



# Why Nonprofits Waste Time, Money, and Energy in Strategic Planning

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## INTRODUCTION

Madeline was the new committee chair for the Prescott Hill Women's Society (PHWS) magazine. As she sat in her first meeting with the Society president, Honoria Newdough, and communications chair, Samantha Skreemer, Madeline was grilled on her knowledge of all things PHWS. The Society president glared at her icily and demanded to know how Madeline intended to use this year's magazine to report on the PHWS strategic plan. "What strategic plan?" Madeline asked.

"*You don't know??*" thundered Honoria.

"Sorry, but I really don't, and I'm not sure that anyone in PHWS does either."

Strategic planning consumes enormous amounts of resources in the nonprofit world annually. This translates into time, money, labor, energy, paper, electricity, use of meeting rooms, preparation of food, and other resources associated with the process. What's the return on this investment? Does anyone even think of the process as an investment and *expect a return*? Probably not.

How many times have you heard people in your nonprofit or in other nonprofits refer to the specific contents of their strategic plan—particularly

when they are about to make a decision? Probably never. It's no surprise that nonprofit boards and leaders rarely mention the focus of the strategic plan or its vision for the nonprofit. It is also very unlikely that they understand how they are going to organize the nonprofit's resources to achieve goals of any kind.

What are some of the reasons why nonprofits engage in a process that often appears to produce few results while consuming significant time, staff, and monetary resources? Considering the relative scarcity of money within most nonprofit organizations, it is counterintuitive to see these organizations routinely squandering money on a process that they don't understand and for which they cannot identify any tangible—or even intangible—benefits. As incredible as this may seem, many nonprofits appear willing, if not eager, to toss good money after bad for the sake of “strategic planning.”

## WHY DO NONPROFITS WASTE RESOURCES TRYING TO WRITE STRATEGIC PLANS?

If nonprofits are willing to expend significant sums to create strategic plans that they intend to ignore, then why bother in the first place? Here are 30 reasons why nonprofits squander time, resources, and intellectual capital when they attempt to engage in strategic planning.

1. *The trade literature suggests that every nonprofit should engage in strategic planning.* There are books, magazine articles, web sites, lectures, conferences, and workshops all dedicated to helping nonprofits design strategic plans. The clear message in nonprofit trade magazines is that nonprofits all need to engage in routine strategic planning.
2. *The board expects the nonprofit to do strategic planning, and all of the other nonprofits seem to be drafting strategic plans.* The expectation that strategic planning is an essential component of nonprofit management is correct, presuming that the board and other decision makers understand why it should be done and what to do to make the plan work.
3. *Foundation requests for proposals (RFPs) might request a copy of the nonprofit's latest strategic plan.* Some organizations actually create strategic plans for the purpose of satisfying the requirements of a funder.

4. *Major donors may request a copy of the nonprofit's latest strategic plan.* This is a variation on Excuse 3, but in the case of the high-wealth donor, the nonprofit probably skews the findings of the strategic plan to suit the pitch that they want to make to the donor.
5. *It's a good way to secure a weekend retreat at a nice resort.* This reason may sound facetious, but the reality is that the quality of the plan is not ever contingent on the quality of the surroundings in which it was created.
6. *The nonprofit did not do its homework before the planning process began.* The nonprofit has no idea who its competitors are and how these competitors are faring compared to the nonprofit. Nonprofits do indeed have competitors for funding, board members, management, and other important organizational assets. Effective strategic planning includes environmental scanning.
7. *The nonprofit does not understand current trends in philanthropy.* Foundations and high-wealth donors will support those nonprofits that have gained their trust by solid management practices. The executive director of a historic nonprofit took one of the city's society doyennes to lunch to make a seven-figure pitch for the restoration of part of the nonprofit's building based on its recently drafted strategic plan. The socialite also happened to be an astute businesswoman. She told the executive director that she was not impressed with the way the nonprofit handled its finances. Period. The newly drafted strategic plan could not make up for years of what she saw as financial incompetence. The pitch for seven figures rendered \$50,000.
8. *The nonprofit does not understand why certain nonprofits were funded by foundations, public grants, major donors.* Trends in philanthropy are signaled by the types of nonprofits and programs that are funded through traditional philanthropic channels.
9. *The nonprofit has no idea how it is perceived by its donors at all levels, nor does it have any idea how it as an institution is perceived by the public at large.* Nonprofits waste money and resources on strategic planning if they are not in touch with their donor base, community, and potential funders.
10. *The nonprofit does not have a plan to address contingencies.* What would happen to the nonprofit if a key executive left the organization, or a grant was not renewed, or a major donor stopped contributing?

Nonprofit strategic planning rarely identifies strategies for dealing with these very real contingencies.

11. *No one in the nonprofit's board or management really understands what these plans are about or how to execute the plan once it's written.* It's easier to hire a consultant from the local management clearinghouse to facilitate a few sessions, write something up, and be done with it. No one learns anything because, of course, no one wants to admit that they don't understand the utility of a strategic plan or how to execute one. This is one of the primary reasons why strategic planning becomes an exercise in futility.
12. *The plan does not clearly articulate goals, expected changes in productivity or behavior, expected changes in programmatic emphasis, or the types of resources necessary to bring about lasting change.* The nonprofit has not looked beyond its plan to see what it would take to actually achieve its strategic goals.
13. *The nonprofit's board, management, and employees do not understand how the organizational culture will need to change in order to accomplish the strategic plan's goals.* Strategic planning means that the nonprofit is ready to operate in a business like manner. Many nonprofits seem to be particularly skillful at coming up with elaborate fantasies about why they can't possibly run the organization like a business.
14. *The nonprofit does not understand how it will use a strategic plan.* The nonprofit believes it will always operate on a shoestring. This reason suggests that planning is directly correlated to financial status. The message is that there's no point to planning because the nonprofit will never have the resources to take the plan to fruition.
15. *We serve poor people, so that means we can't run the organization like a business.* This variation on Excuse 14 suggests that the quality of planning is directly related to the clients' socioeconomic status.
16. *We're grassroots, so if we run the organization like a business, we're selling out to the Establishment.* This excuse suggests that strategic planning is subversive because the nonprofit would be engaging in what they dismiss as private-sector activities.
17. *We're a volunteer organization—we don't have the time or the people to run this like a business.* Strategic planning will not work in an organization that is resistant to professional business practices.

18. *The strategic plan was written by consultants who did not take the time to do the necessary research to fully understand the nonprofit, its challenges, and its unique attributes.* The strategic plan that they facilitated looks just like any other plan they facilitated in the past and is meaningless to their current nonprofit client. The client wanted a strategic plan and was happy to outsource it. If no one knows what to do next, then nothing will get done! A shortcut that is resource consuming and short on results is hiring consultants who bring their one-size-fits-all strategic planning methods. The nonprofit is handed a strategic plan that someone else wrote. No one in the nonprofit has any investment in it or its success.
19. *The nonprofit does not understand how to engage in meaningful dialogue.* Discussions in the nonprofit are power plays in which one side wins and one side loses. Strategic planning is a waste of time without ground rules for discussions and deliberations.
20. *Conflict is not dealt with in a healthy fashion.* Perhaps conflict has become so unhealthy that it is creating a dysfunctional organization. If conflict within the organization has become so toxic that it is affecting operations, it needs to be resolved before any meaningful strategic planning can take place.
21. *The nonprofit's board and executive leadership do not understand the concept of organizational systems and the interdependence of these systems, nor do they understand how to change organizational culture and systems processes.* Strategic plans will work only if the strategic planners understand how to introduce lasting change within the organization.
22. *The nonprofit's founder is a dominant force within the organization.* Founder syndrome can also be a barrier to real and lasting change. If the nonprofit's founder is still active within the nonprofit, the person's presence and influence could derail effective strategic planning.
23. *The nonprofit does not understand systems thinking.* Every organization is comprised of systems that interact with each other. Effective strategic planners understand how the organization is structured, what systems are in place, what systems need to be put in place, and how the systems interact and depend on each other.
24. *The nonprofit does not understand how to go about introducing substantive and long-lasting change to the organization.* Strategic planning will not work unless the strategic planners understand what kinds of change need to

be introduced and why the change is essential to achieving strategic goals.

25. *The nonprofit does not see the connection between internal controls and the healthy working of organizational subsystems.* Nonprofits that do not have good internal controls will have difficulty executing a strategic plan.
26. *No one has has any idea what to do next.* Once the strategic plan is written, it is often difficult to determine what to do next. Without specific action steps outlined, the plan will gather dust.
27. *The nonprofit has no idea what the structure of the strategic plan should look like or how to go about articulating the vision for the organization and creating a road map to get there.* If the nonprofit has no idea how even to begin strategic planning, then nothing will happen.
28. *The nonprofit is not in touch with who it is.* Virtually all nonprofits have a mission; some have a vision. However, an essential prerequisite to strategic planning is that the nonprofit understand its organizational culture and problem-solving paradigms.
29. *The nonprofit has no idea whether, as an institution, it will be needed by society in 5 years, 10 years, or longer or how it would need to change to meet the community's needs.* Strategic planning is a waste of time if your nonprofit has no clue as to whether it will be in business in 5 years.
30. *Paralysis by analysis.* Last but not least, if a nonprofit cannot move along in its strategic planning deliberations, there will be no strategic plan.

### **Why Strategic Plans Are Routinely Ignored after They Are Created—An Analysis of Missed Opportunities**

Even if the nonprofit actually does draft a strategic plan, there is no guarantee that it will achieve the intended results. If the contents of the strategic plan are meaningless to everyone except the planning team, then the plan will likely be put on a shelf.

The plan will not succeed if it is treated as a top-secret document. Nonprofits are often reluctant to share the contents of the strategic plan, particularly if it contains recommendations for change that would mean consolidation, layoffs, or other measures that would not meet with the approval of the rank and file. In some nonprofits, it would be easier for the staff and volunteers to obtain Osama bin Laden's cell phone number than it would be to obtain a copy of the strategic plan.

Similarly, if no one understands why strategic plans are created, then the plan will likely be ignored. When there is no connection between the plan and the organization's daily operations, the plan will soon be history. By creating a strategic plan that is ignored, the organization has missed the opportunity to use the strategic planning process to examine the entire organization on a systemic level. Even after the strategic plan is written, people still don't know where the organization is headed and what's expected of them.

If the strategic planning process glosses over long-standing problems, then the plan is doomed to failure. No organization is perfect, but sometimes the level of dysfunction within a nonprofit can reach a level that actively interferes with operations and planning.

## **WHAT DOES ENGAGING IN STRATEGIC PLANNING *ACTUALLY DO* FOR YOUR NONPROFIT?**

Engaging in strategic planning brings benefits beyond the creation of the plan itself. Strategic planning forces planners to:

- Look at the nonprofit as it is now for the purpose of envisioning how it can improve.
- Acknowledge that the organization operates in a competitive environment and examine what other nonprofits are competitors.
- Look at how the legal and legislative environments have changed over at least the last five years.
- Examine who your nonprofit is and who it does and does not serve. It's okay if your nonprofit doesn't serve everyone as long as the reasons are clear.
- Think about where the nonprofit needs to go and why.
- Examine whether the nonprofit has the right people on board to achieve strategic goals.
- Examine the nonprofit's organizational systems and the way the nonprofit solves problems. Strategic planning even forces the planners to look at how long it takes for the organization to decide there even *is* a problem.

- Take a look at the nonprofit's culture including the stories that insiders tell about the organization and the stories newcomers hear. Crafts Organizational culture shapes the way in which things get done or the excuses for why things don't get done.

### **Strategic Planning Does Not Need to Take Forever!**

You can prepare a strategic plan for your nonprofit in approximately four weeks. The secret is to invest at least a month in the implementation of Sarbanes-Oxley (SOX) requirements and best practices. The investment of four weeks for SOX implementation and four weeks for strategic planning will reap significant benefits for your nonprofit.

## **NEXT STEPS**

Chapter 2 will present a short history of Sarbanes-Oxley legislation and also describe how legislators at the federal and state levels are addressing nonprofit accountability issues.

Chapter 3 will present an overview of Sarbanes-Oxley requirements and best practices.

Chapter 4 will describe how your nonprofit can utilize a streamlined approach to implement these requirements and best practices.

Chapter 5 will show your nonprofit how to get in touch with its authentic organization. Learning about how your nonprofit actually works is central to writing an effective strategic plan.

Chapter 6 will present an overview of the process of writing a strategic plan.

Chapter 7 will introduce a strategic planning template and timeline to help your nonprofit write an effective strategic plan and take action to achieve your strategic goals.

Chapter 8 will describe how your nonprofit can leverage its SOX compliance and strategic plan to add greater value to the organization.

Chapter 9 will focus on helping small nonprofits scale their SOX compliance and strategic planning efforts to fit the size of their organizations.

The appendices contain worksheets and samples to help your nonprofit create the types of policies and procedures needed for SOX compliance and strategic planning.

This book will change the way your nonprofit thinks about and conducts strategic planning, and will change the way your organization sees the return on investment for your strategic planning dollars.