

MSOD 613 Assignment 1
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This paper reviews the environment and strategy of the Center of Nonprofit Management (an organization Ron has served as an Affiliate Consultant and trainer for) and the organization design of the 787 program at Boeing (Leora's employer). We apply Michael Porter's Five Competitive Forces model to the Center for Nonprofit Management and Jay R. Galbraith's Star Model to Boeing. Whether the organization is a small regional nonprofit organization or a global corporation, we find both models are useful for understanding organizations that operate at different scales.

Environment and Strategy: Center for Nonprofit Management

Founded in 1978, the Center for Nonprofit Management's mission is to foster thriving communities in Southern California by ensuring that nonprofit leaders and organizations have the knowledge, skills, and resources to fulfill their mission (CNPM website). The Center operates as a convener of local leaders to assist with building their capacity, strengthening their networks, building community and sharing best practices. In addition, the Center also provides consulting services and seminars, produces an annual wage and benefits survey, hosts an annual conference and works to build the capacity of its Affiliate Consultants.

In Los Angeles County, a diverse ecosystem of capacity builders like the Center for Nonprofit Management, funders and consultants serve a very diverse and large nonprofit sector, which has more nonprofit organizations than any other county in the country (TCC Group, 2010). Nonprofits ("buyers" of the Center's services), whether large or small, need to build more effective leadership, raise needed funds and enhance their impact.

Michael Porter's *Five Competitive Forces that Shape Strategy*, not surprisingly, focuses on for profit industries. His assertion that "Industry structure

drives competition and profitability” (Porter, 2008) also applies well to the “nonprofit” industry. Porter’s model provides value to nonprofit leaders working to develop strategies to ensure success for their organizations. Nonprofits are traditionally driven by their mission, but they still need to compete for limited philanthropic dollars or generate their own mission-related income in a competitive environment, especially in a sluggish economy. If a mission-oriented nonprofit fails to raise needed funds over the long term to cover its costs, it fails.

Over the last 34 years, the Center for Nonprofit Management has responded to the need of local nonprofits and currently maintains a respected position as a countywide service provider for nonprofits. The Center generates income from foundation grants, membership dues and fees associated with its training. In 2011, it raised nearly \$1.3 million (with about half of its income from grants/contributions and the other half from earned-income strategies including consulting services and seminars they provide). (CNPM 990)

The Center faces limited threats from new entrants. The barriers of entry are relatively high to provide the level of services at the scale the Center currently provides them. The capital requirements would be high and the Center already enjoys supply-side economies of scale with its existing network of Affiliate consultants who volunteer their services.

The Center for Nonprofit has a fairly diffuse set of suppliers, which limits their power. The Center for Nonprofit Management relies on a network of over 150 professionals volunteering each year to lead trainings and serve as resources for the Center. In exchange for volunteering their services, these professionals gain exposure to potential clients, increase their credibility by affiliating with the Center, enhance their own network and receive the benefits of trainings the Center provides for the Center. This current arrangement is of mutual benefit to both parties.

Rather than the Center having vulnerability to power of its buyers, it faces a greater risk from the weakness of its buyers. The Center’s buyers are its supporting foundations and paying nonprofits. Since the Center serves hundreds of nonprofits each year, the possibility of buyers banding together is slim. The

greater risk is that the buyers are “price sensitive...the buyer group earns low profits, is strapped for cash, or is otherwise under pressure to trim its purchasing costs” (Porter, 2010). The economic downturn has reduced the amount of giving made by foundations and limited the budgets of nonprofits, both of which may threaten the Center’s “profitability”. In fact, the Center’s income in 2010 was approximately \$54,000 less than it was in 2009, with \$165,000 less in grants/contributions, which they made up for with a \$95,000 increase in earned income).

The Center faces some threat from substitutes, which include information available on the internet, books and articles (which may offer the same information at a more affordable price). Consultants, whether operating in the form of a firm or as sole-proprietors, also provide many of the services offered by the Center. The cost of switching to a substitute is relatively low for buyers. Several other leadership development programs have emerged (such as the Annenberg Alchemy Program, Liberty Hill Wally Marks Leadership Institute and Social Innovation Fast Pitch and Southern California Leadership Network) that provide related, but different opportunities for nonprofits to build their capacity. In addition, several local Universities provide courses and degrees related to nonprofit management (UCLA extension, USC School of Public Policy and others).

Rivalry among existing competitors is relatively low. In Southern California, several nonprofit resource centers emerged. Each primarily serves specific geographies so while they provide similar services, they operate in different parts of the County (Long Beach Nonprofit Partnership, Flintridge Center and Valley Nonprofit Resources). If anything, these Centers appear to have a more collaborative relationship with each other.

One major corporate funder of nonprofits in Los Angeles County is Boeing. One small part of Boeing’s overall strategy and design is to give back to the community. The second half of this paper focuses on a Boeing.

Organization Design: The Boeing Company's Framework of the Organization

The second part of the paper uses Jay Galbraith's design framework principles of the "star model". The framework is made up of five categories of design that are the basis of an organizational plan. The five categories are: Strategy, Structure, Process, Rewards, and People.

The Boeing Vision is: "People working together as a global enterprise for aerospace leadership." How the company plans to get there is to: 1) Run healthy core business 2) Leverage their strengths into new products and services 3) Open new frontiers (Boeing.com). The Boeing Vision integrates the framework principles of the "star model" as a foundation to realize the stated values throughout the company.

The organization design focus for the purpose of this paper is the Boeing Commercial Airplanes, 787 program that recently announced the restructuring of the 787 aircraft unit. (bizjournals.com, para. 2).

It could be said that Boeing reinforces, Jay Galbraith's model as a decision-making framework as seen in the following chart: (hr.web.boeing.com)

(Jay Galbraith, 2002), Star Model Elements	Boeing's Restructure reinforces Star Model
1 .Strategy	Determines direction through goals: · Two key goals: Putting two executives in charge
2. Structure	Determines the locations of decision-making power: · Dividing up responsibilities streamlining the decision-making process ensuring South Carolina and Washington stay integrated.
3. Process	The flow of information and progress across the organization structure vertical and horizontal: · New framework clarifies responsibility, decision-

	making, accelerates progress throughout the life cycle of the product and services.
4. Reward System	Goals of the employee are aligned with organization to satisfy strategic goal, reducing cost and improving rate. <ul style="list-style-type: none"> · Profit sharing · Training and development · Career paths · Performance measured / benchmarks
5. People	Programs designed to mold the next generation of leaders. Policies to recruit, rotate and train, Influences and defines employee's mindset and skills through, mentorships and leadership programs.

The new restructure will offer many opportunities and continued growth within the unit as well as globally. The effectiveness of this new positioning will rely on a common architecture to support the various business units and levels of the program. The common architecture would deviate more towards a centralization unit because how decisions are made yet within the Everett plant flowing decisions and communicate a common architecture to the South Carolina plant to use exactly the same process to build 787s at each site. (bizjournals.com, para.7).

How effective these practices will be remains to be seen, the company is in the midst of contract negotiations with the Engineering Union, this is not a matter the South Carolina plant will not encounter at this time being a non-union workforce (right-to-work state).

Strategically the Boeing leaders have postures the company to "Find a Way" to ensure sustainability and support the "Value Change Model" (Porter, 2008), at the South Carolina plant during these negotiations. This will be significant for Boeing future and its competitiveness.

References

bizjournals.com

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Southern California Center for Nonprofit Management, 2010 990 form

TCC Group (2010) "Fortifying L.A.'s Nonprofit Organizations: Capacity Building Needs and Services in Los Angeles County"