Competition: A Risk Aware Definition

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To voice the word “competition” is to summon the idea of defeating or establishing superiority over others. People sometimes modify this by adding the word “healthy” to competition, as a sign of good intentions. Which only emphasizes the point. Competition, in its contemporary usage, is a word with thorns for those who work at and support nonprofits. Even if they don’t reject the idea of competition outright, organizations may chafe at the sound of dominance over cooperation.

One reason many of us love root words is that they so often take us back to the definitions hidden within the familiar words we think we know. The Latin root of compete, for instance, is *competere*, “to strive or contend for something,” from com- “together” + *petere* “aim at, seek.” Viewed from its linguistic foundations, it seems competition originally came from a healthy and collaborative impulse—perhaps from the activity of hunting and gathering to put more food on the table.

Beyond the idea of aggressively and unilaterally winning, a new view of competition is taking hold, one that tests organizations against best practices elsewhere. In this issue of *Risk Management Essentials*, we explore the ways competition and collaboration go hand-in-hand and what’s at risk for nonprofits.

Unmasking Competition Risks

Competition risks include:

1. *Believing your nonprofit is so unique that you have no competitors.* Self-regard and a lack of willingness to measure the organization against the competition can lead to inertia, malaise, and a lack of innovation. Be aware that the public at large may perceive competition where organizations themselves might not.

This is not the same as a demur, declaring yourself to have *no competitors* for reasons of decorum or to demonstrate your fair-mindedness. Rather, *believing yourself to have no competitors* is to actively neglect the very real competition that exists, or to talk about it only in private conversations. Which leads to our second risk:

2. *Undervaluing, discounting, or demonizing the competition.*When competitor(s) are viewed in a negative light, we miss the opportunity to see them as potential collaborators. We miss learning from the things they do right that make them competitive in the first place. For example, an organization may come to feel they have inalienable funding rights to a territory or cause, and that their mission is being pirated by

a competing organization siphoning off more than their share of resources. The alternative to *undervaluing, discounting, or demonizing* is to understand whether the competing organization is doing something you aren't, can't, or haven't managed to do well, and to make partners of the "pirates."

The reverse scenario is also possible, as *confirmation bias*: Seeing your nonprofit in a false light, believing your own press, or even discounting your value as a potential partner to others.

A Redefinition Is Required

In the nonprofit sector, competition should not be the inverse of collaboration, but its complement. Redefining how we view competition can be productive for all sides. We gain self-knowledge if we first see the race as a test of ourselves, rather than the other.

A good metaphor for this redefinition of competition is the technique of "pushing hands," the slow and graceful sparing practice within tai chi and other martial arts. Used as a two-person training exercise, pushing hands tests leverage, reflex, sensitivity, timing, coordination, and positioning. Through proper training one learns how to undo the natural instinct that signals us to push back against a competitor's strength.The key teaching of pushing hands is not to resist an incoming force with more force; instead, one must redirect the opponent's energy so that it comes into equilibrium with yours and is balanced, as through a dance.

Whether acknowledged or not, all nonprofits compete, all of the time, and not just with other nonprofits. Without exception, you compete for "likes," members, readers, donors, funders, attendees, clients, consumers, board members, service volunteers, grants, ethical positions, and limited resources of every kind.

Competition and new alliances are inevitable, as new nonprofits offer programs and services to the same groups as existing and longstanding organizations. With duplication increasing, so is the division of services into ever more specialization. Short of changing the grant giving structure to focus more on collective impact, nonprofits need to overcome the short-term forces in the economy they are part of, and put the long-term goals of the mission first. On the plus side, for many nonprofit leaders, partnering in this environment is second nature.

Yet, enthusiasm for partnering may create blind spots that obscure our view of the competition. Think of it this way, if you are in competition with an organization whose agenda you share, but that entity isn't living up to its obligation to provide a public benefit in exchange for tax exempt resources, your heart may tell you to bolster them with a collaborative olive branch, but your head must be thinking your organization could better steward their resources, if only they were yours. Your first step in assessing a competing organization should be thinking through your nonprofit's motivations and needs. Identify and manage risks that threaten your mission and operations, and leverage the opportunities.

Risk Tips for a Positive Competitive Advantage

- *Don't ignore your competition*. What do they do well? Are there opportunities for collaboration? Public, private or nonprofit, are they in the same space as you? Are they taking risks, market share, resources? Then ask what they are doing better or differently than your organization. This applies even when you don't want to imitate their efforts or results. Understanding your competition is key to positioning.
- *Don't discount or demonize your competitors*. It's a big world (of potential clients and supporters) out there. When a psychology of demonizing the competition takes hold, the blinders are on. Nothing personal, but how do they challenge your organization? Turn that into actionable intelligence.
- This may seem obvious, and something we will repeat *ad infinitum* at NRMC, but *welcome feedback*, positive and critical. A funder, a stakeholder, a competitor who shares feedback on how they experience your nonprofit is giving you a priceless gift of information that you can use to evolve and improve.

Competition's Rich Palette

Competition comes in many flavors: *direct competitors*, *resource competitors*, and *substitutable competitors*. We like how concisely these are defined by Melissa Mendes Campos, Partner at La Piana Consulting:

Direct competitors: Those organizations that provide similar services to similar populations in your geographic region. Because there is often more need than there is capacity to meet it, such competition may not be keenly felt.

Resource competitors: Which include every other organization seeking grants from the same foundations, contributions from the same donors, visibility in the same media, etc. In a sector concerned with making best use of precious resources, this type of competition should be a core concern.

Substitutable competitors: Your programs and services may be contending with an increasing number of organizations that offer alternative solutions to the problems you are trying to address. As more for-profit and hybrid organizations enter the spaces once served only by nonprofits, the sector is seeing this type of competition take on new urgency.

Of these, the trickiest one to define is *substitutable competitors*. These competitors often reveal an organization's hidden vulnerabilities, testing it against best practices and innovations in the field. With hybrid social enterprises, in particular, the line between social mission and commercial venture is not always clear. Competing organizations may be entrepreneurial ventures that combine the social good of a nonprofit with the commercial acumen of a business or start-up.

Often, substitutable competitors are hidden from sight, or may not be proper organizations at all, but things that affect the competitive environment. Consider them *adjacencies*. For instance, a museum in Miami could be in competition with the South Beach lifestyle for people's time, attention, and spending. The childcare sector is a clearer example. A childcare provider is in competition with pre-K and after school programs, and even extended families, which may provide substitute benefits that impact a childcare organization (whether positively or negatively). These *adjacencies* may not be seen as competitors, but they might meet the needs of individuals otherwise served by a nonprofit.

Other *adjacency risks* include: the anxiety of keeping nonprofits relevant in a world where corporations have learned to inject social responsibility and social justice into their brand marketing campaigns; social media advocacy—sometimes referred to as "slacktivism"—requiring little time or involvement, e.g., signing an online petition, shares, badges, liking a group or campaign, are also in competition with attention spans for the mission of nonprofits; even some crowdfunding campaigns can be substitutable competitors. All this makes the nonprofit sector no less competitive than any other enterprise—with the glaring exception that nonprofits are often squeamish about taking a public stance on competition.

Contending with Profitable "Social Responsibility"

Though rare, there can be risks associated with nonprofits that compete too successfully against for-profit niches. Some industries have come after nonprofits because they perceive a nonprofit tax status as a competitive advantage. One result may be that values-focused nonprofits have led the private sector to change their brand strategies.

Social good is not the exclusive domain of nonprofits, but we think one reason social responsibility is trending in corporate marketing is the appeal of mission-driven messaging. The brand-advantage of appearing to be values-focused has inspired slogans that helped Google "Don't Be Evil," Apple "Think Different" (sic.), and Nike "Just Do It" capture the hearts and minds of consumers. But when brands break with the values implied in their mottos, they can become millstones around the corporate neck. Witness how Google's willingness to self-censor in China played to its US base, and to lawmakers. Or the conservative reaction against Nike's choice to make Colin Kaepernick the face of a new campaign, with a "Believe in something" caption. Sales suggest Nike has just done it, again.

In an ideal world, for-profit companies would have as much social responsibility as nonprofits, but are often awkward about it in the execution. In the boardroom, even corporate charity is fraught with risk. Nonprofit organizations, on the other hand, tend to be awkward when it comes to discussing market share and competition. Organizations may already feel they are pitted against each other for the same grants, funders, and talent, without wishing to stoke discord that could take energy away from their missions.

Impact, Not Origin

Competition is an inevitable and enviable result of highly successful or innovative organizations. Competing in the nonprofit sector is about balancing mission-advancing risks with values-focused leadership. Competing successfully is in the best interest of those who work at and support nonprofits, and the populations they serve. Nonprofit organizations are in direct competition for dollars and attention that might otherwise go to business or hybrid social enterprises. A competitive strategy is not a matter of tax status, but a matter of providing the most benefit—*compete on impact, not origin*. The mission, values, and risk aware culture of an organization should drive its competitive strategy.

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