How to Become a Prosperous Organization

BY TERRENCE FERNSLER

Why do some organizations flounder while others thrive under the same conditions? This book, based on recent research, gives us the key.

Grow to Be Great

By Dwight L. Gertz and Joño P.A. Baptista. New York: The Free Press. 211 pages. Hardcover.

As nonprofit managers, we can learn much by applying lessons from business and government. If we substitute the word "prosperity" for "growth" in Gertz and Baptista's *Grow To Be Great*, we will find this book quite valuable.

Gertz and Baptista are corporate consultants with an international consulting firm that knows its business. Although they draw their statistics mostly from the for-profit world, their arguments make sense for nonprofit organizations as well.

They list myths about growth that are familiar to us in nonprofit circles:

- Our organization is just going through a cycle.
- Our organization is not doing well because the economy isn't.
- Organizations can't grow bigger once they reach a certain point.
- Our organization is doing poorly because the entire sector is.

They show that none of these misconceptions apply to organizations that prosper.

Then why do some organizations flounder under the same economic circumstances in which others thrive? Based on their research, the authors describe the following characteristics of organizations that prosper:

- They value the customer and are driven by their mission.
- They strive to serve a smaller, less wealthy segment perfectly rather than a large, wealthy one imperfectly.
- They build long-term relationships with their customers. They understand that acquisition costs cause an initial negative value. Persuading people to come back is where prosperity lies.
- They focus on better-chosen customers. They learn everything they can about those customers and their needs, and serve those needs with intense dedication.
- They are effective at rapidly developing many new products that offer superior value to their customers.
- They do not allow organizational culture and lack of resources to stifle innovation, but the innovation must be mission-driven.
- They find and develop the most effective ways to connect customer segments with their products and services.
- They are organized so that their employees have the incentive to do the right thing, the right people are assigned to the right jobs, and individual efforts are channeled in the right decisions.

When applying Gertz and Baptista's lessons to nonprofit organizations, we must be careful. With for-profits, a simple exchange occurs: customer receives product or service, company receives payment. In nonprofits, the exchange is usually more like a triangle, since nonprofits have two sets of customers: contributors who indirectly benefit from the

organization, through community improvement, and clients in the community who benefit directly.

If we keep both types of customers in mind, however, we can gain a great deal from the authors' message. In essence, Gertz and Baptista argue, an entire generation of managers has adapted itself to the challenge of making organizations smaller and more efficient at what they do. This has made them less able to envision what they must become. In a sense, these managers have become skilled in methodologies that ensure near-term survival, but few have gained experience in the skills that lead to a prosperous future.

Those skills are evident from the characteristics of the prosperous organizations. What sets these organizations apart is that they serve their customers, not themselves. They determine what constitutes superior value in the eyes of their customers, then develop the means to create and deliver it. They put the customer first.

If we take that theme to heart, this book will have served its purpose well. ■

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