Strategic Management in Nonprofit Mental Health Service Organizations: Understanding Processes and Impact on Performance

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STRATEGIC MANAGEMENT IN NONPROFIT
MENTAL HEALTH SERVICE ORGANIZATIONS:
UNDERSTANDING PROCESSES AND IMPACT ON PERFORMANCE

by

Jennifer Schurer Coldiron, LMSW

A dissertation presented to the
Graduate School of Arts and Sciences
of Washington University in
partial fulfillment of the
requirements for the degree
of Doctor of Philosophy

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Saint Louis, Missouri
ABSTRACT OF THE DISSERTATION

Strategic Management in Nonprofit Mental Health Service Organizations:
Understanding Processes and Impact on Performance

by

Jennifer Schurer Coldiron, LMSW

Doctor of Philosophy in Social Work

Washington University in Saint Louis, 2011

Professor David Gillespie, Chairperson

Managing the performance of social service-providing nonprofit organizations (NPOs) has become more and more complex in the past few decades as executives have had to cope with increasing competition, demands from a diversified set of stakeholders, rapidly changing technologies, and mounting scrutiny from funders and consumers. To help reduce the complexity of strategic management, organizations have been encouraged to adopt formal strategy formation processes, such as highly-structured strategic planning models. However, there are no demonstrated “best practices” or conclusive evidence of the utility of formal strategy formation within the nonprofit sector. The stakes of mismanagement are high for the organizations and the at-risk individuals and communities they serve. Poor strategic management could result in inefficient use of resources and/or ineffective service delivery and possibly organizational or even sector destabilization.

The study employed a mixed-methods comparative multi-case study design that leveraged a unique cluster of three “most-similar” children’s mental health services
NPOs in the Saint Louis area. Over 20 key informant interviews were conducted, as were several organizational observations. This data was combined with over a decade of strategy-related documents and financial records to describe the organizations’ strategic positions and external environment, as well their strategy formation and implementation processes relative to their internal organizational contexts. Additionally, the study set out to explore whether and how the organizations’ strategy formation processes influence their strategic content and how strategy implementation may mediate the relationship between strategy formation and organizational performance.

The findings show that while seemingly very different on the surface, the organizations’ strategy formation processes are actually very similar and typically fail to yield true strategic or competitive insight. The rich descriptions also demonstrate how nimble and sophisticated modern nonprofit organizations have to be when implementing new initiatives to meet changing market demands. The “most-similar case” sampling method allowed for a powerful cross-case analysis capable of exploring causal mechanisms often ignored in this area of research. The study’s findings call into question the conventional wisdom around the necessity of formalized strategic planning and highlight the role leadership and administrative capabilities have in achieving sustainable organizational performance. Furthermore, it presents a revised conceptual model of strategic management that demonstrates why much of the documented link between formalized strategy formation processes and superior organizational performance may be spurious, both being caused by certain internal organizational characteristics and differences in strategy implementation. Implications for organizations, accrediting bodies and funders, as well as researchers are also discussed.
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CHAPTER ONE: STRATEGIC MANAGEMENT IN NONPROFIT SOCIAL SERVICES

Managing the performance of social service-providing nonprofit organizations (NPOs) has become more and more complex in the past few decades as executives have had to cope with increasing competition, demands from a diversified set of stakeholders, rapidly changing technologies, and mounting scrutiny from funders and consumers (Anheier, 2005; Hall, 2006; Hudson, 2005; O’Neill, 2002; Salamon, 2003; Young, 2003). While leaders of NPOs cannot fully control their environments, they can attempt to control how their organizations meet, influence and prepare for the demands their environments place on them by creating and implementing proactive strategies.

To help reduce the complexity of strategic management, funders, researchers and the popular press have encouraged nonprofit executives and boards to adopt formal strategy formation processes, such as highly-structured strategic planning models (Allison & Kaye, 2003; Bryson, 2004; Mulhare, 1999; Stone, Bigelow, & W. F. Crittenden, 1999; Webster & Wylie, 1988a). Formal planning has also been cited as a way to increase decision-making transparency and cope with high pressures for accountability and efficiency often placed upon nonprofit organizations, especially those that receive government funding. Despite the push for strategy formation formalization, there are no demonstrated strategic management “best practices” within the nonprofit sector or conclusive evidence of the utility of formal strategy formation within a nonprofit context (W. F. Crittenden, 2000). This leaves nonprofit executives and boards with little guidance or assurance that the time and energy spent on formal strategic management is worthwhile.
The vital underlying question to researchers and leaders alike is “Is there a ‘best’ way of forming strategy”, one that gives an organization a competitive advantage by helping them choose the “right” strategy? Many theorists and researchers have concluded that the “best” strategy formation process depends on the organization’s internal organizational context (Butler, 1998; W. F. Crittenden & V. L. Crittenden, 2000; Hart, 1992) and that the “right” strategy depends on what the external environment demands (Porter, 1996). However, there is still a bias buried in the research that, ceteris paribus, there must be a best practice and that best practice must be highly rational and therefore formalized to optimize decision making. This bias likely comes from a historical focus on rational optimization within management and economics (Jarzabkowski, Balogun, & Seidl, 2007; Mintzberg & Lampel, 1999; Mintzberg, Lampel, Quinn, & Goshal, 2005; Townley, 2002) and a human desire to control and improve processes.

To varying degrees of success, researchers have tried to demonstrate the positive impact formalized strategy formation processes can have on both nonprofit and for-profit organizational performance (W. F. Crittenden, 2000; Hutzschenreuter & Kleindienst, 2006; Stone et al., 1999). Unfortunately, most of these empirical efforts are plagued with serious measurement and model specification problems that introduce so much error into the analysis many of the findings are questionable (Boyd, 1991; Boyd & Reuning-Elliott, 1998; C. C. Miller & Cardinal, 1994). The field is still trying to develop relevant and sensitive measures of strategy formation (W. F. Crittenden, 2000; W. F. Crittenden & V. L. Crittenden, 1997; W. F. Crittenden, V. L. Crittenden, Stone, & Robertson, 2004; Katsioloudes & Tymon, 2003). As it stands now, most measures are checklists of tools
(such as using financial forecasts or a consultant), when more flexible domains of behavior such as participation, openness, flexibility, timing, formality, etc. may be more useful and variable. A more thorough understanding of strategy formation practices within nonprofits would be helpful in developing grounded and robust measures.

More fundamentally, the question of whether the strategy formation process matters at all to the content of chosen intended strategy(ies) is still a matter of debate. This is especially questionable for NPOs that typically operate in highly institutional environments in which their autonomy is often severely threatened due to their dependence on external groups such as the government, etc. (Akingbola, 2006; DiMaggio & Powell, 1983; Salamon, 1987). This is an especially relevant question to human service nonprofits, such as those that provide mental health treatment, that essentially operate as an extension of federal and local governments. It is unclear how much flexibility they have in determining their strategies when their fate is so tightly coupled with legislation, regulations and governmental priorities.

Furthermore, assuming that an organization does somehow arrive at an intended strategy most favored by the external environment, their performance is directly based on how well they can implement the strategy, i.e., how closely their realized strategy resembles their intended strategy. While this is common sense, unfortunately, we still understand very little about strategy implementation in the field (Hutzschenreuter & Kleindienst, 2006; Stone et al., 1999), leaving a gap in knowledge and measurement that is another source of error in models examining the relationships between strategy formation and organizational performance.
When examining the link between strategy formation and organizational performance, researchers have typically not explored or controlled for the obvious intervening impact of strategy implementation. This is symptomatic of a strategic management literature that is stuck at evaluating causal effects between strategy formation process and organizational performance. To move forward, insight is needed into the causal mechanisms embedded in the processes that create the relationships, i.e., how the various components and characteristics interact to result in a positive outcome. Methodological challenges of this type of inquiry are partly to blame, but so is the fact that the key process components and relevant domains of variation within implementation have not been systematically identified and described in order to measure the process sufficiently. Understanding these processes is crucial to the development of sensitive and robust measures for future research and providing executives with specific information for practice.

**Research Aims**

To meet the needs highlighted in the literature, the current dissertation project utilized a mixed-methods comparative multi-case study of a cluster of nonprofit mental health services organizations most-similar on the domains of client needs, service offerings, funding requirements, competitive dynamics, and historical norms and experiences (i.e., external environmental context). The organizations were chosen from the sampling frame of 65 organizations compiled for a larger project examining the impact of implementing innovations on organizational performance. This multi-case study method allowed for an in-depth analysis of the strategic management over the past
10 years within nonprofit mental health services organizations to achieve the following research aims:

**Aim 1:** To describe the organizations’ strategic positions within their external environmental context.

**Aim 2:** To describe the organizations’ strategy formation processes within their internal organizational contexts.

**Aim 3:** To explore whether and how the organizations’ external environmental context and strategy formation processes influence resulting intended strategies.

**Aim 4:** To describe the organizations’ strategy implementation processes relative to the intended strategies within their internal organizational contexts.

**Aim 5:** To clarify causal mechanisms and explore patterns of how strategy implementation mediates the relationship between strategy formation and organizational performance.

The study is innovative in its sample and focus. Its unique sample of organizations with relatively homogenous external environments simplified the cross-case analysis, allowing the impact of strategy formation and implementation processes on organizational performance to be more clearly examined. Its purpose to understand causal mechanisms and implementation has also been called for by numerous researchers (Gerring, 2007; Hutzschenreuter & Kleindienst, 2006; Stone et al., 1999) and its focus on nonprofit organizations is unique. The study’s findings provide insight into the variations within strategy formation and implementation processes that could assist in the development of more useful measures and more specified models to aid in the quest to
determine how strategy formation process impacts nonprofit organizational performance; efforts were also made to produce insights immediately useful to managers, such as the range of possible practices, necessary conditions for success, etc.

**Background and Significance of the Problem**

**The Importance of Strategic Management in Nonprofit Mental Health Services Organizations**

The nonprofit sector plays a significant role in American society, helping meet public demand for services as diverse as education, advocacy, medical care and community arts. In 2008 there were almost one million 501(c)3 public charities registered with the IRS, and the over 350,000 that reported their financial information generated revenues greater than $1.44 trillion (Wing, Roeger, & Pollak, 2010), and employed almost 10% of all US workers (Independent Sector, 2007). Nonprofits’ role is especially prominent in providing mental health and substance abuse services, services that potentially 30% of American adults (ages 18-54) (Kessler, Chiu, Demler, & Walters, 2005; Narrow, Rae, Robins, & Regier, 2002) and 20% of American children (ages 3-17) (Kataoka, Zhang, & Wells, 2002) could benefit from each year based estimates of symptoms. In 2002, at least 65% of outpatient mental health and substance abuse treatment centers were nonprofit, as were 43% of psychiatric and substance abuse hospitals (C. Burke, 2007). Together, these organizations received an estimated $5.5-16.9 billion in 2004 Medicaid funding, which represents the majority of the sector’s total revenues (C. Burke, 2007).
Historically, nonprofit mental health services organizations have faced extremely volatile funding and policy environments, a trend not expected to change in the near future (C. Burke, 2007). There is also mounting pressure for them to implement empirically-supported treatments and other “best practices” despite scant guidance as to how to install them in their organizations (Proctor et al., 2009). In addition, nonprofit mental health services organizations are subject to the challenges felt across the wider nonprofit sector, such as increasing competition, demands from a diversified set of stakeholders, rapidly changing technologies, and mounting scrutiny from funders and consumers (Anheier, 2005; Hall, 2006; Hudson, 2005; O’Neill, 2002; Salamon, 2003; Young, 2003). The 2008 global financial crisis and resulting budget cuts are likely to exacerbate the organizations’ task of meeting these challenges in the short to medium-term given their reliance on private contributions and public contracts.

In short, the strategic management of nonprofit mental health services organization is a difficult and precarious feat for executives and boards. They have a unique responsibility to society to effectively and efficiently utilize donors’, consumers’ and tax payers’ funds to provide quality mental health services (Frumkin & Andre-Clark, 2000). Hence, it is imperative that the organizations have effective strategy formation and implementation processes (whatever effective processes may look like), as poor strategic management could result in poor service delivery and possibly organizational decline and demise, possibly even sector destabilization. The stakes of mismanagement are high for the individuals and communities they serve. A better understanding of strategic management processes and their impact is an important step in the quest to assist mental health services organizations and all nonprofits achieve greater and sustainable
results. The current study’s aims seek to generate insights to inform organizational practices and the empirical research.

Macro-Theories of Organizational Change

Most theories of strategic management focus on how actions taken by an individual or group can catalyze organizational change and impact organizational survival; however, many other forces can affect an organization’s ability to control its fate. Several key theories of organization-environment interaction and organizational change, such as resource dependence (Pfeffer & Salancik, 1978), neo-institutionalism (DiMaggio & Powell, 1983) and population ecology (Hannan & Freeman, 1977) vary in their assumptions about how much influence an organization can have on its future, therefore possibly limiting the impact of proactive strategic management. For the purposes of the current study, these macro-level forces must be taken into account when trying to understand the organizations’ chosen strategies and their impact on performance, warranting a brief review here.

Resource dependence theory. In their seminal work on resource dependence theory, Pfeffer and Salancik (1978) argue that in order to survive most organizations need resources (money, labor, customers, legitimacy, etc.) that are controlled by others, causing interdependencies that can lead to an imbalance of power (defined as control over resources). The scarcer and more crucial a resource is, the more power its supplier has in the dyadic relationship and environment in general, though both parties are dependent on one another for survival. An increase in interdependence and coupling of activities leads to an increasingly shared fate and ultimately a loss of autonomy and an inability for the organization to freely exercise managerial and strategic discretion when
needed (Pfeffer & Salancik, 1978). This is certainly an issue with nonprofit organizations, who often control very little of their means of production and rely on largely political processes for scarce resource allocation such as legislation, grant awards, donations, etc. They can sometimes become a pawn in funders’ social agendas, rather than autonomous agents deciding how best to fulfill their mission.

To maintain both adequate and stable resources and strategic and management autonomy, organizations have to successfully manage their interdependencies. In practice, executives face several paradoxes including how to comply with contradictory demands from multiple groups, how to maintain autonomy and discretion while also cooperating with purveyors to decrease resource supply uncertainty, and how to get more power over others without giving their own away. To help manage these paradoxes, Pfeffer and Salancik (1978) advise organizations to loosen dependencies whenever possible by diversifying resource providers or activities. However, diversifying exposes and organization to additional, potentially conflicting demands from external groups, therefore organizations should also differentiate their products or services to gain power, as well as maintain slack resources in order to have the ability to exercise discretion when coping with demands.

Within a resource dependency framework organizational executives have an important role in the change process. In addition to a symbolic role of vision-setting and accountability, managers can also help the organization adapt to environmental constraints or try to manipulate the environment to be more in the organization’s favor. Various strategic management processes may be able to help organizations identify and manage their interdependencies in a proactive and structured manner in order to retain as
much power as possible. Despite being constrained with respect to political and lobbying activities, NPOs can still yield enormous power and influence in the environment by mobilizing consumers, pressuring lawmakers, increasing awareness about their cause, etc.

**Institutional isomorphic mechanisms.** Actively managing dependencies is one key driver of ongoing organizational change, for it is a complex interdependent web of relationships that constantly has to be attended to. This type of adaptation is an example of competitive pressures acting upon an organization. Since organizations, especially in highly-specialized arenas, are likely to experience very similar environments and respond to them in similar ways, over time organizations in the same field often become relatively homogenous (DiMaggio & Powell, 1983).

However, in addition to the isomorphic pressures related to competition for resources, DiMaggio and Powell (1983) delineated political and ceremonial pressures that also contribute to organizational change and eventual isomorphism. The author’s neo-institutional analysis of organizations contends that in addition to competing for resources and customers, organizations also compete for legitimacy and political influence, opening the way for coercive, mimetic and normative pressures to influence their adaptation. Coercive pressures are direct or indirect demands from a group the organization depends on for crucial resources as well as by societal and legal expectation; for example, all United Way-funded organizations adopting formal strategic planning processes and standardized reporting practices as a requirement to continue receiving funding. Mimetic pressures to emulate another organization that is perceived to be more successful are often more subtle and are common in the face of technological or
environmental uncertainty as organizations grope for best practices. Similarly, individuals’ sense of trends, norms and standards of professional practice can cause normative pressures that can cause an organization to change to be more like its peers.

Institutional isomorphic pressures can be particularly strong and quick to form in the nonprofit sector that is often tightly interconnected via small personnel pools, coalitions, professional associations and shared funding streams (DiMaggio & Powell, 1983). While this can decrease consumer choice, it can also increase overall goods and services quality and competition if organizations are coalescing around a particularly robust and highly effective organizational form. Unfortunately, DiMaggio and Powell (1983) point out that while each individual organization may be acting rationally, collectively the organizational field may be coalescing around a less-than-optimal form. This is especially likely when changes are driven by institutional isomorphic pressures that are not often connected to organizational effectiveness or efficiency, but rather political and group behavior. Within the nonprofit mental health services sector converging toward a non-optimal organizational form, such the use of interventions based on convention or common practice rather than evidence, could lead to poor client outcomes and an inefficient use of public funds. Staving off this possibility is another reason formal strategic management processes may be especially important in the nonprofit arena. NPOs may need to dedicate time and energy to systematically analyzing and managing institutional pressures in order to maintain mission focus and effectiveness as well as competitive differentiation.

**Population ecology.** Despite the literature’s emphasis on the adaptive capabilities of organizations and especially the role of management in the process, the truth is that
many organizations die, never going through a rebirth or failing in the process of reorientation. Rather than placing all of the blame on the organization’s inability to effectively adapt, Hannan and Freeman (1977) argue that environmental selection is just as strong a force, if not stronger in explaining organizational survival. This is because organizations’ structural inertia often constrains their ability to change, leaving only those originally best-suited to environmental demands able to survive. The only way an organizational field evolves is through the birth of novel organizational forms and the subsequent death of obsolete forms, usually at the spurring of changed environmental demands. This theory drastically reduces the role and power of management to affect their organization’s strategy and the effectiveness of formal strategic management processes. While this viewpoint is rather harsh, Hannan and Freeman (1977) persuasively argue that environmental determinism does impact organizational survival and that a tempered view of the power of executive action is warranted.

**Punctuated change.** Tushman and Romanelli (1985) offer a theory of punctuated organizational change that helps bridge the adaptationist and selection theories, advancing the now commonly-espoused notion that organizations can and, indeed, do go through strategic reorientations in order to realign their strategies, structures, power and systems to the demands of their environment. These relatively infrequent dramatic periods of organizational change punctuate longer periods of incremental adaptation, or convergence toward the organization’s chosen strategic orientation. The environment still selects out organizations that do not reorient when needed, choose an inappropriate strategy, or is not able to successfully implement their strategy (Tushman & Romanelli, 1985). However, punctuated change theory puts strategic control back in the hands of the
executives and allows room for the possible differential impact of various strategic management processes.

Convergence happens as a result of middle managers and executives making their best efforts to manage multiple interdependencies and environmental demands given a particular strategic direction. As convergence continues it is assumed that organizations become more competent at their actions, and therefore, if the activities are appropriate to the environment, performance will improve over time. However, convergent periods also establish rules and norms creating inertia that can constrict members’ behaviors and worldviews, compromising an organization’s ability to accurately assess the environment, determine whether a reorientation is needed, and carry out the change if deemed necessary (Tushman & Romanelli, 1985). Hence, a paradox arises in that high performance requires a certain degree of convergence (in addition to the right strategic orientation) that could simultaneously negatively impact the organization’s long-term survival by precluding reorientations when demanded by the environment.

Occasionally, pressures to reorient can overcome inertial pressures, especially under two circumstances: 1) the convergence process has failed to create adequate performance over a certain period of time, or 2) the organization’s current strategic orientation is deemed ineffective due to large environmental changes (Tushman & Romanelli, 1985). Since many environmental changes can be anticipated and/or adapted to, performance pressures are seen as the key driver of reorientation, but it is incumbent upon executive leadership to define and monitor their performance thresholds as well as proactively anticipate changes, a key aspect of most formal strategy formation processes.
Similar to previous adaptationist theories, the theory of punctuated change views executives as key catalyzing and shaping agents for fundamental change, mediating the dual pressures for stability and large-scale change. Tushman and Romanelli (1985) hypothesize that high-performing organizations will reorient when environmental demands dictate, while lower-performing organizations may reorient too often or not enough, drawing connections between performance, executive decision-making and organizational survival. This theory could lead to the hypothesis that effective strategic management processes could help organizations assess and react to environmental demands and improve their performance.

**Strategic Decisions and Content**

Managing an organization requires a myriad of daily decisions, but there are some decisions that rise to an extreme level of importance. Nutt and Wilson (2009) defined these “strategic decisions” as decisions that are:

…large, expensive, and precedent setting producing ambiguity about how to find a solution and uncertainty in the solution’s outcome. Once implemented, a strategic decision stipulates premises that guide operational decisions that follow. A strategic decision is often difficult to reverse once human and financial resources have been committed to their cause. (pg. 4)

A decision can be seen as a discrete choice made between alternative courses of action; it necessarily involves some aspect of the unknown that cannot be reliably predicted (March & Simon, 1958). Strategic Management literature is dominated by explorations of possible alternative courses of action, better known as “strategic content” (Hutzschenreuter & Kleindienst, 2006). Questions of which strategy may yield the most competitive advantage given industry conditions are frequently approached using one of a handful of very well-known frameworks, such as Michael Porter’s Five Forces (1996,
2008) or Wernerfelt’s Resource-Based View of the firm ((1984); RBV). These frameworks sit within a larger stream of industrial organization research that explores how and why industries are structured. The field uses descriptive and economic methods to explain and predict the boundaries between firms and the market and how those structures impact competitive action and performance (Ghemawat, 2005).

Porter’s “Five Forces” combines an analysis of competitive actions (or rivalry) between firms, with the horizontal threat of new entrants and substitutes and the vertical power of buyers and suppliers to determine the attractiveness of an industry and identify possible sources of profitability (Porter, 2008). Porter argues that higher than average profitability is only gained if an organization can maintain a strategically differentiated position, which is different than simply achieving operational effectiveness, but rather performing activities differently or performing different activities than rival organizations (Porter, 1996). Grounded in multiple industry analyses, Porter also classified four stages within an industry’s life cycle (introduction, growth, maturity and decline) in which the industrial forces combine in predictable ways that make certain generic strategies more or less advantageous (Harrigan & Porter, 1983; Grant, 2007).

Beyond the generic strategies of cost leadership and differentiation, Porter’s Five Forces framework actually does not provide much guidance about possible strategies; hence, the resource-base view of the firm has been readily adopted as a useful complement that shifts focus on to building organizations’ internal capabilities to leverage unique configurations of resources (Grant, 2007). This internal focus gives organizations many more strategic options and the hope of stability in the face of market changes. In this framework, competitive advantage is gained when an organization is
able to configure tangible, intangible or human resources that are rare, valuable, inimitable and non-substitutable (Barney, 1991). Furthermore, the same configuration of resources may be more profitable in the hands of an organization that has a robust set of dynamic capabilities, or key routines that help bring together and reconfigure extant resources to meet current and future demands placed on the firm (Barney, Wright, & Ketchen, 2001; Teece, Pisano, & Shuen, 1997).

**Decision Making and Strategy Formation**

Taken together, the Five Forces approach to industry analysis and the RBV approach to organizational analysis have helped many researchers explain and predict successful strategies. However, choosing a suite of successful strategies within an applied organizational setting in real-time is much more complicated. Under the stress often caused by the uncertainty surrounding high-stakes strategic decisions, deciders in organizational settings often turn (or are pressured to turn) to formalized strategy formation processes to try to make the task (seem) more manageable. Formalized strategy formation processes typically involve a sequential use of structured analytical tools and written articulation of the chosen strategies. It is thought that more formalized processes can help ward off common decision errors stemming from limited information processing capacities (Hogarth, 1980) and reliance on heuristics (Tversky & Kahneman, 1974), dominant logic (Bettis & Prahalad, 1995) and groupthink (Janis, 1977).

However, most leaders are aware that, as Simon (1955) argued, humans arrive at decisions based on principles of satisficing, rather than optimizing. Complete objectivity and rationalization is virtually impossible for a decision of any complexity—it requires too much information, too much time, and too many variables. A “good enough”
alternative that meets a minimal set of standards and is judged to be better than the status
quo is often chosen to save time and effort (March & Simon, 1958; Simon, 1955). The
process to arrive at a satisfactory versus an optimal decision typically involves fewer
decision criteria and alternatives, and has a simpler, often random and incomplete testing
order and model (Janis, 1977). Sometimes this approach can appear haphazard, leading
Lindblom (1959) to label it “muddling through”. However, often the process of
satisficing actually brings an organization incrementally closer to a desired optimal
reality (Noda & Bower, 1996). Finding the right balance between robustness and
efficiency in a strategy formation process is the Holy Grail for most managers and
strategy process researchers.

**Common formal strategy formation processes.** While proof of its robustness,
efficiency and even utility is lacking, most NPOs and even for-profit organizations, for
that matter, are prescribed a very similar formal strategy formation process. At the center
of the process is a relatively simple question model that helps executives structure the
information acquisition and processing stages of decision making by asking participants
to articulate and sometimes rank the organization’s strengths, weaknesses, opportunities
and threats (Allison & Kaye, 2003; Anheier, 2005; Bryson, 2004; Mintzberg, 1994;
Webster & Wylie, 1988b). This is widely known as a “SWOT analysis”. It can involve
many different information gathering activities, from surveys of internal or external
stakeholders, culling of secondary data, financial forecasting, etc. The process’ goal is to
produce an objective and comprehensive awareness of an organization’s external
environment and internal capabilities to identify critical issues the organization needs to
address to remain viable.
Once a SWOT analysis is performed, the process moves on to the identification of possible strategic responses and the selection of the most appropriate and feasible course of action to achieve the desired future state. The assumptions of SWOT analysis lay squarely within the fit/alignment strategy perspective that argues a good strategy should create an organization that “fits”, or is aligned with its external environment, and that this congruence will enable maximum performance (Ghemawat, 2005; Mintzberg, 1990). This is broadly in keeping with the strategic positioning and resource-based perspectives.

Another analytical tool gaining popularity in the both the for-profit and non-profit sector is the Balanced Scorecard (BSC) (Kong, 2008; Rigby, 2007), which is often used in tandem with a SWOT analysis and helps organizations ensure their strategy is balanced and that they have a way to monitor its implementation. Coming from a resource-based view of the firm, the BSC was developed by Robert Kaplan and David Norton as a way to supplement traditional financial measures of organizational performance with indicators of future-oriented, capacity-building “softer” resources to gain a more comprehensive understanding of performance and potential strategies.

Traditional BSCs have four “perspectives” labeled “Financial,” “Customer,” “Internal Business Processes,” and “Learning & Growth” for which mission-related objectives and performance measures are articulated (Kaplan & Norton, 1996). According to Kaplan and Norton (1996), companies have also used the Balanced Scorecard as a strategic management tool—allowing the indicators to guide decision making and resource allocation. The underlying theory of the BSC assumes a causal relationship between the “perspectives” whereby strong learning and growth will improve internal business processes, which will in turn satisfy customers and secure financial
performance. The soundness of this causal theory and BSC’s appropriateness as a strategic management tool has been challenged, but it is still seen as a promising multi-dimensional planning and management tool especially if it can be used to help advance understanding of how performance is created (Kong, 2008; Norreklit, 2000).

Regardless of the methods used to derive them, in a formal process chosen intended strategies are usually written down in a formal planning document with accompanying action plans. This document is often used to communicate the strategic plan to multiple stakeholders, and is also thought to help increase accountability and transparency. Many newer prescriptive processes add explicit steps for implementation and ongoing evaluation and monitoring of the strategies, thus closing the decision-making feedback loop (Allison & Kaye, 2003; Bryson, 2004).

The streamlined strategic planning process may seem simple, but the analysis embedded in it is quite complex, resting on multiple judgments and potentially contentious decisions. The high-stakes of the decisions could increase political behavior; however, adherence to a formal process, such as strategic planning, has been shown to decrease intra-organizational politics and result in better decisions (Dean & Sharfman, 1996). In addition to its potential to enforce orderly and “good” decision making, strategic planning’s coordination and communication functions have also been recently emphasized (Hutzschenreuter & Kleindienst, 2006).

**Limitations of formal planning.** Despite substantial penetration into the business world (Rigby, 2007), formalized strategy formation still has critics who argue that more natural processes, such as intuition and adaptive learning are just as or more successful at developing strategies. In *The Rise and Fall of Strategic Planning*, Henry Mintzberg,
planning’s most vocal critic, argues that “the rationality assumed in strategic planning can be irrational when judged against the needs of strategy making” (1994, p. 221). He sees strategy formation as a craft, needing creativity, tacit knowledge, hands-on learning, pattern recognition, and, occasionally radical departures from previous forms (Mintzberg, 1987). Mintzberg (1994) warned that the assumptions of classic strategic planning—the superiority of formulization, separation of thought from action, quantitative analysis, and environmental forecasts—can lead to stagnant and useless strategies.

In addition, Mintzberg (1994) argues that formal planning models and tools do not usually tell the organization how to create strategy or inspire strategic or creative thinking. It is assumed that if the process is followed and the tools used that a strategy will emerge, but there is no guidance about where the strategies come from. While others have criticized formal planning processes, they usually cite the same shortcomings and ask whether it is the ideal way to develop effective strategy, or if it is too constrictive and inferior to more ad-hoc incremental approaches that can be more flexible to dynamic environmental changes (Brews & Hunt, 1999; Butler, 1998).

To planning’s credit, it has withstood many harsh objections and has adapted to fit the needs of modern organizations. Over the past two decades researchers have found that in practice strategic planning has changed to include less emphasis on fully-elaborated processes and systems, increased use of multiple and complementary analytical tools, involvement of multiple levels of staff, with more attention to organizational culture to increase the chance of implementation (Bonn & Christodoulou, 1996; I. Wilson, 1994). When taken to an extreme, it is true that rabid formulization and unrefined quantitative analysis could lead organizational strategy astray; however, the
classic streamlined strategic planning process must have some utility, as it is practiced in millions of organizations around the world to this day. Determining what that utility might be is part of the purpose of the current study.

Heracleous (1998) suggests that both strategic thinking (advocated by Mintzberg) and strategic planning are necessary but not sufficient aspects of successful strategic management practice. He provides an insightful analogy—strategic planning is single-loop learning, whereas strategic thinking is double-loop learning. Double-loop learning is necessary to move an organization beyond its frames of past behavior into a mental space where truly unique and novel strategies can be generated. However, a structure like strategic planning is still necessary in order to organize people in the process of deciding upon alternative strategies and operationalizing them into implementable tactics. Both types of thinking and processing are necessary, and are wrapped up in a dynamic relationship (Brews & Hunt, 1999; Heracleous, 1998). Therefore, successful strategic management may be more multi-faceted and flexible than traditionally-prescribed formalized processes would suggest.

**Modes of strategy formation.** Mintzberg criticizes strategy process research for being overly prescriptive, not taking into account the myriad ways leaders and organizations develop strategy in the real world (1994). This is a valid point of view and reflective of that fact that few researchers have set out to systematically describe what is actually happening in the field. There has been some effort to create typologies of strategy formation processes, these often lead to disjointed theories with little clarity for practice or future research (Hart, 1992; Liedtka, 2001). Hart (1992) tried to address this problem by creating an integrated typology of strategy-making processes based on 12
extant typologies. He organized them according to three common themes: assumptions about the ideal degree of rationality, the role of top management in setting a vision, and the involvement of other organizational members (Hart, 1992). The individual strategy-making process types were then mapped onto five overarching “modes,” which were further described with respect to top management’s priorities and under which organizational contexts each mode may be most prevalent (see Table 1).

A later contingency framework of strategic decision-making processes offered by Butler (1998) maps onto Hart’s typology fairly well, and further argues that particular processes may be not just more prevalent, but also more advantageous depending on the level of ambiguity/uncertainty related to the ends or ultimate goal of a decision (degree of politicality) and the level of ambiguity/uncertainty related to the means of achieving the ends (degree of complexity) (see Table 1).
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<th>Table 1: Combined Integrative Frameworks for Strategy-Making Processes</th>
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<td><strong>Hart’s (1992) Strategy-Making Modes</strong></td>
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<td><strong>Butler’s (1998) Strategic Decision-Making Processes</strong></td>
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<td>Decision’s Complexity</td>
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<td>Representative types from the literature</td>
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Both Hart and Butler point out that there is no single “right” process mode. Rather, the organizational context and content of each strategic decision must be understood in order to determine the “best” process. Both authors also posit that firms will make better strategic decisions if they are capable of operating in multiple strategy-making modes because they would have a better chance of matching the process with the demands of the context and the content.

While all typologies include a wide range of strategy formation processes, and more recent ones advocate combining multiple processes when relevant, most have a clear bias toward the rational/computation modes found in the normative literature. Butler’s (1998) framework would suggest that organizational leaders should work first to reduce politicality and complexity (i.e., the uncertainty) of the decision so that it could be more amenable to traditional normative processes that are more likely to lead to the most rational alternative being chosen. Hart (1992) actually hypothesizes that symbolic, rational, and transactive modes, which feature more collaborative analysis, would be predictive of higher performance than command or generative strategy formation processes.

Despite many attempts to describe actual decision-making processes within organizations and understand them from a strengths-perspective based on contingencies, the vast majority of normative strategy processes prescribed to organizations only fall within the rational/computation process mode, striving to make the process as “rational” and “objective” as possible. The current study was designed to enable in-depth descriptions of processes in practice and a comparative analysis across organizations to
help expand the normative boundaries and also assist leaders in choosing effective and efficient processes.

A Conceptual Model of Strategic Management

Through a close reading of the literature and a review of extant models, a conceptual model of strategic management was developed to organize the study’s inquiry (see Figure 1). It can be read like a series of coupled input-process-output models where the process has a transformative effect on the input. Each process can be described in terms of its bundles of activities, or components, its qualitative characteristics, and its temporal relationship with other elements of the model. The strategic management process is broadly grouped into strategy formation and strategy implementation, both of which mediate the relationship between external environmental context and organizational performance. The process is also influenced by and influences the organization’s unique internal context.

Figure 1. Conceptual Model of Strategic Management
Strategy formation processes attempt to make sense of and often anticipate environmental demands in order to determine what course of action (intended strategy) is most likely to result in strong and sustainable organizational performance in the face of competition. It combines cues from the external environment (market volatility and competitive dynamics, funding requirements, population needs, etc.) and information about an organization’s internal context (capabilities, cultural norms, market position, etc.) and transforms it into intended strategies. This process can take on many forms, from executive directors just “muddling through” by making successive decisions (Lindblom, 1959) to highly methodical and comprehensive approaches to formal proactive planning (Mintzberg, 1994).

As outlined above in Table 1 (pg. 23), several researchers have created typologies to organize strategy formation’s various characteristics and try to describe clusters of variations into recognizable patterns of strategy formation. Common variable characteristics include the role of various organizational members, the frequency with which the process is carried out, its comprehensiveness in searching for information, the process’ distinctiveness from other management activities, its openness and flexibility, and the level to which political behavior is tolerated, which is often contrasted with the degree to which the process is formalized in terms of data collection, analysis and decision making (Bell, Bromiley, & Bryson, 1997; Butler, 1998; Hart, 1992; Maranville, 1999; Mintzberg, 1990, 1994; Sharfman & Dean, 1997). A key ongoing tension in the history of strategy formation process research is the relative value of formality, specificity and control versus creativity, openness and spontaneity (Mintzberg &
Westley, 2001). Whether it should happen before or in conjunction with implementation efforts is also a matter of debate (Mintzberg, 1987; Mintzberg & Westley, 2001).

Regardless of its level of formalization, each intended strategy becomes the input for a strategy implementation process, which results in realized strategy. It is likely that each unique strategy will need a somewhat tailored implementation process, but that there may be hallmarks of successful implementation process evident across most strategy implementations (Nutt, 1987, 1989). Not only does a successful strategy implementation process need to create the necessary operational changes required to realize the intended strategy, but it also needs to attend to the psychological components of the change (T. N. Burke, 2008). Hence, components such as regular and open communication and stakeholder involvement have been consistently found to be related to implementation success (Bryson & Bromiley, 1993; Nutt, 1989). The less successful a strategy implementation process is, the larger the gap between the intended and realized strategy (Mintzberg & Waters, 1985). If the intended strategy was best-suited to meet the needs of the environment, then this gap could result in lost performance gains, a point that many researchers trying to demonstrate a positive relationship between certain strategy formation processes and organizational performance fail to appreciate.

The possibility of adaptation of an intended strategy or emergent strategies overtaking intentions during the implementation process due to new environmental demands is acknowledged (Mintzberg & Waters, 1985). It is accounted for by the arrow between external environmental context and strategic management. However, this relationship has been left intentionally vague in the conceptual model because its exact nature is unclear. It could be that external environmental context moderates the
relationship between an intended strategy and its implementation process or that it influences the process directly. How this relationship works could also be considered a component (monitoring and adapting) or characteristic ( recursiveness) of the implementation process itself. Furthermore, it is not clear at what point adaptation should/could be considered an additional strategy formation process. Hopefully this issue will be somewhat clarified by the present study.

It is also acknowledged that the boundaries around the embedded strategic management processes and linearity with which they occur may differ dramatically by organization and are idealized for the purposes of the conceptual model.

Strategic management process variation is thought to be largely dependent upon, though also impact, an organization’s internal organizational context (W. F. Crittenden & V. L. Crittenden, 2000; Hart, 1992). Internal context is akin to the organization’s culture, which noted management researcher Edgar Schein defines as:

A pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration that has worked well enough to be considered valid and therefore to be taught to new members as the correct way you perceive, think and feel in relation to those problems. (2010, p. 18)

Organizational culture consists of and is reinforced by the group’s language, customs, traditions and norms. It is expressed in both their formal and informal values and habits of thinking, acting and making meaning (Schein, 2010). These, and other domains of internal organizational context, such as the professionalism of the administration, the size of the board and an organization’s competitive position and capabilities, have been found to likely influence an organization’s strategic management (W. F. Crittenden & V. L. Crittenden, 2000; Glaister, Dincer, Tatoglu, Demirbag, & Zaim, 2008; Porter, 2008;
It is known that larger organizations are typically more complex and therefore rely on more formal means of communication and control, which tends to lead to more formalized strategy formation processes that emphasize rationality, data gathering, monitoring, etc. (Hutzschenreuter & Kleindienst, 2006; C. C. Miller & Cardinal, 1994; Stone et al., 1999).

An organization’s internal context is undoubtedly shaped, in part, by its external environmental context. As reviewed above, factors such as resource dependencies, funding volatility, institutional pressures, demographic shift, historical events, etc. encourage organizations to organize and adapt themselves in particular ways that may impact their operations for a long time (Akingbola, 2006; DiMaggio & Powell, 1983; Pfeffer & Salancik, 1978; Porter, 1996). External environmental cues are also the major input for strategy formation and may influence the implementation process as well. The entire purpose of strategy formation is to make sense of and often anticipate environmental demands in order to determine what course of action is most likely to result in strong and sustainable organizational performance. The more closely aligned an organization’s realized strategy is with what the environment demands, especially if it also differentiates it from its competitors, the more likely it is to perform well (Barney, 1991; Porter, 1996). Hence, external environmental context moderates the relationship between strategic management and organizational performance. There is also a time delay, estimated to be up to four years, between changes in strategy formation and its observable impact on organizational performance (Breus & Hunt, 1999). This can be accounted for by the time it may take an organization to implement an intended strategy and for that strategy to be noticed by the environment and impact organizational
performance. Over time, an organization’s performance can affect both its internal and external contexts.

Unlike some previous models and studies (Bell et al., 1997; Hutzschenreuter & Kleindienst, 2006; Stone et al., 1999), the conceptual model in Figure 1 (pg. 25) and the current project emphasize the potentially distinct roles of strategy formation and implementation and how they may be temporally related in many organizations. Only by exploring the potential mediating role of strategy implementation can we begin to understand the mechanisms by which strategic management may impact organizational performance.
CHAPTER TWO: SYSTEMATIC REVIEW OF EMPIRICAL EVIDENCE

The majority of for-profit organizations engage in strategic planning, using a variety of complementary analytical tools (Rigby, 2007). While it is assumed by researchers that most of these for-profit processes are transferable to a nonprofit context, it is unclear how most nonprofit leaders approach the task of strategic management in practice and what effect these processes have on their organization’s performance. A review of nonprofit-specific strategy process research was published in 1999 (Stone, et al.), but the field of nonprofit management has changed considerably in the past two decades. Additionally, nonprofit strategic management research is often siloed, not taking into account advances in the broader strategic management field that could apply to the voluntary sector. Therefore, this chapter summarizes recent reviews of strategy process research in both the private and nonprofit sectors and goes on to update prior work with a systematic review of nonprofit-specific literature published in the past decade. These findings helped to guide the current dissertation study’s data collection and analysis.

Most Recently Published Systematic Literature Reviews

Despite differences that have been drawn between the private and nonprofit sectors, it is helpful to ground nonprofit-specific knowledge in what has been produced in the wider for-profit-focused literature. Since most formal strategic management practices were first developed in the private sector, this context it is highly relevant to the aims of the current study.
General Review

Hutzschenreuter and Kleindienst (2006) recently wrote a very thorough and well-organized review of the strategy process literature published between 1992 and April 2005. The review built off of previous reviews written by Huff and Reger (1987) and Rajagopalan, Rasheed, and Datta (1993) on the same topic. A familiar framework of antecedents, processes (split between formulation and implementation), and outcomes was used to organize the discussion, though each domain was broken into several more operationalized constructs, adding to the richness of the review. Additionally, they reinforce the recursive nature of strategy process by noting that outcome variables are identical to antecedent variables, just observed at time t+1.

The authors performed a systematic electronic search of 21 prominent management journals using 10 keywords (see Table 2 below, pg. 39), yielding an impressive 227 relevant articles, about half empirical and half conceptual. Empirical articles were arranged by the variable relationship under investigation. Hutzschenreuter and Kleindienst (2006) identified four major streams in the empirical research, assessing the strength of evidence for supporting the relationship between: 1) antecedents and strategy processes, 2) antecedents and outcomes, 3) process and outcomes, and 4) the interrelationship between the different strategy process variables, namely the strategists’ characteristics, decision content and the sequence of actions performed to arrive at a strategy. Essentially, between 1992 and 2005 over 200 articles were published assessing a framework very similar to the conceptual model presented in Chapter 1 (see Figure 1 in Chapter 1, pg. 25).
Key empirical findings included:

1) Antecedents and strategy processes
   a) Increased organizational size and specialization may increase difficulty in formalizing strategy processes across divisions.
   b) Increased environmental uncertainty may increase information search and analysis costs, impacting strategists’ reliance on intuition and expertise.
   c) Research on strategy implementation is sparse.

2) Antecedents and outcomes
   a) Structural environmental factors and unique organizational characteristics influence strategy processes, and in turn, performance.
   b) Initial good performance may increase organizational inertia, leading to decreases in openness, more rigid processes and decreased performance over time.

3) Process and outcomes
   a) The link between planning and performance is still the most commonly addressed empirical question.
   b) Formal strategic planning does increase organizational performance.
   c) Strategic planning has changed significantly from the highly-bureaucratized process of the 1970s.
      i) It is less often seen as a way to develop strategy, but more as a device to increase information, communication, integration and coordination. There is recognition that strategy formation is ongoing, and that emergent strategies are incorporated into a plan.
4) Interrelationship between the different strategy process variables
   
   a) Increased rationality and comprehensiveness increase decision outcome success, especially in more stable environments.
   
   b) Strategy process is contingent upon group characteristics (size, level of socialization, trust, etc.).
   
   c) Strategists’ cognitive models/worldviews impact their evaluation of information.
   
   d) Research on strategy content-process link is sparse.

   Over 100 conceptually-focused articles were also reviewed by Hutzschenreuter and Kleindienst (2006). Most sought to further clarify and tease apart the concepts of strategy process, formulation and implementation, though a handful were focused on defining the strategists’ personal and cognitive context or advancing conceptual integration or methodologies. In general, work in this area has revealed an increased acceptance of the strategy process as a highly dynamic, causally complex and organic process. The barriers between formulation and implementation are also beginning to crumble, as the process has been described and handled with more fluidity. However, formal strategy formation processes are still seen as an important part of strategic management, though conceptual and measurement imprecision is still hobbling research.

   Interestingly, Hutzschenreuter and Kleindienst (2006) did not mention any hypothesized or confirmed differences between private, public, or nonprofit organizations with respect to strategy process. They indiscriminately include several articles that examine strategy processes in public hospitals, government agencies, and a few NPOs. While this level playing field is refreshing, many have argued that there are many reasons
why strategy processes within NPOs would be different than in other organizational contexts (Beck, C. A. Lengnick-Hall, & M. L. Lengnick-Hall, 2008; Kong, 2008). In addition, the review’s finding that structural environment and top management characteristics impact processes and resulting performance could support the case for sector differences in preferred strategic management processes and their impact on performance.

**Nonprofit-specific Review**

In 1999, Stone, Bigelow and W. F. Crittenden published a review of two decades worth of research on strategic management in NPOs. It is the only review of its kind. While the authors did not specifically address the question of sector differences, they did argue that the topic of strategic management needed heightened attention as the size and importance of NPOs has increased dramatically since the study of nonprofit management began to blossom in the 1970s and pressures for accountability and performance continue to be amplified.

Stone et al. (1999) performed a systematic review of empirical articles spanning two decades (1977 to Spring 1997) related to nonprofit strategic management. They covered many of the same journals as Hutzschenreuter and Kleindienst (2006), but added several nonprofit-specific sources as well (see Table 3 below, pg. 40). Unfortunately, they gave very little other information about how they performed their search. The search yielded a total of 66 empirical studies, none of which overlap with articles reviewed by Hutzschenreuter and Kleindienst (2006); this is partly because the reviews only searched six years in common, but mainly because the bulk of the articles reviewed by Stone et al. (1999) were found in nonprofit-specific journals, such as *Nonprofit*...
Management & Leadership, Nonprofit and Voluntary Sector Quarterly, and Administration in Social Work (see Table 3 below, pg. 40).

The 66 nonprofit-specific articles were separated into three categories: strategy formulation (21), content (24), and implementation (21), each of which were then analyzed with respect to how they informed knowledge about the strategy process determinants and outcomes and organizational performance (see Figure 1 in Chapter 1, pg. 25) of the strategic management process. Overall, Stone et al. (1999) found the “considerable” research base to be very fragmented, with few connections between studies. Additionally, they observed that it was still unclear whether NPOs used formal strategic management processes to improve client outcomes, or if it was a more internally or funder-oriented process. They hint at the possibility that strategic planning may take on a symbolic role in organizations, decoupled from other strategic activities. In contrast with Hutzschenreuter and Kleindienst’s (2006) findings, Stone et al. (1999) highlight the lack of research on the strategy process and performance link in nonprofits, citing a lack of consensus with regard to measuring performance in NPOs. Although like Hutzschenreuter and Kleindienst (2006), they also call for more research into the dynamic interactions between variables and more emphasis on implementation.

Given the focus of the current study, several of Stone et al.’s (1999) findings from their review of the 21 studies of strategy formulation in NPOs warrant further coverage. As of 1997 when the last article reviewed was published, it appeared that many NPOs had not yet adopted “formal” strategic planning, usually operationalized as the full six-stage SWOT-focused strategic planning model (see previous chapter). However, it did appear that several key determinant variables were related to formalization. The most
critical factor related to formal planning was an increase in pressure from funders to do so, leading to the assertion that “nonprofits plan when they have to”. Increased organizational size was also associated with more formal planning, but not organizational age. This relationship was explained by an increase in coordination needs as well as increased resources and managerial sophistication enabling planning. Interestingly, formal planning was also more common when strategists’ had prior agreement about the organization’s goals and mission; therefore, goal consensus may be a necessary prerequisite, not an outcome of planning.

In terms of short-term outcomes from planning, the articles reviewed showed evidence of changes in internal organizational dynamics and increased external legitimacy, though perhaps a decrease in autonomy. Again, the strategy formulation-performance link had not been thoroughly explored. A few articles did find an increase in funding and members resulting from planning, and one found that, controlling for size, NPOS that used formal planning outperformed those with less formal processes.

Many of Stone et al.’s (1999) conclusions about strategy formulation in a nonprofit context are not surprising any more, but reflect important knowledge advancements in a field that was virtually non-existent before the late 1970s. Additionally, their review offers additional insights about why and when NPOs choose to engage in formal planning and the unique impact resource dependencies may have on third sector strategic management. Taken with Hutzschenreuter and Kleindienst’s (2006) conclusions, there are consistent findings that formal strategy processes do increase performance, though as of 1999, this link still needed more evidence in the nonprofit arena. It may also be concluded that organizational size is an important variable to
understanding strategy process, but that there may be an inverted-u shaped relationship with the propensity and ability to formalize. Stone et al. (1999) calls for further research into the major variable relationships Hutzschenreuter and Kleindienst (2006) identified in the larger and more current body of research, specifically the antecedents to strategy formulation, the connections between process and content and implementation, and the process-performance link, all of which are explored in the current study.

**Updated Review of Empirical Nonprofit Strategy Process Literature**

It is unknown if researchers have heeded Stone et al.’s (1999) suggestions. While the past decade has seen a continued increase in attention on nonprofit management issues, the nonprofit strategy process literature has not been reviewed. Therefore, a systematic review was undertaken to determine the current state of the empirical literature and further inform data collection and analysis.

**Method**

The current systematic review of articles published between mid-1997 and the end of 2010 combined the previous reviews’ search strategies, using Hutzschenreuter and Kleindienst’s (2006) electronic search terms describing strategy process (see Table 2) and Stone et al.’s (1999) list of “prominent management journals” (see Table 3). The search terms were slightly modified to allow for more permutations of spelling and phrases, as well as to include a few updated terms, such as “strategic management”. Furthermore, an additional search parameter of keywords describing NPOs was added to keep the review focused on Third Sector organizations.
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<td>(Strateg* and decision) OR</td>
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<td>“voluntary sector” OR</td>
</tr>
<tr>
<td>“strateg* decision” OR</td>
<td></td>
<td>“third sector”</td>
</tr>
<tr>
<td>“strateg* plan*” OR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>“strategy implementation” OR</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Additional Terms used:

| “strateg* management” OR                                    |
| “strateg* change” OR                                        |
| “strateg* orientation*”                                      |

The EBSCO host interface was used to search for the 19 keyword phrases in the abstracts of articles indexed in the SocIndex and Business Source Complete databases. The results were then limited to the 18 peer-reviewed journals listed below to be comparable with Stone et al.’s (1999) review. When EBSCO did not provide access to the full date range needed, other sources were used as necessary to conduct and electronic “hand search”.

39
Table 3: *Journals Searched, 1997 through 2010*

<table>
<thead>
<tr>
<th>Journals used by Stone et al. (1999)</th>
<th>Electronic Search Source</th>
<th>Business Source Complete</th>
<th>Other*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academy of Management Executive/Perspectives (since 05)*</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Academy of Management Journal†</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Academy of Management Review†</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Administrative Science Quarterly†</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>California Management Review†</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Decision Sciences†</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harvard Business Review†</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Journal of Management†</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Journal of Management Studies†</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Long Range Planning†</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management Science†</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Organization Studies</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Sloan Management Review</td>
<td></td>
<td>To 2009</td>
<td>Blackwell</td>
</tr>
<tr>
<td>Strategic Management Journal†</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration in Social Work</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonprofit Management &amp; Leadership</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonprofit and Voluntary Sector Quarterly</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Administration Review</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yale Program on Non-profit Organizations Working Papers (last paper posted in 2001)</td>
<td></td>
<td>Online database</td>
<td></td>
</tr>
</tbody>
</table>

*Journals also searched by Hutzschenreuter and Kleindienst (2006).

*Searches did not yield any results for 1997-2010.

Stone et al. (1999) also searched the working papers of Yale’s Program on Nonprofit Organizations, which yielded 5 articles on strategy formulation when searched in 1997, but none when searched in late 2010. This may be because the program stopped posting papers in 2001.

The search yielded 26 non-duplicate articles. Upon review of these articles’ abstracts, three were found to be reviews or editorials, two focused on public or military agencies; one was covered in the Stone et al. (1999) review, and eleven did not
specifically address strategy process, but rather issues of board dynamics, strategy content or other topics. This left only nine articles for review.

Results

Publishing Rate and Journal Distribution

Stone et al. (1999) identified 21 articles about strategy formulation in NPOs published between 1977 and early 1997. Similarly, between late 1997 and 2010, nine articles have been produced, indicating a small, but steady publishing rate over the past three decades with the publications becoming more concentrated in a handful of nonprofit-specific journals. Furthermore, the articles included in the current review cluster around 2000 and 2008, meaning years pass without a single high-quality study about strategy process in NPOs appearing in a reputable peer-reviewed journal (see Table 4).

Table 4: Comparison of NP Strategy Formulation Articles Reviewed by Stone et al. (1999) and Now (2010)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Journal of Management Studies</em></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td><em>Strategic Management Journal</em></td>
<td>1988</td>
<td>1</td>
</tr>
<tr>
<td><em>2000, 2000, 2008</em></td>
<td>3</td>
<td></td>
</tr>
<tr>
<td><em>last paper posted in 2001</em></td>
<td>21</td>
<td>9</td>
</tr>
<tr>
<td>Total relevant articles</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Key Findings

The nine articles are summarized in Appendix A (pg. 273).

Quality of the research. In addition to summarizing the articles’ key questions and findings, I also rated the quality of their study design as “good”, “fair” or “poor” to help determine which results should be given the most weight. Unfortunately, by and large, the articles currently reviewed were of weak scientific rigor. To be fair, two of the articles (W. F. Crittenden, 2000; Nutt, 2000) did try to build some causal argument by collecting survey data at two time points and combining quantitative findings with key informant interviews to improve the interpretation of the results. However, more were based on loose opportunistic “case studies” based on authors’ current or previous professional experiences (e.g., Parker, 2007), and after thorough examination, it was questionable as to whether several of the articles should have been included in this review of “empirical research.” Two were “From the Field” reflections of practice experiences (Krug & Weinberg, 2004; Mara, 2000), one was a conceptually-oriented “Case Study” (Medley & Akan, 2008), and another was a “Research Note” with limited findings and implications (Siciliano, 2008).

Themes. Several of the reviewed articles investigated variable relationships commonly cited in previous reviews, such as the relationship between contextual antecedent variables and strategy process (Maranville, 1999; Stone, 2000) or between strategy processes and organizational performance (W. F. Crittenden, 2000; Siciliano, 2008). Three articles also focused exclusively on process-related variables, trying to further our understanding of various stages of strategic decision-making (Medley & Akan, 2008; Nutt, 2000; Parker, 2007). Taken together, these articles reinforce the utility
of traditional formal modes of strategic management but also the importance of process flexibility in obtaining positive results. Also evident was the central role of context when analyzing strategic process.

A theme seemingly unique to recent investigations into strategy formulation in NPOs is the applicability of specific strategic analysis tools and techniques. Three articles (Greenlee & Trussel, 2000; Krug & Weinberg, 2004; Mara, 2000) took a commonly-used tool from the for-profit sector (i.e., portfolio planning, financial analysis, or group decision-making techniques), adapted it for use in the nonprofit sector, and explored its validity, utility, or acceptability in this new setting. Overall, they found the tools to be useful, though their findings must be tempered by the limitations of their single-case study designs.

**Key findings from the three “fair” to “good” quality articles.** W. F. Crittenden (2000) found evidence of a positive link between traditional modes of strategic planning and performance as measured by three years of balanced budgets and meeting fundraising targets. Less successful organizations appeared to lack key strategic management attributes such as focus on product offerings, financial acumen, marketing, and diversification. The study also found that strategy process and performance are interrelated over time, and that organizations’ processes frequently change. Findings should be cautiously interpreted, however, given the small sample size (31 organizations), 47% non-response rate and un-validated strategy process measure.

Nutt (2000) focused specifically on the alternative generation stage of strategic planning, or the processes by which organizations arrive at the universe of possible strategies from which to choose. The study’s methodology was strong; it compared
practices across all three sectors and analyzed 376 specific decision cases. Six alternative
generation approaches were inductively categorized via multiple key informant
interviews into preference for the existing solution, innovation, benchmarking (simple or
integrated) and search (simple or cyclical). There was evidence of sector-based
differences in preferred approaches and decision success. NPOs used benchmarking and
existing solutions more often than other approaches, but had better decision success when
they used search approaches (soliciting proposals from third-parties to address need).
NPOs had the highest complete plan adoption rate after two years, but they took longer to
arrive at a decision than private organizations.

Stone’s (2000) in-depth case study of a multi-sector collaborative alliance to
assist welfare-to-work participants found that involvement in the collaborative increased
the complexity of the decision-making environment of individual NPOs by increasing
uncertainty and the density of relationships that had to be managed. Despite this,
collaborations had virtually no impact on formal strategic planning activities, which were
seen as an internally-focused process of which the collaborations could be seen as an
aspect of implementation. Stone (2000) hypothesized that the decoupling of strategic
planning from collaborative activities may help NPO’s retain decision-making authority
and that current models of strategy formulation may be ill-equipped to cope with a more
dynamic and political environment in which many NPOs now find themselves. Of
course, as with all case studies, it is difficult to generalize her findings to the wider
nonprofit sector.

These articles’ research questions and findings demonstrate the variety of the
strategy process literature and hint at the complexity and the potential value of strategic
planning in a nonprofit context. Furthermore, Nutt’s (2000) study provides evidence of the potential for NPOs to make good strategic plans that are more often implemented than in other sectors. Stone’s (2000) findings raise further questions worthy of future exploration.

Discussion

The state of the nonprofit-specific strategy process literature is disappointing. The nine articles reviewed do little to address the gaps Stone et al. (1999) pointed out in the literature: generally disjointed studies with limited data on actual strategic management practices in the nonprofit sector and even less evidence of various processes’ impact on organizational performance. The insights they do offer are extremely limited by the studies’ generally poor methodological rigor.

Despite NPOs being of great importance to the national economy and service provision, and nonprofit management gaining attention and legitimacy as a separate field of study, the unique challenges of the strategic management of these organization is not being addressed by researchers and academics. The publishing rate for such articles has not increased from the 1970s, and there is a clear schism between for-profit and nonprofit knowledge bases and advancements. There are two different tacks one could take when trying to understand this situation. One is that research on NPOs is theoretically and methodologically lacking and the academic community seems to be doing little to rectify this. On the other hand, it may be that the fields of private sector and third sector strategy process research are converging with the realization that basic tenets of the process are the same, just impacted by different environmental contexts. Nutt’s (2000)
conceptualization and investigation of private, nonprofit, and public organizations as laying on a continuum of “publicness” that impacts strategy process is perhaps evidence of this possibility.

If this is the case, that the literature streams are converging, then researchers of NPOs need to approach their questions with more scientific rigor, on par with researchers of for-profit organizations. Or, they need to ask different questions specifically pertinent to NPOs. Some investigators seem to already be taking this route by looking at issues of tool transferability, though this line of inquiry could also benefit from more rigorous methodology. Additionally, it would be prudent to first document the transferability and impact of for-profit tools “as is” before studying adapted tools.

Limitations

During the course of the systematic search and reading the represented articles, other seemingly pertinent studies were discovered. However, they were not published in the selected journals, therefore their quality is unknown. It did appear, however, that several of the articles were based on studies conducted in the UK and Australia, and therefore more likely to be published in region-specific or international journals not covered by this review. A limitation of the current systematic search was its narrow focus on primarily American academic journals. While it is possible that the articles’ findings would not hold to US NPOs due to contextual differences between the nations’ third sectors, a wider-reaching survey of the literature is warranted, provided the quality of the journals can be verified. Inclusion of search terms of nongovernmental organizations (NGOs) may have also yielded additional articles and insights such as those
furnished by Lindenberg (2001), though differences between American NPOs and international NGOs could also have limited applicability.

**Next Steps**

Investigating the validity, utility, or acceptability of for-profit strategic analysis tools in a nonprofit context may be a fruitful avenue for future research. Past and present empirical findings point to the conclusion that current “private sector” theories about strategy processes (e.g., planning improves performance, political decision-making can be detrimental, interpersonal trust and communication are vital among decision makers, etc.) are very applicable to NPOs, especially when contextual factors are considered. What is less clear is whether strategic analysis tools developed for for-profit enterprise are transferable to the third sector, and if so with how much adaptation. The goals and objectives of strategy are slightly different between sectors and nonprofit executives often have less formal training and fewer resources to bring to the table when engaging in strategic management. Hence, evaluating which tools are suitable to strategy formulation in a nonprofit context could provide additional theoretical insights into strategy process and tangible prescriptions for practice.

However, basic data on actual practices is still lacking. Stone et al. (1999) found that as of 1997 there was not strong evidence of wide-spread adoption of formal strategic planning in the nonprofit sector. This finding has been neither proven nor disproven more than ten years later, though it would appear that researchers are under the impression that formal planning is extremely commonplace. The field is suffering from the same normative biases as the wider strategy process field. Before providing organizations with process prescriptions or adapted tools it would be beneficial to have a
description of what was already being done. There is a need to gather basic data on the nonprofit sector’s strategic management processes and their impact. The current study was designed to address this need, using a convenience sample of children’s mental health services organizations.

Connecting the State of Knowledge with the Current Study’s Aims

Strategy Formation in Nonprofit Mental Health Services Organizations

It is known that nonprofit organizations began adopting formal strategic planning in the 1980’s, mainly due to pressures from funders (Webster & Wylie, 1988a) and increasing diffusion of management and business practices (Mulhare, 1999). Several large national organizations, such as the United Way of America, Boy/Girl Scouts, and the Red Cross began requiring or strongly encouraging their affiliates to produce formal written strategic plans as a way to increase accountability and control (Webster & Wylie, 1988b). Additionally, numerous articles, both in scholarly journals and popular press, along with management texts, seminars, and the new nonprofit management programs extolled the virtues of strategic planning, especially those models relying heavily on an analysis of the organization’s strengths, weaknesses, opportunities and threats (SWOT) (Kearns & Scarpino, 1996; Mulhare, 1999). Hence, by the 1990s there were strong institutional pressures (DiMaggio & Powell, 1983) within the nonprofit sector to engage in formal strategy formation.

Using a sample of 600 NPOs, Crittenden & Crittenden (2000) found that all of the organizations engaged in some sort of planning, though it varied widely in terms of formalization. However, instrumental organizations, such as those that serve community
mental health needs, were more likely to regularly use formal strategy formation processes. Findings such as these have added credence to the assumption that formal strategy formation processes have been widely adopted by NPOs, but actual data on how NPOs are managing their strategy is wanting. A handful of recent case studies or small surveys, primarily published in academic journals lacking scientific rigor, have provided some evidence that NPOs are adapting for-profit formal strategy formation tools to fit their needs (Bryson & Anderson, 2000; Katsioloudes & Tymon, 2003; Kearns & Scarpino, 1996; Lindenberg, 2001) and may be using other tactics, such as stakeholder management tools, more than private companies (Gunn & Williams, 2007).

The nonprofit strategic management literature often argues that NPOs are sufficiently unique so as to render many formal strategy formation processes developed in the for-profit sector inappropriate or too hard to apply due to resource and training issues (Beck et al., 2008; Kong, 2008; Myers & Sacks, 2003). To respond to these concerns, strategic management tools, such as the Balanced Scorecard (BSC) have been adapted slightly to meet the needs of nonprofit organizations to better capture the reality of multiple stakeholders and the relationship between their satisfaction and performance relationships (Kaplan, 2001; Niven, 2003). Lindenberg (2001) found that in order to successfully use formal strategic planning in a nonprofit setting, it was necessary to adjust the model to be mission-focused and participative, and able to capture the organization’s bottom double-line. Importantly, he also found that the strategy formation process needed to mirror the organization in terms of complexity, resource intensity, and staff capabilities. However, these and other internal organizational characteristic have
not been delineated or explored in a sufficient manner so as to determine if and what changes must be made to existing processes.

To address the gaps in the literature regarding current strategy formation processes within nonprofit organizations and how they are shaped by the organizations’ internal context, **Aim 2 of the current study is: To describe the organizations’ strategy formation processes within their internal organizational contexts.**

**The Relationship between Strategy Formation Process and Intended Strategy**

Strategic management researchers have long attempted to demonstrate that the process by which intended strategy is formed impacts the quality of the decisions made and subsequently organizational performance. As is depicted in the conceptual model (see Figure 1 in Chapter 1, pg. 25), it is a long path of many causal relationships between strategy formation process and organizational performance. Many empirical studies have examined the first causal link assumed by researchers asserting a process-performance relationship: the relationship between strategy formation process and intended strategy. Dean and Sharfman (1996) concluded that characteristics of the strategy formation process can have a large impact on the quality of the choices made, at least in for-profit companies. Similarly, after their extensive literature review, Hutzschenreuter and Kleindienst (2006) concluded that there is consistent evidence that increased rationality and comprehensiveness (i.e., more formalized strategy formation processes) increases decision outcome success, especially in more stable environments.

However, contrary to this evidence, preliminary findings from conversations with several of the current study’s target organizations have revealed that at least two organizations use widely different strategy formation processes yet appear to have near
identical intended strategies with respect to their market positioning (Porter, 1996). They have gone after similar contracts, offer similar services, belong to the same collaborative boards, etc. The equifinality of the different strategy formation processes suggests that either the process didn’t matter as much as the external environmental context the strategy is responding to or that there is something else going on not yet understood.

Some nonprofit researchers have argued that since NPOs exist in more institutional than technical environments in which social status is often rewarded more than increases in performance, formal strategy formation may take on a more symbolic than functional role and thus may be decoupled from other organizational activities (W. F. Crittenden & V. L. Crittenden, 2000; Stone et al., 1999). This suggests a possible breakdown in the causal mechanisms between strategy formation process and realized strategy, in addition to putting into question the link between strategy formation process and organizational performance within NPOs. To explore this possibility further and test a crucial causal link in the strategic management model, Aim 3 is: To explore whether and how the organizations’ external environmental context and strategy formation processes influence resulting intended strategies. As part of this inquiry, a full understanding of the organizations’ position relative to its competitors is needed; therefore, Aim 1 is: To describe the organizations’ strategic positions within their external environmental context.

Strategy Implementation in Nonprofit Mental Health Services Organizations

Research on strategy implementation is sparse, even within the for-profit literature (Carroll & Flood, 2000; Hutzschenreuter & Kleindienst, 2006). A lot of information about implementation tactics comes from prescriptive management texts
(e.g., Bryson, 2004; Kotter, 1996; Proehl, 2001) rather than peer-reviewed journal articles stemming from empirical analysis. However, there has been a small and consistent effort by researchers, such as Paul C. Nutt, to identify, categorize, contextualize and explore the impact of strategy implementation processes (1987, 1989, 1995). Based on a large number (over 60) of in-depth case studies, Nutt delineated the four most common implementation processes and showed that certain processes are more successful than others in installing an intended strategy. Namely, “intervention implementation”, in which managers actively manage the implementation by working to create and explain new norms and communicate connections between the intended strategy and performance improvements, was shown to always be successful when used (Nutt, 1987). Whereas “edict implementation”, in which managers use their power to implement via directive, worked less than half the time. Unfortunately, managers typically elect not to use intervention implementation, favoring instead tactics that demand less of their time and direct involvement (Nutt, 1989, 1995). Managers actually need a repertoire of tactics to be successful so they can deftly execute which ever approach is most suited to the demands of the particular intended strategy trying to be installed (Nutt, 1989).

Miller (1997) investigated which factors, beyond just managers’ behavior, led to the success of the same strategy in several comparable organizations. The study had a similar in design to the current study. Initial analysis yielded ten factors related to implementation success; Miller (1997) defined success as an amalgamation of timely completion of implementation activities, achievement (i.e., realization) of intended strategy, and the acceptability of the implementation’s methods and outcomes. A further case-ordered matrix revealed a consistent pattern suggesting that five factors, labeled
“realizers”, need to be present and working together in order to ensure implementation success. Luck, or at least the absence of bad luck, was always needed to realize implementation success, but is not within the organizations’ control and is controlled for by the present study’s design. The four realizers organizations can control are: continued backing from authority figures and those required to implement the strategy, a clearly defined strategy with high assessability, planning with high specificity regarding required actions and cultural receptivity to or fit with the implementation process. Essentially, when implementing a strategic initiative, “having support, being clear about what has to be done, spelling out how to do it, and operating in a facilitative context all contribute towards outcomes that are likely to realize expectations” (S. Miller, 1997, p. 589). This adds credence to formal planning prescriptions in as much as it informs the implementation by making strategies assessable and specific.

Interestingly, in Miller’s sample, other “enabling” factors, such as implementers’ relevant experience, resource availability and process adaptability, were found to not be consistently related to successful implementation than the “realizers”. Miller (1997) also cautioned that just because one strategy is successfully implemented does not mean that the organization is a “successful implementer”, but rather success is generated on a case-by-case basis that requires organizational leaders to always be working to align the necessary realizing factors.

Across all circumstances, open and consistent communication and the genuine involvement of key stakeholders are the two strategy implementation process components most consistently found to be positively related to implementation success (Bryson & Bromiley, 1993; Harrington & Kendall, 2006; Nutt, 1989). This reflects the need to
attend to both the organizational operational changes as well as the psychological changes within the key stakeholder groups in order to successfully implement new strategies (T. N. Burke, 2008; O’Donnell, 2000).

Unfortunately, nearly all of the research on the variation and success of strategy implementation processes have used solely for-profit organizational samples, meaning next to nothing is known about what nonprofit organizations do to implement their intended strategies. It is quite possible that the demands of the particular strategies favored by these organizations and their unique internal context may require particular types of processes, or that certain compulsory strategies may conflict with deeply held professional identities and norms (McKevitt, 2000). To begin to fill the large gap in the literature, Aim 4 is: To describe the organizations’ strategy implementation processes relative to the intended strategies within their internal organizational contexts.

**Relationship between Strategy Formation and Organizational Performance and the Role of Implementation**

Theoretically, the process by which an organization assesses and makes sense of its environment in order to manage multiple inevitable dependencies is crucial to its survival (Pfeffer & Salancik, 1978). Empirically, this assertion has been supported. Numerous studies have found a small, but positive relationship between formalized strategy formation processes and organizational performance, including some tentative support within nonprofit samples (W. F. Crittenden & V. L. Crittenden, 2000; Hutzschenreuter & Kleindienst, 2006; C. C. Miller & Cardinal, 1994; Stone et al., 1999).

However, the findings have been criticized for suffering from serious measurement error (Boyd & Reuning-Elliott, 1998; C. C. Miller & Cardinal, 1994).
Difficulty and inconsistency in measuring the strategy formation process is typically cited as the main source of error, but the gap between intended and realized strategy, whether as a result of mismanagement or appropriate modifications, is also a large source of error in all models linking strategy formation process with organizational performance. Therefore, there is a strong need for improved understanding how intended strategy is implemented within an organization. After thorough reviews of both the for-profit and non-profit strategic management literature, both Hutzschenreuter and Kleindienst (2006) and Stone et al. (1999) highlighted this need by calling for more research into the dynamic interactions between variables and more emphasis on implementation. To respond to this call and to move toward practice and research-relevant insights into strategic management, Aim 5 is: To clarify causal mechanisms and explore patterns of how strategy implementation mediates the relationship between strategy formation and organizational performance.

The difficulty involved in defining and measuring nonprofit organizational performance, especially with respect to effectiveness, has been well-documented (W. F. Crittenden et al., 2004; Forbes, 1998; Griggs, 2003; Herman & Renz, 1999; Stone et al., 1999). The measurement of effectiveness of a publicly-held for-profit organization is usually simplified to stock price, but performance is more complicated for non-profit organization as it is more subjective and depends on the defined goals of the organization and the measuring party. NPOs do not have a single public indicator of perceived worth; in addition, their goals are often ambiguous, their services often intangible, and they have multiple and divergent stakeholders who all possess different measures of effectiveness (Forbes, 1998; Herman & Renz, 1999, 2008). Fortunately, the current study’s reliance on
a sample of most-similar cases allows for easier across-case comparisons since the organizations’ activities and goals are fairly comparable. Thus, organizational performance will be operationalized primarily as financial performance over time, measured by a variety of relevant ratios (Ritchie & Kolodinsky, 2003; Tuckman & Chang, 1991), supplemented by the organizational leaders’ own definitions and measures. Further information regarding the issue of performance measurement is provided in the following chapter on research design and methodology.

**Connecting Literature to Practice**

Advancing the field of nonprofit strategy process literature could have a big impact on practice and the communities NPOs serve. Strategic planning has already been shown to be related to improved organizational performance in the private sector (Hutzschenreuter & Kleindienst, 2006). If the same relationship can be demonstrated in the nonprofit sector more organizations would be likely to adopt formal processes. Furthermore, if evidence to the contrary is found, nonprofit leaders could stop wasting time on unnecessary formalization. By understanding current strategic management practices and disseminating information about applicable tools, organizations could more efficiently and effectively create strategies to enhance stability and sustainability and serve the public good.
CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

The current project employed a mixed-methods comparative multi-case study design to achieve its five research aims. The approach was ideal for studying such a multifaceted phenomenon like strategic management. As Stake points out: “When individual cases respond differently in complex situations, the interactivity of main effects and settings can be expected to require the particularistic scrutiny of case study” (2006, p. 28). Combining this particularistic scrutiny of multiple single cases with critical cross-case analyses facilitated an even more robust understanding of the phenomenon under inspection. Additionally, given the unknown range of possibilities and the poor state of measurement (Boyd & Reuning-Elliott, 1998) and theory in this area, qualitative methods were best suited to achieve the project’s research aims.

The study leveraged a unique cluster of several nonprofit mental health services organizations that were participating in a study with which the researcher was affiliated and that had very similar client needs, service offerings, funding requirements, and historical norms and experiences. This selection of target organizations created a group of “most-similar cases” that facilitated in-depth within and across-case analysis and was best suited to examining an anomaly where cases appear very similar, but yet have unexplainably different outcomes (Gerring, 2007). At the outset of the study, the targeted organizations appeared to have very similar strategies in response to similar external environments, but were known (via the researcher’s contact during the other study) to engage in widely different strategy formation processes, for instance only planning one year out versus employing the Balance Scorecard method to inform strategy formation and implementation. Choosing most-similar cases on the dimension of external
environmental context, thus reduced that variation, allowing for clearer analysis of the impact of internal organizational context has on strategic management and how strategic management impacts organizational performance. This focused the study on domains nonprofit executives have much more control over.

To understand each case in-depth, information from multiple sources from each organization was interpreted (see Figure 2), including: 1) key informant interviews with Executive Directors/CEOs (EDs) and Board and staff members; 2) documents produced in connection to strategy formation and implementation; 3) observations at the organizations during the interviews and select Board and staff meetings; and 4) all publically available IRS Form 990 financial filings (typically from 1998, forward). The majority of the information was collected via multiple key informant interviews, a vehicle that yielded rich qualitative data essential for case analysis (Yin, 1984). This information was supplemented and triangulated with data gathered through document review, observation and secondary financial data. Once the strategic management processes for each case was thoroughly understood, data was compared across the cases to draw out larger themes and provide further evidence to answer the study’s research aims (Stake, 2006).
Additionally, the data collection took place in two phases. The first phase was primarily focused on understanding the organizations’ strategy formation processes and intended strategies. It consisted of two in-depth interviews with the organization’s ED as well as the Board Chair and a senior Staff member. A review of documents produced during strategy formation over the past 10 years, which, for most organizations encompassed several strategy formation/planning cycles was also conducted. Since a longitudinal design was not feasible for the current study, a retrospective ten-year timeframe was chosen in light of evidence that changes in strategy formation processes do not begin to impact firm performance for up to four years (Brews & Hunt, 1999).

From the information gathered in the first phase, two intended strategies per organization were chosen for closer investigation. These strategies were chosen for their similarities in content and for being responsive to the same cues from the external environment. They formed the subunits for secondary embedded case studies (Yin, 1984) within all of the organizations (see Figure 3). Given that the implementation
process varies for different intended strategies, it was very important that data collection around strategy implementation processes be specific and focused on particular intended strategies that could be reasonably expected to be connected to organizational performance. The second phase of data collection was focused on understanding strategy implementation and organizational performance, as well as how all of the pieces of the conceptual model fit together in practice. This information was gathered via additional key informant interviews (two with the ED and two with additional staff members) and analysis of secondary financial data. Internal organizational context was assessed throughout the study.

Figure 3. Secondary Embedded Case Study Design

Sample

Preliminary Study

At the time of recruitment and data collection I was involved with an ongoing NSF-funded investigation entitled “Impact of Implementing Evidence Based Practices on
Organizational Performance” (aka: NSF-IOP; Drs. Peter Hovmand and David Gillespie, Co-Principal Investigators) that worked closely with 41 mental health services NPOs in the St. Louis region. At that time, the three-year study was in the middle of several waves of data collection that included semi-structured interviews with organizational executives and staff and system dynamics group model building. I was involved with multiple waves of key informant interviews and group model building sessions, and thus had established rapport with the organizations that helped facilitate recruitment of the current project’s target organizations. Preliminary data regarding the organizations’ founding stories, current service offerings and external environment also provided guidance as to appropriate sampling. In addition, due to my involvement in NSF-IOP, I was trained in qualitative interviewing and transcript coding and analysis using the same grounded theory techniques used in the current project.

Preliminary Study’s Sampling Frame

The preliminary study, NSF-IOP (see above) drew its sample of 41 nonprofit mental health services agencies from a sampling frame of 65 organizations identified as providers of mental health services and/or supports to individuals with mental illness in the greater Saint Louis, MO region that had annual budgets of $100,000 or more. For more detailed information on the sampling frame process, please see Hovmand et al. (2008).

Current Study’s Target Organizations

The current study used a purposive subsample of organizations from the NSF-IOP’s sampling frame of 65 organizations. In order to achieve the study’s aims it was important to be able to hold the external environment of the organizations as consistent as
possible in order to focus on how strategic management processes and internal organizational environment interact to affect organizational performance. Therefore, cases most similar along the dimensions of client needs, service offerings, funding requirements, and historical norms and experiences were chosen. Studying most similar cases allow a researcher to more clearly explore causal mechanisms that contribute to a particular outcome of interest, in this case intended strategy and organizational performance, since variation is minimized from other factors thought to potentially contribute to the outcome (Gerring, 2007).

While all of the organizations in the NSF-IOP sampling frame broadly provide mental health services, there were several natural clusters of organizations, such as: those (seven) who began as orphanages at the turn of the last century and now primarily provide child welfare and mental health (CWMH) services, those (five) who have their roots in the community mental health center movement in the 1960s, and those (three) who provide a broad array of services to families and individuals mostly within a particular faith tradition.

Based on the purpose of the sampling, the seven organizations that started as orphanages and now operate residential and outpatient mental health services to the child welfare population in close cooperation with the State served as the primary target organizations for the current study and yielded enough participants to move forward. This cluster of organizations was the largest and most similar to one another. In addition, based on early key informant interviews as part of the preliminary study, it was clear that despite their similarities, the target organizations’ strategy formation and implementation processes vary tremendously, and that potential participants were very eager to discuss
and learn more about the topic. This subsample was also preferred because I have previous practice and research experience in the field of child welfare and am therefore familiar with the environmental context, services, and constraints encountered by these organizations. This familiarity increased the study’s feasibility by increasing my legitimacy with the organizations and decreasing my learning curve.

The organizations in the subsample also represent a very common organizational form found across the country. In nearly every state, if not all, the majority of children’s mental health services are provided by nonprofit organizations working in close collaboration with local government child welfare agencies. This interdependence with governmental entities is just one of the attributes these organizations share with all nonprofit mental health and human services organizations, regardless of their target population (Cho & Gillespie, 2006). Others include increased pressure for accountability, evidence-informed treatments and short-term interventions (Anheier, 2005; Hudson, 2005; Young, 2003). These similarities increase the study’s generalizability and potential impact on practice.

While data is ultimately needed about strategic management across the entire nonprofit sector, tapping into the NSF-IOP sample provided a unique opportunity to leverage an already compiled group of organizations, which increased the feasibility of the project by decreasing the time and resources required to recruit participants. To make the most of this connection, the four organizations within the NSF-IOP sample that were already actively engaged in the preliminary study were prioritized for recruitment in the current project.
Recruitment

The Executive Directors/CEOs (EDs) of the prioritized target organizations (those participating in NSF-IOP) were initially contacted via email, as this is the typical mode of communication in the preliminary study (see Appendix B, pg. 276, for the email text). The introductory email was meant to get a sense of the organization’s level of interest in participating in order to better inform the Institutional Review Board application. All of the EDs quickly indicated their willingness to learn more about the study. Therefore, when IRB approval was granted (exempt status), a second email was sent that provided a study information sheet (see Appendix C, pg. 277) and requested a phone or in-person 30 minute conversation about the study’s purpose and the organization’s strategy formation process.

I met with each of the EDs from the four prioritized organizations. They were informed that their participation was voluntary and would not impact their involvement in any other study. Additionally, they were assured that strict data protection procedures would be adhered to and that their privacy would be honored at all times. After the preliminary meeting, it was mutually decided that one organization would not be an appropriate participant due to a recent merger and restructuring that would have created confusion about the unit of observation over time and rendered the focused on matters other than being a research subject. The other three were eager to participate and my preliminary understanding of their strategy formation processes lent sufficient variation to allow for recruitment to stop. The organizations’ processes differed in such a way that they could be placed on a continuum of formalization. Therefore, organizations at the extremes and midpoint of formalization were chosen and no further recruitment was
done. The selection process yielded three cases for in-depth study. Upon further data gathering about the sector, it was found out that of the other three organizations originally identified in the subsample, two were in the process of possibly closing and the other had declined participation in previous university-related studies. This information further solidified the choice to focus on only the three appropriate prioritized organizations.

The participating organizations’ EDs signed a Letter of Agreement (see Appendix D, pg. 278) outlining their understanding of their rights as a study participant and responsibilities to not punish key informants in any way based on their answers and/or decision to participate. As an incentive, participating organizations were promised their organization’s detailed case report. They were also guaranteed a brief report on the project’s findings that provided insight into their own practices and trends in the strategic management within their sector and region.

In order to round out my impressions of the organization and find out about implementation of specific strategies, I recruited four additional key informants, in addition to the EDs, from each organization. To recruit these additional informants, I asked for the EDs’ assistance in identifying potential participants based on the information I was seeking; they were typically the organization’s Board Chairs and long-tenured high-ranking staff members. I then sent each identified person an email that included the study information sheet and requested an interview. The solicited individuals were asked to contact the researcher directly in order to ensure their privacy and they were given the opportunity to choose the location of their interview. All of the twelve board and staff member informants recruited consented to be interviewed. I offered to not reveal their choice to participate to the ED, but all of the participants
clearly had self-identified and spoken to the ED about the study. I did ensure that I would not directly attribute any quotes to them in my reports. Despite the lack of complete anonymity, the informants spoke quite candidly.

Data Collection Procedures and Results

The same types of data were collected concurrently at each of the participating organizations using multiple methods. Table 5 outlines the data collection methods and data sources that were used to explore the constructs relevant to achieving the study’s aims. The mixed method approach to data collection provided me with very rich information with which to construct vivid case descriptions and gain insight into the organizations’ strategic management processes. The triangulation of data from various sources, assuming it converges, also increases the finding’s validity.

Data collection across the participating organizations took place over a six-month period (January through June, 2010). This timeframe provided me with ample time to develop an in-depth understanding of the cases without placing an undue burden on the organizations that intensive data collection over a shorter period might. In addition, it allowed for intervals of data collection to be interspersed with periods of data analysis so that gaps in the data could be identified and rectified and emerging hypotheses could be explored with the organizations over the course of the study. The data collection period did not, necessarily, correspond to the strategy formation cycles within the organization. This was not an issue, however, given that most of the data collected was retrospective, covering 10-year time horizon.
Table 5. *Data Collection: Content, Measures and Sources*

<table>
<thead>
<tr>
<th>Construct</th>
<th>Aim(s)</th>
<th>Definition</th>
<th>Method</th>
<th>Data Source</th>
<th>Type of Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Position</td>
<td>1</td>
<td>How an organization is differentiated from its competition. How well an organization is poised to take advantage environmental conditions.</td>
<td>Key Informant Interviews (see Appendix E)</td>
<td>ED, Board &amp; Staff Members</td>
<td>Qualitative</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Selected items from IRS Form 990s (past 10 years)</td>
<td>GuideStar database</td>
<td>Quantitative</td>
</tr>
<tr>
<td>Strategy Formation Process</td>
<td>2, 3, 5</td>
<td>What an organization does to arrive at an intended strategy.</td>
<td>Key Informant Interviews (see Appendix E)</td>
<td>ED, Board &amp; Staff Members</td>
<td>Qualitative</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Document Review (past 10 years)</td>
<td>Organizational Documents</td>
<td>Qualitative/ Quantitative</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Observation</td>
<td>Observations at Organization &amp; Meetings</td>
<td>Qualitative</td>
</tr>
<tr>
<td>Internal Organizational Context</td>
<td>2, 4</td>
<td>How organizational members interact with one another as well as more static characteristics such as organizational size, physical plant, technical expertise, etc.</td>
<td>Key Informant Interviews</td>
<td>ED, Board &amp; Staff Members</td>
<td>Qualitative</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Observation</td>
<td>Observations at Organization &amp; Meetings</td>
<td>Qualitative</td>
</tr>
<tr>
<td>Intended Strategies</td>
<td>3</td>
<td>A plan of action intended to bring an organization closer to its goals.</td>
<td>Key Informant Interviews (see Appendix E)</td>
<td>ED, Board &amp; Staff Members</td>
<td>Qualitative</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Document Review (past 10 years)</td>
<td>Organizational Documents</td>
<td>Qualitative/ Quantitative</td>
</tr>
<tr>
<td>Strategy Implementation Process</td>
<td>4, 5</td>
<td>Actions made to bring an organization closer to its goals. Could differ from the original plan/intended strategy.</td>
<td>Key Informant Interviews (see Appendix E)</td>
<td>ED, Board &amp; Staff Members</td>
<td>Qualitative</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Document Review (related to chosen strategies)</td>
<td>Organizational Documents</td>
<td>Qualitative/ Quantitative</td>
</tr>
<tr>
<td>Construct</td>
<td>Aim(s)</td>
<td>Definition</td>
<td>Method</td>
<td>Data Source</td>
<td>Type of Data</td>
</tr>
<tr>
<td>----------------------</td>
<td>--------</td>
<td>-----------------------------------------------------------------------------</td>
<td>---------------------------------------------</td>
<td>-------------------------------------------</td>
<td>--------------</td>
</tr>
<tr>
<td>Organizational</td>
<td>5</td>
<td>External validation for internal operations. See Table 7 for specific financial measures. Major indicators attended to by the organization.</td>
<td>Selected items from IRS Form 990s (past 10 years)</td>
<td>GuideStar database</td>
<td>Quantitative</td>
</tr>
<tr>
<td>Performance</td>
<td></td>
<td></td>
<td>Key Informant Interviews (see Appendix E)</td>
<td>ED, Board &amp; Staff Members</td>
<td>Qualitative</td>
</tr>
</tbody>
</table>
Key Informant Interviews

The majority of the study’s findings stem from the 24 one-and-a-half hour-long key-informant interviews conducted over the course of six months at the three participating organizations (O1, O2, & O3; see Table 6, pg. 75). I interviewed each ED four separate times, and interviewed the four key informants from each of the three organizations once. The organizations’ EDs served as the main informants and liaisons for this study, as they have the unique vantage point of someone who is involved in both strategy formation and implementation, and therefore were the most valuable source of information. Furthermore, given their position of power within their organization, their support was essential for the success of the project.

Each ED interview followed a semi-structured interview guide (see Appendix E, pg. 279) that became more organization-specific over the course of the study as concurrent data analysis yielded important new areas to explore. The first ED interview served to orient me to the organization and provide an overview of the sector’s competitive landscape and the organization’s strategic positioning within it. I also inquired into which meetings would be best to observe during the study period. The second interview took place about a month later and focused on the organization’s internal context and strategy formation processes and key intended strategies from the past 10 years. The third ED interview followed two months later after the first wave of Board and staff interviews. It explored the organization’s implementation processes for the chosen intended strategies and perceptions of performance. It was at this meeting that the EDs also identified a handful of staff members familiar with the implementation who were contacted about being a key informant. The final interview gathered information
about the organization’s capacity in the areas of development and performance monitoring, asked any final questions and provided the ED with initial hypotheses and next steps. The interviews were spaced out over several months in order to not overly burden the EDs and to allow for additional interviews and analysis to take place in between to inform questions for the next wave of interviews.

Interviews with Board and staff members were used to triangulate data gathered from the ED, documents, and observations. The interview questions mirrored questions asked to the ED during the concurrent waves of interviews, but were slightly tailored to fit the circumstances of the person being interviewed. For example, staff members were not asked about their leadership style, but rather the management style of the ED, and Board members were asked to describe the workings of the Board of Directors. For the most part, there were very few discrepancies between ED accounts and other organizational members’ opinions. When they did appear in the data, resolution was sought through additional interview questions and document review intended to gain insight into the cause of the discrepancy and its potential impact on the study’s conclusions.

All but one of the interviews took place at the organizations during business hours; the other interview took place in the informant’s home office, at their request for convenience. Interviews were digitally audio-recorded and then transcribed by either the investigator or a reputable third-party company. Before being interviewed participants were reminded, via written informed consent (see Appendix F, pg. 291), that their participation was completely voluntary. They were also informed about the audio-recording and transcribing procedures and asked to sign the informed consent form.
acknowledging their understanding of the above. Many participants were familiar with these procedures since they were the same used in NSF-IOP. All key informants were given a unique study identification number that connects to their agency and position. Upon completion of the study, all recordings will be deleted and the transcriptions kept as encrypted and password-protected electronic files.

**Observations**

Over the course of the six-month data collection period, I attended seven different meetings related to strategy formation and implementation at each organization as identified and invited by the EDs. Meetings included meetings of the Board of Directors, Staff meetings, Executive Committee meetings, and strategic planning workshops. Of course, the observations were at the discretion of the EDs and other meeting participants. At these meetings, I noted the number and role of the participants and any content or process information related to the relevant study constructs (see Table 5, pg. 67). I also noted the physical surroundings and my impressions and reflections, especially with respect to the internal organizational context and emerging hypotheses. Observations of this type were a way for data provided by key informants to be triangulated and augmented. Upon completion of the study, my notes will be kept as encrypted and password-protected electronic files.

**Document Review**

Over 85 organizational documents were reviewed for the study. The types of documents varied by case and availability, but mostly included strategic plans and related documents, board meeting minutes, internal monitoring reports, annual reports, memos and emails to the staff, etc. Documents produced in the regular course of management
are an excellent source of highly specific information that can corroborate and augment data from other sources (Yin, 1984). The sampling timeframe of the documents was limited to the past 10 years, which provided enough perspective to detect trends in strategy formation and implementation processes and determine how much the realized strategies resemble the intended strategies. I worked with the EDs of the organizations and their assistants, if present, to identify and secure relevant documents. Additional data related to organizational and program-specific performance, such as number of clients served and program occupancy rates, were also requested and provided when available.

To protect the confidentiality of the participating organizations, all photocopies of documents and notes were kept in a locked file cabinet in a locked room that only the researcher has access to. Upon completion of the study, all documents will be shredded.

**IRS Form 990s**

Nonprofit organizations with revenues greater than $25,000 are required to file a Form 990 with the IRS annually. This form requires organizations to report their assets, revenues broken out by funding type, as well as their expenses broken down by direct program versus general and administrative costs. While IRS 990 returns are not audited, they have been shown to correlate highly with audited financial statements for the items of interest (Froelich, Knoepfle, & Pollak, 2000). Multiple years worth of forms are publically-available via the GuideStar database, and have already been compiled through 2007 for NSF-IOP. As much so all of the available IRS 990 data (typically 1997-2009) was collected. Due to its previous organizational structure and articles of incorporation, one organization did not file a separate Form 990 until 2004. Therefore, audited financial statements were collected for the years 1997-2003 from this case. The longitudinal
nature of the data allowed for analysis of performance trends to be charted in relationship
to the organization’s strategy formation and implementation initiatives.

Data for the variables listed in Table 7 (below in Data Analysis, pg. 80) were
collected in order to allow for the calculation of ratios and measures commonly
considered in research on nonprofit organizations, including: fund-raising cost and
general program expense ratios (Froelich et al., 2000), ratios related to the domains of
fundraising efficiency, public support and fiscal performance (Ritchie & Kolodinsky,
2003) and several measures of financial vulnerability (Tuckman & Chang, 1991). Over
the course of data collection, however, the limitations of using some of these variables to
understand operations were uncovered. For instance, the organization’s Total Revenue is
often highly skewed by wild fluctuations in the stock market, unpredictable wills and
bequests and fluctuating accounting conventions. Therefore, any ratio using Total
Revenue as a denominator became suspect and was determined to be not a good
reflection of relative performance.

Armed with a better understanding of the numbers on the Form 990, I chose a
handful of variables that seemed to more accurately reflect operational realities and that
 corresponded to figures the organizational leaders themselves paid attention to when
making strategic decisions. Some of these variables required additional financial
information, such as program-specific revenue and expenses, to be requested from the
organizations. These are also included in Table 7 (pg. 80). Since IRS Form 990 data is
publically available, necessary data protection precautions were minimal. However, in
the spreadsheet where the data was entered and analyzed, the organizations were only
identified with their study ID code.
Summary of Collected Data

Table 6 provides a summary of the data collected. The vast majority of key informants were white men who had been affiliated with their organizations for many years. Of the 15 different key informants interviewed, five were female, and only one was African-American. The three Executive Directors were white men who had been in their positions from 12-16 years, all taking the helm in the mid-1990s. On average, key informants had been at their organization for 14.13 years (Median = 10 years; Range = 2-37 years) and in their specific position for 7.3 years (Median = 5 years; Range = 0-20 years). This informant pool yielded a wealth of historical knowledge and experience from which to draw, but relatively little gender or ethnic diversity. However, in my observation, the lack of ethnic diversity was reflective of general personnel demographics, as was the male domination of high-ranking staff positions.

Most of the informants had formal training in social work, psychology or counseling, but several also had backgrounds in finance or business administration. O1 has the most business-related training, with its ED holding both an MSW and an MBA and one of the senior staff members and board chair also holding MBAs. O2’s ED has a background in Finance and one of their senior staff members has a Master’s degree in Management and Leadership. O3’s ED earned an MSW and moved up through the management ranks within the organization.
Table 6: *Final Data Collection Numbers*

<table>
<thead>
<tr>
<th>Data Type</th>
<th>O1</th>
<th>O2</th>
<th>O3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interview Data</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total # of Interviews</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>24</td>
</tr>
<tr>
<td># Executive Director Interviews</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>12</td>
</tr>
<tr>
<td># Staff Members Interviews</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td># Board Members Interviewed</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td><strong>Observational Data</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total # Formal Observations</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Staff Meeting</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Board Meeting</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Strategic Planning Workshop</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>Document Review Data</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total # of Documents Reviews</td>
<td>22</td>
<td>47+*</td>
<td>18</td>
<td>87+</td>
</tr>
<tr>
<td># Formal Strategic Plan Documents Reviewed</td>
<td>10 ('93, '99, '00, '03, '04, '05, '06, '07, '08, '09)</td>
<td>4 ('98, '03, '06, '10)</td>
<td>4 ('97, '00, '03, '07)</td>
<td>18</td>
</tr>
<tr>
<td><strong>Performance Data</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Years of Other Performance Data Available</td>
<td>2004-2009</td>
<td>2000-2009</td>
<td>2002-2009</td>
<td>Average = 8 years</td>
</tr>
</tbody>
</table>

*Mostly quarterly board reports; additional press releases from 1998-2010 were also reviewed but not counted because O2 was the only organization to provide them, they did not yield important findings and were quite numerous.*
Data Analysis

Multiple data analysis approaches were used to develop in-depth case studies of the participating organizations’ strategy formation and implementation processes situated within their unique internal organizational context. Qualitative data collected from the key informant interviews was analyzed using grounded theory methods. This information was supplemented and triangulated by data collected from document reviews, performance data, observations, and IRS 990s. Cross-case analysis assisted in developing a richer understanding of the causal mechanisms governing strategy formation and implementation. Both the within-case and cross-case analyses assisted in supporting the generation of hypotheses and future measurement domains.

Key Informant Interview Data

Once transcribed, all transcripts were audited for quality and then imported into NVivo version 8 for analysis using grounded theory methods. Grounded theory was chosen over other qualitative methods, such as traditional content analysis, because of its suitability for situations in which there are large gaps in knowledge or ambiguity with respect to concepts (Strauss & Corbin, 1998). It focuses on generating theory through a close analysis of the text, rather than confirming existing theories. This does not mean that the researcher can hope to approach the data in an entirely theory-less manner, but rather that she must remain open and vigilant to the possibility of emergent concepts and theories.

Some of the data was preliminarily coded and analyzed using many of the methods outlined by Strauss and Corbin’s (1998) *Basics of qualitative Research: Techniques and Procedures for Developing Grounded Theory*. Specifically, the process
began with open coding procedures to discover and develop concepts contained within the interviews. After analyzing data from several key informants, I began to develop a codebook by naming and describing the emerging topics and categories contained within the transcripts. However, upon doing this it became clear that the concepts emerging very closely mirrored those depicted in the initial conceptual model of the strategic management process and could reasonably be arranged by Research Aim. Therefore, to expedite the codebook development process and help organize later analysis and writing, I moved to a more structured process, described by Miles and Huberman (1994), of developing and then revising a “provisional list” of descriptive and pattern codes based on my initial synthesis of extant literature. The utility and validity of this coding structure was then tested on subsequent transcripts and modified as necessary—collapsing and expanding codes where needed to move toward more discrete and useful codes until a robust and exhaustive codebook was arrived at (See Appendix G, pg. 293, for codebook). Given the overlap in interview questions across various key informants, only one codebook was necessary. Having a common codebook across organizations and informants also helped to ensure that cases were described with respect to similar topics and categories, which assisted in the cross-case analysis.

**Document Review Data**

Organizational documents were analyzed for their content, form and change over time. These documents served as a source of corroboration to the accounts given by the key informants about the organizations’ practices. Each document was thoroughly reviewed, catalogued and analyzed based on relevant domains grounded in the literature and that emerge from the key informant interviews. For instance, documents generated
during the strategy formation process provided insight into the organization’s level of formalization (written plans, delineated and phased processes, emphasis on quantitative and/or systematic data collection, etc.) and also revealed what tactics and tools were used during the process as well as show evidence of stakeholder participation. Documents generated during the strategy formation process also often contained written confirmation of the organization’s intended strategies. Therefore, they were analyzed for their level of formalization (for instance, the presence of a robust monitoring database or reporting system), manner and frequency of communication, frequency of strategic change, etc. While many of these measures are subjective, much like the interview data analysis, every effort was made to hold the descriptions constant across cases and describe the meaning of the categories and degrees of variation.

**Observational Data**

Data from my observational notes were analyzed in much the same way as key informant data using grounded theory. However, the notes were entered into NVivo as memos where their meaning and significance were analyzed in connection to the other data sources. In this way the observational data served as both an additional source of triangulation as well as a source of contextual information to help make the cases come alive.

**IRS Form 990 Data**

Table 7 outlines the specific Form 990 variables and other financial variables that were collected and calculated as well as the final decision about whether or not they were to be used. Graphs depicting each of the relevant financial variables and ratios over the past 10 years for each organization were created in order to analyze, describe and
compare trends in their performance. All financial information is presented in 2009 constant dollars to account for the impact of inflation. Raw financial data were entered and then adjusted using the consumer price index (all urban consumers, U.S. city average; CPI-U) provided by the United States Department of Labor (ftp://ftp.bls.gov/pub/special.requests/cpi/cpiai.txt).
<table>
<thead>
<tr>
<th>Measurement Source</th>
<th>Data Source</th>
<th>Performance Domain</th>
<th>Calculation [Form 990 (before 2008) line]</th>
<th>Status</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Froelich et al., 2000)</td>
<td>Form 990</td>
<td>Fund-raising cost ratio</td>
<td>Fundraising expenses (line 15) ÷ total contributions (line 1d or 1e depending on year)</td>
<td>Not used</td>
<td>Similar to fundraising efficiency below, but total contributions can be disconnected from development since includes government grants</td>
</tr>
<tr>
<td>Form 990</td>
<td></td>
<td>Program Expense Ratio</td>
<td>Total program expenses (line 13) ÷ total revenue (line 12)</td>
<td>Not used</td>
<td>Use of total revenue obscures operations. Recovery rate a better measure.</td>
</tr>
<tr>
<td>(Ritchie &amp; Kolodinsky, 2003)</td>
<td>Form 990</td>
<td>Fundraising Efficiency</td>
<td>Direct public support (line 1a) ÷ fundraising expenses (line 44d)</td>
<td>Used</td>
<td>Direct public support if directly connected to development efforts. Good measure of efficiency.</td>
</tr>
<tr>
<td>Form 990</td>
<td></td>
<td>Fiscal Performance</td>
<td>Total revenue (line 12) ÷ total expenses (line 17)</td>
<td>Not used</td>
<td>Use of total revenue obscures operations.</td>
</tr>
<tr>
<td>Form 990</td>
<td></td>
<td></td>
<td>Total contributions (line 1d or 1e depending on year) ÷ total expenses (line 17)</td>
<td>Not used</td>
<td>Total contributions can be disconnected from development. Not an empirically robust measure.</td>
</tr>
<tr>
<td>Form 990</td>
<td></td>
<td>Public Support</td>
<td>Direct public support (line 1a) ÷ total assets (line 59b)</td>
<td>Not Used</td>
<td>Not an empirically robust measure. May only be relevant to foundations.</td>
</tr>
<tr>
<td>(Ritchie &amp; Kolodinsky, 2003) / (Tuckman &amp; Chang, 1991)</td>
<td>Form 990</td>
<td>Public Support / Financial Vulnerability—Financial Concentration: contributions</td>
<td>Total contributions (line 1d or 1e depending on year) ÷ total revenue (line 12)</td>
<td>Not Used</td>
<td>Use of total revenue obscures operations. Total contributions can be disconnected from development.</td>
</tr>
<tr>
<td>Measurement Source</td>
<td>Data Source</td>
<td>Performance Domain</td>
<td>Calculation [Form 990 (before 2008) line]</td>
<td>Status</td>
<td>Rationale</td>
</tr>
<tr>
<td>--------------------</td>
<td>-------------</td>
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</tr>
<tr>
<td></td>
<td>Form 990</td>
<td>Financial Vulnerability—Equity Balance</td>
<td>End-of-year liabilities (line 66b) – end-of-year assets (line 59b) (negative assets considered as positive liabilities)</td>
<td>Used</td>
<td>Crude measure of relative net worth, but best available. Relies on total revenue, so used cautiously.</td>
</tr>
<tr>
<td>(Tuckman &amp; Chang, 1991)</td>
<td>Form 990</td>
<td>Financial Vulnerability—Administrative Costs</td>
<td>Management &amp; General expenses (line 14) / Total expenses (line 17)</td>
<td>Used</td>
<td>Measure of efficiency that doesn’t rely on total revenue. Expenses are much more connected to operations.</td>
</tr>
<tr>
<td></td>
<td>Form 990</td>
<td>Financial Vulnerability—Financial Concentration: program revenue</td>
<td>Program revenue (line 2) ÷ total revenue (line 12)</td>
<td>Not used</td>
<td>Use of total revenue obscures operations. Other measures of client and revenue concentration by program were more useful.</td>
</tr>
<tr>
<td></td>
<td>Form 990</td>
<td>Financial Vulnerability—Financial Concentration: other</td>
<td>Other revenue (lines 3, 4, 5, 6c, 7, 9c, 10c, 11) ÷ total revenue (line 12)</td>
<td>Not used</td>
<td>Use of total revenue obscures operations.</td>
</tr>
<tr>
<td></td>
<td>Form 990</td>
<td>Financial Vulnerability—Operating Margin</td>
<td>[Total revenue (line 12) – expenditures (line 17)] ÷ total revenue (line 12)</td>
<td>Not used</td>
<td>Use of total revenue obscures operations.</td>
</tr>
<tr>
<td>(Trussel, 2002)</td>
<td>Form 990</td>
<td>Financial Vulnerability—Debt ratio</td>
<td>End-of-year liabilities (line 66b) / end-of-year assets (line 59b)</td>
<td>Used</td>
<td>Useful with days of cash on hand to measure how well an organization could weather a financial hardship.</td>
</tr>
<tr>
<td>Organizations / United Way</td>
<td>Form 990</td>
<td>Days of Cash on Hand</td>
<td>(Securities Investments (line 54) / Total Expenses (line 17)) * 365</td>
<td>Used</td>
<td>Intuitive measure to gauge how well the organization could weather a financial hardship.</td>
</tr>
<tr>
<td>Measurement Source</td>
<td>Data Source</td>
<td>Performance Domain</td>
<td>Calculation [Form 990 (before 2008) line]</td>
<td>Status</td>
<td>Rationale</td>
</tr>
<tr>
<td>--------------------</td>
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</tr>
<tr>
<td>Organizations</td>
<td>Orgs</td>
<td>Programmatic Recovery Rate</td>
<td>Program-specific Direct Expenses / Program-specific Direct Revenues</td>
<td>Used</td>
<td>Key ratio used in organizations’ strategic management. Measure of efficiency and public support.</td>
</tr>
<tr>
<td>Organizations</td>
<td>Orgs</td>
<td>Program Revenue Concentration</td>
<td>Program-specific Direct Revenues / Total Program Revenues</td>
<td>Used</td>
<td>Key ratio used in organizations’ strategic management. Measure of diversification and shield from risk.</td>
</tr>
<tr>
<td>Organizations</td>
<td>Orgs</td>
<td>Annual Reserve Fund Withdrawal</td>
<td>Estimated total amount and/or percent of annual budget</td>
<td>Used</td>
<td>Key variable used in organizations’ strategic management. Measure of efficiency and resources.</td>
</tr>
<tr>
<td>Organizations</td>
<td>Form 990</td>
<td>Revenue Growth broken out by source</td>
<td>Program Service Revenue and Government Grants (line 1c or 1d + line 2) Direct Public Support (line 1a or 1b) Investments and Other [Total Revenue (line 12) – above items]</td>
<td>Used</td>
<td>Key variable used in organizations’ strategic management. Reveals source of organizations’ total revenue growth.</td>
</tr>
</tbody>
</table>
The analysis of organizational and financial performance data was used to independently triangulate the ED’s and Board members’ impressions of organizational performance. The information was also combined with the understanding of strategy formation and implementation gained from other data sources to identify trends and correlations to help answer Aim 5 regarding how strategy implementation mediates the relationship between strategy formation and organizational performance. Specifically, two intended strategies from each organization were closely examined with respect to their implementation and the timing of the initiative in order to temporally connect it with any apparent changes in organizational performance. While this did not provide concrete evidence of a causal effect, it did shed some light on the causal mechanism underlying previous empirical findings suggesting that formal strategy formation processes result in improved organizational performance, including in nonprofit organizations (W. F. Crittenden & V. L. Crittenden, 2000; Hutzschenreuter & Kleindienst, 2006; Stone et al., 1999)

**Individual Case Study Reports Fed Into Cross-Case Analysis**

Once all of the data was coded and analyzed, I began to explore how it addressed the study’s aims, first focusing exclusively on one case at a time to create three detailed case study reports that synthesized findings within each organization (see Chapter Four). By systematically interpreting the data using the emergent concepts and causal logic expressed by the key informants and contrasting it with the conceptual model, I was able to develop preliminary theories regarding how the various constructs in the conceptual model of strategic management interact. Transcripts and other data sources were also revisited to test the validity of these preliminary theories. This iterative process ensured a
thorough analysis of the interview texts and a continual grounding of ideas in the data. The individual case study reports were then checked for accuracy by the EDs (a form of member checking). The vetted case reports then served as the foundational data for the cross-case analysis.

Cross-case analysis allowed for wider conclusions to be drawn about the patterns found in each individual case and for an examination of how strategic management performs in different organizational contexts (Stake, 2006). As Stake comments in his book, *Multiple Case Study Analysis*, “comprehension of the phenomenon of inclusion requires knowing not only how it works and does not work in general, independent of local conditions, but how it works under various local conditions” (2006, p. 40). By comparing similarities and differences between the cases, an understanding of the aggregate emerged. The member-checked organizational case reports served as the starting point for this analysis. Findings for each major area covered in the case reports were distilled to their key phrases and entered into an exploratory partially-ordered meta-matrix that was further partitioned, clustered and reduced until concise and useful comparisons could be made across cases on the domains pertinent to the study’s aims (Miles & Huberman, 1994). Additional theoretically-grounded domains and descriptions were added to help tie the findings to the literature and advance the analysis.

Throughout the analysis process memos were written to describe coding development, preliminary theories and hypotheses, as well as research procedures (Strauss & Corbin, 1998). These memos helped keep the analysis grounded in the data and serve as a record of the process, which was helpful during the final analysis and writing stage of the project.
Additional Organization—An Extreme Case

In addition to the three primary participating organizations, a fourth organization (called O5 because the fourth organization initially recruited but deemed inappropriate was coded as O4), was also examined, but was not a full participant. Because O5’s articles of incorporation are outside of the geographic sampling frame used in the study, they were not initially approached to participate. However, during the process of data collection with the study organizations, O5 emerged as an “extreme case”. Exploring an extreme case can help illuminate findings from more typical cases by challenging what seems normative and demonstrating what may be possible (Miles & Huberman, 1994).

In speaking with the fully-participating organizations it became clear that O5 is seen as the leader in Missouri’s children’s mental health services sector, and analysis of their Form 990 financial data revealed that their total revenues had grown nearly twice as fast as the participating organizations’ over the study timeframe. Given the aims of the study, it was deemed highly beneficial to gain insight into whether and how O5’s strategic management processes are connected to their above-average performance within roughly the same external environment as the participating organizations; although, because they fell outside of the original sampling frame, O5 was asked to serve as an exemplar rather than a fully-participating organization.

O5’s President was approached late in the data collection phase; he agreed to be interviewed twice and to provide two (2000 and 2007) strategic plan documents to be reviewed. Publically available Form 990 financial data were also analyzed; no board or staff interviews or observations were conducted and no additional data were collected. Because O5 was not a full study participant, a full case report will not be presented.
(although an abbreviated one was written and vetted by the ED for analytical purposes). Instead, insights gleaned from data collected on the organization will be compared to the results of the cross-case analysis to add further context to or corroboration with the findings.

Potential Limitations, Strengths and Contribution

There are several recognized limitations of this study, primarily related to the nature of case studies and the choice of organizations. First, the inherently subjective nature of case studies was limited by my use of multiple data sources and member checking as means of triangulation throughout data collection and analysis as well as employing grounded theory methods that emphasized testing hypotheses against data in an iterative fashion.

Second, the sample was confined to one subsector of nonprofit mental health services organizations within one geographic region, thus potentially limiting the generalizability of the findings. However, Yin comments that the case study “investigator's goal is to expand and generalize theories (analytic generalization) and not to enumerate frequencies (statistical generalization)” (Yin, 1984, p. 21). In so far as the current study generates new plausible theories or deepens our understanding of strategic management, it will have been successful. In addition, the limited sampling frame also provided a unique and rare opportunity to hold environmental context relatively constant, allowing for a much more in-depth understanding of the interplay between internal organizational context and strategic management and its impact on performance.
A third limitation, discovered only during the process of data collection, is the fact that poorly-performing organizations were not sampled. Given the amount of upheaval in the children’s mental health sector over the past decade (see following chapter for more detail), many organizations had gone out of business and a few that were not prioritized for recruitment because they were not participating in NSF-IOP were posting significantly poor performance that threatened their viability. The current study’s sample included those organizations that met the subsector and geographic criteria \textit{and} that were performing well enough to feel capable of engaging in multiple research studies. This may have unduly limited the study’s ability to understand the connection between strategic management and performance by reducing variation within performance. The addition of O5 tries to address this; identified by participants as the market leader, O5’s inclusion, albeit less than full, guaranteed additional variance with respect to performance that provided an intriguing alternative performance trajectory and ultimately helped to support the study’s findings.

Despite the drawbacks cited above, as designed, the current study had numerous strengths that outweighed its potential limitations and resulted in a worthwhile contribution to the empirical and practice knowledge base. Its reliance on multiple sources of data increased the findings’ validity and reliability. Also, regardless of the bias introduced by the sampling frame, the participants’ familiarity with NSF-IOP and me made recruiting the desired target organizations feasible. The study’s unique most-similar cases sampling strategy also enabled the case studies to explore causal mechanisms, pushing beyond simple descriptions of strategic management practices. Its focus on causal mechanisms, especially with respect to strategy implementation, has been
called for by many reviews of the literature (Hutzschenreuter & Kleindienst, 2006; Stone et al., 1999). And it is this focus that hopefully made this unique study capable of significantly contributing to the literature. Careful and thoughtful within and cross-case analyses yielded evidence that moves closer to answering some of the most pressing questions in strategic management today: Does strategy formation process really matter? Is the “right strategy” or how it’s implemented more important? Are there strategy implementation best practices? Do external or internal environmental factors shape strategic management and performance more?
CHAPTER FOUR: FACING THE SAME VOLATILE ENVIRONMENT, DIFFERENT PROCESSES YIELDED SIMILAR ORGANIZATIONAL STRATEGIES

This chapter provides the individual case reports for the three fully-participating organizations. However, in order to put the case reports into context it is necessary to first describe the external environmental the organizations have been responding to and helping to create during the past decade. While not a formal aim of the current study, I had to develop a nuanced understanding of the children’s mental health services sector in the Eastern part of Missouri in order to fully appreciate the strategic opportunities and constraints presented to the organizations. Some of this information was available from historical newspaper sources and other written material, but key informant interviews and organizational documents served as my primary resource and were essential to determining how discrete events related to one another and which trends were particularly important to the sector’s development.

General Organizational Characteristics and External Environment

In keeping with the study’s design, the three participating organizations are similar in client needs, service offerings, funding requirements, and historical norms and experiences (i.e., most-similar external environmental contexts). These similarities allowed for clearer analysis of how internal organizational context impacts strategic management and how strategic management impacts organizational performance. The only major structural difference between the organizations is their geographic spread of programs. One has operations in over a dozen sites around the state of Missouri, whereas another has operations only in the City and County of Saint Louis, albeit in numerous physical sites; the third organization’s primary operations are in Saint Louis, but they
have also had a small program in Kansas City for over 20 years. This difference in geography has led to unique considerations regarding not only control and communication processes, but also growth opportunities; however, their differential geographic presence is also partially a result of divergent realized growth strategies. The influence of geography will be attended to in more detail in the case reports and cross-case analysis.

Shared Foundation and Massive Transformation

The organizations have remarkably long tenures in the child welfare sector, each one beginning life as a religiously-affiliated orphanage nearly a century ago, if not farther back. For more than three-fourths of their existence the organizations were self-contained home-like institutions for truly orphaned children run by charitable religious congregations. But over time, paradigmatic shifts in society and the child welfare and mental health systems have required the orphanages of yore to close or undergo a dramatic metamorphosis into comprehensive children’s mental health services organizations providing sophisticated acute residential and after-care services to severely emotionally-disturbed children involved with the State child welfare and foster care systems. Most of this change has happened within the past 30 years and has necessitated wholesale organizational restructuring and fundamental shifts in treatment approaches. It has also required the building of new capabilities, development of numerous community-based programs and knitting together of complicated collaborative relationships. In the midst of this upheaval, the participating organizations have somehow managed to grow their mission impact, even while some of their competitors had to cut back or close.
According to one informant, “about half of the residential beds in St. Louis area [have] closed since 2005”.

**Societal and System Shifts**

The sector’s reengineering was in response to massive shifts in society and government that changed the profile of the organizations’ clients and the economics of their business. As advances in health, welfare and social policy made orphans less prevalent by the late-1950’s the organizations began seeing more children from “broken homes” with serious emotional or behavioral problems that required professional mental health services. In the mid-1970 and early 1980’s, there was a push to “deinstitutionalize” mentally-ill adults and children previously being cared for in restrictive hospital settings and serve them in their homes and communities with the hopes of reintegrating them into society. This movement, along with treatment restrictions made by new managed care companies, further increased the severity of mental health issues being displayed by children coming to the organizations’ facilities. It also placed pressure on the organizations to develop a supportive presence in the community to facilitate safe and more rapid discharges.

**Privatization and collaboration.** In the early-1990s a wave of privatization began hitting the government sector, resulting in new service opportunities and funding streams, but also novel contract terms and market dynamics for nonprofits providing social services like those provided by the organizations. In 1997, the State of Missouri bid out a contract to private nonprofits to provide “specialized case management” services to the most severely disturbed children in the child welfare system. The first of its kind, this contract required the organizations to take on the financial risk of the care of
the child, but also provided much more flexible funding to treat the child as seen fit by the care provider. To block threats of outside for-profit managed care companies entering the state to bid on the contracts, a consortium of children’s mental health organizations from across the State, including some of the study organizations, formed an LLP, which I will call “Collaborative Group 1” (CG1), to bid on the contract and act as a managed care entity that primarily purchased services from its owners. As one informant put it, “let [CG1] hold the contract, no liability here and…financially they’ll be the administrative and financial oversight, and yet the owners can make a few bucks. It was win-win”.

This novel collaborative arrangement allowed for a cordonning off of risk and responded to the State’s desire to interface with fewer organizations. It also gave the participating organizations greater lobbying power in the State capitol of Jefferson City. That lobbying power became essential as the organizations fought with the state over reimbursement rates, which, in the initial contract, were inadequate, often less than 40% the actually cost of care when overhead was also considered. To rectify this situation several CG1 members, as part of a larger advocacy group, sued the State of Missouri to recover the federally-mandated “reasonable cost of care” (294 F. 3d 1034; http://openjurist.org/294/f3d/1034). While suing your largest customer is a risky pursuit, a settlement was eventually reached, resulting in several small ($3-5/day) reimbursement increases for future contracts and ushering in a new spirit of cooperation between the State and service providers. Despite the victory, however, organizations still recover less than 60% of the actual per diem cost of care for their residential treatment services, services provided almost exclusively to children in the State’s custody. The deficit must
be made up each year by development efforts and small subsidies from other profit-generating programs.

On the heels of a tragic death of a child in foster care in 2002, the State overhauled and further privatized the child welfare system, including bidding out the case management of over half of the foster care rolls (Goodwin, 2004). In addition to CG1, other providers formed consortiums to bid on the contracts, which began in 2005. These contracts carry more stringent performance and reporting requirements, but still provide the coveted flexible funding streams and access to new segments of the child welfare pipeline. The foster care case management contract and managed care consortiums are also structured in such a way that the majority of organizations providing services have been able to break even or make a small profit each year for these particular programs.

**Client Needs and Services**

The push for community-based services, sparked by the deinstitutionalization movement, continued to intensify and impact child welfare policy. Child welfare officials had historically erred on the side of safety by routinely placing children into foster care, but by the late-1990s they were erring on the side of family preservation, made possible by newly-developed community-based services. Despite population growth, in 2009, Missouri placed 25.9% fewer children into alternative care than in 2000 (14,257 vs. 17,256) and they moved 1.2% more children out of care (Missouri Department of Social Services, 2002, 2005, 2009). Some of the key informants felt that this, indeed, did reflect better community-based services and tools that facilitate permanency, but others felt a more sinister impact of tightening budgets was to blame for reductions in census.
Increased acuity and severity. Whatever the reason, the reduction in the foster care census (decreased inflow) and the increase in effective community services (increased outflow) has resulted in what one informant labeled a “sedimentation effect” in which “the kids that are left to come to [the organizations] are those at the farthest end of the continuum in terms of acuity, in terms of extreme nature of their behavior, in terms of their needs”. Another informant used a train analogy in which they only had access to “the most incorrigible kids” who had fallen off the caboose and therefore the organizations “rapidly turning into trauma units”. In 1999, his organization served 67 “high-risk, emotionally-disturbed or violent” children; in 2005, that number had climbed to 217, and it continues to grow. While one could debate whether or not kids are actually being served better or are being left in dysfunctional homes longer to the point of crisis, the fact remains that the organizations have had to restructure their programs to cope with the new dynamics of the system and they are trying to figure out how to meet the needs of the “highest-end” clients.

Expansion of services to address clients’ needs. To address the needs of children and families at both ends of the pipeline, the organizations have both increased resources in their most intensive residential treatment programs (Level 4: secure intensive program; and Level 3: step-down stabilization program), closing less-restrictive levels of care, and opened programs that provide more community-based prevention and after-care services. These community programs include foster care case management services, after-care and family reunification and parent training programs, and, to varying degrees, services to older youths aging out of the foster care system (which happens when youths are between 18 and 21) who need assistance to become independent. Additionally, two
of the organizations being studied, also run separate special education schools that educate children residing in their treatment facilities as well as students from surrounding school districts that cannot be mainstreamed due to severe emotional or behavioral difficulties. Two organizations have separate counseling centers where they provide interpersonal therapy to not only children, but also their caregivers and members of the community. One also runs a day care and Head Start program, which they feel is essential to the community and offers a first-line of prevention against dysfunction.

Despite the expansion into community-based services, the organizations still mainly come into contact with only the most severely dysfunctional children and families and have very little control over the flow of clients through their pipeline. The informants expressed excitement about the entry into foster care case management in 2005 because it allowed them access to kids, presumably, before they were so seriously damaged that they required residential treatment. Without fail, all of the informants expressed a keen desire to create a world in which residential treatment was no longer needed and children were cared for appropriately in their homes, though all of the informants also acknowledged how unlikely this future was.

**Increased stakeholder demands and technical requirements.** All of the stakeholders, from State agencies and private funders to clients, parents and community members, “want high-quality, comprehensive, one-stop shopping and they want 24-hour access and support”. In addition to ensuring quality across a widening variety of distinct programs, there are demands from payers for more evidence-supported treatments, which can lead to a quagmire of options stemming from the lack of agreed upon best practices and paltry funds to implement. All of the organizations are investigating and
experimenting with how to establish “empirically-supported” treatments in their programs. Two major paradigmatic shifts have already radically altered how the organizations approach treatment. Both the “strengths-based philosophy” and “wrap-around model” helped move programs that used to be rigidly structured, almost militaristic, to becoming more child-centered, positive and individualized. The informants described programs that now adapt to the child, instead of the other way around, a flexibility partly facilitated by less restricted funding streams provided by the privatized contracts. These new approaches have led to better outcomes, but have also required a complete rethinking of what treatment could and should look like and the development of skills and processes to allow for this degree of tailoring.

Rapid treatment is also expected; children used to stay in residential facilities for several years; now the average length of stay is four to six months. This has been made possible by more effective treatment and the network of community supports that can allow a child to be safely returned to their community with a higher level of need than before. More and more children also require specialized medical and psychiatric services, especially ones capable of handling dually-diagnosed children with either intellectual disabilities and/or substance abuse issues in addition to more typical emotional disturbances.

**Market Dynamics**

The children’s mental health services sector in Saint Louis is a classic example of a mature to declining industry, especially with respect to their core residential treatment services (Harrigan & Porter, 1983; Grant, 2007). Though the market has consolidated in the past decade, with two or three organizations simply going out of business and a
handful of others merging or being acquired, there is still excess capacity in residential beds. One Executive Director commented, “there are 3,500 residential beds in Missouri, 1,500 are filled. We are a commodity with excess capacity…the marketplace is speaking and it’s going to be survival of the fittest, the smartest, the most well-healed financially, or the combination of all those”. As organizations diversify into community-based services they still have to figure out how to deal with the high fixed-costs and low recovery rate of residential services. Most feel it essential to continue providing these “legacy services” in order to fulfill the mission and meet the need, but still lament the “monster you’ve got to feed”. Additionally, “the monster” still accounts for a large piece of the organizations’ revenues (40-55%) and represent a very important access point to potential clients.

While their revenues have grown over the past decade, all of the organizations run annual operating deficits that have to be made up by donations and reserve fund withdrawals. This is typical of nonprofit social service organizations, but using Porter’s Five Forces of competition framework to analyze the organizations’ mature oligopolistic industry (Porter, 2008) it becomes clearer why they have struggled with profitability. While there is virtually no horizontal threat of new entrants and substitutes, there are immense vertical pressures from suppliers (personnel) and buyers (government) that squeeze the organizations’ potential to achieve a positive margin. In addition, there is intense competition between like organizations, but the power of these competitive forces is complicated and possibly diluted by the maintenance of complex network of inter-organizational collaborations.
The personnel problem. Finding and keeping high-quality personnel, especially in the direct-service ranks, is an enormous struggle for all the organizations. They have annual turnover rates of 30-60% and in some direct-care positions as high as 90% (issues of turnover as it relates to performance will be dealt with in more detail in the cross-case analysis). Organizations are often stuck between a rock and a hard spot. Personnel costs can account for almost two-thirds of their annual expense, meaning small improvements in compensation can have a large negative impact on the bottom line. Therefore, organizations struggle to maintain competitive wages while they also have to absorb large annual increases in benefits costs and worker compensation claims (one of the side effects of dealing with more aggressive and dangerous youth). The recent economic downturn has actually been good for the organizations as alternative employment has dried up in many areas, but when the economy was better the organizations were competing for employees with places like McDonalds and the riverboat casinos.

The government’s and other funders’ power. Church donations, once the organizations’ mainstay, have been dwindling for decades and all of the affiliated denominations have made formal breaks from the organizations to shield themselves from liability. Governmental agencies are now the organizations’ primary customer; over 95% of their program service revenues come through the State and local governments in one way or another. Given the structure of the privatized contracts, the organizations have routine contact with the government and most informants feel there is a reasonable amount of cooperation and reciprocal activity. Despite these feelings of good will, the sheer size of the government and the importance of their contracts give them immense bargaining power and allow them to exert enormous downward pressures on price.
The organizations offer very little differentiation among their services, mainly because they all have to comply with the same strict contract and accreditation standards. Government contracts are often so specific in terms of approved services that they seemingly leave very little room for creative interpretation (although this has been slowly changing), and many contracts are dependent upon the organization being accredited. All of the organizations being studied hold accreditation from at least one national accrediting body, such as the Council on Accreditation (COA) or the Joint Commission, which certifies that the organizations are in compliance with a variety of nationally-recognized treatment and management standards. Accreditation is a sign of quality and an essential part of maintaining an organization’s reputation, a key intangible resource, but it is also exerts coercive pressures on the sector that can result in isomorphism and less individual bargaining power.

In addition to the commoditization of their services and the fact that the organizations serve an already marginalized population with little political impact leads to even less power. As one informant put it, “Kids don’t matter! I mean, they matter, but when it comes to bucks, highways and old people are going to get the money because they vote”. Most informants lamented these vertical pressures and their lack of control over the key dynamics in their main residential treatment business. For example:

Where else can you be in business, sign contracts for serving kids for 50% of what it’s going to cost you to serve [them] and not even control the intake of those kids?...[Governmental entities] set the price, when they’re going to send kids, and when they’re going to throw them out.

Realizing the dismal economic realities of residential treatment, all of the organizations began primarily focusing on expansion of community-based services. While most of those services are also funded primarily by State and local governmental entities, they
offer much more attractive fixed cost structures since they typically do not necessitate large physical plants and the requisite maintenance staff.

Some of these newer services are also supported by private foundation and local community health boards. Once relatively easy funding to get, these entities are also flexing their power, shedding “old time philanthropy” practices in which charitable notions of trust and do-gooding drove donations and moving toward a more strategic “social-investment philosophy” that demands demonstrated outcomes and accountability from organizations. These demands and the performance-based contracts from government agencies have required organizations to become savvier about how they collect, analyze and report data, capabilities often not funded as part of the same grants that require them, thus resulting in further erosion of profits. In addition to the challenge of finding resources to support data management, the organizations are up against a lack of agreed upon outcomes and an inability to track clients past their discharge due to federal privacy regulations. It is very difficult to prove that their treatments work or are better than their competitors, again reducing their competitive differentiation and bargaining power around price. The only reward for perceived exceptional performance is the awarding of additional guaranteed client referrals, or “slots”, but these slots come at the same cost conditions that are very hard to overcome.

Competition and Collaboration. In the absence of price competition in Missouri’s children’s mental health services market, organizations compete somewhat on their ability to control their costs, but almost exclusively on reputation. To keep their reputation in tact they all strive to provide high-quality services, which they do, as attested by the fact that they are still in business and almost always at very high (85-95%)
capacity. They also strive to be a part of various advocacy groups and maintain well-
respected board members with ties to the corporate and government worlds and reflective
of the communities they serve.

The high degree of collaboration within the sector may make differentiating based
on even reputation challenging since the organizations often join forces and make joint
decision and actions. At times they are acting on behalf of their individual organizations,
and at other times they are acting on behalf of the sector as a whole. This can muddle
their efforts to “brand” their organization and leads to difficult conflicts of interest. For
instance, membership in CG1 and any consortium requires Executive Directors to wear
two hats. In order to keep CG1 financially healthy, they recently voted as CG1 board
members/owners to cut reimbursement rates and limit authorization of certain services,
but this directly negatively impacted their organizations who are subcontractors to CG1
and are the one who will have to cope with the new austerity measures. One Executive
Director said he felt that CG1 “manages much tighter than the public sector used to”, but
he felt that that “healthy tension” ultimately benefitted the system as a whole.

It is this tension between doing what’s good for the system and doing what’s good
for the individual agencies that makes competition and collaboration so complicated
within this sector. Fundamentally the organizations are driven by their mission to serve
kids and families, and when the system is part of the problem they are driven by that
mission to intervene, which often requires collaborating with their competitors. In the
case of Missouri’s children’s mental health services organizations, this collaboration has
undoubtedly resulted in better services for clients, but it also created extremely blurred
organizational allegiances and an implicit understanding amongst most of the groups’
members that certain areas won’t be encroached upon. While this ensures individual organizational survival, it may stifle competition that could drive the sector even further toward efficiency and innovation.

**Reclaiming Power and Looking Forward**

In an environment that, for some, was too overwhelming to endure, the participating organizations leveraged what power they did have to change the dynamics of their industry in order to survive. Acknowledging the limits of their power, they also expanded into more favorable arenas. Privatization and collaborative alliances created more flexible funding streams, more power to determine client treatment, and a more unified, influential lobbying block. It also opened access to more referral sources for both their “legacy” and newer community-based services and fostered reciprocity between once siloed programs. In another dynamic-shifting effort, the organizations have worked together to create entirely new funding streams, the latest of which was the 2008 passage of a 0.25% sales tax in Saint Louis County to fund children’s mental health services (http://www.keepingkidsfirst.org/). Other similar initiatives have been successful around the state and create nearly guaranteed funding for additional services. In August 2010, $35 million was awarded to nonprofit social service organizations to fund new and existing programs. All three participating organizations successfully applied for multiple grants, totaling over $5M, a fantastic accomplishment in such lean economic times.

Despite the successes of the past two decades, the market is still volatile and the organizations have limited options. Their rapid expansion into community-based services has provided a boon of new funding and client streams, but without an expansion
of mission, there are not many services to be further developed that would garner reasonable margins. All of the organizations have or are considering expansion into services for other segments of the population, such as the elderly or people with developmental disabilities, but this would require a fairly large shift from current organizational identities that may be blocked by their boards. The organizations seem to feel confined to operating within Missouri. Most have dabbled in operations in Kansas, but the differences in State and local legislation, politics and fundraising dynamics made the prospect too challenging to justify a continued presence.

While growth for growth's sake is not the ED's driving force, continued expansion and evolution is necessary to keep up with market forces and further realized economies of scale and scope. If the organizations do not want to greatly expand their mission or geographic footprint, they may need to consolidate. They could combine forces horizontally with like agencies or could acquire or develop “adjacent” services, such as more prevention services. There are mixed emotions among the organizations' leadership about the need for growth (a topic that will be revisited in the case reports). However, in order to survive another 150 years in a market where they have little influence on price, the organizations will need to either further control costs (a difficult proposition) or differentiate their services by moving into and defending a particular niche or figuring out how to demonstrate remarkably better outcomes. Whatever they choose to do, the organizations will continue having to become more “business-like” and cope with multiple stakeholder demands and challenging cost structures. Only time will tell what they will do.
To date, facing the same set of environmental stimuli, the three participating organizations have pursued remarkably similar global strategies of maintaining residential treatment beds, but often shifting them to more acute levels of care, and increasing their foothold in community-based services. This has allowed the organizations to survive the maelstrom of shifting market forces while many others have folded. Determining how they individually arrived at and implemented these strategies and how those actions impacted their performance is the aim of the current study and the topic of the following organizational case reports and cross-case analysis.

A Note About the Individual Case Reports

As explained in Chapter Three, writing the individual case study reports was a key analytical step that provided comparable data for cross-case analysis. Each case report follows the same structure, mirroring the Study’s aims. While all the Aims were addressed for each case study report, only the rich descriptions of positioning and processes from Aims 1, 2 and 4 are presented below. This decision was made partly to save space, but mainly because Aims 3 and 5 require an exploration of causal mechanisms—how one construct, consisting of many variables, affects another—a task best achieved via the cross-case analysis, making the individual case report information redundant and insufficient to draw meaningful conclusions.

Organization #1

O1’s main campus sits tucked away on a leafy hillside in suburban Saint Louis; running alongside is a railroad track that harks back to a time when orphans used to arrive
at “Children’s Homes” by train to begin a new life under the auspices of the church.

Long since a sophisticated treatment facility, O1’s administrative offices overlook the
buildings of its main residential programs and school. The organization has three other
program sites in Saint Louis City and County that house their emergency shelter,
transitional living and foster care case management programs. They also oversee
independent living clients in their own apartments scattered around the city.

**Internal Organizational Context**

All of O1’s informants described the organization as being “strengths-based” and
focused on continuous improvement and accountability. Repeatedly, informants
commented that there is “a tenacious and voracious willingness to look at what’s gone
wrong and how to improve it and not in an accusatory way”. The Executive Director
(ED) reiterated that they “really try hard not to just lapse into organizational inertia…Just
because we’ve done something for 30 years doesn’t mean that it has squatter’s rights if
there’s another way…[to] achieve the mission better. So that whole continuous
improvement piece is embedded in our culture”.

The organization has clear chains of command and levels of hierarchy, but
informants insist that it’s not overly formal or bureaucratic. Throughout all of the layers
of the organization, there are clear job descriptions within which people have the
authority and responsibility to do what is necessary to meet their objectives. With this
autonomy, comes a high degree of accountability. The ED said, “if somebody commits
to something, it better be done and needs to be done correctly and immediately and if
somebody doesn’t there’s going to be immediate feedback about what went wrong and
how to improve that and how to move the process along”. The ED later recounted a
story of how he had recently held a grievance hearing with a front-line staff member who had not followed a safety protocol. The ED had to take disciplinary action, but also hoped that he had turned the meeting into a teaching moment by talking with the employee and not making it “about gotcha”.

Feedback is highly prized at O1. Organizational members frequently seek out information about perceived performance and areas for improvement from external sources, be it from informal conversations or formal market surveys. Informants also claimed that they have “a lot of mechanisms where [they] get input, and so the input trickles up so that the senior managers can make a sound decision”. Many of these decisions are discussed in weekly “Senior Leadership” meetings between the ED, Associate ED, Chief Financial Officer and Chief Development Officer. There are also monthly “Leadership Cabinet” meetings that bring together the “next layer of leaders”. I had the opportunity to observe both types of meetings, and they had different content and atmospheres. The Leadership Cabinet meeting had a formal agenda and centered on communication and coordination, with each member reporting out to the group the status of their program or various initiatives. The Senior Leadership meeting was informal, collegial and centered on frank discussion and problem solving—the ED sought advice from the group about pursuing a potential partnership, a Director shared feedback and concerns about demands from an accrediting body and funders, another shared his preparations for an upcoming panel on which he would be sitting and hopes for some good publicity. The difference in tone and content between the two levels of meetings lends further evidence of O1’s hierarchical, yet collegial environment.
O1’s current culture is largely the doing of the ED who was brought in by the Board 15 years ago to make major changes to how the organization operated after its performance and reputation began to slip under his predecessor. He admits that “there was a lot of organizational turmoil when I first got here because I was such a culture shock to the organization and I had a lot of pushback and it took me a long time to find people who really embraced the notions or at least the operational notions that we have”.

The ED described certain employees who resisted the use of the Balanced Scorecard methodology and did not want to engage around continuous quality improvement. Getting to a place where he felt everyone around him was on-board took at least ten years. Staff members who were present for some of this change claim that the organization has “become even more data-driven and outcome-driven” and that “not only [are we doing] our job in a more systematic way, but there's a lot more cross-training going on…because we really needed to understand all of that in order to be maximally effective”.

**Executive Director: “voracious about continuous improvement”**. O1’s ED was hired because of his penchant for continuous improvement and his training as both a social worker and an MBA. A self-described “data geek”, in his previous positions he had embraced a “Management by Objectives” philosophy and continued to educate himself on newer tools, such as the Balanced Scorecard. From my interviews with him it is clear that he gets genuine pleasure from the challenges of implementing these approaches and trying to figure out how to do it better. I found him to be introspective, articulate and rather cerebral, being less apt to tell stories than to engage topics on a meta-level. His comfort speaking on a theoretical level may be partly due to his role as a
professor of nonprofit Human Resources Management at a local university. This position requires that he remain up-to-date on the latest management texts and theories. When asked what texts were most influential to how he manages, he cited Jan Calzon’s *Moments of Truth* for providing insight into the importance of each point of customer service, and Hersey and Blanchard’s Situational Leadership theory for explaining how to match leadership style to the needs of the employee and task.

O1’s ED’s highly-analytical approach to management does not seem to come at the expense of social engagement. He is very well-regarded by his subordinates and Board and he takes extreme care in modeling the type of hard-working, conscientious behavior he would like to see in others. One staff member commented that the ED is “willing to fall on the sword…[to] say, ‘We did this wrong. We messed this up. Now what can we do to fix it?’ And I’ve never seen anything swept under the rug”. He also tries to keep people’s spirits up by being O1’s “Fred Bird” (mascot of Cardinal’s Baseball team), seeing himself as “a roving ambassador of the culture, of an upbeat attitude of we can do this, we can carry out the mission, we can be successful”.

He does privately worry that he may not be entrepreneurial enough. Confiding, that “I’m so worried about, if I make one mistake, I could put a big chunk of this mission at risk because I’ve seen so many go under. So I’ve tried to be really smart about growth”. In response, he feels that he has recently hired executive-level staff members who can help push him to be more comfortable taking risks.

**Board of Directors:** “the quality and the caliber of the Board Members we have, and their passion too, is just so contagious”. O1’s Board of Directors is very large, consisting of over forty members, a third of which the bylaws stipulate must be of
O1’s historical church denomination. This large size makes some higher-level conversations difficult, but also allows the luxury of having many skill sets to pull from when needed. The Board has a strict rotation policy that ensures no Member is on the Board for more than six consecutive years and the Board Chair is a two-year term. The Board meets five times a year—four quarterly meetings and an annual retreat where Board education and planning occurs. The routine quarterly meeting that I observed was only attended by about half of the board members. It was held to a very tight hour-and-a-half schedule, though the Directors still seemed engaged and asked good, critical questions. Toward the beginning of the meeting the group paused for a “Mission Moment” when a young resident came to speak about the importance of education to foster youth and her recent trip to the State capitol to advocate for educational credit transfers. This agenda item seemed very effective in giving the Members a moment to connect with why they were there.

Since the mid-1990s, O1 has had a string of high-impact Board Chairs who, in addition to the ED, pushed notions of continuous quality improvement, the Balance Scorecard Tool, and novel Board governance models. The current and previous Board Chairs were both affiliated with the Baldrige National Quality Program that promotes standards of organizational efficiency and effectiveness, hinging on organizational learning and development. There has been a slow and steady realignment of O1 around many of these practices, which started with the implementation of a Balanced Scorecard (BSC) and culminated with the complete restructuring of the Board of Directors. The reorganization started in 2007 when the current Board Chair began to dismantle the long-standing committee structure in favor of an Executive Committee consisting of Board
Champions around each of the four BSC pillars of Service Excellence, Organizational Effectiveness, Community Partnership and Fiscal Responsibility. The Executive Committee has the authority to charter task forces, consisting of various Board Members, as needed to accomplish specific objectives, such as overseeing an audit, redesigning the investment philosophy, etc.

As one informant summed up O1 members’ view on Board committees: “Milton Berle once said that ‘a committee is where you keep minutes and lose hours’…You don’t really have a clearly defined goal or outcome but that’s what you’re supposed to be doing”. Organizational members feel that their new structure is far superior to the typical committee structure because everyone has a deliverable. With the elimination of most self-sustaining committees, the Board has gone from “an obstacle to meeting the needs and the dynamics and the changes that are happening in our business to an enabler”. One informant did share, however, that some Board Members have “felt less involved in the new process. Those who aren't part of the executive committee, who aren't pillar champions, are less [involved]”. Nevertheless, by most estimationsestimationestimation the new governance structure has led to several positive changes. It has energized and reengaged the Board, especially with holding executives “much more accountable” and being more externally focused on fundraising and advocacy. It has also and it has further aligned strategic planning and performance monitoring processes.

**Strategic Positioning**

**Uniqueness: “we’ve really defined our niche for older teens”**. O1’s informants believed that their internal culture and non-traditional Board governance structure make them unique and that their reputation within the community is starting to reflect that.
One informant said “our reputation for quality of service [sets us apart] and I think that a lot of that really has to do with that transparency…people trust that if we do something wrong, that we will try and rectify it, we’ll admit it”. In addition to high quality, organizational members feel O1 is unique because they try to be a “high-value-add provider”. One informant put it this way: “there are lots who do the same thing as we do. We just do it better. Are we the low-cost producer? Probably not. But are we the best value? Absolutely”. This seemed to be a commonly-held view within the organization; although it is not clear on what hard evidence this opinion is based.

While there are several other organizations who offer similar services, including the other study participants, O1 has begun to carve out a niche. The ED explained,

We’re just all about teens in foster care, that’s a really narrow market niche, but we’re really deep in that arena, we go all the way from a step down from a psychiatric hospital, to independent living, to alternative school, to foster care to all that, so we’ve got the ability to flex a lot more within our own system based on need.

This broad array of targeted services helps support a “buffet-style” service philosophy of individualizing services to the child’s needs. They also focus on mainstreaming youth and pushing them toward independence, creating treatment plans and programs that build needed skills and confidence. Like the other organizations, this fits into their strengths-based treatment philosophy.

**Key strategic initiatives: “it’s all about program growth”**. Early in the 1990’s the winds of change were evident to O1’s leaders, and they began looking at ways to diversify their program service offerings to not be so dependent on residential treatment. They made an asserted effort to figuratively “break out the walls [at O1] and not be confined by the bed space that [they] had so [they] could serve more youth. They
consciously changed their language, referring to residential treatment as a “legacy service” in an effort to increase stakeholders’ comfort level with the possibility that it may not always be provided, given its unfavorable cost structure.

Given the realization that their business model may not be financially sustainable but that their programs were highly interdependent and therefore not easily cut, O1’s ED and Board have also focused on improving fiscal stability. In addition to keeping their occupancy maximized, they tried to “add programs that have a positive margin and keep overhead low so that the average amount of subsidy for each program would diminish. So lean and mean”. New programs such as foster care case management and educational services have been part of this strategic thrust. They have also recently executed a capital campaign and tried to improve the effectiveness of their development department.

Today their “lean and mean” strategy continues to be a key objective, but they also have a stated growth strategy with the hoped for result of attracting better Board members, funders and generally expanding their mission reach. O1’s Board Chair said “I’d like to see [O1], within five years, double its size, double its budget”. O1’s leaders have begun to look at developing “boutique programs” for targeted populations that may have a more diverse funding base, including from private insurance.

Strategy Formation Processes

Current formal process: “highly integrated cooperative effort to understand the environment”. O1 has a highly-developed “Strategy Development and Deployment” process (See Figure 4 below) that uses the Balanced Scorecard (BSC) approach pioneered by Kaplan and Norton (1996). O1’s customized BSC has four pillars—Service
Excellence, Organizational Effectiveness, Community Partnership and Fiscal Responsibility—around which planning and implementation are centered.

*Figure 4: Strategy Development and Deployment Process at O1 From O1’s 2008-2010 Strategic Plan*

Every year O1’s senior management group, sometimes with the help of Board members and lower-level leaders, reviews strategy assumptions and performs a SWOT analysis by pillar. This analysis is based on information group members have amassed on their own throughout the year on trends in their respective fields and interactions with internal and external stakeholders. Occasionally, the group will conduct formal competitor analysis or market segmentation; they may administer stakeholder surveys.
(like the Board, employees or customers/clients) or bring in outside experts to speak to them about conditions in the environment. Given the recent economic climate, they also incorporated worst-case scenario planning into their most recent process.

Once a consensus about the internal and external conditions of the organization has been reached, the group creates an overarching strategy for each pillar. Despite the extremely structured nature of the process, the ED admits that the actual strategy development is still something of an art; citing Cohen, March and Olsen’s (1972) Garbage Can Model of Organizational Change, the ED explained,

It’s not linear. If it is linear I’m not able to articulate it…For somebody who is obviously into control, it’s kind of fascinating when you think about it because it’s really an educated throw of the dice about which arena you pick…So for me it becomes that sort of educated guess about what’s constant in the mission, what’s in the marriage or our organizational strengths, community need, contemporary best practices, emerging trends, very active listening, and, quite honestly, what I think the board will buy…[the Garbage Can Model is] again a non-linear model of how things get done, which I think describes a lot… you look for choice opportunities to persist over time. You carry messages with more people but you hope that the opportunity for convergence or the probability for convergence increases over time by virtue of that.

Upon articulating a strategy for each pillar, the senior leadership team then develops the annual scorecard. An important first step in the scorecard development process is the articulation of annual “Action Plans and Strategic Linkages” that tries to connect the pillar’s 3-year strategy to several 1-3 year objectives and outcome measures that then flow into annual action plans and timetables. This information is the building blocks of the year’s Balanced Scorecard. The senior leadership team, in conjunction with their staff and their Board Pillar Champion, take their respective objectives and further break them down into a measurable performance target with corresponding goals (score of 3) and tolerance intervals on a scale of 1 (poor performance) to 5 (stretch target).
Once the organization’s priorities are affirmed, they spend a few months creating operating and agency budgets, and then the budgets and scorecard are sent to the Board for approval. Appendix H, on page 295, provides an example of a recent O1 BSC.

In addition to the agency-wide BSC and strategic planning process, a few departments also follow a similar, cascading process to create departmental goals and scorecards. While the practice is not yet widespread, there is some talk of trying to push the process further down within the organization.

O1 engages in their Strategy Development and Deployment Process each year, but each time with a rolling three-year planning horizon. Most years the previous planning document is used as a starting point and assessed for needed changes, but every three years the group does a more comprehensive planning process “from a blank slate”. All told, informants estimated that the annual process requires a total of about one full week of their time interspersed throughout the second half of the year. The ED commented that, “then all the rest of it is monitoring. I guess in my estimation, it might sound like a lot of time, but it makes life so much easier”. O1 has not used an outside consultant to facilitate their formal process since 1993. Instead, the process has been driven by the ED and/or the Board Chair, partly to save money, but mostly because they both felt that they had a talent for leading the process and had very specific ideas about what they wanted the process to be.

Process evolution. O1 has been using some sort of scorecard since 2000, but the tool has become increasingly sophisticated and embedded in multiple organizational processes, really coming together around 2004 (compare Appendix H to Appendix I, pg. 295 to pg. 296). Before everything gelled, O1’s strategic plan was a list of objectives
with little structure about how they were connected or system around how to report on progress. The objectives were built “around a felt-sense of what the organization needed…but [the ED] didn’t have any sort of formal sense about how to get there, [it was] just a collection of solitary objectives”. While usually featuring a SWOT analysis of some kind, the strategy formation process also frequently changed and had “no real reliability and repeatability”.

The implementation of a robust Balanced Scorecard and aligned planning process took several years. In the late 1990s, O1 became increasingly focused on continuous improvement and performance monitoring, especially under the influence of the then Board Chair, who was an executive at a local hospital that had won the Baldrige National Quality Award for their efforts to implement an organization-wide BSC. The Board Chair encouraged the organization to apply for a Missouri Team Quality Award, which they did and were awarded in 1999 for their reductions in the use of restraints in their residential treatment programs. O1’s success propelled them into to experimenting with more process improvement efforts, and when the ED attended a three-day workshop on Balanced Scorecards given by the current Board Chair in 2002, he felt that he had found “a rubric that put [all their efforts] together”. Soon after that workshop, the current Board Chair joined O1’s Board and the ED and he “became a formidable force to be reckoned with”. With a critical mass of people interested in the BSC technique and a foundational culture of continuous quality improvement laid by the ED’s work over the previous 5 years, all the conditions were right to make large-scale changes in strategic management and Board governance.
In 2002, the ED began tinkering with the crude BSC and making it more rigorous and holding people more accountable to it. By 2004 he and his team had created a scorecard that resembles today’s. They then took several years to work out its kinks, like changing the “Growth” pillar to “Service Excellence” and eliminating the “Quality” pillar because they felt “like the quality piece is actually much more robust if [they tried] to infuse it everywhere. By 2007, most of the staff and the Board were very comfortable with the BSC tool and the current Board Chair decided there was enough support to reorganize the Board structure and strategic planning process around the BSC’s four pillars.

Despite the major strides taken in the past several years, the ED is always thinking critically about the process. He wonders if they are counting the right things and whether they are choosing “the best metric to measure or is it just because it’s an expedient one?”. He wishes the process by which strategies and objectives were chosen could be more systematic and less “an art”.

Content of formal plans. Since 2007 O1’s strategic plan document has had the same format, a systematization pushed by the current Board Chair. They all have a message from the ED, executive summary, historical financial information, O1’s customer integration model, organizational chart, strategic planning process graphic (shown in Figure 4, pg. 113), a list of the prior year’s major accomplishments, strategy assumptions and SWOT analysis by pillar, articulation of the pillars’ longer-term strategies, summaries of the annual action plans and linkages to strategy, financial forecasts, and previous year’s scorecard.
While very well-presented and clearly very rigorously created, I felt that the planning documents lacked a higher-level organizational strategy and articulated rationale for some of the pillar strategies. It seemed to me that some of the dots had not been connected for the reader in ways that may be helpful for gaining maximum buy-in and testing assumptions later on. When asked about this, O1’s ED commented, “It's not that I lack vision; I think I have a lot of vision but, I'm more about sort of building collective will and shared vision…it's just about how I sort of move the process. It's the same way I do advocacy. I mean, I think advocacy should be over here <motions far away> but, I try to find low-hanging fruit, so, it wouldn't surprise me that the plans look largely incremental”.

Over the years, the longer-term pillar strategies outlined in the 20+ page planning documents have not changed very much; for instance, the “Service Excellence’s” strategy has been mainly focused on program diversification, process management, and maintaining accreditation. The underlying objectives that appear on the annual BSC have shifted, however, to shore up perceived organizational weaknesses and respond to environmental challenges. Each year, each pillar has 3-5 objectives, such as:

- Service Excellence Pillar (mainly focused on programs)
  - Support a culture of continuous quality improvement from an individual to an organizational level (2005)
  - Develop and expand program review process (2009)

- Organizational Effectiveness Pillar (mainly focused on internal capacity building)
• Identify, measure, and begin interventions to promote employee engagement (2006)

• Redesign work and job structures for meeting service delivery and key process requirements (2007)

• Community Partnership Pillar (mainly focused on development and partnerships)
  • Implement the Capital Campaign (2007)
  • Create a sustainable development effort (2010)

• Financial Responsibility Pillar (mainly focused on financial management)
  • Provide predictable and stable annual budget performance (2006)
  • Synchronize the strategic planning and budgeting cycles (2007)

My other critique of the BSC is that it is still rather siloed, with each pillar being more or less tied to a department. Eventually, the tool may be more impactful if the organization articulates and conscientiously implements more complicated cross-functional strategies at the organizational level and has each department develop its own targeted balanced scorecard as well.

Views on formal process: “we’ve taken great strides at making it a much more effective tool and less of an exercise”. Every informant I spoke to at O1 unequivocally supported the Balanced Scorecard and current formal strategy formation process. This is probably because the ED has worked for over a decade to ensure that the culture is supportive to this type of approach, replacing key staff members if necessary. Many also felt that as the BSC has become more institutionalized they have seen positive results, at least in terms of internal process improvement. Multiple informants expressed
a sense of comfort and security stemming from the “balanced nature” of the process that allows them to simultaneously focus on multiple, interlocking priorities and to be reactive and nimble while also keeping an eye on what they want to be down the road. It helps the organization avoid “the whack-a-mole problem” of reactively dealing with emergent issues, a reference one informant made to the carnival game where participants rush to beat down randomly appearing moles with a plastic hammer. The use of the BSC and the Board realignment around pillars has also helped the strategy formation process feel more focused and action-oriented. One informant said, “it's not sort of this quibble, ‘How are we going to be a better agency? How are we going to improve?’ Its: pillar number one, let’s attack that. What are we looking at? What are we going to do?”.

The annual nature of the process was also seen as an asset that allows for mid-course corrections as environmental conditions warrant. This helps create “a living document…that’s beneficial for the organization and has a purpose”. The three-year planning horizon was chosen due to regional custom, but the Board Chair would prefer to have a five-year planning horizon because his experience had led him to believe that it is a best practice—all of the Baldrige quality award recipients had a five-year planning horizon.

O1’s ED is firmly convinced that the BSC and planning process actually helps the organization manage the rapidly-changing environment and gives their strategies a greater chance at success. He feels that nonprofit leaders have less room for strategic error because their margins are often so tight. When asked if the balanced scorecard helps them reduce that error, the ED responded, “Oh, yes. Absolutely!” He went on to explain,
[The BSC] doesn’t inherently make my ability to titrate out of the environment what the trends are. It’s still an amorphous process. I know that I do know if my guess [about a strategy] is right much more quickly and it also gives the guesses a better opportunity of succeeding because I’ve got a great communication tool and ways of gaining buy in.

Several informants reiterated that one of the BSC’s major strengths was its ability to communicate so much on one page. It routinely keeps the strategic plan in front of everyone and helps to communicate how they are doing on accomplishing their goals. Informants told stories about how this tool has helped the Board be better at oversight, demonstrated their culture of improvement and transparency to funders, and spurred action by the staff.

Even with all of the benefits, there was awareness on the informants’ part as to the amount of effort the process took and the possibility that they spent too much time on the BSC and planning. There is still some tension around matching the BSC approach to the organization’s size and level of complexity; partly O1 has had to develop new capabilities, but they also have scaled back some initial ideas that the Board Chair had previously implemented with much larger organizations. Without a definitive means to assess the impact of their processes, the ED wondered out loud several times “how much of it is sizzle and how much is steak?”. The possibility of having some of these questions answered was a motivating factor for the organization to participate in my study.

**Day-to-day strategy formation: “we developed a new tool”.** The need to make strategic decisions outside of the annual planning process happens “frequently”, usually due to a fiscal issue or a new opportunity that arises in the environment. O1 has recently made efforts to make even these decisions more systematic by developing a tool that ranks potential new initiatives on multiple dimensions, including mission fit, community
need, organizational capabilities, financial viability, etc. The tool is aimed at reducing subjectivity and allowing for consistent comparison of opportunities against pre-determined criteria.

O1’s “monitoring points” is another tool they have recently created as part of their efforts to develop trigger mechanisms to rapidly focus the organization’s attention on potentially concerning areas of their operations before they get out of hand. The organization chose a dozen performance indicators, such as residential occupancy levels, days of cash on hand, donations, etc., which they will monitor monthly for deviance from predetermined tolerance intervals.

When action is necessary, the Board governance structure allows for rapid strategic response. As an informant explained, “when a blind spot gets us we can act rapidly. We can have a task force together within a couple of days and charter and get it going and tackling that issue”. The result of the task force rarely changes the organization’s strategy since the top-level pillar strategies are rather broad, but the task force and the Executive committee is empowered to assess a situation and take action, even before the next Board meeting.

O1’s focus on structure and formalization does not always trickle down into every decision it makes. There are still some instances where chance and circumstance win out. For instance, O1’s decision in 2005 to create a service provider consortium, which I will call “Collaborative Group 2” (CG2), to compete with CG1 to bid on the foster care case management contract was made “over a beer” between the ED and two colleagues from other organizations. Because action needed to be taken quickly and the ED felt that the strategy was a natural fit with their mission and history, he “just sort of made it happen.
without a formal process”. In addition, action was possible in this area because the ED had been advocating with his colleagues for privatization of foster care for several years. The details of CG2 were hashed out while the three EDs were hiking in a local State Park. No business plan was created and minimal analysis was done. They relied on their established relationships and one of the partners’ assumed capabilities in foster care case management.

**Summary.** Even with the understanding that the formation of intended strategies is still rather subjective, O1 tries to make it as objective as possible by proactively building around the decision choice multiple formal tools for synthesizing, analyzing and communicating information and seeking external feedback. Over the past decade, O1 has thoroughly embedded the Balanced Scorecard into their day-to-day strategic management and governance processes. This appears to have reinforced the already-present culture of continuous monitoring and improvement ushered in by the current ED and recent Board Chairs. Informants do admit that these processes take a fair amount of effort and time and wonder if their formalization has actually been the cause of their improved performance or if has just been “smoke and mirrors”.

**Strategy Implementation Process**

**Implementation of the strategic plan:** “[the BSC] forces you to be accurate and honest – you can’t just tell stories”. Each pillar of O1’s Balanced Scorecard has both a staff and Board champion. They work together to monitor and report on the progress toward goal achievement in their domain. Progress on each performance target is scored on its customized 1-5 scale. The raw score for each performance target is also weighted and then averaged to give an overall scorecard score (See Appendix H, pg. 295,
for a sample scorecard). Anything above a 3 is considered good. The scorecard is updated at least monthly, but reviewed and discussed in many meetings throughout the week.

O1’s Balanced Scorecard was hailed by informants as a worthwhile strategy implementation tool primarily because of its ability to communicate a lot of information in a little space and because it helps hold people accountable to accomplishing their strategic goals. One staff member who has instituted a BSC in two different departments at O1 explained their strategy implementation philosophy:

One of the key components of good management is not only setting the vision, but following up and ensuring that that’s the actual path people are taking…if you don’t ever follow up or call people on it when you see something different, then what you have is a little bit of drift…and then before you know it, there’s a chasm between what you say you’re doing, what your program is designed to do and in actuality what you’re doing…I’m a big believer, too, in everybody having some idea of what the big picture is and how they fit in…Therefore, people are more able to use their own creativity in helping solve problems.

This informant felt that the BSC is the best tool for communicating the big picture and monitoring progress toward stated intended strategies because it was all aligned around a shared language and visual guide. Informants also felt the BSC helps the Board oversee strategy implementation because it gives them the ability to sift through all of the information being given to them and really hone in on the areas they think are most pertinent in order to apply pressure for change.

Recently the organization began taking steps to formally align incentives with the BSC, starting with the ED’s compensation being tied to the organization’s performance on the scorecard. While the senior leaders and their direct reports “live or die by [the BSC]”, the direct-level staff are not very aware of it, except for in small pockets where their departmental leader has engaged them in creating one. There is some talk about
creating individual scorecards for less senior staff, but that level of formalization is probably several years off. Another modification being considered is to add trending to the scorecard. One informant supportive of the change explained, “I’m more interested in the trend than what we did last month…because you can’t tell me if that’s common cause or special cause because we don’t have – use that level of sophistication or measure…I don’t want to under or overreact”. O1’s leadership seems to always have new ideas about how to improve their processes, but is aware that “organizational digestion” can only go so fast and that they have “finite resources”.

**Implementation of community-based services growth: “reciprocal – sort of streams where one program might be growing and another one might diminishing”**.

Since at least 1999, O1 has had a formally stated intended strategy of diversifying their service array. Consequently, O1’s community-based services growth has been fairly slow and steady over the past decade, and was achieved partly through acquisition, but mainly through new program creation. In 2000, O1 decided to acquire a floundering emergency shelter program whose focus on older youth helped solidify O1’s strategic position and provided access to a new population of clients. In 2002 they applied for and received Federal funding to begin a transitional living program to supplement their growing independent living program for youth aging out of foster care. They purchased and renovated a building and opened the program in 2003. Over the years, O1 also made a few other forays into community-living programs that did not get off the ground.

One strategy that was specifically stated in O1’s strategic plans was to expand their school program to additional sites. They formally evaluated several potential locations, and in 2004 opened a program to educate emotionally disturbed teens in the
City of Saint Louis. The school had great margins in the first 14 months, but then the City stopped reimbursing a flat rate per student and only paid for each day the youth attended. Because of the mental health and behavior problems of many of the youths being served, this severely cut O1’s revenue, and within two years they had to close the program. An informant said it was a very difficult decision for the Board, but that “a new day has come that we got to be smart about what we deliver and what we can afford to deliver”. In hindsight, several informants felt that the organization should have been even quicker in their decision to close the school, and this feeling partly drove the creation of the “Monitoring Points”.

In the same year that O1 closed their City School, they had another large opportunity fall in their lap. In 2006, organizational leaders attended a meeting held by a consortium of nine foundations that wanted to fund a program to support youth aging out of the foster care system until age 25. At the meeting were many local organizational and government representatives. O1 submitted a letter to express their interest in providing the services, hoping to be asked for a formal proposal along with other competitor organizations. However, without any further process, the consortium awarded O1 the funding before they had even developed a program or submitted a formal application. According to an informant, the consortium told O1 that they were looking for “an agency that we could trust, with integrity, and you know, commitment to excellence and we think you’re that agency and so why should we waste time taking proposals from places when we know you’re the one we want”. The group also requested that O1 apply for Robert Wood Johnson funding, which they did and received and were able to launch a program in 2007 to serve 200 clients. The following year, in 2008, O1 was awarded a Chaffee
Program grant that allowed them to serve a larger number of older youth, bringing their total up to about 600.

While the entry into Aging Out was more rapid and easier than they had expected, all of the informants credited getting the grant to their work on improving O1’s reputation and institutionalizing continuous quality improvement, which had been a key strategic initiative for several years prior. For instance, in 2003 the ED brought in a new Director to help improve the performance of their community-based services where “there was serious drift from the original mission and from policies and procedures and so things needed to be brought back in line”. The Director set out to align the actions and culture of the programs with key success factors in everything from painting the shelters and keeping them clean and inviting, to having the staff help develop a programmatic Balanced Scorecard that was then hung on the wall and used as a means to facilitate communication around performance. They also sought feedback from youth clients and involved them in designing new programs.

O1 would like to continue to grow and diversify their program array, but, increasingly, they feel that “rather than wait for something to drift down the river and pluck it. [They] want to be more intentional about how [they] do it”. As part of their push toward formalization, and partly spurred by recent market consolidation, the Board has chartered a Mergers, Acquisitions and Partnership (MAP) task force to look at ways to expand program service offerings and leverage potential efficiencies within the market. During most of 2010 the group met regularly to consider a rationale for restructuring, rank-order criteria of assessing MAP candidates and identify potential candidates for MAP.
Implementation of Foster Care Case Management: “we didn’t have centralized authority and control”.

O1 has kept their expansion tightly focused around their niche of older youth in foster care. However, in 2005 they decided to enter the foster care case management market in order to gain access to the pipeline of clients and build skills and connections in the field. Additionally, there was some concern on O1’s part that they needed to somehow “get in the game” as CG1 and its member organizations were becoming a more and more powerful government contractor and lobbying group. As described above, O1’s decision to form CG2 with three other organizations and bid on the foster care case management (FCCM) contract was very informal and fairly contrary to their modus operandi. The planning phase of the program was similar. O1 did not put together a formal business plan and the organizations didn’t create a centralized authority like the other service provider consortiums had done. Instead, each organization jumped into providing services, hoping to learn from one of the partner’s previous experience. When a case was assigned to the consortium, it was immediately assigned to one of the partners and no oversight body followed up. As a result,

[Children’s Division] didn’t have a point person really. They felt like they were working with three agencies all the time…and because there wasn’t really a leader of all of CG2, everybody was working independently. There were lots of personnel issues. There was lots of quality issues, lots of ethical issues and so when they rebid the contract three years later, their contract was reduced significantly.

O1’s ED admits, “we made lots of wrong assumptions…I didn’t do due diligence like I could…it really was, ‘Oh, we can do this because we’re really smart people, we all care about kids’…I mean, we weren’t totally absent of thought, but when I think about what we could have and should have done…”.
Even though O1 only had responsibility for half of one case team and about 60 cases out of the total 354 awarded to CG2, O1’s reputation suffered from CG2’s poor performance. In 2008, after the embarrassment of the contract reduction, O1’s ED insisted that the partnership be reorganized or else they would pull out of the consortium. It was decided that a common administration was necessary to organize and monitor the activities of the three remaining partners, and O1’s ED took charge of interviewing candidates to fill the new COO position. A COO was brought on in late 2008, and has since streamlined and coordinated CG2’s activities, dealt with personnel issues and begun reconnecting with government officials. Informants report that the consortium’s reputation has been restored and their outcomes are beginning to improve. The CG2 does not have a BSC, “yet”, but they have developed their own “monitoring points” cued in to key contract deliverables and financial performance indicators.

**Summary.** Over the past decade O1’s approach to strategy implementation, like its formation, has become more and more formalized. They have become increasingly structured and intentional with how they carry out and monitor the realization of their intended strategies and even how they process emergent information from the environment. O1’s experience with implementing FCCM provides some evidence that thoughtful planning, structuring and monitoring of activities may be necessary for success, at least in an organization used to these kinds of processes. However, their experience with the City School demonstrates that even the best implemented strategies may quickly fall victim to unforeseeable environmental changes.

**Conclusion**
The vast majority of O1’s strategy formation and implementation happens within the rubric of various highly formalized processes and tools, typically aligned with their Balanced Scorecard. Their novel annual planning process, combined with a larger effort every three years, has created a consistency in message and efforts, while allowing for incremental response to changing environmental conditions. There seems to have been a bidirectional and tightening relationship between the institutionalization of this strategic management approach and the organization’s internal culture that stresses continuous quality improvement. They have figured out how to harness the energy put into the requisite act of “strategic planning” to constantly refine processes and build capacity. The building of capabilities around breaking down large-scale initiatives into smaller, measurable tasks that can be actively managed by the administration may translate into a more accountable and proactive implementation processes across multiple areas of the organization has the potential to improve quality and performance—a potential explored in the cross-case analysis.

Organization #2

In a non-descript low-rise office complex in Saint Louis, sits the executive offices of O2, where most of my interviews and observations took place. O2 is the most geographically dispersed organization I studied. Their original orphanage was located on a large rural campus in Southeastern Missouri; when the organization began to expand in the 1990s, its executive offices were moved to Saint Louis to be closer to major funders and suppliers. They now have operations in over 19 different sites around the State, including several residential treatment facilities, a community counseling center, offices
for their case management and mentoring programs, and a new for-profit residential facility that treats more financially affluent teens.

**Internal Organizational Context**

When asked about O2’s internal culture, informant after informant said that it was “family like”, “friendly and informal” and “supportive of the employee”, with the ED adding that he tries very hard to run things by consensus. Based on my observations, this is how things are at the Saint Louis executive offices, but O2’s multiple locations require the management of different regional cultures, with Saint Louis being seen by one informant as more “professional and progressive” and rural areas being seen as more “conservative”. At least at the managerial and executive-level staff across the organization, the ED tries to foster an entrepreneurial atmosphere without rigid job descriptions in which open debate, creativity and problem solving are prized. In this type of environment, the ED said he focuses on hiring “smart and competent people” that he feels he can trust so he can get out of the way and let them focus on “doing the needful”, or what needs to get done. Creating a culture where people have the tools and authority to act as they see fit within bounds is a key way O2’s leaders manage the complexity of running operations at 19 different sites.

The large footprint of the organization is an asset, but also a challenge. The growth was organic over several years, but now the ED feels like they have “created a monster”, and recently they have had to restructure the organization in order to maintain the necessary lines of communication and control. For instance, they created three “Regional Vice President” positions to help create accountability and local responsibility
for hitting performance targets and growing programs. This has helped lessen the strain of historically intense departmental and regional siloing, though coordination is still a struggle. One informant said that ten years ago “each residential site operated pretty much in a vacuum by themselves, they didn’t talk to each other, they could have shared kids as far as treatment needs and wouldn’t have even thought of that”. This informant felt that in the last three years “there’s definitely been an improvement” and things are “a whole lot more fluid” between programs.

One of the ways the ED tries to foster communication and teamwork is in weekly “Directors’ Group” meetings, one of which I formally observed. These meetings typically last 2-3 hours and include the heads of all of the major departments, such as programs, human resources, quality assurance, development, etc. (the meeting I observed had nine people in attendance); the Regional Vice Presidents also call in from their various locations at the beginning of the meeting to give an update about their activities and the status of crucial organizational performance statistics, like residential treatment occupancy rates and revenue targets by site. At the meeting I observed, people appeared to speak freely, and openly grappled with important issues such as the expansion of a program and the decision to seek out accreditation from a new, second accrediting body. The ED was genuinely interested in the Directors’ opinions, but for the most part did not have a big presence in the meeting; rather, he facilitated conversation and called for a vote when needed.

**Executive Director:** “a warm and understanding person”. People described the ED as “fun”, “excellent at seeking feedback” and as having “an open-door policy”. He is quick to give praise; for example, when I reviewed his quarterly letters to the
Board, I noticed they were peppered with acknowledgements and thanks to individual staff members. He is also seen as “a delegator”, but one who struggles to balance being overly involved to maintain control and not wanting to interfere with site operations. He can be blunt, and has tried over the years to be better about admitting when he is wrong or out of line. His, at times, passionate responses may be a by-product of his exuberance and true passion for the mission of the organization. In my interactions with him, I was very impressed by his ability to sophisticatedly explain the complex children’s mental health system and convincingly argue for its reform, while at the same time sharing specific details about what’s going on with the kids in O2’s care. He frequently recounted stories about clients to illustrate a point and had up-to-the-minute information about behavior problems and other incidents. Despite the intimate knowledge of operations, the ED sees himself as a “visionary”, saying “I tend to be more global than specific and I don’t consider myself a detail person although I like to work with numbers just because my background”. Before joining O2’s Board in 1973, the ED had a career in finance. After many years of Board involvement he took the helm in 1995.

**Board of Directors: “the quality of our board has gone up significantly”**. O2 has 15 Board members from around the State. They meet quarterly for a Friday afternoon and Saturday morning, and mainly concern themselves with policy setting and fiscal governance, primarily leaving program development and management to the staff. They have a typical committee structure, with finance, programs, human resources, etc., and spend a large part of their time together in committee meetings, then reporting back out to the full Board. The organization prepares an impressively large binder of information for each Board member to review before the meeting; the binder includes
financial information, quality assurance reports with statistics about clients and personnel and pertinent current and legislative events.

There is pride amongst the staff about how much information is given to the Board and how they strive for transparency, but there is also some frustration and acceptance that Board members still come to meetings not having reviewed the materials and sometimes fail to engage in meaningful and proactive debate. The organization has been trying to improve Board diversity and engagement for several years, with some success. They recently added a “Board Development” committee responsible for recruiting new members (previously a task left almost exclusively to the ED) and enhancing their effectiveness as a body. These initiatives have been somewhat successful, with one informant commenting, “there’s black women and several other black men, more progressive, younger Board members have come on with a balance of skills. It’s changed a lot”. The executive staff is also very present at the Board meetings, with each committee having a staff liaison as an “expert witness” for any issue discussed.

In addition to the Board of Directors, O2 also has several regional auxiliary boards that help raise awareness and funds and occasionally help with special events. These boards have had a varying degree of impact and engagement, but their presence reflects and effort being made to engage local communities and allow them to have a say in the organization.

**Strategic Positioning**

**Uniqueness:** “Tell me the service that you need”. At first blush, none of the O2 informants could tell me what made their organization unique or what made them more worthy of funding than their competitors. There were typically long pauses, followed up
by “I don’t know that we are unique” or “[I’m] not so certain that we really have a niche yet”. However, with further prodding, some commented that the fact that they are “state-wide” makes them unique or that a particular program was a potential “distinguishing factor”. Programs informants cited as unique included O2’s new private-pay treatment facility and their “small community treatment homes” that have been developed over the past four years to treat high-need children, often with lower IQs, that have not succeeded in more traditional residential treatment settings. These Individualized Alternative Program (IAP) homes are run out of a rented house in the child’s community and use elements of Dialectical Behavior Therapy (DBT) with a nearly one-on-one child-to-staff ratio to achieve results. As with the other organizations, most informants also said that they “take the kids no one else will take”; although, O2’s informants backed the claim up by highlighting their willingness to develop programs such as the IAPs.

Despite the informants’ inability to readily articulate O2’s strategic positioning with respect to service offerings, over the course of my six months interacting with the organization, it became obvious that they have a very clear strategy for who they are to the marketplace. They have positioned themselves as the high-quality, yet affordable, “can-do” organization. Informants shared many stories about how the organization had jumped at an opportunity to develop a needed program that others organizations seemed uninterested in and how they were constantly thinking of new ways to solve problems brought to them by the State or CG1. Eventually, after talking about other topics, informants would often think back and comment, “If I said we were unique about something, we’re always the ones who step up first and say, ‘What do you need?’”, or they would say O2 is unique because of its “willingness to create programs in very out of
the box thinking and to do it quickly”. In a mature market with very little bargaining power, they have set out to make themselves indispensible for their rapid and nimble reaction to fill gaps in services. They are willing to stretch the boundaries of their organization and take risks to capture new pieces of the market, like they did with the novel IAPs or when they agreed to provide contracted transportation services to CG1.

**Key strategic initiatives: “at least break-even financially”**. O2’s strategic positioning makes it essential to be acutely cued in to its environment. In fact, I found the boundaries around the organization and its environment to be rather loose. During interviews, the line was sometimes blurred between actions the organization had taken and actions CG1 or other collaborative bodies had taken. While a challenging narrative to keep track of, it speaks to how integral this environmental osmosis is for rapid response to market cues, and how continued involvement in collaborative efforts has been one of the key strategic initiatives the organization has executed. Through CG1 the organization has achieved more flexible funding for its services, a larger advocacy voice, and technical training in capabilities that can be leveraged by multiple programs. It also has been able to develop a larger pool of money from which O2 can compete for contracts.

Growing the pie for everyone with the hopes of getting a larger slice has also been another key strategic initiative for O2. Over the past decade they have collaborated with other organizations and invested heavily in getting local sales tax for children’s mental health services passed around the state. Most recently, a 0.25% sales tax was passed in Saint Louis County, opening up over $35 million in new funds that was distributed for the first time in August 2010.
However, acknowledging the fickleness of funding, O2’s leaders have placed most of its strategic focus on getting their fiscal ship in shape. When I asked the ED what the biggest strategy was that O2 had implemented in the past decade he immediately responded with, “survival…financial survival”. He went on to explain, “for about ten years [our goal] has been that we don’t develop a program that we can’t at least break-even on”. This has been a two-fold endeavor—better managing expenses and seeking out more profitable books of business. O2 completely overhauled their internal accounting systems to allow them to look at income and expenses by region and program, which gave local managers better tools to control expenses and executive leadership more accurate information to judge performance. Now the ED boasts that O2 “squeeze[s] dollars better than anybody” and he is trying to get his regional leaders to develop revenue-generating programs. They have also divested over a third of their residential beds in the past 15 years, revamping the remaining slots to be more efficient and effective. “Instead of beating a dead horse”, they have developed niche programs to meet the needs of more “high-end” clients who need small, very tailored treatment programs.

The drive for financial sustainability, coupled with their responsive market positioning, has led O2 to develop several creative programs that other organizations do not offer, such as the IAP houses, a therapeutic mentoring program, a transportation service, and a social venture private-pay residential program. They have even considered moving outside of their traditional child-focused services into other social service arenas that would leverage their case management capabilities. Most of the programs O2 has recently developed have relatively low start-up and capital costs and can be expanded or contracted to keep pace with demand.
Strategy Formation Processes

Current formal process. O2 engages in a formal strategic planning process roughly every three to four years; their most recent process was conducted in 2009 and was facilitated by a consultant with whom they had worked in the past. During this planning cycle the Directors’ Group met three times, each for a full day, with about a month in between. The first day was centered on talent and teamwork development and took the group through a self-assessment and group discussion process to help them recognize each other’s strengths and areas for growth. The second day the consultant introduced three vivid scenarios about what the organization could be like in 10 years, depending on environmental conditions and their actions. This process was supposed to get the groups’ creative juices flowing and was used instead of a traditional SWOT analysis. After a discussion about the scenarios and which one was most favorable, the group moved into developing a dozen or so “signposts”, or indicators in the environment that the organization will annually track to gain insight into where the market is going. The group brainstormed various indicators and chose the most important by consensus, then determined how best to gather the data. Signposts included measures of government support, public opinion and client need. At the third and final meeting, the group broke into smaller groups by department and drilled down multiple goals for the coming three-year planning horizon. While the Directors’ Group drove the plan creation, they did bring it to their direct reports for a period of comment, though nothing was substantially changed.
The Board of Directors was only minimally involved in developing the formal plan. I observed part of this process in January 2010, in which the same consultant who worked with the Directors’ Group to develop the larger plan assisted the Board in generating their own goals for “board development”. The process lasted three hours, during which time a brief environmental analysis and the three scenarios were presented and discussed. The board chose which scenario they most wanted to make a reality and then what they, as a board, needed to do to help the staff facilitate that. Some of the discussion was informed by the results of a board assessment survey administered prior to the planning workshop. In general, it was a very fast-paced, somewhat disjointed process, but the board seemed to respect the opinion and prompting of the facilitator and the ED said he received good feedback from several Board members. The following day, the finalized Board goals were added to the larger staff-generated plan and the Board reviewed and approved it. Once a strategic plan is produced, more regional, budget-oriented annual plans are created to help guide those programs’ operations.

Process evolution. O2 has been doing some sort of formal strategic planning since the early 1980’s. Over the years the planning horizon has shortened (from twenty years in 1998 to 3 years in 2009) and the process has gotten more staff-driven and shorter in duration (from nine to three months). The Board used to be more intimately involved in the creation of the strategic plan, but as the nature of O2’s business became more sophisticated a consultant suggested letting “the professionals” handle the planning and let the Board have more of an oversight function. Consequently, they now focus on generating their own goals and reviewing a finished document provided by the staff.
From speaking to the informants and reviewing previous planning documents, it appears that prior to this current planning cycle, O2’s strategic planning utilized a fairly basic SWOT-based analytical process engaged in by the Directors’ Group who then developed goals by department. In addition, the group used to do a full environmental scan and review their “Big Hairy Audacious Goal” a la Jim Collins (2005) and/or their critical success factors. They have always used a consultant and have had two different ones in the past decade. The ED feels this is essential because “people are much more open and much more creative when they have a third party” and he would worry that the organization would “get too inbred” if they did it on their own. It was their consultant who suggested trying out a new process utilizing scenarios for this cycle.

**Content of formal plans.** The final result of the recent process was a two-page document that listed strategic goals by each of the five departments plus the Board. In previous years the planning document was a longer presentation with more narrative and background on the planning process and the organization, listing of external conditions, critical success factors, etc.; but, according to the ED, since the recent process was more “comprehensive” in the development of the signposts, a shorter plan document was produced. The format for the final planning document has changed at each cycle. In general, it appears that the choice of consultant drove a lot about the process and its tangible outputs.

Despite difference in format and comprehensiveness, all of the planning documents I reviewed from 1998-2010, ended with the listing of goals and objectives or strategies by department. In earlier documents there was also an agency vision stated for the planning horizon. In 2003 the vision was that,
[O2] will continue to be a leader in the field of children’s services, recognized for its innovation and cutting edge programs. Partnership, individuality, creativity, persistence, accountability and excellence will be the trademark of our broad array of quality services to children and families in need.

This type of organization-wide statement does not appear in the 2006 or 2010 document.

Over the past three planning cycles (2003-2010) the departmental goals have also become increasingly operational in nature. In 2003 the program department’s goals were to “redefine residential services, place and position the agency for privatization, increase non-residential services to include all sites, and increase readiness for unanticipated opportunity and change.” Each of these goals was followed by a brief rationale for the goal and then several broad strategies for achieving those goals that reached across individual programs. In contrast, the program department’s 2010 goals included more discrete tasks such as, “to develop out-patient services in the Farmington area by January of 2011” or “to explore developing specialized programs for high need, targeted populations by 2012.” While the most recent plans’ goals have gained specific, measurable targets, they seemed to have lost a larger strategic narrative that may have been useful to provide guidance in daily decision making.

**Views on formal process: “I do it because COA and CARF say I have to”.**

Despite having a routine strategic planning cycle, this type of formal process holds only minimal importance to O2 and they seem ambivalent about its utility. The ED “see[s] it as a nuisance…because things change too fast for me to rely on anything that comes out of that…long range planning is the next payroll. Short range is what we’re doing tomorrow”. Despite these feelings, O2 still goes through the motions of formal strategic planning because accreditation bodies require it of them.
In general, most of the informants felt that the mission of the organization was very stable and did not require revisiting and that there was relatively little question as to where the organization should be heading. They “just need to figure out how [they are] going to move ahead” and felt that strategic planning does little to assist them in the endeavor of making “significant progress towards a committed goal”. The ED conceded that formal planning could be more useful in other industries where leaders control more of their destiny, but that in his business “if you can do anything better than reactionary, you are doing real well”. However, in fitting with the organization’s external orientation, the ED does see strategic planning an opportunity to determine “which way is the compass going, check the signals…the broad view of the things”, which could help them stay in front of the curve and be more proactive. Over the years the planning process seems to have shifted more to serve this purpose. It has also, in some informants’ eyes, been “uplifting to the people participating [and] identified strengths across the whole agency”.

As for the recent strategic planning process, most of the participants were initially skeptical about how the various activities would result in a cohesive plan. In the end, some were pleased with the process’ result and efficiency, saying “it came together and…it came together real quick. We didn’t have a lot of people sitting around daydreaming or pontificating on what they thought”. Another felt that they “actually achieved more strategy this time than in previous times” and one informant felt particularly positive about the Signposts and the organization focusing “increasingly on being better quantified, identifying this outcome, how you’re going to measure it, at what
intervals and what is your threshold, what’s the criterion that you will know if you have arrived”.

Others were frustrated, however. One informant said “there should be some environmental scanning and projections and things that I don’t see…not just reactions to what is immediately available…let the idea drive what you’re about, not the resource drive what you’re about”. Some felt the resulting planning document was “severely lacking” and said that some of the departmental plans were created “in a vacuum” with some “objectives hav[ing] not been well developed, and there [being] certain things [they] know [they’re] not going to meet”. To solve this, several informants would have liked “more time spent like actually developing the plan and…more time on interface, how my [departmental] plan works into your[s]…and putting it all together”.

**Day-to-day strategy formation: “reactive to the availability of the issues as they arise”**. While formal planning may be seen as a perfunctory duty at O2, informants were quick to point out that that does not mean they don’t “do planning”. The ED pointed out that,

[We] do it on a much more frequent basis. And when we first became accredited, this business of “oh, you got to have a five-year plan”—we couldn’t see down the road six months, let alone five years! And I think [our more frequent planning is] proven – history has proven that out… four years ago, we wouldn’t have been in the foster care case management business. It was the furthest thing from our mind and here we are. And how much we have turned around the business and taken that opportunity and turned it into actual survivability.

O2’s strategies have been put together incrementally. As one informant put it, “I don’t see that kind of conceptual long range planning occurring...it’s taking advantage of opportunities that are perceived by each vice president and the president as it emerges”. The term “backed into” was used several times to describe how the organization became
involved in a particular program, often at the behest of CG1. Because they have positioned themselves as the “can-do” organization, O2 is often the first stop for CG1 when they have a problem, and this pattern has been reinforced by O2 demonstrating their willingness to take risks and quickly develop a program, as long as “the money is there”.

Organizational members take pride in this quick responsiveness. Of course, those actions do, at least minimally, come under scrutiny as to how they align with the strategic plan. An informant assured me that there is an initial mental screen of whether or not “it makes sense and fits underneath our plan”, but there is more emphasis on rapid incremental decision making rather than formal processes. One informant boasted, “we don’t come up with the great idea and go ‘Oh, let’s analyze it for six months and make sure there’s no holes in it,’ we just kind of jump in with both feet…we don’t hesitate when we hear good ideas. We say ‘wow, we should do that’ and then do it”. This approach has been fairly successful for O2, but is not without its drawbacks. The ED admitted, “it is also a real risk because you have to be willing to accept failure or less than actual success when you do that. And you have to be willing to swallow your pride and say ‘hey, you know I was wrong’”. O2’s culture of frank discussion and creativity supports this process.

In addition to the ED making “rapid decisions based on the information you have”, a lot of decisions, including about resource allocation and programmatic expansion, get made via conversation and consensus in the weekly Directors’ Group meeting. As I observed, and informants confirmed, “several of the staff will bring things like that to the Monday [Directors’ Group] meeting or any other time and just say, ‘I’ve
been thinking about this and this looks like a viable thing that we might do.’ So then we run it up the flagpole…[and figure out] ‘what are the numbers?’”. There are similarly routine higher-level staff meetings at each of the sites for staff to have input into decision making. One informant seemed to feel that because of this informal strategy formation process, the strategic plan was always changing—“it’s always the evolution of the goals and issues and budgets”—and that there wasn’t a clear boundary between the formal and operational plans.

Decisions about mission expansion or policy changes have to be taken up by the Board and seem to be given more lengthy consideration. For example, the decision to develop the private-pay residential treatment center was “extensively” discussed by the Board for nearly a year before moving forward. This discussion usually happens outside of the formal strategic planning process simply due to timing.

**Summary.** In the context of a highly responsive and entrepreneurial organization, formal strategy formation has increasingly taken a back seat to more real-time informal processes. O2 has most recently chosen to focus their formal planning processes on gauging the external environment—developing signposts that “should provide trend data that will point in the direction the ‘winds’ in Missouri and the US are blowing” (footnote from “Signposts” document provided by the organization) and discussing possible future scenarios based on those winds. Providing structure to a systematic analysis of environmental information is a large potential benefit of strategic planning, but some at O2 would also like to see planning used to better develop and coordinate longer-term, boundary-crossing strategic initiatives as well. In this respect there is a tension between
how the ED views planning and the potential benefits some of the staff and Board members feel the process could have.

**Strategy Implementation Process**

**Implementation of the strategic plan: “by accident”**. Given O2’s members’ views on the formal strategic planning process, it’s not surprising that monitoring the implementation of the formal plan is not given a large amount attention. Several informants had comments like, “I’m not sure we do a great job on [monitoring plan implementation], actually; that might be in the area of growth”. The ED said that he asks the staff liaisons to the Board committees to report their progress on plan implementation at every meeting, with the thought that this keeps the Board informed and “[the staff] focused throughout the year on...what they said their goals were”. Staff members, however, felt that this quarterly review was focused mostly on quality assurance initiatives, and less on larger strategic initiatives. “Some of those things that are bigger, broader probably are not really looked at except maybe on a yearly basis.

In addition to an annual official “look-see”, staff did admit that strategic goals are reviewed informally throughout the course of day-to-day management, but often “by accident” or in individual supervision around their specific departmental goals. There was some fear that things could slip off the radar screen without notice “if there’s not a consistent reviewing going on of [the plan]”. Despite few formal implementation processes, in general, the informants felt like they’d “done a pretty good job of being successful at making [their strategic] goals” and they felt confident that things that were “set in motion actually fit [the strategic plan]”. 
Implementation of community-based services growth: “we’ll see how we do”.

O2’s geographic and programmatic growth in the past decade has been organic, rather than by way of acquisition or merger. This is most likely because of their strategic positioning as quick attendants to unmet market needs and the fact that they are required by the State to try to serve their clients within a 50 mile radius of their home. They have also benefitted from a few large donations of either physical assets or funds tied to developing a site in a particular location, pushing them into new regions.

Because they have developed their programs from scratch, they often take a piloting approach before committing a lot of resources. The ED explained that “the Board has kind of given us permission to explore any avenue as long as we can break-even. We think we can, at least for a trial basis, and then we’ll see how we do for three to six months and then we’ll report back to them and say, here’s how this is going, we think we want to do it”. This approach to implementation, which was used to develop their mentoring program, transportation services and IAP houses, allows them to quickly start a program to meet their customers’ demands and then develop an expansion strategy after they have more information.

Implementation of Foster Care Case Management: “CG1 is our big brother”. As per usual with government contracts, O2 was not given very much time, maybe only 90 days, to get a foster care case management (FCCM) program up and running. In the summer of 2005, they had to locate office space in both Saint Louis and Springfield, procure supplies, develop internal procedures and hire and train completely new teams of staff. Because O2 had been one of the few organizations to bid to be a subcontractor on CG1’s specialized case management contract in 1998, they had
developed some capabilities and software systems that put them ahead of their competition. Even with this advantage, there was still a lot of technical information and procedures to master. In order to ramp up their staff quickly, O2 relied on CG1’s comprehensive month-long training that they offer to all their subcontractors. According to the ED, their reliance on CG1 for help with starting up the program “was not without problems but it was a lot easier than just having to go out and do it ourselves”.

Essentially, CG1 provided O2 with an efficient technology transfer process and a blueprint for the program that they simply had to find people to execute.

Hiring staff with the right skills was initially a challenge. At first O2 thought that hiring former Children’s Divisions employees would be a way to ensure the new staff had knowledge of the system and the necessary skills. However, they found that the new privatized contract was a “paradigm shift for the workers”. They eventually came to prefer training new graduates from scratch because the work demanded that workers “think out of the box” to creatively take advantage of the flexible funding streams and meet the program’s permanency goals. Another issue that they encountered was difficulty with integrating new staff members, who spend their first month training at CG1, into O2. As time went on, they have developed some tailored training components to help orient their staff and establish an organizational identity with O2.

Going into the second three-year contract period in 2008, the organization felt confident in their capabilities and expanded into two additional geographic areas. They also began to focus on outcomes more seriously and targeting resources to increase success with permanencies and reduce staff turnover. For instance, they more heavily
invested in a family finding program and moved their staff into more comfortable office space.

Even with their expertise, O2, like the other subcontractors, depend heavily on CG1’s services and oversight. They also benefit from collaborating with the other service providers. While O2’s individual performance is tracked and reported to Children’s Division, CG1 is ultimately responsible for their outcomes and therefore has formal monitoring and supervisory processes in place that encourage sharing of issues and ideas among their five subcontractors. Financial and client outcomes are reviewed and discussed in mandatory biweekly supervisor meetings and monthly directors meetings.

**Summary.** The through line in O2’s approach to implementing strategies is to take incremental risks, develop clinical capabilities with an eye toward the future and take advantage of collaborative networks and efficiencies where possible. Staff is given the autonomy to implement as seen fit based on conditions on the ground. These actions are typically taken when needed and not closely tied to predetermined points of action in the formal strategic plan. When the implementation of the formal strategic plan is considered, it is often siloed by department and Board committee. This is partly because of the structure of the planning document itself, but also because there are not routine processes that facilitate monitoring strategy implementation as a larger group. The organization’s informal, incremental implementation process fits with the organization’s internal culture, but some informants did express a desire for more formal monitoring and felt that they “had the avenues to do that”, but just hadn’t made the effort.
Conclusion

O2’s approaches to strategy formation and implementation are quite similar—informal, iterative, environment-driven actions based on serving the mission—and have been stable over time. In this type of organization it is difficult to determine where the processes of strategy formation end and implementation begin. What is clear is that the characteristics of these processes are part and parcel of O2’s entrepreneurial internal organizational context and external strategic positioning as the quick responder.
Consequently, formal strategic planning has had little to no impact on O2’s chosen intended strategies, and is instead seen as a minor hurdle to jump over for accreditation on the longer sprint toward their end goal of survival and mission fulfillment. O2 has, indeed, survived and expanded their mission reach when many others have not. The cross-case analysis will provide insight into whether their approach has yielded superior performance relative to their remaining peers.

Organization #3

For almost a century and a half, O3 has been serving kids in need on the same campus on the outskirts of Saint Louis City. Their tree-lined circular drive is dotted with old brick buildings, some large dormitory-like structures, others smaller 1950’s-style ranch bungalows. There are also a few formal Victorian homes, like the one in which the administrative offices are now housed, and some recently-added modern educational facilities toward the back of their campus. Busting at the seams, O3 has had to expand beyond their campus and open a satellite office a few miles away where many of their community-based services, such as outpatient counseling and foster care case
management, are situated. They also have a network of transitional and independent
living program sites around the County, and since the late-1970’s have had a small
presence across the State in Kansas City.

**Internal Organizational Context**

Some of O3’s formally stated core values are “integrity, compassion, faithfulness
and dedication, mutual caring and respect, commitment, teamwork, relationship, and
continuous learning”. An informant affirmed, “I think we do live those”, and from my
interactions with members of the organization, I would say this is true. At O3 there
seems to be a genuine respect for people and an emphasis on mission, empowerment and
honesty. O3’s ED expressed a genuine interest in improving the employee experience,
and said that they try to “treat our employees as our customers”. The organization
solicits regular feedback through employee satisfaction surveys and they make continual
efforts to improve the organization’s culture and morale. For instance, several years ago
they increased pay across the board and recently they developed the “Gotcha Program”
whereby supervisors and colleagues can submit a “Gotcha” when they observe an
employee doing a good job even when they thought no one was looking. The program is
aimed at further promulgating the organization’s core values, and the ED is personally
invested, sending individual emails to every “Gotcha” recipient to thank them for their
efforts. Another way the ED is trying to remain connected to the staff and facilitate
communication is by holding quarterly “Executive Director Open Forums” where the ED
shares information about external environmental trends and O3’s response to them and
answers questions from employees. The forums are also a way that the ED gets input
from lower-level employees to help inform his decision making.
Openness pervades the executive ranks, as well, where the ED tries to have “a collegial approach to management” whenever possible. At lower levels, he has been working on “pushing decision-making further down in the organization… empowering people to be able to do that”. Fostering empowerment and autonomy has been something O3 has historically been good at and often benefited from. One long-tenured informant shared that O3 “[tries] to match our staff’s strengths with their job… allows for an employee here to be able to use their own creativity in what they do and often times expand the agency into new areas because of their expertise or their creativeness”.

O3’s dedication and faith in their employees may come from the fact that many of them have been at the organization for decades, and therefore share a history and bond that makes them trust one another. One informant described O3 as “very home-grown…from its beginning tried to hire, promote from within”. In fact, the current ED has been in his position for over 12 years, but started as a direct-care staffer over a quarter century ago. The ED before him was in his job for 30 years. Other administrators and front-line workers have similarly long tenures. O3’s ED is very proud of this fact, saying “it speaks to that there’s something about the agency that people are attracted to because of the mission and the culture…and they feel good that they are doing something worthwhile to help other people”. Other informants spoke of a closeness and level of trust that allowed them to have “a sense of security” that the management was “using full judgment and all of their experience is being brought to bear on whatever issue they’re dealing with”. Most also admit, though, that the “hire-from-within” mentality could lead to “narrowly-focused thinking”.

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O3 does seem to be struggling with balancing a long history of stability and tradition with the demands of managing a growing multi-million dollar business. When pushed, however, they have looked outside their ranks when new capabilities were needed to meet the increasingly sophisticated demands of the market. For instance, 12 years ago they hired a Performance Improvement Director who was new to the organization and three years ago they hired a CFO at the urging of its Board. According to the ED, the “new blood” has helped the organization reevaluate the way they do certain things and to improve processes. Some of these recent hires have helped the organization bridge the gap between being a social service charity and a multi-million-dollar business. One informant admitted that the transition had a steep learning curve, pointing out that:

Those of us in management positions, all come from a social services field…none of us really have any kind of business background at all, but yet, we are running whatever it is $10 million…I think we had to learn along the way how to deal with that.

O3’s growth hasn’t been without other challenges. The increased number of programs and locations led a few informants to express that they “don’t have quite that sense of connectedness that [they] used to feel” and one informant described the Kansas City program as “out of sight, out of mind” and speculated that “eighty-five percent of [their] constituents don't even know it exists”.

**Executive Director: “has high integrity…a very fair-minded person”**. In my multiple interviews with O3’s ED, I experienced him to be approachable, thoughtful, down-to-earth and quite humble, often quick to point out that his organization still had room for improvement even when proud of a particular accomplishment. His subordinates described him similarly. One said “he’s kind of a big boy…he jokes around
and its fun, but when we have to make some tough decisions around here, I really trust that [he] always considered what is the best interest for the clients and staff before making those decisions”. As a boss he was described as “supportive”, “want[ing] to see people succeed…not a punitive boss at all”, with one informant saying, “he really takes time with me and I feel like I get for sure what I need from him and it feels great”. The ED seems to make a good impression when he interacts with lower-level staff, too, and is considered to be “relaxed [in front of staff] and pretty articulate in terms of describing for people at large what’s going on in this organization, what we’re doing”.

The ED’s own assessment of his strengths is in-line with staff impressions. He feels he “really tr[ies] to look for the positives with [his] staff and [he is] really good at being supportive”. He’s also tries to stay “grounded”, remembering his years on the front lines at O3 and strives to be empathetic and approachable. These sensibilities could also, O3’s ED admits, be a weakness because he can sometimes “let people push things to [him] too much and they look to [him] to have all the answers”. To help with this he has recently tried to do “some talent management” and bring in new people to build capacity. Some of these capabilities involve certain business skills and acumen that the ED is aware is an area for growth for him.

Since the ED has no formal business training (he has an MSW), he has had to learn a lot about management and finances along the way. While he still feels somewhat short in these areas, the Board Chair feels that his unique back ground is actually a plus, saying:

When you have a true clinician, a clinician who understands…but now has the business side, when you can actually talk with legislators and people doing budgets and CG1 and say…‘here's what really happens in the trenches and here's how it works”, I think that actually is our competitive edge. So, that's where our
home-grown [culture] works. You know, because we have somebody who understands the system and how it's changed over the years.

In addition to these strengths, some on the Board would like to see the ED play up this competitive advantage and be even “more external”, focused on fundraising and advocacy.

**Board of Directors: “we've only, in one-hundred and fifty years, had four board presidents”**. Like O3’s staff, O3’s Board of Directors has a remarkably stable membership. They have no term limits and in the entire history of the organization have only had four Board Chairs, excluding the current one. In addition, three of these four were all part of one family group. The current Board Chair took over in early 2010 and has some desire to implement some change for fear things are getting stale. However, he sees pros and cons to the Board’s current structure. One potential problem is the possibility of having “a herd mentality because you tend to put people on the board that are like-minded so and if they don't go anywhere…you actually can have a limited thought process”. Although,

There’s also something to be said for continuity, not having to, every third meeting, explain…the complexities of the ever-changing environment…we are very involved and it actually helps in the strategic planning that we can actually, in my opinion, be of value add because we actually kind of know what we're talking about.

Historically, the Board has been very focused on finances, partly due to philosophy, partly due to the expertise of Board Members who come largely from banking, insurance companies and small business. The ED says this has been a benefit because Board members “are very attuned to the financial structures and…they leave the real child welfare, mental health strategic thinking to management”. However, the ED is
trying to change this pattern to get the Board more informed and involved in programmatic decision making as well.

The Board used to meet monthly, but last year moved to quarterly schedule to take some of the burden off its members. Unfortunately, a scheduling conflict prevented me from attending the Board Meeting that fell during the study period. I was told by the Board Chair that they try to keep their meetings to an hour, and that the meetings are unique in that the members sit in a circle, away from tables in order to facilitate engagement and discussion. Supposedly, their discussions are “always extremely polite; there's never any heated discussion”, though they can be “intense” at times.

**Strategic Positioning**

**Uniqueness: “really poised to really take on a bigger chunk of community based stuff”**. O3 is unique in that they have also had a footprint in community-based services for decades in addition to their strong residential treatment programs. While not formally their intent, they have created almost a continuum of care model, starting with an almost half-century old commitment to early childhood education aimed at preventing family dysfunction, to a well-regarded personal and family counseling center open to members of the community of all ages. They were also one of the first organizations to attend to the needs of older youth in foster care, offering transitional and independent living programs in both Saint Louis and Kansas City since the 1970s. Given this level of diverse experience and trends in the environment, several of the informants expressed confidence that the organization is well-positioned to seize future opportunities. However, the ED acknowledged “that that could change like that <snaps fingers>”.

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Constant change is something O3 has learned how to cope with by being particularly in tune with its customers, both internal and external. They have had a unique level of commitment to trying to be the employer of choice, focusing on paying slightly higher than their competitors, especially in the mid-1990s, and always searching for new ways to make employees feel valued. O3 also feels that they “go the extra mile…to meet client’s needs” and that they have exceptional success with some of the youth they serve. In addition to providing high-quality therapeutic services, O3 has also set themselves apart by their collaborative, partnership-driven approach to working with the State and other stakeholders. One informant explained that “there is not at all an adversarial relationship between ourselves and our funding source, particularly with our children’s division…the feedback that we get [is]…‘you guys are really kind of unusual because this is not usually how another agency will approach us’”. Their relationship with the State has allowed them to know “what’s coming down the pike” and O3 has positioned themselves as a flexible team-player to be able to take advantage of new developments.

The other main thing that sets O3 apart from its competition is its reserve fund, which is five to six times larger than the other study participants’. Access to abundant resources has put O3 in the enviable position of being able to serve their mission even at the expense of their bottom line. The ED said of their Early Education and Head Start program, “we invest heavily from our reserves to support that program, but we’re working with low-income folks”. Another informant reiterated that at O3 “the dollar is not always the bottom line…we do look at sometimes ‘is this is what’s best for kids’?"
He did admit, however, that they “can only do so much probably charity”, but that the size of the reserve fund definitely alters their thinking about programs and possibilities.

**Key strategic initiatives: “You have to have things come in at the top of the funnel because everything's going out the bottom”**. Much of O3’s initial forays into community-based services happened well before the scope of the current study, but they have continued to focus on expanding and diversifying their programs, especially those targeted at children and families in the child welfare system. A major strategic thrust has been to keep referral streams open and not allow other “gatekeepers” to control their access to clients or ability to provide services. This has driven the organization’s affiliation with CG1, the maintenance of their residential treatment programs despite large operating deficits, and the expansion of their educational and case management services. These tactics were all in an effort to remain a relevant player in the market and serve clients at multiple points in the expanding system.

In the past few years O3 has also launched a complete organizational rebranding, including a name change and new marketing materials. Like many historic religiously-affiliated orphanages, O3’s name referred to its church roots. And, like most organizations, while its connection to various church congregations is strong, very little of its funding actually still comes from this source and its religious name was beginning to hinder fundraising and reputation management in other arenas. The decision to change the name of the organization had been considered for almost a decade, but finally gained traction during the 2007 strategic planning cycle and was executed as part of the organization’s celebration of its 150th anniversary in 2008.
Keeping up with the changing environment has also led O3 to develop many strategic initiatives aimed at staying up-to-date with new technologies in the area of information and data management, communications and clinical treatment modalities. They have introduced a new Performance Improvement Director position that is in charge of developing and managing outcome measurements and quality-assurance protocols and they have worked with their staff to increase comfort with evidence-based practices and usage of clinical outcome indicators and performance data for decision making. They have also, as suggested above, always had strategic initiatives to improve employee engagement and retention.

Many of O3’s strategic initiatives have required considerable resources, and O3’s Board has always been heavily focused on being good stewards of their large reserve fund in order to provide for sustainability. However, in the wake of two large market declines, the Board more recently has made “a stronger push for fiscal responsibility”. About three years ago they insisted on hiring a full-time CFO, one of the first outside administrative hires in the organization’s history. Before the current CFO came in, O3’s leaders never “really knew the true cost associated [with their activities] in a formal way”. This new capability has helped the organization reduce their accounts receivable and generally reign in spending in the past few years. However, the Board knows that “some things are just going to lose money and you have to choose to lose money and be okay with it”.

**Strategy Formation Processes**

Current formal process: “boiled-down SWOT analysis [and] really trying to look at what we do well”. O3 began engaging in formal strategic planning about 25
years ago, and, with the exception of their 2007 cycle, they have always hired a consultant to facilitate the process. For the three consecutive planning cycles between 1997 and 2003 O3 hired the same consultant who used a standard SWOT analysis framework and was very focused on understanding the dynamics of the market. The somewhat lengthy process involved the participation of only the upper-level management and yielded long formal reports and detailed action plans.

For financial reasons, and also hoping to expedite the process, O3’s ED led a streamlined version of the strategic planning process in 2007. One informant said “it was really a much quicker process. We didn’t sit around and talk a whole lot. [The ED] came in to it with some ready assumptions about where we were headed, and for the most part, I don’t think anybody felt strongly enough about differences with him to debate it”. The organization was approaching its 150th anniversary and community-based services were continuing to expand, so most of the group, who had very long tenures working together, felt that many of the initiatives “were just so clear”. The group quickly developed strategies by “some overall majority feeling of here’s some areas we think we should focus on” and assigned champions to each to oversee implementation.

The 2007 process was quicker and easier, but also very time consuming for the ED. Not being able to take on that level of work again, and wanting to go in a new direction, O3’s ED hired a new consultant for their most recent strategic planning cycle, which began in April 2010. The ED had worked with this consultant previously during the creation of the strategic plan for CG1, of which O3 is a founding member, and liked the man’s practice of coming to the strategic planning workshop having already interviewed and surveyed multiple staff and stakeholders and synthesized a lot of data.
O3’s ED wanted a new process that was less burdensome on staff and a consultant that could drive difficult discussions about internal organizational priorities and shoring up weaknesses instead of being so externally-focused and market driven. He also wanted to involve more people in the planning process, including the Board and mid-level managers. In the past, the process had been “totally staff-driven”.

I had the opportunity to observe O3’s day-long strategic planning workshop in June 2010. It was attended by 20 senior staff and Board members, including the current and past EDs and the Board Chair. The group was relaxed and informal, but clearly focused on the large task at hand. The Consultant briskly led the group through for a “fast-track development of a 3-year strategic plan”. He explained to me during a break that he likes to “bring a business approach to the process” that is less “touchy feely” and more analysis-driven so that the connections between different decisions could be seen. Before the workshop the consultant had interviewed and surveyed staff and board members and had worked with the CFO to build preliminary financial models to capture various strategic scenarios.

Armed with this information, the consultant started the workshop by presenting the results of his data collection, which included a SWOT analysis and people’s initial thoughts about strategic directions. The first half of the day was spent confirming and discussing the analysis and making sure everyone was in agreement about how the information had come together. The group then discussed how much each program could be expected to grow or shrink in the coming three to five years. There was a broad discussion about possibilities, but the group was urged by the consultant to at least “take a stab at a number” and then the details could be worked out later after they had a chance
to “run the financials”. The group coupled this discussion with suggesting targets for programmatic deficit reduction in each program. This was a difficult conversation that seemed to push people’s comfort levels.

After a break, the consultant articulated several areas needing strategic action that seemed to have percolated from his analysis. Eventually the group settled on fundraising and marketing, partnership and alliances, expense management and cost reduction, talent management, board development, and technology execution; after lunch the group broke out into smaller groups to flesh out strategic initiatives for each area, which were then presented to the larger group and revised as needed. The last component of the process involved revisiting O3’s mission and articulating its vision and “hedgehog concept”. Several small groups also focused on various programmatic growth strategies. In the end, the group developed the vision statement of “children, youth and families will be empowered to be productive community members” and asserted that they were passionate about improving the lives of the children and families they serve, are best at quality professional services provided with high integrity by a dedicated staff, through the engines of contracts, grants, staff, volunteers, board, reputation. After eight hours together, the group was clearly tired, but was assured by the consultant that they had made great progress and that he would do a lot of work behind the scenes to pull things together, run numbers, and help them put together implementation plans and a presentation for the board.

Process evolution. Over the years, O3 has used a very common consultant-facilitated, SWOT-based, consensus-driven strategic planning process with a three-year planning horizon. In the recent past they have tried various ways to make the process
quicker and more efficient. The 1997, 2000, and 2003 planning processes were very formal and structured, resulting in long documents and strategies that were formally broken-down “goals, objectives, strategies, and action plans”. The consultant who facilitated these processes “focused on market analysis”, and, according to the ED, used “pretty much the same types of things…the same dimensions…the situational analysis might have changed, but you were still using the same framework”.

While the strategy formation framework and process remained relatively stable until the most recent process, O3’s ED felt like they have had increasingly better internal data available to them. He commented, “in years past some of our stuff was anecdotal, and we thought in our gut this is what we needed to do and why. We’re more data driven now…And I think that has sometimes improved our ability to make strategic decisions”. A desire for better information with which to make decisions has also led O3 to try to make the process, which used to be driven by the “very top management”, more inclusive, a goal they seemed to have achieved in the most recent cycle where representatives from multiple organizational constituents, including the Board, were around the table.

The current process, and the one used in 2007, was chosen because of its expeditious nature, compared to previous cycles. The ED commented that “the more we’ve done this, the more my staff and I want to get the meat of ‘what do we need to?’ We want to get to the strategy…we don’t want to sit in the meeting and have long drawn-out discussions”. From my observation, the process seemed quite expedient, even perhaps a little overly so at the expense of people’s comfort levels and engagement.
Content of formal plans. Because the formal plans between 1997 and 2003 were prepared by the same consultant, they had the same format and similar content. The plans consisted of several documents, including a “Strategic Concept Statement” that contained detailed background information and a comprehensive market analysis that demonstrated a very clear understanding of the changing market and service trends. Out of this flowed the rationale for the “Major Objectives and Plans of Action”, or strategies. The “driving force” and background information supporting the choice of the intended strategy was provided, along with tactics for achieving them. These cascading documents were trying to flow through to the implementation stages in order to assist in monitoring and follow-through. O3’s 2007 strategic planning process, which was facilitated by the ED, does not seem to have yielded an extensive plan document, but rather a brief presentation of agreed upon goals.

In the decade between 1997 and 2007, the strategic content of O3’s plans had several common themes. For instance,

- Expansion of service array
  - Perform general market upgrading—market research will look at exploring and expanding the current market base and increasing revenue opportunities in all market areas (1997)
  - A number of new services will be researched for possible addition to the current [O3] service array (2003)

- Adopting new treatment technologies
  - “Design, develop and adopt new treatment technologies capable of improving treatment efficiency and quality” (1997)
• “To use evidence-based interventions within each [O3] service program and evaluate effectiveness of interventions in achieving expected outcomes” (2007)

• Improving the quality and usefulness of internal data
  • “Implement outcome based measurement for programs and program administration” (1997)
  • “To create systems and environments that increase productivity, efficiency and satisfaction.” (2003)

• Enhancing morale and employee engagement
  • “To build on staff strengths through effective communication, development and nurturance” (2003)
  • “To develop and implement systematic internal methodologies that support the positive culture of [O3].” (2007)

Views on formal process: “You at least have to know the interstate you’re on”. One informant felt that every plan contained “at least a couple of things that were milestone in nature that were really quite important in terms of [O3’s] development”.

The ED was quick to say that,

Out of our strategic plan have come many things. Our whole community-based service array that we’ve developed came very much out of a strategic plan. Our new school came out of a strategic plan. So there are some very concrete things that the Board had the vision with us, approved, helped us find resources to do them, and we did it.

Another informant specifically cited the hiring of the Performance Improvement Director, which was prompted by a strategic planning process, as “monumental” and “forward thinking”. It was felt that these were all things the organization may have done
eventually, but not as soon or with as much urgency without a strategic planning process to galvanize support and action.

While making action more likely, informants did not feel that the strategic planning process led them to make different strategic decisions, but rather it just got them to formally “put some things on paper that [they] already knew”. To most, this was still seen as a useful process with a needed outcome, although as the rate of change within the sector has increased, the perceived utility of formal strategy formation has decreased. One informant felt that the plans in the mid-1990s helped position the agency and had “a bigger impact on the agency” than later ones, which were thought to be “more reactionary” in the face for rapid change. Several informants worried that longer-range questions fundamental to the organization’s identity, such as whether or not to continue offering residential services, were getting lost in the hustle to cope with more immediate demands. A side-effect of this hustle was also a feeling that recent plans yielded strategies that were less ambitious and more “sort of a person’s job”.

Help maintaining a balanced focused on short and long-term concerns is one reason O3 has predominantly used a consultant to facilitate their strategic planning processes. According to the ED, a consultant “who doesn’t have a chip in the game” also lends organization and objectivity to the process, which is considered needed because “it’s very easy to get tunnel vision in this business”. Even while recognizing the added benefit for having and “outside voice that can help [them] to be able to be a bit more objective in terms of [their] approach” several informants expressed some frustration with having to spend “an awful lot of time getting the consultant up the speed”. In addition, the use of the same consultant and the same process for several cycles seemed
repetitive and a “little bit brutal” to some. It was thought that the process the ED facilitated in 2007 was “just as effective” and more efficient, though the informant admitted that it may be partly because “[they] kind of knew where [they] wanted to end up”.

Even if there was little question as to the eventual strategic content, strategic planning was still seen as a useful analytical tool to help manage uncertainty in the environment, helping the organization to “take things into consideration…and take control of what [they] can take control of” so that they aren’t “making decisions in a vacuum”. Most informants also expressed a sentiment similar to this one about formal planning’s ability to provide boundaries and confidence:

You have to have some road map. You at least have to know the interstate you’re on; you may veer off onto a smaller road, but you need to get back on the interstate sooner or later because if you have no roadmap you will probably unwisely spend money…The strategic plan gives structure to the employees…I think strategic planning is, in a lot of ways, a great roadmap, but probably a better morale [booster] in making staff feel comfortable in what they're doing and that they're respected in the job they’re doing because it’s reflected strategically in what the overall mission is.

Unfortunately, giving the timing of my data collection, I did not have a chance to ask O3’s informants about their impressions of the most recent strategic planning workshop held in June 2010.

Day-to-day strategy formation: “it really is kind of strategic planning that we are doing all the time, particularly lately when the environment is changing so quickly”. Outside of their strategic planning’s formal environmental scan, O3 is constantly monitoring its external and internal environment for signs that action is needed. In addition to meeting with external stakeholders, O3 regularly surveys internal stakeholders and monitors over a dozen “key performance indicators” (KPIs). The KPIs
were developed in 2000 to fulfill the articulated strategy of “define and develop an administrative metrics scorecard”; indicators include turnover, residential occupancy and success rates, monthly charitable contributions, the level of family participation in treatment, the absence of lawsuits, etc.

O3’s Performance Improvement Director has tried to make the collection of KPI data as simple and helpful as possible—slowly evolving from information that was already being gathered, making the monthly tracking system more automated, and further slicing the data down to a more usable programmatic-level. In an effort to make decision making more data-driven, the ED recently began requiring managers to include an analysis of their programmatic data in each quarterly report and present plans for how to address any emergent issues. Pushing managers, who are used to giving “anecdotal” accounts, to embrace the data has been, and continues to be, difficult, but informants are hopeful that these new structures imposed by the ED will help normalize data-driven decision making down into new levels of the organization.

When a KPI hits a critical threshold or environmental conditions require action, O3’s ED sees the organization’s strategic plan as providing “a framework and an umbrella” to guide “strategic day-to-day decisions”. For example, he said,

We made a conscious decision two cycles ago to really jump into community-based services. We didn’t know what that was going to look like…So the global thing was community-based service…and those decisions were made on an ongoing basis over the next five years to keep adding to that array…at the time that we set that goal…some of the services that we provide right now weren’t even in existence…And then they came up and we said, yep, that fits. You do a financial analysis that fits with the strategic goal we set, boom, let’s go after it.

These types of decisions aren’t made via a formal process. The ED typically makes a decision after soliciting opinions from his administrative team and then takes his
recommendation to the Board for approval. With high-impact decisions, such as whether to help create CG1 and to later to provide foster care case management services, the ED and his team may hold special sessions with the Board to discuss the opportunity and various options in more detail.

Sometimes ideas filter up from staff members, such as recent employee recognition efforts and other programmatic expansions over the years. Informants shared that O3’s leadership was very open to considering these ideas and incorporating them into their strategic initiatives. Other times, the Board may instigate the making of an important decision, especially when finances are involved. For example, according to the Board Chair, in the winter of 2009, “a random discussion prior to a Board meeting” led to a very difficult conversation about the long-term viability of the organization that included even considering shuttering its doors and using their reserves to start a foundation. A result of the meeting was to focus on cutting expenses, leading to the organization to conduct its first-ever round of layoffs. The difficult financial climate has forced the Board to be more directive with respect to spending and strategic directions of the organization. For the past few years the Board Chair feels like “there’s probably been a strategic plan of the month” and the Board has had to go “through a revamping of the strategic plan” more than once to preserve O3’s fiscal health.

**Summary.** For many years O3 engaged in a highly-formalized and lengthy strategy formation process that seems somewhat at odds with the organization’s organic and informal culture. Rather than seen as a particularly useful generative exercise, strategic planning at O3 has been seen as a morale-enhancing codification of an already-felt collective sense of direction. The process articulated valued intended strategies, but
dissatisfied some of its participants, especially with respect to the time commitment and focus on the market rather than the organization. The ED’s choice of a new consultant and new process for their 2010 strategic planning cycle was with the hopes of addressing some of this dissatisfaction. O3’s day-to-day strategic management seems to rely on the long-tenured staff and Board member’s trust in one another’s opinions and the ability of the leadership to discern environmental trends and advance necessary strategic decisions to the larger group.

Strategy Implementation Process

Implementation of the strategic plan: “Here we want to do things well, so sometimes we just get overwhelmed with all the tasks that are a part of it”. The highly-formalized strategic planning process O3 used between 1997 and 2003 and that influenced their 2007 planning included the creation of several documents aimed at facilitating and monitoring the implementation of the organizations’ chosen intended strategies. With the help of the consultant, detailed action plans that included milestones and timelines were created for each objective. Each objective was also assigned a champion whose charge was to oversee an implementation committee composed of relevant members of the administrative team. Typically, the committees would meet every month or every other month to review progress, following a planning follow-up meeting agenda provided by the consultant. At the end of the planning horizon, O3’s ED prepared a brief executive summary for the Board reporting on goal achievement.

Overall, O3’s informants were pleased with their implementation and achievement of their major strategic initiatives. True to his humble nature, O3’s ED said that they had “accomplished many. But we didn’t knock them all out”. Another
informant concurred, saying that “you have five goals and really hit on two; that’s not doing all five as well as maybe we should have, but we certainly moved the organization forward on a couple of things at each point in time”. Reasons given for less-than-perfect implementation were varied, including being “grandiose in the planning stages”, as well as real financial barriers, especially with recent fast changes in the economy.

Several informants also acknowledged that O3 could improve on maintaining momentum in their monitoring activities. Especially on larger “stretch” goals, O3 has “not always been good about following the templates...having consistent meetings where people...put you in the spot. If you don’t go to meetings, well then nobody’s watching it and it kind of glides, and then time passes”. Inconsistent follow-through was mainly blamed on “organizational inertia” and the fact that everyone also has their daily responsibilities to attend to, maintaining focus on the strategic plan is a challenge that has increased as the administrative team has been stretched by the organization’s rapid growth. This was another reason the ED preferred having a consultant because they can help the group maintain that focus.

While the organization has continually made progress on their strategic initiatives, the ED has not been rigidly focused on sticking to the implementation timelines, saying, “what’s important to me, is not as much as that you get it done the month you say you’re going to get it done. What’s important to me is that we do it reasonably when you really get it done”. Therefore, occasionally timelines have been stretched to accommodate people’s needs and to maintain quality, but the ED “feel[s] overall good about” their strategic plan implementation.
Implementation of community-based services growth: “We grew from a one person outpatient counseling office to a $1.5M community-based service array. So that’s been very successful”. One strategic goal O3 has very effectively executed is growth and diversification of its community-based services. They have had their fingers in community-based services for several decades, but have recently expanded significantly. After making a formal organizational commitment to expanding community-based services around 2000, O3 has added on a new component to their community services about every two years as new opportunities arose and the organization had the capacity to absorb a new program. The once one-person counseling center has grown into a large counseling and community services department that houses five different programs aimed at trying to prevent out-of-home placement, including family reunification services, intensive in-home counseling and foster care case management. They are hoping to further expand with an innovative after-care program they recently developed and marketed to both CG1 and a health insurance company that more efficiently keep kids in their communities.

Building on their reputation and skills in community-based services, O3 was also awarded two grants from the St. Louis County Children’s Tax Fund, totaling over $1.3 million. Beginning in September 2010, these funds will be used to expand their transitional living program in Saint Louis and to start a collaborative effort with O2 for in-home treatment of children and families involved with the court system. An informant involved in the project explained that O3 chose to work with O2 for the initiative because “the grant people, they’re looking for collaboration and so I think that we feel like [O2 has] similar values and cultures that we do and that we work with them in foster care
[with CG1]. So we know them and trust them and like the work that they do”. With the exception of CG1, this is the first large-scale service delivery partnership O3 has entered into.

In addition to developing new programs, O3 has also enhanced existing programs to meet the needs of the community. In 2005 they began a federally-funded Head Start to supplement their day care center, and in 2001 they “built a state-of-the-art school” to replace the old basement-level facility and so they could take in new children from surrounding school districts. O3 undertook an ambitious capital campaign to finance the building and is very proud of the complex. One informant confidently stated that it is “a tremendous feather” in their cap. Unfortunately, with the recent economic problems, referrals from outside surrounding school districts have slowed and the program was forced to lay off a teacher. There is hope that things will turn around eventually; in the meantime, informants felt that the school still helps the organization from a referral pipeline and reputation standpoint.

**Implementation of Foster Care Case Management: “We really utilized CG1’s capabilities and expertise”**. O3 has developed their community-based services capabilities internally, not looking to acquisition targets and rarely using partners. One exception to this is their implementation of foster care case management (FCCM) services where they relied heavily on a wholesale technology, and even sometimes personnel transfer from CG1. O3 strategically chose to enter the FCCM market in order to gain access to the pipeline of kids and learn valuable case management skills. The ED explained that they chose to implement this strategy by partnering with CG1 as a
subcontractor because, “we could get the right training and expertise to help us get up to
snuff…And secondly, there’s a liability protection”.

Since 2005, O3 has had one FCCM team that has managed 140-190 cases each
year in the Saint Louis area. It took the organization about three months to hire the seven
case managers and one supervisor and get them ready to take on cases. By aligning with
CG1, O3 did not have to develop their own staff training program, which was important
because they had no in-house expertise in the “treatment philosophy, court system…the
data requirements, the contract requirements”. Despite having initial staff training taken
care of, the organization still had to figure out how to work day-to-day with unfamiliar
systems, such as the courts, the Justice Department, etc. The whole “wraparound”
philosophy was also new to O3 and took some adjustment. All of these changes led one
informant who was present for the start-up to describe the process as “complete
insanity…It was hell…it’s something we hadn’t done before, so as an agency, we had a
huge learning curve…We really didn’t have any direction to give a supervisor because
we have never done this before”. O3 ended up taking on a supervisor was actually a CG1
employee to help get things up and running. Once they hired their own supervisor a few
years later, the informant said it felt like “taking training wheels off”. Now O3 has the
experience and connections that they can volley into other programs like the recently-
funded collaborative effort with O2. They would also consider expanding into other
geographic regions if the opportunity presented itself.

In addition to the benefits stated above, O3 also receives valuable oversight from
CG1. The ED explained that the biweekly directors meetings and regular staff trainings
help O3 keep up their quality and gives them a chance to regularly and objectively look at
what they are doing. As part of some of these meeting discussions, O3, along with other
CG1 partners, have recently lowered caseloads from 15 to 12 to reduce staff burnout and
hopefully improve outcomes.

**Summary.** O3’s leadership has been aggressive and yet thoughtful in
implementing their community-based services growth strategy and using their partnership
with CG1 for support when possible. Day-to-day, they are clearly capable of executing
large-scale initiatives. However, sometimes they have struggled to stick to the more rigid
strategy implementation process laid out for them by previous consultants. Like their
formal strategy formation process, there is perhaps a mismatch between O3’s culture and
their choice of strategy implementation process, one that imposes more structure and
formal accountability than is inherent in the organization. It’s not clear if this
formalization needed, however, given O3’s record for getting things done. Is O3 really
suffering from bouts of organizational sluggishness alternating with grandiosity or are
they doing fine and just feeling guilty about not sticking to a possibly ill-fitting process?

**Conclusion**

Constant environmental change has required O3 to be responsive to day-to-day
conditions, a reality their tight-knit leadership team and Board seem to handle well.
Strategic planning has been an intermittent reality check and way to circle the wagons
and move forward with a renewed sense of purpose. However, O3’s “home-grown” and
informal culture seems to be a bit of a mismatch with their formal strategy formation and
implementation processes. It’s not clear where this stems from, perhaps tradition,
perhaps an attempt to bring “business savvy” to a predominantly clinically-trained
leadership. Regardless of the reason for the divergence, O3’s strategic management
efforts have yielded good, solid performance during a decade of extreme change and 
financial hardship. They have eventually implemented the vast majority of their chosen 
intended strategies and stayed within the bounds they gave themselves. The one thing O3 
seems to lack is a clearly articulated position in the marketplace. They have a good 
reputation as being mission-focused and people-driven and have expanded at both ends of 
the child caring spectrum, but their identity still seems a bit amorphous. It is possible that 
the cushion of their reserve fund has kept them from having to streamline and determine 
their “hedgehog”. It will be interesting to see how their new planning efforts and focus 
impact them in the coming years. How their processes have affected their performance in 
the past decade is explored in the next chapter.
CHAPTER FIVE: CROSS-CASE ANALYSIS REVEALS THE IMPORTANCE OF ORGANIZATIONAL CONTEXT AND IMPLEMENTATION

The three in-depth case studies presented in the previous chapter provide rich descriptions that foster the appreciation of the special situationality of each organization. This level of understanding is a needed addition to a body of research literature that too often prescribes processes before generating knowledge about current practices in the field. However, taking each case individually limits the ability to set the strategic management processes practiced by the organizations in context and to draw conclusions about causality, especially with respect to performance. Therefore, a second stage of analysis was performed in which each case study report, after being checked by the organizations’ Executive Directors for accuracy, was compared to one another to aggregate findings, look for meaningful similarities and differences and gain a deeper perspective on the research aims (Stake, 2006).

All of the aims seek to understand the organizations’ strategic management processes within the context of their external environment and internal dynamics, with the overarching question of whether and how the process used to formulate strategy impacts organizational performance. The previous chapter provided a general thematic overview of the external environment the organizations have coped with and helped shape over the past decade. While the current study’s design ensured the organizations’ external world has been nearly identical, the organizations’ internal contexts are notably different and appear to have impacted many of their processes and decisions and ultimately their performance over the years, as will be explored in the rest of this chapter.
Internal Organizational Contexts

The three study organizations are well-functioning and pleasant places with which to interact. From what I could tell without spending a lot of time observing the organizations in action, there seems to be little, to no politicking, allowing for a respectful, open environment in which everyone whole-heartedly pursues the mission of attending to and empowering troubled children and their families. The informants I spoke to seemed happy in their positions and genuinely invested in their organization’s success. Furthermore, each ED has provided consistent leadership in their current position since the mid-1990s, and most of the Board and staff informants had had similarly long tenures.

Despite these similarities, highlighting how the organizations’ internal contexts are qualitatively different is a more useful activity to meet the study’s aims. Three salient variables emerged from comparing the completed case reports; they are: 1) the aspect of business the management seems most focused on, 2) the level of formalization within the culture, and 3) the sense of urgency that pervades the organization. Because these are not quantitative constructs with an absolute pole, I offer relative comparisons among the organizations, not concrete values. Table 8 below presents part of the cross-case analysis matrix, which captured key text segments for each domain and distilled them into essential characteristics that help distinguish the organizations from one another.
Table 8: Cross-case Analysis matrix of internal organizational context

<table>
<thead>
<tr>
<th>Org</th>
<th>Organizational Context Description from Case Report</th>
<th>Management Focus</th>
<th>Level of Formalization</th>
<th>Sense of Urgency</th>
</tr>
</thead>
<tbody>
<tr>
<td>O1</td>
<td>focused on continuous improvement and accountability...clear chains of command and levels of hierarchy...Feedback is highly prized ...become even more data-driven and outcome-driven</td>
<td>Processes</td>
<td>Highest</td>
<td>Moderate</td>
</tr>
<tr>
<td>O2</td>
<td>friendly and informal...entrepreneurial atmosphere without rigid job descriptions in which open debate, creativity and problem solving are prized...departmental and regional siloing... boundaries around the organization and its environment seem to be rather loose</td>
<td>Entrepreneur-ship</td>
<td>Lowest</td>
<td>Highest, somewhat frantic</td>
</tr>
<tr>
<td>O3</td>
<td>genuine respect for people and an emphasis on mission, empowerment and honesty...treat our employees as our customers…continual efforts to improve the organization’s culture and morale…openness…from its beginning tried to hire, promote from within</td>
<td>People</td>
<td>Moderate</td>
<td>Lowest</td>
</tr>
</tbody>
</table>

The leadership of each organization has a clear focus, as evidenced by consistent themes throughout the interviews and organizational documents. O1 is clearly focused on the development and improvement of processes of all kinds. O2 is focused on and achieving financial sustainability through fostering an entrepreneurial spirit amongst its staff. O3 is focused on how people, both their employees and clients, experience and are helped by the organization. Highlighting these foci does not necessarily imply that the leadership neglects other areas, but that there is a through line of concern and attention that seems to routinely elevate this unique aspect of the organization above others.

Not surprisingly, given their focus on processes, O1’s culture appears to have the highest degree of formalization, with clear work roles and efforts to standardize
processes. O2 is most dissimilar, with much more fluid boundaries between levels of management and more comfort with on-the-fly problem solving. O3 falls somewhere in the middle, with a moderate amount of formalization, though, as discussed in their case report, this may be contrary to some of their other cultural attributes that focus on people’s experiences.

Another seemingly important aspect of organizational context that emerged from the cross-case analysis was a varying sense of urgency for change. There was a palpable difference in the way the organizations talked about change and their strategy implementation. While focus on this concept arose from the cross-case analysis, it is not new to the business literature and has recently gained even more awareness with the 2008 publication of John Kotter’s book, *A Sense of Urgency*. After taking stock of his prior research on organizational performance and change management, Kotter concludes that “the single biggest error people make when they try to change…was that they did not create a high enough sense of urgency among people to set the stage for making a challenging leap into some new direction” (2008, p. vii-viii). He also draws a distinction between a sense of urgency “driven by anxiety, anger and frustration” that can lead to frantic action versus a more purposeful sense of urgency driven by “a focused determination to win”.

While I did not ask specific questions to assess this domain, my multiple key informant interviews did give me enough information to compare the level of urgency at each of the organizations. When placed on a continuum, O2 could be classified as having the highest sense of urgency, often framing the need to change as a matter of survival. However, O2’s urgency does seem to be somewhat frantic, driven by very real fears of
financial hardships and frustration with the child welfare reimbursement system. Compared to O2, O1 and O3 displayed less urgency, though O1 did have some internal pressure to change, especially with respect to improving processes. O3 has certainly changed a lot in response to changes in the external environment, but they only recently seem to be feeling an urgent need to do something more drastic to cope with declining market returns and disadvantageous programmatic cost structures. It is difficult to say whether any or all of the organizations’ leaders have inspired “enough” urgency for the scale and pace of change they advocate. Nevertheless, there was a noticeable difference among the organizations.

**Aim 1: Strategic Positioning**

Porter’s Five Forces framework is a well-established approach to analyzing industry dynamics (Ghemawat, 2005). It asserts that the threat of new entrants and product substitutions, along with the pressures of suppliers and buyers and competitive dynamics affect profitability within an industry. From this perspective, the children’s mental health services sector is not attractive. As the previous chapter’s description of the external environment detailed, while there is very little horizontal threat of new entrants or substitutes, the organizations face intense vertical pressures from both suppliers (personnel) and buyers (government and donors) that severely limit possible margins. However, the leaders of the study organizations are driven much more by historical missions than a desire to profit, and therefore are committed to competing for what revenues are available in a space where client need is still very high. This social barrier is just one of several common exit barriers that keep organizations involved in
clearly declining industries (Harrigan & Porter, 1983). Residential treatment’s interrelationship with the organizations’ other services also creates a strategic need to remain in the business and the specialized assets of large campuses diminish the organizations’ ability to liquidate and solely focus on more profitable services.

Because the organizations have little control over price, the nonprofit children’s mental health sector in Missouri has been able to avoid potentially destructive price wars. Its strong collaborative spirit has also helped facilitate an orderly reduction in excess residential bed capacity that, barring any further shocks, appears to be bringing the market into equilibrium. In reality, there will always be some demand for residential treatment services. As some of the only remaining competitors in this space, the three study organizations have obviously successfully navigated the decline in demand. The question is: which has built the strongest strategic position relative to the residual demand and other more attractive subsectors? This can be explored from a structural positioning or resource-based perspective.

Each of the organizations has had to consider the usual generic positioning strategies at their disposal: compete by diversifying their services and/or controlling their costs (Lindenberg, 2001); see Figure 5 below). When targeting the same customers as their rivals, an organization could differentiate on the basis of quality, or it could choose to compile a unique portfolio of services based on population needs and geographic location.
Differentiation based on superior quality that garners a price premium (upper-right quadrants in Figure 5) is a very common strategy in for-profit organizations. The potential virtuous cycle of ever-improving sector-wide outcomes makes this strategy very attractive to many human-services nonprofits. Unfortunately, the structure of most government services contracts does not encourage this type of activity, and this is especially true in declining industries. Therefore, it is not surprising that none of the study organizations are occupying or pursuing this strategic position. In current contracts, organizations can’t individually demand higher prices for better goods. They can only compete to get more client referrals, but for the same reimbursement, meaning they have to find previously hidden economies in order to have an incentive to significantly out-perform another organization on the basis of quality. Improving outcomes may advance an organization’s reputation, which may improve its chances of procuring additional contracts, but, again, meeting a minimum reputational threshold seems to be sufficient in the current status quo, and the three study organizations seem to routinely meet it.
Given the structural dynamics of being a government contractor in a declining industry, the strategic positions the organizations can occupy while maintaining their current mission boundaries are somewhat limited. Research has shown that in these circumstances successful organizations are those who are able to achieve scale efficiencies or low overhead, and that pursuing a leadership or niche strategy before divesting may garner the strongest position (Harrigan & Porter, 1983; Grant, 2007). None of the organizations seem to be pursuing a strong leadership position, but rather have focused more energy on developing collaborative alliances crucial for negotiating with the State, their dominant customer.

They all have, however, tried to cut their costs. As would be expected by the finance background of O2’s executive director and their high sense of urgency, O2 has been the most successful at driving a wedge between the mostly static State reimbursement rates and their own costs, as evidenced by their having the highest programmatic recovery rate (as detailed in the Aim 5 section below). O1 has made some strides in this area, but informants admitted that cutting programmatic expenses is not as much of a focus as trimming administrative overhead and improving internal processes. O1’s informants believe that this strategic focus helps them have the highest quality services. Unfortunately, as explained above, this may not be an effective way to build competitive advantage given current market realities. O3 has the lowest recovery rate and has only recently begun focusing on ways to increase their margins. Their lagging in this area may be largely to blame on their large endowment that has typically cushioned them from some of the financial pressures felt by their peers.
If O3 can cut their expenses, they would occupy a very similar position as O2, as both have a wide array of service offerings. However, O2 has built a more robust geographic reach, expanding their customer base with services in 19 locations around the state. O1 has chosen a different tactic, trying to move into a niche position focused on older youth—offering nearly every kind of service this population may need.

Unfortunately, O2 and O3 also offer many of the same programs, such as transitional living and aging out services; although, O1’s position may have recently been advanced by its being awarded over $2.2 million from the Saint Louis County’s Children’s Service Fund, which seems to have prioritized older youth services. This is almost double what the other two organizations received.

Despite having precariously similar positions within the external market, the three study organizations could differentiate themselves based on their internal capabilities. Since most of the organizations’ tangible resources are very similar, it is their intangible resources and dynamic capabilities that have the potential set them apart. As Barney (1991) highlighted, for resources and capabilities to create a sustained competitive advantage, they must be rare, valuable, inimitable and non-substitutable. While the organizations all possess a suite of capabilities needed to survive in their chosen sector, such as the ability to generate direct public support, deliver high-quality services, and adapt to market shifts, none of these are rare, at least not following recent market contractions that left only the fittest organizations.

The hardest capabilities to replicate or substitute are those that are socially complex and causally ambiguous (Barney, 1991). Often these lie in cultural differences that emphasize developing different resources and enable unique ways of leveraging
them. It is possible that O1’s control and analytical capabilities, O2’s cost containment and adaptation capabilities or O3’s human resources capabilities may be sources of sustained competitive advantage. The cross-case analysis of Aim 5 will explore this possibility further.

Summary

The three study organizations have successfully developed the necessary capabilities to survive in their sector, but further analysis is needed to determine if their unique internal capabilities have garnered one organization superior results. What has emerged from the cross-case analysis is that none of organizations seem to have a significantly stronger competitive position relative to the demands of the market than the others. Offering very similar services to similar populations, no one is poised to outpace the others in terms of diversification, costs or quality. Over the past decade, O2 has aggressively pursued a cost leadership strategy, putting them in a slightly stronger position than their peers, but costs can only be reduced so much before quality begins to dip below accepted thresholds and programs can only be diversified so far before their mission-focus will be called into question. Furthermore, O3 is pursuing a similar strategy in hopes of getting out of the undistinguished middle ground, and therefore may erode O2’s advantage in the future. In this way, O1’s position may be considered advantageous because they claim to be moving in a different, more focused direction; although, despite recent advancements, O1 is still dangerously close to being “caught in the middle” with no real cost advantage and minimal distinctiveness in services.

It is worth noting that the current state of the competitive landscape is likely due, in part, to the organizations’ failure to formulate a true strategy that has the potential to
create and maintain sustained advantage. Often when asked about their strategy the EDs and key informants spoke about operational goals, not ways of doing something different or differently from their peers (Porter, 1996). This lack of competitive focus can also be seen in the content of the organizations’ strategic plans and has led to strategic initiatives that can be easily replicated, offering only short-term advantage. This point will be further explored in the following section.

Aim 2: Strategy Formation Processes

The three study organizations all engage in episodic formal strategic planning processes that supplement their day-to-day strategy making. This is not surprising given the relatively large size of the organizations and the complex environment in which they operate, both variables Stone, et al. (1999) found to be positively related to the propensity for nonprofit organizations to engage in formal planning. Although, for the study organizations, coercive and normative pressures may be more powerful than needs for coordination and communication; all the EDs mentioned accreditation requirements and a general sense of professional expectation as reasons they started and continue engaging in formal strategy formation processes (i.e., strategic planning).

Episodic Strategic Planning

Similar activities. Isomorphic pressures have also seemed to cause remarkable homogeneity in many aspects of the three organizations’ strategic planning processes. Citing regional convention, all of the organizations adhere to a three-year planning horizon. Even though O1 technically revises their plan every year, they still use a rolling three-year planning horizon. All of the organizations’ processes rely on top-management
teams, with some attempt to engage or get feedback from lower-level managers. They all also conduct periodic staff satisfaction surveys that often inform strategies around staff recognition and retention. For the most part, Board Members are not involved in the nuts and bolts of the strategic planning processes; rather, they are seen as an oversight body that needs to be convinced as to the soundness of the plan in order to adequately fund the initiatives.

Each of the organizations’ formal processes feature similar analytical activities performed by top managers in the context of three of four group sessions held a month or so apart. At the core is an assessment of both the organizations’ external and internal environments via a SWOT analysis based on participants’ experiences and occasional external research. This analysis produces mainly subjective, qualitative information that is used as the basis for a discussion about the organization’s current situation and how to respond. Therefore, across the organizations, the actual strategy formation—identifying and deciding between strategic choices—seems to be a process of group meaning making and codification of a felt sense of needed direction. It is more of an act of social creation than objective science. Many researchers have concerned themselves with how this type of process can be overrun by political behavior (Butler, 1998; Dean & Sharfman, 1996; Eisenhardt & Zbaracki, 1992), but from my interviews and limited observations there appears to be minimal politicking within the study organizations, perhaps on account of fairly long-tenured executive teams who are comfortable with one another and encourage open communication.

One thing none of the processes seem to pay much attention to is the competitive landscape and a discussion around competitive positioning and advantage. It might be
wrapped up somewhat in a SWOT, but none of the organizations do a similar analysis to the one presented in the previous section. In 2002, O1 did do a thorough competitor analysis for each of their main program areas, but they didn’t seem to pull this together to assess the position of the organization as a whole and it’s not a consistent activity during their annual planning. Even O2’s more externally-oriented recent process focused on environmental cues (demographic and market trends), not the movements of competitors and possible offensive measures.

Similar output. What emerges from the strategic planning process is also similar across the organizations—medium-term goals and objectives, often connected to a particular functional department. While the length and format of the strategic plans differed across organizations, a point to be explored below, I found the type of content to be consistent and somewhat lacking in cohesiveness and explicit rationale. All of the organizations formally articulated their handful of chosen intended strategies, but, especially in recent years, none of them explicitly connected these strategies to the findings of the SWOT analysis or provided a larger macro-strategy or vision for where the organization was headed as a whole and how advantage could be sustained.

Interestingly, for the most part, the organizations’ stated intended strategies do not map onto the strategic positions informants described during our interviews and depicted in Figure 5 above (pg. 183). For example, O1’s strategic plans show no evidence of their intention to become a niche player in the older-youth sector. Rather, the strategies put forth seem rather generic and are very similar to those of their peers—diversify their program service offerings to not be so dependent on residential treatment and improve fiscal stability. Even though each Executive Director’s particular operational focus was
very clear from my interviews, these foci or strategic thrusts seem to reside in the EDs’ minds and are not formally articulated so as to be transparently connected to its strategies. It is likely that given the small-group, discussion-oriented nature of the planning process, this is one of probably many assumptions taken for granted and not seen as necessary to articulate.

The executive team largely responsible for implementing the strategies may not need this level of dot connecting, but the lack of narrative limits the strategic plan’s potential as a communication and momentum-generating device, especially among lower-level staff and Board Members not intimately involved with the strategy formation process. Furthermore, not setting down a historical record of the thinking that led to the chosen strategies and how they are assumed to work together to achieve success limits the organization’s ability to benefit from the double-loop learning that could be fostered by formally articulating assumptions and being able to revisit past decisions.

**Different levels of importance, frequency and formalization.** While the foundational elements of the strategy formation process are fairly consistent across the study organizations, the scaffolding that has been built around the decision-making process differs with respect to its frequency, level of formalization and congruence with the organizations’ approaches to day-to-day strategy making. Upon analyzing the divergent characteristics of the organizations’ processes and placing them within the organizations’ internal contexts, it became clear that the variability in processes is largely due to the level of importance each Executive Director places on the strategic planning process (see Table 9).
Table 9: Cross-case Analysis matrix of divergent strategic planning process characteristics

<table>
<thead>
<tr>
<th>Org</th>
<th>SP* Import.</th>
<th>SP* Frequency</th>
<th>Use of Consultant</th>
<th>SP* Rational/Computation†</th>
<th>Plan Document Format</th>
</tr>
</thead>
<tbody>
<tr>
<td>O1</td>
<td>Highest</td>
<td>Revised every year; redone every 3 years</td>
<td>No—led by ED and Board Chair</td>
<td>Highest</td>
<td>Consistently laid out; 20+ pages; includes process diagram, SWOT analysis, action plans and outcome measures</td>
</tr>
<tr>
<td>O2</td>
<td>Lowest</td>
<td>Every 3-4 years</td>
<td>Always</td>
<td>Lowest</td>
<td>Brief; bulleted goals and objectives by department</td>
</tr>
<tr>
<td>O3</td>
<td>Moderate</td>
<td>Every 3 years</td>
<td>Usually</td>
<td>Moderate</td>
<td>Has changed from lengthy document with narrative to presentation of goals and objectives by department</td>
</tr>
</tbody>
</table>

† “SP” stands for Strategic Planning
††Refers to Hart (1992) and Butler’s (1998) strategy-making modes as described in Chapter 1.

Not surprisingly, given his focus on process improvement, O1’s Executive Director places by far the most importance on his organization’s strategic planning process, compared to the other EDs. He feels that the BSC process helps the organization efficiently communicate their strategies to internal stakeholders and receive faster information about implementation, giving their strategies the highest chance at success. For him, the strategic planning process is intricately tied to nearly every other aspect of organizational management and governance. In contrast, O2’s ED feels that formal planning is a nuisance that has to be tolerated to satisfy accrediting agencies. O3’s Executive’s feelings fall somewhere in between.

Each ED’s views on planning deeply impact the amount of time and resources he’s willing to dedicate to the process. This is seen in how frequently he gathers his people together to plan and how formalized the process is. O1’s ED feels the process is
so important that it warrants a yearly revision of the strategic plan before developing the following year’s BSC strategies and targets. Additionally, he has chosen to take the extra time to lead the annual planning and scorecard development processes rather than hire an outside consultant. O2’s ED always relies on a consultant, citing the need for an objective outsider, but it also takes less of his time. O3’s ED usually hires a consultant, but in 2007 he facilitated the process himself in an effort to save money and make the process more efficient.

Per force of institutional pressures that highly prize formalization and attempts to rationalize strategy making, all of the organizations’ strategic planning processes are formalized to some extent; therefore, all the organizations are somewhat adept at the rational/computation strategy-formation mode described by Hart (1992) and Butler (1998) and outlined in Chapter 1. However, there is a one-to-one correlation between the level of importance the ED places on strategic planning and how rational/computational their organization’s processes have been over the past decade. Devising and installing systematic procedures takes time and only an organization that places importance on the process would invest the necessary resources. With the help of his Board Chair, O1’s ED has worked hard for several years to institutionalize and refine his balanced scorecard and formal “Strategy Development and Deployment Process” (see Figure 4 in previous chapter, pg. 113). In contrast, the other organizations have no specific process outlined and tend to follow the lead of the consultant the ED hires. I judged O3’s process to be more formalized than O2’s based on key informant reports and documents that more clearly demonstrated a consistent structure to their process, even when O3’s ED led it in 2007.
The content and format of the strategic planning document also seem to mirror the formation process’ level of formation and internal importance. For instance, O1’s process yields a long, detailed and consistently-formatted 20+-page document every year, whereas O2’s more skeptical view of strategic planning is reflected in the fact that their most recent process produced a two-page bulleted list of objectives broken out by department. Before 2007, O3’s strategic planning document was the most thorough of the organizations, summarizing market trends and giving some context and rationale for each chosen strategies. However, O3’s last plan (from 2007) was remarkably similar to O2’s recent document.

**Day-to-Day Strategy Formation**

Even though all the organizations have some facility with formalized processes that the leaders feel are required for strategic planning, their more typical modes of strategy making differ, reflecting their varying internal organizational contexts and management foci of their EDs (See Table 10). Like their strategic planning processes, the organizations wrap different levels of structure around the performance of similar activities, such as maintaining external relationships to access information, mentally screening opportunities, “running the numbers”, calling a committee or task force together, etc. Each organization’s day-to-day strategy formation processes balance the simultaneous, yet conflicting needs for stabilization and adaptability that often strain organizational leaders and strategy making processes (Jarzabkowski, 2004; Tushman & Romanelli, 1985). They also variably match their episodic strategic planning processes’ level of formalization.
Table 10: Cross-case Analysis matrix of day-to-day strategy formation process characteristics

<table>
<thead>
<tr>
<th>Org</th>
<th>Day-to-Day Strategy Formation Modes†</th>
<th>Recursiveness</th>
<th>Adaptability</th>
<th>SP* and Daily Modes Match</th>
</tr>
</thead>
<tbody>
<tr>
<td>O1</td>
<td>Rational / Computation &amp; Transactive / Negotiation</td>
<td>Highest</td>
<td>Lowest</td>
<td>Highest</td>
</tr>
<tr>
<td>O2</td>
<td>Symbolic / Inspiration &amp; Generative / Expertise</td>
<td>Lowest</td>
<td>Highest</td>
<td>Lowest</td>
</tr>
<tr>
<td>O3</td>
<td>Transactive / Negotiation &amp; Generative / Expertise</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
</tbody>
</table>

* “SP” stands for Strategic Planning
† Refers to Hart (1992) and Butler’s (1998) strategy-making modes as described in Chapter 1.

The way informants described their organization’s day-to-day strategy formation processes provided one of the best glimpses into how the organization naturally functions. Informants at process-oriented O1 described creating decision-making tools, operationalizing goals and increasing accountability. Based on the strategy-making typologies created by Hart (1992) and Butler (1998), O1’s approach could best be described as a mix between the rational/computation mode and the transactive/negotiation mode. Organizational members are very involved in the strategy formation process and the ED plays a large facilitative role in creating an interactive process, but they all believe “that predetermined procedures and algorithms can be applied to generate and analyze solutions, and to implement a choice” (Butler, 1998, p. 39). In this way, they employ tools and practices that create structure and stability and have the potential to become highly recursive. In fact, there is an ever-tightening relationship between their strategic planning process and the internal organizational culture that has led to increasing formalization of day-to-day strategy making activities.

O2 is the opposite. Its blend of the symbolic/inspiration and generative/expertise strategy making modes results in a highly adaptable process, but one with very little
repeatability or structure. Its ED promulgates a “common perspective that help[s] guide the actions of organizational members toward a common goal” (Hart, 1992, p. 334) while also supporting staff members to experiment and innovate until a pattern of actions emerges that moves the organization toward that goal. This seems very well-suited to the organization’s entrepreneurial culture and has little impact on its less important strategic planning process. The forced formality of strategic planning does not mesh with O2’s preferred mode of strategy making, but they place little importance on the practice, making the incongruence seemingly inconsequential.

As an organization with a high level of trust among long-tenured members, O3, too, relies on a generative/expertise mode of day-to-day strategy formation. But, rather than using symbols to inspire his staff, O3’s ED focuses a bit more on creating ways to foster learning and collaboration, such as tracking and reporting key performance indicators and seeking constant employee feedback. In this way, he also employs a transactive/negotiation strategy-making mode. This orientation makes O3’s process more recursive than O2’s, but also less adaptable. O3’s strategic planning process is more structured and rigid than its day-to-day processes, but there is a moderate level of congruence between the two approaches, though the organization could more explicitly connect its KPIs with strategic goals and use them as input for their SWOT analyses.

**Summary**

While appearing to be very different on the surface and in the language used to describe them, the organizations’ strategic planning processes are actually very similar at their core. Ultimately the organizations’ articulated strategies are being formed through a subjective meaning-making process based on SWOT analyses conducted by top-level
managers. The process takes the next three years into account and results in a handful of department-centric strategies. Despite differences in importance and level of formalization, the organizations’ processes all achieve a base level of procedural rationality, comprehensiveness and inclusion.

The additional formalization efforts of O1 have increased the frequency and institutionalization of the practice and the thoroughness of the planning document, but the only real impact O1’s approach seems to have on strategy formation itself is the practice of performing a separate SWOT analysis around each of their four BSC pillars. This has the potential to increase the comprehensiveness of the assessment, but the information is still used as fodder for a wider discussion about the organization’s direction, and there is no evidence to suggest that O2 and O3’s SWOT analyses are not as thorough. O1’s balanced scorecard makes sure that each pillar has an accompanying articulated strategy, goals and targets, but O2 and O3 also have a broad-range of strategies that hit on the same areas of programs, human resources, development and finances. The processes also seem to lack some of the same things, namely an assessment of the competitive landscape, an articulated macro-strategy, and a document that clearly connects a rationale to each of the chosen strategies.

Many of the similarities seem to be the byproduct of institutional pressures put upon the organization through accreditation standards, professional expectations and information on prevailing practices and some consultant biases. However, there are also clear ways the organizations’ internal contexts impact their strategic planning processes. How important the ED feels the process is leads to dramatic differences in the amount of time and energy expended on conducting, formalizing and institutionalizing the
process—the more important, the more effort and the more formalization. Not surprisingly, the level of importance placed on formalized processes mirrors the recursiveness, and conversely adaptability, of the organizations’ day-to-day modes of strategy making. There is a question as to the marginal return of formalization above and beyond what is necessary to ensure a “sufficient” level of comprehensive analysis and thoughtful inquiry and discussion, especially if it comes at the expense of adaptability, which is often seen as essential in complex and volatile environments (Jarzabkowski, 2004). My analysis of performance differences below gives insight into whether there is an optimal level of formalization given the organizations’ current external environment.

The fact that the three study organizations blend together strategy-making modes is a sign of strength, according to both Hart (1992) and Butler (1998) who hypothesized that organizations capable of operating in multiple strategy-making modes may perform better because they would have a better chance of matching the mode with the demands of decision. While this multilingualism may be advantageous to cope with the demands of day-to-day strategy making, Lindenberg (2001) found that formal strategic planning processes need to mirror the organization in terms of complexity, resource intensity, and staff capabilities in order to be accepted by staff and be as successful as possible. The level of congruence between the organizations’ day-to-day strategy making processes and its episodic strategic planning processes may impact how readily people engage in the process, how confident they feel in its outcome and how much ownership they take over its implementation. This possible way the planning process could impact strategy implementation and performance will be explored in subsequent sections.
Aim 3: Drivers of Intended Strategy

By choosing a sample of “most similar” organizations, the current study was designed to hold the variation from the external environment constant in order to more clearly assess how the organizations’ internal contexts and processes influence chosen intended strategies. It was assumed that differences in strategies could then be attributed to differences in internal contexts and strategy formation processes. As detailed above, the cross-case analysis revealed that the organizations have very similar generic strategies—expand into community-based services to no longer rely on residential treatment and improve financial sustainability. This has resulted in considerable isomorphism. However, when analyzed in finer detail, differences do emerge in the organizations’ micro-strategies and tactics, those goals typically codified in their strategic plans. These different tacks against the same winds have led to slightly different positions and performance, but did something about the organizations’ strategy formation processes help create these differences, as many strategy process researches have asserted?

Brief Excerpts from Case Reports

I asked each Key Informant how their organizations’ strategy formation processes impact their choice of intended strategy. In general, they do not feel that episodic strategic planning helps identify possible strategies. Instead the strategies are developed in real-time as staff members come in contact with the environment, assess its demands and actively set out to solve presenting problems, i.e., day-to-day strategy formation. O3’s ED may have put it best: episodic strategic planning process is an “analytical tool” that “can affirm or dispute” previously-held ideas, but does not guide the group toward
novel intended strategies. Almost every informant conveyed that the strategic planning team usually walks in the door with some clear ideas about what they want the organization to accomplish in the coming years. Formal planning is just an institutionalized gut check.

The only way informants feel episodic strategic planning may occasionally impact their strategies is in creating a setting in which the need for urgent action is more readily apparent. In this way, decisions already in the works may be sped up. For example, informants at O2 recounted one instance in 2003 when, based on some of the analysis the formal process walked them through, the planning group realized how dire residential treatment’s cost structure was. While they had had inklings for several years that the market was shifting and what needed to be done about it, the planning process and the resulting information significantly galvanized support around a large-scale shift in resources toward developing community-based services.

Similarly, O1’s ED feels that the choice of a discrete intended strategy ultimately comes down to “an educated guess” or a “roll of the die” based on how the group understands the environment. Nevertheless, he feels that his formalized formation processes do help him make “a quicker throw of the die”, which, compounded over time, could add up to a different strategic trajectory. He said, “I think partly because the feedback mechanism loop is so clear here [with the BSC] and so much quicker so that it’s going to adjust my focus on the environment differently. So I know something is not working here… I think [it affects] not only the speed with which, but also our ability to more quickly react to emerging [factors]”.

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**Revised Model of Strategy Formation**

A revised conceptual model of strategy formation based on findings from the cross-case analysis is presented to demonstrate how similarities and differences in intended strategies have developed in the organizations (see Figure 6). It encompasses insights from Aims 1-3. Unlike the initial conceptual model presented in Chapter 1 (see Figure 1, pg. 25), in this model day-to-day strategy formation is clearly delineated from episodic strategic planning to make its distinct impact on strategic choices and relationships with the organizations’ internal and external environments more apparent. Figure 6 presents only the variables related to strategy formation, one subset of activities within the entire strategic management process. Relationships for which I found consistent evidence across the organizations are depicted with a solid arrow. Dashed arrows depict relationships that were weak, but present in one or more organization.

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**Figure 6: Revised Conceptual Model of Strategy Formation**

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1 *Construct controlled for during current study’s cross-case analysis*
Formal strategic planning has almost no impact on strategic decisions. Most researchers and practitioners assume that formal episodic strategic planning positively impacts organizational performance by helping optimize the choice of intended strategies. The logic is that better (i.e., more formalized) strategic planning leads to better strategies, which lead to stronger organizations. I found very little evidence for the first link in this causal chain. In the study organizations, episodically engaging in strategic planning appears to have almost no impact on chosen intended strategies, regardless of the character of that planning. My findings support Mintzberg’s (1987, 1994; 2001) critiques of planning mandates that conflate planning and strategy formation; the case studies and cross-case analysis demonstrate a clear disconnect between the two activities. Strategic planning has essentially become cut off from other strategic management activities. Only in highly-recursive O1 is there any feedback between the planning process and organizational culture. As hypothesized by several nonprofit researchers (W. F. Crittenden & V. L. Crittenden, 2000; Stone et al., 1999), strategic planning appears to primarily be a symbolic ritual engaged in to satisfy political and ceremonial pressures like those described by DiMaggio and Powell (1983).

If anything, there was some evidence to suggest the potential for the planning process to be adapted to explore popular strategies emergent at the time of planning. For instance, O3’s ED knew he wanted to rein in costs due to concerns about the economy and their declining endowment fund, so he made sure their most recent strategic planning process heavily focused on this aspect of operations and got input from participants about realistic cost reduction targets. In contrast, O1’s process has been so formalized that emergent strategies seem to have little impact on their strategic planning process. While
this underscores my findings regarding the level of adaptability within the organizations’ processes, the difference does not seem to impact the formation of intended strategies.

**Strategy formed by day-to-day interaction with the environment.** In line with findings from Hutzschenreuter and Kleindienst’s (2006) review, most of the informants interviewed felt that formal strategic planning was less about crafting new strategy than double-checking, codifying and communicating strategies that had already emerged from day-to-day operations. The external environment is constantly presenting the organizations’ leaders with opportunities and dilemmas that then require them to actively engage in real-time collaborative problem solving to determine the best strategic response. In this way, the organizations’ day-to-day strategy formation processes mediate the relationship between their external environment and their intended strategies. The possible strategies are iterated via a series of decision-making processes until enough energy coalesces around a strategy that it moves into the implementation phase. The process may be as simple as “doing a mental screen” of possibilities and going with “a hunch”, or as formal as convening a committee meeting or task force to more systematically gather and analyze data.

Each opportunity or dilemma may require a different analytical approach, and each organization has a unique repertoire of skills they are comfortable using that echo their internal contexts; these could be considered strategic capabilities. For example, all of the organizations feel the need to expand their program service array in order to cope with dwindling demand for residential treatment. But O1, ever seeking more formal processes, has devised a checklist tool to help them rationalize their decision making,
while, in keeping with his entrepreneurial approach, O2’s ED expects his staff to create and pilot novel ideas to see what works.

Based on strategic process research, it would be expected that O1’s process would yield superior decisions because it is more formalized. Researchers have consistently asserted that better decisions are made when they are based on comprehensive data gathering and rational analysis, especially when compared to more political processes (Dean & Sharfman, 1996; Hutzschenreuter & Kleindienst, 2006; Nutt, 2000; Stone et al., 1999). However, I found little evidence of political behavior in any of the organizations and what a necessary and sufficient level of comprehensiveness and rationalization is has never been defined, so whether or not O1’s process yields superior intended strategies is not clear. Hopefully the cross-case analysis of organizational performance can help shed some light on this issue.

Organizational mission, alliances and dominant logic bound decision space.

A secondary question of the current study was how much autonomy the organizations have in creating their own destiny. Some nonprofit researchers have fretted over the possibility that nonprofit organizations have very little power and are essentially puppets of the state, especially those like the study organizations that are dependent on a handful of government agencies for funding, (Akingbola, 2006; DiMaggio & Powell, 1983; Salamon, 1987). While considerable isomorphism between the study organizations has been caused by their inability to differentiate on service quality and need to comply with contractual and professional mandates, I reject the assertion that they lack significantly more autonomy than any other type of organization. Every sector has its unique challenges and constraints. Arguing that the study organizations have virtually no power
negates the work the organizations have done to remain relevant to the marketplace and innovatively meet the needs of their clients and customers. It also masks the free will each of the leaders possesses in leading their organization.

I think the homogeneity in organizational form and strategy stems as much from internal, cognitive factors as external structural ones. Initial appraisal activities, such as monitoring internal and external trends and mentally screening possible strategies, are extremely influential steps in the strategy formation process (Janis, 1977). It is through these activities that top executives and Board members determine which environmental cues are important enough to warrant being brought to the attention of the group. Unfortunately, these activities are inevitably highly subjective and constantly vulnerable to biases, above and beyond the use of heuristics, which could negatively impact the knowledge about strategic threats and opportunities and possible responses.

Formalization is often seen as a way to shore up these vulnerabilities, but in talking with informants I identified three very strong and consistent forces that seem to shape the organizations’ decisions that formalization alone may not overcome. Most often these forces serve to create similarities between the study organizations, but occasionally they cause divergence.

The first factor causing isomorphism is the organizations’ nearly identical histories and missions that create a perceived boundary around what paths and identities are possible. All of the Executive Directors told stories of how at different points in the past decade they had a desire to expand their services into more attractive sectors, such as gerontology or disabled adults, but found their Boards resistant to change. This pressure
is not unique to these types of organizations, but is very strong because of their long histories and the strongly-held mission-driven identity of their constituents.

Additionally, the complicated social web and dual identities the organizations’ leaders occupy due to their involvement with collaborative alliances seem to hinder their ability to aggressively pursue a differentiated market position. Be it because of “Gentlemen’s Agreements” or belief in the power of the collective over the individual, there seems to be real hesitancy to approach collaborators as competitors. These collaborative groups have also promulgated a certain “groupthink” about how to respond to market shifts such as privatization and contract management that has led the organizations toward similar strategies and tactics.

How differences in intended strategies seem to arise is from the dominant logic held by the Executive Directors and, by proxy, their top managers. As explained above, the management of the three study organizations have different levels of urgency and operational foci—O1 on processes, O2 on entrepreneurship and O3 on people—developed by years of experience and personal preference. While all of the informants had remarkably similar (and I believe accurate) understandings of what external and internal stakeholders were demanding of them, their varied dominant logics of how and why things work led them to choose slightly different paths and speeds of change. Reliance on one’s dominant logic can be a helpful heuristic, but can constrain organizational learning and strategic performance in changing environments by filtering out seemingly irrelevant or contradictory information that could provide helpful feedback about the organization’s strategy (Bettis & Prahalad, 1995). Depending on the strength of the dominant logic within the organization, unlearning old patterns and dismantling
ineffective structures in order to learn new, more adaptive strategies may be extremely difficult (Bettis & Prahalad, 1995). This is one of the reasons why theorists typically urge a balance between recursiveness and adaptability within organizations (Jarzabkowski, 2004).

**Summary**

Results from the cross-case analysis clearly demonstrate that strategic planning has very little impact on the intended strategies of the study organizations and that it has become a ritualized practice perpetuated to meet more institutional than strategic ends. Instead, strategy is formed through the activities the organizational members perform on a daily basis when confronted with cues from their environment. The nature and outcome of day-to-day strategy formation processes are inextricably linked to the organizations’ internal context, especially their members’ collaborative identities and dominant logics. The three study organizations all have similar abilities with respect to environmental scanning and have therefore all chosen similar strategies, but with urgency around different focal points. In light of this finding, a refocusing on characteristics of the strategists, rather than the strategic processes is necessary in order to better explain differences in organizational performance.

A recent, and increasingly prominent, “strategy as practice” stream in strategic management literature has come to the same conclusion (Hutzschenreuter & Kleindienst, 2006; Jarzabkowski, 2004; Jarzabkowski et al., 2007; Mintzberg, 1987; Morecroft, 1999; O’Shannassy, 2001; Regnér, 2008; Sminia, 2009; Whittington, 1996). It argues, like my cross-case analysis suggests, that intended strategies are created through micro-processes (strategizing) embedded in day-to-day management activities that are impacted heavily
by practitioners and “who they are, how they act and what resources they draw upon” (Jarzabkowski et al., 2007, p. 11). Upon its design, the current study focused heavily on discrete strategic management processes, partly because that’s what could be explored in retrospect and partly because of my own dominant logic that formalized processes have the power to assist in decision making, transform organizational contexts and build capacity. The resulting evidence challenges this assumption and suggests a longitudinal, real-time case study where strategizing could be described may have yielded more insights.

**Aim 4: Strategy Implementation Process**

Strategy implementation has been sorely overlooked by strategy process researchers, resulting in only a thin body of empirical literature to help frame my cross-case analysis and findings. Several studies have focused on how increased stakeholder involvement, especially by upper-level management, can lead to greater implementation success (Alperstein, Sainsbury, & O’Grady, 2008; Bryson & Bromiley, 1993; Harrington & Kendall, 2006; Nutt, 1987). However, the flat hierarchy and collaborative tenor of the current study’s participants led to there being high stakeholder and management involvement across the organizations with very little variation. Therefore, I let my cross-case analysis be guided by the more nuanced “key realizers” delineated by Miller (1997); see Chapter 2’s “Strategy Implementation in Nonprofit Mental Health Services Organizations”), namely, continued backing from authority figures and those required to implement the strategy, a clearly defined strategy with high assessability, planning with high specificity regarding required actions and cultural receptivity to or fit with the implementation process.
To analyze the study organizations’ strategy implementation, I ranked their implementation processes along the four key “realizers” as well as the success of the implementation. In keeping with my previous cross-case analyses, I ranked the characteristics of the organizations’ processes against each other, not against any fixed theoretical maximum or minimum. For the most part, the organizations were fairly successful at implementing their intended strategies, but differences did emerge. To clarify, in this section “success” refers to implementation success, not overall organizational performance. I am using Miller’s (1997) definition of success as an amalgamation of timely completion of implementation activities, achievement (i.e., realization) of intended strategy, and the acceptability of the implantation’s methods and outcomes.

**Implementation of the Strategic Plan**

Among the study organizations, the level of formalization found in the episodic strategic planning process (ranked above) is synonymous with how assessable and specific their resulting strategies are (see Table 11).

<table>
<thead>
<tr>
<th>Strategic Plan Implementation Realizers</th>
<th>Org</th>
<th>Backing</th>
<th>Assessability</th>
<th>Specificity</th>
<th>Cultural Receptivity</th>
<th>Success</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Highest</td>
<td>Highest</td>
<td>Highest</td>
<td>Highest</td>
<td>Highest</td>
<td>Highest</td>
</tr>
<tr>
<td>02</td>
<td>Lowest</td>
<td>Lowest</td>
<td>Lowest</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
<tr>
<td>03</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
</tbody>
</table>

The level of backing the plan’s implementation gets from key organizational leaders is also in lock-step with how important the entire planning process is viewed by the Executive Director. Therefore, in both the creation and the implementation of the strategic plan the same interplay of subjective importance and formalization is seen. The
parallel is not surprising since the more formalized strategic planning processes practiced by O1 and O3 devote a fair amount of energy to implementation planning.

However, when it comes to strategic plan implementation, the assumed connection between formalization and performance breaks down. According to informants and my analysis, O2 has achieved moderate success at implementing the strategies articulated in their strategic plans over the past decade. This is despite having the least assessable strategies and least specific implementation plans. I believe this is because their planning process, more than the other organizations’, simply codifies what members are already doing so the initiatives already have sufficient backing, and, in their rapid-fire and adaptable culture, a low level of assessability and specificity may be sufficient for success at the program or department level where implementation activities occur. It seems that O2 has developed implementation capabilities that do not rely on formalization, but perhaps informal relationships and decentralized monitoring instead.

In contrast, O1 relies heavily on formal and centralized monitoring of their strategic plan implementation, an endeavor that receives constant attention from executives and Board members. At its core, O1’s Balanced Scorecard is a formalized implementation tool. As explained above, their BSC has very little impact on strategy formation, but what it does do is make O1’s strategies highly assessable and highly specific. Every year the scorecard objectives have to be operationalized to the point that targets and tolerance intervals can be set. Detailed action plans are then created. All of this “strategic planning” prepares the organization to formally monitor their progress toward each specific objective at least monthly, helping to coordinate activities to ensure the highest possibility of success.
All of this effort has paid off. O1 appears to have the highest success at implementing their strategic plan. In fact, they have gotten so successful at achieving or exceeding their targets in recent years that I suggested to the ED that perhaps they need to raise their expectations and the ED agreed (and told me I sounded like a Board member). While O1’s rigorous formalization appears to have resulted in superior plan implementation success, it is not clear from this phase of the analysis if a) the strategies were the right strategies needed to impact organization performance and b) if more than moderate implementation success was needed to produce superior performance.

**Implementation of Community-Based Services Growth**

Changing external demands over the past decade necessitated the study organizations to all adopt the strategy of significantly growing their community-based service array to shore up the financial losses and declining census of residential treatment. According to informants, organizations that did not respond to these pressures have been forced to close their doors or are facing serious financial hardship. In the implementation of this strategy, O2 has certainly achieved the greatest level of success. As will be demonstrated in the section about organizational performance below, O2 has built the most diversified portfolio of service offerings and has grown their revenues from community-based services the most each year between 2004 and 2009 when comparable data is available.

All of the organizations’ community-based services growth strategy had comparable and somewhat low, levels of assessability and specificity. It has largely been an opportunistically implemented strategy for which the organizations did not seem able to formally plan (see Table 12), partly because most of the tactics were chosen and
implemented outside of strategic planning episodes, and possibly because it was the best approach. While contrary to some of Miller’s (1997) findings, there is some anecdotal evidence to suggest that in cases where a strategy requires a large-scale paradigm shift, like the one needed to mobilize resources away from residential services, much initial planning is wasteful and leaders should instead just set clear priorities and let actors adjust implementation as necessary (Alperstein et al., 2008).

Table 12: Cross-case Analysis of CBS Implementation

<table>
<thead>
<tr>
<th>Org</th>
<th>Backing</th>
<th>Assessability</th>
<th>Specificity</th>
<th>Cultural Receptivity</th>
<th>Success</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Low</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
<tr>
<td>02</td>
<td>Highest</td>
<td>Low</td>
<td>Low</td>
<td>Highest</td>
<td>Highest</td>
</tr>
<tr>
<td>03</td>
<td>Moderate</td>
<td>Low</td>
<td>Low</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
</tbody>
</table>

It is possible that the implementation of this strategy could have been more formalized; in fact, O1 has recently tried developing a program development checklist and has pulled together a task force to formally assess potential mergers, acquisitions and partnerships. But, for the most part all of the organizations implemented this strategy in a way that favored O2’s entrepreneurial culture and comfort with low levels of formalization. Their higher cultural receptivity to an “on the fly” implementation process, coupled with extremely strong backing and focus on growth by the organizations’ Executive Director and other leaders set O2’s strategy implementation ahead of its peers’ with respect to community-based services growth.

Implementation of Foster Care Case Management

Developing foster care case management (FCCM) services was essentially an offshoot of the organizations’ strategy to grow community-based service offerings, but special attention was paid to FCCM implementation because it was the most distinct and
comparable strategy the organizations had realized during the study period. Entry into
the FCCM business had strong backing by all of the organizational members I spoke to.
Unfortunately, O2 and O3’s relationship with CG1 skewed their “natural” independent
behavior, allowing them to rely on the assessable and specific steps required to be a
subcontractor and removing much of the variation in processes. However, while O3 had
to rely on CG1 for staff, O2’s prior experience providing similar services made them
more comfortable with the implementation process and not as dependent on CG1 for
guidance, allowing them to more quickly become independent and seek expansion
opportunities (see Table 13).

Table 13: Cross-case Analysis of FCCM Implementation

<table>
<thead>
<tr>
<th>Org</th>
<th>Backing</th>
<th>Assessability</th>
<th>Specificity</th>
<th>Cultural Receptivity</th>
<th>Success</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>High</td>
<td>Lowest</td>
<td>Lowest</td>
<td>Lowest</td>
<td>Lowest</td>
</tr>
<tr>
<td>02</td>
<td>High</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Highest</td>
<td>Highest</td>
</tr>
<tr>
<td>03</td>
<td>High</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
</tbody>
</table>

The cross-case analysis of FCCM implementation also clearly shows the
detrimental impact of O1’s deviation from their typical formalized implementation
processes. O1 engaged in little implementation planning or monitoring at the outset,
perhaps due to the influence of their collaborators or the speed with which action was
necessary. The organizations all had just 60-90 days to get services up and running.
Perhaps O1 had too much confidence in its abilities to implement strategies based on
previous successes. Whatever the reason, unlike in O2, O1 had not developed informal
implementation monitoring capabilities so it took a year or two for leaders to realize
FCCM implementation was not being adequately achieved. By 2008, O1’s ED strongly
advocated for changing the implementation approach, and was able to quickly and
successfully correct the situation by aligning the necessary “realizers” via the hiring of a centralized authority who is aligned with the organizations’ formalized culture to oversee implementation.

**Summary**

The cross-case analysis of the organizations’ implementation of various strategies yielded several interesting findings. First, the formalization of the strategic planning process seems to impact the implementation of the resulting intended strategies much more than the formation of their content. Therefore, as Miller’s (1997) research findings would hypothesize, more formalization across the board does result in more successful implementation of the intended strategies, as long as they are articulated in the strategic plan. However, for less formally articulated strategies, like those formed by day-to-day strategizing, a more complicated picture emerged that supports Jarzabkowski (2007) “strategy-as-practice” viewpoint that argues strategy implementation, like formation, is a highly-contextualized process made up of many iterative micro-activities.

Successful implementation seems predicated on the process’ congruency with the organization’s established ways of doing things, but this congruency is constrained by the nature of the strategy itself. Some strategies (like many of those articulated in a strategic plan) benefit from assessability and specificity, while others (like long-term growth) cannot be so formally operationalized and require different monitoring capabilities. Ultimately, it may be up to the organization to develop multiple routines to successfully implement varied strategies. O2 and O3 seem to have developed implementation capabilities that do not always require formalization. Since O1’s processes are usually formalized they may not have developed other practices to ensure implementation.
success when implementation plan specificity is low. In this way, O1’s alignment around their BSC tool may focus energy on the scorecard objectives to the detriment of monitoring other activities in other ways. This demonstrates that there isn’t necessarily a formula for implementation success. A contingency approach is perhaps more advisable in which the specific demands of the strategy are assessed and the implementation approach most likely to meet those demands is chosen. Organizations would need to develop multiple implementation capabilities to do this successfully.

**Aim 5: Strategic Management Processes’ Impact on Performance**

A cross-case comparison of the study organizations’ performance over the past decade is necessary before making claims regarding how their strategic management processes may help explain the findings. The following analyses present quantitative operational, clinical and financial indicators of performance gathered from Form 990 filings and organizational records. While the organizations’ reputations are also critical indicators of performance, there is no reliable measure, and, according to informants, all of the organizations have strong standings in their community and are known for high service quality and good management.

All of the financial data is reported in constant 2009 dollars. As would be expected in a decade that saw two recessions and a major shift in treatment paradigm, many of the numbers are highly variable year to year. To help gain an accurate picture of performance over time, I provide multiple measures of central tendency and use annual rate of change instead of raw growth rates to measure growth.
O3’s fiscal year begins October 1st. Therefore, their Form 990s do not perfectly span a calendar year. For analysis purposes, their 1997 return, which encompasses financial data from October 1997-September 1998, was entered as 1998 data, and so forth. In the cross-case analysis this may lead to O3 looking slightly out of sync with market trends.

**Performance on Discrete Indicators**

**Clinical outcomes.** The organizations started as orphanages, and residential treatment services are still at the core of their budgets and identities. O1 and O3’s residential services, both housed in the Saint Louis region, are of roughly equal size (55-59 beds) and have been steady in size and occupancy for the past eight years. Historically, O1 has had a slightly higher and more stable occupancy rate than O3, but they have both maintained rates above 90% (See Table 14). O2, on the other hand, has struggled to keep occupancy above 85% and their capacity has fluctuated over the past eight years. Most of O2’s beds are outside of the Saint Louis area, spread around the Eastern and Southern regions of the state in mainly rural areas. This regional dispersion makes it harder to keep up occupancy since most referrals come from the Saint Louis and other major metropolitan areas and there is an effort to serve children within 50 miles of their home per contract regulations. While O2 is the only study organization to have shuttered beds, in the past few years they have increased their capacity and occupancy by starting their small Individualized Alternative Program (IAP) homes.
Table 14: *Cross-case Analysis of Residential Treatment Inputs and Outcome (2002-2009)*

<table>
<thead>
<tr>
<th></th>
<th>2002-2009 Mean</th>
<th>2002-2009 Median</th>
<th>Relative Std Dev</th>
<th>Mean Annual Δ</th>
<th>Median Annual Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Residential Treatment Beds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>O1</td>
<td>59</td>
<td>59</td>
<td>59</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>O2</td>
<td>99</td>
<td>81</td>
<td>79</td>
<td>11.5%</td>
<td>2.8%</td>
</tr>
<tr>
<td>O3</td>
<td>55</td>
<td>55</td>
<td>55</td>
<td>0.9%</td>
<td>-0.3%</td>
</tr>
<tr>
<td><strong>Average Occupancy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>O1</td>
<td>91%</td>
<td>94.2%</td>
<td>94.6%</td>
<td>2.0%</td>
<td>-0.6%</td>
</tr>
<tr>
<td>O2</td>
<td>91%</td>
<td>85.6%</td>
<td>85.0%</td>
<td>4.3%</td>
<td>0.4%</td>
</tr>
<tr>
<td>O3</td>
<td>90%</td>
<td>92.2%</td>
<td>90.7%</td>
<td>3.3%</td>
<td>0.1%</td>
</tr>
<tr>
<td><strong>Success Rate</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>O1*</td>
<td>68%</td>
<td>68.5%</td>
<td>68.0%</td>
<td>6.6%</td>
<td>-5.3%</td>
</tr>
<tr>
<td>O2†</td>
<td>80%</td>
<td>85.8%</td>
<td>86.5%</td>
<td>4.3%</td>
<td>-1.6%</td>
</tr>
<tr>
<td>O3</td>
<td>64%</td>
<td>70.4%</td>
<td>69.5%</td>
<td>10.2%</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

*Data only available from 2004-2009
† I suspect that O2 measures their success rate differently from its peers.

O2’s success rate with their residential treatment clients is consistently 15-20% higher than those reported by their peers. This is most likely an artifact of different measurement because if this was a true and sustained outperformance one would expect O2’s occupancy to also be the highest, even in an environment where quality and price are fairly decoupled. All three organizations define “success” as moving to a less restrictive setting, but how they arrive at that determination is unclear. Taking O1 and O3’s success rates at face value, they appear to be fairly on par with one another. O1’s success rate has fallen over the past eight years, perhaps because they have tried to focus their services on older youth who typically have more severe and longer-term needs that make “success” more difficult to achieve.

All of the organizations have also provided foster care case management (FCCM) services since they were privatized in 2005. O2 and O3 have had similar permanency rates since 2006—a median of 30% a year (See Table 15). Over the same period of time, 2006-2009, O1’s median permanency rate was only 24.8%, with an extremely poor start.
of only 9% in 2006. All of the organizations are trying to reach the contract target of 32% of kids being moved into permanency each year. O1 has yet to reach this mark.

Table 15: Cross-case Analysis of FCCM Permanency Rates (2006-2009)

<table>
<thead>
<tr>
<th>Org</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>Mean</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>O1*</td>
<td>9.0%</td>
<td>28.2%</td>
<td>22.8%</td>
<td>26.8%</td>
<td>21.7%</td>
<td>24.8%</td>
</tr>
<tr>
<td>O2</td>
<td>26.4%</td>
<td>24.6%</td>
<td>35.4%</td>
<td>34.9%</td>
<td>30.3%</td>
<td>30.7%</td>
</tr>
<tr>
<td>O3</td>
<td>22.0%</td>
<td>31.3%</td>
<td>27.6%</td>
<td>32.3%</td>
<td>28.3%</td>
<td>29.4%</td>
</tr>
</tbody>
</table>

*Note: Total CG2 rates, not just O1; based on Calendar year estimates from the organization

**Personnel outcomes.** Over the past seven years, O2 has employed more people than its peer organizations. Its workforce has grown an average of 22.1% a year, presumably to keep pace with its expanding programs (See Table 16). However, some of these workers are part-time paid mentors, a position unique to O2. A breakout by part and full-time workers or FTE was not provided by the organizations, making a true comparison impossible; numbers are consistently reported within the organizations, however. O3’s workforce size has remained relatively consistent, despite its first (small) round of layoffs last year. O1’s workforce contracted after the closing of their second school site and other reorganizing activities. Recently all of the organizations have described allowing unfilled positions to remain vacant as a cost-saving measure.

Table 16: Cross-case Analysis of Personnel and Turnover (2003-2009)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employees</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>O1*</td>
<td>177</td>
<td>189</td>
<td>200</td>
<td>13.5%</td>
<td>-3.1%</td>
<td>-2.6%</td>
</tr>
<tr>
<td>O2†</td>
<td>285</td>
<td>208</td>
<td>208</td>
<td>38.2%</td>
<td>22.1%</td>
<td>5.3%</td>
</tr>
<tr>
<td>O3</td>
<td>184</td>
<td>182</td>
<td>184</td>
<td>3.0%</td>
<td>0.2%</td>
<td>1.1%</td>
</tr>
<tr>
<td><strong>Turnover</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>O1</td>
<td>24.0%</td>
<td>35.7%</td>
<td>38.0%</td>
<td>17.8%</td>
<td>-6.2%</td>
<td>-5.2%</td>
</tr>
<tr>
<td>O2</td>
<td>69.0%</td>
<td>66.3%</td>
<td>66.3%</td>
<td>11.5%</td>
<td>3.4%</td>
<td>3.4%</td>
</tr>
<tr>
<td>O3</td>
<td>28.0%</td>
<td>30.6%</td>
<td>30.0%</td>
<td>17.6%</td>
<td>2.2%</td>
<td>-0.5%</td>
</tr>
</tbody>
</table>

*Data only available from 2005-2009
† Includes both part and full-time employees
All of the organizations’ Executive Directors spoke about how reducing employee turnover is a constant focus due to the negative impact it can potentially have on service quality. Research has documented annual turnover rates as high as 50% at child-serving agencies, especially among front-line childcare workers who have to constantly interface with very disturbed and often aggressive youths (G. A. Aarons & Sawitzky, 2006; Glisson, Dukes, & Green, 2006). Until this past year, O3 typically had the lowest turnover rates, hovering around 30%. Since 2003 O1 has had a median turnover rate of 38.0% (see Table 16), but has successfully decreased it by over 5% each year, to a low of 24% in 2009. In contrast, O2’s turnover rates have been almost double that of their peers and have actually increased over the past seven years. By virtue of their more rural locations, O2 does face more hurdles when having to attract and retain well-qualified personnel. Additionally, according to all the EDs, front-line staff have the highest turnover rates and O2 simply has more front-line workers because of its size. These caveats, however, do not fully explain O2’s comparatively very high turnover rates.

**Revenues.** The organizations’ total revenues have barely kept pace with inflation over the past dozen years (See Figure 7 and Table 17; all financial data presented in constant 2009 dollars).
However, as stated previously, total revenue figures are not very reliable measures of operations or management in organizations that rely primarily on program service revenues that can be masked by volatile and somewhat arbitrary reporting of income from private contributions and stock investments. Therefore, Table 17 breaks down the organizations’ total revenues by Form 990 line item.
Table 17: Cross-cases Analysis of Total Revenues by Source 1998-2009 (Constant 2009 $M Dollars) based on Form 990 Data

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>O1</td>
<td>$8.76</td>
<td>$10.0</td>
<td>$9.9</td>
<td>15.8%</td>
<td>0.6%</td>
<td>-1.0%</td>
</tr>
<tr>
<td>O2</td>
<td>$9.02</td>
<td>$7.3</td>
<td>$7.2</td>
<td>16.4%</td>
<td>3.2%</td>
<td>-3.1%</td>
</tr>
<tr>
<td>O3</td>
<td>$7.23</td>
<td>$8.9</td>
<td>$8.7</td>
<td>19.0%</td>
<td>1.6%</td>
<td>-2.4%</td>
</tr>
<tr>
<td><strong>Program Revenues and Grants</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>O1</td>
<td>$7.17</td>
<td>$7.2</td>
<td>$7.4</td>
<td>14.7%</td>
<td>2.3%</td>
<td>6.5%</td>
</tr>
<tr>
<td>O2</td>
<td>$7.72</td>
<td>$4.4</td>
<td>$4.0</td>
<td>31.7%</td>
<td>6.8%</td>
<td>3.9%</td>
</tr>
<tr>
<td>O3</td>
<td>$6.87</td>
<td>$5.2</td>
<td>$4.9</td>
<td>15.3%</td>
<td>4.6%</td>
<td>3.1%</td>
</tr>
<tr>
<td><strong>Direct Public Support</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>O1</td>
<td>$1.67</td>
<td>$2.4</td>
<td>$2.3</td>
<td>29.8%</td>
<td>5.2%</td>
<td>1.4%</td>
</tr>
<tr>
<td>O2</td>
<td>$0.93</td>
<td>$2.0</td>
<td>$1.8</td>
<td>48.1%</td>
<td>12.2%</td>
<td>-14.7%</td>
</tr>
<tr>
<td>O3</td>
<td>$0.80</td>
<td>$2.3</td>
<td>$2.2</td>
<td>37.8%</td>
<td>1.4%</td>
<td>-1.0%</td>
</tr>
<tr>
<td><strong>Investments and Other</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>O1</td>
<td>$(0.08)</td>
<td>$0.5</td>
<td>$0.5</td>
<td>133.9%</td>
<td>-63.7%</td>
<td>-39.9%</td>
</tr>
<tr>
<td>O2</td>
<td>$0.38</td>
<td>$0.9</td>
<td>$0.8</td>
<td>45.6%</td>
<td>-3.2%</td>
<td>-19.1%</td>
</tr>
<tr>
<td>O3</td>
<td>$(0.43)</td>
<td>$1.4</td>
<td>$1.3</td>
<td>83.0%</td>
<td>7.1%</td>
<td>-13.4%</td>
</tr>
</tbody>
</table>

O1 has garnered the steadiest and most consistent increases in direct public support, receiving double the amount of contributions than its peers in 2009. On average, however, over the past twelve years O1 and O3 have reported roughly the same levels of contributions. O2 has had lower public financial support. As for investments, O1 has seen extreme variation (133.9% relative standard deviation) but a sustained decline in their income declared from investments. O2’s returns were more stable and bigger than O1’s, but O3 really outperformed all of the other organizations. While they still saw some losses, O3’s median investment income was two to three times as much as their peers. This is because, as will be demonstrated below, their investment portfolio is almost six times as large.
When revenues from program service fees and grants are analyzed on their own, all of the organizations posted moderate gains above and beyond inflation (see Table 17 and Figure 8).

![Annual Program Service Revenue by Organization](image.png)

*Figure 8: Cross-case Analysis of Annual Program Service Revenue*

Across the twelve years, O1 and O2 had a similar mean/median annual rate of growth, but O1’s growth took place in the first half of the study period and O2’s in the latter half. On average, O1 has had the largest program service revenues of the three organizations, but after two years of program contractions, O1 was edged out by O2 in 2009 to become the largest. O3 has had smaller, but respectable and steady growth over the past twelve years.

All of the organizations were recipients of new Saint Louis Country Children’s Service Funds, which were awarded in August 2010. The EDs were ecstatic at the opening of a new and robust funding stream and reported in the Fall of 2010 that their programs were up and running and exceeding expectations. O1 was the big winner of these funds, being awarded over $2.22M for four different programs servicing older
youths. O2 received almost $1.47M, the bulk of which is for a program they are collaborating on with O3, who was awarded $1.37M. With these new funds, in 2010, O1 should exceed $9M in program service revenue for the first time, and O2 will probably be right behind them.

**Bridging deficits with reserve funds.** In addition to programmatic revenue, all of the organizations make annual withdraws from their endowment / reserve fund each year to cover operational deficits. However, all are also trying to rein in this practice. Using audited financial statements, I estimate that O1 withdrew roughly $310,000 in 2009 and $215,000 in 2010 to cover expected loss from operations. The ED commented that in the mid-1990’s, O1 was withdrawing about 15% of the fund a year for operations. According to O2’s ED, the amount they withdraw from their endowment has varied every year and has sometimes topped $1 million and has sometimes been only a few hundred thousand dollars. Over his 15-year tenure, “[O2 has] used $25 million that could have been put aside in endowment for programs because [they] were focused on the mission and not the financial end of it. And the Board willingly wanted to do that”. If necessary, they are allowed to dip into the corpus of the fund.

Given the size of O3’s reserve fund (see below), they have had the luxury of taking large sums of money to cover operational deficits. For instance, O3’s ED shared that one year they had a “$10.8 million budget [and] $2.1 million of that budget comes from our reserve fund. That’s our deficit… that’s 27% of our budget”. O3’s ED and Board know that this is not sustainable in the long-term, and have begun to make some tough decisions to decrease their deficit to preserve their reserves. In my final interview
with the ED in June 2010, he shared that O3 had recently been able to get the percentage of their budget covered by the reserve fund withdrawal to 19%.

**Program growth and efficiency.** Table 18 provides more context for the program service revenue trends depicted in the second half of Figure 8 (pg. 221)—i.e., O2 and O3’s growth and O1’s contraction. By 2004, when comparable data is available, O1 had already grown by a third by acquiring an emergency youth shelter and expanding their educational services. O2 and O3’s program service revenues had been relatively stagnant, if not declining. Coincidentally, though, it was in 2004 when these patterns began to reverse themselves and O1 became stagnant and then contracted and O2 began to rapidly expand their community-based and foster care case management (FCCM) services and create innovative new small residential treatment homes (See Table 18). Much of O2’s expansion happened outside of the Saint Louis region, markets O1 and O3 have not moved into yet and therefore could not exploit.
Table 18: Cross-case Analysis Program Finances 2004-2009 (in Constant 2009 dollars) based on organizational data

<table>
<thead>
<tr>
<th>Org</th>
<th>Direct Program Revenues&lt;sup&gt;c&lt;/sup&gt;</th>
<th>Medians</th>
<th>Clients&lt;sup&gt;*&lt;/sup&gt; ( % Δ from 2004)</th>
<th>Direct Program Expense / Client</th>
<th>Direct Cost Recovery Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
<td>2004-2009 Median</td>
<td>Median Annual Growth Rate</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Residential Treatment
| O1   | $3,437K | $3,783K | -0.8% | 170 (1%) | $28,107 | 84.4% |
| O2   | $4,397K | $3,561K | 10.8% | 274 (-16%) | $15,257 | 85.7% |
| O3   | $2,806K | $2,673K | 1.8% | 147<sup>a</sup> (5%) | $16,392 | 71.3% |
| Community-Based Services
| O1   | $2,489K | $3,802K | -5.8% | 664 (42%) | $6,436 | 84.5% |
| O2   | $614K | $483K | 30.4% | 739 (487%) | $847 | 91.5% |
| O3   | $3,368K | $2,935K | 6.9% | 1060 (-36%) | $3,701 | 78.8% |
| Foster Care Case Management<sup>b</sup>
| O1   | $516K | $375K | 18.8% | 64 (5%) | $7,042 | 102.9% |
| O2   | $2,512K | $1,656K | 37.1% | 362 (85%) | $5,659 | 105.5% |
| O3   | $841K | $586K | 19.9% | 155 (28%) | $3,773 | 110.9% |
| TOTAL<sup>c</sup>
| O1   | $6,442K | $7,754K | 1.0% | 1023 (16%) | $9,243 | 83.9% |
| O2   | $7,523K | $4,937K | 20.7% | 1255 (173%) | $4,985 | 89.3% |
| O3   | $7,015K | $6,098K | 5.6% | 1222 (-15%) | $6,165 | 76.7% |

* Includes duplicates (clients served in more than one program)
<sup>a</sup> Includes Transitional Living Program clients in Saint Louis
<sup>b</sup> Data only available from 2006-2009
<sup>c</sup> Based on operational data provided by organizations and differs slightly from Form 990 data

Operating programs outside of the Saint Louis metropolitan region may be a reason why O2’s direct program expenses per client are lower than their peers. It can be assumed that personnel and other costs may be lower in other areas of the state.
However, in the case of community-based services, where O2’s expense per client is astoundingly lower, personnel costs alone cannot explain the difference. Unlike residential treatment or FCCM, community-based services can range anywhere from the capital-intensive, 24-hour care of transitional living facilities to the one-on-one meetings in the community between a mentor and a child. The cost structure of each program varies dramatically and cannot, with the available information, be analyzed in detail. What is known is that O2’s community-based services growth is concentrated in lower-investment programs, like mentoring and transportation. O1 and 03’s service arrays are a mix of residential-like services to older youth and education, with O3 also running a large counseling center.

Differential cost structures cannot, however, explain why O1 spends almost twice as much as their peers to treat each child in their residential care. It is possible that differences in cost allocation and accounting standards among the organizations could explain O1’s consistently higher expenses per client across all the programs, but it is unlikely that it can explain the two-fold difference in residential treatment costs. When provided with preliminary data similar to that above, O1’s ED was very surprised by the residential treatment numbers and said he would “definitely look into it.” He commented that some of the difference may be because O1 maintains lower staff:client ratios and higher educational requirements for front-line workers (in an effort to ensure high quality), but admits that these alone could not explain the two-fold discrepancy.

Oddly, despite O1’s higher expenses per client, they recover more of those expenses in program service revenues than lower-costing O3. This adds further evidence to the hypothesis that the organizations are accounting for things differently. Even with
additional private funding, it is very hard to believe that O1’s residential programs are successfully getting paid twice as much as their peers with nearly identical contract with the state. Overall, O2’s recovery rate has been consistently higher than its peers, more than 12% higher than O3’s. Although O3 has been most successful at recovering their expenses in their relatively-new FCCM program, proving there are capable of controlling expenses relative to income.

**Administrative efficiency.** O2 did not separate fundraising expenses from management and general expenses on their Form 990 until 2002. Therefore, only eight years of comparative data were available across the three study organizations. Over that period, the organizations have had relatively similar administrative overhead as a percentage of their total expenses (See Table 19). However, in recent years, all of the organizations have cut their administrative costs, especially O2 who dedicated just 7.1% of their expenses to administrative costs in 2009. However, O2’s costs have also been the most volatile.

Table 19: *Cross-cases Analysis of Management Efficiency (2002-2009)*

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<thead>
<tr>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Administrative Costs as % of Expenses*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>O1</td>
<td>10.1%</td>
<td>10.8%</td>
<td>10.4%</td>
<td>1.3%</td>
<td>-25.8%</td>
<td>-3.8%</td>
</tr>
<tr>
<td>O2</td>
<td>7.1%</td>
<td>10.5%</td>
<td>11.7%</td>
<td>2.6%</td>
<td>-43.4%</td>
<td>-7.0%</td>
</tr>
<tr>
<td>O3</td>
<td>9.7%</td>
<td>11.0%</td>
<td>10.9%</td>
<td>1.2%</td>
<td>-5.0%</td>
<td>0.2%</td>
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<tr>
<td></td>
<td></td>
<td>Fundraising Efficiency (Return for each $ spent)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>O1</td>
<td>$3.1</td>
<td>$4.6</td>
<td>$4.2</td>
<td>23.1%</td>
<td>1.3%</td>
<td>-2.7%</td>
</tr>
<tr>
<td>O2</td>
<td>$1.6</td>
<td>$3.3</td>
<td>$3.1</td>
<td>65.6%</td>
<td>19.2%</td>
<td>-52.4%</td>
</tr>
<tr>
<td>O3</td>
<td>$2.2</td>
<td>$3.5</td>
<td>$3.5</td>
<td>36.8%</td>
<td>12.1%</td>
<td>15.8%</td>
</tr>
</tbody>
</table>

*Note: Until 2002, O2 lumped together administrative and fundraising expenses, therefore meaningful comparisons could only be made on eight years of data.

O2’s fundraising efficiency has also been much more volatile and slightly lower than its peers, perhaps due to the organizations’ cutbacks and restructuring of the
department. O1, on the other hand, has consistently raised at least $1 more than its peers for every dollar it spent on fundraising.

**Debt and liquidity.** O3’s massive reserve fund translates into an unrivaled position with respect to debt and liquidity (see Table 20). In 2009, O3’s reserve fund balance was four times O1’s and eight times O2’s. Historically, O3’s reserves have been five to six times larger than its peers, leading them to have the lowest debt ratio and highest equity balance and days of cash on hand. They have also managed their funds well, making their balances half as volatile as O1 and O2’s. Despite large losses in the recent market collapse, O1 has managed to recover more quickly than O2, increasing its equity balance and decreasing its debt ratio. As of 2009, O2 was in the weakest debt and liquidity position, but had a reasonable track record when compared to O1 over the past twelve years.

<table>
<thead>
<tr>
<th>Table 20: Cross-cases Analysis of Debt and Liquidity Position (1998-2009)</th>
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<tbody>
<tr>
<td>Debt Ratio</td>
</tr>
<tr>
<td>O1</td>
</tr>
<tr>
<td>O2</td>
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<tr>
<td>O3</td>
</tr>
<tr>
<td>Equity Balance</td>
</tr>
<tr>
<td>O1</td>
</tr>
<tr>
<td>O2</td>
</tr>
<tr>
<td>O3</td>
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<tr>
<td>Total Investments / Reserve Fund Balance (Constant 2009 $M dollars)</td>
</tr>
<tr>
<td>O1</td>
</tr>
<tr>
<td>O2</td>
</tr>
<tr>
<td>O3</td>
</tr>
<tr>
<td>Days of Cash on Hand</td>
</tr>
<tr>
<td>O1</td>
</tr>
<tr>
<td>O2</td>
</tr>
<tr>
<td>O3</td>
</tr>
</tbody>
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Overall Organizational Performance

It is extremely difficult to assert that one of the three study organizations has performed the best or worst since they have all excelled and struggled in different areas. By and large, all of the organizations are providing good quality services, though the sector could benefit from standardizing outcome success and direct program expense measures and O1 needs to improve their foster care permanency rates. However, taking everything into consideration, I believe O1 has the strongest overall performance, with O2 a close second, but for different reasons. This is not to say that O3 has had poor performance, but their performance doesn’t stand out from its peers, except with respect to their large reserve fund balance. O3’s performance has been mixed: they have grown with the help of expanded FCCM contracts, but they were the only organization to reduce the number of clients served in community-based services and they continue to have the lowest expense recovery rate and weakest competitive position. Despite contractions, they still have a relatively large footprint in the community and a highly-diversified portfolio of programs. This could be a strength going forward, though it could also weigh them down and inhibit strategic focus.

O1 stands out for their stability on a number of indicators, as well as for their high residential occupancy rates, decreasing employee turnover and strong fundraising results. While their 2008 and 2009 revenues were disappointing, they have had a dramatic bounce back in 2010 and 2011, according to their ED. O1 seems to have achieved at least some of the balanced performance their Scorecard strives for and they have built a strong foundation for sustainability. In contrast, O2 stands out for their highs and lows. They have seen extreme growth in clients served and have dramatically cut costs and
increased their rate of revenue recovery, putting them in a strong competitive position, at least for now. However, they have also struggled with consistently high and increasing turnover rates almost double their peers and on many of the indicators they have also posted the most volatile performance over the past 12 years. O2’s efforts to increase revenue and decrease costs have definitely been realized, especially in the most recent years, but the possible consequences—high turnover and low fundraising—could eventually limit growth. Furthermore, their rapid expansion into many different program areas across many regions of the state may prove an increasingly difficult management and coordination task.

**Informants’ Views on Formal Processes’ Impact on Performance**

O1’s ED is confident the BSC has improved certain areas of operational performance, but is dubious about how much their strategic planning processes directly impact global organizational performance. However, he does feel that it has helped solidify O1’s reputation for being well-managed and that the process has created “a locus of control and support that makes [O1] much more planful and feel much more in charge of where [they’re] going. So rather than just being totally blown about by the winds of change and get seduced into trend surfing…[he] feels reasonably in charge”. It also helps him and his staff remain accountable and focus “on outcomes rather than means”, which has, in his opinion, led to better morale and decision making.

In a final reflection, none of the informants at O2 felt that their formal strategic plan helped guide their achievements. For example, one informant mused that, “we’ve set goals that really pulled us along, but that may be because of leadership pulling us along, rather than leadership with a plan which we were focused on…I think those
personalities have pulled us along more than a strategic plan… I don’t think we’ve ever
had well-developed strategic plans in which we really regularly focused and measured
and moved towards those”. Instead the movement has been incremental, personal, and
informal. In each interaction and decision over the past 15 years, O2’s leader has been
driving home the message that “quality of care is important. However, we can’t do it
independent of cost”.

At O3, like at O2, informants did not feel that their formal strategy formation
process impacted their performance. Instead, most cited their reserve fund for allowing
the balancing of priorities without having to go into survival mode, unlike many of their
counterparts. They have been able to remain relentlessly focused on their mission and
employees, using their reserve fund to “get through the humps” and not close programs
just for the bottom line. One informant said the reserve fund has allowed them to, “do
what we feel is right, then figure out how to pay for that later”. Despite the latitude their
reserve fund has afforded them, several informants at O3 highlighted how much of their
performance is driven by external environmental conditions that they have very little
control over. One remarked, “eighty percent of what happens to us is not governed by us
yet, if the state runs out of money tomorrow, it doesn't really matter…there's so many
things that can change after we make a decision”.

**Unpacking the Planning-Performance Link**

From all of my analysis, it appears that the key strategies the three study
organizations have pursued over the past 12-years were well-aligned with the demands
from the external environment; therefore, if the intended strategies were well
implemented it stands to reason that the organizations would see concomitant
performance gains. For this next link in the causal chain between strategy formation and organizational performance to be supported, the patterns of differences in realized strategy (i.e., how successful implementation was) would need be mirrored by differences in organizational performance. The performance information presented above does show such patterns, especially in the case of FCCM. O2 aggressively pursued this strategy and implemented it very well. The result was client growth seventeen times that of O1’s, and revenues growth twice as much as both O1 and O2’s. In contrast, O1 initially tripped with their implementation and saw relatively poor outcomes and a reduced contract.

The goal of Aim 5 was to clarify causal mechanisms and explore patterns of how strategy implementation mediates the relationship between strategy formation and organizational performance. This Aim was developed in response to many empirical studies that have linked formalized strategic planning with improved organizational performance with a prescriptive if/then logic that fails to provide insight into why or how the relationship exists and often omits the crucial mediating variable of strategy implementation (W. F. Crittenden & V. L. Crittenden, 2000; Hutzschenreuter & Kleindienst, 2006; C. C. Miller & Cardinal, 1994; Stone et al., 1999). Findings from the current study resulted in a revised conceptual model of strategic management (see Figure 9) and some beginning hypotheses about what may be behind the planning-performance link, at least in non-profit organizations.
Strategic management, as related to organizational performance, is often studied as a black box. The current study attempted to open it up, and revealed that formalized strategic planning has a fairly insignificant impact on chosen strategies, and therefore performance, and that variation in implementation processes has a strong mediating role. The cross-case analysis summaries for Aims 2, 3 and 4 presented above explain most of the relationships depicted in Figure 9 and why they were modified from the initial model in Figure 1 (Chapter 1, pg. 25).

One other modification to the model relates to time delays. Not only is there a time delay between realizing a strategy and seeing its impact on performance (a time delay depicted in the original model), but the study revealed that there can also be a significant time delay between beginning to implement a strategy and it being fully realized. This is mainly the case for larger-scale strategies, like program diversification.
or growth that often get formed via day-to-day strategizing as opposed to strategic planning. Surprisingly, given the field’s assumptions about strategic planning, formal planning seems to generate more operations-focused goals that can realistically be accomplished in a relatively short period of time. This may be a function of the shortened, three-year planning horizon, or it might be another indication of the perfunctory, codifying nature planning has assumed.

In highlighting the nominal role of strategic planning, the model begs the question of what impact formal planning could possibly have. O2 and O3 engage in episodic planning mainly because of coercive mandates, but O1 has figured out how to harness the process for good. O1’s strategic planning process has actually positively impacted their performance, but in a more circuitous way than is usually hypothesized. Their deployment of the Balanced Scorecard does not optimize their decision making within the confines of episodic strategic planning, but rather has been used as a catalyst for the building of analytical and performance monitoring capabilities that has in turn influenced their strategic choices and implementation. O1’s use of the BSC as a planning tool has helped its leaders communicate a rationale and urgency for change and increased its members’ comfort with formalization and data. It has also expanded the organization’s definition of performance beyond just growth and aligned their governance structure to provide better oversight. O1’s approach to day-to-day strategy formation and implementation has then been steeped in this transformed culture. Feedback of this kind appears to be rare in organizations for which planning is seen as an obligatory one-off exercise. Most likely, another organization wishing to have a similar cultural transformation could do so without using a Balanced Scorecard tool, but it has certainly
helped O1 improve their performance. This point also highlights the fact that while O1’s capabilities may currently be rare and potentially valuable, they may be imitable, though the social complexity of the capability may make this difficult.

The revised conceptual model leads me to posit that the statistical relationship frequently found between engaging in strategic planning and improved organizational performance (Hutzschenreuter & Kleindienst, 2006) may be spurious, both being caused by an organizational culture that is sensitive to and accommodating of external environmental demands. This type of culture helps ensure that the organization complies with the strong pressures to plan and facilitates its choice of the “right” strategies via day-to-day strategizing. It is these well-aligned strategies that cause performance gains and it is variation in implementation and poor measurement that causes troublesome variance in predictive models. The causal mechanisms of good performance appear to involve person-centered rather than process-centered variables. Yes, strategy formation and implementation processes are important to understand, but not as static yes/no checklists of process components so common and bemoaned in empirical strategy process research (Boyd & Reuning-Elliott, 1998). The dynamic inner-workings of the organizations’ leadership, culture and routines, broadly their dynamic capabilities, need to be paid more attention.

**Lessons Gleaned from O5**

As explained in the Methods chapter, toward the end of the data collection period it became apparent that a piece of the story regarding the performance within this subsector of children’s mental health organizations was missing. O5, was cited by an ED
Executive-driven Culture Urgently Focused on Growth and Influence

O5 has been run by the same energetic and charismatic Executive Director since 1999. The ED is a trained clinician with an MSW and a background in adolescent treatment. Since taking the helm he has transformed the culture from being “very militaristic” to being focused on empowerment, quality and growth. According to the ED, the organization’s culture is moderately formal; there are clear roles and lines of authority, but he tries to also maintain a certain level of flexibility and responsiveness, begging and borrowing different tools and management trends as he sees fit to meet the current organizational needs. From my interactions with him and from the stories he told while being interviewed, I surmised that O5’s ED has a laser focus and sense of urgency for change, but this is coupled with patience and political savvy that allows him to
identify the right time to move to make his strategic initiatives successful. He is a shrewd politician, and compared to the other Executive Directors seems to exercise his executive authority more frequently, though he does value and seek out feedback from staff from all levels of the organization.

Like all the EDs, O5’s ED is “absolutely driven” to improve the lives of children, but he goes beyond just the kids in Missouri to having a desire to impact national child welfare policy. He shared that this passion was stoked by attending the first ever Surgeon General’s conference on children’s mental health issues in 2001. He was appalled at the fact that the country had never had a conference on this “significant and serious problem”, and came away from the meeting convinced that his sector had to do a better job advocating on behalf of their clients and demonstrating measurable outcomes that other professions would take seriously.

He ultimately wants to put children’s mental health issues on the radar screen of politicians and average Americans. In order to do this, he recognized that the organization had to be of a size to be taken seriously. Therefore, O5

…made a conscious decision early on when [the ED] took over that we’re going to have to expand and we figured we needed to get to a certain size in order to really influence the child public policy piece…if you’re just always a small apple player, then anybody can come in and tell you how you’re going to treat kids and how much money they’re going to give you to treat them and so it was a conscious decision to expand and so that’s when we went out on.

Over the past twelve years they pursued many of the same operational strategies as the three study organizations, but with a unique macro-level perspective that guided an overarching vision of becoming a game-changing organization. O5 is the only organization that has pursued a leadership strategy, one of only a handful of competitive strategies that can yield sustainable advantage in a declining industry (Harrigan & Porter,
They have systematically acquired competitors and continually raised the stakes for those remaining in the sector.

Several years ago O5’s ED accurately predicted which administrative capabilities would be required in the future he wanted to create. The organization has found creative ways to build capacity in the areas of data collection and management and now they are reaping the rewards and hoping to change the rules of the game in his favor by advocating for a more “performance-based mental health system”. O5’s ED feels that “if I’m not performing then I shouldn’t get the kids, but if I am performing, then I should get the kids,” compared to the current system where “a sister agency can promote anecdotal data…but they can have a lot less staff and they can have a lot less quality.” The ED doesn’t shy away from being competitive. He truly believes he provides a superior product that should be rewarded and feels that some of his peers are afraid of change and simply didn’t do their homework to build the increasingly necessary capabilities. He commented, “We did the hard work, now it’s time to put some folks out of business who didn’t do the hard work and spend the money and their blood, sweat, and tears to do it.”

**Outstanding Performance**

As was explained above, O5 was approached toward the end of the study period and therefore only a limited amount of data was gathered. Only publically available Form 990 financial data and annual reports were collected and analyzed; therefore, a comparison of O5’s performance across all indicators is not possible. However, what is available reveals a pattern of consistent outperformance.

**Strong strategic position.** When compared to the study organizations, O5’s strategic position could be seen as similar to O2’s with respect to costs, but much more
aggressively in front on service diversity. O5 serves clients from nearly every county in Missouri with a diverse array of programs including residential treatment, parenting training, foster care case management, homeless youth services, therapeutic recreation, and day care. O5’s scale and scope make them rather unique among their peers and gives them considerable clout. The ED said, “I think [our continuum of services is] very much respected, and so I think in Jeff City and decision makers’ offices that they very rarely will make a decision that will affect the child welfare industry without talking to [O5] first and see what our thoughts are. Now that’s a very good position to be in.” In 2009, O5 merged with a Saint Louis-based children’s mental health organization was very similar to the three study organizations. With this move, O5 became a more direct and stronger competitor of O1, O2 and O3.

Large client growth and consistent service diversification. According to their 990s, O5’s residential treatment programs served 3,039 kids in 2009 and touched over 9,600 families’ lives. Since 1998 the number of kids they serve has grown by over 500%, with much of their growth coming in 2001 and 2002 on the heels of a large merger in the central region of the state and a revamping of their largest residential treatment facility. Their recent Saint Louis merger increased their client population by 33% in 2009. Based on calculations from figures in their recent annual reports, O5 has dramatically diversified their programming in the past few years. In 2006 only 28% of their clients were being treated in community-based services (not including FCCM). By 2009 that percentage had increased to 47%.

Steady revenue and investment growth. O5 has seen tremendous and steady total revenue growth over the past decade. Even when accounting for inflation, O5’s
total revenue has grown, on average, 6.8% (median = 4.3%; SD = 15.6%) every year since 1998. Of the organizations studied, O5 was the only one to achieve positive median total revenue annual growth between 1998 and 2009 when their financial figures are put into constant dollars (see Figure 10).

Figure 10: O5 Total Annual Revenue Compared to Study Organizations'

Figure 11: O5's Annual Program Service Revenue Compared to Study Organizations'
O5 posted program service revenues of $25.4 million in 2009, up an astounding 109% from 1998 revenues in constant 2009 dollars (see Figure 11). O5’s revenues and raw 12-year growth rate dwarf those of the other study participants ($M = 56.0%; Range = 22.5% - 86.1%), which is why it was felt essential to speak with the ED about their strategic management and performance. Annual growth of O5’s direct public support has been volatile ($SD = 73.0%), but overall very strong (average = 21.9%; median = 12.9%). On average, O5 posted $3.5 million (median = $3.0 million; SD = $1.53 million) in revenues from direct public support each year.

O5 has never run a negative operating margin or dipped into their endowment to fund general operations. While their reserve fund has been used to fund major capital investments, such as the purchase of property, according to the ED, “[The endowment is] there for perhaps a rainy day, we’ve never had to use it for that...[O5’s] board has never, never allowed me to do [withdraw for operations].” This may be a bit of a misnomer, however, since the organization does use the majority of its annual direct public support and investment income to balance their budget. The legal and filing separation between the two entities makes the line clearer, but I did not find out how O5 decides how much goes into revenue versus the endowment each year.

O5 does have a large reserve fund, which is primarily managed by its separate 501(c)3 mentioned above. Together, both that entity and the services organization have held an average of $27.8 million (median = $27.2 million; SD = $4.2 million) in securities over the past 12 years, slightly more than O3. Despite volatile declared revenues from investment activities, O5 is the only one of the study organizations to have posted a positive average annual growth rate of its investment holdings (4.4%; median =
6.0%; SD = 12.7%) in the 12 years between 1998 and 2009. This strong investment performance has resulted in a healthy debt and liquidity position.

**Highly efficient operations.** O5’s management and general expenses accounted for 8.0% of their 2009 expenses. In general, O5 has maintained its overhead at between 7-8% (SD = 2.0%) of total expenses for the past 12 years. Compared to the other organizations studied, O5 has a lower and more consistent overhead. O5’s ED commented that the organization’s leadership has made “a very conscious decision that we’re going to be as streamlined and as efficient and as effective as we can be”. The ED “pays very close attention” to administrative expense ratios and never lets it exceed 13% of total revenues. He also hired a CFO from the for-profit world he credits with finding a lot of efficiencies and harnessing technology to streamline operations. One area in which O5 is not as efficient as its peers is in fundraising. While they have recently been successful at increasing the return on every dollar spent fundraising, their average amount raised per dollar is still almost 35% less than O1, the most efficient fundraiser.

**Balanced performance.** Overall, O5’s performance over the past decade has been stupendous, rapidly pulling away from its main peer group in terms of size and impact. O5 has doubled its program service revenues, even after taking into account inflation. They have balanced aggressive program and geographic expansion with solid progress in the areas of development and IT infrastructure and have sound fiscal and investment management, demonstrating an understanding of the need to build strong administrative capabilities to support programmatic activities. The organization seems poised to grow even bigger in the coming decade, with plans to expand outside of the State’s borders and possibly into new demographics.
Strategic Management at O5

Because I did not do an in-depth study of O5’s strategic management I cannot say with certainty what caused their unparalleled performance. However, my conversations with O5’s ED did generally confirm the relationships and pathways depicted in the revised conceptual model of strategic management presented in Figure 9 (pg. 232). For instance, their strategic planning process is used mainly as an implementation planning tool and has little to no impact on their intended strategies. In fact, their process does not rely on a SWOT analysis, but rather starts with the ED’s strategic goals for the planning horizon and then seeks consensus-building and implementation steps around these ideas. As would be expected from the model, O5’s performance seems to be connected to their distinct internal organizational context and approach to implementing key strategies, both of which are extremely competitively-oriented.

As was explained above, O5 has a very high sense of urgency and is focused on growth and influence. Their urgency is not frantically driven by perceived uncontrollable environmental demands, but rather by a desire to amass enough competitive advantage so that they can drive trends in the sector and ultimately impact State and National child welfare policy. The ED has created and fostered this culture. Since making the conscious decision to grow over a decade ago, he has developed a long-term vision for the organization and has consistently and passionately communicated it and motivated people to execute the strategies necessary to achieve it.

O5’s vision is unique among its peers. Its members have articulated a macro-level competitive positioning strategy that guides all of their other strategic actions. In contrast, the study organizations lack sweeping visions of how they are going to create
sustained competitive advantage. They don’t seem to have the palpable sense of manifest
destiny that O5 does. If they have a vision statement, it is typically a rehashing of their
missions, focused on their clients. O5’s formally articulated vision provides direction as
to where the organization, not its clients, should be headed; it takes the competitive
dynamics of the sector into consideration and provides a forward-looking organizing
principle to guide day-to-day strategizing. I have no doubt that the study organizations’
EDs have very passionately-held visions of where they would like their organizations to
be in the future, but it is not clear how much the competitive realities of the sector have
informed these hopes and dreams.

The competitive-orientation at O5 has influenced their implementation processes.
The ED is much more comfortable than his peers with shaking up the status quo and
consolidating the sector when advantageous. For example, even though O5 has had the
same broad intended strategy of program diversification and growth, instead of growing
programs organically like the study organizations, O5 has methodically followed a
pattern of merging to eliminate regional competition and then augmenting community-
based services from these regional bases. This tactic leveraged existing regional
networks and expertise to hasten organizational growth while solidifying their
competitive advantage.

While there are other differences between O5 and the other study organizations’
contexts and strategic management processes, the throughline that seems to really set
them apart and impact their performance is their comfort with thinking in competitive
terms and their constant awareness of the bigger picture. Thinking about the bigger
picture, be it within a particular region, the State, or the Nation, has helped O5 stay
focused on the long-term vision of growth and administrative capability development that has helped them feel more in control of where they are headed. All the organizations struggle with the fast-paced change and unpredictability in the external environment. O2 has decided that they therefore can’t plan very far out, whereas O1 is attempting to plan and monitor as much as possible. O5 accepted the uncertainty and developed a strategic vision that is allowing them to control more and more of it by becoming a dominant and influential player in the sector.
CHAPTER SIX: IMPLICATIONS AND NEXT STEPS

The current study was undertaken to document the strategic management processes in several nonprofit organizations in order to explore whether and how variation in strategy formation impacts performance. It also tested the assumption widely promulgated in the literature and among professional groups that structure and formalization is a key aspect of success. By using a unique most-similar multiple case study design, noise caused by external environmental factors was virtually eliminated, allowing me to focus exclusively on how variations within internal processes and contexts may explain different performance trajectories. What I found flies in the face of much of the current prescriptive literature and calls into question the strategic planning industry.

The most significant finding is that episodic strategic planning does little to inform strategy content. Instead, strategy formation is an organic and continual process in which organizational leaders use their experience and best judgment on a day-to-day basis to incrementally craft their strategy. Many executives and a few researchers (namely Mintzberg) have been saying this for years, but have been drowned out by consultants eager to work with organizations and academics eager to impose structure on an inherently messy process. What seems to matter to an organization’s performance more than the comprehensiveness or formalization of a process executed every three years is having a culture that urgently and continually inspires action and that is capable of implementing a variety of strategies that support a long-term vision aligned with external demands and competitive reality.
Internal organizational context’s centrality extends into the causal mechanisms underlying the documented link between formal planning and organizational performance. The findings suggest that this is a spurious relationship, with both the independent and dependent variable being caused by a receptive, semi-formal, yet adaptable culture. These same organizational attributes help foster implementation success, a key mediating variable between choosing the right strategy and seeing its positive impact on performance. While the current study did not make as much progress as hoped for in delineating key implementation process components and relevant domains of variation, its findings did solidify implementation’s importance as a variable of interest. They also supported the idea that the best process is contingent upon the demands of the chosen strategy. Therefore, an organization needs to have multiple implementation capabilities, rather than always relying on certain routines.

**Implications**

**For Organizational Leaders**

The participating organizations have stayed afloat through many changing tides. Their success can be credited, in part, to their openness and engagement with the external environment that fosters effective real-time strategy formation. Their strong mission-driven and collaborative spirit has also seen them through hard times and helped them create lasting and significant sector-wide change. Struggling organizations would do well to emulate many of the participating organizations’ traits. Despite their many strengths however, the study’s findings did point to several key areas that, if improved,
may further strengthen the organizations’ competitive advantage and lead to more sustainability across the sector.

Most importantly, the organizations’ approach to strategic planning needs to be augmented to actually support the discovery of novel strategic insights, namely by adding a more externally-focused long-view competitive analysis to their planning processes. Performing a SWOT analysis offers very little new understanding. Simply by being active managers the participants are intimately aware of their strengths, weaknesses, opportunities and threats. By the time they sit down around a table to engage in strategic planning they have already deftly identified their possible actions and chosen the seemingly best one in real time because the market demands rapid response. Instead of focusing on doing an organizational assessment, the organizations could benefit from doing an industry assessment similar to the process in Aim 1. The time already ritualistically set aside for planning could be a perfect chance to pull back and get the 20,000 foot view of the competition and create a broad strategic vision of how the organization is going to gain and maintain advantage. This would shore up a key weakness for the organizations and bring strategic planning back in line with its name and original purpose. It also meets the desire some informants expressed to have more expansive visioning conversations.

Integrating competitive analysis into the planning process should not, necessarily, come at the expense of other current processes. Even though I did not find clear performance benefits flowing directly from engaging in strategic planning in its current form, there may be several reasons to still do so. First, strategic planning is still required, or at least expected, by many stakeholders. The institutional pressures to “plan” are high
and will likely be so for the foreseeable future. Second, because of these pressures, engaging in episodic strategic planning may now be a prerequisite to operating at all. I did not study an organization that does no planning (if one exists), and therefore cannot say that not planning is actually a viable option. Thirdly, while strategic planning is clearly not the venue in which most flashes of strategic insight or creativity happen, it is quite possible that some sort of episodic group process it needed for moving nascent or emergent strategic ideas into the mainstream where they can become full-fledged intended strategies worthy of implementation planning and monitoring.

The second area that the organizations could strengthen is their repertoire of implementation capabilities. The findings suggested that implementation processes are not one-size-fits-all. Tailoring them to the needs of the strategy yields better success and therefore better performance (assuming it is a well-aligned strategy). Each of the organizations has a preferred approach, varying based on the degree of formalization, which they seem to apply to almost everything. Having a suite of implementation routines (formal monitoring, piloting, ways to capture informal feedback, etc.) and devising a process to identify which is best suited to the task at hand would increase the organization’s chance of success.

However, since implementation success was also found to be related to how well the implementation process matched the organization’s internal context, the organizations need to ensure that they develop a culture that can comfortably handle a variety of modes of operating. This is a process that is symbiotic with developing a wide repertoire of implementation skills and can be done in a variety of ways. O1’s institutionalization of
the Balanced Scorecard is an example of how an implementation tactic can be used to foster a particular type of culture.

O1 has successfully created a highly formalized, well-aligned culture, but they have stumbled in areas that have required more informal actions. Their experience highlights an area for possible improvement for all of the organizations, learning to be simultaneously adaptable and recursive. The study organizations have coalesced around one mode or the other. O1 has prized recursiveness, while O2 has prided themselves on being adaptable; O3 has been somewhere in between. All of the organizations’ approaches have had some success, but it seems that simultaneously and aggressively occupying both spaces is even more advantageous. As O5’s ED said, ‘it’s not an ‘either/or’, it’s an ‘and’.” O5 has been both innovative and controlled which, when coupled with a clear and bullish vision, allowed them to surpass its competition and build a strong foundation for future growth. Mastering this seeming dichotomy is a feat of leadership and requires constant vigilance against becoming too tightly coupled with any one philosophy other than dogged pursuance of the strategic vision.

On a brief side note: the organizations’ hesitancy about engaging in overt competitive action, or even thinking, is understandable given the history of the nonprofit sector and the very real necessity to collaborate in order to have a viable voice in talks with the government and pool scarce resources. However, it may only take one competitively-oriented organization, such as O5, to shake up the status quo within a local ecology of organizations. The reality of this implores the organizations to develop a comfort level with the notion of competition and integrate it into their culture so they are not caught off-guard and forced to play catch up using rules not in their favor. The
tension between collaboration and competition is yet another duality organizational leaders will need to master.

**For Accreditation Bodies and Funders**

Nonprofit organizations often engage in formal strategic planning partly because they are mandated to do so by accreditation bodies and funders; but, possession of a strategic plan does not seem correlated with much. “Good” organizations go through strategic planning because they have the capacity to do so and because they pay attention to external demands. My findings suggest that COA and other bodies should further examine the evidence supporting their requirement for a strategic plan and consider how to measure and reward the development of a broad suite of capabilities (such as fiscal management, data collection and reporting, etc.). Perhaps accreditation organization and funders could develop sector-wide performance or organizational capability measures. Performance measures are now more easily tracked and benchmarking could be a useful service they could provide to their organizations. Helping organizations operationalize and build capacities in multiple areas related to performance would be much more useful than forcing them to plan in a ritualistic way.

**For Measurement and Research**

As stated in Chapter 1, researchers are still trying to develop relevant and sensitive measures of strategy formation (W. F. Crittenden, 2000; W. F. Crittenden & V. L. Crittenden, 1997; W. F. Crittenden et al., 2004; Katsioloudes & Tymon, 2003). Using current measures, such as checklists of activities or tools, would not have revealed the major and important differences between the study organizations. They all do very similar things—SWOT analysis, limited financial forecasting, budgeting and resource
allocation, hold retreats, etc. Fundamentally, the study’s findings drive home the fact that measuring components of the episodic strategic planning process is not very helpful. Rather, the important work of strategy formation gets done in day-to-day thinking and actions, which are unfortunately very difficult to measure. Going forward researchers need to acknowledge this reality and creatively face the challenge of measurement instead of relying on ill-fitting, siloed notions of planning.

The budding stem of “strategy-as-practice” research offers some promising ideas and foci that should be fully embraced and integrated by mainstream strategy process researchers. This paradigm’s elevation of internal organizational context and the individual actions of the strategist is important, but needs conceptual refinement and measurement tools. My analysis of internal culture was somewhat crude partly because of a lack of robust measures. Further developing theories and measures of organizational context would be a worthwhile step on the quest to understand what drives superior performance.

A key underpinning to progress in theory and measurement development will be a concomitant refinement and expansion of the language available to describe organizational culture and strategic management processes. Throughout the data collection, analysis and especially writing phases of this study, I often found myself having to resort to simplifications, overgeneralizations and linear descriptions that do not fully capture the complexity of what happens in the organizations. My understanding is more nuanced and dynamic than I was able to formally commit to paper, in large part because of the limitations of the written word and the static and stale terminology used in this area of research. Adoption of terms such as “strategic management” and
“strategizing” in place of “strategic planning”, with all its formalized implications, is a good step, but more needs to be done to push the boundaries of language to allow for more clarity and room to describe reality.

In addition to advances in language and measurement about strategy formation and organizational context, the field also needs to develop a much better understanding of strategy implementation. According to the current study’s findings, these two variables are the keys to explaining the causal mechanisms undergirding the planning-performance link so many studies try to demonstrate (Hutzschenreuter & Kleindienst, 2006). Strategy implementation research is in its infancy. The current study tested an existing framework developed by Miller (1997) to explain implementation success, but most of her variables had an inconsistent or nonexistent relationship to the success of the study organizations’ strategy implementation. Clearly much more research is needed on this front.

In general, there is a need to move away from thinking about strategic management as a series of monolithic processes organizations move through, toward an organic contextualized interaction between leaders and their environment. Strategy process researchers have begun to pay lip service to these ideas, but few have altered their research designs to be aligned with this new appreciation. Focus on context and contingencies do not lend themselves to standardized measurement development, but rather call for more in-depth case studies, especially longitudinal, in-situ case studies. These are very time consuming and do not lend themselves to the typical funding and publishing cycles of academia in social work or business. In the interest of true scientific progress, organizational researchers need to advocate for resources and recognition for case studies. Furthermore, when embarking on a case study researchers should give more
thought to designing studies so that hypotheses can be tested as opposed to just providing description.

On a final note, while the current study focuses on non-profit children’s mental health organizations, I did not find any evidence to suggest that their strategic management processes were shaped by their nonprofit designation. There is an assumption in a lot of literature, which I myself was guilty of, that nonprofit management is somehow unique from their for-profit brethren. This assumption should be empirically explored. It is quite possible that the true difference lies in the size and resources of the organization and not their 501(c)3 status.

Limitations

Several factors limiting the generalizability of the findings based on the study design and sampling were previously mentioned at the end of Chapter Three. These were namely the basic nature of case studies, the narrow sector and geographic scope of the sampling and the bias toward well-performing organizations. Over the course of my analysis several other limitations were discovered. First and foremost, studying processes retrospectively is extremely challenging. Detail was clearly lost. While key informants tried their best to recall components of the process or their motivations and impact over the past decade, many struggled. This seemed particularly true for information about implementation processes, possibly because these actions are so enmeshed with their daily routines and job descriptions that they do not rise to the level of importance or distinctness to form strong memories. Interviewing multiple key informants and collecting of organizational documents did help fill in some of the gray
areas, but richness was definitely compromised. For this type of detail, studying process over time, in situ, would be the best approach, and researchers must find a way to do this despite its time and resource intensity.

In addition to recall bias, selection bias may have also limited my findings. Because I had to rely on the Executive Directors to identify and reach out to potential key informants, I may not have received complete information, especially about the organizations’ internal contexts. I tried to elicit unbiased feedback from the people I did speak to by promising anonymity and reassuring them that there would be no repercussions to their decision as to whether or not to be interviewed. Only interviewing high-level staff members also hindered my ability to fully vet my impressions of the organizations, but given the content of the interviews and the limited data collection window, this couldn’t have been avoided. And, again, the mixed-methods design of the study, which included observations, tried to ensure the most robust data possible.

Lastly, my reliance on publically-available Form 990 financial data limited my ability to fully understanding the organizations’ fiscal and operational management. The forms do not provide information about withdrawals from reserve funds, nor does it explain how the declared investment and direct public support is used. In addition, there were clear accounting differences between the organizations that led to difficulty comparing expenses. Collecting operating budgets would have been much more enlightening, but may have been an undue burden on the organizations given the twelve-year timeframe.

Despite the limitations cited above, the current study met its aims by providing detailed accounts of strategic management in several similar nonprofit children mental
health organizations. The study’s strength was in its use of multiple data collection methods, its large interview base and its most similar cases sampling strategy that allowed for a cleaner exploration of the causal chain between strategy formation and organizational performance. The decision to speak to the most successful organization in the sector, the extreme case, also strengthened the study’s findings by glimpsing what was possible within the confines of the external environment the organizations all shared.

**Conclusion**

The current study set out to shed light on current strategic management practices within nonprofit social service agencies with the hopes of determining what aspects of their processes could explain their performance over time. Its findings document the sophisticated and varied approaches of dedicated and seasoned professionals who have successfully navigated very challenging environmental conditions. The findings also begin to unpack the connection between strategy formation and organizational performance, highlighting the need for contextual understanding and research capacity to study fluid, ongoing processes as opposed to confined episodic ones. They urge organizations to revamp strategic planning and place even more importance on competitive thinking and cultural stewardship. Imagine a robust nonprofit sector where each organization is maximizing their competitive advantage, prompting their colleagues to become even more innovative and high-quality and their payers to value their contributions. With effective and aggressive strategic management this could be a reality. The whole sector, especially the clients it serves, would benefit tremendously.
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APPENDIX A: SUMMARY OF SYSTEMATICALLY REVIEWED ARTICLES ON STRATEGY FORMATION IN NPOS (1997-2010)

<table>
<thead>
<tr>
<th>Article</th>
<th>Research Question(s)</th>
<th>Method and Sample</th>
<th>Key Findings r.e. Strategy Process in NPOs</th>
<th>Quality</th>
<th>Theme</th>
</tr>
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<tbody>
<tr>
<td>(W. F. Crittenden, 2000)</td>
<td>What differences exist, when comparing financially successful to less financially successful organizations, in the relationship between strategic processes, sources of funding, and growth and financial strategies?</td>
<td>Two mail surveys (3 years apart) of 31 NPOs in two major metropolitan areas and six case studies via structured interviews</td>
<td>Traditional modes of strategic management (focused on product offerings, financial acumen, marketing, and diversification) appeared to be related to good performance. Less successful organizations appeared to lack key strategic management attributes regarding direction or execution. Strategy process and performance are interrelated over time.</td>
<td>Fair</td>
<td>Process/ Context</td>
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<td>(Krug &amp; Weinberg, 2004)</td>
<td>What is the utility of a novel three-dimensional (mission, money and merit) portfolio modeling tool to NPOs making strategic decisions?</td>
<td>Case studies reduced to field notes from consultative relationships with eight North American museums, art galleries and aquariums. Article labeled as being “From the Field”.</td>
<td>All three components—mission fulfillment, monetary contribution, and quality—are useful to NPOs making strategic decisions. The process of using the modeling tool helped stimulate discussion, uncover managerial assumptions, refine measurements, and increase learning.</td>
<td>Poor</td>
<td>Tools</td>
</tr>
<tr>
<td>(Mara, 2000)</td>
<td>What is the acceptability and utility of a strategic planning process incorporating the Policy Delphi group technique and situation structuring software when implemented in a small NPO?</td>
<td>Single case study; author was the director of agency during planning process, followed up by two key informant interviews 8.5 years later. One hospice in Virginia. Article labeled as being “From the Field”.</td>
<td>In general, planning participants were pleased with the efficiency and speed of the process, and appreciated the mix of group and individual work. The process yielded a coherent set of organizational goals for the next 5-10 years. Upon revisiting the organization after 8.5 years, the author found that the organization had achieved almost all of its goals. Key informants felt the planning processes triggered a series of other actions that led to the positive outcomes.</td>
<td>Poor</td>
<td>Tools</td>
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<td>(Maranville, 1999)</td>
<td>What strategy process mode does an NPO externally-controlled by its funder primarily rely upon when creating strategy? Does a theory-based typology of strategic management modes capture the organization’s practice?</td>
<td>Single 6-month case study (observation, interviews, document search) of a YWCA in Salt Lake City, UT from full-time participant-observer stance.</td>
<td>NPOs facing complex deterministic environments need complex configurations of the three main strategic management modes: traditional, spontaneous, and dialectical. The configuration is based on the organization’s culture and history. Formal strategic planning (traditional mode) was seen as a “bridging mechanism” to connect with the external environment (i.e., funders and donors). Strategic planning helped the organization gain more control over its destiny and</td>
<td>Poor-Fair</td>
<td>Process/ Context</td>
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<td>Article</td>
<td>Research Question(s)</td>
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<tr>
<td><strong>(Medley &amp; Akan, 2008)</strong> <em>Nonprofit Management and Leadership</em></td>
<td>Is Kurt Lewin’s model of planned change applicable to understanding effective change in an NPO during its strategic planning process?</td>
<td>Retrospective case study of one job assistance program in the Southeast, US. Article labeled as being a “Case Study”.</td>
<td>Lewin’s key stages of planned change (unfreeze, change/move, and refreeze) reflect the process of organizational assessment and development necessary for staff participation in strategic planning and effective implementation. The steps can support other traditional strategic planning activities, especially when applied to the preplanning stage.</td>
<td>Poor</td>
<td>Conceptual</td>
</tr>
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<td><strong>(Nutt, 2000)</strong> <em>Journal of Management Studies</em></td>
<td>What approaches are used by decision makers to uncover alternatives in public, private and third sector organizations? How successful were the approaches preferred by each sector?</td>
<td>Key informant and supporting interviews and questionnaires, plus document review to understand the alternative generation process in 376 US organizations (private, public, and nonprofit). Two-year follow-up interviews to determine success of chosen alternative.</td>
<td>Six alternative generation approaches were identified using modified grounded theory: Existing solution, innovation, benchmarking (simple or integrated) and search (simple or cyclical). There are sector-based differences in preferred alternative generation approaches and strategic decision success. NPOs used benchmarking and existing solution more often than other approaches, but had better decision success when they used search approaches (soliciting proposals from third-parties to address need). NPOs had the highest complete adoption rate after two years, but their decision took longer than in private organizations. The power of “internal experts” can make effective alternative generation difficult in some NPOs.</td>
<td>Good</td>
<td>Process/Tools/ Sector</td>
</tr>
<tr>
<td><strong>(Parker, 2007)</strong> <em>Journal of Management Studies</em></td>
<td>To what extent are strategies engaged from a commercial versus service orientation? To what degree is strategy formally developed, monitored and debated in the nonprofit boardroom? How do directors of state-based nonprofit organizations distinguish between and balance their strategic and operational monitoring responsibilities? How do directors strategically manage their strategic role in...</td>
<td>Two-year longitudinal qualitative case studies using complete member research methodology of two large, nonprofit, state-based chapters of national professional associations in Australia.</td>
<td>Both boards switched back and forth between commercial and service orientations. There was a degree of decoupling between formal and informal planning processes, especially when formal planning responsibility resided with the national association. Boardroom strategizing occurred through informal, interactive, ad hoc dialogue rather than via a formal strategic planning and control system. Strategic issues were most often brought to the attention and pushed forward by a champion. There was more of a focus on operational plans presented by the CEOs. Boards continually struggled with focusing on strategic management rather than micromanagement.</td>
<td>Poor</td>
<td>Process/Context</td>
</tr>
<tr>
<td>Article</td>
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<td>(Siciliano, 2008) Nonprofit and Voluntary Sector Quarterly</td>
<td>What is the level of consensus between CEOs and board members regarding the board’s level of involvement in the strategic management process? Is the level of agreement related to outcome measures (financial performance and board satisfaction while controlling for prior performance)?</td>
<td>Mail-in close-ended survey targeting CEOs and board members. Usable sample of 358 Credit Unions in NY and MA—506 total questionnaires and 97 CEO-board member pairs for consensus analysis. Article labeled as a “Research Note”</td>
<td>In all stages of the strategic management process, the board views its participation at higher levels. Board members are more satisfied when the organization’s performance record is strong and when there is higher consensus regarding their level of involvement in strategic management. The higher the consensus about the board’s involvement in monitoring strategy implementation, the lower the odds of financial soundness. Models only accounted for 9% of the variation in board satisfaction and 25% of the variation in organization financial performance.</td>
<td>Poor-Fair</td>
<td>Process</td>
</tr>
<tr>
<td>(Stone, 2000) Nonprofit and Voluntary Sector Quarterly</td>
<td>Do actions taken by a collaborative alliance influence the strategic behavior of its members? How? Do existing models of strategy formulation accommodate a collaborative environment?</td>
<td>Cross-sectional case study of a multi-sector collaborative alliance to assist welfare-to-work participants in St. Paul, MN. Relevant sample included interviews with 11 members of eight organizations (4 human service NPOs, 2 churches, a public agency, and a university) involved in the collaboration, one foundation staff member, and secondary document reviews.</td>
<td>Collaboratives increase the complexity of the decision-making environment by increasing uncertainty and density of relationships. The effects on strategic decision making of organizations participating in collaborations appear to be subtle, unintended and often significant (sometimes fundamental shifts in operating domains). Despite this, collaborations had virtually no impact on organizational strategic planning activities, which were seen as an internally-focused process of which the collaborations could be seen as an aspect of implementation. The decoupling of strategic planning from collaborative activities may help NPO’s retain decision-making authority. Current models of strategy formulation processes may assume an environment that is more static and apolitical than is the case.</td>
<td>Fair</td>
<td>Context/Process</td>
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*Included in Hutzschenreuter & Kleindienst’s (2006) review.*
APPENDIX B: INITIAL RECRUITMENT EMAIL

Dear EXECUTIVE DIRECTOR,

Last MONTH I interviewed you and a few members of your executive staff as part of Peter Hovmand’s study on implementing innovations. During the interview we discussed YOUR ORGANIZATIONS STRATEGY FORMATION PROCESS.

I am now a fourth-year PhD student at the Brown School of Social Work beginning my dissertation. I am writing to you today to gauge your interest in possibly being part of my study. For my dissertation I plan to conduct in-depth case studies of the strategy formation and implementation processes at several child welfare mental health services organizations in Saint Louis. The goal of my study is to describe the variety of processes being used and assess their impact on strategic decision making and organizational performance.

Over the course of six months, starting in mid-January I would interview you 3-4 times and request to speak to a handful of Board and staff members. I would also request to review relevant agency documents and to observe relevant meetings, at your discretion, of course. In return for ORGANIZATION’S participation, you would receive a detailed case report of the organization’s strategy formation and implementation processes and their possible relationship to performance, as well as a summary of the wider study’s findings that would put ORGANIZATION’S practices into context and give you a sense for the trends and impact of strategic management processes among your peers. Your organization’s participation would be kept strictly confidential.

I know that ORGANIZATION may have multiple research commitments on top of your usual executive duties. However, I would greatly appreciate the opportunity to document and analyze ORGANIZATION’S unique strategic management practices. At this point I am simply writing to assess your level of interest in learning more about the study. I can give you more information upon IRB approval, probably within the next few weeks.

Thank you in advance for your consideration.

Sincerely,
Jennifer Schurer
APPENDIX C: STUDY INFORMATION SHEET

Strategic Management in Nonprofit Mental Health Service Organizations: Understanding Processes and Impact on Performance

Jennifer Schurer, MSW (Principal Investigator)
David Gillespie, PhD (Faculty Sponsor)

STUDY INFORMATION SHEET

In the face of heightened scrutiny from stakeholders, changing technologies and tightening funding streams, the strategic management of nonprofit mental health service organizations is an increasingly difficult task. Leaders of these organizations spend considerable time creating and executing strategies to meet the demands of their environments and are often pressured to use highly formal processes to do so. Unfortunately, there is very little guidance as to “best practices” or evidence of the utility of formal strategic management processes. This project will make in-depth case studies of the strategy formation and implementation processes of several nonprofit mental health service organizations in the St. Louis region. Its findings should yield a detailed understanding of the variety of strategic management processes currently being used by these organizations as well as the impact these processes have on organizational performance. This understanding could lead to better models and measures, as well as feedback for the organizations about what is possible, useful and why.

Method

- Multiple mixed-method case study with 3-5 nonprofit mental health service agencies in St. Louis region operating in the same subsector
- Data Collection Time Frame: January 2010 - June 2010

Benefits of Participation

- Receive a detailed case report regarding your organization’s strategic management as well as a brief report on the project’s findings that will provide insight into trends in and the impact of strategic management processes within your subsector
- Contribute to new knowledge about strategic management processes within mental health service organizations and the wider nonprofit sector

The Role of Participating Organizations

- Organization completes a letter of agreement on agency letterhead (sample language will be provided)
- Executive Director/CEO participates in 3-4 key informant interviews over the course of six months (1.5 hours on average)
- Up to 2 members of the Board of Directors and 2-3 Staff members each participate in 1 key informant interview (1.5 hours on average)
- Provide organizational documents related to strategic management for review
- Invite researcher to observe meetings related to strategy formation and implementation

For More Information, Please Contact

Jennifer Schurer, MSW 314-249-7361 jschurer@wustl.edu
David Gillespie, PhD 314-935-6674 davidg@wustl.edu
APPENDIX D: LETTER OF AGREEMENT

Jennifer Schurer
The Brown School of Social Work
Washington University in St. Louis
One Brookings Drive
Campus Box 1196
St. Louis, MO 63130

[DATE]

Ms. Schurer,

[AGENCY NAME] will be participating in the research project entitled Strategic Management in Nonprofit Mental Health Service Organizations: Understanding Processes and Impact on Performance you are conducting at the Brown School of Social Work at Washington University in St. Louis.

After reviewing the Study Information Sheet describing the research protocol, I understand that our organization’s involvement in the study is voluntary. [AGENCY NAME] will inform our employees (including line staff and managers) and board members of their eligibility to participate in the study’s interviews. Organizational members will not be required to participate and their identity will not be known to us—their participation will be completely voluntary and they may withdraw at any time without penalty. Employees’ participation and information shared study will not be used to evaluate their performance as an employee of this organization.

We understand that [AGENCY NAME]’s status as a study participant will not be public knowledge and that the information shared with the researcher in interviews, agency documents and observations will be kept confidential.

I understand that the study will be conducted following ethical guidelines and principles, and that the privacy and confidentiality of employees’ and board members’ responses will be protected. This means that the researcher will not provide me with data that could be linked back to the individual identity of the key informant.

Therefore, as [JOB TITLE] of [AGENCY NAME], I agree to collaborate with you research and grant permission to conduct the study at this agency.

Sincerely,

[NAME]
[JOB TITLE]
APPENDIX E: ED INTERVIEW GUIDES

Wave 1 (used for all organizations)

Introduction
☐ Collect Letter of Agreement
☐ Explain the voluntary & confidential nature of interview
☐ Collect Consent Form
☐ Turn on recorder

Interview Questions

Competitive Dynamics
In order to understand your strategic management practices, it is important to know how you think about the dynamics of your sector. By sector, I mean the children’s mental health services, especially targeted to the child welfare population.

1. Let’s start with: who are your customers and what do they want?

2. How does your organization satisfy those wants (of the customers)?

3. Who else is competing for your customers?

4. Are there any viable substitutes for the types of services you provide?

5. How difficult would it be for a new organization to enter your sector?

6. What do you think are the key success factors in your sector?

7. How are you different from your competitors? What makes you a unique organization?

8. How well positioned or competitive do you feel your organizations is?
   PROBE: Why? How has this changed in the past 10 years?

9. How do you collaborate with your competitors? How does that impact what you do and how you do it?

10. Do you see the government as suppliers of resources or buyers of your services? What about private funders?

11. In for-profit companies there is a lot of focus on creating value for the owners or the shareholders. In your mind, who are the “owners” of your organization? What value do they seek?
12. Over the past ten years, what have been the three most important external factors (economics, policy, technology, demographics, etc.) to impact your organization and how you do things?

13. In the coming ten years, what do you foresee being the most important external factors (economics, policy, technology, demographics, etc.) that will impact your organization and how you do things?

**Strategy Process Introduction**

*With our remaining time I want to ask some questions to begin our conversation about how you create and implement your organization’s strategy. We will by no means cover everything today, so please know we will go in a lot more depth in our next interview.*

1. In your own words, how do you define strategy?
   
   PROBE: Can you give me an example?

2. Over the past 10 years, what have been the most important strategies, either successful or unsuccessful, that your organization has tried to implement?

3. In the coming 10 years, what strategies do you foresee to be the most important for your organization to implement?

4. How does your organization form its strategy?
   
   PROBE: Does the organization use a particular model or tool in the process?

5. How satisfied are you with this process?

**Wrap-Up**

- Remind of project time frame and stages (through June, 3 more ED interviews)
- Remind that next interview will ask for Board and Staff contacts
- Request needed organizational documents
- Inquire about meeting observations and schedule
- Thank for time and openness
Wave 2 (used for all organizations)

**Introduction (5 minutes)**

- Check in r.e. needed organizations documents
- Inquire about upcoming meetings for observation
- Turn on recorder

**Interview Questions**

**Organizational Culture (15 minutes)**

*So far I have learned a lot about the external environment [ORGANIZATION] is coping with. However, it is also important that I have a better sense for [ORGANIZATION’S] internal environment since that is where most of the activities I am interested in take place. So let’s take a few minutes to discuss [ORGANIZATION’S] organizational culture.*

1. How would you describe [ORGANIZATION’S] internal culture?
   - PROBE: How hierarchical is it?
   - PROBE: How formal is it?

2. If your employees had a motto or slogan for what it was like to work at [ORGANIZATION], what do you think it would be?

3. Has the organization’s culture changed much in the past 10 years?
   - PROBE: How?
   - PROBE: What caused the change?

4. Is organizational culture something you actively manage?
   - PROBE: What do you feel is your role in creating or maintaining this culture?
   - PROBE: What factors contribute to the organization’s culture?

**Strategy Process (45 minutes)**

*The rest of our time today is going to be focused on how [ORGANIZATION] creates its strategy. This could mean strategic planning, but it could also be much more broad and loose. I am trying to understand how you arrive at the decision to pursue a particular strategy.*

1. First off, there are many ways to define strategy, so I am interested, in your own words, how do you define strategy?
   - PROBE: Can you give me an example?

2. Can you walk me through how [ORGANIZATION] typically creates its strategy? What is the process?
   - PROBE: Does [ORGANIZATION] use a particular model or tool in the process?
PROBE: What information is gathered and how?
PROBE: Who is involved in the process?
PROBE: What type and how much resources does the organization dedicate to the process?
PROBE: What is the product of the process?

3. How often does [ORGANIZATION] engage in this process?

4. When did [ORGANIZATION] begin using this particular process?

5. Why did [ORGANIZATION] choose or develop its current strategy formation process?
   PROBE: Who suggested the process? Where did they hear about it?
   PROBE: What was expected from it?
   PROBE: What were seen as the pros and cons of this particular process?

6. How often are major strategic decisions made outside of this process? Why?
   PROBE: Can you give me an example?
   PROBE: Is there a specific process that [ORGANIZATION] uses in these instances?

7. In the past 10 years, when and how has your strategy formation process changed?
   PROBE: What caused you to change the process?
   PROBE: What were the consequences of the change?

8. Do you think your strategy formation process affects the content of your plans? How?
   PROBE: Do you think you would have chosen the same strategies if you used a different planning method?

**Strategy Content (15 minutes)**

The last questions focus on specific strategies. These strategies may or may not be the strategies I focus on for the second phase of data collection regarding implementation, but the information will help me choose the most promising ones for further exploration

1. Over the past 10 years, what have been the most important strategies, either successful or unsuccessful, that [ORGANIZATION] has tried to implement?
   PROBE: When did [ORGANIZATION] decide to pursue [the STRATEGY]?
   PROBE: What were the main factors driving the choice of [the STRATEGY]?

2. In your estimation, how successfully did [ORGANIZATION] implement the strategy of [STRATEGY]?

3. What was [the STRATEGY] expected to accomplish? Did it?
Wrap-Up (10 minutes)

- Ask for Board contact information for interview and preferred contact process
  - Looking for members actively involved in the strategy formation process
- Thank for time and openness

Wave 3 (Sample from O1)

Introduction (5 minutes): 11:00-11:05

- Make sure you have two copies of revenue and ratio graphs
- Turn on recorder

*This is our third interview, and it marks the half-way point in my data collection. Up until now I’ve been asking general questions about [ORGANIZATION] and its strategic planning processes. Now we’re going to switch gears a bit and start talking about a specific strategy and [ORGANIZATION’S] performance. However, before I do that I had a few questions that came up from my review of your strategic planning documents and I wanted to give you some preliminary feedback about what I’ve found so far.*

Interview Questions

Questions from my Organizational Document Review (15 minutes): 11:05-11:20

*I’ve catalogued and read through all of your strategic planning documents from 1993 to the present. They were very interesting. Thank you for sharing them. My questions are:*

1. Am I right in understanding that in the past decade you have not used a consultant specifically to facilitate your strategic planning process?

2. Can you tell me a little more about your stakeholder surveys? How are they created? How are they administered? How many people respond?


4. The FY 2007-2009 plan has a much different layout and is much more extensive than previous “strategic overviews”.
   - Why was this change made? Are you pleased with it?
   - Was the same amount of work being done, just not documented, or does the new layout reflect a more systematic process?

5. I now understand that you revisit and revise your plan every year, but that you use a rolling 3-year planning horizon. Does this mean that every year the process is the same or do you still punctuate the process with more extensive overhauls every few years? (i.e., Do you start from scratch every year and if not do you ever?)
My initial thoughts about your documents are:

- I have been surprised that most of the content in the documents across all of the organizations are fairly operational in scope, rather than articulation of bigger-scale longer-term strategy.
  - Do you have any thoughts on why this is?
- You have changed your process considerably in the past ten years, more so than any other organization.
  - It makes intuitive sense to me and I like the layout and the alignment the BSC forces
  - I’ve yet to come to any conclusions about the cost/benefit of this approach
- Around the same time [ORGANIZATION] began using the BSC, it also became much more focused on process improvement, data and systematization.
  - Did one drive the other?
- It may be helpful for you board if your “Major Accomplishments” were also broken down by pillar.

Drivers of past performance changes (20 minutes): 11:20-11:40

In addition to looking at your documents, I have also entered and analyzed financial data from your 990s. I wanted to talk with you a bit about what’s driven your growth over the past decade.

SHOW REVENUE GRAPH

1. Looking at this graph of annual revenue by source, can you talk a little about what you think has caused the change over time? (“Other” could be special events, sale of assets, etc.)
   - PROBE: What’s caused the growth in program service revenue?
   - PROBE: Can you link your growth in program service revenue with any particular strategies?
   - PROBE: Is the bump in direct public support in 2007 from your capital campaign?
   - PROBE: Have there been any major events, either internal or external that you think helps explain these numbers?

SHOW RATIO GRAPH

2. Looking at this graph of key financial ratios, can you talk a little about what you think has caused the change over time?
   - PROBE: Ideally, what would you want these ratios be?
   - PROBE: The other two organizations I am studying have struggled to keep their program expense ratio smooth. [ORGANIZATION] has been able to do this fairly well. Why do you think this is? What happened in 2007?
3. Are there any other financial or performance indicators that you think I should be looking at?

**Foster Care Case Management (40 minutes): 11:40-12:20**

The rest of our time today is going to be focused on how [ORGANIZATION] entered the foster care market. Over the past decade all three organizations I am studying have started both foster care services and services for older youth. I’ve chosen to focus on foster care because this seems to actually be a source of profit for the organizations (in most years) and is most different from previously-offered services.

1. First I want to make sure that my understanding is correct since I actually don’t have that much specific performance data.
   - Is foster care a source of excess revenue for most years?
   - Has the program grown more than your other programs?
   - Has it required more organizational change than other strategies have?

   --Assuming Foster Care is deemed an appropriate strategy to focus on--

2. Can you tell me when and how [ORGANIZATION] decided to get involved with foster care?

   PROBE: Why did [ORGANIZATION] decide to enter this market?
   PROBE: What did [ORGANIZATION] do to make this decision?
   PROBE: How formal was the decision making process?
   PROBE: Did the decision making process happen within a routine planning process? Why or why not?
   PROBE: Who was involved in the decision making process?

3. How was entering the foster care market expected to impact performance?

4. How did [ORGANIZATION] go about entering the foster care market?

   PROBE: Why did [ORGANIZATION] decide not to join CG1?
   PROBE: What stakeholders were involved and how?
   PROBE: Who did what? Who had to change? (Executives, board, management, staff)

5. From the decision to enter the market to having services up and running, how long did it take for [ORGANIZATION] to enter the foster care market?

   PROBE: Was this how long was expected?

6. How many resources were dedicated to the implementation? What kind?

7. Was the plan revised (or abandoned) at any point? When? Why? How?

8. In your opinion, how successful was the implementation of your plan? How did you define success? How did you monitor it?
Wrap-Up (10 minutes): 12:20-12:30

☐ Ask for performance measures and data related specifically to FCCM
  o Census
  o Referral source
  o Reimbursement rates vs. cost of care
  o ??

☐ Ask for staff contact information for interview and preferred contact process
  o Looking for staff who could speak to the process of [ORGANIZATION] getting involved with foster care case management.
  o Would prefer to have several possible interviewees, to have ED contact on my behalf and then them anonymously opt into being interviewed by contacting me directly.

☐ Thank for time and openness

Wave 4 (Sample from O3)

Introduction (5 minutes): 10:00-10:05

☐ Return 2007 Strategic Planning Binder

☐ Turn on recorder

*Like last time, I have a wide smattering of topics to talk you about, including some follow-up from our previous interviews and [ORGANIZATION’S] capacities in various organizational areas. So let’s just jump right in:*

Interview Questions

Follow-up from previous interviews (40 minutes) 10:05-10:45

*My first set of questions are following up on things we’ve maybe touched on in previous interviews or questions that I thought of when looking at your performance data or documents:*

1. What kind of feedback did you get from your staff about the strategic planning workshop a few weeks ago?

2. What did you think of the workshop? How did it compare to previous processes?
   PROBE: Did anything surprise you?

3. Last time we talked you said that about 19% of your budget is from the reserve fund, but I’m not sure how you define that. I’ve done a few calculations from the 990 and none come to around 19%. I was assuming it could be from the amount of revenue coming
from dividends and interest over total expenses. Is there another place I should be looking?

4. Revenue dipped significantly, from over $11.5M to $8.7M between 2007 and 2008. What caused this decline? (the other two organizations also saw their revenue decrease, but yours went down by almost a quarter.)

5. It’s very interesting that you’re so concerned about your reserve fund when yours dwarfs all of your peers’ and has actually increased in the past 10 years, whereas everyone else’s has decreased. What’s the impact of your fierce protection of these resources?
   PROBE: Do you think that cushion has made you less efficient?

6. What made your hesitant about hiring a comptroller?
   PROBE: What impact has she had on the organization?

7. In listening back over the interviews, a common theme that came up is concerns about the organization’s ability to implement your plans. While I know for some the external environment was a bit factor, can you reflect and what organizational barriers might have held back your ability to fully implement?
   PROBE: Did you monitor the process enough?
   PROBE: Did you lack buy-in, motivation or incentives?
   PROBE: Were your goals too ambitious?

8. How did you develop your KPIs?

9. How frequently do you monitor your KPIs? What do you do with the information?

10. Do you use volunteers? If so, how and how many?

11. How is the “Gotcha” program going? Has it had an impact on morale and turnover?

My next several sets of questions are about various areas of organizational capacity. The first is:

**Development and fundraising capacities (15 minutes) 10:45-11:00**

Effective development and fundraising efforts are another area that is crucial to your survival. Right now I don’t have a very good sense of [ORGANIZATION’S] capacity in this area, so I have similar questions about this area of the organization as I did about data management.

1. How many people do you have in your development department?

2. How do your current development capabilities compare with where you ideally want them to be?
3. How did you go about developing and maintaining these capabilities?
   PROBE: When and why do you put resources into it?
   PROBE: Where do you get the funding for it?
   PROBE: How do they maintain these resources?


**ED as a leader, communicator and controller (10 minutes) 11:00-11:10**

*As the leader of this organization, I’m also interested in your leadership philosophy and practices.*

1. What areas of leadership and management do you think you really excel at?
   PROBE: Can you give me an example?

2. What areas of leadership and management are you still trying to develop and improve?
   PROBE: Can you give me an example?

3. How do you coordinate and ensure consistent, high-quality services in all your programs across all of your sites? What processes do you have in place?

**ED reflection and thoughts on growth (10 minutes) 11:10-11:20**

*[ORGANIZATION] has expanded a lot in the past decade and has been one of the few organizations to weather many many environmental storms without closing its doors. I keep reminding myself as I do my analysis that these are the organizations that have survived. You guys are already exceptional. Acknowledging that just staying open has been a huge accomplishment, I’m wondering if there is anything you may regret.*

1. Thinking back over the past ten years, what would you have done differently in terms of your strategic management of [ORGANIZATION]?
   PROBE: Any missed opportunities?
   PROBE: Any things you wished you hadn’t have done?
   PROBE: Any changes in process?
   PROBE: Any capabilities you wish you would have developed?

2. Have you ever had a target for how big you wanted [ORGANIZATIONN] to get? Based on revenue or clients served?
   PROBE: Where did this target come from?
   PROBE: Do you feel you’ve accomplished this goal?

3. What is your philosophy on growth and expansion?
   PROBE: Is growth essential?
   PROBE: What are the boundaries beyond which you don’t think you’ll expand (geographical, programmatically, etc.)?

**Wrap-Up (10 minutes): 11:20-11:30**
I want to wrap things up by sharing with you my next steps and some initial thoughts and hypotheses.

- My timeline and next steps are:
  - Finishing final ED interviews next week
  - In the process of auditing transcripts and culling together performance data
  - Moving mid-July through September
  - Will be back at analysis and writing by mid-September
  - Hope to have a report for you by November for your review
  - Hope to have final findings by early 2011 once I defend my dissertation
  - Will keep you abreast of my progress

As I said, I am just wrapping up data collection, but over the past several months I have had the chance to reflect on the roll of strategic planning and management and its impact on performance. These are very very preliminary ideas, but right now I am thinking that:

- Organizations use their experience and best judgment to develop strategies more than any sort of formal planning process. There’s just a bare minimum of openness and comprehensiveness that is needed, if that is met the same strategies seem to be chosen.
- So, strategic planning doesn’t really dictate strategy—that is much more about organizational leadership and culture.
- Internal organizational culture drives the selection and execution of planning processes, but these processes can also transform organizational culture. They have a very interesting dynamic relationship, which points to strategic planning’s potential to act as a catalyst for change.
- I think formal planning can be an extremely useful catalyst for organizational change and a wonderful communication and control mechanism to ensure large-scale initiatives get accomplished.
- Figuring out how to monitor and implement large strategic initiatives can then be filtered down into more day-to-day process and vice versa.
- To this end, I think all of the organizations could do a better job using their planning process and documents to connect the dots between SWOT/environmental scan and chosen strategies. Having a compelling and consistent rational articulated for each strategy could increase understanding, buy-in and motivation to accomplish the goals among staff and board. It could also enhance your ability to learn in the future where assumptions may have been flawed.
- I think many of the organizations could benefit from having a more definitive statement of a long-term vision. Right now the plans seem very incremental and lack a rallying cry toward a future direction. It’s possible to be too timid in declaring and motivating toward stretch goals.
- All of that being said, implementation clearly of the utmost importance and implementation is very dependent on organizational capacities, which take time to develop.
Strategic planning can help develop crucial areas of data management, communication and control.

Annual planning punctuated by occasional larger-scale assessment of strategy seems to be a good way to manage environmental uncertainty. It also keeps the momentum going and makes it more of an ongoing management tool.

Consistent themes that appear to be associated with better performance are consistency in message and efforts and feelings of local responsibility and authority. Therefore, it seems to be useful to diffuse and institutionalize the planning process throughout the organization—having programs and regions create their own plans that are tied to the larger plan seems effective. Things need to be aligned.

I’m still teasing out strategic planning’s impact on organizational performance given its relationship with organizational culture, but I do feel positively that strategic planning can positively impact performance by improving engagement, communication and alignment.

Ask for any remaining performance data needed

Thank for time and openness
CONSENT FOR PARTICIPATION IN RESEARCH ACTIVITIES

Title of Project: Strategic Management in Nonprofit Mental Health Service Organizations: Understanding Processes and Impact on Performance

HRPO Approval Number: Exempt HRPO#09-1738

Research Description
You are invited to participate in a research study conducted by doctoral student Jennifer Schurer, MSW, and Professor David Gillespie, Ph.D., from the Brown School of Social Work, Washington University in St. Louis. The overall purpose of this research is to better understand how nonprofit mental health service organizations create and implement strategies and what impact these processes have on organizational performance. During this study you will be asked to talk about your organization and its experience creating and implementing strategies. You will also be asked to provide documents related to your organization’s strategic management and to facilitate the researcher’s observation of key meetings and access to Board and Staff members.

The amount of time required for your participation in the interviews will be no more than 5 hours over the course of the next six months, with interviews every other month lasting approximately 1.5 hours for each interview. In return for your time and effort, your organization will receive a detailed case report regarding its strategic management as well as a brief report on the project’s findings that will provide insight into trends in and the impact of strategic management processes within your subsector.

Risks and Benefits
There are no known risks associated with this research other than the potential for mild boredom or fatigue. The possible benefits you may experience from your participation in this study are a chance to reflect on your organization’s strategy formation and implementation processes.

Voluntary Participation
Your participation is entirely voluntary and you may choose not to participate in this study or withdraw your consent at any time. You will not be penalized in any way should you choose not to participate or withdraw. Your decision to participate and information you share in the study during the key informant interviews will not be used to evaluate your performance as an employee/board member of this organization.

Privacy and Confidentiality
We will do everything we can to protect your privacy and the privacy of your organization. As part of this effort, your decision to participate will not be made known to anyone else in your organization and your identity or your organization’s will not be revealed in any publication that may result from this study. This may result in the disclosure of your data as well as any other information collected by the researcher. Audio recordings will be transcribed and any identifying information removed. Audio recordings will be kept until the end of the study and then destroyed. Only members of the project team will have access to audio recordings and transcripts.
If you have any questions or concerns regarding this study or feel that you have been harmed in any way by your participation in this research, please contact Jennifer Schurer at (314) 249-7361 or via email at jschurer@gwbmail.wustl.edu. You may also contact David Gillespie, Ph.D. at (314) 935-6674 or via email at davidg@wustl.edu.

If you wish to talk with someone else or if you have questions about your rights as a research participant, please call Dr. Philip Ludbrook, Executive Chair of Washington University's Human Research Protection Office, at 314-633-7400 or 1-800-438-0445.

I have read this consent form and have been given a chance to ask questions. I agree to participate in the research study described above titled, Strategic Management in Nonprofit Mental Health Service Organizations: Understanding Processes and Impact on Performance. I will receive a signed copy of this form for my records.

Signature of Research Participant __________________________ Date __________________________

Printed Name of Research Participant __________________________

Signature of person obtaining consent __________________________ Date __________________________

Printed Name of person obtaining consent __________________________
# APPENDIX G: QUALITATIVE CODING CODEBOOK

<table>
<thead>
<tr>
<th>AIM</th>
<th>CODE NAME</th>
<th>DEFINITION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Organizational Information</strong></td>
<td>ORG INFO</td>
<td>Organizational statistics (number of employees, sites, services, etc.), history, etc.</td>
</tr>
<tr>
<td></td>
<td>MONEY</td>
<td>Approaches to financial management and development; funding levels, sources, requirements, etc.</td>
</tr>
<tr>
<td></td>
<td>BOARD</td>
<td>Information about how the board is organized or functions</td>
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<tr>
<td></td>
<td>IT &amp; DATA</td>
<td>Capabilities or deficiencies around IT and data collection and management</td>
</tr>
<tr>
<td><strong>Aim 1:</strong> To describe each organization’s strategic position within its external environmental context.</td>
<td>EXTERN CONTEXT</td>
<td>Regulatory climate, significant historical events, demographic changes or technical requirements, etc. Impressions of level of control and autonomy. How the organization interfaces with external stakeholders.</td>
</tr>
<tr>
<td></td>
<td>COMP &amp; COOP</td>
<td>Competitive and cooperative dynamics with other service providers and government</td>
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<tr>
<td></td>
<td>POSITIONING</td>
<td>Org’s position relative to environmental demands and competitors</td>
</tr>
<tr>
<td><strong>Aim 2:</strong> To describe the organizations’ strategy formation processes within their internal organizational contexts.</td>
<td>FORM PROCESS</td>
<td>Activities undertaken to form strategies; evidence of how these activities are impacted by/impacted the internal culture</td>
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<tr>
<td></td>
<td>FORM PROC OPINION</td>
<td>Opinions and expectations about the activities undertaken to form strategies—their effectiveness, etc.; opinions about the rationale for engaging in a particular process</td>
</tr>
<tr>
<td></td>
<td>INTERN CONTEXT</td>
<td>Descriptions or examples of the organization’s internal culture and climate, executive’s general management process, leadership style or philosophy</td>
</tr>
<tr>
<td><strong>Aim 3:</strong> To explore whether and how the organizations’ external environmental context and strategy formation processes influence resulting intended strategies.</td>
<td>FORM PROC-STRAT LINK</td>
<td>Evidence of a link or lack thereof between strategy formation process and content of intended strategies; Respondents’ opinions about the impact of strategy formation processes on the content of intended strategies</td>
</tr>
<tr>
<td><strong>Aim 4:</strong> To describe the organizations’ strategy implementation processes relative to the intended strategies within their internal organizational contexts.</td>
<td>IMPL PROCESS</td>
<td>Activities undertaken to implement an intended strategy. How org made the strategy a reality</td>
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<td>IMPL OPINION</td>
<td>Opinions and expectations about the activities undertaken to implement strategies—their effectiveness, etc.; opinions about the rationale for engaging in a particular process</td>
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<td></td>
<td>STRATEGIES</td>
<td>Descriptions of and rationale for chosen intended strategies. Description of realized strategy and how and why, if at all, it differed from what was intended.</td>
</tr>
<tr>
<td><strong>Aim 5:</strong> To clarify causal mechanisms and explore patterns of how strategy implementation mediates the relationship between strategy formation and organizational performance.</td>
<td>PERFORMANCE</td>
<td>Definitions of performance; references to 990 financial data; opinions about how the org has performed over past decade; factors that have impacted performance</td>
</tr>
<tr>
<td></td>
<td>PERF FACTORS</td>
<td>Statements of factors that influenced performance, be they a particular strategy (intended or realized), the ability of inability to implement a strategy or some other influence</td>
</tr>
<tr>
<td><strong>Research Process</strong></td>
<td>QUOTE</td>
<td>Candidate for quotation in report—a crystallization of a point or a colorful anecdote (should be double coded with another content code)</td>
</tr>
<tr>
<td></td>
<td>PARTICIPANT EXPECT</td>
<td>Participant’s voiced expectations of returns for participating in research process</td>
</tr>
<tr>
<td></td>
<td>ANALYSIS TIP</td>
<td>Clarification or tip on how to interpret performance or other data (should be double coded with another content code)</td>
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<tr>
<td>AIM</td>
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<td>CONCLUSIONS</td>
<td>My articulated conclusions during the course of the interviews (shouldn’t be double coded with another content code since it is the interviewer’s opinion, not the respondent’s)</td>
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<tr>
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<td>RECOMMEND</td>
<td>My articulated recommendations to the organizations during the course of the interviews (shouldn’t be double coded with another content code since it is the interviewer’s opinion, not the respondent’s)</td>
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</tbody>
</table>
## APPENDIX H: O1’S 2007 BALANCED SCORECARD

### 2007 Balanced Scorecard

| Service Enclave | Objective | Measurement | $0 Results | $50 Results | $100 Results | $150 Results | $200 Results | $250 Results | $300 Results | $350 Results | $400 Results | $450 Results | $500 Results | $550 Results | $600 Results | $650 Results | $700 Results | $750 Results | $800 Results | $850 Results | $900 Results | $950 Results | $1,000 Results |
|----------------|-----------|-------------|------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| New and/or Expanded Programs | Enhance the program array to optimize a successful disinvestment from community | Percentage of milestones achieved through the initiative | 10% or greater | 80% | 75% | 60% | 60% or less | 9 | 0.05 | 0.5 |
| Process Management | Identify and manage all key organizational processes | Percentage of milestones attained | 100% | 90% | 85% | 85% | 80% or less | 5 | 0.05 | 0.25 |
| Program Review | Develop a proactive, helpful method for systematically reviewing organizational programs | Percentage of milestones achieved compared to projections | 100% | 90% | 85% | 85% | 80% or less | 5 | 0.05 | 0.25 |
| Accountability | Maintain the accuracy and organizational consistency | Number of requirements for improvement (RFIs) | 1 RFi or less | 2 RFIs | 4 RFIs | 8 RFIs | 10 RFIs or more | 4 | 0.05 | 0.22 |
| Workforce Solutions | Build a workforce and an infrastructure to meet workforce delivery and key process requirements | Percentage of milestones achieved compared to projections | 100% | 100% | 100% | 100% | 90% or less | 3 | 0.05 | 0.7 |
| Training | Perform skills analysis for all staff | Percentage of milestones achieved compared to projections | 100% | 100% | 100% | 90% | 80% or less | 3 | 0.05 | 0.7 |
| Employee Engagement | Review evaluations in support of revised job requirements | Percentage of milestones achieved compared to projections | 100% | 100% | 100% | 90% | 80% or less | 3 | 0.05 | 0.7 |
| Internal Communications | Survey staff on key and internal communications | Employee-reported improvement over 2/15/07 baseline survey | 3.5 | 4.10 | 4.80 | Communication plans to same | 3 | 0.05 | 0.7 |
| Community Partnerships | Implement the Capital Campaign | Amount pledged as of 2001 | More than $6 million | $7.5 million | $7 million | $6.5 million | Less than $6 million | 1 | 0.00 | 0.00 |
| Public Relations & Awareness | Design a public relations and awareness program | Percentage of milestones achieved compared to projections | 100% | 100% | 100% | 90% | 80% or less | 3 | 0.05 | 0.5 |
| Annual Giving | Implement a sustainable enhanced annual giving program | Percentage of monthly/Annual Giving compared to projections | 100% or greater | 100% | 100% | 10% | 80% or less | 2 | 0.05 | 0.7 |
| Advocacy | Enhance agency resources through advocacy efforts | Annualized budget $250,000 | More than $150K | $150K | $150K | $150K | $150K | $150K | $150K | $150K | $150K | $150K | $150K | $150K | $150K | $150K | $150K | $150K | $150K | $150K | $150K | $150K | $150K |
| Leadership Relationships | Develop an enhanced board engagement effort | Increase in church-related giving over 2006 levels | More than 20% | 20% | 10% | 10% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Volunteer Engagement | Strengthen the quality of our volunteer interactions | Meet Program Director’s expectations for that number of active volunteers | 100% | 100% | 100% | 90% | 80% or less | 5 | 0.05 | 0.25 |
| Financial Management | Increase agency visibility through securing future contributions | Percentage of milestones achieved compared to projections | 100% or more | 100% | 100% | 90% | 80% or less | 4 | 0.05 | 0.20 |
| Risk Management (I) | Develop predictive and stable annual budget performance | Net Margin | More than 3% | 2% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% |
| Risk Management (II) | Provide predictive and stable annual budget performance | Total Margin | More than 3% | 2% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% |
| Budgeting | Synchronize the strategic planning and budgeting cycles | Percentage of milestones achieved compared to projections | 100% | 100% | 100% | 90% | 80% or less | 3 | 0.05 | 0.15 |
| Capital Management | Fundraising and capital development efforts | Deviation from the 0% limited contribution targets for 2007 | Less than 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |

**Score:** 3.48
**APPENDIX I: O1’S 2000 BALANCED SCORECARD**

### Preliminary Year-End Results: 2000 Tactics

<table>
<thead>
<tr>
<th>Goal Description</th>
<th>Unit of Measure</th>
<th>1999 Result</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Final Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Create a &quot;brand identity&quot; for</td>
<td>Percentage of media messages that address a brand identity</td>
<td>7%</td>
<td>&lt;7%</td>
<td>6%-23%</td>
<td>24%-38%</td>
<td>40%-50%</td>
<td>50%&gt;</td>
<td></td>
</tr>
<tr>
<td>Improve Human Resource Processes</td>
<td>Completion of the assessment and validation of interventions by Exec. Committee</td>
<td>Not applicable</td>
<td>October - 00 or later</td>
<td>September-00</td>
<td>August-00</td>
<td>July-00</td>
<td>June-00</td>
<td>August Exec. Committee Meeting</td>
</tr>
<tr>
<td>Diversity the agency’s funding base</td>
<td>DFS % of Program $</td>
<td>59%</td>
<td>&lt;59%</td>
<td>59%-60%</td>
<td>50%-50%</td>
<td>52%-50%</td>
<td>49%&gt;</td>
<td></td>
</tr>
<tr>
<td>Improve organizational quality</td>
<td>Percentage movement of clients to a less restrictive setting</td>
<td>71%</td>
<td>&lt;11%</td>
<td>11%-14%</td>
<td>10%-14%</td>
<td>5%-80%</td>
<td>61%&gt;</td>
<td>60 of 85 or 72%</td>
</tr>
<tr>
<td>Sustain fiscal responsibility</td>
<td>Net income before transfers</td>
<td>(401,000)</td>
<td>&lt;(421,000)</td>
<td>(420,000)</td>
<td>(396,000)</td>
<td>(376,000)</td>
<td>(346,000)</td>
<td>(345,000)&gt;</td>
</tr>
</tbody>
</table>