

# Strategy Matters™

ANTHONY KNERR & ASSOCIATES

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Established in 1990, ANTHONY KNERR & ASSOCIATES assists leading nonprofit institutions in the United States and Europe in successfully solving complex strategic issues.

## Thriving in Turbulent Times

The recent turmoil in national and foreign financial markets is unparalleled in modern times. The dangers to the stability of the interconnected global markets are real and serious. The credit crisis has fundamentally altered Wall Street in ways that are not yet fully evident. Recent market turbulence has led to major restructuring of financial institutions in this country and abroad, resulted in serious and continuing losses in many investment portfolios, damaged many donors and left other supporters to wait out the storm. In addition, public funding at state and local levels—and, depending on the fiscal policies of the new administration, possibly at the federal level—will be adversely affected for some time.

It is still too early to gauge the full implications of the evolving financial crisis. There are many unknowns and uncertainties in the larger marketplace; recent unprecedented volatility in the capital markets indicates the absence of clear direction and reliable data; the impact of consumer behavior and credit contraction on the larger economy is unclear; and there is, overall at the moment, a persuasive lack of confidence. Consequently, it is easy to fall prey to a Chicken Little anxiety: the sky *does* seem to be falling.

While the full dimensions of the current economic problems are not yet visible and may not be for some time, there still is—and will continue to be—sizable private and public funding available to support nonprofits. Philanthropy will undoubtedly decline in the short run, but will rebound after an economic downturn; there is a new breed of super-rich philanthropists who appear to be largely unmoved by economic fluctuations; and it is likely that substantial new wealth will be created during these next several years of structural change.

Turbulent times call for clear minds and steady hands.

The estimated intergenerational wealth transfer of some \$41 trillion may well fall substantially, but the transfer will still remain sizable and will undoubtedly grow back, over time, to at least the current estimated level, if not higher. While there will be substantial cutbacks in public funding, not all public funding will immediately disappear.

Turbulent times call for clear minds and steady hands. Hiding in the bunker and praying for deliverance is both dangerous and foolish. Being anxious about the sky falling will likely lead to clouded vision, hasty decisions, poor judgment and lowered morale—just the opposite of what is necessary to survive, let alone thrive through this crisis.

So what to do?

### The Importance of Contingency Planning

At a minimum, every nonprofit should undertake vigorous contingency planning to think through risks, responses and opportunities. There are several reasons why thoughtful contingency planning is vital right now:

- It enables an organization to consider the immediate financial impact of down markets, tight credit, frozen funds and other factors that may reduce operating revenues; assess probabilities of varying magnitudes of impact in the short- and longer-term; and figure out possible alternative programmatic, administrative and financial responses. Immediate corrective action may be appropriate—but then again, any significant negative impact on the institution may not occur until six or nine months down the road, at which time the financial markets may be quite different.
- Contingency planning can help organizations more carefully assess both likely moves by competitors and new competitive pressures; decide whether to proceed with capital plans; determine how best to conserve balance sheet strength and limit additional debt; consider more collaborative activities with other organizations; and, overall, tighten their belts sensibly.
- Determining possible alternative responses enables the organization's leadership to create a handful of potential cards to play and then to decide if and when to put them on the table. Such preparedness can ensure thoughtful consideration of alternative courses of action and their implications. It can also provide time to think through the interrelationship of different possible actions, craft appropriate messages and advise key parties (including donors and prospects, public officials and major internal and external constituents).

- Turmoil always creates opportunities, and nonprofits often have more possibilities than they realize. Down markets may increase the number of professionals seeking part- or full-time higher education; organizations may improve how they utilize their space; the Internet may strengthen branding and access in other countries; differential pricing may attract new demographics; and the like. Thoughtful internal planning is bound to generate a host of ideas that, when filtered through careful analysis and shrewd consideration, may yield a set of highly attractive new approaches.
- Perhaps most importantly, contingency planning will temper an inclination for immediate response. By stepping back and carefully surveying present understandings of the current situation, leaders can see the larger whole more clearly, make balanced decisions and take advantage of unanticipated new possibilities.

In short, contingency planning acknowledges an organization's immediate challenges, risks and opportunities and lays out a set of alternative tactics to address them.



*"I don't get it. Our first three quarters were excellent."*

### The Benefits of Thinking and Acting Strategically

But contingency planning is not enough, as it tends to emphasize tactical responses in the short term. Equally important is thinking strategically about the longer-term and then pursuing the course of action that such thinking yields.

The return on investment in strategic planning is remarkable, particularly in times of financial stress, economic uncertainty, major shifts in public policy and moments of dislocation. Every nonprofit organization—no matter what its size, financial health, age, mission or geographical location—should take the time to think strategically in an organized, thoughtful and collegial way, especially in periods of turbulence.

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There are several reasons why longer-term strategic planning serves institutions particularly well during periods of turbulence like the present:

- Nonprofits with strategic plans are more likely to stay on track, spot opportunities and make thoughtful operational and tactical corrections. Turbulent markets and the credit crunch are testing all organizations, but those with strategic plans in place have a better chance of understanding the implications of financial pressures, focusing on what is most important and sustaining higher morale and commitment among their constituencies.
- Thoughtful organizations engaged in strategic planning are more likely to remain faithful to core principles and achieve key objectives during periods of financial uncertainty. They are better able to make tough decisions thoughtfully; distinguish between the essential and the less central; take advantage of unanticipated opportunities; and, overall, emerge stronger when the economy picks up again.
- In an environment of diminished resources, big, clear and compelling ideas—which ultimately are what strategic planning is all about—have the best chance of yielding a larger slice of a smaller pie. Institutions that can clearly and persuasively articulate how they can contribute to improving the economy, better meet pressing social needs and help solve significant endemic social, community or sector challenges, as well as measure their results, have the best chance of attracting major public and private support.

- By engaging in the process of strategic planning, and by establishing means of monitoring action based on the plan, an institution builds up both the intellectual “muscles” and the “tool kit” it will need for clear thinking in turbulent times. Through regular cycles of strategic planning, an organization instills in its personnel skills of inquiry and analysis that they can bring to bear on sudden and unforeseen problems. In addition, the metrics an organization develops to measure progress against the plan are then available quickly. These tools are useful for both determining the potential impact of new problems and tracking the effectiveness of the solutions the organization devises to meet such challenges.
- Successful strategic planning energizes its participants and builds morale among the organization’s staff, as they see the ideas and thinking they contributed turned into effective initiatives and a more focused institution. Proud of their organization’s success, employees and volunteers are eager to continue this trend and anxious that the organization not lose ground. In such an environment, they are more likely to understand and make sacrifices during crises and economic downturns, believing such sacrifices will enable the organization to return to the path they helped define.

Nonprofits that already have strategic plans should revisit them in light of the current uncertain situation.

- Reaffirming the mission, vision and core values is essential during a time of uncertainty and major shifts in the external environment—as is confirming key strategic goals. While it is likely that none will require modification, reviewing them in a thoughtful way provides an opportunity to ensure the organization is clear about and remains committed to its central purposes, identity and aspirations.

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- Revisiting a strategic plan permits an organization to make sensible mid-course corrections: it may be wise to delay or scale back a certain initiative while moving another forward; it may be time to rethink certain aspects of governance or the relationship between governance and executive lead-

ership; it may be appropriate to design and pilot a new program. An organization can then thoughtfully incorporate such adjustments into its ongoing implementation and longer-range financial planning.

- Revisiting a strategic plan gives confidence to internal and external stakeholders simply by showing that the organization is reexamining its strategy in difficult times and not plunging ahead without considering how the changed environment will affect it. When an organization reconvenes its planning team to consider the effect of a turbulent economy or other crisis, that team can identify explicitly the stakeholders they need to address and the messages they need to convey to ensure their continued support.

Nonprofits without strategic plans should promptly undertake a thoughtful planning process, for they otherwise run a substantial risk of letting external pressures and internal anxieties define their futures. But nonprofits without strategic plans are sometimes loathe to commit the resources they believe planning will require in terms of time, patience, communications, funding and, especially, opportunity costs.

- “Given the number and magnitude of our problems,” leaders of these organizations may say to themselves, “how can I justify (to faculty, clients, our board, etc.) the time and money we’d need to spend on a planning process?”
- Although the root of an organization’s most immediate and pressing problems are often found in its lack of planning in the past (and therefore the absence of a set of goals and principles to guide it in the future), the immediacy of the financial or other threats to the organization often “crowd out” its ability to focus on strategic planning. “There’s always some fire to put out,” such organizations think, “Spending time on planning instead will send the whole house up in flames.”

But such concerns are ill-founded. Organizations without strategic plans can get started by doing contingency planning, as suggested above, and should do so as a matter of institutional prudence and responsible leadership. Thinking through present risks, responses and opportunities is, in effect, to begin a strategic planning process, for contingency planning will inevitably raise a host of issues about program focus, changes in the competitive landscape, service delivery, organization design, use of technology, among other issues.

By then formulating a thoughtful planning process, an organization can quickly begin (at a minimum) to revisit its present mission statement, craft a possible vision for when times are better and delineate several key strategic objectives around which its energies and financial resources can focus over the next several years. And having undertaken this step, the organization will begin to think and act more strategically and will have the benefit of starting to shape consciously its future.

Never has it been more important to think and act strategically. Although the current turmoil may seem

daunting if not overwhelming, the longer-term future for nonprofits remains remarkably robust. The contributions of the nonprofit sector to society locally, nationally and globally are more important than ever—and will continue to grow during these moments of major economic, technological and political dislocation.

Those nonprofits that plan and act strategically now have the best chance of thriving as stability returns.

— *John Braunstein and Anthony Knerr*

## Strategically Increasing Philanthropic Support

Although charitable giving may fall off by five to ten percent during the coming recession, the news is not all bad. The wealthiest donors are still well-positioned to make principal gifts. Thinking strategically and having a strong strategic plan is likely to help keep them attracted and will increase the likelihood of their continued support.

- The wealthiest one percent of families in the nation are, for the most part, unaffected by a three-to-five-year downturn in the economy. Those families have been, and are, the inheritors of the largest transfer of wealth in the nation's history, even when diminished by market values in the short run. Their capacity to give remains virtually untouched in the longer run, though their portfolios may have taken a beating in the short run.
- The active philanthropists among this wealthy cohort are unlikely to decrease their support of the causes, new and old, that they cherish most. Recent data indicates that as the U.S. economy slows, these individuals and families are likely to give even more generously than they have in the past.
- While many individuals, foundations and corporations have lost significant wealth (or may do so over the next several years), others will find remarkable opportunities in the transformation of the American and global economy and become wealthy or wealthier—and, in turn, be able and interested in making consequential philanthropic contributions.
- In addition, much has been written about a new generation of philanthropists wanting to make a



*"She's out stimulating the economy—  
can I take a message?"*

difference. They want more information and involvement than ever before. Arthur Brooks, author of *Who Really Cares*, notes that in addition to those receiving services, nonprofits must remember those who need to give to attain their full potential in happiness, health and material prosperity. Such donors can—and often do—make such significant gifts that they can move fundraising results to a completely new level of achievement and encourage other donors to follow suit.

Strategic planning offers superb opportunities to involve current and prospective donors, interesting



## Lessons From the 1970s

Peter McE. Buchanan

While current economic conditions are the worst since the Great Depression, a more recent period of serious economic turbulence is the 1970s, when the oil embargo, skyrocketing inflation and depressed financial markets lasted for most of that decade. The impact of those events on American philanthropy was decidedly negative. In 1972, gifts from individuals, outright and by bequest—accounting for over 80% of private giving in the United States—stagnated at \$106.5 billion in 1972, declined to \$99.3 billion in 1975 and did not exceed the 1972 level until 1977 (\$108.2 billion). Gifts to educational institutions declined 8.6% and 13.5% in 1974 and 1975 respectively.

Source: *Giving USA 2008*

and educating them in the challenges and opportunities faced by a nonprofit, even more so in times of financial stress.

- Most major philanthropists today—be they individuals or foundations—are far more interested in *investing* in a nonprofit organization to help solve major issues than in *giving* to a nonprofit because of its appeals for charity. Thus, nonprofits should view philanthropists as invaluable partners who bring particular perspectives, ideas and values, together with resources, to the table. While some philanthropists have well-considered ideas about what they wish to accomplish, and sometimes how they want to do so, many look to nonprofits to frame the issues, conceptualize the opportunities and articulate the possible results and benefits for them.
- Many major philanthropists have a long time horizon—they realize that significant societal issues cannot be solved overnight and understand that continued support is essential. They are thus similar

to the most thoughtful nonprofits, which likewise have a ten, twenty or thirty- year vision of what they wish to accomplish and why their vision is of significance.

- While some philanthropists will sit on the sidelines until order and confidence is restored to the global financial markets—perhaps by necessity, often by design—most of them will not lose their interest, passion or commitment to their cause(s) and will appreciate being actively involved in an organization’s evolving strategic thinking. Continuing to build strong relationships with donors and prospects during difficult times will pay off handsomely when times are better.
- There is increasing evidence of a positive correlation between successful gift acquisition and sound strategic planning processes. Thus, for instance, in recent years the largest individual gifts to higher education—each in excess of \$10 million—went to institutions that had formal strategic plans and shared them with their donors. Scores of nonprofits in other sectors, including medicine, culture, the environment and social services, likewise indicate that their success in philanthropic support is a direct result of actively engaging major donors and prospects in their strategic planning.

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The recent robustness of philanthropic support is likely to abate over the next several years as the financial markets correct themselves. But the wise nonprofit will continue to plan strategically, involve their donors in helping them realize their aspirations and seek opportunities to engage new prospects. Such actions are key to minimizing the negative impact of adverse economic conditions, maintaining high levels of philanthropic support and building even stronger giving results in the future.

— Peter McE. Buchanan

## Notable Books

In each issue, we identify and briefly describe a small number of books that are insightful about consequential matters and offer new ways of thinking strategically about the nonprofit world.

### ■ Here Comes Everybody: The Power of Organizing Without Organizations

*Clay Shirky*

The Penguin Press, 2008, 336 pp, \$25.95

Clay Shirky clearly is a man who does not subscribe to the adage that the more things change, the more they stay the same. In *Here Comes Everybody: The Power of Organizing Without Organizations*, Shirky, a leading observer of technology and communications professor at New York University, argues that technology is not only changing culture, it is revolutionizing it.

Thanks to technology and the array of communication tools it provides—from email and text messaging to YouTube and Flickr—people are now able to connect with one another and, with just a few key strokes, form new kinds of groups with a capacity for collective action and collaboration that was previously unimaginable. Today, people throughout the world are using email, text messaging and cell phones to help upend entire governments, organize mass protests, raise millions of dollars for campaigns, and expose injustices.

Most important, they are doing it outside the framework of traditional institutions and organizations that groups have historically depended on to help them assemble and take action. This reliance existed because formal organizations had more ability to manage complex systems and groups by virtue of their hierarchy, financial resources, and layers of staff oversight. Organizations will have to adjust or risk becoming vestigial—especially those that rely on information as their core product—now that there is competition to their ability to get things done without a complex and expensive bureaucracy bankrolling them.

As Shirky puts it, “By making it easier for groups to self-assemble and for individuals to contribute to group effort without requiring formal management (and its attendant overhead), these tools have radically altered the old limits on the size, sophistication and scope of unsupervised efforts.”

Those who dismiss Shirky’s perspicacity have only to look at the newspaper industry to see what happens when organizations whistle past the graveyard of the revolution occurring outside their doorsteps. For

decades, newspapers have relied on journalists and editors to decide what gets published and how. These gatekeepers became a new set of professionals, which Shirky defines as individuals with expertise that is relatively scarce in the larger world.

When professionals’ skills and resources, however, become more ubiquitous, these gatekeepers become less needed. That is exactly what is happening as more people obtain more access to sophisticated web-based social media tools that allow them to create and distribute mountains of information more quickly and efficiently. Today, anyone can be a journalist, as evidenced by the rise of millions of “citizen journalists” who, through blogs, text messages, web videos, and camera phones, are shaking up what gets reported and how.

While journalists and newspaper owners may shudder over this trend in public (just as the scribes did, Shirky notes, when the printing press came along), in private, they are reeling from a drop in paid subscribers and advertising revenues. Shirky asserts this is largely due to their early dismissal of the Internet as “another form of competition,” rather than a new communications ecosystem in which they are becoming only one small part.

Technology is also pushing organizations to become more transparent and less dependent on those “in charge” deciding what their activities and strategies will be on behalf of a set of stakeholders. Now, organizations will have to consider moving from serving as arbiter of what gets done and how that is communicated to facilitating information distribution and activities bubbling up from individuals and communities



*“That’s the problem with e-mail — no one to bite.”*

themselves. Unaffiliated citizens can alter the balance of power between themselves and an institution through the power of social media.

In short, the information decision-making pyramid is being turned upside-down. Information has traditionally been processed under a “filter first, then publish or distribute” model. Now, with the rise of technology, it is shifting to a “publish first then filter” model. Wikipedia is the best example of this process (what Shirky calls distributed collaboration). He argues that the “wiki” format—through which both experts and ordinary people contribute to knowledge-sharing—allows for staggering amounts of information to be generated with minimum overhead. It also builds community, with individuals not only contributing to the site, but also serving as editors and fact checkers who can rapidly correct incorrect information or rein in vandalism.

So what does this mean for nonprofits? Shirky does not delve much into specific recommendations for different types of organizations to consider as they try to figure out where they fit in this brave new world. That is unfortunate because one could argue that technology offers enormous benefits to nonprofits, among them, low transaction costs; the ease with which it allows groups to assemble and advocate for issues nonprofits care about; and the ability to encourage the development of new communities of individuals, many of whom may have never had the opportunity to interact, thus, helping to bridge the silos that have sometimes inhibited nonprofits’ effectiveness. Technology is also more tolerant of failure because of those low transaction costs, meaning that it can help nonprofits be more innovative without risk of imploding, which may be particularly important now in view of the unfolding financial crisis.

Nonprofits have a long way to go if they are to move beyond providing lip service to the potential of technology and putting it into practice more strategically.

Still, nonprofits have a long way to go if they are to move beyond providing lip service to the potential of technology and putting it into practice more strategically. Even among nonprofits that are using technology, the bulk of these efforts tend to be focused on sending email messages to convey information and creating websites, rather than on using the powerful interactive capacities technology offers.

Nonprofits could be using technology to create new forums for conversation among more diverse groups of people; ask the public for comments on their agendas and activities; offer opportunities for people to advocate for causes more efficiently; create wikis for groups to develop agendas and strategic plans; and, in the case of philanthropy, give the public the opportunity to weigh in on what gets funded. Nonprofits might also start listening more to young people, who are much more comfortable with technology, and being more willing to test the innovative ideas they bring to the table.

While Shirky does mention some of the drawbacks of the new, interactive technologies—including the insularity that on-line communities can develop; its ability to network people for less altruistic purposes; the misinformation and rumors it can generate to devastating effect; and the rise of a relatively small group of technologists and bloggers who have become the most read and quoted group of “experts,” which seems to mirror the very hierarchy that’s antithetical to the democratization the web ostensibly promotes—he does not spend as much time on them as they warrant. That may be another book, however, and one that would be equally interesting to read.

Still, it is important to note that while Shirky is a true believer, he is not a zealot. Proof of that may be in the rather surprising choice he made to convey his thinking in a book—arguably, a communication venue that would seem to be relatively archaic in Shirky’s world. Nor does he believe that the significant changes that technology portends will happen overnight.

What technology does, he claims, is increase our freedom, enhance our democracy; support connections among individuals who previously would never have come into contact; and demonstrate that when people have the opportunity to participate—not for economic reasons, but for love of community—they will. Those are values on which the nonprofit sector was founded, and, hopefully, will be those its organizations will use to transform themselves in new ways and with social media as the driving force.

— Cynthia M. Gibson

#### ■ Forces for Good: The Six Practices of High-Impact Nonprofits

*Leslie Crutchfield & Heather McLeod Grant*  
Jossey-Bass, 2007, 313 + xvii pp, \$29.95

*Forces for Good* provides a thoughtful yet highly accessible analysis of the practices that a dozen effective and influential nonprofit organizations apply to solve some of the world’s gravest social



problems, from hunger to climate change to housing and education.

Leslie R. Crutchfield's and Heather McLeod Grant's book is important both because of the scale of the nonprofit sector in the American economy—the country's 1.5 million nonprofits account for \$1 trillion in annual revenues, making it the third-largest “industry” in the United States—and the value of concise, research-based analysis that can help leaders, donors, supporters and observers of the nonprofit world effect greater social change. In particular, beyond practical “how-to” advice, authors Leslie Crutchfield and Heather McLeod Grant offer a new way of thinking about nonprofits: “High-impact nonprofits don't just build organizations—they build *movements*,” they argue, leveraging the power of business, government, the public and other nonprofits to become formidable *forces for good*.

“High-impact nonprofits don't just build organizations—they build *movements*.”

Crutchfield and Grant seek to analyze nonprofit success using a dual lens: idealism and substantial experience in the social sector on one side and the pragmatism and rigor associated with MBA training on the other. (Ms. Crutchfield is a managing director at Ashoka, a nonprofit organization that supports public innovators from around the world; and Ms. Grant is a senior adviser to Stanford University's Center for Social Innovation.)

To identify high-impact organizations to profile in the book, the authors surveyed nearly 2,800 nonprofit leaders, conducted interviews with 60 experts from various fields of the social sector and then studied the twelve organizations that emerged for over a year, identifying patterns and field-testing hypotheses to distill the six practices and make them explicit.

The dozen organizations that made the cut are as varied in their size and issue area as they are in their growth trajectory and approach to problem-solving. The group includes: America's Second Harvest; the Center on Budget and Policy Priorities; City Year; the Environmental Defense Fund; Exploratorium; Habitat for Humanity International; The Heritage Foundation; the National Council of La Raza; Self-Help; Share Our Strength; Teach for America; and YouthBuild USA. What these organizations have in common, say Crutchfield and Grant, is an unwavering focus on outcomes and results and the drive to do what it takes to get there.

The authors point out that great nonprofits go beyond *program replication* and building *organizational capacity*—the subject of nonprofit research in the past two decades—to deliver programs more efficiently. Nor do they prescribe merely translating proven management techniques derived from business to the social sector, since *better management practices* can create only incremental, not breakthrough, social change—“even the best businesses cannot tell us how to change the world, because that is not their primary purpose.”

Crutchfield and Grant go beyond traditional measures of nonprofit effectiveness, choosing to examine great nonprofits themselves to understand what enables them to make the next leap—to be the *catalytic agents of change* working outside as much as within their four walls to change entire systems. Collectively, these nonprofits have not only fulfilled specific organizational objectives, but, more importantly, have also influenced important legislation on issues ranging from housing to welfare reform, pressured corporations to adopt sustainable business practices and mobilized the public to act on such issues as hunger, education reform and the environment.

To achieve this level of impact, the authors argue that organizations must learn how to:

- **Advocate and serve:** work with government and advocate for policy change, in addition to providing services;
- **Make markets work:** harness market forces and see business as a powerful partner;
- **Inspire evangelists:** create meaningful experiences for individual supporters and convert them into evangelists for the cause;
- **Nurture nonprofit networks:** treat other groups as partners, not as competitors for scarce resources;
- **Master the art of adaptation:** adapt to the changing environment and be as innovative and nimble as you are strategic; and
- **Share the leadership:** empower others to lead.

Taken as a whole, the recommendations in *Forces for Good* could prove overwhelming, particularly for small nonprofits. Conversely, an argument could be made that these practices seem obvious and most nonprofits beyond a certain size exhibit them to some degree.

Admittedly, the claim made in the book is ambitious. Attempting to reduce the complex dynamics that constitute nonprofit success—let alone that of a movement—to a checklist of principles is bound to raise questions, not the least of which is the rigor of research

through which the six practices were derived (the authors, for example, had no control group and no baseline measurement for truly distinguishing top organizations from the rest). Can it be proven that the chosen nonprofits have been successful because of the six practices—and not because, at least to a certain point, of a visionary leader with an idea “whose time has come?” Is the list exhaustive? Are the practices both necessary and sufficient? Academics, nonprofit researchers and leadership experts will long be at work answering these and related questions.

It is important to remember, however, that above all, this book is about the power of *leverage*—small organizations achieving extraordinary results by working through others. The authors give examples of how by finding “levers long enough” among the nonprofit networks, businesses and the public, organizations are able to exert influence far beyond their capacity. Thus, for instance, YouthBuild USA, with an annual budget of \$18 million, helped secure nearly a billion dollars in federal housing funds; and Teach for America, launched by a Princeton undergraduate in a borrowed office, made teaching in public schools “cool” and created a vanguard for education reform among America’s future leaders.

The new breed of philanthropists who see giving as a social investment want to support entrepreneurial approaches that lead to systemic change and tangible outcomes in relatively short amounts of time. Indeed, any leader would do well to understand how to create leverage to catalyze movements that can transcend the cross-sector boundaries and the capacity of any one organization.

— Lana Atanazevich

### ■ Green to Gold: How Smart Companies Use Environmental Strategy to Innovate, Create Value, and Build Competitive Advantage

Daniel C. Esty & Andrew S. Winston

Yale University Press, 2006, 384 + xv pp, \$27.50

In *Green to Gold* authors Daniel Esty and Andrew Winston delve into some of the major environmental challenges that society, and in particular business corporations, face today.

The book is a structured guide detailing why and how business confronts environmentally-driven issues (which the authors dub the “Green Wave”) and build environmental thinking into their strategies.

Esty and Winston provide concrete examples from such well-known corporations as Toyota, Ikea and

Nike; in-depth analysis based on hundreds of interviews with corporate leaders worldwide; and lessons drawn from the rich experience both men have in this field. Esty is a former top official with the Environmental Protection Agency and is the Director of the Center for Business and Environment at Yale University; Winston is a former Director of the Corporate Environmental Strategy Project at Yale University and is the founder of Winston Eco-Strategies, an organization that helps companies use environmental strategies to grow.

*Green to Gold* expertly tackles the huge subject of corporate environmental awareness by providing numerous anecdotes, case studies and real-life do’s and don’ts based on experiences of some of the top 50 “Green Wave” riding corporations. Esty and Winston demonstrate how companies have reaped the benefits of viewing environmental challenges as strategic opportunities to better their own organizations and surge ahead of their competitors (the eco-advantage). For example, in the 1990s, Toyota put an emphasis on environmental issues in designing a new car model and in recent years have reaped the benefits of this environmentally-friendly focus with its hugely successful hybrid gas-electric Prius. Today, while many in the auto industry are struggling and nearing bankruptcy, Toyota is generating record profits.

The authors also include examples of less successful corporate environmental initiatives to illustrate how even the best-intentioned plans can fall short, lessons that are equally important to understand. In 1999, Ford redesigned its main factory in Michigan. The company hired a well known green designer to ensure that the new and improved plant would have an environmentally sound design. Ford spent \$2 billion on this project, and the new factory now boasts a vegetation-covered roof and rainwater reclamation system as well as solar panels and fuel cells. While their efforts to make their factory “green” should be applauded, Ford simultaneously ignored the biggest environmental issue it faces—that many of their automobiles lack fuel efficiency and contribute to both pollution and climate change. Ford failed to invest in environmentally sound cars and now must play catch-up to Toyota.

In detailing who should care the most about environmental issues, the authors list companies that have competitive markets for talent, such as those in the service sector. They note that in these types of organizations, primary assets (students/professors/employees/clients) can walk out the door if they are displeased with the company’s values. Conversely, primary assets will walk *in* the door if they support a company’s actions on the environment. The authors describe a survey of recently grad-

uated students that found the great majority of individuals wanted to work for an organization (and were willing to take a pay cut of up to \$12,000 per year to work there!) if the company had a good reputation for environmental responsibility.

As Esty and Winston point out, environmental issues are now impossible to ignore. There is an ever-increasing awareness among the public about the environment and our role in protecting it and an expectation that leaders—whether political, corporate or in the nonprofit world—will do all in their power to safeguard it, or at least cause as little harm as possible.

*Green to Gold* devotes significant time to discussing how conservation and acting with a green lens can actually save companies considerable amounts of money in the long run. However, even more important than the bottom line, and applicable across sectors and fields, is the focus on the importance of being green to an organization's reputation. The authors quote Warren

Buffet: "It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently."

While *Green to Gold* is geared toward the corporate world, the illustrations are also applicable to nonprofit organizations. Indeed, an organization that chooses not to acknowledge the environmental movement puts itself at risk of being left behind and seeming out of touch. Nonprofit organizations would be wise to consider addressing their environmental policies as part of their planning process. The potential for long-term savings, higher morale and greater productivity and new respect from current and potential donors is too valuable to ignore. Green to Gold can help nonprofits build a strategic eco-advantage that can differentiate them in their marketplaces and strengthen their contribution to an environmentally sustainable world.

— Amina E. Swanepoel

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## Selected Recent Client Assignments

- **Asphalt Green:** *Preparation of a strategic plan and counsel on its implementation*
  - **Cambridge University:** *Strategic counsel on Cambridge's 800th Anniversary £1 Billion Campaign*
  - **Case Western Reserve University:** *Counsel on the development of a University strategic plan and strategic plans for its eight schools*
  - **Institute for Music and Neurologic Function:** *Implementation of business plan*
  - **Jewish Board of Family and Children's Services:** *Preparation of a strategic plan and counsel on its implementation*
  - **Jewish Foundation for Education of Women:** *Preparation of a strategic plan*
  - **Memorial Sloan-Kettering Cancer Center:** *Strategic counsel*
  - **Metropolitan New York Library Council:** *Preparation of a strategic plan*
  - **Pace University:** *Development and facilitation of a strategic planning process and ongoing strategic counsel on a wide range of issues*
  - **Palladia:** *Strategic counsel on a range of issues*
  - **Queens College:** *Strategic review of the Queens College Foundation*
  - **Smithsonian Institution:** *Strategic counsel regarding the arts at the Smithsonian*
  - **Steep Rock Association:** *Preparation of a strategic plan*
  - **Villanova University:** *Strategic counsel*
  - **YWCA of the City of New York:** *Preparation of a strategic plan*
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