MACED Five-Year Plan

2011–2015

MACED
Mountain Association for Community Economic Development

www.maced.org

Foreword

MACED is pleased to present this five-year plan. Its aim is to lay out a path for our work that deepens our impact, builds from our strengths and makes a meaningful difference for people and communities in Kentucky and Central Appalachia.

This plan is informed by our sense of hope and the potential of what's possible, balanced with a practical recognition of the challenges at play today. We strongly believe that people and communities deserve better than today's realities.

We have a vision that recognizes the region's need for a stronger economy; healthy and protected air, land and water; effective democracy; and opportunities that benefit low-income people. While we work toward a different future based on this vision, we want to make sure we build from the reality that people and communities face.

MACED is committed to pursuing a multi-strategy approach because the challenges in the state and region are complex and interrelated. We believe that by stacking our strategies where appropriate – integrating our enterprise development work, research and policy efforts, and programmatic demonstrations – we will be more powerful and effective at creating meaningful change. We also recognize that building smart collaborations, alliances and partnerships is critical.

We know the sort of change we want to see will require significant shifts over time. We need smarter policies that assist people in need and support innovation and change. Ideas that create meaningful opportunity and have the potential to go to scale will be critical. More effective and forward-looking entrepreneurs and enterprises are key. And engaged and informed people in and from the region are a central element of the solution. All are necessary. None will be easy.

This five-year plan sets out our contributions on the road forward and helps us say yes to the right things. We take seriously the region's need for deeper impact and results, and this plan intends to do that by laying out strategic directions we will follow. We also recognize that much of the road we travel will be made by walking it. By necessity, we will learn as we go, making changes to our approach as needed.

We start from a place of recognizing that none of this work would be possible without the participation of many. We go forward with deep appreciation for the work and support of many organizations, foundations, businesses, government agencies and employees, communities, and individuals.

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We enter the next five years humble but hopeful, and ready to do our part to help move the region's economy and communities forward.

Five-Year Directions

MACED has a vision to create sustainable development in the region. To us that means a system of viable activities, enterprises and policies that build wealth for people in need, protect or enhance the environment and support enterprising and empowered people. We hold the following long-term goals as necessary to create sustainable development.

- Strong and diverse economy.
- Increased family well-being, particularly for low-income people.
- Healthy and protected land, air and water.
- Effective and accountable democracy.

MACED's five-year plan articulates a body of work aimed at moving the needle on indicators relevant to our long-term goals.

The journey toward MACED's long-term goals will require choices of paths to follow for significant periods of time. We will need to decide how to concentrate our efforts for each period. Often we will be moving ahead on several paths at once, all aimed at the same ultimate goals. These paths are our **five-year directions**. The five-year directions are chosen to guide us to specific milestones on our way to the long-term goals. The work each direction takes may vary in size and intensity over the period in question. As paths, they will be coordinated with each other, perhaps merging from time to time. A strategic direction should be focused enough to define a direction useful to the organization. At the same time, it should be broad enough and flexible enough to allow for significant unknowns.



MACED is employing three programmatic strategic directions over the next five years toward achieving our long-term goals.

1) Strengthen the **energy and forestry sectors** by combining our core strategies.
2) Expand **high impact and targeted entrepreneurial and enterprise development support**.
3) Influence **state-wide economic policy and promote regional Appalachian transition**.

We will also pursue two organizational strategic directions.

4) Strengthen key components of the organization to support the implementation of the five-year plan.
5) Increase MACED's financial resilience and flexibility.

The following pages describe the rationale and approach for each strategic direction over the next five years.

1. Strengthen the energy and forestry sectors by combining our core strategies.

Sector Rationale

- Growing the size and strength of particular economic sectors has the potential to develop substantial economic, environmental and community returns.
- There is potential to deepen our impact on these sectors in the region today by focusing our range of tools on them.
- Strengthening the benefits of particular sectors helps grow alternatives to the historically dominant and damaging extractive economy.
- Positive synergies between our primary strategies happen when we bring them to bear on a targeted sector.

Approach

1.1) Develop and maintain, through experience and research, an understanding of leverage points and opportunities in the energy and forestry sectors.

1.2) Combine our strategies (capital investment, technical assistance, research and communication for policy change, demonstrations) to focus on key sectors.

1.3) Evaluate our work and document our learning to improve our efforts.



Energy Sector Focus

Energy Rationale

The people of Appalachian Kentucky, low-income residents in particular, are vulnerable to rising energy prices because homes and buildings are very inefficient. In the face of a changing coal industry due to dwindling reserves and increased economic competition, energy efficiency can create jobs and benefit low-income people who pay a high percentage of their income in energy costs.



- Coal employment and economic impact are diminishing as reserves diminish and Appalachian coal becomes less competitive, yet negative environmental impacts and negative political power remain high.
- The region is energy inefficient because of our history of cheap electricity due to access to coal, making us vulnerable as prices increase.
- Energy efficiency at scale has the potential to negate significant demand for energy while significantly benefiting low-income people who pay the highest percentage of their income in energy costs.
- Greater energy efficiency and renewable energy resources have potential to create jobs and grow valuable assets in the region.
- As energy production is a highly regulated sector with structural challenges, policy plays an important role in shaping its production and distribution.
- National interest in clean energy issues is high, and Appalachia plays a unique role in the debate because of our dependence on coal.
- The next five years are critical to the future of energy in the state because of our growing energy demands, the age of Kentucky's power plants and the possibility of carbon regulation.

Energy Approach

E.1) **Grow demand** for energy efficiency and renewable energy production through research, policy change, coalition building, advocacy and demonstrations.

E.2) Create potentially **large scale energy efficiency infrastructures** that significantly expand the availability and depth of energy efficiency throughout the region through demonstrations, unusual partnerships, entrepreneurship support and capital provision.

E.3) Demonstrate **targeted renewable energy production methods** that have economic feasibility and importance as examples that help people see another way of energy production; inform the potential for renewable energy at significant scale through demonstration efforts, entrepreneurship support and financing mechanisms.

E.4) Coordinate strategy and knowledge within the organization around our evolving understanding of the sector, its leverage points, our learning and our impacts.

Forestry Sector Focus

Forestry Rationale

Central Appalachia has an ecologically diverse and economically valuable forest base that is largely unmanaged. The forest landscape could be more valuable if managed sustainably, but family forest owners need new income options to succeed.

- The region has an ecologically diverse and economically valuable forest base, providing timber products, non-timber forest products, and ecosystem services to communities in the region.
- The wood products industry is a major regional employer but has generally struggled because of competition, weak markets, consolidation and weak supports.
- The largely unmanaged forest landscape could be more valuable and better protected if managed sustainably.
- Most of the forest land in the region is owned by non-industrial private forest landowners in small tracts.
- Helping family-owned forests thrive and succeed requires new income options that benefit these smaller owners.
- There are growing potential market opportunities for a range of new forest value streams including certified wood products and ecosystem services.
- These value streams have the potential to drive sustainable management and provide new income or market sources for landowners and forest products companies.



Forestry Approach

F.1) Promote and expand **sustainable forest management** by developing and implementing demonstrations and driving supportive policies that provide landowners and forest businesses new income opportunities from management.

F.2) Develop **support resources and technical expertise** aimed at helping landowners and wood products companies expand certified forests and processes through financial, technical and entrepreneurial support mechanisms.

F.3) Help landowners and wood products companies take advantage of **potential new value streams** (production of certified wood products, carbon income, biomass, non-timber forest products and others) through research on their potential, entrepreneurship support, targeted demonstrations and policy change.

F.4) Coordinate strategy and knowledge within the organization around our evolving understanding of the sector, its leverage points, our learning and our impacts.

2. Expand high-impact and targeted entrepreneurial and enterprise development support.

Rationale

- Entrepreneurs are critical economic and community actors, particularly in an economy with too little diversity and strength.
- The region needs more and higher skilled entrepreneurs and stronger enterprises that create employment, provide needed services and support engaged residents.
- Examples of entrepreneurship provide important reference points for other people throughout communities in the region.
- Entrepreneurs and enterprises have the potential to grow the local economy by keeping more dollars local and generating sales that bring new money into communities.
- Entrepreneurs and enterprises need assistance – capital and technical assistance – to be successful at their endeavors. Our experience indicates that quality one-on-one technical assistance is particularly needed to help enterprises succeed.
- Because entrepreneurship support is expensive, with many more potential recipients than it is possible to serve, we need to identify effective and targeted approaches that maximize the impact of these efforts.
- The state's support for entrepreneurship and small business is minimal and inconsistent.

Targeting that cuts across our entrepreneurship support efforts

- Entrepreneurs and enterprises that strengthen our targeted sectors: energy and forestry.
- Entrepreneurs and enterprises in targeted interest areas including natural resources, community services and cultural assets.
- Micro-entrepreneurs and enterprises, particularly those owned and operated by low-income people, women and minorities in and around communities in which we have offices.

We will continue to welcome entrepreneurs of all sorts who come to us when they advance progress toward our long-terms goals, but we will focus our efforts as defined in the rationale and approach.

Approach

2.1) Focus on identifying entrepreneurial potential, particularly in those people who don't bring traditional entrepreneurial credentials.

2.2) Grow our technical assistance and consulting services in strategic ways to support the development of entrepreneurs and grow stronger enterprises, including nonprofits.

2.3) Identify support opportunities and needed products (capital, technical assistance or information) for entrepreneurs and enterprises focused on MACED's sector strategies and targeted interest areas (natural resources, community services and cultural assets).

2.4) Develop a stronger but narrower micro-entrepreneurial support strategy aimed at benefitting low- and medium-income, women and minority entrepreneurs around the communities in which we have offices through technical assistance, lending and smart partnerships.

2.5) Build market knowledge of the region that advances the application of capital and technical assistance tools toward our targeted sectors and interest areas.

2.6) Identify opportunities to strengthen the entrepreneurial support system in the region and state through demonstrations, research and policy change.

3. Influence state-wide economic policy and promote regional Appalachian transition.



Rationale

- State and federal governments provide investments and create rules that shape development and impact quality of life in the region.
- Current state and federal policies too often either inadequately support needed services and sustainable development, subsidize harmful development or ignore the unique concerns and needs of our region.
- MACED demonstrations and direct services are critical but inadequate to achieving change at scale without a public policy strategy.
- Significant policy change in our state and region will require deliberate communication strategies aimed at building understanding of the need for Appalachian transition and the need for a more robust state role in providing public structures and services.
- Changing policy will require solid research and analysis, building alliances with other groups and interests, advocating for new policies, and promoting more shared power in our communities
- Solid research provides the rationale and support for our other work.

Approach

3.1) Promote broadening of economic development policy at the state and federal levels to accelerate regional economic transition (including through sector strategies, entrepreneurship and small business support, workforce development and coal severance investments).

3.2) Advocate for a state budget in Kentucky that more adequately funds needed services and for a fairer and more sustainable tax system.

3.3) Promote a conversation about Appalachian transition and the necessary role of government in Kentucky and the region through story-telling, strategic communications and public education.

3.4) Conduct targeted research to support and develop our sectoral and entrepreneurial support work; understanding of the region; and effective practice.

4. Strengthen key components of the organization.

MACED recognizes that a strong organization is the key to the implementation of an ambitious plan. While we have much to build on, we also recognize the need to improve facets of our operations and support systems.

Based on an assessment of what it will take to implement this plan, we have identified five areas of organizational development to concentrate on: staff development, regional connections, learning and performance systems, board strength, and communications capacity.

Approach

4.1) **Support skilled and effective staff** by strengthening our staff development and training systems, creating more opportunities for learning about the region and our sector focus, promoting networking opportunities with other professionals, and ensuring top-notch hiring and management practices.

4.2) **Deepen our presence in the region** with local actors including sector participants, community leaders, entrepreneurs, decision-makers and other transition efforts through development of new offices, creation of advisory committees to inform our work, regular staff field trips and strong partnerships with local and regional organizations.



4.3) **Strengthen organizational learning and performance systems** including measurement, story capturing and other feedback loops as core components of our ongoing work by improving our use of technology, using consistent assumptions and processes when planning programs, developing indicators and measures to track performance, and annually assessing our progress.

4.4) **Strengthen MACED's board** by ensuring an optimal number of members, growing representation from deeper in the region, adding members experienced with our sectors and strategies, and ensuring focus on organizational strategy and policy issues.

4.5) **Build sufficient communications systems and capacity** to ensure we tell stories and share lessons that promote and help raise awareness of the potential for sustainable development in the region by adequately staffing our communications efforts, investing in appropriate technology, and further refining the role of marketing and communications in our programmatic work.

5. Increase MACED's financial resilience and flexibility.

Rationale

- Financial resilience means the ability to adapt successfully to changes in amounts and patterns of earned revenue, grant support and expenses. Key elements of financial resilience are:
  - The mix of sources of revenue and support.
  - The relative size of unrestricted net assets vs. the annual operating budget.
  - Capital structure.
  - How financial resilience is built into program-level as well as organization-wide planning.
  - The adaptability of the support staff structure in the face of changes in program size.
- Financial flexibility means that MACED retains the ability to carry out its highest priority activities even if specific funding is not available. Elements of financial flexibility are:
  - Unrestricted earned income.
  - General support grants.
  - Unrestricted net assets.
- Some grants have features similar to earned revenue: they function almost as contracts to carry out specific work, and we have a reasonable expectation that they will be renewed for years to come. It is helpful to conceptualize these grants as a type of service revenue.
- Earned revenue has an important role to play in supporting growth in size, flexibility and resilience. MACED's earned revenue is available to increase the size of MACED's capital pool. Much earned revenue is unrestricted, contributing to flexibility and resilience. Also, although earned revenue is subject to market forces that also affect the availability of private grant funding, it is not subject to grant funders' changing priorities. Consequently, it has the potential to be a more stable source of income.



- In the past ten years, MACED has had one significant source of earned revenue: lending to enterprises. MACED can develop many variations on this basic tool (e.g. focus on specific sectors, geographic areas or sizes of enterprises) to strengthen our impact on the region and/or increase net financing revenue, without changing the financial fundamentals of this revenue stream. Some demonstration initiatives and the research and policy program also have the potential to develop into programs with ongoing sources of earned revenue with all the concomitant benefits.
- In recent years MACED's most mature program, enterprise development, has focused on program clarification and re-design. This program is ready to make a stronger financial contribution to MACED as a whole and can do so if it is managed with clear financial as well as programmatic goals.

Approaches

5.1) Strengthen multi-year financial planning at the program level. Specifically, each program, including demonstrations in their second or higher year, will develop multi-year budgets that identify an annual staffing plan, total budget, and percentage of the budget to be raised from restricted grants, service revenue, general support grants, and net financing income.

5.2) Manage the enterprise development program to achieve reasonable financial goals.

5.3) Diversify MACED's earned revenue by a) graduating one or more of the demonstration initiatives into an ongoing program with a significant revenue stream and/or b) specifying ongoing service revenue expectations for the research and policy program.

5.4) Pursue programmatic and general support grants from a broad range of private and public sources. The aim is to maintain a spectrum of grant support from multiple sources.









Geographic Concentration

MACED will pursue its efforts with the following geographic priorities.

1) Build a targeted Appalachian Kentucky strategy.
   - Prioritizing outcomes that benefit distressed and/or coal-dependent communities.
   - Deepening local impact through increased focus on places where MACED has field offices (Paintsville and Hazard).
   - Creating efforts that impact multiple counties in the region and have the potential to have greater scale.
2) Work in Central Appalachia through alliances and partnerships that grow sustainable development practice.
3) Promote state policy change in Kentucky and change in federal policies that impact our region.

Learning and Performance Measurement

Critical to our work is finding better ways to understand our impact and then using that understanding to change or adjust our work when needed. Quantitative and qualitative information are equally important to that end. Quantitative measures and targets describe clear, specific outcomes against which to measure progress. The clearer these desired outcomes can be, the more our program design and implementation can aim at specifically achieving them. Qualitative stories and analysis allow us to capture and understand broader trends, and identify ways to improve. They also provide another way to understand outcomes and impact.

Quantitative approach

This plan identifies indicators and targets for pieces of work that inform our understanding of the strategies defined in the plan. We will develop annual targets for all of the indicators. Each major strategy defined in the plan, including organizational development and financial health, has indicators. The indicators are rolled up into a score card of major indicators that apply to program strategy, organizational development and financial health. Where our staff directly engages in work that results in the desired outcomes, we will collect direct indicators. We will also track indirect outcomes, where we created or enabled the conditions that result in the outcomes identified.



Qualitative approach

We will engage in two primary forms of qualitative understanding: 1) capturing stories about the impacts of our work and 2) more evaluative narrative case studies or learning summaries that describe the success (and failure) of our development interventions, particularly our learning about implementation. Each year we will set targets for the nature of and number of these stories and learning summaries.

Once a year, we will review our progress and consider any related learning as it pertains to the five-year plan. At the end of year two (ending April 2012) and the end of year four (ending April 2014), MACED staff and board will use the quantitative and qualitative results to identify learning and discuss our progress on the five-year plan. These conversations could result in changes to our annual work plans or to the five-year plan itself.

While we recognize measurement and evaluation are critical, we also recognize that measurement is imperfect. Our intention is to establish credible proxies that allow us to track information about how our work results in meaningful outcomes. We are convinced that identifying reasonable indicators, capturing stories and establishing a process to consider our results are more important than identifying the perfect indicators.

We have crafted a set of principles that inform our approach to measurement and learning.

- Be specific about indicators, measures and targets.
- Indicators, measures and targets should be informed by the long-term goals we are working toward.
- Stories and case studies are as important as quantitative indicators.
- Indicators, measures and targets should change as major strategies shift.
- Honest communication about unintended results or consequences is critical.
- Regular review of our results should inform changes in our work.

Organizational Foundation

MACED's work is based on a foundation of ideas and beliefs that inform our approach to this work. These elements include a broad analysis of the region, our long-term vision and goals, a set of core approaches and strategies, and a set of organizational values.

Analysis

MACED has a high level analysis of the key forces and issues in the region. We believe the issues at play are complex, interdependent and connected. Although there are some important overarching trends, the region is diverse and changing. The region has important assets and, while conditions have improved over time, the region faces some difficult and entrenched challenges.

Assets

- Positive aspects of cultural and rural life in the region including heritage, family, sense of place and community, music, and other arts.
- Effective local leaders and organizations in the region working for meaningful solutions.
- Improving physical infrastructure.
- Growing examples of effective entrepreneurship.
- Ecological diversity.
- Natural beauty and resources.

Problems

- Too many people and communities are disenfranchised (hopelessness and learned helplessness), and disengaged from democracy and public life.
- Levels of poverty and economic distress are among the highest in the country.
- Basic educational systems continue to underperform, higher education is difficult to access and educational attainment is among the lowest in the country.
- Significant environmental degradation (water quality, forest health, mountaintop removal) continues and limits future development options.
- Economic, social, racial and gender divisions remain major forces that divide and separate people.
- Too few meaningful jobs and other economic opportunities.
- Insufficient economic and community infrastructure exists to support vibrant community (such as workforce, access to capital, entrepreneurial support, publicly owned facilities).
- Ineffective and even corrupt local government remains too common.

Causes

- Too few economic drivers (entrepreneurs, businesses and enterprises, sectors) of scale that meet people's needs.
- Historical dependence on coal and timber as primary economic forces and related results of that development.
- Historical disinvestment – public and private – has contributed to too little public and private infrastructure.
- Small groups of elite who have been supported by too little economic competition and the political system.
- Increased competition due to negative aspects of globalization.
- Political corruption.
- Public policy at local, state and federal levels is too often ineffective or even damaging.

Long-Term Vision & Goals

MACED 's vision for the region is sustainable development. We define it as a system of viable activities, enterprises and policies that build wealth for people in need, protect or enhance the environment and support enterprises and empowered people. If sustainable development becomes wide spread in the region, we believe, the above problems and their causes would reduce and the region would begin reflecting the best of its hopes, possibilities and potential. We recognize that such a vision will not happen overnight given where we are, and will require the long-term commitment and efforts of a wide range of people, actors, communities and interests in addition to broader societal shifts beyond our control.

To help us more clearly define sustainable development and understand whether our work is heading in the right direction, we have identified the following four long-term goals that are the components of our vision:

- Strong and diverse economy.
- Increased family well being, particularly for low-income people.
- Healthy and protected land, air and water.
- Effective and accountable democracy.

Our work as a whole is aimed at contributing to progress on all four goals. Taken separately, each goal is important. Cumulatively, they constitute the scope of change our region needs.

Approach & Strategies

MACED cannot achieve our long-term vision and goals alone. Our particular role is as a regional community and economic development organization. Over time, we have identified a set of four interrelated core strategies using that approach. These strategies make up a package MACED uses to promote change towards our vision.

- Invest capital in enterprises and communities.
- Demonstrate development ideas.
- Conduct research and communications for policy change.
- Build entrepreneurial and leadership capacity.

MACED also engages in a set of important support strategies that allow us to pursue our primary strategies.

- Build effective collaborations.
- Evaluate our efforts.
- Identify leverage opportunities for program development.
- Communicate clearly about meaningful results and stories.
- Raise sufficient capital and operating funds.
- Build strong organizational systems.
- Support and grow effective staff.

MACED believes that to address the scale of challenges the region faces, we must seek large-scale change through multiple approaches. While not sufficient alone, we believe our core and support strategies combine to provide us with the tools necessary to have major impact.

Values

We hold a core set of values that define who we are and how we work.

- **Results** – Meaningful outcomes for people and places in need.
- **Creativity** – Innovative solutions and processes are at the core of our work.
- **Sustainability** – Long-term maintenance of the health of people, communities and the complex natural systems they depend on.
- **Excellence** – Constant attention to quality in all we do.
- **Integrity and Respect** – The foundation for our interactions with people in the region, partners, funders and each other.
- **Place Matters** – Local culture, history, natural beauty and identity are central to what is unique and important about Appalachia.
- **Risk Taking** – Solutions to the challenges we face require consistent and skilled risk taking.



Contact us for more information about our programs.

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