

Strategic Planning for Nonprofit Organizations

A Practical Guide
and Workbook

SECOND EDITION

MICHAEL ALLISON
JUDE KAYE

CompassPoint Nonprofit Services



WILEY

John Wiley & Sons, Inc.

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*For my parents Lee and Margot Allison,
my wife Jennifer Chapman,
and
my daughters Sarah and Madeline Allison*

—Mike Allison

*In memory of Gregor E. McGinnis,
a man of great vision who understood that the
process is as important as the end product.*

—Jude Kaye

*We dedicate the second edition of this book to the
employees, volunteers, board members, and
financial supporters of nonprofit organizations.*

*Your commitment to the nonprofit sector is
helping make the world a better place.
Your gift of now promises a brighter tomorrow.*



About the Authors

Mike Allison served as Director of Consulting and Research at CompassPoint Nonprofit Services for 15 years and is now an independent consultant. He actively consults in the areas of strategic planning, governance, and organizational development. He has written many articles and manuals and is a frequent speaker at nonprofit sector conferences. Mike is the former executive director of a community-based organization and received his MBA from the Yale School of Management.

Jude Kaye is a Senior Fellow with CompassPoint Nonprofit Services and a nationally respected author, trainer, facilitator, and consultant. She specializes in strategic planning and organization development. Over the past three decades, Jude has worked with hundreds of large and small nonprofit organizations and has served on many nonprofit boards. She teaches consultants how to have a greater impact through CompassPoint's three-day Institute for Nonprofit Consulting and provides executive coaching services through her company, Intentions to Action.

Founded in 1975, **CompassPoint Nonprofit Services** is one of the nation's premier consulting, training, and research firms focused exclusively on the nonprofit sector. With offices in San Francisco and Silicon Valley, CompassPoint's mission is to increase the effectiveness and impact of people working and volunteering in the nonprofit sector. We are guided in our belief that nonprofits serve as the agents of democratic involvement, innovation, and positive social change.

A nonprofit ourselves, CompassPoint works with organizations in areas including nonprofit finance, boards of directors, fundraising, technology, strategic planning, organizational change, and executive leadership. Every year, over 10,000 nonprofit staff and volunteers attend our workshops

and conferences, and nearly 300 nonprofits choose us as their consultants. CompassPoint's programs support the growth of an effective nonprofit sector. We are a center of learning for nonprofit staff, an affordable consulting partner to the sector, and a research institution for innovation in nonprofit organizational effectiveness.

For more information, see our Web site at *www.compasspoint.org*.



Contents

WHAT YOU WILL FIND IN THIS BOOK	x	
INTRODUCTION TO THE SECOND EDITION	xvii	
ACKNOWLEDGMENTS	xix	
CHAPTER 1	Introduction to Strategic Planning	1
	What Is Strategic Planning?	1
	Why Plan?	2
	What Strategic Planning Is Not	4
	Keys to Effective Strategic Planning	5
	Summary of Key Concepts	6
	Different Types of Planning	7
	The Strategic Planning Process	14
	The Language of Strategic Planning in the Nonprofit Sector	20
	How Much Time and Money Does It Take To Do Strategic Planning?	24
CHAPTER 2	Phase 1: Get Ready	31
	How Do We Get Started?	31
	Step 1.1: Identify the Reasons for Planning	32
	Step 1.2: Set Up Your Planning Process for Success	35
	Step 1.3: Develop a Plan for Gathering Information from Internal and External Stakeholders	39
	Step 1.4: Design Your Strategic Planning Process to Meet Your Organizational Needs	46
	Step 1.5: Write a Planning Workplan	62
	Case Study: Worksheet 1	68
	Case Study: Worksheet 2	71
	Case Study: Worksheet 3	75
	Case Study: Worksheet 4	81

CHAPTER 3	Phase 2: Articulate Mission, Vision, and Values	85
	Why Do We Need a Mission Statement?	86
	Step 2.1: Write (or Reaffirm or Rewrite) Your Mission Statement	87
	Step 2.2: Write Your Vision Statement	99
	Step 2.3: Articulate the Fundamental Values that Guide Your Work	107
	Case Study: Worksheet 5	118
	Case Study: Worksheet 6	120
	Case Study: Worksheet 7	122
CHAPTER 4	Phase 3: Assess Your Situation	125
	Review History and Current Scope and Scale of Operations	127
	Step 3.1: Prepare a History and Descriptive Profile of Operations	127
	Step 3.2: Articulate Previous and Current Strategies Overview of Information Gathering	129
	Step 3.3: Gather Information from Internal Stakeholders	134
	Step 3.4: Gather Information from External Stakeholders	135
	Step 3.5: Gather Information from Documents and Other Sources	140
	Step 3.6: Summarize Information into a Situation Assessment	142
	Case Study: Worksheet 8	149
	Case Study: Worksheet 9	153
	Case Study: Worksheet 10	158
	Case Study: Worksheet 11	160
	Case Study: Worksheet 12	162
	Case Study: Worksheet 12	168
CHAPTER 5	Phase 4: Agree on Priorities	177
	Overview of Phase 4	178
	Step 4.1: Analyze Data, Review Progress to Date, and Update Workplan	181
	Step 4.2: Use Business Planning: Tools for Assessing Your Program Portfolio	186
	Step 4.3: Agree on Each Program's Future Growth Strategy and Develop Your Program Portfolio	201
	Step 4.4: Confirm Your Future Core Strategies	204
	Step 4.5: Agree on Administrative, Financial, and Governance Priorities	214
	Case Study: Worksheet 13	221
	Case Study: Worksheet 14	224

	Case Study: Worksheet 15	227
	Case Study: Worksheet 16	230
CHAPTER 6	Phase 5: Write the Strategic Plan	235
	Step 5.1: Create Goals and Objectives	235
	Step 5.2: Understand the Financial Implications of Your Decisions	240
	Step 5.3: Write the Strategic Planning Document	249
	Step 5.4: Adopt the Strategic Plan and Next Steps	269
	Common Obstacles Encountered in Phase 5	270
	Case Study: Worksheet 17	274
	Case Study: Strategic Plan	277
CHAPTER 7	Phase 6: Implement the Strategic Plan	287
	Step 6.1: Plan to Manage Change	287
	Step 6.2: Develop a Detailed Annual Operation Plan	290
	Sample (Annual) Operating Plan: Program Goal for an Economic Development Agency	295
	Fund Development Goal for Museum (from Annual Operating Plan)	295
	Case Study: Worksheet 18	298
CHAPTER 8	Phase 7: Evaluate and Monitor the Strategic Plan	299
	Step 7.1: Evaluate the Strategic Plan and the Strategic Planning Process	299
	Step 7.2: Monitor the Strategic Plan and Update as Needed	301
	Life After the Strategic Plan Is Done	303
	Conclusion: A Word to Leaders	305
	Case Study: Worksheet 19	307
	Case Study: Worksheet 20	309
APPENDIX A	Blank Worksheets	315
APPENDIX B	Sample Workplans for Abbreviated, Moderate, and Extensive Planning Processes	373
APPENDIX C	Elements of an Effectively Managed Organization (EEMO^{2™}): An Assessment of Your Organizational Capacity	390
APPENDIX D	Self-Assessment of Board of Directors	408
APPENDIX E	Sample Techniques Used in Client Needs Assessment and Program Evaluation	413

APPENDIX F	Conducting Focus Groups	418
APPENDIX G	Techniques and Tools for Managing Group Process: A Toolbox of Meeting Process Tools and Techniques	426
APPENDIX H	Tips on Using Task Forces	434
APPENDIX I	Templates for Strategic and Operational Plans	438
APPENDIX J	External Stakeholders: Process Recommendations and Suggested Questions	442
APPENDIX K	Selected References	448
INDEX		451



What You Will Find in This Book

S*trategic Planning for Nonprofit Organizations: A Practical Guide and Workbook, Second Edition*, offers a conceptual framework and detailed process suggestions for strategic planning in nonprofit organizations. This book is the product of the authors' experiences as planning and organization development consultants. The concepts, process design, and language presented here have been shaped by our work over the years with hundreds of nonprofit organizations on strategic planning. Many of the worksheets and approaches to formulating strategy were developed while working with individual clients in response to particular situations. In addition, the book builds on the work of many authors before us and incorporates the wisdom and experience of CompassPoint's strategic planning practice group members.

We hope that this book provides you with a practical approach that is comprehensive without being either overly complex or unduly simplistic. The user-friendly tools and techniques should help you put the framework into action. Those who have experience with strategic planning will find the book a useful refresher and “one-stop source book” of fundamental concepts and techniques; those without such experience will find it a valuable introduction to what strategic planning is—and is not—and how to make the best use of the process.

When done well, strategic planning is both a creative and a participatory process that engenders new insights and helps an organization focus its efforts in pursuit of its mission. It is an important tool that can help nonprofit organizations achieve their goals. A tool's effectiveness, though, ultimately depends on how well it is wielded: a hammer is a good tool for nailing together bookshelves, but just swinging a hammer doesn't mean the bookshelves will get built, nor does failure to build bookshelves reflect poorly on the hammer. With this workbook, the authors hope to help others understand enough about the potential and the requirements of

this particular management tool to create sound strategic plans that contribute to the viability and success of their organizations' work.

INTENDED AUDIENCES

This workbook is written to help the board and staff of nonprofit organizations, and other planning practitioners, perform effective strategic planning. The book is written with small to medium-size organizations (those with no budgets to those with budgets of several million dollars) particularly in mind. However, the general nature of much of the discussion will also serve larger organizations, consultants working with nonprofit organizations, teachers and students of nonprofit management, and others interested in this area.

STRUCTURE OF THE WORKBOOK

The workbook is organized so that it can be easily followed and referenced during the course of strategic planning. After the introduction, each of the seven phases of strategic planning is discussed. "Cautions to Facilitators" are included at the end of each chapter. An extensive resource section is included to provide various types of suggestions and instruments to assist with strategic planning.

The introductory chapter provides a brief introduction to the strategic planning process by defining the process and its components and by differentiating strategic planning in nonprofit organizations from other related topics. This chapter will give readers a good overview of the subject and provide more detail about the following phases:

- *Phase 1 raises several questions.* What do we want to accomplish through strategic planning? Is this the right time for strategic planning and, if so, what do we need to do to get ready? If the time is right for strategic planning, the chapter covers several steps that can greatly increase the chances for a successful planning process.
- *Phase 2 involves articulating mission and vision.* This is an opportunity for planners to reflect on the fundamental reasons for their work, the nature of the contribution they are trying to make through the work of the organization, and the challenge of finding language that communicates such important and lofty ideas.

- *Phase 3 provides guidance for gathering the information necessary to make informed plans.* How is the environment changing? What do our board, staff, and perhaps others think about what we do well and where we can improve? Who else do we need to consult? In what ways do we need to build our organization's capacity to deliver our programs and services? Identifying key questions and the methods for answering them is the topic of this chapter.
- *Phase 4 is where the process turns from exploration to decision making.* After reconsidering mission and vision and gathering new information, it is time to set priorities. This chapter provides a structured approach to choosing strategic directions and agreeing on goals.
- *Phase 5 covers the steps involved in writing a plan.* Most of the big-picture thinking has been completed by this stage, and the task of developing a clear format and understandable language is at hand.
- *Phase 6 reviews the first key to successful implementation:* incorporating the strategic plan—which likely covers several years—into an organization's annual operating plans and thereby making clear what is to be completed in the coming year.
- *Phase 7, the final phase, covers the other key to successful implementation:* approaches to monitoring and adapting the plan in a structured way. Clarifying an organization's overall planning cycle is a focus of this chapter.
- Finally, the appendices provide key process aides, survey instruments, and suggestions for various ways to accomplish the tasks involved in each of the seven phases of the planning process.

The workbook contains several features—worksheets, sidebars, and case studies—to help explain concepts and to help readers work through the various planning phases. These features are described in the following sections.

Worksheets

An integral feature of this workbook is the series of worksheets that complement the text. The worksheets will help planners structure and focus the thought process involved with each planning step. Each worksheet is discussed in the text and includes process notes, which provide brief instructions for using the worksheet. Blank worksheets are included in Appendix A and on the CD included with this book.

Please note: We have heard from people who used the first edition of this book that using the worksheets provided the necessary structure for their planning committees to write a strategic plan. We also know that not all of the worksheets are necessary in every situation: They are meant to provide guidance for a comprehensive planning process.

Sidebars

Throughout the workbook, short case studies and commentaries drawn from real-life experience with nonprofit organizations are included as boxed sidebars to illustrate particular situations that may arise during a planning process. In some cases, the name of the organization is used, but in others, the name has been disguised for reasons of confidentiality.

ASO/USA Case Study

The AIDS Service Organization/United States of America (ASO/USA) is a fictional organization. To illustrate the kinds of questions and issues raised in the planning process, a strategic plan for this organization has been completed, in a step-by-step process, throughout the book. Worksheets that have been completed for the ASO/USA case study are included as examples at the end of the chapters. A complete strategic plan for ASO/USA is included at the end of Chapter 6. Following is an introductory profile.

AIDS Service Organization/United States of America (ASO/USA) is an organization in a midsize Eastern city founded in 1988 to meet the needs of the growing number of people infected with and affected by HIV/AIDS. Ken Brown, the founding executive director, led the organization for 12 years and was succeeded by Joseph Chin in 2000. The organization started out operating a hotline and doing prevention work and won a federal grant to continue its work in the second year of operation. Since its inception, ASO/USA has gained a reputation as a reliable community agency serving low-income men and women of all racial/ethnic backgrounds.

In 1993, the agency received its first federal grant to provide health care services in addition to prevention services. Under the direction of program manager Delores Molina, the Support Services Division was established. This division provides case management services,

support groups for people living with HIV/AIDS (PLWHA) and their caregivers, transportation vouchers, benefits counseling, and employment referral. The agency also continues its prevention work through community outreach, a program under the Public Education Division. ASO/USA also continues to operate the hotline (currently housed in the Support Services Division), which provides information on prevention and transmission, as well as information on treatment and care. ASO/USA also has a Public Policy and Communications Division, which does a limited amount of policy work and media advocacy, supported by local foundations.

The organization's expense budget in 2003 was \$1.6 million, with 25 FTE staff (20 FTE program staff and 5 FTE administrative staff) and a core team of 80 volunteers. In 2003 their revenue was generated from four principal sources: \$900,000 came from federal sources, \$400,000 came from the city health department and general fund, \$200,000 came from foundations, and another \$85,000 was raised from special events, individual donors, and other fundraising. Revenue fell short of expenses by \$15,000.

Four years ago, ASO/USA collaborated with the largest independent health clinic in the city, City Clinic, to conduct more aggressive outreach to people who are at high risk for acquiring HIV (e.g., injection drug users, homeless persons, and sex workers), but who were not receiving ongoing medical care or social services, due to various barriers to access. ASO/USA conducts the outreach component of the program, and City Clinic provides the HIV testing and referral component. This project is funded by the city's department of public health for \$400,000 per year for three years, which is split between the two organizations. The collaboration has presented significant challenges in terms of clarifying roles, responsibilities, and accountability.

Five years ago the organization completed a strategic plan. The process was somewhat unsatisfactory, characterized by key board members as too staff-driven. The board recognizes the need for planning, but tends not to be active in this process. Sam Green, the board president, is supportive of the organization and of the staff, but he has put little time into energizing the rest of the board.

The executive director and the board president have decided that, given the changes happening in the external environment, increasing demands for services, and other challenges facing the organization, it is time to revisit strategic planning.

ADDITIONAL RESOURCES

Additional resources to support strategic planning are included in the appendices. Some of these resources can also be found on the CD that accompanies this book.

- Blank worksheets (Appendix A)
- Sample workplans for a strategic planning processes (Appendix B)
- Self-assessment survey for boards and staff (Appendices C and D)
- Tools and techniques for program evaluation (Appendix E)
- Group process tools (Appendices F, G, and H)
- Templates for strategic and operational plans (Appendix I)
- Process recommendations and suggested questions for gathering information from external stakeholders (Appendix J)
- Selected references (Appendix K)

HOW TO USE THIS WORKBOOK

For anyone who is looking for an overview of the strategic planning process, the introductory chapter should suffice. Many resources, including worksheets and the description of various phases (e.g., data collection), can be referenced to support a process guided by an experienced planner. However, for anyone considering leading a strategic planning process for the first time, we suggest that you read the book all the way through before beginning. We believe you will find that the benefits of familiarizing yourself with the full process upfront far outweigh the cost of time in additional preparation. There are many points in the process where, depending on one's specific goals and the circumstances the organization faces, different choices are possible. In order to make the best choices in navigating through the full process, being familiar with the flow of the overall process is invaluable.

A WORD ABOUT WORDS

Every person in the world benefits from the work of nonprofit organizations every day. Both in the United States and abroad, our water and air are cleaner, civil rights have been advanced on many

A WORD ABOUT WORDS *(Continued)*

fronts, culture continues to be renewed and celebrated, people are cared for, and the policies and practices of both government and business are shaped and monitored—all through the work of nonprofit organizations.

The beneficiaries or consumers of the goods and services nonprofit organizations produce are called by many names: Legal service and human service organizations serve clients, health care organizations serve patients, arts organizations serve patrons, advocacy organizations serve constituents, and other organizations serve customers, members, and so on. We have chosen the term “client” to serve as a representative name for the primary beneficiaries or consumers of the goods and services produced by nonprofit organizations. We recognize that it is not a wholly satisfactory solution, but it seems less distracting than using different names and more appropriate than using a more generic name such as customers.

Nonprofit organizations are not owned as are private corporations, nor are they subject to the electoral process as are government organizations. Nonetheless, nonprofit organizations are accountable to many parties for their work, in addition to their clients. And, as with clients, the individuals and groups of people to whom nonprofit organizations are accountable are called by many names. We have chosen to call funders, clients, the general public, other organizations, regulators, and so on “external stakeholders,” and to call board members, staff, and volunteers “internal stakeholders.” Simply stated, a “stakeholder” is anyone who cares, or should care, about the organizations—anyone who has a stake in the success of its mission.

Finally, many titles are in use for the top staff person who is selected by the board of directors and to whom all staff ultimately report. These titles include executive director, CEO, president, director, and others. In this book we use the term “executive director” for this person, because it is the most commonly used term.



Introduction to the Second Edition

Over the past seven years since the first edition of this book was published, the two of us have been astounded and delighted by the reception the book has received. We have received letters and e-mail from people all over the country and from abroad who have let us know that the book was helpful to them in various ways—leading their own organizations through planning, as consultants to nonprofit organizations, and as university instructors at both the undergraduate and graduate levels. In the past seven years we have also learned more about strategic planning ourselves.

Changes have taken place in the nonprofit sector at large and in the field of strategic planning. The nonprofit sector has matured in many ways, with more influence, a higher public profile, and more attention to issues of accountability and organization performance. Capacity building is now a major topic for nonprofits. Venture philanthropy came into vogue, and the stock market soared and crashed, greatly affecting foundation and individual giving patterns for nonprofits. Strategic planning is more widely practiced—valued by nonprofits and funders alike—and increasingly attends to business issues, including revenue generation, risk management, and cost control.

In this new edition, we undertake two tasks: (1) we add new material particularly about business planning and the inherent challenges in implementing your plan, and (2) we draw on our experience over the past several years and that of our colleagues at CompassPoint to refine and enrich the text, examples, and worksheets. However, readers familiar with the first edition will find the fundamental approach to strategic planning unchanged. We have found that our basic principles and insights about group process have withstood the review of thousands of readers and the test of

time. We remain dedicated to the principle that the best results come from sustained, intentional efforts, and we believe that the practices associated with strategic planning that we describe in this book can contribute to just such efforts.

One last change worth noting is that, for this edition, we have added some cartoons created by CompassPoint's resident cartoonist, Miriam Engelberg. These cartoons are to remind us that amidst the hard work and seriousness of the issues that face the nonprofit sector, there is also humor and joy.

We welcome comments from readers and colleagues and are always looking for opportunities to improve our tools, add new ones, and share our passion for supporting the world-changing work of nonprofit organizations.

We are proud to be colleagues with you in working for a better world!

San Francisco, California 2004

MIKE ALLISON
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