



Introduction to Strategic Planning

WHAT IS STRATEGIC PLANNING?

Strategic planning is making choices. It is a process designed to support leaders in being intentional about their goals and methods. Simply stated, strategic planning is a management tool, and like any management tool, it is used for one purpose only—to help an organization do a better job. Strategic planning can help an organization focus its vision and priorities in response to a changing environment and ensure that members of the organization are working toward the same goals.

In short we define strategic planning as follows:

Strategic planning is a systematic process through which an organization agrees on—and builds commitment among key stakeholders to—priorities that are essential to its mission and are responsive to the environment. Strategic planning guides the acquisition and allocation of resources to achieve these priorities.

Several key concepts in this definition are worth expanding on to better articulate the authors' approach to planning and our values and beliefs regarding a successful planning process:

- *The process is strategic because it involves choosing how best to respond to the circumstances of a dynamic and sometimes hostile environment.* All living plants respond to their environment, but as far as we know, they do not choose how to respond. Nonprofit 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.
- *Strategic planning is systematic in that it calls for following a process that is both structured and data based.* The process raises a sequence of questions

that helps planners examine past experiences, test old assumptions, gather and incorporate new information about the present, and anticipate the environment in which the organization will be working in the future. The process also guides planners in continually looking at how the component programs and strategies fit with the vision and vice versa.

- *Strategic planning involves choosing specific priorities.* The collection of data should (1) surface a variety of choices about what the organization will and will not do, (2) analyze the implications of those choices, and (3) result in making choices, some of which have significant trade-offs. Hard choices are often not overly complex, but are those that require making agonizing or unpopular decisions. Planners must strive for consensus on priorities at many levels, from the philosophical to the operational.
- *The process is about building commitment.* Systematically engaging key stakeholders, including clients and the community, in the process of identifying priorities allows disagreements to be engaged constructively and supports better communication and coordination. An inclusive process allows a broad consensus to be built, resulting in enhanced accountability throughout the organization. This commitment ensures that a strategic plan will actively be used for guidance and inspiration.
- *Finally, strategic planning guides the acquisition and allocation of resources.* Too often, decisions are made quickly about new funding opportunities or spending for program and administrative needs in response to situations as they arise without a thorough assessment of the implications. An approved strategic plan helps leaders make proactive and realistic choices between competing funding strategies and between spending for various program and administration needs. Balancing the resource acquisition and spending plans is the essence of the business side of strategic planning.

WHY PLAN?

Why should an organization embark on a strategic planning effort? After all, planning consumes resources of 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 answer is that strategic planning helps organizations do a better job by helping leaders to be intentional about priorities and proactive in motivating others to achieve them.

Leadership guru Warren Bennis writes in his book, *On Becoming a Leader*: “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. The plans have to be implemented to produce results. However, well developed plans increase the chances 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 its priorities, and it improves the process of people working together as they pursue these priorities.

Successful strategic planning improves the focus of an organization in that it generates:

- An explicit understanding of the organization’s mission 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
- 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 in that it

- Creates a forum for discussing why the organization exists and the shared values that should influence decisions
- Fosters successful communication and teamwork among the board of directors and staff
- Lays the groundwork for meaningful change by stimulating strategic thinking and focusing on what’s really important to the organization’s long-term success

- Brings everyone's attention back to what is most important: seeking opportunities to better accomplish your mission

WHAT STRATEGIC PLANNING IS NOT

Everything said previously to describe what strategic planning is informs an understanding of what it is not.

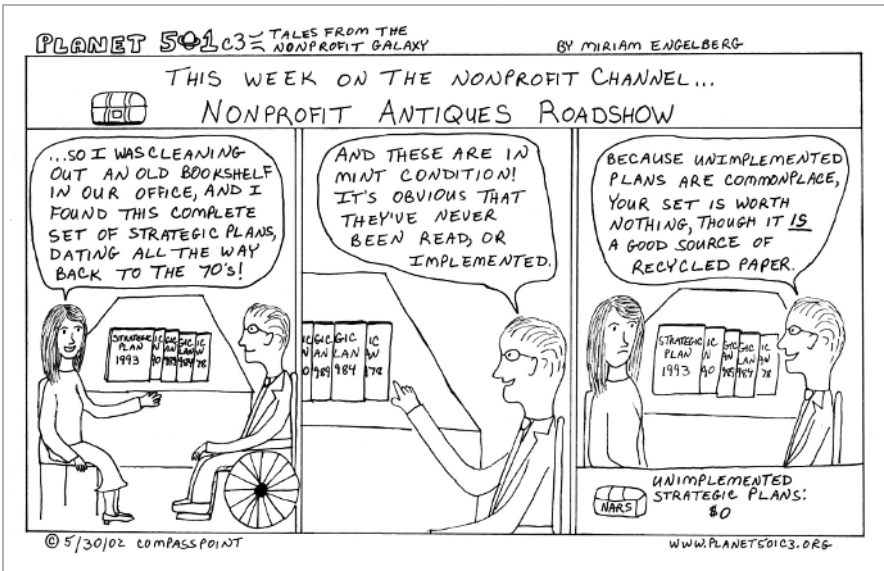
- *Strategic planning does not predict the future.* Although strategic planning involves making assumptions about the future environment, the decisions are made in the present. "Planning deals with the futurity of current decisions. Forward planning requires that choices be made among possible events in the future, but decisions made in their light can be made only in the present."² Over time, an organization must monitor changes in its environment and assess whether its assumptions remain essentially valid. If an unexpected shift occurs, major strategic decisions may have to be revisited sooner than they would in a typical three- to five-year planning cycle.
- *Strategic planning is not a substitute for the judgment of leadership.* Strategic planning is a tool; it is not a substitute for the exercise of judgment by leadership. Ultimately, the leaders of any enterprise need to ask themselves: "What are the most important issues to respond to?" and "How shall we respond?" Just as a tool such as a hammer doesn't create a bookshelf, so the data analysis and decision-making tools of strategic planning do not make the decisions. There is no right answer. Strategic planning merely supports the intuition, reasoning skills, and judgment that people bring to the work of their organization.
- *Strategic planning is rarely a smooth, predictable, linear process.* Strategic planning, although structured in many respects, typically does not flow smoothly from one phase to the next. 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 the characteristics of strategic planning that we believe are most necessary for success. In addition, a few other thoughts about our approach are suggested here as advice to prospective planners:

- *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 answer. (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.
- *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 to honor the past and still make new decisions. Don't allow new ideas to be characterized as inherent criticisms of the past.
- *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. The document is a symbol of accomplishment, a guide for internal operations, and a marketing tool for current and future supporters.
- *Make sure the strategic plan is translated into an annual operating plan for at least the first year.* A critical 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 will rarely be implemented. Writing the first year's annual operating plan and supporting budget with the strategic plan in mind makes sure your strategic plan passes this test.

We like the following cartoon about strategic planning because it pokes gentle fun at the too-common tendency for strategic plans to be filed but not used.



SUMMARY OF KEY CONCEPTS

Strategic planning:

- *Is strategic.* Intentionally responds to the current environment, including competition
- *Is systematic and data based.* Gathers new information to make decisions
- *Sets priorities.* Makes decisions about direction and goals
- *Builds commitment.* Engages appropriate stakeholders
- *Guides resource acquisition and allocation.* Takes into account the business of nonprofits

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 smooth, linear process.* Instead, it is iterative; insights at one stage may change earlier conclusions.

Keys for effective planning:

- Focus on the most important issues.

- Be willing to question the status quo and sacred cows.
- Produce a document.
- Make sure the strategic plan is translated into annual operating plans.

DIFFERENT TYPES OF PLANNING

What Is the Difference Between Strategic Planning, Long-Range Planning, Business Planning, and Operational Planning?

Although many people use these terms interchangeably, strategic planning and long-range planning differ in their emphasis on the assumed environment. *Long-range planning* is generally considered to assume that current knowledge about future conditions is sufficiently reliable to ensure the plan's reliability over the duration of its implementation. In the 1950s and 1960s, for example, the U.S. economy was 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, strategies, and operational objectives identified over a 20-year time period or even longer.

Strategic planning, however, assumes that an organization must respond to an environment that is dynamic and hard to predict. *Strategic planning* stresses the importance of making decisions that position an organization to successfully respond to changes in the environment, including changes by competitors and collaborators. The emphasis is on overall direction rather than predicting specific, year-by-year, concrete objectives. The focus of strategic planning is on strategic management (i.e., the application of strategic thinking to the job of leading an organization to achieving its purpose). As a result, although some organizations may develop visions that stretch many years into the future, most strategic plans discuss priority goals no further than five years out, with operational objectives identified for only the first year.

Strategic planning and *operational planning* involve two different types of thinking. Strategic decisions are fundamental, directional, and overarching. Operational decisions primarily affect the day-to-day implementation of strategic decisions. Whereas strategic decisions usually have longer-term implications, operational decisions usually have immediate (less than one year) implications.

Business planning typically attends to not only strategies and goals, but also detailed (at least three years' worth) projections for revenues and expenses. The audience for a traditional business plan includes potential investors and lenders; a business owner uses the plan to convince investors and lenders that the business activity will generate enough money to pay a return or to pay back a loan. Thus, a business plan relies on decisions made in a strategic plan but is likely to be much more focused on the implementation and financial elements of a plan. Increasingly, nonprofits are developing business plans not only for investors and lenders but to help make explicit the relationship between money and mission in their enterprise.

These various levels of planning often overlap. Strategic plans should outline core strategies (the primary focus of the organization's resources to best achieve its mission) and usually contain a description of longer-term program and administrative priorities (long-term goals and objectives). Both long-term and operational (short-term) goals and objectives are needed to support core strategies. All of these goals are important and need to be done well. However, it is important not to confuse the four concepts: strategic planning, long-term planning, operational planning, and business planning. These concepts can be summarized as follows.

Long-Range Planning

- Views future as predictable—assumes current trends will continue
- Focuses on setting long-range objectives
- Assumes a most likely future and emphasizes working backward to map out a year-by-year sequence of events
- Asks the question: “What should we be doing each year for the next three to five years?”

Strategic Planning

- Views future as unpredictable
- Views planning as a continuous process
- Considers a range of possible futures and emphasizes strategy development based on assessment of the organization's internal (strength and weaknesses) and external (opportunities and threats) environment
- Asks the questions: “Based on our current understanding of the environment, are we doing the right thing? How can we best use our resources to achieve our mission?”

Operational Planning

- Focuses on setting short-term (less than one year) objectives
- Assumes much more detailed planning regarding by whom and how activities will be accomplished
- Asks the question: “What do we need to be doing for the upcoming year and/or immediately to best accomplish our mission?”

Business Planning

- Is typically expected to include not only strategies and goals but also detailed (at least three years’ worth) projections for revenues and expenses
- Is used by a business owner to convince existing and potential investors and lenders (the audience for a traditional business plan) that the business activity will generate enough money to pay a return or to pay back a loan.

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 new revenue. Nonprofits did not spend money they did not have; rather, they raised money from grants and contributions and spent it. However, as more nonprofits have begun to manage revenue-generating activities, often called social enterprises, the use of business plans has increased. When a museum runs a store, or a community development corporation collects rent from apartments they developed, these activities generate revenue as opposed to being funded with grants or other contributed revenue.

More recently, nonprofits are coming to value the discipline of business planning even for activities that are not generating revenue in the aforementioned sense. The business strategy of an organization with 100 percent government funding is to be fully grant funded. If the outlook for continued government funding dims, then the desirability of this business strategy decreases.

Most nonprofits are unable to provide the kind of detail anticipated in business plans because of unpredictability of revenue flows (e.g., it is difficult to forecast what grant funding will be received three years hence).

Still, business planning is becoming an increasingly useful concept (i.e., to think of operations in business terms), and such thinking should be incorporated into a strategic plan. 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? A business planning approach informs the model of this book in that we attend to where money and other resources come from and how resources are used.

Should Strategic Plans Always Have a Longer-Term Focus?

Typically, yes: a strategic plan articulates both core future strategies and specific longer-term goals and objectives. A strategic plan may also—or sometimes only—be current focused and articulate shorter-term goals and objectives.

Strategic Decisions	Operational Decisions
Fundamental, directional	Focused on current operations
Longer-term impact	Shorter-term impact

Is Strategic Planning Capacity Building?

Yes. In fact, strategic planning is one of the most frequent activities nonprofits undertake among various types of capacity building. In the last decade, we have seen an enormous growth in attention to capacity building for nonprofit organizations. Paul Light, noted researcher and author, identifies strategic planning as one of a handful of capacity-building activities that are most frequently undertaken.³ Others include strengthening internal management (e.g., through new information technology), reorganization, team building, leadership development, and hiring consultants in a variety of roles. Moreover, recent studies show that nonprofits use these various capacity-building activities nearly as often as private-sector companies. According to Light, a 2002 study by the Bain management consulting firm found that 89 percent of their private clients had conducted strategic planning within the previous year or two. Light’s own research suggests that 69 percent of nonprofits conducted strategic planning in a similar time frame.⁴

How Is Strategic Planning with Nonprofit Organizations Different from Planning in For-Profit Businesses or Government Entities?

Strategic planning is interdisciplinary and incorporates concepts from competitive strategy, history, business practices, and organizational theory. It came to prominence as a distinct discipline in the 1950s and 1960s because of its popularity among many corporations headquartered in the United States. Still, the essential concepts are applicable to any organizational setting.

What is similar about strategic planning in nonprofits, for-profit businesses, and government entities is the essence of strategic planning—in an organizational setting, deciding what to accomplish and how to go about it in response to a dynamic operating environment. What is different is the nature of the internal and external forces that bear on the essential task.

The governance of organizations in the three sectors is quite different and has significant implications for strategic planning. A board of directors governs both nonprofits and for-profit businesses, whereas government organizations are governed by a wide variety of publicly elected bodies. The boards of for-profit businesses represent—or are—the literal owners of the business. Nonprofit boards represent the public interest.

For-profit businesses, especially in the past 20 years, have emphasized customer satisfaction to a greater degree than either nonprofits or government. For-profit businesses have invested heavily in market research and in attempts to improve quality as they compete for customer business. Because the direct consumers of the products and services of nonprofits and government organizations typically pay only a small portion of the cost, the funders—whether foundations or taxpayers—have had a much greater influence than customer satisfaction on the strategies of organizations in these two not-for-profit sectors. This situation is beginning to change, however; witness the popularity of *Reinventing Government*,⁵ a book that emphasizes increased responsiveness of the government to the public and increased focus on accountability in the nonprofit sector.

Finally, values and orientation to a mission have typically been the hallmark of nonprofits and less influential in for-profit business and government. This attitude is also changing. In the past decade, much of the for-profit business sector literature, starting with *In Search of Excellence*,⁶ has emphasized the importance of values and mission statements in well-run

companies. Similarly, it is not uncommon now to find government offices with mission statements that articulate the unique contribution the office aspires to make to the public welfare. Despite these differences, with minor translation to different contexts, much of the conceptual framework in this book is equally applicable to organizational settings in either the for-profit business or government sectors.⁷

What Does a Strategy Look Like?

Contained within a strategic plan should be the articulation of an organization's three to five core future strategies. These strategies help the reader understand where the organization will be primarily focusing its resources for the time frame of the strategic plan. Strategies communicate what priorities are most important for the organization to be focusing on—priorities that will help an organization make substantive progress toward the achievement of its mission and assist the organization get from where it is now to where it needs to go in the longer term.

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.⁸

Following are some sample strategies.

Sample Program Strategy After many years spent caring for neglected animals, one local Society for the Prevention of Cruelty to Animals (SPCA) shifted its overall program strategy toward prevention. This shift required keeping the care programs at current levels, but increasing the education and advocacy programs. To implement the strategy, all programs were instructed to develop and implement an education component to their service, and the staff increased their efforts to pass legislation designed to prevent unwanted pets and animal abuse.

A possible long-term objective to support this strategy would be:

- Within the next five years, reduce by at least 50 percent the number of animals that have to be put to sleep.

Sample short-term objectives to support this strategy include:

- 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.
- Develop and implement a “Spay and Neuter” campaign.

Sample Resource Development Strategy In pursuit of their mission to “increase opportunities to experience world-class art in our community,” a relatively new museum chose an innovative acquisition strategy: They chose to rent much of their collection, rather than primarily raise money to increase their art collection. Although this strategy did not directly affect all departments, it did have a major impact on the use of resources.

Sample long-term objectives to support this strategy include:

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

Sample short-term objective to support this strategy includes:

- Within the next year, collaborate with other museums to put on one exhibition that highlights nineteenth-century Japanese drawings and one exhibition that highlights French impressionists.

Sample Administrative Capacity Strategy During its planning process, an organization received feedback that while clients valued their services, most people—referral agencies, potential donors, etc.—knew little about the organization’s work. One of their core future strategies 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 objective to support this strategy includes:

- Increase by 50 percent the number of referrals received from government and community organizations.

Sample short-term objectives to support this strategy include:

- Contract with a public relations firm to assist in the development of a marketing campaign.
- Develop a brochure and other supporting data to be used by the board and staff to publicize services.

Sample Governance Strategy The board of directors of a volunteer-run organization played both an administrative and a governance role—

they ran the organization (made all the day-to-day decisions) and governed the organization (protected the public interest by making sure that charitable dollars were used effectively and efficiently to support the organization's mission). The board made the decision to start to hire staff to run the programs and change from an administrative and governance board to a primarily governance board.

Sample long-term objectives to support this strategy include:

- Focus board committees primarily on governance (i.e., fundraising, finance, planning) as opposed to program operation.
- 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:

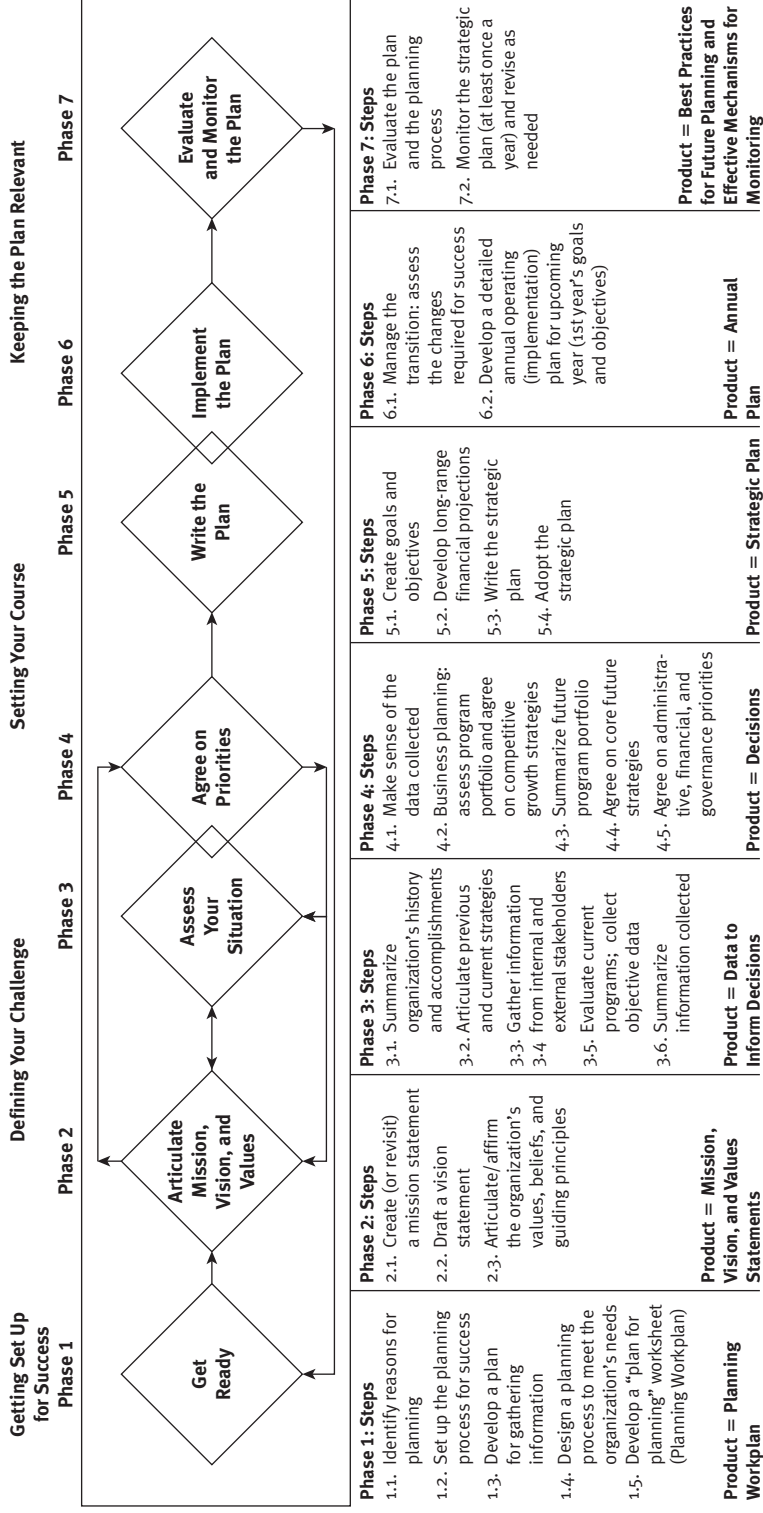
- Train board members on the roles and responsibilities of a governance board.
- Develop a decision-making grid to clarify decision-making roles of the staff and board.

In each case, the organization made a clear choice among competing options about how best to pursue its mission. Strategies either affect every department or use a considerable amount of the 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 helps organizations identify various strategic options and make intelligent choices in developing strategic directions and plans.

THE STRATEGIC PLANNING PROCESS

The fundamental phases of the strategic planning process, as outlined in this book and illustrated in Exhibit 1.1, are presented as a logical series of phases and related steps that allow for flexibility and creativity. These recommended phases are not the only recipe for cooking up a strategic plan—other sources might recommend different steps or variations on these phases—but this book's strategic planning process describes the essential

EXHIBIT 1.1 THE STRATEGIC PLANNING PROCESS



Source: © CompassPoint Nonprofit Services

ingredients of the planning process and the usual results. We encourage planners to add their own touches to the recipe (e.g., by spicing up opportunities for interaction among participants or giving elegance to the presentation, to create a plan that will not only sustain an organization but will help it prevail).

Phase 1: Get Ready

To get ready for strategic planning, an organization must first assess whether it is the right time to engage in a planning process and 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 whether they are able to devote the necessary attention to the big picture at the time. If a funding crisis looms, or if the founder is about to depart, or if the environment is so turbulent that everyone is putting out fires, then it doesn't make sense to engage in strategic planning at this time.

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 the planning process should address.
- Decide on the basic process to use, including roles and participation (who does what in the process, whether to use a planning committee, whether to hire a consultant, etc.).
- Identify the information that must be collected to help make sound decisions.

The product developed at the end of Phase 1 is a strategic planning work-plan (plan for planning).

Phase 2: Articulate Mission, Vision, and Values

A mission statement communicates to the world what you do and why you do it. As such, organizations need to have a succinct and well-crafted mission statement that has both a statement of purpose—why the organization exists—and a description of what the organization does—and for whom—to fulfill that purpose.

Whereas the mission statement summarizes the who, what, and why of an organization's work, a vision statement presents an image in words of what success will look like if the organization achieved its purpose:

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.⁹

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 what it is doing, why it is doing it, and what it hopes to achieve. The next phases of the process discuss how to get the job done. The products developed at the end of Phase 2 are draft statements of mission, vision, and values.

Phase 3: Assess Your Situation

Once an organization has established some clarity on why it exists, what it does, and what it hopes to achieve, it must take a clear-eyed look at its current situation. This step requires gathering up-to-date information about the organization's internal strengths and weaknesses and its external opportunities and threats (SWOT)—assessments that will refine and possibly reshape the list of strategic questions the organization faces and seeks to answer through the strategic planning process. In this phase, information is gathered from both internal and external stakeholders about their perceptions and expectations of the organization and empirical data are collected to inform the decisions made in the next phase. The product of Phase 3 is a database of concrete information that will support planners in making decisions about an organization's future priorities. At times, an organization may choose to reverse Phases 2 and 3, gathering data about the organization's situation before having a discussion regarding mission, vision, and values.

Phase 4: Agree on Priorities

Once an organization's mission has been affirmed and its critical issues identified, it is time to make decisions about the future direction of the

organization: the broad approaches to be taken (strategies) and the general and specific results to be sought (the long-term and short-term goals and objectives). Strategies, goals, and objectives may emerge from individual inspiration, group discussion, or formal decision-making techniques, but the bottom line is that, in the end, leadership agrees on its top priorities.

This phase can take considerable time. Discussions at this stage may require additional information or a reevaluation of conclusions reached during the situation assessment. It is even possible that new insights will emerge that change the thrust of the mission statement. In order to create the best possible plan, it is important that planners are willing to go back in the process to an earlier phase to use new information. The product of Phase 4 is an agreement on the organization's priorities: the general strategies, long-range goals, and specific objectives.

Phase 5: Write the Strategic Plan

The mission has been articulated, the critical issues identified, and the strategies and goals agreed on. This step involves putting the pieces together into one coherent document. Usually one member of the planning committee, the executive director, or a designated writer, will draft a final plan document and then submit it for review by all key decision makers (usually the board and management staff). The reviewers should make sure that the plan answers the key questions about priorities and directions in sufficient detail to serve as a guide for the organization's members. Revisions should not be dragged out for months, but action should be taken to answer any important questions raised at this juncture. 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 Phase 5 is the strategic plan.

Phase 6: Implement the Strategic 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-level 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; the most important factors are the clarity of guidelines for implementation and the precision of results to be monitored.

In addition, we need to be aware that confusion and resistance may surface during implementation of the plan, especially regarding the changes that need to occur. As part of ensuring successful implementation of the plan, management needs to pay attention to managing the changes required and supporting organization members in successfully executing those changes. The products of Phase 6 are a detailed annual operating plan.

Phase 7: Evaluate and Monitor the Strategic Plan

The strategic planning process is never really finished. There are cycles and periods of more and 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-year planning cycle. 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 are assessed and adjusted 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 strategic planning workplan is more or less intensive. By the end of year three, a new three-year plan, as well as a new annual operating plan, is approved and the cycle begins again. What is important is that the planning process is ongoing and responds to the changing environment. If the core strategies and priorities agreed to for the future 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

restrategize earlier. The product of Phase 7 is a current (quarterly or annual) assessment of the ongoing validity of the decisions made during the strategic planning process and revision to the plan as needed.

Exhibit 1.2 describes the phases in detail, with all the related steps necessary to complete the plan.

THE LANGUAGE OF STRATEGIC PLANNING IN THE NONPROFIT SECTOR

In professions such as accounting and law, the language is fairly well-defined. Every accountant knows what a debit is. Every lawyer knows what a tort is. There is no such agreement on the definitions of planning words used by planners, however, and there are differing definitions of planning words as used by the nonprofit sector as opposed to the for-profit sector. 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 is a fundamental distinction between means and ends. In our view, it is critical not to confuse means and ends—and one of the key purposes of language clarity is to support this conceptual clarity.

A successful strategic planning process supports an organization involving its stakeholders in reaching consensus about what end results they are trying to achieve (external vision, purpose, goals, and objectives), and the means to accomplish those results (internal vision, core services, specific programs and administrative functions, and activities).

An organization's strategic plan is not an end, but rather a means of achieving its purpose. Tom Peters (*In Search of Excellence*¹⁰), John Carver (*Boards That Make a Difference*¹¹), 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. 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.

EXHIBIT 1.2 DETAILED PLANNING ACTIVITIES THAT AN ORGANIZATION MIGHT ENGAGE IN DURING THE PLANNING PROCESS

Phase	Planning Activities	Key Products
Phase 1 Get Ready	1.1 Identify the reasons for planning	Articulation of desired outcomes
	1.2 Set up your planning process for success	Go/No go decision
	1.3 Develop a plan for gathering information from internal and external sources	Clarity about information needed
	1.4 Design a planning process to meet your organization's needs	Decision about process design
	1.5 Develop a planning workplan that articulates the outcome(s) of the planning process, strategic issues to address, roles, planning activities, and time frame	Planning workplan
Phase 2 Define Your Mission, Vision, Values	2.1 Write (or revisit) your mission statement	Affirmation of current mission statement or revision of current mission statement
	2.2 Draft a vision statement	Vision statement
	2.3 Articulate/affirm your values, beliefs, and guiding principles	Values statements
Phase 3 Assess Your Organization's Situation	3.1 Develop your organizational profile: summarize organization history and prepare summary information regarding programs/services	Board and staff are up to date regarding history and current scope and scale of programs
	3.2 Articulate previous and current strategies	Context for future decisions
	3.3 Collect perceptions of internal stakeholders regarding organization's strengths, weaknesses, opportunities, and threats	Data to inform planning decisions

(continues)

EXHIBIT 1.2 DETAILED PLANNING ACTIVITIES THAT AN ORGANIZATION MIGHT ENGAGE IN DURING PLANNING PROCESS *(Continued)*

Phase	Planning Activities	Key Products
	3.4 Collect perceptions of external stakeholders regarding organization’s strengths, weaknesses, opportunities, and threats	Data to inform planning decisions
	3.5 Collect empirical data to better understand the choices to be made during the strategic planning process. Evaluate current programs.	Data to inform planning decisions
	3.6 Summarize findings from data gathered from internal and external sources: organization’s strengths and weaknesses; trends in the environment that are or will impact the organization; organization’s competitive advantage, needs in the community	Report that summarizes data and is used as part of the discussion below
Phase 4 Agree on Priorities	4.1 Analyze data: review progress to date and update the workplan if necessary	Shared understanding of common themes emerging to date and plan for completing the planning process
	4.2 Assess your program portfolio	Data to inform planning decisions
	4.3 Agree on programs’ future growth strategies and develop program portfolio	Outline of future scope and scale of programs
	4.4 Confirm your future core strategies	List of 3 to 5 future core strategies
	4.5 Agree on administrative, financial, and governance priorities. Summarize the revenue potential and resources required to support the organization’s long-term vision	Long-term goals and objectives

Phase	Planning Activities	Key Products
Phase 5 Write the Plan	5.1 Create goals and objectives	Goals and objectives
	5.2 Understand the financial implications of your decisions	Information for long-range fundraising plan
	5.3 Write the plan <ul style="list-style-type: none"> • Introduction to the plan/executive summary • About the strategic planning process (summary of process used) • Mission statement • Vision statement • Values statement • Summary of SWOT (included in appendix of plan) • Core future strategies • Program goals and objectives • Administrative goals and objectives, revenue potential, and resources required 	Written strategic plan, approved by the board of directors
	5.4 Adopt the plan	Adopted plan
Phase 6 Implement the Plan	6.1 Manage the transition period between the old and the new: Assess the changes that need to happen (skills, systems and structures, and organization culture) to support the strategic plan	Plan for managing the transition between the old and the new way of doing things
	6.2 Develop a detailed implementation plan for upcoming year (first year's goals and objectives)	Annual plan
Phase 7 Evaluate and Monitor the Plan	7.1 Evaluate the strategic planning process	Best practices for future planning
	7.2 Monitor the strategic plan (at least once a year) and affirm, update, and revise as needed. Develop next year's detailed implementation plan	Effective mechanisms for monitoring the plan and ensuring that the plan is relevant and is implemented

For example, an organization decides it wants to achieve a particular goal and sets up a program to achieve that goal. If another organization has decided simultaneously 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.

Peters calls 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.”¹²

The planning process presented in *Strategic Planning for Nonprofit Organizations: A Practical Guide and Workbook* is built on the important relationship between ends and means. Because different individuals use different terminology, Exhibits 1.3 and 1.4 define the language to help make the thinking behind this process clear and useful.

Key terms can be defined as follows:

- *Core strategies.* Broad, overall priorities or directions adopted by an organization
- *Mission statement.* A succinct statement that articulates what the organization does (its programs) and why it does it (the purpose for providing those programs)
- *Values and beliefs.* The basic, guiding principles that guide and inspire the board and staff

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

HOW MUCH TIME AND MONEY DOES IT TAKE TO DO STRATEGIC PLANNING?

The answer is: It depends. A useful strategic plan can be sketched out in a few hours at no cost, completed at a one- or two-day retreat for several hundred or a few thousand dollars, or take over a year to write and cost more than \$100,000. On what does the answer depend? Many factors influence the cost and time frame for an organization to do strategic planning. Taken together, these factors can be weighed and balanced to develop an appropriate planning process.

It sounds obvious, but the thing to consider is how much time and money is, or can be, available for planning. It pays to be realistic. There are usually

relatively narrow ranges for available money and time. These ranges need to be respected and used as meaningful constraints. If a board and staff are heavily involved in a labor-intensive project or other immediate issues, they will not have the time or energy to devote to an intensive planning process. Although strategic planning is often supported through technical

EXHIBIT 1.3 THE LANGUAGE OF PLANNING IN THE NONPROFIT SECTOR—KEEP FOCUSING ON ENDS AND MEANS

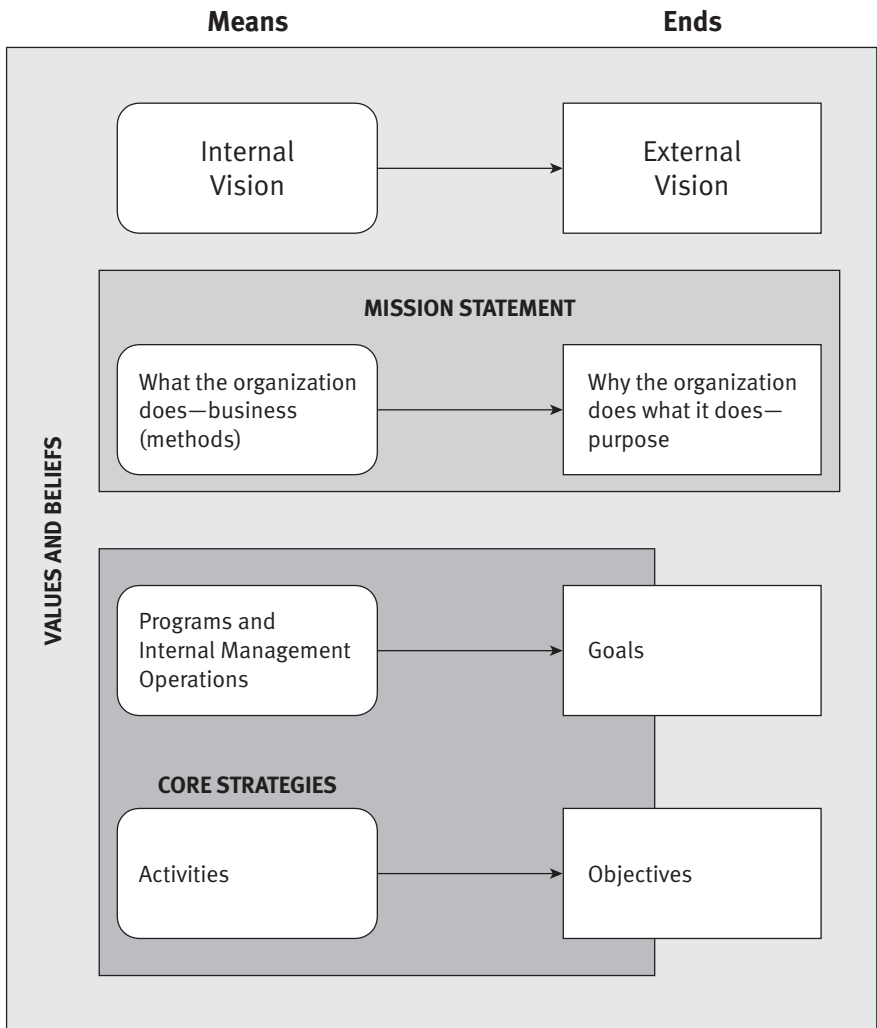


EXHIBIT 1.4 WHAT ARE THE DIFFERENT MEANS AND ENDS CONCEPTS?

Means	Ends
<i>Internal vision:</i> A description of the organization operating at its most effective and efficient level	<i>External vision:</i> A statement that describes how the world would be improved, changed, or different if an organization is successful in achieving its purpose
<i>Business:</i> What the organization does; the primary method(s) used by the organization to achieve its purpose (sometimes called the organization's "mission")	<i>Purpose:</i> Why; one sentence that describes the ultimate result an organization is trying to achieve; answers the question, "why—and for whom—does the organization exist?"
<i>Programs and internal management functions:</i> A description of the programs that an organization offers, and the internal operations that support the delivery of services or products	<i>Goals:</i> Outcome statements that define what an organization is trying to accomplish both programmatically and organizationally
<i>Activities:</i> The specific actions required to produce services and products	<i>Objectives:</i> Precise, measurable, time-phased results that support the achievement of a goal

assistance grants, it is more 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 \$3,000 for a planning process lasting a few months when its entire operating budget is less than \$100,000.

The experience level of the leaders of the planning process is another critical factor. It generally takes more time and requires more outside assistance to complete this process if the organization's leaders have little experience with strategic planning. However, if an organization has a well-developed annual program and budget planning routine, much of the

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

Other factors that will affect the amount of time needed to do strategic planning include:

- *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, 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: clients, funders, community leaders, etc.? 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 regarding overall direction and allocation of resources? Is there agreement about which clients to serve and which services are most important? Or are there power struggles over competing internal resource needs for program services, facilities, development, staff, etc.?
- *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?

What If I Have Only One or Two Days for Strategic Planning?

It is important to choose the right level of intensity for the planning questions facing your organization. An organization doesn't need to spend 12 months doing planning in order to have it been effective. As illustrated in Exhibit 1.5, an organization can engage in one of three levels of strategic planning: an abbreviated, moderate, or extensive process. There is no wisdom in choosing the path of an extensive process when the organization requires only an abbreviated or moderate process. At best, an organization will spend more resources than it needs to in developing a plan. More likely, the process will stall in the middle and leave some people feeling frustrated and defeated, rather than inspired and energized; sometimes that is worse than no planning process at all.

There are always trade-offs to be made in selecting a planning process. Even in a 6- to 12-month process, hard choices have to be made concerning which issues to explore and which to leave alone. Use Exhibit 1.5 to help you choose; don't be afraid to adjust the process as you go along if you find that a more, or less, intensive process will serve the organization.

See Appendix B for sample workplans for each of these planning processes.

EXHIBIT 1.5 LEVELS OF THE PLANNING PROCESS			
Level of planning process	Abbreviated	Moderate	Extensive
Time available	One or two days	One to three months	Six months or more
Who will be involved	<div>If the organization is smaller, usually entire board and staff</div> <div>If the organization is larger, usually entire board and staff representatives (usually only internal stakeholders)</div>	<div>For smaller organizations, usually entire board and staff</div> <div>For larger organizations, usually entire board and staff</div> <div>Some external stakeholders provide input (such as clients or funders)</div>	Large number of people, including extensive input from all major internal and external stakeholder groups

EXHIBIT 1.5 LEVELS OF PLANNING PROCESS (Continued)

Level of planning process	Abbreviated	Moderate	Extensive
Depth of analysis/amount of new information to be gathered	Abbreviated or no new research conducted Depth of analysis limited to time available	Moderate amount of new information gathered Depth of analysis with existing and new information varies	Extensive amount of new information gathered: at a minimum includes data from stakeholders and objective data about operating environment Depth of analysis is extensive
Primary outcomes sought from strategic planning process	Consensus among board and staff on mission, future strategies, list of long-term and short-term priorities Guidance to staff on developing detailed annual operating plans	Consensus among board and staff on mission, future strategies, list of long-term and short-term priorities Articulation of program and management/operating goals and objectives Greater understanding of the organization's environment Guidance to staff on developing detailed annual operating plans	Consensus among board and staff on mission, future strategies, list of long-term and short-term priorities Articulation of program and management/operating goals and objectives Greater understanding of the organization's environment Guidance to staff on developing detailed annual operating plans

ENDNOTES

1. Warren Bennis, *On Becoming a Leader* (New York: Perseus Publishing, 2003).
2. George Steiner, *Strategic Planning* (New York: The Free Press, 1979), pp. 14–15.

3. 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.
4. Ibid.
5. David Osborne and Ted Gaebler, *Reinventing Government* (Reading, MA: Addison-Wesley, 1992).
6. Thomas J. Peters and Robert H. Waterman, *In Search of Excellence* (New York: Warner Books, 1982).
7. Although the for-profit, nonprofit, and government sectors sometimes use different words to describe planning concepts.
8. 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.
9. Burt Nanus, *Visionary Leadership* (San Francisco: Jossey-Bass, 1995), p. 25.
10. See note 6.
11. John Carver, *Boards That Make a Difference* (San Francisco: Jossey-Bass, Inc., 1997).
12. See note 6.