



## Focusing on Purpose: The Power of Ends

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Exploring Governance Excellence  
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## Pre-Conference Workshop Agenda

- I. Welcome / Intros
- II. Introduction to Ends
  - Distinction from mission/goals/objectives
  - Role in Strategic Planning
  - The "At What Worth" Component: A Deeper Look
- III. Interpretations and Monitoring Ends
- IV. Ends Development – Mock Board Exercise and Report
- V. Ends Interpretations – Mock CEO Exercise and Report
- VI. Shared Learnings - Discussion

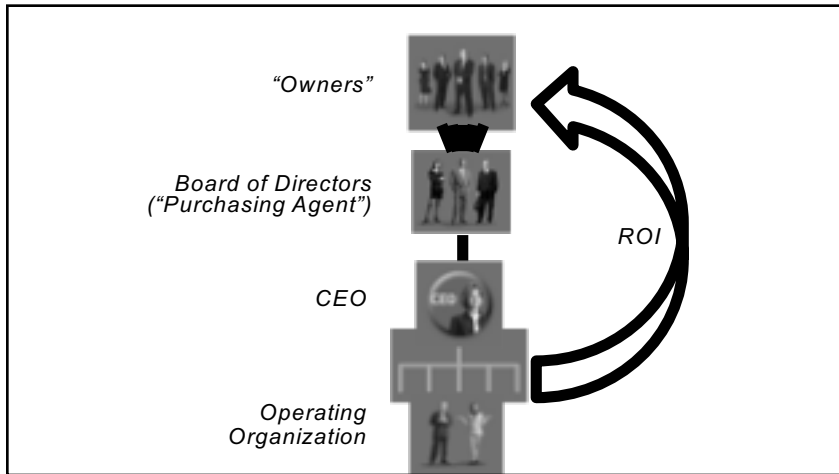
## Introductions



- Name
- Where from
- Organization and position
- Board experience
- *One* of your expectations

## PRINCIPLE 2 The Board's Purpose/Position


- **Accountable to owners**
- **Connect operational performance to owners' interests.**
  
- **Board job — define, and ensure, effective organizational performance:**
  - Appropriate results achieved
  - Inappropriate situations / conduct avoided
  
- Not to "run the organization"
  
- Think: "Purchasing Agent"



## Ends

Define *purpose*...


- **What results/impacts?**
- **For which people or groups?**
- **At what worth or priority?**




## Means

Speak to *process*

- **Activities, Practices, Methods**  
 (budgets, programs, facilities, etc.)
- **Board is still accountable!**
  - For its own processes/conduct
  - For operations




## PRINCIPLE 4 Focus on Ends



Defining the difference/ROI the organization will produce for / on behalf of its “owners” = the Board’s greatest leadership contribution

- **KEY DIALOGUE:** “What makes our organization worth funding/operating?”



## At What Worth and the Ownership

- The board is entrusted by the ownership to ensure that the results produced are truly worth the resources consumed.
- The board seeks owners' perspectives regarding the worth of potential and actual results and beneficiaries.
- Through consideration of costs and benefits, the board decides on behalf of the owners the worth of benefits.

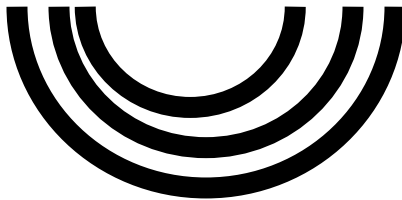
## PRINCIPLE 7 Arrange Policies by Size

Address the biggest concerns first...

- Then proceed to the smaller ones....
- ...until Board (majority) would accept "*any reasonable interpretation*"

## Logical Containment

*Addition of Policy*



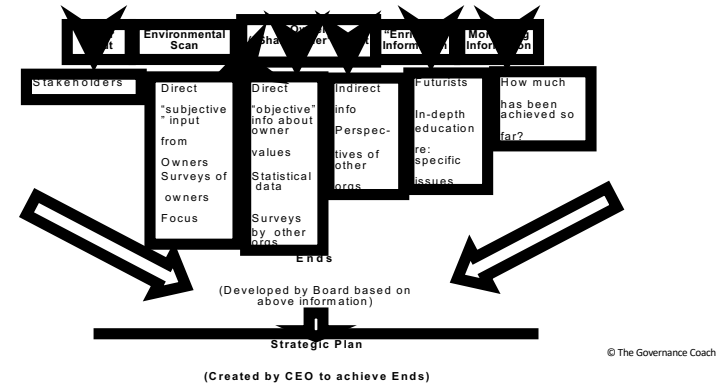
## Strategic Planning: *Identifying the Board's Role...*

- Strategic Planning = a *Management discipline*
- Board Role = *Governance*
- Board should set *strategic DIRECTION*—defining "*that towards which plans plan*"
- Board involvement in *operations is alluring...*
  - *But diminishes CEO accountability*
- ENDS—the most notable Board role in the planning process
- ENDS – redefine the nonprofit/governmental organization's "bottom line" in terms of operational success (*not financial*)

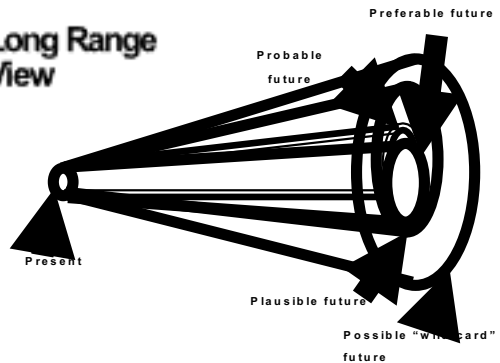
### Ends Development: An On-Going Process

- Requires board knowledge about the Ownership:
  - Needs
  - How they're changing
  - Related services provided by others
- Ends policies should evolve to reflect these changes
  - May involve linkage with those impacted, and others impacting them (needs assessment, trend analysis, and dialogue)
  - Requires wisdom gathering – CEO/staff should be a primary resource.
    - Infer from, don't defer to the CEO

### Information for Ends Decisions



### Long Range View



### Board as "Purchasing Agent"



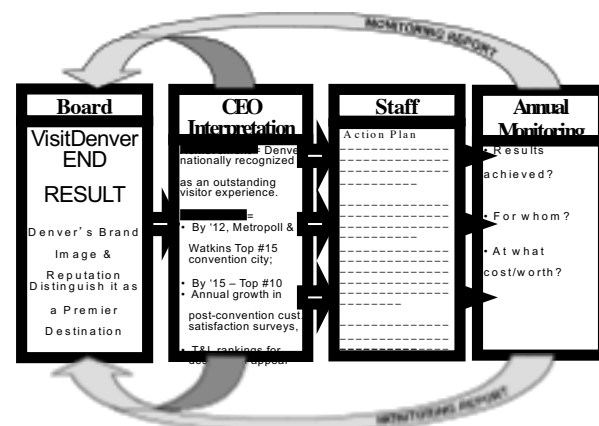
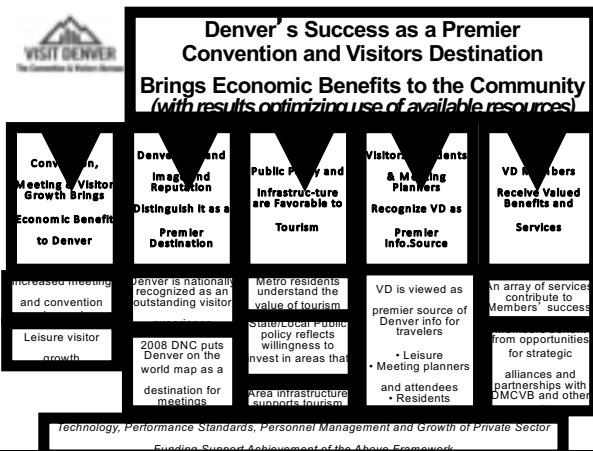
**“Hold yourself accountable for progress in outputs, even if those outputs defy measurement.”**

- Jim Collins  
*“Good to Great and the Social Sectors”*

### Sample Policy Statements



*Ends*




 CHARNEY ASSOCIATES

**ENDS-BASED STRATEGIC PLAN DEVELOPMENT FRAMEWORK**

**EXAMPLE: Visit Denver (convention & visitors bureau)**

|  |   |                 |
|--|---|-----------------|
| <b>END:</b> Leisure visitor growth brings economic benefit to Denver |   |                 |
| <b>CEO Interpretation (Vision of Success)</b>                        | Denver will continue to expand its share as a domestic leisure destination. Priority in next three years will be given to the city hosting high profile tourism industry events, creation/support of new visitor events/exhibits in need periods, and development/support of international nonstop flight efforts.  |                 |
| <b>Success Indicators:</b>   | <ol style="list-style-type: none"> <li>1. Visitor growth meets or exceeds national average</li> <li>2. Growth in visitor spending meets or exceeds national average</li> <li>3. Growth in weekend and off-peak hotel occupancy, average room rate and RevPAR (revenue per available room-night)</li> <li>4. Successful maintenance and pursuit of international flights.</li> </ol> |                 |
| <b>ACTION PLAN</b>   |   |                 |
| <b>Action</b>  | <b>Responsibility</b>   | <b>Date Due</b> |
| 1.   |   |                 |
| 2.   |   |                 |
| 3.   |   |                 |
| 4.   |   |                 |


  
*Ends*

## Sample: Broadest Ends Policy

American Cancer Society exists for..

***A World with Sufficient Knowledge  
For the Radical Reduction Of Cancer  
as a Cause of  
Human Suffering and Death  
(with results justifying resources expended)***

***A World with Sufficient Knowledge For the Radical Reduction Of Cancer as a Cause of Human Suffering and Death***

**Next Level - "Major Components of this Mission are":** 

(NOTE: as of 2000)

- 1. There is basic knowledge of the chemical, cellular and molecular biology of cancer (*Priority by 2003*)
- 2. Laboratory findings from research become clinically applicable to cancer treatment and prevention (*Priority after 2003*)
- 3. The social, psychological, spiritual, and economic effects of cancer on patients and their families are mitigated.
- 4. There is public behavioral change for the prevention of cancer.

**MOST COMMON QUESTION** 

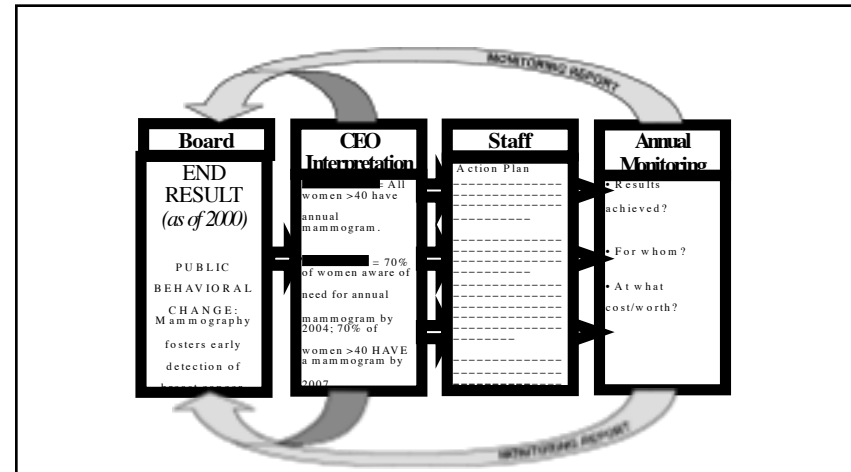
- How do we make sure our Ends are specific enough?



## ENDS SPECIFICITY



1. Consider: "Would we accept any reasonable interpretation of the policy, as stated?"
  - If yes, stop. (at least for now ...)
  - If no, be more specific.
2. Monitoring Reports – convey CEO's interpretation of what success will look like (long-term, with short term benchmarks/indicators of achievement).
  - Board judges whether "reasonable."
    - If reasonable, and Board is pleased, it has delegated effectively!
    - If reasonable, but not pleasing to Board, then Board must be more specific.
3. If not "reasonable"– then address CEO's thinking process ...



## PRINCIPLE 10 Monitoring CEO Performance

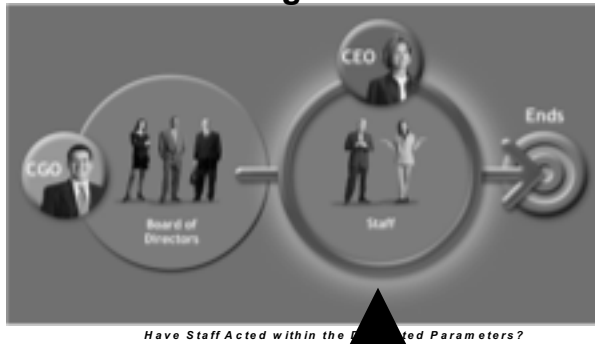
Monitor the CEO's Performance objectively,  
and only against stated criteria.



## The Delegation Flow



## The Delegation Flow



## Exercising Oversight: *The Board's Monitoring Decisions*

- When reviewing report, Board judgment addresses two questions:
  1. Are the CEO's interpretations reasonable?
  2. Has the CEO provided data that reasonably substantiates achievement (Ends) or compliance (Parameters) of the policy, as interpreted?
- ONLY policy criteria should be used...

## ENDS Development: *An on-going Process*



## Filtering Process



### Filtering: Use the “Ends Checklist”

1. Is achieving or demonstrably affecting this result something for which the organization can be truly accountable? (product vs. by-product)
2. Is there a need (otherwise unmet)?
3. Is it realistic/achievable, given existing/obtainable resources?
4. Is it a “what benefit” statement, not a “how”?
5. Would producing this potential End be acceptable to, or desired by, the ownership on whose behalf the Board serves?
6. Should this be one of the Board’s top concerns?

### At What Worth: A Deeper Look

### At What Worth – 2 Notions

- Cost-Benefit/Efficiency: Are the results worth the costs? Are the results being produced efficiently?
- Priority: What’s the relative worth/priority of selected benefits and beneficiaries?

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### Cost-Benefit

Are enough of the right results being produced for enough of the right people to justify the resources consumed?



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## Cost-Benefit



$$\frac{\text{Value of Benefit} - \text{Cost or Investment}}{\text{Cost or Investment}}$$

Net Benefit

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## Return on Investment

$$\frac{(\text{Value of benefits} - \text{cost or investment})}{\text{Cost or investment}} = \text{ROI}$$



## Comparing Benefits and Investments or Costs



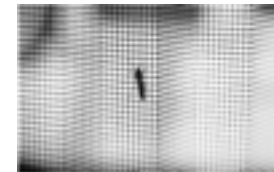
Proxies:

- Convert factors to equivalent measures.

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## Comparing Benefits and Investments or Costs (cont.)

- How much is the future life of a child worth if he/she is not infected with malaria?



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## Comparing Efficiencies

| Light source                      | Halogen<br>(100 W) | LED<br>(7.5 W) |
|-----------------------------------|--------------------|----------------|
| Cost over 15000<br>hours          | \$209.77           | \$31.35        |
| Outcome                           | 1600 lumens        | 800<br>lumens  |
| Cost/lumen<br>over 15000<br>hours | \$0.1311           | \$0.0392       |



Total cost or investment/  
Units of result =  
Efficiency

Numerator and denominator  
need **not** be the same currency!

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## Priority or Relative Worth



- Board may determine the relative worth or priority among selected results and beneficiaries.
- Is a given result worth:
  - Results foregone?
  - Unintended consequences (e.g. loss of support of those who would elevate other priorities, social/environmental costs, etc.)

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## Worth at the Broadest Level

The Board expresses, at the broadest level, its directive to the CEO/operating organization as to the intended worth/cost/value of the results to be achieved

- Examples: "...with results as can be produced \_\_\_":
  - ...at a high level of efficiency
  - ...at a cost that represents good value
  - ...worth the cost
  - ...optimizing the use of resources
  - ...optimizing return on investment
  - ...with results equal or greater than those of similar size districts with comparable mill levies.
  - ...with results providing high return on the state's annual appropriation.
  - ...worth the investment of tax payer dollars

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## Worth at the Lower Levels

May be specified in cost-benefit/efficiency or relative priority terms

- Examples:
  - Priority listing
  - Percentage of overall resources
  - Worth dollars per capita
  - Complete End B before beginning End A, etc.
  - At a level of efficiency equal or greater than...
  - Not at all – if the board does not specify worth at the lower level, the CEO is allowed to make any reasonable interpretation

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## Ends Interpretations and Monitoring

## Monitoring Report Structure

- Board Policy
- Interpretation
- Evidence of achievement

## (Bad) Example: Ends Policy Monitoring

- **Board Policy:** Individuals with developmental disabilities are valued as members of the community.
- **Interpretation:** An effective awareness campaign will create greater acceptance in the community of those with developmental disabilities.
- **Evidence:** We have placed monthly ads and feature stories in the community newspaper and, working with our volunteers, we have made presentations to 43 community organizations to help them understand the value of persons with developmental disabilities. Our presentations have been well received.

## Interpretation – Operational Definition & Rationale

An operational definition is a clear, concise, detailed definition of:

- A measurement procedure and
  - The level of measurement (e.g., benchmark) that will demonstrate compliance/achievement.
- 
- Rationale is a statement of why the operational definition is defensible, that is, reasonable. Such may include
    - Opinion of external, unbiased expertise
    - Comparisons to other similar organizations or situations

## Why Operational Definitions are Important

When collecting data, it is essential that everyone in the system has the same understanding and collects data in the same way

- Anyone should be able to repeat the measurement independently – if an external auditor or the board itself did the measurement, it should get the same result as the CEO

**Replicability**

## (Bad) Monitoring Ends Policies (v2)

**Board Policy:** Individuals with developmental disabilities are valued as members of the community.

- **Interpretation:** Compliance is demonstrated when community members agree or strongly agree that individuals with developmental disabilities are an important part of the community.
- **Evidence:** In a survey, randomly stratified on the basis of age and conducted between March 6 and 20, 2018, 71% of the 395 respondents indicated that they either agreed or strongly agreed that individuals with developmental disabilities are an important part of the community.

## (Better) Monitoring Ends Policies (v3)

**Board Policy:** Individuals with developmental disabilities are valued as members of the community.

- **Interpretation:** Compliance is demonstrated when 69% of community members agree or strongly agree that individuals with developmental disabilities are an important part of the community in accordance with the following schedule of benchmarks.

| 2017 (baseline) | 2018 | 2019 | 2020 | 2021 | 2022 |
|-----------------|------|------|------|------|------|
| 66              | 69   | 72   | 75   | 78   | 81   |

## Interpretation v3 (cont.)

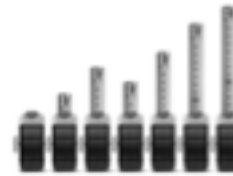
**Rationale**

- This is reasonable because a 2017 survey conducted by the Provincial Association for Individuals with Developmental Disabilities found that 77% of respondents across the province agreed or strongly agreed to the same question. 81% has been selected as the five year target in recognition that the provincial average may trend upwards during that time.
- An annual increase of 3% has been targeted based upon our limited resources and the experiences of similar organizations in other communities that have made a difference in community opinions in this regard.

## Evidence (v3)

- In a survey, randomly stratified on the basis of age and conducted between March 6 and 20, 2018, 71% of the 395 respondents indicated that they either agreed or strongly agreed that individuals with developmental disabilities are an important part of the community.
- I declare that the data demonstrates achievement with this Ends based on my interpretation above.

## Our Perspectives on Measurements?



- The concept of measurement as “uncertainty reduction” and not necessarily the elimination of uncertainty...”

- Douglas W. Hubbard

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## Interpreting What Worth

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## Some Approaches to Interpreting “What Worth”

- Comparison with other organizations or with our own organization over time
  - CEO assessment of productive capacity
- Owner valuation of worth
- Social Return on Investment (SROI)

## School District – Example of Comparison

- **Board Policy:** ... with student achievement worth the costs.
- **Interpretation:** Compliance will be demonstrated when the school district is reported by the State Department of Education to have achieved an overall performance index of at least 80% with average cost per student remaining below the average for all State school districts with enrollment of between 2500 and 4999 students (the district's comparison group). *Rationale.* The comparison group of similar sized districts in State have an overall performance index of 78%. The district had an overall performance index of 75% with average cost per student 15% below the average for the district's comparison group. Increasing the district's overall performance index to 80% seems achievable especially if cost per student can be increased (while remaining below the average cost for the comparison group).

## Ohio School Report Cards

- <http://reportcard.education.ohio.gov/Pages/District-Report.aspx?DistrictIRN=139303>

## Reflection: Example of Comparison



- Could your board use this approach? Why or why not?

## County Mental Health System – Example of Owner Valuation of Worth

- **Board Policy:** ... with positive changes to people's lives worth the investment of taxpayer dollars.
- **Interpretation:** Compliance will be demonstrated when county voters pass the election day issue to approve use of local taxpayer dollars for this purpose. *Rationale.* When county voters (a large segment of the ownership) pass such an issue they are expressing their judgment that results produced are worth the investment of their taxpayer dollars.

## Reflection: Owner Valuation of Worth

- Could your board use this approach? Why or why not?
- Are there other approaches to enable owner valuation that might work for your board?
- How would you focus the owners' responses on the worth of results for beneficiaries?



## Non-Profit Addiction Treatment Organization – Example of Social Return on Investment

- **Board Policy:** ... with treatment outcomes producing a justifiable SROI (Social Return on Investment).
- **Interpretation:** Achievement will be demonstrated when the organization's SROI research indicates an SROI of at least 150% calculated in relation to the following:
  - Reduced healthcare costs
  - Reduced criminal justice costs
  - Reduced government benefit costs (foster care for children of parents with addictive disorders, food stamps, housing, financial assistance)
  - Increased taxes paid (because of increased employment)

*Rationale:* A number of studies of addiction treatment report SROI's of 150% to 300% and greater

## Social Return on Investment (SROI) – Main Elements

- Inputs: resources, costs, investment
- Outcomes: results, benefits, positive changes in people's lives
- Social Impact Value: the calculated financial value of outcomes less the estimate of what would have happened anyway

## Social Impact Value – Addiction Treatment

- Reduced healthcare costs
- Reduced criminal justice costs
- Reduced government benefit costs (foster care for children of parents with addictive disorders, food stamps, housing, financial assistance)
- Increased taxes paid (because of increased employment)



## Social Return on Investment - Formula

- $(\text{Social Impact Value} - \text{Investment}) / \text{Investment} * 100\% = \text{SROI}$

$$(\$450,000 - \$150,000) / \$150,000 * 100\% = \text{SROI}$$

$$\$300,000 / \$150,000 * 100\% = \text{SROI}$$

$$2 * 100\% = 200\%$$

## Reflection: Social Return on Investment



- Could your board use this approach? Why or why not?

## NEXT: Breakout Exercise: Ends Development

## Breakout Exercise: Ends Development

- Each table is being assigned a different organization / sector
- Handouts on table provide background information on the organization:
  - Traditional mission statement
  - Description of the entity, its programs and services
  - Primary "goals" identified in a current strategic plan
- ASSIGNMENT: Develop a broad set of sample Ends for your respective organization.
  - To be reported back.
  - Time allotted for breakout: 40 minutes

**NEXT:  
Breakout Exercise:  
Ends Interpretation Development**

**Breakout Exercise: Ends Interpretation Development**

- Each table will continue the work from the Ends Development exercise, using some combination of the draft Ends developed, and the sample Ends subsequently distributed.
- **ASSIGNMENT:** Develop sample Ends interpretations for at least two of your respective organization's Ends statements.
- To be reported back.
  - Time allotted for breakout: 20 minutes

**Shared Learnings**

1. From what you experienced today, what stood out for you regarding concepts, examples, illustrations?
2. What is your reaction?
3. What new insight did you get from this?
4. What will you do as a result?



*Thank you.*