



Introduction

Strategic planning helps organizations achieve two critical outcomes: clear *decisions* about purpose and strategy and *commitment* to those decisions. It is a process designed to support leaders in being intentional rather than reactive. Simply stated it is a management tool, and as with any management tool, it is used for one purpose only—to help an organization do a better job.

We define strategic planning as *a systematic process through which an organization agrees on and builds key stakeholder commitment to priorities that are essential to its mission and responsive to the organizational environment. Strategic planning guides the acquisition and allocation of resources to achieve these priorities.* Several key concepts in this definition are expanded on below.

1. The process is *strategic* because it involves choosing how best to respond to the circumstances of a dynamic and sometimes hostile environment. Non-profit organizations have many choices in the face of changing client or customer needs, funding availability, competition, and other factors. Being strategic requires recognizing these choices and committing to one set of responses instead of another. The most difficult choices often involve what *not* to do.
2. Strategic planning is *systematic* in that it calls for following a structured, driven process. The process raises a sequence of questions that helps planners examine history and performance, test assumptions, gather and incorporate new information, anticipate the environment in which the organization will be working, and decide how best to respond going forward.
3. The process is about *building alignment and commitment*. A well-crafted plan without alignment of people, systems, and structures will not be successful. Taking the time to engage stakeholders, including clients and the community, in the process of identifying priorities allows disagreements to be voiced and constructively resolved. Putting the time and effort into getting agreement and thinking through implications pays huge dividends down the road.
4. Strategic planning guides the *acquisition and allocation of resources*. A sound strategic plan helps leaders make proactive and realistic choices between competing funding strategies and between spending for various program and administrative

needs. Balancing resource acquisition with spending plans is the essence of the business discipline of strategic planning.

STRATEGY AND PLANNING

There is much debate in the field about whether a three- or five-year strategic plan can remain relevant in a dynamic environment. The first answer is that a plan can remain relevant as long as it deals with the most important questions and issues. This takes both honesty and work, because the real issues are often partially obscured by observable problems, group dynamics, or inherent uncertainties. Second, it is important to keep in mind that strategic planning combines two distinct types of thinking: strategy and planning. Strategy is aspirational in setting direction and is focused on broad, fundamental choices. Planning involves translating the strategy into concrete goals and guidance for how to achieve them. Strategic direction will help navigate changing circumstances, whereas implementation plans will often need to be adapted.

We look at it this way: Most organizations develop an annual budget (and more and more frequently, two- or three-year forecasts), with monthly updates using the original budget as reference. Everyone expects that some changes and surprises will occur during the course of the year. That doesn't keep people from making a budget, but it does require vigilance and a willingness to adapt to the unexpected. Organizations don't throw out the budget in response to new information; they continually update projections. But without a budget (which is a plan in the language of dollars), how would any organization know how to interpret and respond to changes?

Because organizational aspirations and broad strategic directions don't often change fundamentally in the period of a few years, purpose and strategy are less subject to short-term shifts in the environment—even, and sometimes especially, big shifts. Adjustments in the annual organizational and department workplans, similar to annual budgets, will almost certainly be needed along the way. What is needed to keep the strategic plan relevant and current is a process for regular (at least quarterly) adaptation of operational plans in response to a continually evolving understanding of the environment. This is not difficult to operationalize for most organizations.

WHY PLAN?

Why should an organization undertake a strategic planning effort? After all, planning consumes time and money—precious commodities for any nonprofit—and defining the direction and activities of an organization in an ever-changing environment is daunting and can almost seem futile. The evidence of success for nonprofits is not primarily financial (profit); it is accomplishment of mission. The

answer to why strategic planning should be done is that it helps an organization to increase the impact of its work—to accomplish more of its mission—by helping leaders be intentional about priorities and proactive in motivating others to achieve them.

INCREASING IMPACT

To increase impact is to grow in one or more ways. There are two major ways to grow:

1. **More:** The easiest way to increase your impact is to do more of what you are already doing—to increase *scale*—which requires an increase in budget and other resources.
2. **Different:** Another option is to do your work differently. The three main ways to do work differently are through:
 - *Process improvement*—doing the same work more efficiently and getting better results by doing more with (proportionately) less
 - *Design improvement*—doing the same work in new and better ways to get better results
 - *Strategic improvement*—doing different work, changing your mix of programs to get better results

Leadership guru Warren Bennis wrote “Managers are people who do things right, and leaders are people who do the right thing.”¹ Strategic planning is both a leadership tool and a management tool. As a leadership tool, a successful planning process encourages the organization to look at the question, Are we doing the right thing? As a management tool, an effective planning process focuses on whether the organization is “doing things right.”

Planning alone does not produce results; it is a means, not an end, and plans must be implemented to produce results. However, well-developed plans increase the chance that the day-to-day activities of the organization will lead to desired results. Planning does this in two ways: it helps the members of an organization bring into focus the organization’s priorities; and it improves the process of people working together as they pursue these priorities.

Successful strategic planning improves the *focus* of an organization by generating:

- An explicit understanding of the organization’s mission, strategy, and organizational values among staff, board, and external constituencies
- A blueprint for action based on current information
- Broad milestones with which to monitor achievements and assess results

¹ Warren Bennis, *On Becoming a Leader* (New York: Perseus Publishing, 2003).

- Information that can be used to market the organization to the public and to potential funders

Successful strategic planning improves the *process* of people working together by:

- Creating a forum to discuss why the organization exists and the shared values that should influence decisions
- Fostering successful communication and teamwork among the board of directors and staff
- Laying the groundwork for meaningful change by stimulating strategic thinking and focusing on what's most important to the organization's long-term success
- Bringing everyone's attention back to what is most important—seeking opportunities to better accomplish the organization's mission
- Encouraging thinking about how to use the strategic plan to adapt to changing circumstances

WHAT STRATEGIC PLANNING IS NOT

Everything that has been said to describe what strategic planning *is* also informs an understanding of what it is *not*:

1. *Strategic planning does not predict the future.* Although strategic planning involves making assumptions about the future environment, the decisions are made in the present. As George Steiner (considered by many to be the father of current-day strategic planning) put it, "Planning deals with the futurity of current decisions. Forward planning requires that choices be made among possible events in the future, but decisions made in their light can be made only in the present."² An organization must monitor changes in its environment over time and assess whether its assumptions remain valid.
2. *Strategic planning is not a substitute for the ongoing judgment of leadership.* A strategic plan does not and cannot provide, let alone activate, an autopilot switch. There is no substitute for the exercise of judgment by an organization's leadership. Leaders of any enterprise must continually ask, "What are the most important issues we face?" and "How shall we respond?" However, the clarity of mission and the fundamental priorities of a plan provide a frame of reference that helps leaders respond effectively to an ever-changing environment.
3. *Strategic planning is not a math problem; there is no right answer.* Both rational analysis and creative sense-making are required. The search for opportunities and the internal negotiations leading to truly shared commitment are what

² George Steiner, *Strategic Planning* (New York: Free Press, 1979), pp. 14–15.

make the process challenging and, if it is done well, incredibly meaningful and rewarding.

4. *Although it is structured and systematic, strategic planning is not completely linear.* It is a creative process, requiring flexibility. The fresh insight arrived at today might very well alter the decisions made yesterday. Inevitably, the process moves forward and backward several times before the group arrives at the final set of decisions. No one should be surprised if the process feels less like a comfortable trip on a commuter train and more like a ride on a roller coaster, but remember that even roller coaster cars arrive at their destination, as long as they stay on track.

KEYS TO EFFECTIVE STRATEGIC PLANNING

The elements highlighted previously in our definition and approach speak to those characteristics of strategic planning that we believe are most necessary for success. In addition, we can offer prospective planners a few other thoughts about our approach:

1. *Focus on the most important issues during your strategic planning process.* It may take a while to become clear, but inevitably there are only a few critical choices that the planning process must address. These choices define an organization's strategy. (If you don't have any really important choices to make about your organization's future, you don't need strategic planning.) Resist the temptation to pursue all of the interesting questions. You simply won't have the time, energy, or resources to do it all.
2. *Don't let yourself avoid the difficult or sensitive questions.* Be willing to question both the status quo and sacred cows. In order to understand what is most important in the current atmosphere and in the expected future, old assumptions about what is important must be challenged. It is possible, and necessary, to honor the past and still make new decisions. Don't allow new ideas to be characterized as inherent criticisms of the past.
3. *Produce a document.* Whether an organization engages in an abbreviated process or an extensive strategic planning process, a planning document should be created. A useful strategic plan can be only a few pages long—clarity, not length, determines usefulness. The document is a symbol of accomplishment, a guide for internal operations, and a marketing tool for current and future supporters.
4. *Make sure the strategic plan is linked to annual workplans and the annual budget.* One test of a good strategic plan is that the operational implications are clear. Without a practical operating plan that articulates short-term priorities—and clearly identifies who is responsible for implementation—a strategic plan cannot be implemented. Writing the first year's annual operating plan and

supporting budget with the strategic plan in mind ensures that your strategic plan passes this test.

Summary of Key Concepts

Strategic planning:

- *Is strategic.* It intentionally responds to the current environment, including competition.
- *Is systematic and data based.* It gathers new information to make decisions.
- *Builds alignment.* It engages appropriate stakeholders.
- *Guides resource acquisition and allocation.*

Strategic planning is *not*:

- *A prediction of the future.* Instead, it is a plan based on current information.
- *A substitute for judgment.* Instead, it is a vehicle for informed decision making.
- *A math problem.* There is no right answer.
- *A linear process.* Instead, it is iterative; insights at one stage may change earlier conclusions.

Keys for effective planning:

- Focus on the most important issues.
- Don't let yourself avoid the difficult or sensitive questions.
- Produce a document.
- Make sure the strategic plan is linked to annual workplans and the annual budget.

WHAT IS STRATEGY?

To boil it down to the most basic elements: Your mission is your purpose, and your strategy is “how” you will accomplish your mission. Part of the problem with the word *strategy* is that it is a very general term and is defined by different practitioners in a variety of ways. A simple dictionary definition is “a careful plan or method for achieving a particular goal.”

For our purposes, a strategic plan articulates a sound strategy when an organization has made clear choices about its highest-level goal—the impact the organization seeks to make through pursuit of its mission—and its “plan” for achieving that goal. This “plan” using our strategic planning framework, requires attention to five dimensions: the competitive environment, programs, funding, capacity, and leadership. Strategy at this level, for the organization as a whole, is overarching. But because there are many levels of goals, there are also many levels of strategy. These subordinate level strategies

are simply called Program Strategies, Revenue Strategies, Capacity Strategies, and Leadership Strategies. In all cases, however, we are using strategy to mean fundamental choices about *how* specific goals will be achieved, choices that will drive implementation plans for the life of the strategic plan.

Strategy is not a response to short-term fluctuations in operations or the environment Strategy deals with the predetermined direction toward which these quick responses are pointed. It is concerned with the longer-term course that the ship is steering, not with the waves.³

In the final strategic plan, a very few “core strategies” will make clear what the organization sees as its top priorities to achieve success. (We have a sample strategic plan for the case study included at the end of Chapter 9 in which four core strategies are identified.)

Sample Program Strategy

After many years spent caring for neglected animals, one chapter of the American Society for the Prevention of Cruelty to Animals (ASPCA) shifted its organizational strategy from primarily focusing on the care and adoption of neglected animals to include an explicit focus on prevention. This shift incorporated keeping programs providing shelter and adoption at current levels while adding prevention program strategies to conduct education and advocacy, and to aggressively grow their existing spay and neuter program. Among the steps taken to implement the strategy, all programs were instructed to develop and implement an education component, and the staff increased its efforts to pass legislation designed to prevent unwanted pets and animal abuse.

The strategy implies a plan with goals and objectives. A long-term goal to support this strategy is: “Within the next five years, reduce by 50 percent the number of animals that have to be put to sleep.” Sample short-term objectives to support this strategy include the following:

- Within the next year, have each department develop and implement a plan for adding an education component to its scope of work.
- Hire an education director to coordinate education efforts.
- Significantly expand our animal spay and neuter campaign.

Sample Revenue Strategy

In pursuit of its mission to “increase opportunities to experience world-class art in our community,” a new museum without a big endowment chose an innovative

³ Boris Yavitz and William H. Newman, *Strategy in Action: The Execution, Politics, and Payoff of Business Planning* (New York: The Free Press, 1984), p. 4.

resource acquisition strategy. Rather than primarily raising money to increase its art collection it chose to rent a significant portion of its collection and to host traveling exhibitions from other museums. This would allow them to attract visitors right away, while taking time to build up endowment funds for art purchase. Although this strategy did not directly affect all departments, it did have a major impact on the use of resources, freeing up funds for programming.

Sample long-term goals to support this strategy include the following:

- Acquire at least 50 percent of exhibitions from other museums' collections.
- Focus art collecting on 20th-century California artists.

A sample short-term objective to support this strategy includes "Within the next year, collaborate with three other museums to put on one exhibition that highlights 19th-century Japanese drawings and one exhibition that highlights French impressionists."

Sample Organizational Strategy

During its planning process, an organization received feedback that although clients valued its services, most people—referral agencies, potential donors, and so forth—knew little about the organization's work. This information was important for fund development purposes, as well as marketing of some of its services. One of its core future strategies, therefore, was "greater emphasis on visibility." Each department was asked to add a visibility component to its long-term objectives and annual workplan.

A sample long-term goal to support this strategy includes "Increase by 25 percent the number of referrals received from government and community organizations." Sample short-term objectives to support this strategy include the following:

- Contract with a public relations firm to assist in the development of a marketing campaign.
- Update website, online communications, and printed collateral to be used by the board and staff to publicize services.
- Focus visibility efforts with key referral sources, and expand the number of agencies prepared and committed to referring clients to us.

Sample Leadership Strategy

The board of directors of a volunteer-run organization played both an administrative and a governance role: They ran the organization (made all of the day-to-day decisions) and governed the organization (protected the public interest by making

conducted oversight and decided mission, strategy, and business model. The board decided to start hiring staff to run the programs and to change its role from an administrative *and* governance board to a primarily governance board.

Sample long-term goals to support this strategy include the following:

- Focus board committees primarily on governance (i.e., fundraising, finance, and planning), as opposed to organizational operations.
- Increase the board to 18 members, with particular attention to individuals with fundraising experience and interest.

Sample short-term objectives to support this strategy include the following:

- Train board members on the roles and responsibilities of a governance board.
- Develop a decision-making grid to clarify the decision-making roles of the staff and board.

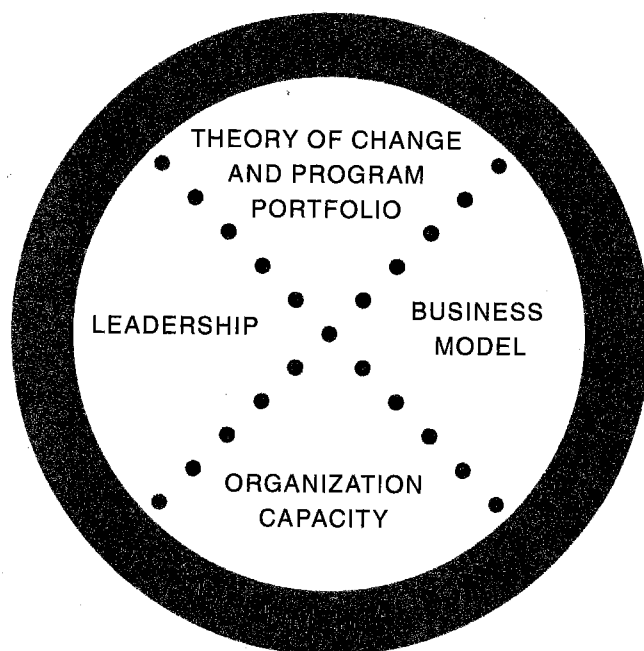
In each case, the organization made a clear choice among competing options about how best to pursue its mission. Organization-level strategies either affect every department or use a considerable amount of an organization's resources. It is easy to see how each of these core strategies might be translated into specific goals and objectives over a period of several years and for the immediate future, with sufficient resources allocated in the yearly budget to support the accomplishment of those strategies. What is not easy to see is how much effort, experimentation, and discussion were required to find these successful strategies.

THE STRATEGIC PLANNING PROCESS

Our planning model is designed to address five interrelated dimensions of strategy. Each dimension frames an important component of the resulting strategic plan:

- *Environmental Scan.* What are the most important competitive and other external forces to which you must respond?
- *Theory of change and program portfolio.* How should your overall program strategy, known as a theory of change, and your mix of programs evolve?
- *Business model.* What should your business model be going forward?
- *Organization capacity.* In what ways do organizational resources, systems, and structures need strengthening?
- *Leadership.* How will you optimize staff and board leadership and governance?

These five areas encompass the content of the strategic plan. This model also provides the conceptual framework for organizing the process and the work of the strategic planning committee. This model is shown in Figure I.1.

FIGURE I.1 STRATEGIC PLANNING FRAMEWORK

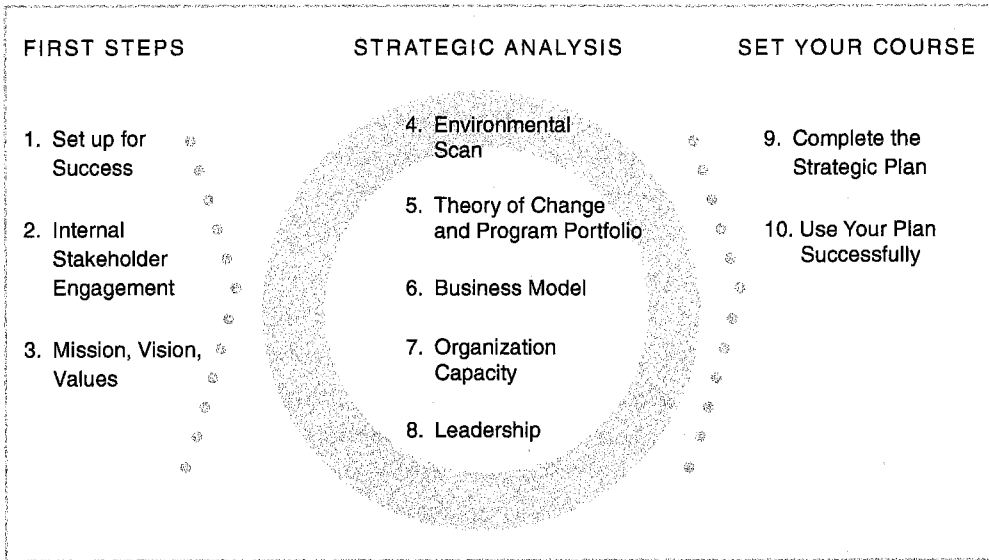
The strategic planning *process* is designed to thoroughly cover each of these dimensions and to develop a plan that recognizes the interconnections among all five. The process is organized as a series of 10 steps grouped in three sections, as shown in Figure I.2. The order of these steps is sequential, but in practice the process is iterative, with each step sometimes providing new insights for the step before.

Section One: First Steps

Organizing the planning process, getting input from stakeholders and articulating foundational ideas of mission, vision, and values ground and launch the effort.

Set Up for Success

The first question in getting ready for strategic planning is to assess whether it is the right time for your organization to engage in a planning process—and to envision what that planning process might look like. Although several issues must be addressed in assessing readiness, that determination essentially comes down to whether an organization's leaders are truly committed to the effort and are able to devote the necessary attention to the big picture at the time. If a funding crisis

FIGURE 1.2 STRATEGIC PLANNING PROCESS

looms, if the founder is about to depart, or if external demands are so turbulent that everyone is putting out fires, then it doesn't make sense to engage in strategic planning.

An organization that determines it is ready to begin strategic planning must then complete the following tasks to pave the way for an organized process:

- Identify specific issues or choices that should be addressed.
- Decide on the basic process to use, including roles and participation (e.g., who does what in the process, whether to use a planning committee, whether to hire a consultant).
- Determine the information needed to help make sound decisions.

The product developed by the end of Step 1 is a strategic planning workplan—a guiding document for planning.

Stakeholder Engagement

Strong organizations have highly engaged stakeholders. A tightly developed plan with impeccable logic is worthless unless the people who need to act on the plan are committed to the vision and strategy. Internal stakeholders are board, staff, and often, volunteers. External stakeholders include funders, partner agencies, experts in

the field, community members, elected officials and so on. In this step, strategic planners reach out to stakeholders for two reasons:

1. *Planners seek to get stakeholder input.* Their opinions and the information they have are an important ingredient in the strategic analysis to come.
2. *Reaching out early in the process helps to build buy-in and increase interest in the strategic planning process.* It is very difficult to enlist support for a plan later if there has been no opportunity for stakeholders to be heard early on.

Mission, Vision, Values

A *mission statement* communicates your purpose—the impact you want to have in the world. Some organizations choose to include a brief description of what the organization does—and for whom—to fulfill that purpose.

A *vision statement* presents an image of what success will look like if the organization achieves its purpose. As Nanus described it,

A vision is a mental model of a future state . . . built upon reasonable assumptions about the future . . . influenced by our own judgments about what is possible and worthwhile A vision is a mental model that people and organizations can bring into being through their commitment and actions.⁴

Finally, most nonprofit organizations are driven by—and grounded in—*values* and beliefs about why they exist and how they want to operate in support of those values. The more those values are made explicit, the more likely it is that those values will be put into action.

With mission, vision, and values statements in hand, an organization knows why it exists, what success will look like, and what it stands for. The products developed in this step are draft statements of mission, vision, and values.

Section Two: Strategic Analysis

In these five interrelated steps, planners spend the most time and complete research analysis and develop preliminary proposals for the plan.

Environmental Scan

All nonprofit organizations are subject to environmental forces, both favorable and unfavorable. Political, economic, social, technological, demographic, and other forces can play an enormous role in how successful a nonprofit will be in

⁴ Burt Nanus, *Visionary Leadership* (San Francisco: Jossey-Bass, 1995), p. 25.

achieving its mission. The task in this step is not to develop a treatise on how the world is changing around us; it is a much more nuanced assignment. Instead, we are looking for the *most relevant* environmental forces. As a starting point, it is helpful to take a broad view of changes taking place, but then it is important to decide which are the few environmental trends or forces to which your strategic plan must respond.

Theory of Change and Program Portfolio

Now the rubber hits the road. You have clarified your mission and values and have drafted a vision of success. You have solicited input from stakeholders and assessed the external environment. At this point, strategic planners must look squarely at *how* they plan to succeed. What is the theory of change? What is the overall program strategy? What business are you in? And finally, what is the right mix of programs—the program portfolio—to act on this strategic framework?

This step can be as simple as evaluating the strengths, weaknesses, opportunities, and threats involved with all programs (SWOT analysis) and making adjustments. Or it can involve careful analysis of program evaluation information, competitive analysis, and financial sustainability implications. The product of this step is an initial formulation of the heart of your strategic plan—what your organization is going to do to accomplish its mission. The program portfolio is not finalized until it is closely balanced in relationship to the opportunities and constraints of the business model.

Business Model

Financial sustainability is fundamental to success. In this step you will look at historical trends at your organization and assess the current financial health of your organization. One important objective of this step is for planners to clearly understand the revenue and costs associated with each program activity, as well as fundraising and other support costs. The business model of your nonprofit is an overall description of how it attracts funding. Clearly, the business model is intimately interdependent with the program portfolio. Different programs will have access to different revenue streams and different levels of support over time.

Organization Capacity

Organization capacity encompasses the many dimensions of staffing, systems and structures that support the delivery of mission-driven programs. Human resources, facilities, financial management, technology, communications, and marketing, as well as less tangible dimensions such as organizational culture, are all necessary

functions. As with the other aspects of research and analysis, this step can be done in a way that is very limited or very comprehensive. An organization may have recently assessed one or more of its organizational systems, in which case this task is already partly done.

Leadership

The most successful nonprofits function with a leadership team, including top staff and the board. Assessing the effectiveness of the senior staff and the board and, importantly, assessing their working relationship helps identify opportunities to strengthen and focus leadership across the organization. Senior staff drives and manages the work of the organization, and a nonprofit board is ultimately responsible for the success of the organization. It can either greatly enhance the effectiveness of an organization or serve as a major drain on its resources and energy. Many of our clients consider strengthening leadership through additional analysis or additional negotiation among key parties the Strategic Planning Committee must find a way to finalize remaining decisions.

Section Three: Set Your Course

This is the home stretch, and these two last steps cannot be shortchanged. Making final decisions, building agreement and planning for implementation, and monitoring take place complete your process.

Complete Your Strategic Plan

In the previous steps, the strategic planning committee not only will be doing research but also will develop proposals for action. At this point it is time to finalize decisions about the direction of the organization, the broad approach to be taken (core strategies), and the general and specific results to be sought (the long-term and short-term goals and objectives). Leadership is also the time to test and strengthen commitment and alignment to these decisions. The team also creates the final document in this step.

This step can take considerable time. Discussions at this stage may require additional information or a reevaluation of conclusions reached during earlier discussions. It is possible that new insights will emerge that change the understanding of the mission statement. In order to create the best possible plan, planners must be willing to go back in the process to an earlier step to use new information. The following tasks are included in this step:

- *Finalize decisions.* Many of the most important decisions will have become clear. It is absolutely necessary to ensure that these decisions work *together*. There will

almost certainly still be a few decisions where more than one option is quite viable. One way or another, through additional analysis or additional negotiation among key parties, it is time for the Strategic Planning Committee to get the thinking done.

- *Ensure alignment*, especially among board and staff. A final round of input, or testing nearly final ideas may be useful to give the team confidence that this plan has the enthusiastic support of your internal stakeholders.
- *Write the plan*. This task involves creating one coherent document. A member of the planning committee, the executive director, or a consultant typically drafts a final plan document utilizing the contributions of the full committee and then submits it for review by all key decision makers. The reviewers should make sure that the plan answers the key questions about priorities and directions, and in sufficient detail to serve as a guide for action. Revisions should not be dragged out for months, but action should be taken to answer any important questions raised.

Surprisingly, many important choices are made during the writing stage, as questions surface about what will be required to succeed. These choices may appear to be semantics or minor nuances, but they can be important choices nonetheless. If a choice arises that really needs the explicit endorsement of key internal stakeholders to be implemented, do not hesitate to pause and check. The end result will be a concise description of where the organization is going, how it should get there, and why it needs to go that way—ideas that are widely supported by the organization’s staff and board. The product of Step 9 is the strategic plan.

Using Your Plan Successfully

The strategic planning process culminates in the creation of a written plan, but the strategic thinking related to strategic planning is never finished. There are cycles and periods of more or less intense activity, but the process of responding to a changing environment is ongoing. Each organization needs to choose the appropriate length of time for planning and reevaluating. Many nonprofits use a three- or five-year planning cycle. For a three-year plan, the first strategic plan is completed with a three-year time horizon and a one-year annual operating plan. At the end of years one and two, progress toward the priorities of the strategic plan is assessed and adjustments made as necessary, and a new annual operating plan is developed. During year three, a renewed strategic planning process is undertaken. Depending on the extent of change in the organization’s internal and external environment, the subsequent strategic planning workplan is more or less intensive. By the end of year three, a new three-year plan and a new annual operating plan are approved, and the cycle begins again.

A few key tasks are included in this step.

- *Sync strategic planning with annual workplans and budget planning.* Syncing the strategic plan with annual planning and annual budgeting begins with the early discussions about what the resulting plan will look like, but this connection must be tight to get the full value of the plan. All of the work described so far is for naught if it doesn't align the day-to-day work with the strategic priorities that have been so carefully chosen. The interface between the strategic, directional thinking embodied in the strategic plan and day-to-day work is a concise and easy-to-use operating plan. It should coincide with the organization's fiscal year and accommodate the need for other, more detailed program planning related to funding cycles or other reporting cycles.

An organization's strategic priorities, its organizational structure, and its previous planning process will influence the nature of a particular organization's operating plan. The essence of the operating plan, though, remains the same: a document that defines the short-term, concrete objectives leading to achievement of strategic goals and objectives and that is easy to use and monitor. Ironically, the level of detail is not the deciding factor in how useful the operating plan is (more is not always better!); the most important factors are the clarity of guidelines for implementation and the precision of results to be monitored.

- *Plan for the change required during implementation.* Even with substantial involvement and preparation, confusion and resistance may surface during implementation of the plan, in response to the changes that need to occur. To help ensure successful implementation of the plan, leaders must anticipate and plan for the management of required change and support organization members in successfully executing those changes.
- *Develop a nonprofit dashboard* will help the board and staff track implementation at a level of detail that is specific enough to be meaningful and yet broad enough to be focusing on important dimensions of organizational performance.
- *Decide how the organization will monitor* ongoing changes in the environment and what its process will be for responding as needed.

Your staff and board are engaged in ongoing discussions with colleagues, are going to conferences, or are participating in regional and field-oriented task forces, so you are not working for three years without an ongoing flow of new information. In addition to this predictable cycle of planning, we advocate the creation of ongoing scanning capability, which will enable you to respond to changes and keep your strategic plan relevant.

If the core strategies and priorities agreed to remain valid, which is not uncommon, then the time frame previously outlined works well. However, if the environment changes in ways that are fundamentally different from the assumptions underlying the strategic plan, then it is necessary to regroup and re-strategize earlier. The products of Step 10 are four key mechanisms to make successful use of your plan: a tight connection to operational planning, a plan for managing change, a tracking mechanism known as a dashboard, and a schedule for ongoing assessment of the validity of decisions made during the strategic planning process and revision of the plan as needed.

OTHER CONSIDERATIONS IN STRATEGIC PLANNING

Of Means and Ends: Language of Strategic Planning

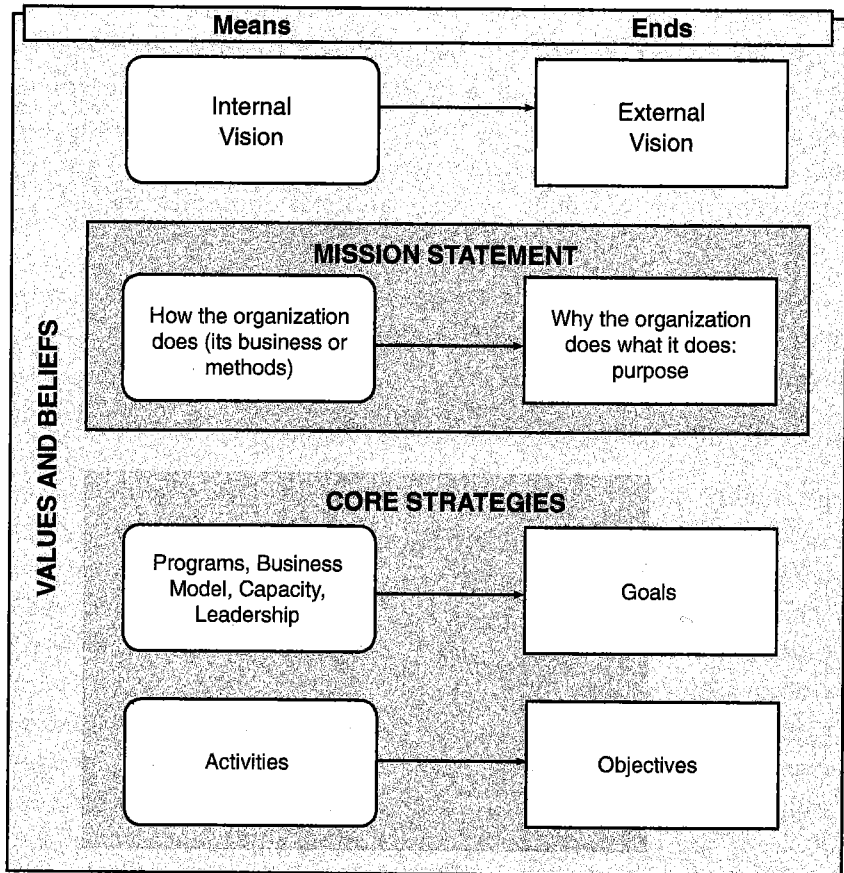
Language is fairly well defined in professions such as accounting and law. Every accountant knows what a *debit* is. Every lawyer knows what a *tort* is. Unfortunately, there is no such agreement on the definitions of planning words used by planners. Is there a difference between *mission* and *purpose*? Why distinguish between *external* and *internal vision*? What is a *strategy*? What distinguishes *goals* from *objectives* and *programs* from *activities*?

We believe two things are important about strategic planning terms. The first is that it doesn't really matter what you call certain concepts, as long as everyone in your group uses the same definitions. The definitions we use are spelled out in the next couple of pages. The second point relates to the fundamental distinction between means and ends. One of the key purposes of language clarity is to support this conceptual clarity.

A successful strategic planning process supports an organization in involving its stakeholders in reaching agreement about what end results they are trying to achieve (i.e., external vision, purpose, goals, and objectives) and the means to accomplish those results (i.e., internal vision, core services, specific programs and administrative functions, and activities). An organization's strategic plan is not an end, but rather is a means of achieving its purpose. Peters and Waterman, John Carver, and many others have emphasized the need for the people implementing a strategic plan to have enough flexibility and authority to be creative and responsive to new developments—without having to reconstruct an entire strategic plan.⁵ This flexibility is required most in adjusting means. In other words, the purpose of an organization and the priority goals are much less likely to change than are the programs and activities necessary to achieve them.

⁵ See Thomas J. Peters and Robert H. Waterman Jr., *In Search of Excellence: Lessons from America's Best-Run Companies* (New York: HarperCollins, 1982) and John Carver, *Boards That Make a Difference* (San Francisco: Jossey-Bass, 1997).

FIGURE I.3 MEANS AND ENDS



For example, perhaps an organization decides it wants to achieve a particular goal and sets up a program to achieve that goal. If another organization later decides to set up a similar program, the first organization may collaborate with the second organization or adjust its program plan without changing its original goal and overall strategy. Peters and Waterman call this being "tight on ends" (i.e., building strong commitment to the purpose and goals of an organization), while allowing the people in the organization to creatively adapt their methods to best achieve the goals, or staying "loose on means."⁶

The planning process presented in this book is built on the important relationship between ends and means. Figure I.3 and Table I.1 define the language we prefer, to help make the thinking behind this process clear and useful.

⁶ Peters and Waterman, *In Search of Excellence*.

TABLE I.1 MEANS AND ENDS CONCEPTS

Means	Ends
Internal vision: A description of the organization operating at its most effective and efficient level.	External vision: A statement that describes how the world will be improved, changed, or different.
Business: What the organization does; the primary method(s) used by the organization to achieve its purpose.	Mission: One sentence that describes an organization's purpose—the ultimate result an organization is trying to achieve.
Programs and internal management functions: Programs an organization offers and the necessary internal operations.	Goals: Outcome statements that define what an organization is trying to accomplish both programmatically and organizationally.
Activities: The specific actions required to produce services and products.	Objectives: Precise, measurable, time-phased results that support the achievement of a goal.

Key terms can be defined as follows:

- *Core strategies* are broad, overall priorities or directions adopted by an organization.
- A *mission statement* is a succinct statement that articulates an organization's purpose (ends) and may include what the organization does (its programs, or the means).
- *Values* are the basic guiding principles and commitments that guide and inspire the board and staff.

Remember, when implementing your strategic plan, you should stay tight on ends and loose on means.

Long-Range Planning, Business Planning, and Strategic Planning

Although many people use the terms *long-range planning* and *strategic planning* interchangeably, the two differ in their emphasis on the assumed environment. Long-range planning generally assumes that current knowledge about future conditions is sufficiently valid to ensure the plan's reliability over the duration of its implementation. In the 1950s and 1960s, for example, the U.S. economy was seen as relatively stable and somewhat predictable; therefore, long-range planning was both fashionable and useful. It was not uncommon for U.S. corporations to have large planning staffs developing long-range plans with highly detailed goals and strategies and with operational objectives identified over a 20-year time period or even longer. These days, only organizations that make enormous capital investments (i.e., corporations, governments, and the largest nonprofits) formulate plans that cover a period of several decades.

As it is typically thought of in the private sector, the third category of planning, *business planning*, assumes a flow of revenue that is predictable enough to borrow against. The traditional business plan sought to convince potential investors and lenders that a business activity would generate enough money to pay a return or to repay a loan. Today, business planning has become much more popular in the nonprofit sector as well, although rarely for the purpose of taking on debt. Instead, it is used for basic managerial discipline. A business plan must be grounded in strategy, but the emphasis of the document is weighted toward execution and includes more detail about the process of growth. A strategic plan may not include all of this detail, but it is nonetheless important for nonprofits to answer most of the questions answered in a business plan.

Strategic planning assumes that an organization must respond to an environment that is dynamic and difficult to predict. Although strategic plans are grounded in a long-term vision, they must position an organization to successfully respond to changes in the environment, including changes by competitors and collaborators. The emphasis is on overall direction, including milestones, rather than on drafting detailed multiyear implementation plans. In addition, the strategy for funding the organization is a fundamental element of a sound strategic plan.

We see strategic planning as the most comprehensive of the three kinds of planning. Strategic plans are grounded in a long-term vision, require a clearly articulated business model, and provide additional flexibility by articulating midterm goals and objectives, with annually updated operational plans.

Incorporating a Business Planning Approach into Your Strategic Plan

Traditionally, few nonprofits have been able to borrow money to fund operations, largely because their operations did not generate predictable revenue streams. Nonprofits did not spend money they did not have; rather, they raised money from grants and contributions and then spent it. However, as more nonprofits have begun to manage revenue-generating activities and the demand for more visibility into the finances of nonprofits has increased, the use of a business planning orientation has increased.

Most nonprofits are unable to provide the kind of detail forecasts anticipated in private-sector business plans because of the unpredictability of many of their revenue streams. Even so, business planning—that is, thinking of operations in terms of financial sustainability should be incorporated into a strategic plan. Organizations should ask such questions as, Do we have a sustainable business strategy? What are the assumptions on which our strategy is based? Do the current and future political, economic, social, technological, and demographic trends support the sustainability of our current business strategy?

Part of strategic analysis is to define the organization's business model, which articulates the organization's business strategy—how it plans to fund itself. An organization that plans to continue receiving 90 percent government funding for its services might articulate its business model as “Delivering X services, subsidized primarily by government funding, supplemented by a modest amount of foundation and private contributions.” A business model requires a clear understanding about both where money comes from and where it goes. Many organizational budgets break out expenses by salaries, rent, and so forth, for the organization as a whole, but don't have a clear idea of how much is spent on each program individually. Such clarity is required to articulate a business model that matches funding sources to the services provided. In Step 6 we focus in depth on the business model of a nonprofit in the context of strategic planning.

Strategic Planning Is Organization Development

Capacity Building In the past two decades, we have seen enormous growth in attention to capacity building for nonprofit organizations. Strategic planning has long been one of the most common and most impactful of the various capacity-building activities undertaken by nonprofits.⁷ Other activities include strengthening internal management (such as through new information technology), reorganization, team building, leadership development, and board development. Organizations employ many external resources, including books, training programs, conferences, learning communities, and consultants, in order to build their capacity.

Moreover, studies show that nonprofits use these various capacity-building activities nearly as often as do private-sector companies. For example, the 2011 management tools survey by the global consulting firm Bain & Company found that 89 percent of its private sector clients had conducted strategic planning within the previous year or two. And in the first of its kind study of nonprofit organizations, modeled after the Bain & Company study, The Bridgespan Group found that 89 percent of its respondents used strategic planning.⁸

Strategic planning builds capacity in three ways: First, a clear direction supports the intentional use of resources, making the best use of capacity. Second, strategic planning often calls for investment in various dimensions of an organization's capacity, such as program evaluation, financial management, personnel training, or capital improvements. Finally, and just as important, strategic planning actually improves nonprofit functioning. It does this by strengthening communication, building confidence in shared values, and employing the entire organizational

⁷ Paul C. Light, “The Case for Capacity Building and the National Infrastructure to Support It,” Working paper, Wagner School of Public Service, New York University, 2004.

⁸ Carttar, Paul, Chris Lindquist, Amy Markham, *Nonprofit Management Tools and Trends 2014*, The Bridgespan Group, Boston, MA, 2015.

system to make the most important decisions, building greater investment and buy-in from all concerned.

Change Management When an organization pivots to a new strategy, the strategic planning process sets the stage for successful change. Core principles of successful change management are inherent in strategic planning. One of the early and still most prolific researchers and authors on change management is John P. Kotter, author of the seminal book *Leading Change*. In this book, Kotter names eight stages in the change process, beginning with Establishing a Sense of Urgency and ending with Anchoring New Approaches in the Culture.⁹ Strategic planning as we describe it encompasses each of these eight principles.

Systematically engaging internal stakeholders in the process informs and helps create credibility for the resulting strategies. An organization actually begins the process of moving in new directions even before the plan is completed, as understanding and agreement are built through the leadership and the rest of the organization.

Time and Money Required for Strategic Planning

A useful strategic plan may be sketched out in a few hours at no cost, may be completed at a one- or two-day retreat for several hundred or a few thousand dollars, or may take six to nine months to create and cost more than \$100,000. Many factors influence the cost and time required for an organization to do strategic planning. (In fact, sometimes it is more expensive to take less time, because more of the work needs to be outsourced.) Taken together, these factors can be weighed and balanced to develop an appropriate planning process:

1. *The level of complexity and the depth of the questions to be answered.* The larger the organization and the more dynamic its environment, the more in-depth planning is required.
2. *How much time and money is available or can be made available for planning.* It pays to be realistic. The ranges of available money and time are usually relatively narrow, and these ranges should be respected and used as meaningful constraints.
3. *Familiarity and comfort with planning.* The strategic plan of a relatively large organization that has undergone a major leadership change or has not done formal strategic planning in many years is likely to require more work. However, if leadership is comfortable with planning and an organization has a well-developed annual program and budget planning routine, much of

⁹ John P. Kotter, *Leading Change* (Boston: Harvard Business School Press, 1996). The eight stages of the change process are (1) establishing a sense of urgency, (2) creating the guiding coalition, (3) developing a vision and strategy, (4) communicating the change vision, (5) empowering employees for broad-based action, (6) communicating the change vision, (7) consolidating gains and producing more change, and (8) anchoring new approaches in the culture.

the information needed for strategic planning may be readily available, thus shrinking both the time and cost of a strategic planning effort.

4. *Type of organization.* Although strategic planning is often supported through technical assistance grants, it is simply more useful and appropriate for some organizations than others to invest a lot of money in strategic planning. One 50-year-old organization with a multimillion-dollar budget had not deeply examined its mission and program mix in decades. It received a \$100,000 grant to support a two-year planning process that also covered the cost of staff time devoted to the planning process. A small and/or young organization may not be comfortable spending even \$5,000 for a planning process lasting a few months, when its entire operating budget is less than \$200,000.

Other factors that will affect the amount of time needed to do strategic planning are as follows:

- *The degree of commitment to the current mission statement.* Is there a fundamental agreement about the purpose, mission, and guiding principles of the organization? Is there a shared vision of the impact the organization wants to have in the world and what the organization would need to do to accomplish that result? If so, then the mission statement may only need polishing; if not, a full day or more may need to be devoted to this task.
- *The amount of new information that needs to be gathered in order to make informed decisions.* How well do planners currently understand the strengths, weaknesses, opportunities, and threats facing the organization? How current is feedback on the organization's programs and services from outside stakeholders, such as clients, funders, or community leaders? What information is needed to assess the competitive environment and the effectiveness of current programs?
- *The level of agreement on priorities.* How much agreement or disagreement currently exists with regard to the overall direction and allocation of resources? Is there agreement about which clients to serve and which services are most important? Are there power struggles over competing internal resource needs for program services, facilities, development, staff, and so on?
- *The level of trust among and between the staff and board.* The level of trust among all of the key stakeholders involved in the planning process can significantly hinder, or greatly support, the discussion of differences and the management of conflict.
- *Involvement of key stakeholders.* How much time and energy needs to be spent involving key stakeholders in the planning process in order to get both their input and their support for decisions made during the planning process?

- *The size of the organization.* Is there only one service provided, or does the organization provide a variety of services that need to be assessed? Does the organization have one department, or do many departments need to be involved in the planning process?

STRATEGIC PLANNING IS ALIVE AND WELL!

After a newspaper obituary reported him dead, Mark Twain famously responded wryly, “The report of my death was an exaggeration.”

It is popular now to say that strategic planning is dead, no longer relevant, the world is changing too fast, and that even a three-year plan is unrealistic. In 1994, the year before the first edition of this book was published, Professor Henry Mintzberg published his book *The Rise and Fall of Strategic Planning* and ushered in a steady stream of articles and books joining this chorus.

So why all of this hand-wringing? Two primary and legitimate, complaints surface most. The first is that strategic planning is difficult and is sometimes not done well. The process requires not just time and money but also skill and meaningful leadership, a willingness to make difficult decisions, and the stamina to develop in sufficient detail the operational implications of an inspiring vision. The second problem is that many things in the world around us are changing at breakneck speed. It is tempting to declare that developing a meaningful strategic plan is impossible because it will be out of date by the time it is completed.

To say that because strategic planning is difficult and the world is rapidly changing the process is *fundamentally* no longer relevant or useful is a logical fallacy. In fact, research reveals that a great majority of organizations are ignoring these prognostications. The Bain & Company’s 2011 Management Tools survey of 1,230 businesses in 70 countries found that two thirds of respondents used strategic planning (second highest) and that it had the highest satisfaction rating among the 25 most used management tools.¹⁰ And a recent national study among 1,000 US nonprofits found that the more effective an organization, the more value it reports getting from strategic planning.¹¹ Why are leading nonprofits and large businesses continuing to use strategic planning when it is so maligned?

The short answer is that creating change and accomplishing important things, rather than responding to change, doesn’t happen overnight. People need to know where they are headed for more than three or six months at a time. It usually takes years of hard work to launch a new company or nonprofit. Increasingly

¹⁰ Rigby, Darell and Barbara Bilodeau. Management Tools and Trends 2011. Bain and Company. 2011.

¹¹ D. Mc Nerney, D., Perri, and M. Reid, *Strategic Planning Practices in High Performing Nonprofit Organizations (501c3)*. Research results from national survey sponsored by Association for Strategic Planning (ASP) with University of Arkansas. Presented April 23, 2013, at the ASP National Conference, Atlanta, GA.

organizations are doing multiyear budgeting. Thirty-year mortgages remain the norm in residential real estate. While the world changes people continue to make long-term plans.

In a recent *Wall Street Journal* bestseller, *Playing to Win: How Strategy Really Works*, eminent business leaders A.G. Lafley and Roger Martin writing about naysayers declare: “They deny that long-term (or even medium-term) strategy is possible. . . . Emergent strategy has become the battle cry of many technology firms and startups, which do indeed face a rapidly changing marketplace. Unfortunately, such an approach places a company in a reactive mode, making it easy prey for more-strategic rivals.”¹²

Organizations understand that moving from good to great demands both great focus with regard to *strategy* and clear *plans* to guide execution. While a specific path to be taken by an organization—the plan—will need to be adapted as the situation inevitably changes, a clear vision and strategy will endure and is often critical to navigating changing conditions successfully.

The practice of strategic planning in the nonprofit sector has, without a doubt, become more sophisticated and nuanced in the past two decades as expectations of organizational performance, management, and governance have steadily increased. However, the fundamentals of strategic planning have not changed dramatically, nor have they become any less useful. The death of strategic planning is an exaggeration.

STRATEGIC PLAN GUIDES ORGANIZATION THROUGH THE GREAT RECESSION

In June of 2008, the board of the San Diego Museum of Art (SDMA) adopted a strategic plan that included significant investments in art and facilities from their endowment and a major capital campaign for a new building. Two and a half months later, on September 15, came the collapse of Lehman Brothers Holdings and the start of the “Great Recession.” SDMA’s endowment lost 40 percent of its value within the next six months and major gifts disappeared. This turn of events, shall we say, was not part of the plan. Would they throw the plan out the window?

SDMA was created after the 1915 Panama Exhibition and had become a well respected museum with a good collection and strong endowment. The board and Executive Director had bold dreams of becoming one of the best museums in the country built around an international perspective, taking full advantage of being on the border of Mexico, a gateway to Asia and their strong partnerships with leading museums in Italy, France and Russia. To accomplish this vision would require investing several million dollars from the endowment in immediate upgrades, a signature art purchase

¹² Lafeley, A.G., Roger L. Martin. *Playing to Win: How Strategy Really Works*. Boaton, MA: Harvard Business Review Press. 2013. A.G. Lafley is the former Chairman and CEO of Procter and Gamble. Roger L. Martin is the Dean of the Rotman School of Management.

and new staffing as well as the capital campaign to modernize and expand their beautiful, but aging facility.

By the end of 2008, rather than investing in growth, the board and staff agreed they needed to cut more than two million dollars from their operating budget for the next fiscal year. Great uncertainty prevailed and projections for when the economy might turn up again ranged from 6 months to 5 years!

The board and staff created a transitional planning group to assess their options. This board-staff leadership body had an impressive level of sophistication, perseverance and general good will. They did not look for people to blame; they sought solutions. Remarkably, this group did not see their plan as irrelevant in light of this dramatic change in the environment—they *simply realized that some of the specific planned actions as well as the time frame for their plan would need to be adjusted*. Their commitment to the fundamental vision and strategy had been fire tested and came out as polished and strong as one of their ancient pieces of ceramic pottery.

In the end, rather than being made obsolete by the dramatic turn of events, the strategic plan drove these tough decisions *because they had established clear direction and priorities*. Plans to phase out certain programs were made. Staff and volunteer roles were carefully rebalanced. While painful, in some ways the cuts in staff and programming moved SDMA toward their vision more quickly by accelerating planned changes that would have been made more methodically. Urgency demanded action.

Just a few years later, with a new executive director (hired from a prestigious museum in Mexico), an endowment that had substantially recovered and a rejuvenated board, SDMA was again moving full steam toward their vision of nationally recognized excellence with an international perspective. And, according to the chairperson of the Strategic Planning Committee, the strategic plan remains as the guidebook to their future!