



Adapted from “Field Guide to Consulting and Organizational Development With Nonprofits” – to obtain the entire book, select “Publications” at <http://www.authenticityconsulting.com>

Systems-Based Model to Diagnose Nonprofit Organizations

How a Diagnosis is Typically Done

Key Role of a Diagnostic Model

Diagnosis of an organization, or any system, typically involves the following phases. Some practitioners might do them in a very orderly and explicit manner, while others might prefer a rather unfolding and implicit style.

1. Adopt a standard of performance about how a high-quality organization should be operating, including about how well it shares information with the environment around the organization, the quality of its overall intended outcomes, practices within the organization and how those practices are integrated with each other.
2. Implement a tool to assess the quality of the current performance of the organization, including to suggest what information should be collected and how it should be analyzed.
3. Compare the results of the assessment to the standard of performance.
4. Generate an assessment report that specifies the differences between the quality of the organization's current operations to the standard of performance.
5. Generate recommendations about how those differences could be overcome, including what practices should be improved, how to improve them and in what order.

Description of This Diagnostic Model

The diagnostic model described in the following pages uses a logic model to depict the system of a nonprofit organization. A logic model is a powerful means to depict the orderly flow of activities into, through and out from a system in order to produce the desired outcomes from the system -- in this case, the clients of a nonprofit organization.

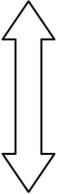
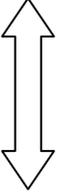
The user should review the organizational logic model on the following page before reading the paragraphs after that, which describe each of the functions in the organization and how they are generally integrated into a somewhat orderly sequence. This general order helps users to understand which specific functions are affected by the others and, thus, where to focus improvement efforts based on the results of the assessment.

A key benefit of the following diagnostic tool is that it references various terms that are usually quite familiar to leaders in the organization and, thus, can be very helpful when orienting them to the tool and getting their buy-in to the diagnostic process.

The following online, free assessment tool aligns very nicely with the diagnostic tool described in this document: <https://www.surveymonkey.com/r/SVF38MM>.

Ultimately, it is up to the user to decide from the results of the assessment, whether a particular function needs to be improved or not. However, if the results of using the above-mentioned tool indicate that any of the functions near the top of the logic model (strategic, programs and resource planning) have more than a quarter of their best practices marked as "needs work", then each of those functions should be improved and be improved first in the upcoming organizational development activities.

A Systems Model to Diagnose Nonprofit Organizations

Outcomes: Improved lives and lifestyles for external stakeholders, including customers. Tangible Outputs: Products and services to clients.		
System Loop	Major Functions	Comments
Planning 	Strategic planning for organization (mission? vision? values? goals?)	<ul style="list-style-type: none"> ▪ All activities are integrated with each other. ▪ Driving force behind all activities is leadership among Board and staff. ▪ Leadership sets direction, guides resources toward the direction, and makes adjustments to keep resources on track. ▪ Strategic goals set direction for organization and suggest performance goals for Board and staff.
	Planning for programs (similar to business planning) (clients? outcomes? services? marketing? costs?)	
Resource planning (people? fundraising/revenue? technologies? other?)		
Revenue / fundraising development (for major activities)		
Developing 	Board, staff and volunteer development (recruiting, training, organizing)	
	Development of other resources (facilities, supplies, policies, procedures, etc.)	
	Supervision and teamwork	
Operating 	Program operations	
	Advertising and promotions	
	Facilities management	
	Financial management	
	Administration	
Evaluating 	Board	
	Individuals	
	Programs	
	Processes	
	Organization	
Inputs: people, money, equipment, facilities, supplies, people's ideas, people's time, ongoing accurate and useful feedback from external stakeholders, etc.		

The following descriptions are of each of the major functions listed in the previous table, Overview of the Management System of a Nonprofit Organization. The descriptions are organized according to the four major phases of a management system.

Planning

1. Strategic planning

Members of the Board and staff conduct strategic planning to determine the overall purpose (mission) and direction (vision and goals) for the nonprofit, as well as the methods (values, strategies and programs) for the nonprofit to work toward the purpose and direction. The strategic planning process provides input to all other major functions in the organization, especially program planning and resource planning. Thus, if strategic planning is not done well, the entire organization can be adversely effected.

2. Planning for programs

Programs are designed or refined as means to implement the service-oriented strategies from the Strategic Plan. During program planning, the marketing research (or “inbound marketing”) activities are conducted to identify, for example, specific community needs for the nonprofit to meet, what outcomes are needed to meet those needs, what specific groups of clients to serve, and how to serve them to achieve those outcomes. Program planning provides input to many other functions, such as resource planning (regarding staff, funds, people), financial management, advertising and promotions, and also fundraising. Many problems commonly associated with fundraising and promotions are really the result of poor program planning.

3. Resource planning

Planners identify what resources are needed to implement the strategic and program plans. Usually, resources include people, funding, facilities, equipment, supplies, and even certain policies and procedures. Budgets usually are developed that include listings of resources that are needed, along with the estimated costs to obtain and support the use of those resources. Resource planning directly affects the quality of all operating activities because, without adequately identifying what resources are needed, major functions in the organization struggle to be effective.

Developing

4. Revenue / fundraising development

Planning for programs specifies how much money the programs might earn (expected revenues), how much money they might cost (expected expenses) and if there are any deficits (expenses exceeding revenue) for the programs. The deficits often are addressed by fundraising. The planning for fundraising is often carried out by developing and implementing a Fundraising Plan, which specifies the overall amounts of money that must be raised, where it might be raised, how it will be raised, by who and when. If the planning for fundraising is not done systematically and comprehensively, nonprofits miss opportunities for funding and, instead, focus their fundraising activities on a few methods, for example, continued fundraising events.

5. Board, staff and volunteer development (leadership and management)

Members of the Board and staff are developed by first identifying what expertise is needed to achieve the goals in the strategic and program plans. Development activities continue by obtaining, training and organizing members to better achieve the strategic and program goals. Note that many nonprofits recruit and develop personnel as an activity somewhat

apart from their strategic and program planning activities. That approach may result in the nonprofit being run more by personalities than by plans. The results of successful development of the Board and senior staff greatly influence the success of the nonprofit because Board and staff provide the leadership that drives the entire system with its phases of planning, developing, operating and evaluating. However, strategic planning and program planning must occur before development of the Board and staff to provide direction for how they should be successfully developed.

6. **Development of other resources**

There usually is a variety of types of resources (other than money and people) that needed to be obtained and developed, for example, facilities, equipment, policies and procedures. Perhaps most important among these resources are policies and procedures. They form the "glue" that aligns and integrates the resources of money and people. If those policies and procedures are not integrated and up-to-date, they can cause inefficiencies in the operating activities. As a result, members of the organization experience increasing inefficiencies and conflicts. Successful leaders have learned to focus on developing a firm foundation of plans and policies from which their organizations can more reliably grow.

Operating

7. **Supervision and teamwork**

A supervisor is someone who oversees the progress and productivity of people who report directly to the supervisor. Thus, a Board supervises the Chief Executive Officer, and a CEO supervises, for example, the Program Director. Teamwork is about how people work together to coordinate goals, roles, leadership and communication. The activities of supervision and teamwork are critical to the success of a nonprofit because those activities ensure that goals are established in accordance with strategic and program goals, progress toward the goals is monitored, and adjustments are made among individuals to more effectively achieve the goals. Many times, recurring problems in other types of operating activities are really symptoms of poor teamwork.

8. **Program operations**

This includes the ongoing activities that provide services directly to the clients. The nature of these activities depends on the types of needs met by the program. For example, health services often require highly trained program staff and technologies. Food shelves require large facilities to store groceries. The success of programs depends a great deal on the effectiveness of strategic and program planning and of teamwork in the organization.

9. **Advertising and promotions**

These "outbound" marketing activities are geared to inform stakeholders (clients, funders, community leaders) about new and current programs, and also to keep those programs in the minds of stakeholders. Many times, problems in advertising and promotions are the result of poor program planning, such as unclear identification of what specific groups of clients should be served, the needs of each group, and how the programs meet each need.

10. **Facilities management**

This includes identifying what major facilities will be needed, such as buildings, equipment and computer systems. The need for major facilities is identified during resource planning. Thus, problems caused by lack of facilities often are a result of poor resource planning. Problems caused by ineffective use of facilities often are a result of poor staff development.

11. **Financial management**
Activities of financial management include documenting financial transactions (bookkeeping), generating and analyzing financial statements, and making adjustments to budgets based on the various analyses. This is usually done to Board-approved fiscal policies and procedures. Many times, people report recurring problems with finances when they really mean problems with inadequate funding. Those problems are often caused by poor program planning that had inaccurate estimates of the costs to develop and operate the program. Poor program planning might be caused by very unrealistic strategic planning. Problems that are truly only about financial management can often be addressed by training personnel about bookkeeping and about generating and analyzing financial statements.
12. **Administrative activities**
This includes the extensive range of detailed activities that must be coordinated and conducted on a daily basis to ensure the efficient operations of the nonprofit. Many people think of these activities as clerical, or “paperwork.” Problems with administrative tasks often are the result of poor resource planning and staff development, or lack of appreciation for policies and procedures.

Evaluating

13. **Board self-evaluation**
Members of the Board of Directors should regularly evaluate the quality of their activities on a regular basis. Activities might include staffing the Board with new members, developing the members into well-trained and resourced members, discussing and debating topics to make wise decisions, and supervising the CEO. Probably the biggest problem with Board self-evaluation is that it does not occur frequently enough. As a result, Board members have no clear impression of how they are performing as members of a governing Board. Poor Board operations, when undetected, can adversely affect the entire organization.
14. **Staff and volunteer (individual) performance evaluation**
Most of us are familiar with employee performance appraisals, which evaluate the quality of an individual’s performance in their position in the organization. Ideally, those appraisals reference the individual’s written job description and performance goals to assess the quality of the individual’s progress toward achieving the desired results described in those documents. Continued problems in individual performance often are the results of poor strategic planning, program planning and staff development. If overall planning is not done effectively, individuals can experience continued frustration, stress and low morale, resulting in their poor overall performance. Experienced leaders have learned that continued problems in performance are not always the result of a poor work ethic – the recurring problems may be the result of larger, more systemic problems in the organizations.
15. **Program evaluation**
Program evaluations have become much more common, particularly because donors demand them to ensure that their investments are making a difference in their communities. Program evaluations are typically focused on the quality of the program’s process, goals or outcomes. An ineffective program evaluation process often is the result of poor program planning – programs should be designed so they can be evaluated. It can also be the result of improper training about evaluation. Sometimes, leaders do not realize that they have the responsibility to verify to the public that the nonprofit is indeed making a positive impact in the community. When program evaluations are not performed well, or at all, there is little

feedback to the strategic and program planning activities. When strategic and program planning are done poorly, the entire organization is adversely effected.

16. **Evaluation of cross-functional processes**

Cross-functional processes are those that span several systems, such as programs, functions and projects. Common examples of major processes include information technology systems and quality management of services. Because these cross-functional processes span so many areas of the organization, problems in these processes can be the result of any type of ineffective planning, development and operating activities.

17. **Organizational evaluation**

Ongoing evaluation of the entire organization is a major responsibility of all leaders in the organization. Leaders sometimes do not recognize the ongoing activities of management to actually include organizational evaluations – but they do. The activities of organizational evaluation occur every day. However, those evaluations usually are not done systematically. As a result, useful evaluation information is not provided to the strategic and program planning processes. Consequently, both processes can be ineffective because they do not focus on improving the quality of operations in the workplace.