

**Needed:**

# A Better Grasp of Strategic Planning

Answer these questions to create a strategic plan that'll make your vision a reality.



By Ralph C. Craft & Ronald G. Benson

In May of 2004, several corporate funders, foundations, and nonprofit organizations met to discuss nonprofit capacity building to improve social services in the Danbury, Connecticut, region. A survey conducted at the meeting found that an area requiring improvement was strategic planning. The consensus was that nonprofits often react to daily needs and opportunities without considering their ultimate objective. Short-run tactics not only reduce the likelihood of fulfilling a nonprofit's mission but may lead the organization into direct competition with other nonprofits' missions.

As a nonprofit organization, you should approach planning no differently than any other organization type. This article summarizes a planning process and lists a series of questions that, when answered, will produce the best possible plan for your organization.

## What is Strategy?

Economist Michael Porter has created a wheel you can use to represent your organization's strategy

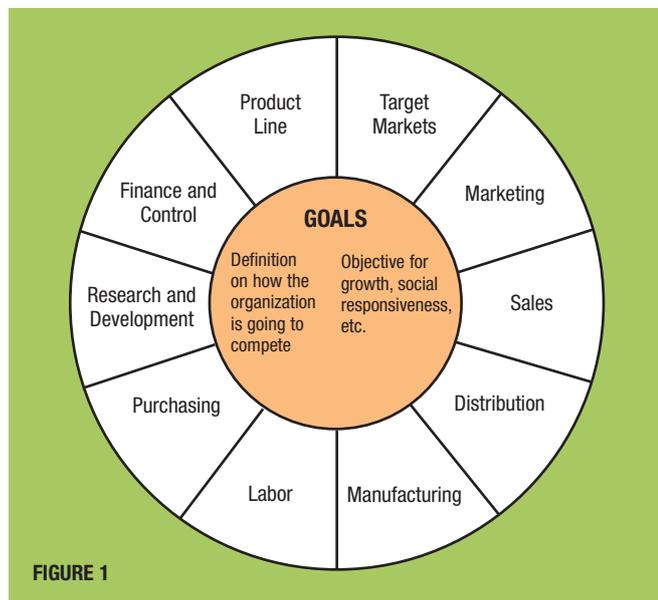


FIGURE 1

Use a wheel like this one to visualize your organization's strategy. Be sure that the spokes are connected to each other and that they radiate from the hub.

Have you had conversations in which the terms "strategies," "tactics," and "plans" have become synonymous or confounding?

(Figure 1). At the center of the wheel are your organizational goals, composed of the areas in which your organization will compete and the objectives you want to achieve. The spokes of the wheel are key operating policies required to attain your organization's goals. Porter says that "like a wheel, the spokes must radiate from and reflect the hub, and the spokes must be connected with each other or the wheel will not roll."<sup>1</sup>

## Some Definitions to Smooth the Way

Have you had conversations in which the terms "strategies," "tactics," and "plans" have become synonymous or confounding? Or have your meetings deteriorated into discussions of "strategic management" versus "strategic planning" versus "organization planning"? It's interesting to note that well-known authors have used strategy and planning interchangeably. Gary Hamel, possibly the greatest critic of the planning process, maintains that the "process doesn't produce strategy — it produces plans."<sup>2</sup> Hamel's comment, although apropos in certain situations, seems to muddy the water even more.

Terminology is important only to make the planning process productive. Your planning goal is to determine initiatives and environmental factors that will guide your organization to a successful future. The following definitions are suggested.

**Strategic management:** the process of allocating resources so that they help achieve your organization's mission. Strategic management includes developing a strategic plan and using feedback concerning key external environmental variables and internal success factors to guide decision making.

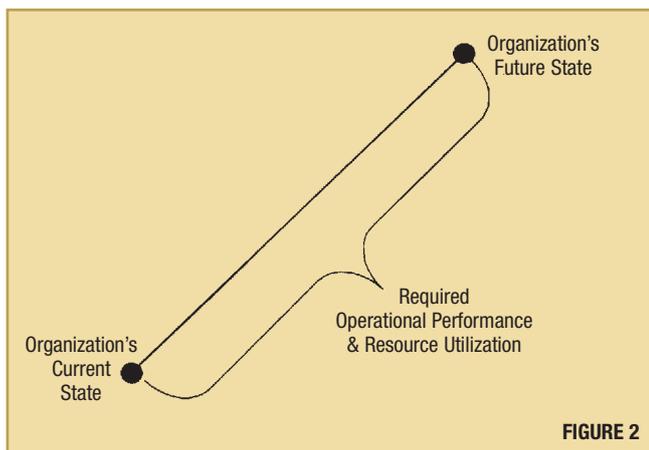
**Strategic planning:** the process of determining long-term initiatives and directions (strategies) that will make it likely (increase the probability) that your organization achieves its mission. Your strategy defines how your organization creates a "unique and valuable position" within the community it serves.<sup>3</sup> This strategy is the center in Porter's "wheel of competitive strategy" (Figure 1). Strategic planning is a process you can use to determine the "why, what, where, when, and how" for your organization. In other

words, why does your organization exist? What external and internal conditions affect it, and how? Where is your organization in relation to others providing the same or similar services? Where should your organization be in the future? When and how will you get there?

**Be sure to get the input of your staff, board, and other key stakeholders in answering these questions.**

**Tactics:** short-term actions taken to implement strategies and achieve goals and objectives set during the planning process. Tactics shouldn't be part of the strategic planning process. Tactics are the operating manager's prerogative (within organization policies and procedures).

Having definitions that are easy to understand helps demystify the planning process. Just as Porter's wheel visually represents strategy, nonprofit planning is shown in Figure 2.



*Don't overcomplicate your view of planning!*

### The Planning Process

In a *Forbes* interview, Michael Porter rebuked those who theorized that planning was less important in today's environment, noting that planning "...is not accidental. It is a purposeful process. Luck is alive and well. Intuition is alive and well. But human beings have some control over their own destiny."<sup>4</sup> Intuition

and luck are wonderful helpmates, but you can't guarantee their occurrence.

Figure 3 illustrates Porter's theories on strategic planning. His approach to completing the planning process is embodied in answering the following questions:

#### What Is Your Organization Doing Now?

- What is your organization's current strategy?
- What assumptions must you make about your organization's relative position, strengths and weaknesses, competitors, and industry trends in order for your current strategy to make sense?

#### What's Happening in the Environment?

- What are the key factors for success?
- What opportunities and threats exist in the environment in which your organization operates?
- What are the capabilities and limitations of existing and potential competitors? What are their probable future moves?
- What governmental, social, and political factors will present opportunities or threats?

#### What Are Your Organization's Strengths and Weaknesses?

- How do these strengths and weaknesses relate to present and future competitors?

#### What Should Your Organization Be Doing?

- How do the assumptions embodied in your current strategy compare with what's happening in the environment?
- Given the opportunities and threats posed by the environment, what alternatives are feasible?
- Which alternative best relates your organization's situation to external opportunities and threats?

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**Tactics shouldn't be part of the strategic planning process.**

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## The Last Step

The final step is to set up a reporting system to assure that the plan is being followed. If the plan isn't on track, ask yourself: Why not? The answer to this question can signal changes in the technological, social, demographic, or political environments that necessitate a review of the strategic plan.

The process of formulating a view of the future and finding strategies to get there requires a conscious allocation of time. But without choosing a destination and creating a plan, you're at the mercy of the whims of the environment. As the adage goes, "If you don't know where you're going, any bus will do." And the funding committee will decide it for you. ■

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## Footnotes

<sup>1</sup>Porter, Michael E., *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, New York: The Free Press.

<sup>2</sup>Hamel, Gary, "Killer Strategies," *Forbes*, 135.

<sup>3</sup>Porter, Michael E., "What Is Strategy?," *Harvard Business Review*, 74.

<sup>4</sup>Surowiecki, James, "The Return of Michael Porter," *Forbes*, 139.

## Resources

Lemberg, Paul, "If You're Not Growing, You're Dying," *Nonprofit World*, Vol. 22, No. 5.

Mittenthal, Richard, "Don't Give Up on Strategic Planning: 10 Keys to Success," *Nonprofit World*, Vol. 22, No. 3.

O'Neil, Michael, "Build the Latest Trends into Your Planning," *Nonprofit World*, Vol. 18, No. 2.

These resources are available free at [www.snpo.org/members](http://www.snpo.org/members). Also see Learning Institute programs on-line: Strategic Planning ([www.snpo.org/li](http://www.snpo.org/li)).

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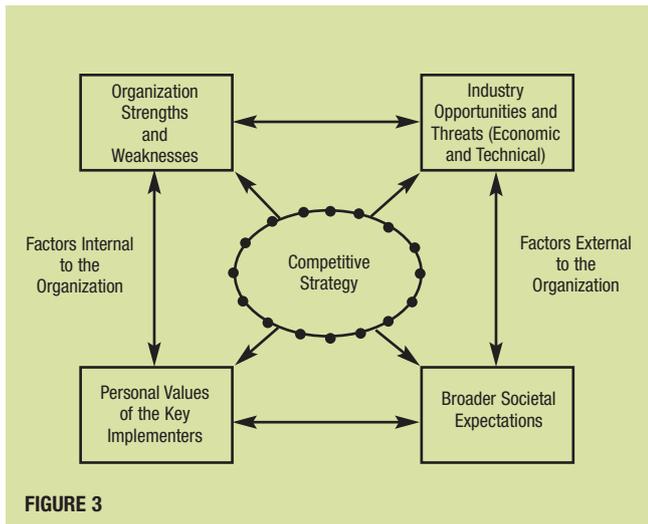


FIGURE 3

Porter's process helps identify opportunities and risks that require planning.

## Six Key Questions

Porter's planning process can be compressed into six key queries. If you answer these six questions, you'll be in the perfect position to create a strategic plan and integrate it into your organization's daily life:

- **What performance** measures will you use to gauge your success in moving forward toward fulfilling your mission?
- **What services** does your organization provide? Who are your customers (recipients of your services)? What are the key success factors for each service?
- **What economic, demographic, social, political, legal, environmental, and technical trends** affect your organization? What impact will they have? What other organizations compete with you in providing service? What are they doing better or differently than your organization? What internal capabilities help or hinder you in meeting your goals?
- **What is the cost** of delivering each of your services? How does each service help increase donor contributions or grants? How do service revenues compare to overall organizational costs? Is there a gap?
- **If there is a gap** between revenues and the cost of delivering services, what alternative strategies can you develop to overcome this gap? How do these alternatives improve service delivery?
- **What accomplishments** are critical to reaching your mission in light of external trends and your organization's internal capabilities?

Answering these questions will give you a plan that's aligned with your mission as well as specific goals to measure future performance. Be sure to get the input of your staff, board, and other key stakeholders in answering these questions.