

How Are Nonprofits Using Strategic Planning

(and Is It Worth Their While)?

Survey Offers Vital Clues.

To what degree do nonprofits use strategic planning? And is it worthwhile for them to do so? Before we look at research aimed at these questions, let's take a quick look at what strategic planning is.

By Karen N. King

What It Is

Strategic planning originated in the for-profit sector, segued into the public sector, and is now being “discovered” by the nonprofit sector. Although regarded by some management gurus as a magic pill for whatever ails an organization, strategic planning is nothing more nor less than a tool, like MBO or TQM, for improving organizational performance.

It is “strategic” because it involves preparing the best way to respond to the circumstances of an organization’s environment. It is “planning” because it involves intentionally setting goals and developing an approach to achieving them. Thus, strategic planning is a set of decisions about *what* to do, *why* to do it, and *how* to do it.

What It Isn’t

To further understand what strategic planning *is*, it’s important to examine what it *isn’t*:

1. Unlike comprehensive long-range planning, strategic planning doesn’t attempt to make future decisions; decisions are made in the present only. To make the best decisions at any point in time, therefore, organizational leaders must stay abreast of changes.
2. Second, strategic planning is in no way a substitute for the sound exercise of judgment by an organization’s leadership.
3. Finally, strategic planning is *not* a linear process that flows seamlessly from step to step, as many books would suggest. Rather, it proceeds in fits and starts, revisiting earlier steps in some situations and skipping ahead in others. Nor does a formal written plan have to result for an organization to find the exercise beneficial.

Are Nonprofits Using It?

Although nonprofit executives have been encouraged for the past decade to engage in strategic planning to cope with a changing environment, the question remains: Have they done so? The researcher, as part of a study of nonprofit organizations in Wood County, Ohio, explored this question in face-to-face interviews with 29 nonprofit executive and board members.

The first part of this study determined the extent to which local nonprofits were embedded in a larger network of organizations composed of public agencies, for-profit corporations, and other nonprofits. The second part investigated the degree to which nonprofits used interorganizational connections to carry out their missions.

One way to determine the organizations’ intent in this regard was to ask if they had any formal plans to establish, maintain, and use these linkages. Therefore, the question “Does your organization have a strategic plan in place?” was included

in the survey. It elicited only nine positive responses. In other words, only 31% of the organizations studied had anything their leaders would describe as a strategic plan.

Scrutiny of the data reveals three important connections among organizations with strategic plans:

1. Organizations with larger budgets were more likely to have strategic plans in place than those with smaller ones. This finding makes sense because more affluent organizations have the staff time and financial resources to engage in extensive, and perhaps lengthy, strategic planning. Wealthier organizations can also hire consultants to guide the process.
2. Organizations with for-profit representatives on their boards were more likely to have strategic plans. Again, this finding has logical appeal. It makes sense for for-profit board members to import the value of having a strategic plan from their professional lives into their volunteer role on a nonprofit board. In addition, they probably have the skills necessary to participate productively in strategic planning.
3. Finally, two organizations in the study developed strategic plans because they were going through major changes. In one case, three small mental health organizations merged to form a larger, more comprehensive agency capable of attracting more public funding. In the second case, a historical society and a historical home merged to offer more coordinated programming for the public. Although the leaders involved in both these strategic planning efforts acknowledged that there were some snags and hurt feelings along the way, they firmly supported the value of strategic plans.

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Thus, better financed nonprofit organizations with representatives from the for-profit sector on their boards are most likely to initiate a strategic planning process. However, the need for comprehensive organizational change may overshadow the importance of these qualifications. While the mental health agency described above had a large annual budget (\$6,400,000), the historical society's budget was only \$80,000. Yet both initiated strategic plans. The proportion of for-profit representatives on their boards was similar: 15% for the mental health agency and 13% for the historical society.

Clearly, then, three factors predict whether a nonprofit will engage in strategic planning: a substantial budget, for-profit representatives on the board, and the need for organization-wide change. All three needn't be present, however, for strategic planning to be viewed as a worthwhile expenditure of time and money.

Should Nonprofits Have Strategic Plans?

One question remains: Is it to nonprofits' benefit to engage in strategic planning? We can explore the answer on several levels:

1. At the sector level, it is clear that nonprofit organizations are vulnerable to the same environmental changes that are having an impact on public and for-profit organizations. Shrinking public dollars and privatization of services have forced many nonprofits to provide more service with less money. Increased demands for fiscal and programmatic accountability require nonprofits to become more professional in their operations. Nonprofit organizations have to serve a clientele that is changing, as well as cope with an increasingly diverse labor pool. Technology is permanently transforming how business is conducted on a daily basis. These changes are coming more rapidly all the time, and there is no indication that the rate of change will slow down in the future.

2. At the organizational level, a strategic planning process can be a valuable exercise only if it includes methods for demonstrating improved performance. A strategic planning process, even a brief one, consumes scarce resources of time and

money. If one of its outcomes isn't improved performance, its overall value is suspect. Since few studies of the planning-performance relationship have been developed for the nonprofit sector as a whole, it remains for each organization to develop its own performance indicators and make certain they are part of the final plan. By itself, this exercise is useful, but combined with a

broader examination of organizational goals and strategies, it becomes a blueprint for the future that may mean the difference between success and failure.

In these turbulent times, it's important for nonprofit organizations to remember the message of the frog and the

water. If you drop a frog in a pot of boiling water, it will jump out; but if you put that frog in a pot of water and gradually raise the temperature, it won't notice the change until too late. All around us, the water is getting hotter. Ignore it, and our organizations may not be around to correct their course. ■

Technology is permanently transforming how business is conducted.

Selected References

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- Muehrcke, Jill, ed., *Management and Planning, Leadership Series*. Wilder Foundation, *Strategic Planning Workbook for Nonprofit Organizations*.

These publications are available through the Society for Nonprofit Organizations' Resource Center. See the *Resource Center Catalog*, included in this issue, or contact the Society at 6314 Odana Road, Suite 1, Madison, Wisconsin 53719 (800-424-7367).

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