization.** The simple act of bringing colleagues together to discuss the organization's future is powerful. Change is created through the dialogue and conversations that take place in an organization. Strategy development allows time to share thoughts and ideas about why the organization exists and to look closely at the things it aspires to and values. The planning process can build a shared commitment to the organization and affirm why individual members choose to participate in the organization's activities.

- **Discovering the "best of…"** Developing strategies for sustainability will involve people valuing what the organization does well and when it is performing well. As

you and your colleagues begin to talk about the best moments in your organization's history it creates a powerful world of possibilities. We all tend to repeat those things that make us feel best about our work.

- **Clarifying future directions.** It is common for organizations to become so caught up and overwhelmed by day-to-day matters that they lose their direction. Strategy development provides an opportunity for an organization to pause and examine itself and determine if it is still headed towards its desired future. At the same time, new strategies generate creative thinking, raise new questions, and provoke revisions of the organization's vision of a future!

- **Transforming vision into action.** Crafting strategies for sustainability is an opportunity to draw a road map for your organization—one that lays out the steps it must take to reach its goals for sustainability. Putting together an action plan is the way an organization constructs the future and transforms a dream into a reality. Having well-thought-out strategies for sustainability helps people make things happen.

Preparing for an Organizational Inquiry into Sustainability

To develop the sustainability strategy we recommend holding an organizational inquiry into sustainability through a one-day workshop.

Before conducting this workshop there are a number of important preparatory steps that need to be taken in order to get the most out of it. These are outlined below. Be realistic about the time available for planning (there are certain other functions the organization will have to continue doing at the same time), and be flexible too—crises and emergencies may occur. Build as much commitment to the process and as wide an involvement as possible.

Form a Strategy Committee

Responsibility for the planning process should not fall on any one person. Assemble a group—a strategic development committee—that is representative of the different stakeholders in the organization and that includes, if possible, someone from outside the organization who knows your organization well and has some investment in it. Crafting new strategies requires an organization-wide commitment to the process. Without the commitment of the board and senior management it is unlikely that the process will yield realistic strategies. Without the involvement of the entire staff it is unlikely that any strategies will ever be implemented with any degree of enthusiasm. The committee might look like this—

- Board member
- Senior-level manager
- Program manager
- Financial manager
- Field worker

- Volunteer

- Customer/Client

The duties of the Strategy Committee are to—

- Develop a comprehensive time line for crafting sustainability strategies

- Schedule a one-day stakeholder meeting to interview and develop strategies

- Prepare the staff to participate in the one-day meeting

- Report back results to the entire organization and stakeholders

- Procure the services of a facilitator, if needed

Identify the Topics for Interview Questions

Chapter 3, *Sustainability Assessment*, already described a process for identifying areas of weakness in terms of sustainability, areas of your organization's way of working that need more attention if sustainability is your goal.

Use the results of this assessment to get agreement on at least one specific element or topic in each of the three sustainability areas—institutional, programmatic, and financial—that you will concentrate on in the workshop. For example, these topics could be—

- Governance and leadership (Institutional)

- Program quality (Programmatic)

- Cost reduction (Financial)

Develop Interview Questions

For each of these topics you will need to develop a series of questions that probe into the times when the organization was performing at its best. Remember that the kinds of questions asked influence the data generated so take time to develop questions that get at the essence of the issue. Developing interview questions is part of the responsibility of the Strategy Committee.

Box 14.1 develops some questions for the three topics chosen for illustrative purposes— governance, quality, and cost reduction. These should give you a good idea of the kind of questions that are likely to work well.

Box 14.1 Sample Questions for Selected Topics: Governance, Quality, and Cost Reduction

Governance and Leadership

Questions to ask one another
- Recall a time when you had a satisfactory interaction with a board member. Who was the board member? What brought about the interaction? What did he or she do? And what happened as a result?
- What do you value most about your current organization's governance and leadership?
- In an ideal organization what would be the role of a board member?
- Tell me about a time when someone demonstrated exceptional leadership in the organization. Who was it? What did he/she do? And what happened as a result?
- Think of a situation where you felt like you were being fully valued in the organization. Tell me exactly what was happening. Who was present? Why you were so engaged and what happened as a result?

Program Quality

Questions to ask one another
- What does it mean to deliver a quality program in your reproductive health sector?
- Think of a time when you felt especially proud of the product or service that you provide. Who was delivering it? Who was receiving it? What was the product or service and what were the surrounding circumstances?

Questions to ask clients/customers
- Recall a time when you felt especially respected as one of our clients. What was happening, who was involved, and what happened as a result?
- What does the delivery of quality reproductive health products and services mean to you? How important is quality to you and what would you be willing to give in exchange for the highest quality of service?
- If you could wish for any two changes to improve service delivery, what would you wish for?

Read the sample questions in Box 14.1. For the issues that are important for your organization prepare questions that might uncover something that has worked well in your experience. Consider writing questions for other staff, clients, and other NGOs.

Organize the Workshop

Encourage as many as possible of your stakeholders—staff of the organization, board members, customers and clients, suppliers, and partner NGOs—to get together for a day's workshop to conduct interviews. Stress the importance of the occasion and of everyone's involvement. It will be useful to interview not just people inside the organization—board members, staff—but clients, customers, suppliers, and other NGOs as well. You might be surprised at how much they appreciate being asked their opinion. Seek out the best practice ideas from all these sources.

There is real value in getting stakeholders together for a day rather than spreading the interviews out over a longer period of time. Not only is it more efficient but also it gives stakeholders an excellent opportunity to gain an understanding of the different concerns.

The day should be a combination of hard work and celebration. Don't forget to have fun and make clear the significance of what is about to take place. If there is an important stakeholder who cannot be present, try to interview him/her before the one-day workshop so that his/her opinions can be considered.

How to Conduct the One-Day Strategy Development Workshop

1. *Greet participants and set the tone.* Stress your gratitude for the contribution everyone is making. Distribute an outline of the agenda for the day. Invite everyone to relax and have fun. Tell participants they have been invited to give their opinion and share their experiences of the organization and that this information will be translated into strategies for sustaining the benefits the organization provides the community.

2. *Work in pairs.* Try to have at least one staff member in each group and arrange the pairs so that everyone interacts with a stakeholder they might not otherwise get an opportunity to talk with. Pass out the interview questions printed on a piece of paper with plenty of room for notes to be taken. Go over the guidelines for interviewing and taking notes in Box 14.2. Give everyone a chance to read the questions and then ask them to interview one another. Have one stakeholder fully complete the interview before switching to the other stakeholder. This works better than switching after each question. Remind everyone to relax and think of the interview as a chance to have conversation and share information. The interviews should take a total of about 90 minutes (45 minutes each).

Box 14.2 Tips for Interviewing

The interview should be regarded as an opportunity to enter into a conversation with someone, whose opinion you value. It is much less a formal interview than an informal chat. Keep in mind the following points—

A. **The questions determine the answers.** Construct your questions carefully. They should be stated in the positive and should encourage the person to be open and say as much as possible about the subject. Invite the person to tell stories and expand on narratives. Good questions are sometimes ambiguous and give the interviewee the opportunity to talk about a variety of things.

B. **There is no such thing as a wrong answer.** Regard everything the interviewee says as important data for making decisions. Listen and affirm what you are hearing. Avoid making any judgments about the answer to any questions. That will only cause the interviewee to tell you what he or she thinks you want to hear.

C. **Take notes, but listen carefully.** It requires some real skill to make notes while someone is talking. Don't attempt to write down everything—a phrase or a couple of words is usually enough to stimulate your memory later. It is more important that the interviewee believes that you are listening with genuine empathy and compassion. When you hear something that you don't want to miss recording, just politely ask for a minute to write it down. Pay close attention to any metaphors or anything that seems especially novel or exciting. If necessary, take a little time after the interview to complete your notes.

3. *Work in small groups.* Each pair of stakeholders should join two or three other pairs to form a group of six to eight participants. Each group discusses all interview topics one element at a time, sharing the information and stories that came out of the paired interviews. What we are looking for here are the best stories, most powerful ideas, or most exciting insights. Make available markers and flipchart paper so that the group can write down the important points about each of the topics. This phase should take about 60 minutes. Allow more time if the small group conversations are productive.

4. *Bring the entire large group back together.* Have each of the small groups present their findings to the large group and place their flipchart notes in an accessible place around the room. After all the groups have finished, take a break and ask the entire group to get up and circulate around the room reading all of the flipcharts produced by the small groups. This session will probably take about 45–60 minutes. This is a good time to take a break for lunch, so participants can freely discuss the events of the morning.

5. *Get into functional working groups.* Place three posters around the room with a sustainability element written on each of the three posters such as our examples, "Governance and Leadership," "Quality," and "Cost Reduction." Ask everyone to choose an area that most interests or excites him or her and to stand by that poster. The group will divide itself into working groups according to where they feel the most energy. It is important that everyone has an opportunity to work in the group where they feel most effective. Don't be concerned if the groups are not of equal size: even just two people working on an element can be very

productive. If there is an element that no one chooses, just leave that topic for now. It simply means that there is not sufficient energy in the organization to address that sustainability element at this time.

6. *Working groups develop propositions for the future.* The working groups spend time developing a set of propositions for each of the three areas. Propositions are statements about the organization's positive characteristics. They are grounded in realities from the past and are stated in the present tense. They remind us of what is best about the organization and how everyone can participate in creating more of what is best. They come from the stories about the past as well as wishes for the future. They should be bold and not necessarily easy to attain but grounded in what you know you can do. Try to limit the number of propositions to no more than three per topic. Too many propositions can dissipate the enthusiasm for a strategy.

Examples of propositions stated positively and in the present tense might read—

"This organization has effective systems for improving the quality of the products and services it delivers."

"This organization has a highly-involved, committed, and supportive board of directors that is reflective of its values."

"This organization analyzes its cost structures in order to meet the needs for high-demand reproductive health services for the greatest number of people."

7. *Developing stakeholder action steps.* After each of the three working groups presents their propositions, break up into stakeholder groups consisting of clients, staff, other NGOs, and so forth. Each of the stakeholder groups will consider each proposition to determine what the group can do to make the proposition a reality and what is a feasible timetable for accomplishing the tasks.

8. *Prepare a sustainability action plan.* Record these action steps together with a timetable for completion in a table such as the example in Box 14.3. This is your action plan for sustainability, a strategy document with no more than nine propositions complete with action steps from each of the stakeholder groups and a timetable. It will serve as your road map for a more sustainable future.

	Box 14.3 Example of a Timetable and Plan of Action Developed for the Proposition, "This organization has a highly involved, committed, and supportive board of directors."	
Stakeholder Group	**Action Step**	**Timeline for Completion**
Board of Directors	Form a Nominations Committee composed of four board members, two staff members and two outside stakeholders	Committee formed by April 2000
	Change bylaws to reflect the creation of the Nominations Committee	January 2000, board meeting
		April 2000
	Develop a committee structure to lend support to each department	November 1999 board meeting
	Set board fundraising targets for FY 2000	
	Institute monthly meetings between Board Chair and CEO	
Staff	Develop a Board Orientation Program that introduces new members to the organization's values and gives them a chance to know the staff	November 1999
	Submit names of potential board members to the nominating committee	February 2000
		June 2000
	Take each board member on a site visit to see the work area and project	December
	Develop a list of the organization's needs in terms of board participation (i.e. technical expertise, representation)	

Chapter 15

Leading Change Efforts

> *"Leadership involves harnessing the tension of opposites at three levels—within oneself, through teamwork, and in the organizational structure. And all three at the same time. The failure to cope with the shadow side of oneself will block leadership. The absence of constructive debate in teamwork will block leadership. And that debate needs to be structured properly in any complex organization."*
>
> —PAUL A. L. EVANS

Change is an NGO's constant companion: donors change priorities; clients shift interests and adopt different strategies; new NGOs enter the scene; new products come on the market. These changes can be overwhelming and intimidating.

At the same time, change creates possibilities and opportunities. Indeed it is the perceived need for change that calls organizations into being in the first place. The very word "organization" is derived from the notion of change—organic, organism, alive, evolving.

To cope with these externally imposed changes and, more positively, to exploit the opportunities they offer, NGOs need to be prepared to make their own changes, to transform some old ways of working, to respond creatively to these new circumstances. This is what becoming sustainable is about—changing the ways your organization does business so that its programs can survive.

The self-imposed changes that an organization makes as part of its *Sustainability Strategy* will reverberate with consequences, not all of which are anticipated or even welcome. Change is rarely unambiguously good… or bad. NGOs need to be ready to take new opportunities and adjust when their change initiatives face unexpected consequences.

"Leading" change efforts requires skill and understanding. This chapter discusses the features of change, why it is important and the roles that diverse leaders play.

Think of a change initiative in your organization and map out the positive and negative consequences of the initiative and any steps taken to modify these.

Your Change Initiative

Results	Negative or Positive?	Action Taken to Modify Negative Results

The Organizational Challenge

As leaders of organizations with the commitment to advancing people's opportunities and resources, you will understand that change is never easy. But it is made easier by being prepared. Effective leadership involves continuous personal learning, constructive teamwork, and strategic planning within the organizational structure. These reinforcing dynamics create the momentum for change and the resilience to sustain its benefits.

There are many models of change leadership. Some suggest that change poses problems and these models are driven by the analysis of loss. But we have chosen one that emphasizes the strategic advantages of change. Adapted from the work of Ronald Fry, this model recognizes that change is inevitable, with positive and negative results. This model suggests that there are three elements involved in successfully negotiating change: novelty, continuity, and transition.
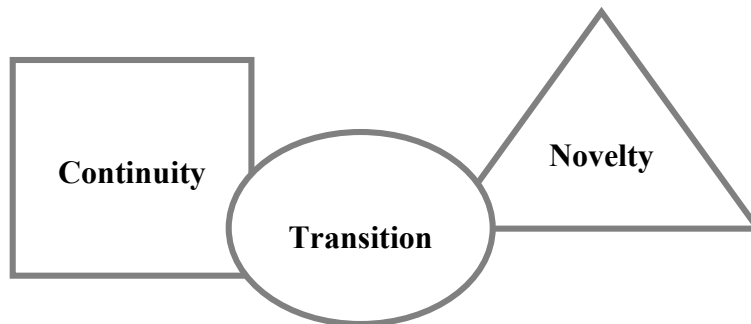
Novelty

Novelty provides organizational systems with innovative ways of meeting the challenges of a rapidly changing environment. Without significant responses to local needs, organizations can become stagnant and lifeless. In fact, the entire civil society movement embraces responsive efforts to address the challenges in our world. These approaches emphasize flexibility and adaptability.

Below is a list of ways that novelty can be encouraged in NGOs. Extend this list by adding ways your organization promotes novelty and turns creative and new ideas into action—

- Managers promote open brainstorming sessions where new ideas come to the surface without judgment or the need to defend

- Employees are encouraged to be and are rewarded for being creative

- The organization has both formal and informal means of networking and partnering with other NGOs to uncover sector best practices

- There are participatory organization-wide reviews (and challenges) of the most basic assumptions such as mission, core values, and vision

- The organization facilitates the process of applying effective innovations into relevant field practice

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Continuity

Continuity is critically important for maintaining focus and staying grounded. Clients, board, staff, and network partners need to build commitment to the organization's core values, vision, mission, and goals. Organizations need to honor their rich history by cultivating stories of success and disseminating lessons learned. The surest way of building continuity is to involve others in major decision making activities. It is important to maintain a good balance between novelty and continuity, at all levels within the organization. Whereas too much novelty might lead to unpredictability, too much continuity lends itself to stagnation.

Below are some examples of things organizations do to create continuity. Take a minute to list other approaches that work in your own organization—

- The organization has a well-known mission, vision, and set of core beliefs that can be articulated by both the staff and the general public

- The organization has a strategic plan, policy, and procedure manuals that have been developed in cooperation with board and staff

- The organization emphasizes participation by all stakeholders whenever appropriate

- The organization celebrates its history through periodic ritual and storytelling

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Transition

Transition is best understood as a continuous process. Organizations are organic—they are continuously adapting to external and internal changes. Novelty reflects the organization's vision of the future ideal. Continuity reflects solid realities and best practices, and transition is the change process that bridges the gaps between the future ideal and the current reality. The challenge to leaders is to elicit and generate new ideas (novelty), value the strengths built through past experiences (continuity), and make the tough choices required in order to move forward. Facilitating these changes requires surrendering some old ways of doing while simultaneously holding fast to certain principles and systems that have served the organization well. It's a bit like walking a tightrope. In the transition, it is critical to strike the right balance between continuity and novelty.

Maintaining Balance

Transition
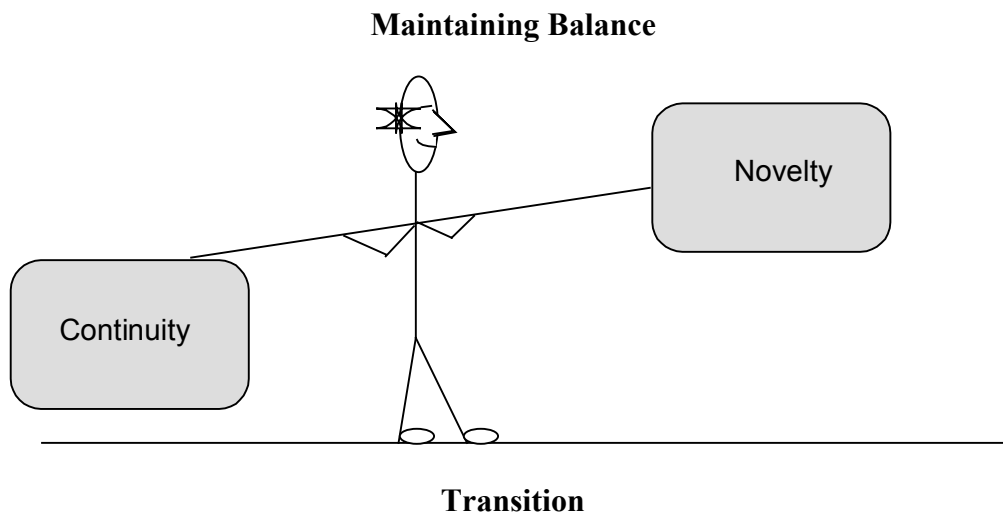
It is not always easy to maintain the right balance between continuity and novelty. As noted earlier, each individual leader must be willing to learn, adapt, and grow professionally. Members of teams must take leadership roles that build upon their strengths. And organizations should be

structured to invite participation, innovation, and joint benefits. Immediate and sustainable changes are best be obtained by building leadership teams within the organization.

Few individuals have all of the skills necessary to lead organizational change efforts. The major benefit of a team approach to leadership lies in the access to diverse strengths and the synergy that is created. With a diverse variety of leadership skills and perspectives, leadership teams are better able to cope with the different and complex challenges that most civil society organizations face. The technical skills of team members do matter, and so do attitudes. Respectful attitudes toward diverse leadership strengths are essential for a team-based approach. Charm is an advantage; respect and trust are even better.

To form a solid leadership team, it is important to understand others' and your own leadership strengths and to ensure that different strengths are represented in the team's composition.

Consider your own interests and preferences. What are your primary leadership strengths? Rank your skills 5-1 with "5" as your highest level. Use each number only once.

____ **Observation skills.** Some leaders enjoy people and are sensitive to the atmosphere and chemistry in a group. They are imaginative and patient in the face of change. Their strengths include their observation skills. They tune into the preferences of others in different situations. Leaders with strong observation skills contribute to the organization through their insights and vision. Specific contributions they make to change management include—

- Creating time for reflection, scenario thinking, and learning

- Identifying sources of conflict

- Finding ways to reduce unnecessary pressure

- Mentoring and coaching

- Cultivating patience

____ **Analytic skills.** Some leaders respond to change by analyzing facts and theories as they relate to new challenges. They are rational in their approaches. When they analyze complex situations, they are able to clarify options through questions. Leaders with strong analytic skills contribute to the organization by applying a logical framework to the analysis of complex situations. Specific contributions they make to change management include—

- Making relevant information available to team members

- Prioritizing options in relation to the mission and goals

- Outlining a framework for action

- Summarizing and reframing

- Monitoring and evaluating

___ **Strategic planning skills.** Some leaders enjoy problem solving. They want facts and theories to be applied in a practical way. They value common sense and develop solutions using a variety of tools, including the observations and theories of their colleagues. Within organizations, their responses to change are strategic and practical. Specific contributions they make to change management include—

- Developing the links between vision and reality
- Proactively addressing conflict
- Ensuring the relevance of strategic plans
- Using problems as opportunities for learning
- Clarifying roles and rules

___ **Dynamic skills.** These leaders are open to change and adventure. They search for innovative responses to emerging issues. They enjoy creating and experimenting. They may be quick in making decisions. They have the charisma to win over or convince other people. They are the influential movers and shakers of the organization. Specific contributions they make to change management include—

- Inspiring change
- Building credibility
- Taking risks
- Cultivating openness
- Fostering creative thinking

___ **Business skills.** These leaders have the expertise to manage finances. They understand where funding comes from, where it goes, how to get it, and how to use it. They have knowledge of marketing, budgeting, resource management, and purchasing. Specific contributions they can make to change management include—

- Assessing the efficiency of business practices
- Ensuring accountability
- Monitoring spending
- Forecasting spending trends
- Focusing on the results of change in business terms

Each of these leadership strengths is relevant to the facilitation of change efforts. Together, they foster novelty, continuity, and transition. These leadership skills contribute to novelty through imagination, careful analysis, strategic planning, and dynamic implementation. They contribute

to continuity through the systemization of best practices and efficient management of resources. And they contribute to the transition process through continuous monitoring and learning.

Bearing in mind the areas in which you as a leader are most competent, and those in which you are less capable, select team members with complementary strengths. Your aim is to cultivate leadership teams with the capacity to appreciate diverse strengths, influence organizational systems, and manage productive resources. This team-based approach to organizational change requires shared leadership and decision making. You are creating collective ownership and commitment to the sustainability of the change effort.

Resources

CEDPA, *Facilitating Women's Leadership: Training of Trainers Guide,* (available late 2003).

Chapter 16

And One More Thing— Monitoring

"Monitoring" means "keeping an eye on." It involves measuring how well an activity—such as the implementation of a sustainability strategy—is going. It is the only way of being sure that the sustainability strategy is being implemented as planned, it reveals whether the strategy is effective and it provides guidance for any revisions that might be necessary. The data collected for monitoring can be used also to "tell your story"—an activity that can both enhance your image and assist other NGOs who are struggling with similar challenges in becoming sustainable. Unfortunately, many organizations are so occupied by "doing" sustainability they neglect to record how they did it or how successfully.

What to Measure

The sustainability strategy you prepared (Chapter 13) provides the framework for your monitoring. It includes proposition statements that reflect the changes you want to see in your organization and its programs, and a set of planned activities designed to help you achieve those changes. These activities and goals are what your monitoring will focus on. You will collect data both on your activities, which is sometimes called output or process-related data, and their eventual impact or goal, which is sometimes called outcome or results-related data.

There are many different aspects of these activities or goals that could be measured and the challenge is to choose those measures or indicators that suit your purpose. Indicators can be quantitative (e.g. the number of meetings held) or qualitative (e.g. establishment of a committee). As a general rule, a good indicator is one that is[11]—

- **Valid:** it measures the result or activity it is supposed to measure

- **Reliable:** it produces the same results when used to measure the same thing

- **Specific:** it measures only what it intended to measure

- **Sensitive:** it captures the changes that are taking place

- **Operational:** it is easy to measure on a regular basis

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[11] Modified from *The Family Planning Manager's Handbook: Basic Skills and Tools for Managing Family Planning Programs,* Management Sciences for Health, 1991.

Box 16.1 gives an example of a set of indicators based on the sustainability strategy of an organization introduced in *Crafting Strategies* (Chapter 14) where the proposition related to board effectiveness. Some indicators are output indicators that are process-related and others are outcome indicators that are results-related.

Box 16.1 Indicators for Sustainability			
Proposition: "This organization has a highly involved, committed, and supportive board of directors."			
Stakeholder Group	**Action Step**	**Indicators**	
		Output	**Outcome**
Board of Directors	Form a Nominations Committee composed of four board members, two staff members, and two outside stakeholders Change bylaws to reflect the creation of the Nominations Committee Develop a committee structure to lend support to each department Set board fundraising targets for FY 2000 Institute monthly meetings between Board Chair and CEO	Committee is formed within six months Bylaws reflecting new structure exist Number of meetings between Chair and CEO	Increase in income raised by board Increase in local income raised by board
Staff	Develop a Board Orientation Program that introduces new members to the organizations values and gives them a chance to know the staff Submit names of potential board members to the nominating committee Take each board member on a site visit to see the work area and project Develop a list of the organization's needs in terms of board participation (i.e. technical expertise, representation)	Orientation program exists Number of site visits by board members Board composition reflects identified organizational needs	Number of policy changes made to address sustainability issues

You will need to monitor not only how well your sustainability activities are going but also what impact these are having on two crucial aspects of your organization—its social objectives or mission, and its financial objectives. For example, if your mission is to provide reproductive and

child health services to poor women and their families, you should be asking whether, since you began striving for sustainability, you are still serving these women.

You should also regularly track some financial indicators to determine whether you are meeting your financial objectives. The choice of social and financial indicators will vary depending on your mission and your financial strategy. Table 16.1 identifies some common indicators and some questions they can be used to answer.

Table 16.1 Monitoring Social and Financial Objectives

Indicators	Questions that this indicator could address
Social Objectives	
Change in volume of services provided	Are you providing as many reproductive-health services as you were before your sustainability initiative?
Change in type of services provided	Has the service mix diversified to address client needs?
Change in client or community profile (e.g. in relation to income, sex, and education)	Are you still serving your intended population at the same level as before?
Change in the capacity of the community to manage the services	Does the community have the capacity to take over the ownership of the program?
Financial Objectives	
Change in source of income (grants, fees, donations, government support)	Have you successfully diversified your income base?
Change in unit costs for key services	Have you successfully lowered your costs?
Change in self-sufficiency ratio	Are you less dependent on donor income?
Change in the amount of income generated locally from donations, fees, government subsidies	Are you building local support for your programs?
Change in cost-effectiveness	Is your program more efficient?
Change in surplus	Are you able to cover your costs? Are you able to establish and maintain reserves?

Data Collection and Analysis

Decide how you will measure the value of your chosen indicators. Is it possible to collect the information from established data sources (e.g. clinic record books, accounting tables)? Or will you need to undertake fieldwork and collect the primary data specifically for this exercise through, for example, interviews or focus group discussions with key stakeholders?

Establish a baseline—the value of the indicator prior to any action—so that you have a point of comparison when you monitor that indicator later. Without a baseline it is impossible to judge whether things have improved or got worse. This means that it is vital to collect data on your indicators before you begin to implement your sustainability strategy. Do this for all the indicators you are measuring: output and outcome indicators.

Collect and review data on each indicator periodically. Output or process indicators should be reviewed more frequently than outcome indicators. This is because process indicators are both easier to measure and likely to change more quickly. If the results of your *output* monitoring show that your strategy is not being implemented as planned (e.g. training is not in place, a new board has not been established, financial systems are not up and running) investigate why this is happening. This may simply require a discussion among staff or you may need to conduct interviews with clients and community members. On the basis of your findings, make the necessary corrections. Regular monitoring allows you to catch such issues early on and revise your approach so as to be able to still achieve your planned results.

At the end of the period of implementation of your sustainability strategy, review the outcome indicators. How much progress has been made since the baseline value? How close are you to achieving the goals of the strategy? Did you achieve your social and financial objectives? Relate the success of your strategy in outcome terms to the findings from your monitoring of output indicators. How did you achieve your results? What activities appear to have played the most important role in achieving your sustainability goals? Do you need to revise your strategy?

Answering these questions will allow you to capture lessons learned, share results with your stakeholders and plan your next strategy.

Telling Your Story

The data collected from monitoring should be shared with others. There are two good reasons for this. Firstly, as the case examples—FEMAP, Lumbini, and SERVOL—demonstrate, it helps to improve the organization's image. A good image is an asset that can be used to attract additional resources from the community, donors, or the government. After documenting its sustainability successes, for example, FEMAP received donor support for expansion and its revolving fund; Lumbini received a $700,000 grant to build an outpatient facility, while SERVOL received a $3.2 million IDB grant.

Secondly, your story can help other NGOs struggling to achieve sustainability. Just as you have benefited from learning about the best practices of the cases reviewed in this guide, so other NGOs can learn from you.

The three case studies provide good models of how to document your sustainability story. They all include information on the results they achieved, demonstrating that benefits were continued for the intended population, and that financial objectives were achieved. These results are what will initially attract peoples' attention. The case studies also describe how the organizations went about strengthening sustainability. It is this description of the strategy and the process followed to achieve the results that will most help others to learn from your experience and apply it to their own.

Organize your story in a logical fashion so others can easily understand it. Avoid the temptation to share all the details and depth of your experience. Keep your story short and to the point, and more people are likely to read it. They can always contact you if they want more details. Use graphs and figures—a very effective way to convey information as the FEMAP case demonstrates. Take advantage of new technology and post your "story" on a website, email it to donors and colleagues, or have it included on a listserv.

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⊖ denotes countries with ENABLE projects

cedpa

THE CENTRE FOR DEVELOPMENT
AND POPULATION ACTIVITIES

Headquartered in Washington, DC, CEDPA
is an international nonprofit organization
that seeks to empower women at all levels
of society to be full partners in development.
Founded in 1975, CEDPA supports programs
and training in leadership, capacity building,
advocacy, governance and civil society,
youth participation and reproductive health.

The Enabling Change for Women's
Reproductive Health (ENABLE) project
works to strengthen women's capabilities
for informed and autonomous decision
making to prevent unintended pregnancy
and improve reproductive health. Initiated
in 1998, ENABLE seeks to increase the
capacity of non-governmental organization
(NGO) networks to expand reproductive
health services and to promote a supportive
environment for women's decision making.

USAID