

Depth Perception

LOOK AT BOTH SIDES!

RANDAL DICK WOULD BE HAPPY TO INTRODUCE YOU TO [PROFIT ENVIRONMENT](#).

Combined with [The Appriser](#) and our regular [blog posts](#) Design Group International continues to provide quality content for leaders and organizations transforming for a vibrant future.

I've looked at \$ from both sides now.

Joni Mitchell sings [Both sides now](#) so beautifully. It is a song of regret. Joni sings that there should have been give and take, but illusions were pursued and that is what gets recalled instead of reality. In a similar vein recent conversations with people selling B2B services point to the give and take needed in enterprise and how illusions pursued by business and nonprofit leaders lead to oh so many regrets.

Is your organization deciding whether to change to a new accounting software? Are you considering whether to engage in a peer-based advising group, such as ones I lead for nonprofit executives ([Leader2Leader](#)) or business owners ([Convene](#)). Are you preparing a budget that includes plans for a new staff hire? What will you consider in making these decisions?

GIVE -- Some business leaders look at \$ from the income side only. **TAKE** --

Some nonprofit leaders look at \$ from just the expense side. Business leaders tend to focus on the give to demonstrate that profitability targets have been reached, are being reached, and will be reached. Expenses, if given attention, are something to be reduced or slashed. The time horizon for reporting this profitability is RIGHT NOW, rather than generational. Nonprofit leaders focus on the take to demonstrate that the budget has been balanced, is being balanced, or will be balanced. Income is sought to cover expenses. The time horizon for reporting the budget balance is FISCAL YEAR END, rather than generational.

B2B service providers have learned they must *spin* their pitch to point to the heightened upside or the minimized down-side their service brings with it, depending on whether they are speaking to a business or non-profit executive. Leaders equally interested in both are rare.



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Focusing on just the give or just the take leads to illusions nonprofits and for profits hold in common:

Illusion #1: Organizational health can be achieved by damaging people.

Leaders dispute this. Who wants to be on record as willing to damage people? Focus on just the upside, however, and talent at your disposal is simply an input used to extract profitability RIGHT NOW. Long-term effects of discouraged or defeated employees, churn of employees, or costs to search/hire are overlooked. Focus on the downside and employees are unrewarded for their heroic efforts to carry out the mission. Opportunities are lost because of burnout, lack of innovation or lack of investment in people. In either case, healthy, inspired, and productive people are key to the long-term health of the organization. Month to month improvements in the P&L may not show this, but year over year they will.

Illusion #2: One side of the ledger is enough because it worked in the past. Again, who admits to such a thing? And yet, track an executive's comments over time while looking at company financials and one notices they zero in on what they know best

rather than on what they don't know. They draw on mental constructs to interpret data and these can become blinders.

Focus on income alone and expense creep might get missed. Focus on expenses and leaders might fail to see opportunity. Oversights bite later when the unexpected happens. **Unexpected** always happens.

Illusion #3: Next year will take care of itself.

Long-term focus, strategic direction, sustainability. These terms roll off our tongues but day to day decisions and execution tend to be *survivability, short-term benefit, and what works now.*

An income focus spins financial results based on how much money the enterprise earned in whatever period was measured. An expense focus spins it based on whether bills were paid for

that month, or at the end of a fiscal year, for that year. Accountants might track longer time horizons via accrual accounting, but the longer time horizon seldom shows up in management or board speak.

Illusion #4: This is someone else's problem, not mine. Take a close look at anyone else's organization and you easily find these illusions at work. Put the lens over the organizations we run and we want to run for cover, make excuses, or rationally explain away (or at least minimize) the effects of our actions.

For profit enterprise wants to be seen as a place where humans can flourish. Non-profits want to paint themselves as fiscally savvy. Let's have both. Let's look at money from both sides. Let's have fewer illusions and fewer regrets.

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