

## **Competitive Analysis**

Nonprofits have not traditionally been thought of as organizations that need to be competitively oriented. Unlike for-profit businesses, which compete for customers and whose very survival depends on providing services or products to satisfied, paying “clients,” many nonprofit organizations operate in a non-market, or grants, economy – one in which services may not be commercially viable. In other words, the marketplace may not supply sufficient resources to support an adequate, ongoing provide base. Moreover, the customer (client) does not decide which provider gets adequate, ongoing funding. (In fact, many nonprofits are considered “sole-source,” the only place to get the service, so there is not necessarily any choice in which provider receives funding even if the client does have some say). Consequently, nonprofit organizations have not necessarily had an incentive to question the status quo, to assess whether client needs were being met, or to examine the cost-effectiveness or quality of available services.

The competitive environment has changed, however: funders and clients, alike, are beginning to demand more accountability; sole-sources nonprofits are finding that their very success is encouraging others to enter the field and compete for grants; and grant money and contributions are getting harder to come by, even as need and demand increase. This last trend – increasing demand for a smaller pool of resources, requires today’s nonprofits to rethink how they do business, to compete where appropriate, to avoid duplicating existing comparable services, and to increase collaboration, when possible.

### **The MacMillan Matrix for Competitive Analysis of Programs**

The MacMillan Matrix is an extraordinarily valuable tool that was specifically designed to help nonprofits assess their programs in that light. The matrix is based on the assumption that duplication of existing comparable services (unnecessary competition) among nonprofit organizations can fragment the limited resources available, leaving all providers too weak to increase the quality and cost-effectiveness of client services. The matrix also assumes that trying to be all things to all people can result in mediocre or low-quality service; instead, nonprofits should focus on delivering higher-quality service in a more focused (and perhaps limited) way. The matrix therefore helps organizations think about some very pragmatic questions:

- Are we the best organization to provide this service?
- Is competition good for our clients?
- Are we spreading ourselves too thin, without the capacity to sustain ourselves?
- Should we work cooperatively with another organization to provide services?

Using the MacMillan Matrix is a fairly straightforward process of assessing each current (or prospective) program according to four criteria, described below.

### **1. Fit**

Fit is the degree to which a program “belongs” or fits within an organization. Criteria for “good fit” include:

- congruence with the purpose and mission of the organization;
- ability to draw on existing skills in the organization; and
- ability to share resources and coordinate activities with programs.

### **2. Program Attractiveness**

Program attractiveness is the degree to which a program is attractive to the organization from an economic perspective, as an investment of current and future resources (i.e., whether the program easily attracts resources). Any program that does not have high congruence with the organization’s purpose should be classified as unattractive. No program should be classified as highly attractive unless it is ranked as attractive on a substantial majority of the criteria below:

- high appeal to groups capable of providing current and future support
- stable funding
- market demand from a large client base
- appeal to volunteers
- measurable, reportable program results
- focus on prevention, rather than cure
- able to discontinue with relative ease, if necessary (i.e., low exit barriers)
- low client resistance to program services
- intended to promote the self-sufficiency or self-rehabilitation of client base

### **3. Alternative Coverage**

Alternative coverage is the extent to which similar services are provided. If there are no other large, or very few small, comparable programs being provided in the same region, the program is classified as “low coverage.” Otherwise, the coverage is “high.”

### **4. Competitive Position**

Competitive position is the degree to which the organization has a stronger capability and potential to deliver the program than other agencies – a combination of the organization’s effectiveness, quality, credibility, and market share or dominance. Probably no program can be classified as being in a strong

competitive position unless it has some clear basis for declaring superiority over all competitors in that program category. Criteria for a strong competitive position include:

- good location and logistical delivery system;
- large reservoir of client, community, or support group loyalty;
- past success securing funding;
- superior track record (or (image) of service delivery;
- large market share of the target clientele currently served;
- gaining momentum or growing in relation to competitors;
- better quality service and/or service delivery than competitors;
- ability to raise funds, particularly for this type of program;
- superior skill at advocacy;
- superiority of technical skills needed for the program;
- superior organizational skills;
- superior local contacts;
- ability to conduct needed research into the program and/or properly monitor program performance;
- superior ability to communicate to stakeholders; and
- most cost effective delivery of service

After each program is assessed in relation to the above four criteria, each is placed in the MacMillan matrix, as follows. For example, a program that is a good fit, is deemed attractive and strong competitively, but for which there is a high alternative coverage would be assigned to Cell No. 1, *Aggressive Competition*.

		High Program Attractiveness: "Easy" Program		Low Program Attractiveness: "Difficult" Program	
		Alternative Coverage <i>High</i>	Alternative Coverage <i>Low</i>	Alternative Coverage <i>High</i>	Alternative Coverage <i>Low</i>
<b>GOOD FIT</b>	<b>Strong Competitive Position</b>	1. Aggressive Competition	2. Aggressive Growth	5. Build up the Best Competitor	6. "Soul of the Agency"
	<b>Weak Competitive Position</b>	3. Aggressive Divestment	4. Build Strength or Get Out	7. Orderly Divestment	8. "Foreign Aid" or Joint Venture
<b>POOR FIT</b>		9. Aggressive Divestment		10. Orderly Divestment	

Once all programs have been placed in the appropriate position on the matrix, an organization can review its mix of programs, sometimes called a “program portfolio,”

and decide if any adjustments need to be made. Ideally, an organization would have only two types of programs. The first would be attractive programs (programs that attract resources easily), in areas that the organization performs well and can compete aggressively for a dominant position.

These attractive programs can be used to support the second program type: the unattractive program with low coverage. The unattractive program is considered unattractive by funders, with low alternative coverage, but makes a special, unique contribution and in which the organization is particularly well-qualified. These programs typically fall under Cell No. 6, the soul of the agency. These programs are known as the “soul of the agency” because the organization is committed to delivering the program even at the cost of subsidizing it from other programs. An organization cannot afford to fund unlimited “souls,” and it might have to face some difficult decisions about how to develop a mix of programs that ensure organizational viability as well as high-quality service to clients.

For example, some years ago there was little funding for case management by AIDS Service Organizations. Unwilling to let clients fend for themselves in getting the help they needed, many organizations devoted staff time to this service. At the time this was a “soul of the agency” program. These days, this program is more attractive (i.e., fundable) though there is also growing alternative coverage. Therefore, organizations in a strong position to serve the clients well, with cultural competence and program expertise, should aggressively compete: those in a weak competitive position should get out of the business.

### **Articulating Previous Strategies**

Most organizations operate within the guidelines of certain program and organizational strategies, although often these have neither been recognized nor articulated as actual strategies. Once an organization is in the process of strategic planning, however, it is time to make explicit these unspoken strategies and incorporate them into this deliberate consideration of the organization’s future directions. This should happen as part of the situation assessment: look for past patterns of operation or allocation of resources – these are your previous strategies; analyze whether those strategies were effective, and why; and consider whether or not they should be held as strategies for the future.

### **Identification of Critical Issues**

Upon completion of the situation assessment, a planning committee should be in a position to identify all of the critical issues, or fundamental problems or choices, facing the organization, and then begin to address those issues and identify priorities. A first attempt will probably result in a very long list of “critical” issues.

Some might indeed be critical, but require no action at present and should, therefore, be monitored; some will require immediate attention, and as such should be dealt with accordingly; and some will be of critical importance to the long-term viability and success of the organization. Those are the issues (usually no more than six to eight issues qualify) that become the framework for the decisions that must be made next: decisions regarding strategies, long-range goals and objectives, and financial requirements.

To arrive at this final list of true critical issues, the planning committee should brainstorm a list of issues that might qualify and then assess each issue by asking: Why is it an issue? What are the consequences of not responding to this issue in the near future? Why does the issue need immediate attention? Why is it a critical issue? Again, the final list should include no more than six to eight items; beyond that, the organization is in danger of losing focus and sabotaging its own best intentions.

Finally, additional research may be needed, in order to gather specific information about new opportunities that can be pursued. This might include: description of new target markets and their needs; description of new products and/or services with descriptions of start-up costs, competitor analysis, long-term financial projections, and break-even analysis.

**Competitive Analysis -- Process Notes**

How to do this activity:	Take the list of all your programs (identified in organization profile) and add any new program ideas. Assess each program according to the four dimensions in the matrix. Place each program in the appropriate box in the matrix on Worksheet 13.
Why do this activity:	Helps focus resources where they are most needed, and discourages unnecessary duplication of services.
Who to involve in the process:	Planning Committee, or delegate to staff.

	<p><b>Worksheet 13</b></p> <p><b>Competitive Analysis</b></p>	<p><b>USE THE MACMILLAN MATRIX TO ASSESS YOUR CURRENT AND POSSIBLE NEW PROGRAMS</b></p>
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**USE THE MACMILLAN MATRIX TO ASSESS YOUR CURRENT AND POSSIBLE NEW PROGRAMS**  
**(ASO/USA Example)**  
**Worksheet 13**  
**Competitive Analysis**

✓ = current program  
 ⇨ = possible new program

Place All Your Programs In The MacMillan Matrix\*

		High Program Attractiveness "Easy" Program		Low Program Attractiveness "Difficult" Program	
		Alternative Coverage High		Alternative Coverage Low	
<b>Strong Competitive Position</b>  G o o o d		1. Aggressive Competition ✓ culturally specific education brochures ⇨ case management (if can get adequate funding)	2. Aggressive Growth ✓ street outreach ✓ bar outreach ✓ on-going support groups (HIV- men; HIV+ men) ✓ drop-in groups ✓ peer counseling and referral	5. Build up the Best Competitor ⇨ case management (if can not get adequate funding) ✓ school and business presentations	6. Soul of the Agency ✓ advocacy/public policy work ⇨ needle exchange
		<b>Weak Competitive Position</b>  F i t	<b>Poor Fit</b>	3. Aggressive Divestment ⇨ services for people outside of the city	4. Build Strength or Get Out ⇨ prevention services targeted for women ⇨ support groups for loved ones ⇨ Support groups for HIV+ women
9. Aggressive Divestment ⇨ employment placement program ⇨ provide housing				10. Orderly Divestment	

\* Adapted from "Competitive Strategies for Not-for-Profit Agencies" by I.C. MacMillan, Advances in Strategic Management, (JAI Press, 1983)  
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 Strategic Planning for ASOs: A Practical Guide and Workbook