

ORGANIZING FOR
IMPLEMENTATION"WE'RE STUCK AND WE CAN'T SEEM TO GROW!"

Do nonprofit organizations have life cycles? A number of management theorists and consultants think they do. The April 6, 2006, *The Chronicle of Philanthropy* tells the story of the Shakespeare Theatre of New Jersey as just such an organization. Under artistic director Bonnie Monte, it had been quite successful for nine years, raising \$7.5 million in a capital campaign and moving into a new building. But systems were not keeping up and there wasn't enough economic growth. A life cycle perspective suggested that the company had a case of "arrested development."

How does one update systems while maintaining creativity and vibrancy?

A major problem is often that the kind of leadership an organization needs at one stage is not always best for another. A new organization needs a charismatic, hard-charging motivator. Ideally, this would be someone who can inspire volunteers to help, donors to give generously, corporations to help out with partnerships, and new staff to take below-market salaries and work long hours because they believe in the leader's vision.

But with success, a different kind of person is often needed. An organization needs a boss who can fire early recruits because, despite their initial help and enthusiasm, they're not doing their job. Personalized donor solicitations have to give way to systems for donor tracking, long-term cultivation, and frequent recognition. New ventures needing new capital must have well thought out strategic plans. Potential corporate partners will want to see more "professional" management. It is a brave board that recognizes that, at this life cycle stage, it may be that the founder needs to step aside and perhaps assume a different role—say, board chair, "CEO Emeritus," or some other face-saving option. Lucky is the organization whose CEO understands his or her limitations and voluntarily moves on to a new nonprofit organization which is back at the infant stage of the organizational life cycle. Even luckier is the organization that has a CEO that sees the need for changed leadership and responds.

Conducting a life cycle analysis will show the CEO—like Bonnie Monte—that the current problems are not his or her fault. The problems are to be expected at the

SECTION V Organizing and Controlling Marketing Strategies

stage in which the organization finds itself. The challenge is to deal with the new realities. To her credit, Bonnie Monte hired two fundraisers so that the theatre's economic base could catch up with its artistic growth. Funds have doubled since.

Sometimes a problem is a mismatch between the board and the CEO because one is at one life cycle stage while the other is somewhere else. Several consultants describe a "bureaucratic" stage where organizations—often large ones—become calcified. If the board is populated by those who helped start the organization and made it grow, they may be in the bureaucratic stage and at odds with a CEO—typically a new one—who is frustrated by the lack of innovation and dynamism. Usually, one or the other has to change. For the organization's sake, one hopes it is the board.

Executive director Robin Prothro of a Maryland affiliate of the Susan G. Komen Breast Cancer Foundation had such a problem. As she saw it, the organization was at a point described as the "go-go stage." According to Prothro, they needed to integrate their fundraising efforts under the staff's control, but many on the board still wanted to run the organization's signature event—the Race for the Cure—themselves. Prothro won out and the board changed but "it was painful. We lost board members."

Source: Holly Hall, "Getting Over Growing Pains," *The Chronicle of Philanthropy*, April 6, 2006, pp. 41–44. Reprinted with permission of *The Chronicle of Philanthropy*, philanthropy.com.

As we have seen, a number of nonprofits are becoming large-scale organizations involved in a range of complex undertakings and more often are recruiting businesspeople and their concepts and tools to improve their performance. Nonprofit organizations must often manage significant numbers of partnerships with the private sector, large and fluid volunteer staffs and, in many cases, work through multiple channels. Many nonprofits, such as Habitat for Humanity, are undertaking significant international ventures.

Of course, the majority of nonprofit organizations are not large. Thus we begin by considering the challenges of organizations that are only beginning to think that marketing might comprise a useful set of concepts and tools that may help them achieve their missions more effectively.

PRODUCING MARKETING—PUSHING OR PULLING?

considerable intraorganization resistance, which is often reflected in disparagement of the marketing function and frequent allusions to its nastier manifestations. Unless the change agents are very highly placed in the organization or are extremely convincing in their personal promotion campaigns, the introduction period is likely to be quite prolonged under a "push" scenario.

The other common pattern for the introductory period is for marketing to be pulled into the organization by environmental forces. This condition occurred in health care in the 1980s as market conditions increased the pressures on nonprofit hospitals to improve performance. Marketing came to be viewed as a potentially highly useful approach to such improvement. A similar pattern is apparent in organizations that "discover" social marketing. Pressures to introduce marketing are heightened if one or more direct competitors begin to use marketing or are rumored to be beginning soon. Marketing is likely to be introduced much faster under a "pull" scenario than if it is "pushed" into a sometimes reluctant institution.

In the growth phase following marketing's introduction, attempts are made to expand marketing's role and formalize its position in the organization. Typically, marketing is first formalized as a staff function *coordinating* programs and providing advice to others. Only later, as marketing proves its value and/or environmental pressures become more intense, is it often changed into a specific line function with its own staff and responsibilities for programs and specific volume results.

Even when marketing becomes a formal department during the growth phase, its role may be inconsequential. The mature phase can therefore be identified by the transition of marketing from being just another division or function to being a top-level management concern. In this phase, marketing philosophy has permeated much of the organization's planning. Marketing has relatively few detractors and virtually no effort is needed to market marketing itself. Concern has shifted to this issue: how to market *well*.

In this chapter, we first discuss where marketing should be positioned within the organization. We then turn to a discussion of how marketing activities should be structured and how a marketing orientation can be implemented before turning to the important challenges now facing the very largest nonprofits.

MARKETING'S POSITION IN THE ORGANIZATION

The positioning of marketing in an organization, and even what to call it, is not a trivial decision. In the 1970s and 1980s, when marketing was first being introduced in a serious way in the nonprofit field, marketing was often positioned either far down in the organization or in some advisory staff position. When a marketing person was first introduced at the American Cancer Society, the candidate was responsible for "market intelligence" and was positioned far down the organizational chart, reporting to the vice president of communications, who also supervised a vice president for public relations and advertising and a vice president for product production. This reflected both a lack of understanding of marketing across the organization and a lack of appreciation for the contributions that it might make to the organization's mission. After a number of years and considerable attention to demonstrating how strategic marketing works and promoting marketing successes,

the chief marketing person became the vice president of strategic marketing and branding, reporting directly to the CEO.

Even today, there is much disagreement in many nonprofits about where marketing ought to fit. In our view, marketing should be at the very top of the organization. Depending on the organization's mission, it may be appropriate for the CEO to have strong marketing skills and a "marketing mindset." This follows our argument at the very start of this book that marketing is vital because its role is to influence behavior and its armamentarium of concepts and tools is—in the best organizations—focused in a laser-like fashion on this behavioral bottom line. As we noted in Chapter 3, nonprofits have a large number of constituencies that they need to influence, including clients, funders, regulators, commercial partners, and the media. Because influencing behaviors is critical to success, marketing must be central to the mission.

Many organizations have historically been dominated by skill sets other than marketing. A case in point is the Centers for Disease Control and Prevention. This organization is strongly influenced by medical scientists, epidemiologists, and others who historically thought marketing was too crass, too intrusive, too trivial for their main mission. However, beginning in the 1990s, the CDC slowly adopted social marketing as a prime paradigm and marketing thinking slowly seeped through the organization. Finally, in July 2006, the CDC created the National Center for Health Marketing within its Department of Health and Human Services (www.cdc.gov/healthmarketing/). It defines health marketing as "creating, communicating and delivering health information and interventions using target audience-centered and science-based strategies to protect and promote the health of diverse populations." It is, of course, the interventions that distinguish a marketing approach from more traditional "health communication."

If units like the CDC's National Health Center are to be most effective, however, the marketing function needs to have the resources and the control necessary to be successful—that is, to bring about the organizational impacts the nonprofit needs to prosper. This means that marketing must ultimately be a *line position* with significant budgets and direct authority to make designated behaviors happen. In early years, it may be prudent for marketers to adopt a staff role until such time as they prove their merit and ingratiate themselves with suspicious traditional staff.

The next question, then, is this: What should marketers control? This issue was still not resolved in 2006 in various organizations with which we have contact. Here are some marketing titles we have run across:

- Vice President of Strategic Marketing and Branding
- Senior Director of Line of Service Marketing
- Vice President of University Relations
- Director, Sales and Marketing
- Senior Vice President, Marketing and Communications
- Director, Relationships/Marketing Group
- National Director of Advancement
- Director of Development
- Vice President of Communications
- Manager, Brand Stewardship

It is clear from these titles that, in the very best organizations, the word "marketing" is sometimes not even in the job title. Further, it often comprises one or more of the following functions—but typically not all:

- Communications
- Development (which usually means fundraising)
- Membership (which can also include fundraising)
- Public affairs (which can mean public relations)
- Brand management
- Sales (which can include catalog and retail operations)

Most commonly, communications is in their work scope. This undoubtedly reflects higher management's view of marketing as "the message people." It also may be a tactical decision in some organizations to "hide" marketing behind nonthreatening nomenclature. It may also be that someone in a communications or development role has simply been told "you're now also the marketing person"! In any case, the simple choice of the title can cause one of several kinds of problems:

1. It may reflect an "image problem" where marketing is seen only as communications and so the organization misses its full potential.
2. Marketing may only be given control over communications or development and not have responsibility over other departments and functions that have major impacts on target audience behavior.
3. It may echo "turf wars" within the organization where other areas do not want to be subsumed under "marketing."

There are other challenges. In many organizations, a major decision will be what to do with fundraising, membership development, and public relations. Should they be part of marketing or parallel to it? Early on, most nonprofit organizations will keep these functions separate, arguing that they have different roles and require different expertise. However, as marketers prove that they can be impactful and management begins to perceive that all of these separate functions are really about influencing behavior, then marketing stands a chance to migrate higher in the organization chart with control over these other activities. Even where absorption does not happen, senior management ought to establish informal links to ensure that "marketing thinking" pervades these other areas.

One might ask this: What *should* marketing control (i.e., have responsibility for)?

We would argue that, in the ideal organization, marketing would:

- Be *directly responsible* for functions and staff whose primary responsibility is to influence key target publics of the organization. This could mean responsibility for:
 - Communications—directed at many publics
 - Public relations—directed at influencing the media
 - Direct sales (catalogs, sales)
 - Volunteer recruitment
 - Membership recruitment
 - Fundraising

- Have an *advisory* role for functions that can *indirectly* impact target audiences (positively or negatively) or that have as their principal roles tasks more important than the marketing components of their portfolio. This could include:
 - Volunteer management
 - Human resources (negative staff interaction with a target audience can sabotage the best marketing campaigns)
 - Membership services
 - Information technology and web site management

These are not ironclad distinctions. Today, more and more organizations see their web site as a major marketing tool. Where the target audience is teenagers, the Web is perhaps the single most important tool for reaching and having an impact on this group.

Recruiting Great Marketers

Once marketing staff positions are defined, the next critical step is recruiting first-rate marketers to fill them. Fortunately, since the early 1990s the pool of talent available to nonprofit organizations encompasses a significant number of mainstream commercial marketing people. No longer are nonprofit marketers drawn from within the nonprofit world (e.g., former managers of fundraising, advertising, public relations, or direct mail divisions). They are—or should be—grounded in the principles set out in this volume.

Part of this shift in the human resource pool is attributable to the growing sophistication of nonprofit marketing and to its significant size and scope of operations. Commercial marketing managers who are thinking of a career move to the nonprofit sector know they are much more likely today to have the resources and supportive management that were not present even 20 years ago. However, there remain a number of barriers to attracting the best talent, some of which we have discussed in earlier chapters. An initial problem is salary.

The Salary Problem

One of the distinct problems managers have in attracting talented marketing people to the nonprofit world is the low salaries that are routinely paid to managers and staff. There are a number of reasons for this situation. First, decades ago, work in nonprofit organizations was “women’s work,” and job categories in all sectors in which women dominate have historically been underpaid.¹ Second, the culture of many nonprofit organizations is one of sacrifice in the face of daunting challenges. Members of an organization trying to do something about a dreadful social problem are not expected to reap private gain for doing so. Such a culture is common in organizations still in the “founder stage,” during which they are dominated by dedicated leaders who will sacrifice for their cause and expect others to do so also.

Third, most donors to nonprofit organizations (and many staff people and members of boards of directors) expect that most of the organization’s revenues will go to services for their target audiences. Staff members are not supposed to take money that should be going elsewhere. Fourth, as we have noted throughout this book, nonprofits often have very limited budgets and feel they cannot afford higher salaries. Finally, a great many of those men and women who choose nonprofit careers are *willing* to take lower salaries because they gain significant psychic income from what they do.

There are also external pressures to keep salaries low. Concerns about "extravagant" salaries have led to scandals in organizations such as the United Way of America. These scandals have prompted a subcommittee of the U.S. House of Representatives to consider a federal law to place a cap on salaries paid to nonprofit executives.

The consequence of all of these forces is that low salaries are often set for marketing positions and nonprofit organizations often cannot attract the kind of talent they need if they are to become truly effective. As Marianne Briscoe has said, "It can be difficult for . . . founders to understand that to move to higher levels of effectiveness people with experience and special skills must be brought into the organizations—people who know about computer systems, financial management and fund-raising for example."² She could easily have added marketing researchers, product managers, advertising copywriters, and so on to her list. To attract the first-rate MBA majoring in marketing who could easily earn \$75,000 or more at Procter & Gamble or IBM, the ambitious nonprofit has to offer a lot more than what Briscoe calls "Peace Corps wages." Indeed, even though we have seen some improvement in the mindset of CEOs and boards around the salary issue in recent years, some nonprofit marketers have become so frustrated with the salary and perks in the nonprofit world that they have migrated back to the private sector. Jay Steenhuysen, director of philanthropic planning at Brown University, sees a "brain drain" among fundraisers as being a potentially very serious threat for nonprofits.³

The problem is even more serious overseas. Americans seeking to work in other countries find the wages there are even lower, unless they are able to work for a multinational nonprofit such as CARE or Childreach that provides cost-of-living adjustments to their expatriate workers.⁴

One promising solution may be pay-for-performance plans. Although it is much more difficult to define "performance" in the nonprofit environment than in the private sector, pressures to implement such plans have grown significantly in the last decade. Part of the reason is pressure from foundations and venture philanthropists to make nonprofit organizations more "managerial." Another reason is the pressure to appear more professionally managed for the media and watchdog groups.⁵

Two Cultures

In an earlier chapter we referenced a series of in-depth interviews of marketers who have moved from the commercial to the nonprofit sectors.⁶ These interviews made clear that there is often a culture shock in moving over from the private sector. A number of interviewees expressed frustration with their new environment. In part this reflects contrasts in the two cultures described in Chapter 3. Where commercial marketers are accustomed to such tactics as segmenting markets and ignoring difficult-to-influence targets, to worrying about issues of efficiency and the acceptance of risks, this often runs counter to the norms and values of those brought up in social service cultures. Heated battles often ensue.

Interviewees also found differences in the "decision styles" across the sectors. In the private sector, they were accustomed to decisions being made relatively quickly by an executive with authority to take action. He or she would listen to the analysis and arguments raised by staff and/or consultants and make a decision. Once the decision was made, responsibility for performance was assigned and goals set, and the participants

moved on to other issues and challenges. Marketers who did not perform well could reasonably be expected not to advance or even lose their jobs!

In nonprofit organizations, marketers report important, frustrating differences. First, the process takes much longer. Two reasons for this appear to be that decisions are often considered the responsibility of a group rather than an individual and there is a felt need to consult with every possible stakeholder who might be affected by the decision. A second problem is that there is a reluctance to take risks. If analysis shows some downside potential, nonprofit managers are often reluctant to move forward or, at best, will postpone the decision, hoping some new, conclusive insight will emerge. Finally, there is a frequent tendency not to assign blame for inadequate performance.

A possible explanation for these differences in style goes something like this:

1. Individuals in nonprofit organizations join up because they wish to avoid the judgmental rat race of the commercial world.
2. They accept reduced salaries in return for not only working on socially important problems but also having a "workstyle" that is much less stressful.
3. They do not want to be responsible for making coworkers' work life unpleasant.
4. They prefer decisions that leave everyone happy or at least not feeling neglected.
5. They consider it harsh and unpleasant to be too judgmental about poor performance.

It may be expected that, over time, this environment will shift more in the direction of the commercial model as more and more nonprofits pay attention to achieving high performance as recommended by students of the field like Letts, Ryan, and Grossman⁷ and increasingly demanded by foundations, philanthropists, and nonprofit watchdogs.

MARKETING MARKETING

Andreassen in 2002 addressed the problem of advancing marketing practice in considering how social marketing might be spread further.⁸ He suggested using the BCOS model to understand what might be going through the heads of potential adopters of the BCOS factors could be the following:

Benefits are significant:

- The target audience is guaranteed to play a major role in developing and implementing the planned program.
- All program elements will be focused on behavior change rather than setting for changes short of that goal (such as changes in awareness, liking, etc.).
- Influence attempts will be tailored to specific *segments* of the target audience, thus assuring efficient use of limited resources and tactics that are more effective because they "speak" to the specific interests, needs, and wants of distinct groups or individuals in the target audience.
- Through the application of the "4 Ps," influence attempts will always move beyond the promotion of the benefits of the desired behavior by paying attention to reducing the costs of the behavior and making it popular and easy.

Costs are coming down:

- Finding competent and experienced nonprofit marketers is becoming easier. For example, the social marketing listserver⁹ now has over 1,500 participants in over 38 countries.
- Additional resources are coming online as more and more private sector marketers want to apply their professional skills to social problems (i.e., doing volunteer work that is more rewarding than painting a club room or ladling soup in a soup kitchen).

Others are increasing supportive:

- Marketing is increasingly widely adopted. For example, the American Marketing Association now offers an annual conference for nonprofit marketers. The conference attracted over 350 participants in its fourth year of existence.
- Examples of first-rate nonprofit marketing routinely appear in *Advertising Age*, *Business Week*, and *Marketing News*.

Self-assurance is growing—marketing is easier to do:

- There is a dramatically growing arsenal of written and electronic material available for someone to develop familiarity and skills in using marketing approaches. These materials can be mined for help in all stages of the design and implementation of marketing strategies. Among the web sites specifically helpful to those involved in marketing campaigns in the nonprofit sector are the following:

Science Panel on Interactive Communication and Health

www.health.gov/scipich

American Communication Association (Links to many communications sites)

www.uark.edu/aca/acastudiescenter.html

University of Iowa Department of Communications Studies (Links to communications resources)

www.uiowa.edu/~commstud/resources/

Purdue University (Health communications programs)

www.sla.purdue.edu/healthcomm/Research.html

Centers for Disease Control and Prevention (Risk info)

www.atsdr.cdc.gov/HEC/primer.html

Centers for Disease Control and Prevention (Health communication)

www.cdc.gov/od/oc/hcomm

National Cancer Institute (Communications research)

www.dccps.nci.nih.gov/communicationscenters

National Youth Anti-Drug Campaign

www.mediacampanign.org

Health Canada's social marketing web site

www.hc-sc.gc.ca/hppb/socialmarketing/

Social Marketing Manual, Ohio University

oak.cats.ohiou.edu/~cm130791/social/social.htm

Tools of Change

Resources developed by Weinreich Communications, California
members.aol.com/weinreich/index.html
Communications Initiative (in Spanish)
www.cominitit.com/la/
Proyecto Acción SIDA de Centroamerica
www.pasc.org
Centers for Disease Control and Prevention Spanish web site
www.cdc.gov/spanish/
National Social Marketing Strategy (UK)
www.nsmis.org.uk/public/default.aspx

MANAGING MULTINATIONAL NONPROFITS

A growing phenomenon in the 1990s and early twenty-first century is for nonprofit organizations to locate in more than one country. Organizations such as CARE, the Red Cross, and the Salvation Army have had operations worldwide for many years. Many others, like the United Way, Goodwill, and Habitat for Humanity, are becoming similarly international. This raises a number of important organizational questions with respect to marketing operations. When a nonprofit decides to move internationally, there are a number of options.¹⁰

- *The Export Department.* In this form, the marketing operation is headquartered in a single country such as the United States and marketing experts go from country to country carrying out their programs as need dictates. The Academy for Educational Development, a major nonprofit consulting firm, adopts this approach.
- *The Multinational (or Multi-Local) Organization.* The organization has operations in a number of countries. Each country has its own local management and a considerable amount of autonomy. Coordination is managed at headquarters. CARE operates as a multinational.
- *The Global Organization.* This organization treats the world as one single market and develops universal strategies that apply everywhere. Local managers may adapt programs slightly to meet local needs. Habitat for Humanity's programs reflect this thinking.

The strongest debate is between multinational and global organizations.¹¹ Managers with a global point of view argue that barriers between countries have broken down greatly, that nonprofit problems are surprisingly similar in various countries, and that there can be great savings by developing a single basic strategy. They also argue that global programs offer consistency around the world that can increase awareness and effectiveness. Global strategies also mean that the nonprofit marketing organization can, over time, become extremely good at the few things that are its central global strategy.

Managers with a multinational orientation argue the opposite. They say that, although barriers have broken down between countries, this applies mainly to middle- and upper-class markets. Thus one might have a global strategy for certain kinds of direct mail fundraising directed at the middle classes. However, for programs targeting the lower classes, differences across countries are significant, especially when one considers differences in language and culture. Separate

programs are needed for each country. Indeed, many argue that differences within countries merit treating local ethnic market segments as "mini-nations." Even for programs where cultural differences are of minimal importance, multinationalists argue that differences in rules and regulations across countries make local programs essential. They do not deny that much can be gained from standardizing across countries; however, they argue that too much is unique to each nation or to each region to have a single strategy that will fit every situation.¹²

The multinational form appears to dominate in the early twenty-first century. Tom Harris, chairman of the World Fund Raising Council, is quoted as saying, "Very few nonprofits operate effectively transnationally. Organizations like Save the Children have national organizations with perhaps an international secretariat; rarely will you find a Frenchman working permanently in the offices in another country." Harris attributes this pattern to the fact that "all nonprofit organizations throughout the world tend to be chauvinistic."¹³ This observation suggests that, over time, as the nonprofit world itself becomes more global and chauvinism fades, we may see more globally centered organizations emerge as they have in the private sector.¹⁴

MULTI-SITE ORGANIZATIONS

Another challenge facing large nonprofit organizations is marketing through multiple sites in a single country. This is the case where organizations like the American Cancer Society or the Boys & Girls Clubs of America have individual chapters or clubs in different cities or, in some cases, several within a city. Habitat for Humanity International has operations in several countries as well as cities in the United States. The relationship between these individual units and the central "headquarters" is a crucial component of marketing planning and branding.

There are two important dimensions here. First, a manager must ask this: Should local units be independent and to what degree? In the Boys & Girls Clubs of America, like many other nonprofits, each club is independently run with its own board of directors and its own set of activities. At the American Cancer Society, individual chapters are, in a sense, local offices of a central organization. In comparison to the private sector, the Boys & Girls Clubs of America is like General Motors or Ford with independent dealerships, whereas the American Cancer Society is like Macy's with every store beholden to central management. The challenges for each are different.

In the "local office" model, the major challenges are two. First, to what extent should marketing capability be built into the local operation and, second, what should be the relationship with "headquarters"? Pushing marketing capacity down the chain of command to the extent possible makes sense and it increases the probability that strategies will be more responsive to local idiosyncrasies. Clearly, some local operations will be too small to hire a marketing person. However, it should still be the case that the local CEO be given extensive indoctrination into the marketing mindset and a thorough appreciation of the need to be target audience-driven. This will make future coordination easier and will often produce insights from the local level that will improve country-wide performance.

An alternative that some larger organizations have adopted is to establish regional offices with marketing staff. These bring the marketing perspective closer to the field

and help ensure local coordination and cooperation. In some cases, campaigns might properly be segmented on these very same regional bases.

The more difficult challenge is when there is local autonomy of some considerable degree either because it is given or because it is seized by powerful local factions. Autonomous local organizations can be very powerful. For example, in the United Way system, local operations in New York, Chicago, and Los Angeles annually have operating budgets in the hundreds of millions of dollars. As a consequence, they are likely to have strong CEOs, powerful local boards, and their own marketing staffs. Thus, of course, can make for much more potent and target audience-centered campaigns and programs at the local level. However, it also can lead to great fragmentation and a lack of coordination when *country-wide* strategies are put in place. This has proven especially troublesome when the organization attempts to mount a new national branding campaign as Volunteers of America has recently attempted.

One approach to this problem is for the central organization to consider its role to be a service arm meeting the needs of the "locals." The alternative route—the one more typically taken—is to seek to manage the organization nationally. The "secret" to coordinating such national efforts in an autonomous multi-site system is simply to apply the marketing principles we have been espousing throughout this book. This is another case where one has a target audience (the local enterprises) and a set of behaviors (say, getting "on board" with a nationwide branding and positioning effort) that needs to be influenced. Headquarters must be sensitive to local needs and wants and to demonstrate the ways in which the desired behavior (cooperation) will meet local interests. This is, of course, oftentimes easier said than done, especially when there is a history of friction and/or where strong personalities are involved. It also can be very troublesome when the national efforts are ineffective or counterproductive. It is not surprising to find large locals concluding that they can do it better.

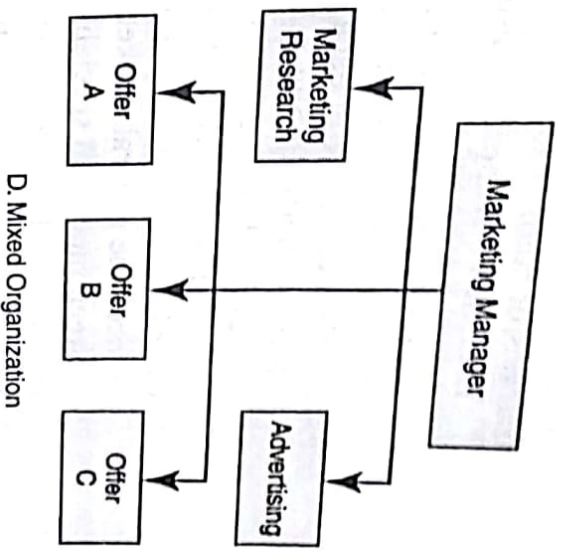
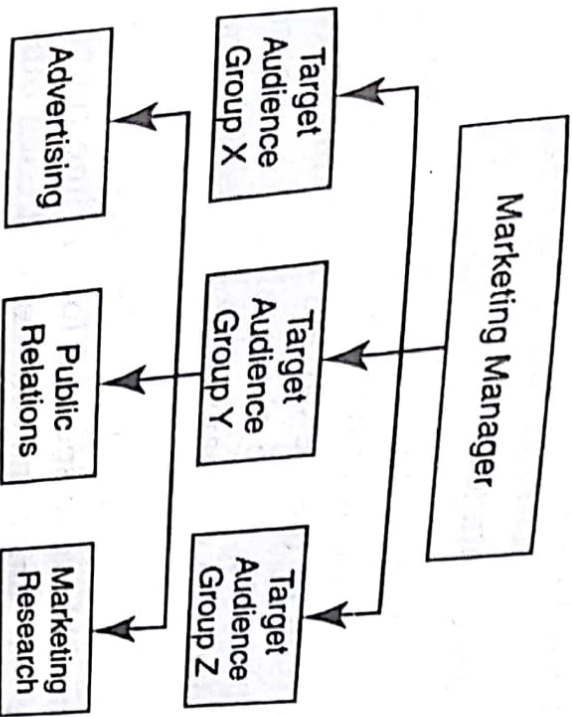
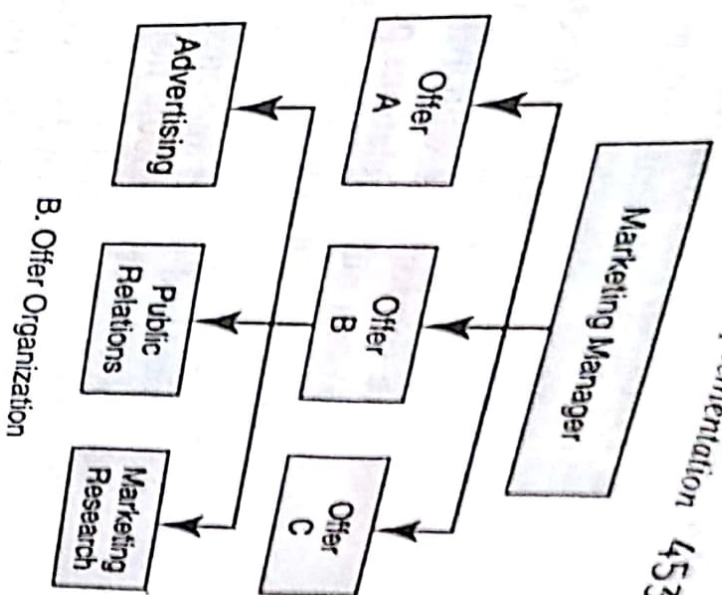
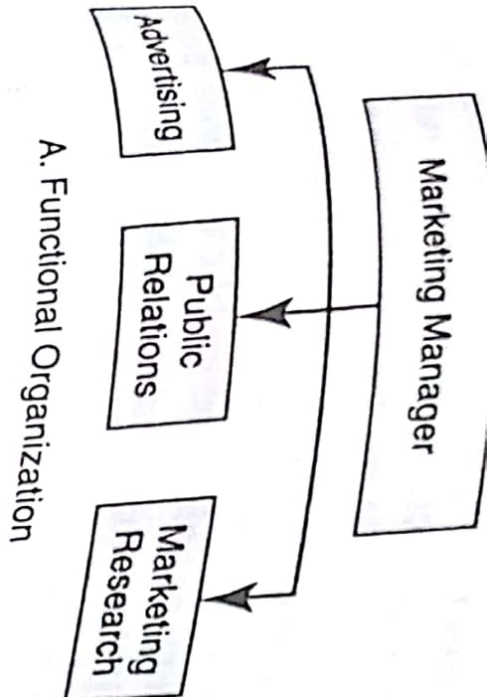
Of course, friction between headquarters and the field will be especially high if there is any scandal or evidence of malfeasance at the central office. The relationship between autonomous chapters and headquarters is typically where the locals raise funds and submit regular fees (franchise fees in the private sector) to headquarters. Misuse of these funds, as with the United Way in the 1980s, can sunder ties with locals in ways that can take years to repair.

ORGANIZATIONAL DESIGN

As the marketing department in any one unit (e.g., national headquarters) grows in physical size, how it is organized internally becomes a critical question. This will affect not only how the department is run but what kinds of people should be employed. The options typically found in the private sector as design alternatives can be adapted to nonprofit marketing with limited rethinking. These alternatives are (1) functional organization, (2) offering-centered organization, (3) target audience-centered organization, and (4) mixed organization.

Functional Organization

Most growing nonprofit marketing units first take on the appearance of a functional organizational structure as shown in Figure 18-1A.



2. *Functional skill synergies.* Several advertising or public relations people working together in physical proximity will stimulate each other to produce much higher quality work.
3. *Professional affinities.* A functional organization is consistent with the natural affinities of those it hires. That is, other things being equal, advertising people will feel more comfortable with other advertising people, and public relations people will feel more comfortable with other public relations people. Even if they are initially located apart, they will gravitate toward each other. Therefore, why not put them together in the first place?

In mature organizations, functional structures are desirable under two conditions. First, the product and target audience mix should be relatively homogeneous. Second, the industry to be served should not be particularly dynamic. If the former is not the case, there is serious danger that functionally oriented specialists will ignore product or target audience groups that don't interest them. In rapidly changing markets, focusing on individual specialties and not on products or target audiences may lead functionally oriented departments to miss major changes in target audience behavior, competitor strategies, or both.

The functional approach also has other disadvantages:

1. Informal criteria for performance may become centered on what the *function* values and not on what is good for the nonprofit enterprise. Thus advertising people working with each other may tend to feel rewarded for "impressive" advertisements. Public relations people may pride themselves on industry awards for their brochures or public education campaigns. Peer accolades may take the place of market performance.
2. Coordination is more cumbersome. If the organization has several products or services, the general marketing manager will have to spend a lot of time running between functional specialists to ensure that campaigns complement each other, that work is done on time and in proper sequence, and so on.
3. Bottom-line responsibility is diffused. If a product or service is unsuccessful or if a major target audience group is stolen away by a competitor, functional specialists will blame "the other guy." If, for example, a new adult extension program in a hospital is a flop, the advertising people may blame the public relations people for not getting enough free TV time or news releases in local papers describing the program. For their part, the public relations people may blame the adult education staff for not being target audience-oriented enough in actually running the classes. No one person takes final responsibility for the disappointing performance.

Offering-Centered Organization

Many of the leading private sector marketers have turned their functional departments into product/service-centered organizations, as shown in Figure 18-1B. One person is put in charge of a specific product or service (or a set of relatively similar products and services) and is charged with making them a success. In the nonprofit world, there are offerings that involve neither products nor services but still seek socially desirable behaviors. For this reason, we have adopted the term "offer-centered" rather than the more traditional distinction. The virtue of the approach is that responsibility in this framework is inescapable. If the organization is large enough, each offer manager would manage his or her own advertising, public relations, and marketing research specialists.

In smaller organizations such as those one often encounters in the nonprofit sector, it may be necessary to adopt a mixed form of organization like that in Figure 18-1D, which attempts to capture at least the major features of the offer-centered design. In the mixed format, functional *staff* departments are established along with offer departments. Each offer manager then “buys” functional services (e.g., marketing research), coordinating their use and ensuring that the “purchased” service provider pays strict attention to market performance.

The offer-centered organization has a number of advantages:

1. Responsibility is clear. If behavioral objectives are not achieved, there is only one person to blame. If they are achieved, or if significant movement is made toward them, one person probably deserves most of the credit (and the rewards that go with it).
2. This single responsibility forces close attention to market dynamics, shifts in target audience tastes and preferences, and competitors' current and planned strategies and tactics. The offer management structure typically is much “faster on its feet” than the functional system.
3. General management skills are developed. Marketing proves to be a good training ground for future top managers. Since all offer managers have their own little enterprises to manage, they should become very good at overall strategic planning, budgeting, coordination, and personnel management—all skills that should quickly qualify them for higher-level management positions.
4. Small products or services and minor behavioral challenges are not neglected.
5. Intraorganizational competition is fostered. Hospital OB/GYN marketing programs could be set in competition with its programs for emergency or outpatient care or for adult education. This internal competitiveness in the private sector seems to keep marketers even more alert and aggressive than do other structural designs.

Despite these important advantages, the offer management system can have serious limitations. Some are inherent. Broad general management skills are necessary in this kind of system, but often the offer managers filling the ranks are young and not yet experienced enough to handle the complex managing job effectively. Further, an emphasis on offerings can mean relatively weak skill development in functional areas. Thus the offer manager may not be particularly strong in advertising or marketing research or public relations and will need to defer too much operational responsibility to functional specialists. Finally, the offer management structure may encourage top management to assign management roles to persons with deep knowledge of products, services, or behavioral offerings rather than marketing skills and target audience sensitivity. Thus an older nurse with a large family may be seen as the best person to head up the OB/GYN marketing program. The adult fitness program may be assigned to the hospital “fitness freak,” while the outpatient program is assigned to the young woman who dropped out of medical school for a management career.

Clearly, the major disadvantage of the offer management approach is that the manager is not given direct line authority over his or her functional specialists. Thus offer managers need great persuasive skill to get staff functional specialists to do what is needed *when* it is needed. With other managers competing for the same staff specialists, there is a great chance that programs will be poorly coordinated. Further, where authority does not equal responsibility, offer managers will feel considerable frustration that they cannot totally control.

If there is the danger of this frustration occurring, three steps must be taken. First, top management must back up the offer manager by according him or her an important role in the overall organization and by stressing to functional staff people that their job is to serve the offer managers and not to decide what should or should not get done. Second, offer managers should be chosen partly for their interpersonal and persuasive skills. Third, reward systems should explicitly make allowances for situational factors the offer manager cannot control.

The Target Audience-Centered Organization

If, as we have argued, successful marketing organizations should be target audience-centered, then it might reasonably be asked why this shouldn't apply to their marketing structures as well (see Figure 18-1C). Take the case of the YMCA, for example. The Y has many offerings—physical fitness programs, arts and crafts programs, educational programs, and so on. An offer management system would call for appointing a person to head each major program. Thus a physical fitness director would study people's needs and interests in physical fitness and would develop plans for expanding the offerings and attracting more users, as well as for pricing the programs competitively. This person would advise various local Y units on how to make their physical fitness programs stronger.

The Y also serves a variety of markets divided by sex (male, female) and age (teens, young adults, adults, senior citizens) and could organize itself around them. In a marketing system organized by target audience group, a person would be appointed to focus on each major market. Thus the market manager for teens would study teens' needs and develop programs that satisfy these needs while another person focuses on elderly women. These individuals would consult local Ys that are having trouble attracting teens or elderly women and propose new programs that might be offered.

IMPLEMENTING A TARGET AUDIENCE ORIENTATION

Establishing the marketing structure appropriate to a particular organization does not necessarily make the organization *target audience-oriented*. Nonetheless, it is crucial that the departments and key managers and staff everywhere in the institution—whether called marketers or not—have the proper philosophy. Inculcating this philosophy may be the marketing manager's most important task. This can be a challenge if the marketing manager has limited influence on how many in the organization think and behave toward target audiences and other publics. The marketing officer in a college, for example, cannot order professors to show a stronger interest in their students. A marketing vice president in a hospital cannot require nurses to smile and act promptly to meet patient needs or discharge clerks to be solicitous of patient anxieties. The marketing manager, instead, must work patiently to build up the right mindset. It is not possible for a nonmarket-oriented organization to be transformed into a fully responsive market-oriented organization overnight. Installing the marketing concept calls for major commitments and changes in the organization. As noted by Edward S. McKay, a long-time marketing consultant:

It may require drastic and upsetting changes in organization. It usually demands new approaches to planning. It may set in motion a series of appraisals that will disclose surprising weaknesses in performance, distressing needs for modification of operating practices, and unexpected gaps, conflicts, or obsolescence in

basic policies. Without doubt, it will call for reorientation of business philosophy and for the reversal of some long-established attitudes. These changes will not be easy to implement. Objectives, obstacles, resistance, and deep-rooted habits will have to be overcome. Frequently, even difficult and painful restaffing programs are necessary before any real progress can be made in implementing the concept.¹⁵

Any attempt to reorient an organization requires a plan. The plan must be based on sound principles for producing organizational change. Achieving a target audience orientation calls for several measures, the sum of which will hopefully produce a market-oriented organization within three to five years. These measures are described next.

Top Management Support

An organization is not likely to develop a strong marketing orientation until its chief executive officer believes in it, understands it, wants it, and wins the support of other high-level executives for building this mindset. This was a major weakness in the study referenced earlier.¹⁶ The CEO should be the organization's highest "marketing executive" and should create the climate for marketing by talking about it and agitating for it. Ideally, the CEO of a social service agency, for example, should frequently remind the head of fundraising, the telephone operators, billing agents, and others of the importance of being responsive to target audiences and their needs—obviously within limits. By setting the tone that the organization must be service minded and responsive, the CEO prepares the groundwork for introducing further changes later.

In-Company Marketing Training

An early task of any new marketing executive should be to develop a series of workshops to introduce marketing concepts and tools to various groups in the organization. These groups are likely to have antiquated or biased views of marketing and limited understanding of its potential benefits.

The first workshop should be presented to top corporate and divisional management. Their understanding and support are absolutely essential if marketing is to work in the organization. The workshop may take place at the organization's headquarters or at a retreat; it may consist of a highly professional presentation of concepts, cases, and marketing planning exercises. From there, further presentations can be made to the human resources, operations people, financial people, and others to increase their understanding of how marketing ideas can help them in their own jobs.

Better Employee Hiring Practices

Training can only go so far in inculcating the right attitudes in employees. If a hospital has grown accustomed to concentrating on the latest procedures and interventions instead of target audience care, it will be hard to change its attitudes and behavior. However, the hospital can gradually rectify the imbalance by taking advantage of turnover and hiring personnel who have a more patient-friendly point of view.

The first principle in developing a caring organization is to hire caring people. Some people are more naturally service minded than others, and this can be a significant criterion for hiring. Delta Airlines historically did much of its flight attendant recruiting from the deep South where there is a tradition of hospitality; it hires fewer attendants in large Northern cities because people from these cities tend to be less hospitable. Southwest's former CEO said that he only hired people who had great personalities, arguing that he can always train them in the specifics of their job but could not change who they were. New employees should go through a training program that emphasizes the importance of creating target audience satisfaction. They can be taught how to handle complaining and even abusive target audiences without getting riled. Skills in listening and target audience problem solving would be part of the training.

Rewarding Market-Oriented Employees

One way for top management to convince everyone in the organization of the importance of target audience-oriented attitudes is to reward those who demonstrate these attitudes. The organization can make a point of citing employees who have done an outstanding job of serving target audiences. Many colleges have "best teacher" awards based on student voting. Some hospitals carry a picture in their employees' magazine showing the "nurse of the month" and describing how this person handled a difficult situation. By calling attention to examples of commendable target audience-oriented performance through internal marketing, it is hoped that other employees will be motivated to emulate this behavior.

TARGET AUDIENCE-DRIVEN ORGANIZATIONAL CHANGE: AN EXAMPLE

The American Cancer Society is the fifth-largest charity in the United States. In the 1980s, the American Cancer Society was extremely successful, dominating the field of cancer research and treatment. Gains in donations were double digit every year. However, pressure was building inside and outside the organization. Like many nonprofits, the American Cancer Society operated with a national office and regional and divisional affiliates. The latter collected funds and remitted 40 percent to the national office which, in turn, supplied services and support to local efforts.

By 1990, regional and local officials were criticizing the central operation. A member of the national board accused the organization of having "a sort of stuffy tradition, and a lot of sacred cows." The biggest complaint was that "national" was *not target audience-oriented*. The organization was demanding too much of its local affiliates and not giving them the kind of help they wanted and needed in return. As the executive vice president of the New Jersey division said, "The national office [would] develop what it wanted to and offer it to us, never really asking what we wanted." It was an excellent example of the kind of *organization-centered* operation we described in Chapter 2. The national American Cancer Society office was selling its offerings to its target audiences, the regions, and divisions, but not meeting the latter's needs and wants.

In the 1990s, competitive pressures were also rising dramatically from other charities that focused on specific cancers, such as breast, prostate, and so forth. Gains in donations fell to single digits. In response, two dramatic changes in the way the American Cancer

Society was organized and operated were initiated. First, it decided to focus its efforts on a small number of target areas: eliminate tobacco use, promote early detection of breast cancer, promote school health programs, recruit new volunteers, and promote income development. The society also set specific "measures of success" for each area.

Second, it undertook a bottom-up organizational change process. It was clear that a new organizational structure was needed. However, the American Cancer Society's new CEO, John Seffrin, decided to let the employees and volunteers design the new organization rather than imposing a new order from the top down. This bottom-up approach involved a committee of 20 staff members and volunteers who met over the course of eight months and came up with solutions that were enthusiastically received by Seffrin and the board of directors. In the process, the American Cancer Society got the very best ideas from those on the firing line. Employees and volunteers got ownership of the process and the outcome. It was clear that any eventual downsizing and streamlining came from below, not above.

As a result of this change process, national departments such as the Prevention Department were given the task of becoming target audience-driven. They were given the responsibility of coming up with the materials and training programs that the divisions needed and liked. Under the new regime, the only way a department could grow would be if it showed that it was meeting its target audience's (division) needs.

The result of the process was increased focus and greatly heightened morale that set a course for the American Cancer Society into the next century. As the executive vice president of the Virginia Division noted, "If this fails—and I don't think it will—then we all fail together. It's not something that has been imposed upon us divisions, we bought into it from the very beginning."

Clearly, being target audience responsive applies as much to organizational change as it does to raising funds and changing final target audience behavior.

A description of how these changes have affected the American Cancer Society's marketing efforts is offered by the vice president for international marketing, Cynthia Currence, in Exhibit 18-1.

EXHIBIT 18-1

CYNTHIA CURRENCE, VICE PRESIDENT FOR INTERNATIONAL MARKETING ON THE AMERICAN CANCER SOCIETY'S MARKETING CHALLENGES

Internal marketing is essential to accomplishing goals at the American Cancer Society. The American Cancer Society is a large organization in terms of numbers of talented and passionate staff and volunteers. These very committed people address a highly complex cause that

touches virtually all segments of the American population. If you know someone who has been cured of childhood leukemia, someone who has had a mammogram, someone who is taking Herceptin or Tamoxifen for breast cancer, or someone who has stopped smoking, or

(continued)

EXHIBIT 18-1 (cont.)

someone who has received life-saving cancer information in the middle of the night, then you know someone who has been touched by the work of the American Cancer Society. There are numerous options for target audiences, strategies, and activities that would make progress in bringing cancer under control within the shortest amount of time. In order to achieve and maintain strategic focus for measurable outcomes, the organization must build and sustain consensus around the priority areas that will generate the greatest gains for the cause. Internal communications and marketing regarding rationale and accomplishments related to strategic directions help achieve this focus.

The organization's nationwide priorities are (a) providing high-quality and understandable information 24 hours a day/seven days a week, (b) funding research, (c) improving cancer patients' quality of life, and (d) increasing preven-

tion and detection behaviors among appropriate populations. The American Cancer Society maintains a National Cancer Information Center that is available all day, every day to talk with people about cancer issues. This call center handles over 1.2 million "inbound" calls each year and there were over 24 million visitors to the cancer.org web site project for 2006. Twenty percent of the web traffic originates outside the United States. E-mail addresses are solicited as both a way to deliver information instantaneously to consumers and as a way to begin a longer-term dialogue and relationship with them. Special communities have been built online for special constituencies such as cancer survivors (Cancer Survivors' Network) and Relay For Life participants. Relay For Life is the Society's signature event and generates over \$300 million per year with people from over 4,000 communities in the United States and 20 different countries involved.

orientation, a target audience orientation, or some mixture. Although the specific form chosen should depend on the experience, market conditions, and mission of the organization, the target audience-centered form most explicitly incorporates the philosophy emphasized in this book. And even when the target audience-centered form is not chosen, it is essential that the organization adopt a target audience perspective. This can be accomplished by careful hiring and training, explicit top management support, and a reward structure that reinforces target audience-centered behavior. Target audience-driven approaches can also ensure effective organizational change and training, especially for large nonprofits whose national offices have regional divisions as their target audiences.

Questions

1. You are eager to bring more staffers to your Red Cross regional office. At the moment you have 325 people, of which only 28 have business backgrounds. What characteristics would you look for in potential business candidates? What would you avoid?
2. You have just hired five marketing specialists for the Kennedy Center for the Performing Arts. You want to brief them before they start. What are the five most important things they need to appreciate about the differences between their old employers and their new one?
3. The marketing director for a new Philadelphia HIV/AIDS program decides to run a marketing program to get more African-Americans to undertake testing—especially those at risk. The first campaign features dozens of dramatic bus stop posters with a bold statement urging viewers to get tested and/or call a hotline number. Expenses exceed \$40,000. Few calls are received after the campaign is launched and no appreciable change in testing appears to have taken place. Staffers who are jealous of the marketer's large budget urge you (as the CEO) to cut back on this activity. How would you respond?
4. The executive at your largest chapter—one whose practices are often emulated by executives at other chapters—has decided that she does not like the branding approach that you have devised and plans to develop her own, one she says will be more appropriate to her city and suburbs. How would you respond?
5. You believe that your Goodwill operation is insufficiently customer-oriented. How would you go about changing this?

Notes

1. Francine D. Blau and Marianne A. Ferber, "Occupations and Earnings of Women Workers," in Karen Shallercross Kozlarski, Michael H. Moskow, and Loretta Dewey Tanner (Eds.), *Working Women: Past, Present and Future* (Washington, DC: The Bureau of National Affairs, Inc., 1987), pp. 37-68.
2. Marianne G. Briscoe, "The Politics of Cheap: Are Low Salaries Damaging Nonprofits?" *Nonprofit Times*, September 1994, p. 12.
3. Debra E. Blum and Donna M. McCann, "Nonprofits Find For-Profit Inspiration," *Them Best of Both Worlds*, *The Chronicle of Philanthropy*, November 16, 2000, p. 24.
4. Sonya Freeman Cohen, "Working in Europe: A Nonprofit Perspective," *Nonprofit Times*, February 1993, pp. 33-34.
5. Ludwig Theuvsen, "Doing Better While Doing Good: Motivational Aspects of Pay-for-Performance Effectiveness in Nonprofit Organizations," *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, Vol. 15, No. 2 (June 2004), pp. 117-136.