

THE KRESGE FOUNDATION

A Guide to Strategic Planning

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Introduction

Strategic planning is a powerful tool to help an organization achieve its mission within the realities of its operations and market environment. There are a number of thoughtful books and articles on strategic planning from the nonprofit perspective. The Kresge Foundation has summarized a few of the sector's thought leaders' views on the subject. For more detail on elements of a strategic plan or additional tools and resources, please see Capitalization Philosophy and Terms.

According to the TCC Group in its guide "Ten Keys to Successful Strategic Planning for Nonprofit and Foundation Leaders" (2002), "a successful strategic planning process will examine and make informed projections about environmental realities to help an organization anticipate and respond to change by clarifying its mission and goals; targeting spending; and reshaping its programs, fundraising and other aspects of operations."

The term strategic planning, however, has been applied to a multitude of processes, and it can be difficult to determine what constitutes effective strategic planning. In his research interviews with various nonprofit organizations for his book, "The Nonprofit Strategy Revolution" (2008), David La Piana, a longtime nonprofit strategy consultant, noted that people applied the term strategy, and by extension strategic planning, in situations where they face organizational issues, programmatic questions or operational challenges. In fact, effective strategic planning would incorporate all these components: organizational, programmatic and operational, with organizational strategy providing the foundation for thinking through programmatic and operational matters.

Definition of Strategy

La Piana formulated a helpful definition of strategy in the nonprofit setting to mean "a coordinated set of actions aimed at creating and sustaining a competitive advantage in carrying out the nonprofit mission." This definition is useful because it forces the organization to think about its mission and its external competitive environment. La Piana's book, a product of a four-year research effort through The Strategy Formation Project at La Piana Consulting, initially was conceived as an investigation into the limitations of traditional strategic planning. The research indicates that the traditional approach to strategic planning has leaned more on the team building aspect of getting people at different levels of the organization on the same page rather than on true strategy formation. Furthermore, the focus has been on operational and programmatic concerns, not organizational ones.

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Organizational strategy, as defined by La Piana, is “the means a nonprofit uses to determine how it will advance its mission, realize its vision and deliver real value to the community or cause it serves through successfully navigating competitive, collaborative and other market dynamics.” In her classic book, “Strategic Management for Nonprofit Organizations: Theory and Cases” (1995), Sharon M. Oster emphasizes the centrality of the mission statement as a compelling guide for an organization, but an organization also must understand the realities of its competitive position in the market to survive. An organization has to assess the gap between current resources and resources needed to accomplish its goals and vision.

The Business Plan

In the report “Getting Beyond Breakeven,” a study sponsored by The Pew Charitable Trusts and the William Penn Foundation, TDC posits that building a business plan with a full capitalization strategy alongside the strategic plan is key to leveraging the work and effort of the strategic planning process. A full capitalization strategy helps to take into account the organization’s competitive place in the market, its value proposition in that market, the resources it would need to achieve that value and an analysis of its ability to obtain those resources. This type of business plan would project realistic funding levels for the organization’s various strategies. Although some distinctions have been made between strategic and business planning, such as a strategic plan “guides mission fulfillment by articulating goals, action steps and resources” while a business plan “is typically focused on the actions and investment necessary to generate income from a specific program or service” (Enhance, The Newsletter of the Alliance for Nonprofit Management, January 2005). This distinction is in some ways moot, since both processes are crucial to the survival and competitive positioning of an organization.

The Bridgespan Group chooses to dissolve the separation between strategic and business planning altogether, referring to the business planning process as “a time to connect the dots between mission and programs, to specify the resources that will be required to deliver those programs and to establish performance measures that allow everyone to understand whether the desired results are being achieved” (Kelly Campbell and coauthor, “Business Planning for Nonprofits: What It Is and Why It Matters,” 2008). In all its engagements, Bridgespan has found that the process includes the following four main components:

Strategic clarity – Developing a concrete description of the impact for which the organization will hold itself accountable over some specified period of time (its intended impact) and the cause-and-effect logic explaining how its work will lead to that impact (its theory of change).

Strategic priorities – Determining what specific actions and activities must take place to achieve the intended impact.

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Resource implications – Understanding the resources – financial, human and organizational – needed to pursue these priorities and mapping out a plan to secure them.

Measuring performance – Establishing the quantitative and qualitative milestones that make it possible to measure progress.

The National Center on Nonprofit Enterprise (NCNE) and the Center for Nonprofit Excellence have teamed up with a grant from the W.K. Kellogg Foundation on the Business Planning Project, a national initiative to develop new ways of thinking about planning in nonprofit organizations. Their collaboration has produced a framework and guideline for planning that is currently being piloted. In the meanwhile, the Business Planning Project has compiled a list of tools and approaches for planning. This resource organizes a multitude of planning tools into the following categories:

Planning process – Planning process agreement, planning process map/flowchart.

Looking outside the organization – Multiple cause analysis, stakeholder analysis, gap analysis, competitor analysis, benchmarking, scenario planning, etc.

Assessing the nonprofit – Theory of change, core competencies, portfolio analysis, strengths/weaknesses/opportunities/threats (SWOT) analysis, organizational audit, etc.

Generating strategies – Depends on what strategies are for – programs, earned income or fundraising.

Evaluating options and making decisions – Cost benefit analysis, project appraisal, risk analysis, etc.

Implementing – A planning document, a review process.

Lessons Learned

Although the processes and approaches to strategic planning can vary from consultant to consultant and organization to organization, there are a few generalized considerations that have emerged as crucial to effective planning.

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Involve stakeholders – Without invested, determined people to implement a strategic plan, nothing will change. It is critical to draw in all the appropriate players at the beginning of this process.

Start from the value proposition – A value proposition is the unique offering (the program model and demonstrated impact) put into the marketplace that encompasses the organization’s mission, vision, theory of change and intended impact.

Perform a competitive analysis of the operating environment – A nonprofit usually can present a compelling case for addressing a certain social need. It, after all, is the reason the organization exists. A competitive analysis makes you take into account who else is doing something similar, what exactly they are doing and how that affects what you will do.

Isolate your competitive advantage – This is a factor, due to unique assets or outstanding performance, which sets you apart from similar organizations in your market. According to La Piana, this competitive edge would allow you to compete effectively for limited resources, customers, funding, staff and board talent, business opportunities, and media attention.

Consider resources needed to achieve value proposition – What resources (funding, staff, partnerships, etc.) are necessary for you to deliver your value proposition and maintain your competitive advantage?

Design the overall capitalization strategy – Design a capitalization strategy that supports the strategic plan and defines a funding strategy that supports it. If the two cannot be reconciled, your organization must revisit its key strategies. An honest reflection of your organization’s capabilities is of vital importance. Is the value proposition strong enough to attract resources, and do you have the appropriate infrastructure in place?

Assess and articulate potential risks – As with any plan, there are chances for things to go wrong. Have you thought carefully about how implementing a certain plan would impact other parts of your organization? What would you do if a funding source did not come through?

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