Program Analysis:

The MacMillan Matrix

This set of tools is largely based on the MacMillan Matrix, created by Ian MacMillan of the Wharton School of Business. Modifications have been made and additional steps and forms added by Shelly Schnupp, SMS and Associates.

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Program Analysis: Using the MacMillan Matrix for Competitive Analysis of Programs

Overview

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 provider 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-sourced 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** is a valuable tool that was specifically designed to help nonprofits assess their programs, especially in light of scarce resources. The matrix is based on the following assumptions:
- *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*
- *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 increasing demand for a smaller pool of resources requires today's nonprofits to rethink how they do business—to compete where appropriate, avoid duplicating existing comparable services, and to increase collaboration, when possible.*

The matrix helps organizations think about some very pragmatic questions:
- How well does our program portfolio fit with our mission and vision?
- Are we the best organization to provide this service?
- What is the competitive strength of each of our programs?
- Are we engaged in any services which, if eliminated, would cause consumers irreplaceable loss?
- 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 or "dimensions" and using the results to classify programs according to strategies that suggest programs' future, from aggressive growth to aggressive divestment.

Following is a summary of steps for engaging in program analysis using the MacMillan Matrix and the other tools included in this packet.

Program Analysis Steps:

1. Identify a Program Analysis Team. This often includes senior and program staff as well and board members. The team should include individuals who can answer questions about programs, including financial and funding issues, and who will be involved in making decisions about the future of programs.

2. Compile information about the programs to be analyzed. In the course of classifying programs, it is useful to reflect on available data, including strategic planning directions. It is also helpful to use information compiled in advance about programs. The Program Profile Format included in this packet can be used for this.

3. Schedule and convene the Program Analysis Team. Determine if an outside facilitator should be used to guide the session. This may be useful, as an objective facilitator is more likely to "ask the tough questions" about programs that board and staff have become invested in. Identify an individual to keep the official record of the program analysis session.

4. List the programs to be assessed on the Program Ratings Worksheet included in this packet. Read through and discuss the four MacMillan Matrix Criteria included in this packet that will be used to rate programs.

5. Work through one program at a time, rating the program according to each of the four Criteria. Review the Program Portfolio and then note the rating for each criterion on the Ratings Worksheet. Be sure to use the Criteria definitions and not just the criteria titles. It may be helpful to have an individual present the program portfolio and enable participants to ask questions prior to rating. Suggested process:
    a. One individual (usually the program manager) presents the program's portfolio. Q and A.
    b. Individuals rate the program individually, using criteria and their Worksheets.
    c. Individuals share results and come to group consensus on the rating. One team member keeps the official record and any notes that can be helpful for future planning.
    NOTE: It is very important to take the time needed to rate the program correctly, based on Criteria definitions and discussion. This will help prevent "second guessing" later in the process.

6. Using the ratings from the official Program Ratings Worksheet and the instructions (Applying Results) included in this packet, place programs in the appropriate cells on the MacMillan Matrix (included in this packet.)

7. Review the placement of programs on the MacMillan Matrix using the Cell Definitions included. Review the suggested strategies for individual programs as well as the "portfolio" of programs as placed. Discourage the group from "second guessing" ratings; instead, work with the ratings and discuss implications for future planning:
    ✓ How does our portfolio currently impact our organization's sustainability?
    ✓ Where would we like to see the majority of our programs?
    ✓ How can we use the Program Analysis tools to test ideas and make decisions about new programming?

8. Carefully consider next steps, including how results will be used and shared with others. It is usually not useful to share the Matrix placement results broadly, unless context for program ratings decisions is provided along with plans for responding to the results. Program Analysis team members are often encouraged to keep results confidential.

    NOTE: Program Analysis often provides very useful information for strategic planning, in addition to program development.

Program Analysis: Program Profile Format

Program:

Program Purpose and History	
Customer Profile—who is targeted and actually served, trends, challenges	
Primary program activities	
Customer and other Outcomes—what are they and are they measured	
Funding—Sources, Trends and Issues	
Staffing—Requirements, Status and Issues	
Competition—others currently providing or planning to provide the same or similar services with short descriptions	
Facilities, space requirements, etc.	
Other/ Uniqueness—factors that distinguish this program from similar or other efforts	
Key Relationships—other groups/organizations the program does or should interact with and how	
Special Issues both positive and negative about the program not covered elsewhere	

Program Profile *Example*

Program: ENCORE*plus*

Program Purpose and History	ENCORE*plus* brings Breast and Cervical Cancer education to low income, uninsured and under-insured wth scheduling, transportation and translation services to access free or low cost mammograms and Pap tests. Has been operating since 2000.
Customer Profile—who is targeted, served, trends, challenges	• Low-income, uninsured/under-insured women, with a particular emphasis on Hispanic and African American women; women over age 40. • Census data show that the Hispanic population in service area grew by 140%-- 1990 to 2000.
Customer and other Outcomes—what are they and are they measured?	Proposed outcome: Of the women receiving breast health education in 2003, 80% (2,240 women) will demonstrate a greater understanding of the risks for Breast Cancer and the importance of early detection. 50% will receive mammograms. Outcomes are measured through interviews and written serveys.
Primary program activities	• The YWCA will participate in or host eight major events such as health fairs, walks and memorials, and will make an average of 4 presentations per week. • The YWCA will provide access for at least 600 women to receive a Mammogram and to ensure that at least 200 have access to a Clinical Breast Exam. • Upon completion of screening exams, participants are contacted to ensure that they understand their screening results and to connect them with further services or treatment options if needed, regardless of their ability to pay. • Through partnerships with many medical facilities, secure recommended follow-up care and treatment for program participants. Provide free transportation, free bilingual assistance and support.
Funding—Sources, Trends and Issues	Program has run deficit for the last year. • AVON contributed $xx for the 2004 fiscal year—one time. • Susan G. Komen contributed $xxx for 2002 to 2004; funds will end after 2005. • Some support from foundations but sporadic.
Staffing— Requirements, Status and Issues	• Director of Women and Girl's Health—M.S. level; Program Coordinator—BS level. • Culturally competent, trained staff with the specialized language skills necessary to reach our target audience. Staffing has been stable over the past 2 program years.
Competition—others currently providing or planning to provide the same or similar service	Health Department is the only other service provider in County. However, HD is only contracted to serve women age 50 years or older. 2 local hospitals are considering offering similar services.
Facilities, Space Requirements, etc.	• We offer some outreach and services on site at partner locations. We also provide services at the YW main office but space is not sufficient to ensure confidentiality.
Key Relationships— other groups/organizations the program does or should interact with and how	• Core relationships that are instrumental in the success of the program are Mammogram providers such as; 1. County Hospital, 2. C Medical Group, 3. V-Health . Other agencies that participate and host educational presentations are: A Safe Place, County Haven, Catholic Charities, Township, Housing Authority, Community Action, Latino Coalition.
Special Issues both positive and negative about the program not covered elsewhere	• Census data show that the Hispanic population in County grew by 140% from 1990 to 2000 to 92,716 residents. • Three communities in the County have large percentages of African Americans. ENCORE*plus* also focuses on reaching these populations. This is especially important because African American women have a higher incidence of late stage diagnosis and consequently a higher mortality rate from Breast Cancer. • Staff is specially trained to address particular cultural barriers that may make women hesitant to perform a Breast Self-Exam or to seek a Mammogram. • Rates of Breast Cancer among County females are higher than the average rate for females in the state and in comparable counties across the U.S.

Program Analysis MacMillan Matrix: Criteria

1. Fit: (Good or Poor)
Fit is the degree to which a program "belongs" or fits within an organization. Criteria for "good fit" include:
- Congruence with the mission/purpose and vision of the organization.
- Degree to which the organization can support the program with existing skills and competencies.
- Ability to share resources and coordinate activities with other organizational programs.

2. Economic Attractiveness (High or Low)
Economic attractiveness is the degree to which a program is attractive to the organization from an economic perspective, i.e., whether the program easily attracts resources. A program is highly attractive if it is affirmatively ranked on each of these criteria:
1. Current stable funding
2. High appeal to groups capable of providing future support through fees, grant funds or both
3. Market demand from a large client base that is not expected to shrink
4. Measurable, reportable program outcomes/results

Note: Any program that does not have high congruence with the organization's purpose should be classified as unattractive.

3. Alternative Coverage (High or Low)
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." If customers have many other choices to meet their needs coverage is "high." If the number of competitors is expected to increase significantly in the next few years label the program "high coverage."

4. Competitive Position (Strong or Weak)
Competitive position is the degree to which the organization has a stronger capability and potential to deliver the services than current or emerging competitors. "Stronger capability and potential" results from a number of strengths, not just one. Classification as having a "strong competitive position" requires a program to have a substantial majority of the following:

1. Good location and logistical delivery system.
2. Large reservoir of consumer loyalty and the assurance that consumer choice will continue to govern consumer decisions in the future.
3. Dominant and growing market share of the target consumers currently served.
4. Superior quality coupled with the ability to account for quality.
5. Stable staffing.
6. A refined understanding of what competencies will be required to provide the services in the future and identified sources and resources to acquire them.
7. Superior ability to communicate with consumers and other stakeholders.
8. Cost-effective services and the ability to demonstrate this.
9. A solid track record for securing grants, contracts and donations to support this programming.

Program Analysis: **Program Ratings Worksheet**

Program	Fit		Economic Attractiveness		Alternate Coverage		Competitive Position	
	Good	Poor	High	Low	High	Low	Strong	Weak

Program Analysis: **Applying Results**

After each program is assessed in relation to the above four criteria, each is placed in the MacMillan Matrix. 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.

Where Does a Program Go?

1. If a program is a good fit, it will be placed somewhere in cells 1 through 8. If a poor fit, it will be placed in cells 9 or 10.

2. If a program is a good fit and is highly attractive, it will be placed in one of the cells labeled 1 through 4. If a poor fit and attractive, it can be placed in cell 9 now; no need for further analysis. If a program is a good fit but is not attractive, it will be placed in one of the cells labeled 5 through 8. If a poor fit and not attractive, it can be placed in cell 10 now.

3. Programs with good fit, high attractiveness and high coverage will be placed in either cell 1 or 3; low coverage will put the same programs in cell 2 or 4. Programs with good fit, low attractiveness and low coverage will be placed in either cell 6 or 8. Programs with good fit, low attractiveness and high coverage will be placed in either cell 5 or 7.

4. Competitive programs with good fit, high attractiveness, and high coverage will be in cell 1; uncompetitive ones in cell 3. Competitive programs with good fit, high attractiveness, and low coverage will be in cell 2; uncompetitive ones in cell 4. Competitive programs with good fit, low attractiveness and low coverage will be in cell 6, and uncompetitive ones in cell 8. Competitive programs with good fit, low attractiveness and high coverage will be in cell 5, and uncompetitive ones in cell 7. The programs with poor fit will be in cell 9 or cell 10, depending on whether or not funds are easily available for them.

Reviewing Results

Once all programs have been placed in the appropriate positions 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, five 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.

Program Analysis MacMillan Matrix (with modifications)

	High Economic Attractiveness (Easy to attract resources for support)		**Low Economic Attractiveness** (Difficult to attract resources for support)	
	Alternate Coverage HIGH	**Alternate Coverage LOW**	**Alternate Coverage HIGH**	**Alternate Coverage LOW**
Strong Competitive Position	1. Aggressive Competition	2. Aggressive Growth	5. Reinforce Best Competitor or Find Partner	6. "Soul of the Agency"
Weak Competitive Position	3. Aggressive Divestment	4. Invest, Find Partner or Divest	7. Consider Partner or Divest	8. Find Partner or Divest
	9. Aggressive Divestment		10. Orderly Divestment	

GOOD FIT

POOR FIT

8

Program Analysis MacMillan Matrix: Cell Definitions

Cell 1. Aggressive Competition. There is a major opportunity here. The agency will have to fight for its share of the market and must expect to invest heavily in marketing efforts to maintain market share. The agency will have to deal with significant competition for consumers or for contracts and grants to support this programming.

Cell 2. Aggressive Growth. There are substantial resources, plentiful consumers, and few competitors for programs listed here. This programming automatically becomes a high priority for attention as the organization has a significant opportunity to build market share. As others recognize the organization's success, the competition will increase -- so timely investment in growth is imperative.

Cell 3. Aggressive Divestment. This is programming that lacks key aspects of being competitive and also faces stiff competition. The organization lacks the competence or capacity to make it competitive. As a result, this programming is a poor prospect for growth and is not likely to survive without extraordinary effort. Plan to close these programs as soon as possible to conserve resources for more productive activities.

Cell 4. Invest, Find Partner, or Divest. This programming is a worthwhile investment when the agency has resources available for improving its competitive position -- after programs in Cell 1 have been taking care of. If investment resources do not exist, these programs then become candidates for finding a partner. There is opportunity here due to the availability of resources and low competition that could be pursued with a strategic partner. If neither alternative works out, abandon the programming -- it is unlikely to assume a competitive position on its own.

Cell 5. Reinforce Best Competitor or Find Partner. Programs in this cell are competitive but difficult to fund, and stiff competition offers significant alternatives for consumers. The agency may want to strengthen the competitor that seems to be offering consumers the highest quality services by transferring the programming to that organization (a difficult decision), or may decide to seek a partner, building volume, consolidating overhead, and reducing cost.

Cell 6. Soul of the Agency. Programs in this cell are those that the agency is committed to delivering even at the cost of subsidizing them with resources from other programs -- and that do not have easy access to resources on their own. Such programming makes a special or unique contribution to the welfare of the agency's customers and therefore to mission accomplishment and its elimination may cause consumers irreplaceable loss of services. No organization can afford to support an unlimited number of "soul" programs.

Cell 7. Consider Partner or Divest. Partnership may be possible for programs in Cell 7, though a program that winds up in this cell will clearly need investment to be successful. It may be difficult to find another organization willing to partner with a much weaker program, but your organization may be able to offer an enticement in the form of capital savings to be derived from adopting an already established program, physical plant, staff, or license for the activity. Without a partner, this programming is both unattractive and noncompetitive and your organization should close it down gradually to ease the strain on consumers that currently make use of it.

Cell 8. Find Partner or Divest. Programs in cell 8 are also both unattractive and noncompetitive. Here, however, there is little competition. You may be able to partner with a provider of these services that is in a stronger competitive position in a contiguous geographic area, as it is possible that such an organization may want to acquire additional capacity. Raising numbers served and consolidating overhead may reduce expenses and may make this programming more financially viable. If no such potential partner exists, this programming should be gradually eliminated.

Cell 9. Aggressive Divestment. This programming is a poor fit with the organization's mission and vision or competencies. Unless the organization is willing to change its mission and vision or acquire needed competencies, there is no justification for continuing to invest resources here -- even when such resources are readily available.

Cell 10. Orderly Divestment. This programming is both unattractive and a poor fit. However, it is desirable to eliminate these services gradually and if at all possible without harm to consumers.