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Humanitarian Mini MBA: leading a humanitarian organisation

Course handout · Week 2 : NGO strategy: mandate, theory of change and positioning

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Week 2 : NGO strategy: mandate, theory of change and positioning

Objectives

- Analyse an organisation's strategic environment (PESTEL, stakeholders, SWOT) and turn it into choices, not a list.
- Build a rigorous theory of change, with its assumptions and evidence, and link it to a multi-year strategic plan.
- Position the organisation: added value, partnerships, localisation, and criteria for saying no.

Why an NGO needs a strategy (and what a strategy is not)

A strategy is a **coherent set of choices** about where to work, for whom, with which approach and which resources, in order to maximise impact in line with the mandate. It is neither a catalogue of activities nor a sum of funded projects. According to Richard Rumelt (Good Strategy, Bad Strategy, 2011), a good strategy has three elements: a **diagnosis** (what is the central problem?), a **guiding policy** (how will we approach it?) and **coherent actions** that reinforce one another.

The non-profit sector adds a particular feature, described by Mark Moore (the public value triangle, 1995): an organisation must align three elements, the **value created** for people, **legitimacy and support** (donors, authorities, communities, public opinion) and **operational capacity**. A strategy that neglects one corner fails: a very useful project without support is not funded; a well-funded project beyond the organisation's capacity damages its reputation.

> Bad strategy test: if your "strategic pillars" could appear word for word in any other NGO's strategy ("strengthen the resilience of vulnerable communities"), they are not choices, they are intentions.

Analysing the environment: PESTEL, stakeholders and SWOT

A **PESTEL** analysis reviews political, economic, social, technological, environmental and legal factors. For an NGO, the decisive points are often: humanitarian space and laws on associations (registration, restrictions on foreign funding), counter-terrorism regulations and sanctions that govern work in certain areas, inflation and the exchange rate, climate and recurrent disasters, and the downward trend in humanitarian funding since 2023.

Stakeholder mapping (power-interest matrix) classifies actors: manage closely (high power and high interest: main donors, line ministry), keep satisfied (high power, low interest: security authorities), keep informed (high interest, low power: communities, but beware, accountability requires giving them real power), monitor.

A **SWOT** only has value if it leads to choices. The **TOWS** matrix makes it operational: strengths-opportunities strategies (exploit), weaknesses-opportunities (strengthen yourself to seize them), strengths-threats (protect yourself), weaknesses-threats (reduce exposure or withdraw).

	Opportunity: new country-based pooled fund on protection	**Threat: 35% cut from the main donor**
Strength: long-standing, accepted presence in 3 provinces	SO: position ourselves as the lead protection partner in these provinces	ST: diversify towards pooled funds and development donors in the areas where we are accepted
Weakness: no protection specialist	WO: recruit or partner with a specialised local NGO	WT: drop low-value sectors to concentrate resources

The theory of change as a tool for rigour

A **theory of change** explains how and why a set of interventions should produce the expected change in a given context. It is built backwards: start from the long-term change, identify the necessary preconditions, then the interventions that produce them. Unlike the logframe, it makes the **causal assumptions** and the role of other actors explicit.

Example of a chain: if female heads of household receive a monthly cash transfer for 6 months *and* training in an income-generating activity *and* access to a savings group, *then* they will rebuild a productive asset, *because* the transfer covers basic needs and avoids the sale of the asset, *provided that* local markets function and security allows access to markets.

Each assumption must be **backed by evidence** (evaluations, literature, monitoring data) and **tested** by the MEAL system. For "graduation" programmes, for example, the multi-country trial published in Science (Banerjee et al., 2015) showed lasting effects on consumption and assets, which strengthens the assumption; but results vary greatly between contexts, which requires local testing.

> High standard: a theory of change without explicit assumptions is just a logframe drawn in circles. MBA-level work means identifying the weakest assumption and planning how to check it within the first three months.

From strategic plan to portfolio decisions

A 3- to 5-year strategic plan translates the theory of change into **strategic objectives** (3 to 5, measurable), **geographic and sector choices**, a **financial trajectory** and **capacity investments** (systems, staff, partnerships). It must state explicitly what the organisation will stop doing.

To arbitrate a project portfolio, a simple matrix crosses **added value for people** (needs, quality, coverage, alignment with the theory of change) and **viability for the organisation** (cost coverage, risks, capacities). A high-value but loss-making project can be kept if it is

strategic, provided it is deliberately subsidised with unrestricted funds; a low-value, loss-making project should be closed or handed over.

The plan must come with a **strategic dashboard** (for example along the lines of Kaplan and Norton's balanced scorecard, adapted to non-profits): impact and quality for people, stakeholder support, internal processes, learning and staff, financial health (reserves in months of expenditure, share of unrestricted funds, coverage of indirect costs).

Positioning, partnerships and localisation

An organisation's **added value** is what it brings that others cannot provide at a comparable cost: technical expertise, access, closeness to communities, rapid deployment capacity, advocacy capacity. Positioning means concentrating resources where this value is greatest.

Since the **Grand Bargain** (2016), signatories have committed to channelling at least 25% of humanitarian funding as directly as possible to local and national actors. Monitoring data show that this target remains far from being met globally. For an international NGO, localisation requires strategic choices: equitable partnerships (covering partners' indirect costs, shared decisions), real institutional strengthening, and accepting to give up visibility and sometimes areas of operation.

- **Sub-contracting partnership**: the partner implements activities defined by the international NGO. Risk: dependency, weak legitimacy.
- **Equitable partnership**: joint design, sharing of indirect costs, risk management that is shared rather than transferred.
- **Support towards autonomy**: transition plan, target of direct funding for the partner, planned withdrawal of the international NGO.

> Criteria for saying no to a funding opportunity: outside the mandate or the theory of change; an area where safe access is not guaranteed; indirect costs not covered with no compensating funding; conditions contrary to the principles (imposed targeting, military visibility); management capacity already saturated.

Exercise: the two-page strategy note

Situation. A medium-sized national NGO (annual budget of USD 4.2 million, 180 staff, 4 provinces) depends on a single donor for 62% of its funding, and that donor announces a 40% cut next year. It works in 6 sectors; its evaluations show high quality in protection and water, average elsewhere. A country-based pooled fund opens a call on protection, and a development agency is looking for partners for rural water management.

Task. 1) Diagnosis in five lines (the central problem). 2) TOWS matrix with one strategy per box. 3) Simplified theory of change for the main pillar, with two critical assumptions and the evidence expected for each. 4) Three decisions: what the NGO strengthens, what it stops, what it hands over. 5) Three strategic dashboard indicators with their three-year targets.

Answer key. The central problem is not "the drop in funding" but the dispersion across six sectors combined with extreme dependency on one donor. A strong answer focuses the organisation on protection and water, reduces dependency on the main donor to below 40% within three years, and sets a reserves target (for example 3 months of operating costs).

Key takeaways

- A strategy is a coherent set of choices: diagnosis, guiding policy, coherent actions (Rumelt).
- Public value triangle: value created, legitimacy and support, operational capacity.
- A SWOT without a TOWS matrix and decisions has no strategic value.
- The theory of change makes causal assumptions explicit; test the weakest one first.
- Localisation: equitable partnerships, shared indirect costs, and written criteria for saying no.

Quiz

1. According to Rumelt, which of these statements is a guiding policy and not a mere intention?
   A. Strengthen the resilience of vulnerable communities
   B. Be an organisation recognised for its excellence
   C. Concentrate our resources on protection and water in three provinces where our access is accepted, and exit the other sectors within two years
   D. Increase our budget by 20%

2. In the TOWS matrix, "recruit a protection specialist to respond to the new pooled fund" is a strategy of type:
   A. Strengths-opportunities
   B. Weaknesses-opportunities
   C. Strengths-threats
   D. Weaknesses-threats

3. What distinguishes a theory of change from a logframe:
   A. It contains no objectives
   B. It makes explicit the causal assumptions, the role of other actors and the evidence supporting them
   C. It is required by all donors
   D. It replaces the budget

4. A project has high value for people but does not cover its indirect costs. The right strategic decision is:
   A. Close it immediately
   B. Keep it without saying anything; the loss will be absorbed
   C. Keep it if it is strategic, deciding explicitly to top it up with unrestricted funds, and negotiate better cost coverage
   D. Lower quality to reduce costs

5. The Grand Bargain (2016) localisation target was to channel:
   A. 10% of funding to international NGOs
   B. At least 25% of humanitarian funding as directly as possible to local and national actors
   C. 50% of posts to expatriates
   D. 100% of funds to governments

Quiz answers : 1. C · 2. B · 3. B · 4. C · 5. B