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THE MOWST MATRIX FOR NONPROFIT STRATEGIC DECISION MAKING

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Abstract

Nonprofit managers facing lower revenue, higher demand, and calls for increased managerial expertise are understandably in need of tools to help them navigate their challenging environments. However, the SWOT (strength, weakness, opportunity, threat) framework used by many nonprofit organizations in strategic decision making has significant limitations. The relative importance of factors is not specified; how strategic options rate in relation to those factors are often not assessed; and most importantly for nonprofit organizations, an organization's mission or purpose can be underemphasized or not even recognized when a traditional SWOT analysis is utilized. When working with nonprofit consulting clients, we created the MOWST matrix to address these limitations by adding a mission component, factor weightings, and rating systems to a standard SWOT framework. We explain this tool, provide examples of its use, and briefly explore other applications and possible customizations.

Key words: SWOT analysis, nonprofit management, strategy

Nonprofit organizations face many of the same strategic dilemmas as for-profit organizations and have, therefore, incorporated strategic management concepts, ideas, principles, and techniques into their management and governance. SWOT analysis (i.e., the analysis of an organization's strengths, weaknesses, opportunities, and threats) is perhaps one of the best known of these activities. However, a SWOT analysis is frequently detached from an organization's mission or purpose leading a nonprofit organization to select strategies that may not be in line with the overarching goals of the organization. In addition, applications of SWOT analyses are sometimes rather unsophisticated and amount to little more than lists of descriptions of organizations and their environments with scant thought to priorities. Again, this is especially true in nonprofit organizations in which managers frequently do not have more formal business education or training. In an effort to simultaneously address both of these issues, we present a simple, yet more robust method of adding a mission emphasis to a traditional SWOT analysis using a weighted matrix format. The mission of a nonprofit organization is emphasized in a fuller, richer analysis of the internal and external environment of the organization. We call this tool a MOWST (pronounced "most") matrix.

SWOT Analysis

Traditional SWOT analysis dates back to at least the 1960's at the Harvard Business School (Mintzberg, 1994) where students were taught to identify companies' internal strengths and weaknesses along with the opportunities and threats that exist in their external environments. The technique struck a balance between internal (strengths and weaknesses) and external (opportunities and threats) perspectives (Barney, 1995), and became diffused throughout management and other business disciplines. SWOT analysis is, to this day, a staple in many strategic management courses, cases, and textbooks (see Wheelen & Hunger, 2012; Longenecker, et.al., 2012; Thompson, Strickland, & Gamble, 2008). It is a rather simple concept and is straightforward for students and practitioners alike to understand and utilize; which, in addition to its perceived utility, may account for its widespread adoption and use.

However, significant limitations exist when using a SWOT framework. Barney (2002), points out that a simple SWOT analysis provides no guidance for the organization in identifying particular strengths, weaknesses, opportunities, and threats. It is a useful framework for asking questions, but fails to provide verifiable components of competitive advantage and certainly does not provide solutions to strategic dilemmas. Saloner, Shepard, and Podolny (2001) point out that a traditional SWOT analysis fails to direct decision makers to which individual factors should be addressed. Of the opportunities listed, for example, which are the most important to capitalize on? Grant (1998) underscores the arbitrary nature of the factors included in many applications of SWOT analysis. While others (Dess, Lumpkin, & Eisner, 2010; Pearce & Robinson, 2009) argue that strategic decision makers may overemphasize one factor using a SWOT analysis or underemphasize other factors.

In an effort to address some of these issues, extensions and alterations have been made by various authors and academics over the years. Perhaps the most well known adaptation is that of Weihrich (1982) with the TOWS matrix. In a such a matrix, evaluation of strategic options in light of individual strengths, weaknesses, opportunities, and threats are made with “+” and “-“ indicators. In addition, weighting of different list items is mentioned, but no method for carrying this out is provided.

A more fundamental problem with SWOT analysis has not been addressed, however. That is how an organization's mission or purpose can be underemphasized or not even recognized. Perhaps this is due to the implied purpose of profit maximization for many for-profit firms. But this issue is especially relevant for nonprofits. Mission accomplishment is of paramount importance for nonprofit organizations. The failure of management to link strategic choices to mission is a critical failure and one that can happen very easily using a traditional SWOT analysis.

Nonprofit Management

While a for-profit organization is organized to make a profit and the financial bottom line is a clear goal and measure (Sheehan, R. M., 2010); for nonprofit organizations, the bottom line is mission accomplishment (Dees, 2004). Managers of nonprofit organizations face significant challenges arising from economic events dating to 2008. On the revenue side, investment losses have negatively impacted potential donors; investments (and income streams derived from these investments) of many nonprofit organizations have declined (Carlson & Donohoe, 2010); and state and federal funding levels of some nonprofits are decreasing and/or government agencies are slow to pay. On the demand side, sustained high unemployment levels, shrinking real incomes, mortgage foreclosures, shifting social and cultural demographics, and other trends are leading more and more people to look for assistance from government agencies and nonprofit organizations (Roy, 2011). In addition, ethical questions surrounding some aspects of recent financial events (e.g., mortgage crisis, Madoff ponzi scheme, aggressive use of derivatives, etc.) have led to increased calls for scrutiny, accountability, and transparency in the business world that have spilled over into the nonprofit sphere (Carlson & Donohoe, 2010). And prior to recent negative financial developments, nonprofit organizations faced increased pressure to adopt best practices from the for-profit world (Andreasen, Goodstein, & Wilson, 2005), and these pressures have only increased in the last few years (Thomson, 2011).

Nonprofit managers are increasingly called on to do "more with less" and what they are able to accomplish is more closely scrutinized (Thomson, 2011). Evaluations of effectiveness and outcome assessments are becoming expected activities of nonprofits. Some evaluators look at effectiveness through a business lens: costs going down, market position increasing, client and funding pools improving, and streamlined operations (Gottfredson, Schaubert, & Babcock, 2008; Neuhoff & Searle, 2008). Another growing trend is to evaluate nonprofits in regard to their mission (Crutchfield & Grant, 2007; Foster & Bradach, 2005). The mission is critical to setting out what impact the organization is trying to achieve (Foster & Bradach, 2005) and central to examining success and effectiveness (Rangan, March, 2004). The ability to define measures of success and effectiveness related to mission is a key driver and attraction for both donors and employees (Bradach, Tierney, & Stone, 2008).

Many nonprofit managers facing lower revenue, higher demand, and calls for increased managerial expertise are understandably in need of tools to help them navigate this new, more challenging terrain. Unfortunately, tools frequently used by nonprofit managers may have significant costs associated with them (e.g., time required to plan, implement, measure, and evaluate) and these costs impede further organizational use (Snibbe, 2006). Lack of staffing is related to the cost issue, and depending on the complexity of the measurement, it may require one or more people to collect and analyze the data. It also requires a certain skill set that many organizations find lacking. Many nonprofit organizations, understandably then, are reticent to utilize robust strategic decision making tools (Mulgan, 2010).

MOWST Matrix

We propose that nonprofit managers consider using a modification of the traditional SWOT analysis – the MOWST matrix (see Figure 1). The modifications made to this matrix are designed to address some of the inherent weaknesses of traditional SWOT analysis and the reluctance of nonprofit managers to use more robust decision making tools. There are two primary modifications: 1) it adds a mission component to the analysis, and 2) it adds weighting to the individual items in the SWOT lists and asks analysts to rate how well strategic options leverage strengths and opportunities, address weaknesses and threats, and accomplish mission. By modifying a very familiar decision making tool, we provide nonprofit managers a more robust tool they are more likely to actually use due to their familiarity with a traditional SWOT analysis.

MOWST Matrix

		for ____________________		STRATEGIC OPTIONS					
				Option 1:		Option 2:		Option 3:	
			Factor Weight	Rating	Score	Rating	Score	Rating	Score
Mission	1				0		0		0
	2				0		0		0
	3				0		0		0
	4				0		0		0
	5				0		0		0
		Total Mission Scores	0.00		**0**		**0**		**0**
Opportunities	1				0		0		0
	2				0		0		0
	3				0		0		0
	4				0		0		0
	5				0		0		0
		Total Opportunity Scores	0.00		**0**		**0**		**0**
Weaknesses	1				0		0		0
	2				0		0		0
	3				0		0		0
	4				0		0		0
	5				0		0		0
		Total Weakness Scores	0.00		**0**		**0**		**0**
Strengths	1				0		0		0
	2				0		0		0
	3				0		0		0
	4				0		0		0
	5				0		0		0
		Total Strength Scores	0.00		**0**		**0**		**0**
Threats	1				0		0		0
	2				0		0		0
	3				0		0		0
	4				0		0		0
	5				0		0		0
		Total Threat Scores	0.00		**0**		**0**		**0**
		Grand Total Scores			**0**		**0**		**0**

Figure 1. The MOWST matrix

Adding a mission component to the traditional list of strengths, weaknesses, opportunities, and threats seems to be a necessary addition for nonprofit analysis. As already discussed, keeping mission accomplishment at the forefront of strategic objectives is crucial to the success of nonprofit organizations. The MOWST matrix provides nonprofit strategic decision makers and analysts the opportunity to evaluate strategic options in light of the organization's mission, purpose, and/or values on the same level with strengths, weaknesses, opportunities, and threats. If two strategic actions both look appealing using a traditional SWOT matrix, but one is more aligned with the organization's mission, that more appealing strategic action will now be much more easily identified.

Other criticisms of traditional SWOT analysis have validity in our experience with students and consulting clients. There is often little thought given as to which items on SWOT lists are more important than others. Weihrich (1982) suggested that weights could be added to list items but did not incorporate that into the TOWS matrix. For the MOWST matrix, however, for each item in each list, a weight is assigned such that the total weight for all items in a particular list is one. For example, if there are five items listed as strengths, and all are weighted equally (not recommended, but possible), each item has a weighted value of .2.

Weihrich also outlined using plus and minus signs to indicate whether or not a strategic option did or did not address list items, but did not provide detailed guidelines for their use. In the MOWST matrix, strategic options are evaluated on a -3 to +3 scale (+1 and -1 representing low levels, +2 and -2 representing moderate levels, +3 and -3 representing high levels, and 0 representing no impact or a factor that is not applicable). Positive numbers are indicative of mission accomplishment, opportunity exploitation, weakness resolution, strength utilization, and threat neutralization. Negative ratings are used to indicate the degree to which negative consequences will accompany the implementation of a selected strategy (not simply that there will be an absence of positive results, e.g., mission accomplishment will actually be hindered to some degree rather than only not being accomplished).

For each strategic option being considered, the rating of how that strategy relates to each factor item is multiplied times the factor weight to generate a score. The scores are totaled for each category and then a grand total is derived by summing each of the category subtotals. At the bottom of the matrix, each strategic option has a score – the higher the score the more favorable is that strategic option given the internal and external factors facing the organization.

In Figure 2 we provide an example of a MOWST matrix created for a fictional mental health service provider (based on an actual consulting client, but masked for confidentiality). The three strategic options considered are: 1) absorb smaller, struggling mental health service providers in surrounding counties and through economies of scale and use of videoconferencing achieve further cost savings, 2) use vacant, property owned by the organization and next to an entertainment district to build a miniature golf course (funded with donations), to generate an alternative revenue source and create name recognition and goodwill in the community, or 3) cease serving indigent clients and only serve those with full or partial insurance.

MOWST Matrix

Smith County Mental Health Center			Factor Weight	STRATEGIC OPTIONS: Option 1: Regional MH Center Rating	Option 1: Score	Option 2: Diversify w/ Mini-Golf Rating	Option 2: Score	Option 3: Clients with Insurance Rating	Option 3: Score
Mission	1	Provide mental health services to county residents	.30	-1	-.30	1	.30	2	.60
Mission	2	Special attention to the mental health needs of kids	.15	1	.15	2	.30	2	.30
Mission	3	Serve clients even when unable to pay	.20	1	.20	1	.20	-3	-.60
Mission	4	Long-term financial viability	.25	2	.50	2	.50	2	.50
Mission	5	Provide professional & encouraging workplace	.10	-1	-.10	1	.10	1	.10
		Total Mission Scores	1.00		**.45**		**1.40**		**.90**
Opportunities	1	Smaller centers nearby are shrinking, failing	.30	3	.90	0	.00	1	.30
Opportunities	2	Lack of recreational opportunities in county	.10	0	.00	3	.30	0	.00
Opportunities	3	Newly mandated mental health coverage	.25	1	.25	0	.00	3	.75
Opportunities	4	Teleconferencing technology available, affordable	.15	3	.45	0	.00	0	.00
Opportunities	5	Shopping & entertainment on adjacent property	.20	0	.20	3	.60	0	.00
		Total Opportunity Scores	1.00		**1.80**		**.90**		**1.05**
Weaknesses	1	Low brand recognition in community	.25	0	.00	3	.75	0	.00
Weaknesses	2	Debt load is high on property	.25	1	.25	1	.25	-1	-.25
Weaknesses	3	Low morale due to 30% staff reduction	.15	1	.15	1	.15	-2	-.30
Weaknesses	4	State payments are reduced, slowly paid	.30	1	.30	1	.30	3	.90
Weaknesses	5	Difficult to recruit/retain psychiatry staff	.15	1	.15	0	.00	2	.30
		Total Weakness Scores	1.00		**.85**		**1.45**		**.65**
Strengths	1	High visibility on major thoroughfare	.10	0	.00	3	.30	0	.00
Strengths	2	Only provider of county court-ordered programs	.15	0	.00	0	.00	-2	-.30
Strengths	3	Large facility/property with unused space	.30	2	.50	3	.90	0	.00
Strengths	4	Electronic medical records in place	.25	3	.75	0	.00	1	.25
Strengths	5	Efficiency-minded leadership team	.20	3	.60	-1	-.20	1	.20
		Total Strength Scores	1.00		**1.85**		**1.00**		**.15**
Threats	1	Further state funding cuts	.30	2	.60	1	.30	3	.90
Threats	2	Bad press about mental health issues/patients	.10	0	.00	1	.10	0	.00
Threats	3	More closures of state mental hospital facilities	.20	1	.20	0	.00	2	.40
Threats	4	Key staff may depart	.25	1	.25	0	.00	2	.50
Threats	5	Increased competition for clients with insurance	.15	2	.30	0	.00	1	.15
		Total Threat Scores	1.00		**1.35**		**.40**		**1.95**
		Grand Total Scores			**6.30**		**5.15**		**4.70**

Figure 2. MOWST matrix example using fictional mental health nonprofit.

Factor weights vary within each category for each factor item but always sum to a value of one. Ratings range from -3 to +3. Option 1, for example, would mean that staff would be used to serve clients from other counties and this may limit the organization's ability to achieve the first listed mission component, hence a rating of -1. That rating multiplied times the factor weight of .30 assigned to the first mission item yields a score of -.30. This is summed with the other mission scores for Option 1 resulting in a Mission Score Subtotal of .45. On mission criteria alone, Option 1 is inferior to both Option 2 (with a subtotal of 1.40) and Option 3 (with a subtotal of .90). However, the Grand Total Score of 6.30 for Option 1 is the highest overall. If this was an actual analysis, the decision makers for this organization would have to weigh the relatively low level of mission accomplishment for Option 1 versus the high scores in the other areas. Without the addition of the mission component to the MOWST matrix, this type of analysis would be more difficult to identify.

Variations and customizations of the MOWST matrix are certainly possible. Factor weights do not necessarily have to be the same across categories. An organization could have double the total weight for all mission factors, for example. Also, the rating system could be simplified (perhaps just plusses and minuses) or made more detailed (positive and negative scales of 1-10). And of course, the number of items listed under each category could vary from three to ten or more, and would not have to be the same for each category. The MOWST matrix is flexible in its structure and allows for easy customization.

Conclusions

The MOWST matrix is an improvement on traditional SWOT analysis in a number of ways. First, it incorporates mission into the analytical framework which is of critical importance to nonprofit managers. Second, it allows for more robust analysis due to factor weighting and ratings for strategic options for each mission, opportunity, weakness, strength, and threat listed. Third, this more robust tool is somewhat more likely to be used by nonprofit managers since so many are already familiar with a traditional SWOT matrix. The MOWST matrix can assist nonprofit managers and decision makers in their efforts to accomplish their evermore demanding missions in a ever-shrinking resource environment.

In addition to its applications with nonprofit organizations, the MOWST Matrix can be useful for any type of organization for which mission is emphasized greatly. For example, one of the authors has used the matrix with a small business consulting client whose mission included spending time doing things he enjoyed and spending more time with his family at the expense of profit maximization. The matrix was useful in helping the client analyze and weigh various strategic options and select for implementation actions that were consistent with his personal goals and values.

There are still issues with SWOT analysis that are not specifically addressed by the MOWST matrix. The matrix does not provide guidelines as to how the lists are to be developed. Surface-level lists that are sometimes developed when engaging in traditional SWOT analysis will still generally lead to poor strategic decisions. Also, a traditional SWOT analysis and the use of a MOWST matrix are both snapshots in time. They must both be used dynamically to provide deeper insight into shifting internal and external trends. The matrix can also be used in ways not intended. For example, the matrix is designed to assist decision makers in *processing* information rather than drawing definitive and unalterable conclusions. Although it appears to involve quantitative measures, the matrix is much more a qualitative tool for decision processing and its use as a formulaic decision making tool risks its misuse.

However, the MOWST matrix does provide significant refinement of the traditional SWOT framework in a way that can benefit nonprofit and other types of organizations. Our early use of the MOWST matrix with consulting clients and students has met with very positive results and further refinements are certainly possible as use continues. This is still merely a tool and is not definitive by any means. Our hope is that the matrix can assist decision makers make better decisions, but perfect ones will unfortunately remain elusive. We look forward to witnessing the evolution of this tool designed to help managers navigate their organizations' ever challenging environments.

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