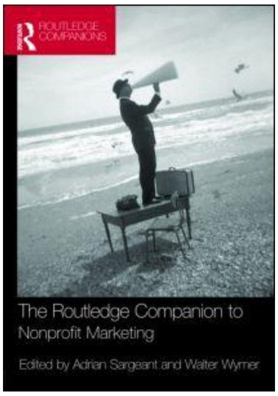

The Routledge Companion to Nonprofit Marketing

Adrian Sargeant, Walter Wymer

Marketing strategies and portfolio analyses

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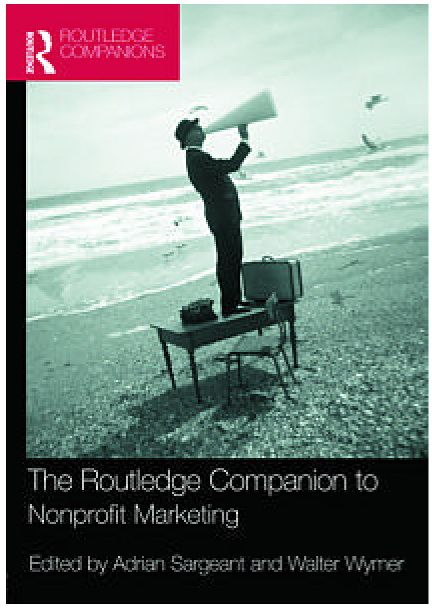

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5

Marketing strategies and portfolio analyses

Kersti Krug and Charles B. Weinberg

Marketing strategies

The long-run growth and success of a not-for-profit organization depend on developing strategies which deliver the organization's mission and carry it to its goals. Although the formulation and implementation of such strategies can be viewed as the fundamental responsibility of management, managers typically find their days filled with short-run operating decisions and other time-consuming responsibilities. Strategic thought, planning, action and reviews tend to get put aside. As a result, too often organizations lose sight of their missions and fail to achieve their goals because they are overwhelmed by day-to-day operating problems. Consequently, strategic plans are not revised as market, competitive and environmental circumstances change, or possibly are never developed in the first place.

Strategic planning involves defining the organization's mission or purpose, setting objectives, formulating strategy, managing resources, and evaluating processes and results. The larger the nonprofit, the more layers of strategy are necessary. A group organized to teach blind youngsters to swim would have a much simpler strategy than a regional community college that serves a large and varied constituency; equally, the regional community college would have a simpler marketing strategy than an international, multipartnered non-governmental organization (NGO). The strategies for the college and the NGO would have many layers, each providing more detailed operational guidance, and coordinated with the levels above and below.

Strategy is concerned with both obtaining resources (through revenues and fundraising) and allocating these resources across the organization's products. In this context, we use the term 'product' broadly to refer to programmes, activities, services, social change initiatives and any other framework that the nonprofit uses to organize itself. Our view is that an organization should take a portfolio approach to the range of activities in which it engages, so that different programmes serve different goals. Overall, too few organizations achieve a balanced portfolio, As a result, they sometimes find themselves overextended financially, participating in markets where they have neither an inherent competency nor a competitive advantage, or are performing inadequately. Examples abound of organizations that have lost their way, with some eventually saved by governments in embarrassing public bail-outs. A Canadian example is the

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Vancouver Museum which has struggled since its near demise in the 1990s to recapture its relevance with audiences, donors and city government.

The challenge for not-for-profits is to ensure that revenues can be sustained while focusing on essential purposes. Not only must the heads of these organizations understand how each programme within a complex portfolio of programmes advances mission, how it contributes to revenues and how well it is delivered, but so should staff, board members, volunteers and funding agents – if they are to share the strategic knowledge necessary to support effectively the organization's long-term well-being.

Our main goals in this chapter are threefold: first, to demonstrate that a portfolio approach, specifically designed for not-for-profits, is an effective way to manage an organization strategically; second, to develop a particular approach that suggests that portfolio performance can be evaluated (and resource decisions made) on three dimensions – mission contribution, performance quality and financial impact; and third, to present a graphical approach that allows senior managers to analyse visually their portfolio position and promote alternative views on the organization's current performance and future direction.

Managing the nonprofit portfolio

To help organizations manage their product portfolio, we developed and tested a dynamic, three-dimensional model. As shown in Figure 5.1, which uses the standard programmes in a museum to illustrate the model, the three dimensions involve measures of mission, performance quality and money (revenue/cost coverage). The first dimension measures whether the organization is 'doing the right things'; the second, whether it is 'doing things right' in terms of

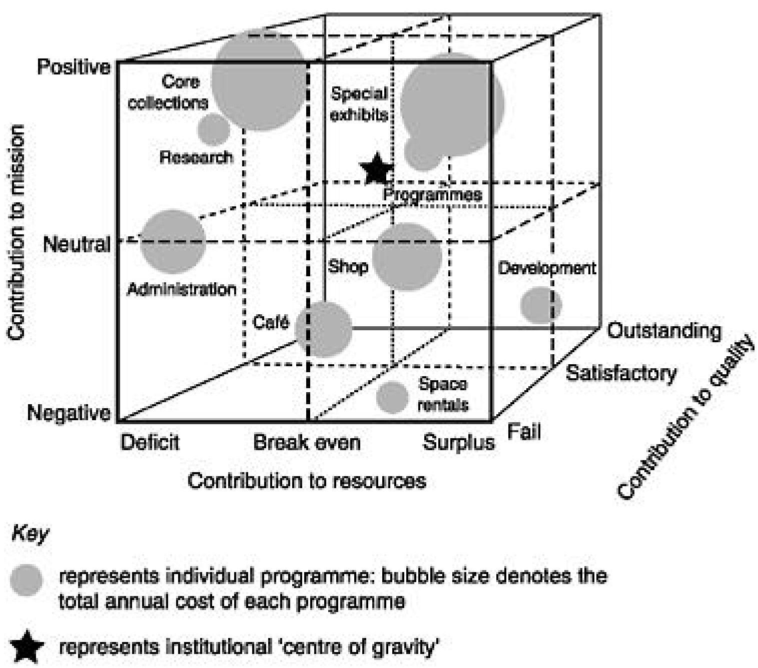

Figure 5.1 Three-dimensional portfolio of ten programmes in a large museum

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quality; and the third, whether it is 'doing things right' financially. It can be problematic to support a programme that covers its own costs but does not advance mission, just as it can be problematic to support one that advances mission and covers its own costs but delivers poor service.

The circles, or bubble sizes, represent the associated cost of each programme, allowing the organization to see quickly relative 'price tags' or the organization's annual investment in individual programs. Bubble locations allow management to see how well each programme stacks up against the advancement of mission, how well it is performed, and how well it covers its own costs with associated revenues. By visualizing the quadrant in which different programmes are positioned, managers can more easily isolate which should be bolstered, cut or restructured. By weighting bubble dimensions and assigning locations on the graph, the nonprofit can mark its 'centre of gravity' – a pointer that permits it to see where the organization as a whole stands relative to these dimensions. Over time, management can measure progress as it moves programmes in positive directions on mission, resources and performance axes – or changes the relative size of bubbles.

Our empirical testing was initially undertaken in museums – in large part because the political, economic and social environment for museums has changed significantly over the past twenty years. With decreasing government support, museums had entered a new world in which many forgot what their original missions were or actively abandoned them because 'old' mission activities were considered unhelpful in their search for new funding sources. For many, this became a world where increasing budget deficits created cycles of cuts, layoffs and sometimes complete elimination of core programmes. It resulted in great turmoil but also significant rethinking of organizational purposes.

This complex environment provided an excellent testing ground for our portfolio approach. As we describe below, the benefits of using the portfolio analysis accrue both from the process of implementing the model and from the outputs of the portfolio analysis.

Mission, merit and money: the portfolio model

This conceptual model was developed and tested in Canadian and American museums, as well as an international charitable organization and a multinational professional accounting firm, and was presented for comment at three nonprofit conferences covering North America, Europe and Australia. The detailed research project was originally published in Krug and Weinberg (2004). Earlier development of the portfolio approach in a two-dimensional framework can be found in Lovelock and Weinberg (1989) and Krug (1992).

The tested model has four principal elements:

- the programme and its cost;
- mission;
- performance (or quality); and
- resources (or revenue/cost coverage).

The programme

This is the portfolio's fundamental building block. The definition of what constitutes a programme (i.e., what is included or excluded) is unique to each organization, and often reflects historic accounting, governing or structural breakdowns. It is important to recognize that

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management accounting and organizational structures can significantly affect how decision-makers perceive the contribution of a programme or an organizational unit, and how they then plan and make change. Although the portfolio model cannot solve problems inherent in historic structural and reporting relationships, it can help to focus attention on relationships between parts and the whole. It can thereby help to rationalize responsibilities, resources and priorities to better achieve agreed-upon goals. It can also illuminate how structures and cost accounting systems do, or do not, aid organizational decision-making.

Once each programme is defined, a critical input is its total annual cost, preferably including all direct and indirect costs, whether internally or externally directed. Programme cost is an estimate of the nonprofit organization's overall investment in any programme. In Figure 5.1, cost defines the size of each bubble to give management a quick overview of where its resources are deployed and where intervention might have greatest financial, strategic or operational impact.

Mission contribution

This is a subjective judgement based on each manager's appraisal regarding existing mission statements. Input can be sought from one person or many, then combined to form an average assessment. The average may reflect a genuine consensus, but may only be a trade-off among widely divergent opinions about mission contribution. Both can be made explicit by the portfolio model which illuminates hidden assumptions that guide managers' judgements. In the process of exploring how managers arrive at their assessments, the organization gets an opportunity to test its mission as well as expose differences in mission interpretations. It can thereby correct misdirected managerial opinions and actions.

Contribution to quality (or performance)

This indicates how well a programme is delivered. It combines qualitative and quantitative measures depending on what criteria are relevant, what standards are applied and what research instruments are used. For example, attendance or number of people served is a quantitative measure; assessment of what users or clients take from the experience is a qualitative one. Resistance to such output or performance measurement is not uncommon in not-for-profit organizations because evaluation may be seen to restrict professional freedom and challenge expert judgement – especially when the providers of services are so well intentioned. These attitudes do much to alienate programme evaluators, visitor researchers, and auditors whose studies and useful advice are often ignored. The portfolio model, and the process of using it, can bring these different professions together in a common cause to improve long-term organizational effectiveness.

Resource contribution

This requires both cost and revenue data. These are usually quantitative measures taken from financial tables, but are often not organized in a format that allows for strategic judgements. Moreover, cost accounting involves underlying qualitative judgements and accounting precedents for how common services, fundraising, administrative overheads or general revenues are allocated to specific programmes. Use of the portfolio model can both indicate the importance of accurate cost and revenue attribution and show differences in interpretation and understanding of the organization's economic situation. The resource dimension of the portfolio illustrates most clearly the unique situation of nonprofit organizations, which can be great in programme execution and mission advancement yet short of a balanced budget – a deficit they can sometimes make up with fundraising.

We believe that the last three elements are the most important dimensions for portfolio analysis. Other axes can be added as organizations identify what else is important to know for effective, strategic decision-making (see also Kaplan and Norton 1996). However, any model or management tool ceases to be useful if it merely mirrors the complex reality it is intended to simplify. Models should illuminate, not reproduce, reality.

Building a portfolio model

The model is built by converting all elements, both quantitative and qualitative dimensions, to numbers. This includes creating and positioning programme bubbles. Figure 5.2 assumes a large museum with three programmes – Special Exhibitions, Core Collections and Space Rentals. The first, Special Exhibitions, has high curatorial, research, design, construction, public security, publication, insurance, programming, advertising and other costs adding to $10,000,000. Its bubble would be big. The second, Core Collections, has collections registration, storage, loans, database management, conservation and restoration and twenty-four-hour building security costs, adding also to $10,000,000. Space Rentals would have marketing, coordination, event staffing, security, and set-up and cleaning costs, adding to $1,000,000. Its bubble area is one-tenth that of the other two.

As programme definitions often depend on institutional history, they should not include so much detail that people cannot get their minds around what each contains, nor so little that the organization is represented by so many different activities as to be visually meaningless. Six to ten programmes on one graph are ideal. To avoid problems inherent in comparing very large programmes with very small ones, programmes in a graph should vary in size by no more than a factor of ten. A balance must be struck between capturing detail that is meaningful to professional staff and middle managers, and providing a broad overview to senior managers and board members. This can be achieved by rolling activities up from small to large through branching layers that permit both the small to be tracked and the large to be seen.

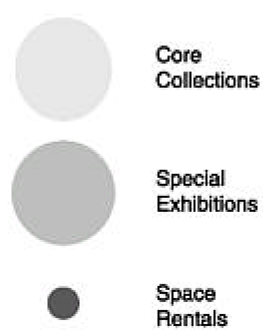

Figure 5.2 Relative bubble sizes of three sample museum programmes

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Providing inputs

Once programmes are defined, they can be positioned on the graph (Figure 5.3). To construct comparative analyses, position values also must be converted to numbers. Organizational participants input their assessments directly to a simple spreadsheet programme which translates individual and collective input to dynamic visuals. Numbers allocated to the three axes should have intuitive meaning. For example, the mission axis uses zero for a neutral contribution to mission (i.e. neither advancing nor detracting), +5 for a maximum positive contribution, and - 5 for maximum negative contribution (i.e. anything with a minus sign is not neutral but actively detracts from mission). The goal is to have all programmes above or on the neutral line.

The performance axis uses the familiar grading structure of outstanding, satisfactory and fail, with the maximum score a ten, the mid-point score, five and the minimum, zero.

On the resource axis, programmes that cover 100 per cent of their own costs with revenues they attract are positioned at the break-even point. Other programmes are placed to the left or the right of the break-even point, depending upon whether they produce a deficit or surplus respectively. Surpluses subsidize other programmes. The goal of a not-for-profit organization is typically not to seek profits from every programme, but to achieve a balanced budget from the total mix of programmes. One use of the portfolio approach is both to evaluate fundraising programmes and to mobilize fundraising efforts to overcome identified weaknesses. Alternatively, organizations which face budget deficits may recognize that they need to consider the controversial option of charging for services, which historically were provided at no charge.

In some applications, managers provide their assessment of each programme on each dimension as a single number. In other settings, managers may prefer to provide a range that covers upper and lower limits to their judgements.

While some organizations may only wish to display an overall mean across all managers who participated in the process, it is often interesting to also show individual judgements. Introducing these may produce dynamic dances of programme bubbles which can elicit humour, rich discussions, critical reflection and organizational learning. For example, a programme bubble that flies dramatically from one extreme of the graph to the other suggests that there is significant diversity of opinion or knowledge among managers, or perhaps a lack of internal

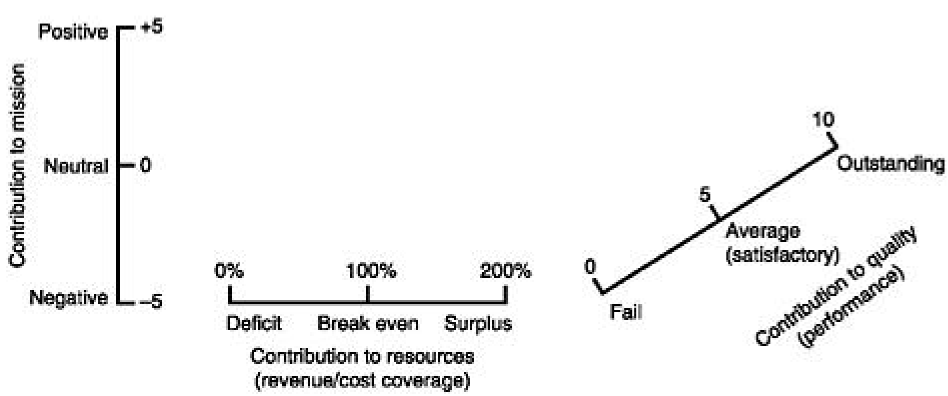

Figure 5.3 Navigation points for assessing contribution to mission, resources and performance

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consistency in how the organization delivers that programme. When a programme bubble moves little or not at all, it may be a sign of wide organizational consensus, shared managerial understanding, or, perhaps, the troubling sign of uncritical group-think.

Interpreting the results of a portfolio analysis

Continuing our previous example, we assume that ten senior managers have individually participated in assessing how the three programmes contribute to mission, resource and quality dimensions. Although only a simple representation of an actual museum, it draws on the empirical work that was conducted in museums and on discussions held with museum managers and professionals in the USA, Canada, Australia and Europe.

Contribution to mission

Figure 5.4 shows that the average assessment of ten managers places Core Collections at +4 on the advancement of mission axis, Special Exhibitions at +3, with Space Rentals clearly detracting from mission at - 4. Given the different cost weightings (or bubble sizes) of the three programmes, the average (or centre of gravity) for all managers is about +3. Each manager's qualitative judgement regarding mission would normally have drawn on an existing written mission statement

Effective mission statements are a critical part of both using the portfolio approach and building not-for-profit organizational health. Their development, however, is not as easy as it seems. Peter E. Drucker describes the importance of mission (and its lesson for the for-profit sector) to 'focus the organization on action' (1989:89). He argues that:

> It defines the specific strategies needed to attain the crucial goals. It creates a disciplined organization. It alone can prevent the most common degenerative disease of organizations, especially large ones: splintering their always limited resources on things that are 'interesting' or look 'profitable' rather than concentrating them on a very small number of productive efforts. The temptation to content oneself with the 'goodness of

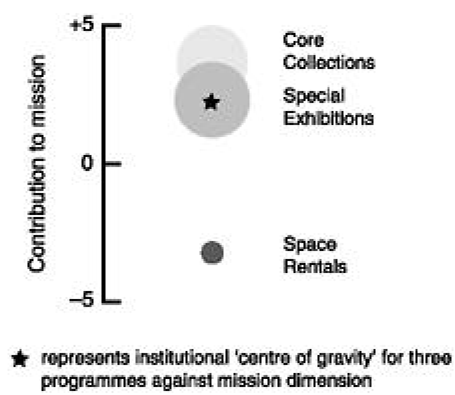

Figure 5.4 Management-assessed contribution to mission of museum programmes

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> our cause' – and thus to substitute good intentions for results – always exists in nonprofit organizations.

Portfolio analysis can contribute not so much to the writing of a mission statement as to its refinement. By working through the model, the organization approaches its mission statement in a sense backwards, starting not from a blank piece of paper but from its ultimate impact – as assessed by those who produce the results. The portfolio model unveils the assumptions that colour interpretations of what is written in an existing mission statement, exposing what is ambiguous or open to incorrect interpretation or simply not working as intended.

Once all the input is collected and entered, the museum can see how various programmes contribute to its overall mission – thus answering the question: are we doing the right things? Although the weighted centre in Figure 5.4 is well above the neutral line, management might now focus on moving Space Rentals up the mission axis. For example, the museum could decide to stop renting space for real estate or investment seminars which only seek convenient locations and cover walls with their own posters and displays, and rent instead to sponsored community service or educational events that find value in this particular space.

To test the presence or lack of consensus, managerial judgement of the contribution of programmes to mission can be displayed. In group discussions, new insights about diverse underlying assumptions can emerge. As discovered during field tests (see below, Anecdote A), some managers may assume that the relevance of Special Exhibitions is tested through exhibit content, whereas others assume that the test has to do with its attractiveness to the museum's visiting public. The exposure of these different perceptions and the breaking down of defences enables the museum to arrive at better decisions and achieve a more genuine consensual support for difficult decisions as individuals begin to understand why decision-making in the past has evoked unexpected dissent, or, in reaction against such dissent, why the quality of decisions has settled for the lowest, least troublesome, common denominator. Revealing hidden assumptions helps to resolve broad institutional issues and improve quality of decision-making.

Anecdote A

The mission statement of a large regional museum spoke of service to the people of their region, including the founding peoples of the area. Despite the existence of their recently revised mission statement, senior managers differed significantly in their interpretation of how or whether the museum's special or temporary exhibitions advanced that mission. One manager concluded the following: 'Last year, when our main exhibition showed [the inventions of a European], mission was not advanced because this inventor has nothing to do with our region. But this summer, when we produced our exhibition jointly with [a nearby community of originating people], our mission was perfectly advanced.' A second manager concluded the opposite: 'This year mission was not well advanced because not many visitors came to see our local, community-based show – so apparently it was only marginally relevant to the public we claim to serve. But last year, when we got huge crowds of visitors from all across this region to see [the inventor's] show, mission was far better advanced because that exhibition obviously reached and was relevant to our public.'

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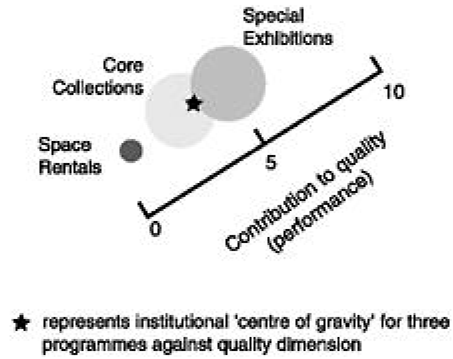

Figure 5.5 Management-assessed contribution to quality of museum programmes

Contribution to quality

Quality considerations, or performance, can be analysed through the second axis of the model. In Figure 5.5, the average of managers' assessments shows a rather lacklustre organization. Here Space Rentals are an embarrassment (event organizers bring in their own velvet paintings to cover up the museum's collection of Impressionist art); and Core Collections are deteriorating (objects are dusty, thefts have occurred and conservators have left for jobs which entail higher professional standards). Both do little to bolster uneven productions of Special Exhibitions (websites fail to provide timely information on openings, closings and content, and are visually unattractive; good exhibitions are interspersed with bad, not only confusing visitor expectations, but also, over time, undermining word-of-mouth communication on which nonprofits rely). Poor performance of activities that may advance mission can do damage to that mission. But as we illustrate in Anecdote B, there are often systemic, professional or cultural barriers to evaluating performance rigorously. The degree to which programmes perform in advancing organizational mission without considering performance is, in itself, poor managerial performance. Mission is not enough.

After considering the performance dimension, the nonprofit can answer the question: are we doing things well? It can now better see where to put its efforts to improve programme performance, raise standards and, possibly, discontinue or replace programmes which it does poorly, knows it can never improve and are best left to others. The personal tastes and critical standards of managers are exposed, again launching conversations which strengthen participatory decision-making. The museum also discovers what it currently does not know, impelling it to conduct marketing research, programme evaluations, audits and other studies to understand better what works and what does not, and how programmes can be nudged in more positive directions.

Anecdote B

In one museum, some senior staff suggested that only peers could judge the quality of their work, but as there were so few experts who actually know which standards to apply, judgements about quality 'are best left to those insiders who are properly trained to assess it'. Some also suggested that if their organization's mission was to educate the visiting public, it made little

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sense to allow those mass publics to comment on what was delivered. 'It's like getting students to evaluate the professor's work. They don't know enough.' At a subsequent meeting with programme evaluators, auditors and visitor researchers from Australia, Europe and North America, it became clear that these attitudes are widespread. Resistance to evaluations of performance and outputs, these researchers argued, places museums at risk, especially at a time when not only governments but wider publics are demanding accountability and evidence of relevance to justify their financial support. 'The third side of this multidimensional model,' one concluded with visible pleasure, 'can make the studies we conduct more useful to and used by museum professionals and managers who might now see the connection between doing the right thing and doing it right.'

Contribution to revenues

Figure 5.6 shows the results of the ten managers' assessments about where each programme lies relative to the ratio of its revenues to total annual costs. If these three programmes were all that the museum delivered, the institution would be in deficit, perhaps rapidly going broke.

Although Special Exhibitions more than cover their own costs, and Space Rentals provide subsidies to other programmes, the large cost of Core Collections pushes the centre of gravity below the break-even point. Management can now concentrate on specific programmes when considering potential actions: for example, pushing Rentals to be more profitable, reducing the overall cost of Collections, tightening up project management of Exhibitions, or concentrating fundraising efforts in more innovative ways.

Often discussion of the resource dimension is followed by a presentation from the organiza-tion's financial/budget staff about accounting issues and estimates of costs and revenues. Both averages and extremes of opinion can be checked as well. In the process of checking, as we show in Anecdote C, the organization can expose underlying assumptions of managers some of whom may have been quite ignorant of the real costs and contributions of programmes. In field tests, managers acknowledged that they had not really appreciated the high cost of Collections or had expected that Space Rentals brought in much more revenue than it did. Many added that they should know these things or that their ignorance had unfairly judged the programmes of their colleagues. Ultimately, the organization can better answer the question: are we doing things right financially?

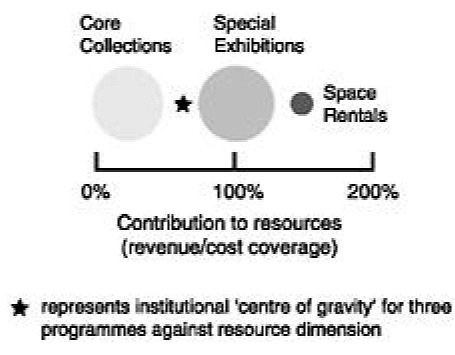

Figure 5.6 Management-assessed contribution to resources of museum programmes

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Anecdote C

In a medium-sized museum, evidence of dissent among programme managers was attributed in part to how costs were apportioned to programmes – specifically because the significant costs of public programmes and development were not counted in those units but in other units such as collections and curatorial research that provided these services. For example, when public programmes needed a curator to make a presentation, or when a fundraising event needed collections staff to create the right museum ambience, those resource costs were not passed on to public programmes or development. As a result, these two programmes were considered 'lean' while collections and curatorial were 'fat' – albeit 'necessary burdens' to a museum. Myths about lean and fat programmes were doing much to damage organizational culture and management teamwork, and were risking the organization's capacity to make intelligent adjustments based as they were on misleading and historically skewed or emotionally loaded information.

Combining dimensions

The three model dimensions can be juxtaposed in a single graphical display as illustrated in Figure 5.1. In three dimensions, the organization can get a full overview of how its managers, on average, view its programmes. Although it is difficult in print to show how programmes are positioned dynamically in these three dimensions, we can describe some implications of their overall placements.

First, Special Exhibitions shows up in the top right quadrant in every case – though sometimes only squeaking in. It suggests that further improvements can be effected with minimum interventions in cost containment, revenue enhancement and quality stabilization. Second, Space Rentals provides surplus revenues to subsidize other programmes, but half a million in net revenue against a million-dollar cost may not be enough of a rationale for a large museum to keep it running when the programme is badly performed and seriously detracts from mission. Eventually, if not already, it may be doing more damage than its surplus justifies. Certainly, it needs change. Third, Core Collections may be at the heart of a museum's mission, but the programme has become enormously expensive and not one of whose performance the museum can be proud. It is possible that the poor performance is an outcome of inadequate financial support, but as easily, it could be that grants are not forthcoming because agencies do not see this museum's care of collections as worthy of support. Such a negative cycle is alarming.

Looking further at this hypothetical organization, we find the Shop hovering near the centre lines of all axes. This may suggest that small efforts could enable the programme to make more positive contributions. The types of goods sold could be changed or information provided about Shop goods could be enhanced such that this programme not only advances museum mission better but also attracts more revenue through better performance. The Café with its high prices, tasteless food, dirty tables and slow service falls into the most negative corner of the graph and needs dramatic management attention. Despite its usefulness to tired and hungry museum visitors, it could be replaced by a contracted service whose management knows something about running food services, or simply with comfortable chairs and vending machines.

Research, like Collections, is high on the mission axis, but not performimg well nor able to cover its own costs. Unlike Collections, its cost is small, so management is directed first to improving the quality of scholarship and publications, and later to improving grant applications,

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developing joint publishing ventures and charging for expert advice or consulting services. Development, which is doing much to keep the organization financially viable, uses overly aggressive methods to attract donors, makes promises to sponsoring corporations which run counter to museum values, and abuses the time of professional staff for ill-conceived, but often ‘profitable,’ ventures. It needs a deep review of both professional ethics and re-education in museum values.

Administration is generally a cost centre, but its poor performance could be a contributor to the poor performance of several other programmes, to the financial mismanagement of a few programmes, and to inadequate managerial knowledge among heads of programme units. Programmes, small in cost and high in quality, may need to be left alone for the time being to be subsidized by other programmes. Not everything needs to be worked on at the same time.

The centre of gravity shows that the organization as a whole may be positively contributing to mission, but its financial centre shows a current deficit which, if not quickly turned around, will force more draconian action in future. The apparently mediocre performance of several programmes requires equally rapid turnaround before they begin to erode not only mission contribution, but the organization’s capacity to attract funding through grants and earned revenue. Management can use the model to play what-ifs, to visualize how much change is required in what programmes to bring the centre to a more positive place. In future, management can review their past actions to see how the centre of gravity has shifted in more positive directions in response to specific interventions. It can also learn whether positive or negative movements on one axis affect movements on other axes.

From institutional to individual input

The examples above have illustrated average ratings of all organizational participants. The variability among managers is not yet visible. Since inputs are entered one person at a time, each individual’s estimates (including upper and lower limits, if included) are available. If the organizational culture is safe enough and managers mature enough (although identities need not be exposed), the unveiling of individual judgements can tell the organization and its managers even more. Using as an illustration two different managers’ assessment of their museum’s three sample programmes on all three axes of the model, we might see the results as represented by Figure 5.7.

The first manager is the one who in our first anecdote (Anecdote A) stated that this year the museum’s main Special Exhibition contributed perfectly (a rating of +5) to the mission because it had been done jointly with one of the originating communities in the region. He also gives a high rating for Core Collections, but puts Space Rentals at the far extreme of negative contribution to mission. On the resource axis, he places the two large programmes close to the break-even line: Collections a little under, Exhibitions a little over. He believes that Space Rentals is bringing in twice its cost, so puts it far into surplus. On the performance axis, he assesses the quality of each programme to mirror his rating of its contribution to mission: perfect or very high for Collections and Exhibitions, and a failure for Space Rentals.

Four interpretations of this manager’s assessments are possible: first, he may reflect the more ‘traditional’ museum professional view that values core or educational programmes and involvement with cultural communities over ‘commercial’ activities; second, he has incomplete knowledge of the actual costs and revenues of programmes; third, he does not bring

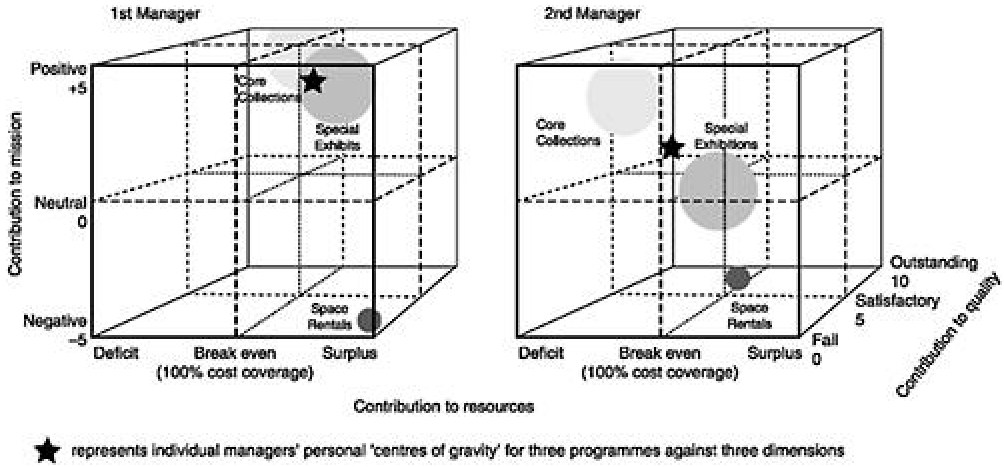

Figure 5.7 Management-assessed contribution to three dimensions of museum programmes

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a discriminating eye to programme performance, perhaps assuming that if a programme contributes to mission, it must be well done, and if it does not, that it is poorly done; and fourth, given the very high placement of his centre of gravity, he may see what the museum does as inherently good.

This second manager is the one who said that because this year's main exhibition did not attract many visitors from the museum's region, it did not advance mission (although she acknowledges that it did not detract from mission). She puts Special Exhibitions at 0, or on the neutral mission line. She agrees that Collections Care is what a museum is about, so places that high on mission advancement, but does not relegate Space Rentals to the mission and performance basement. Her assessment of performance does not indicate an automatic relationship to a programme's contribution to mission.

Four interpretations also are possible here: first, this manager brings a less traditional, perhaps more 'business-like' view to what is meant by museum mission; second, she has better knowledge of what programmes actually cost and what they bring in; third, she does not link programme performance to mission; and fourth, given the less positive placement of her centre of gravity, she may be more critical about what the museum does.

Seeing how individuals deviate from the overall institutional average contributes further to individual learning through collective discussions about what the institution is actually doing. For example, it can encourage managers to be more aware of what programmes actually cost and what they bring in, and to disentangle the evaluation of programme quality from its contribution to mission.

This and similar questions are not easy for any management to answer, but the purpose of the portfolio model is not only to answer questions; it also poses and illuminates them. Good questions can be worth more than bad answers.

Conclusion

To repeat, the value of portfolio analysis lies in the process of both conducting and seeing the actual outputs from the process. In our field tests, we found that implementing portfolio analysis based on three critical dimensions of strategic success and in an easy-to-use spread sheet format greatly enhanced its value to managers. The lessons we took home are summarized in Table 5.1.

One of the most useful contributions of management tools such as portfolio analysis is that they can make the complex manageable, the hidden visible and the familiar strange. Computer-aided decision tools can hold and manipulate a huge amount of information in multiple dimensions, yet represent these data with simple graphics or visuals that make complexity understandable to the human mind.

In this chapter, we developed and presented a portfolio management approach to strategic decision-making which can enhance managerial processes and organizational outcomes for not-for-profit organizations.

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Table 5.1 Summary of findings

Define programmes properly	*Get acceptance*	*Fit the organization*	*Assure confidentiality*	*Separate opinion from fact*	*Keep it simple*	*Make it timely*
Programmes need to be distinct in meaningful ways to justify separate treatment and evaluation. In the model, six to ten programmes of significance work best.	Not everyone uses models intuitively nor interprets data visually. Disappointment or rejection of the model is a natural response. Patient building up of its features helps.	The portfolio model works best in open organizational cultures and in nonprofits with adequate programme complexity, though breakdowns of single programmes are possible.	Ensuring participant confidentiality, especially at the beginning, is important and can be aided by selecting the right person for information management. As the process proceeds, managers begin to self-reveal.	Dependability of input needs more than majority opinion and acknowledgement that territorial biases exist. Accurate figures, rigorous analyses, systematic research, evidence and experience still have a place in management.	Although the model can accommodate other dimensions, the three here provide sucient complexity. Familiar, off-theshelf software eases the process.	Using the model is best in normal strategic planning and annual budgeting cycles – perhaps twice a year. As the portfolio approach can be used at different levels of the organization, the process can be sequenced to build up or pass down the organization.

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Invite broader input	*Test future what-ifs*	*Require performance evaluation*	*Consider summary measures*	*Learn safely and enjoyably*	*Expose systemic issues*	*Improve mission statements*
Computer capacity enables input from individuals beyond the management cadre (e.g. volunteers, staff, board members) and offers a natural extension towards more robust decision-making.	Testing of proposed new directions and changed priorities provides a potential new tool to better-considered decisions as well as buy-in to change.	The merit (performance) axis invites input of often-resisted expertise. It supports the nonprofit's demonstration of accountability to boards, governments, and other publics.	The centre of gravity is an aggregate measure. Though optional, it provides a quick fix on where the nonprofit as a whole stands. Its comparative value comes over time.	Expressing opinionsas numbers and showing them asdynamic graphics are more likely to evoke learning and enjoyment than defensive interpersonal reactions.	In the process of making underlying assumptions concrete and visible, portfolio analyses expose organizational and accounting issues (e.g. inclusions,exclusions, balances, impacts) which would otherwise be hidden.	By assessing programmes against mission, not only are programmes scrutinized, but so are the mission statements themselves and their varying interpretations by managers.

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