

STRATEGIC LEADERSHIP AND PUBLIC VALUE CREATION FOR NONPROFIT ORGANIZATIONS

Mark Weinberg is a Professor of Political Science at Ohio University. He can be reached at weinberm@ohiou.edu.



This paper shares a strategic leadership framework for nonprofit executives from Ireland and Hitt's (1999) notion of "strategic leadership" and Moore's (1995) concept of public value. Nonprofit organizations have long been expected to demonstrate their ability to create value for their donors, clients and communities. This mandate is a counterpart to expectations that for-profit organizations demonstrate their abilities to create value to their suppliers of equity and debt capital as well as customers.

Operating in a complex and dynamic environment characterized by increasing speed of change, less predictability, and fiscal challenges of historic proportions, nonprofit executives are being forced more than ever before to think strategically while striving to serve the needs of ever more demanding stakeholders. Ireland and Hitt refer to a similar challenge in the business context as demanding better strategic leadership, described as: "a person's ability to anticipate, envision, maintain flexibility, think strategically, and work with others to initiate changes that will create a viable future for the organization" (1999: xx). If we use Ireland and Hitt's ideas to describe a "generic" strategic leader, that person would be focused on the environment, not as a source of constraints and potential problems, but as one of emerging opportunities. The person would be devoted to creating organizational capabilities, including adaptability and innovation. The person would engage organization members in timely decision-making with an emphasis on real time identification and resolution of emerging problems and opportunities. And, this person would be continually involved in the processes

of performance assessment, strategy review and action implementation.

Public value provides both a framework and context for *strategic leadership* in the nonprofit sector. There can be little doubt that nonprofit executives share a similar strategic leadership responsibility for initiating changes and creating a viable future for their organizations. But instead of business profits, the leadership focus is best described as sustainable public value for constituents.

The public value of nonprofit organizations is derived from the mission of the organization (*Moore and Moore 2005, 17*). The mission of an anti-hunger organization for example, may be to prevent hunger, provide immediate assistance to needy people, and work on policies to achieve food security over the long term. The public value indicated in this mission relates to health and food security. Nonprofit organizations must show this public value upward to authorizers, donors, and outward to their clients. Authorizers and clients hold multiple views of what is valuable which presents a strategic challenge to nonprofit managers. And as described by Mark Moore, Hauser Professor of Nonprofit Organizations at Harvard University, a changing environment forces managers to have a strategic understanding of the distinctive competence of the organization. They marry this understanding with what they constantly learn about the needs and wants of their constituencies. This may suggest potentially valuable new activities for them to initiate that may go beyond their current mandate. The function of an agency director shifts, therefore, from one of ensuring continuity and consistency in executing mandates to one of a strategist, working to keep the organization relevant and improve performance over time (*Moore 1995; Weinberg and Lewis 2009*).

The creation of public value will differ based on the substantive issues of organizations. For example, public value creation differs between anti-hunger agencies and historical preservation organizations. The creation of public value also varies based on situational and contextual factors, differences in resources and funding, stakeholders groups, history, client base and purpose. However, a public

value approach to strategic management focuses all nonprofit leaders and managers on envisioning the value the organization can create, developing and implementing strategy, using performance measures and systems and leading strategic change. This framework explicitly recognizes and incorporates substantive and situational differences in its core. ■