**SUSTAINABLE**

 **STRATEGY**[[1]](#footnote-1)

 (3-31-17)

 Mark Light

 

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Get Ready

# Foreword

Same bed, different dreams.

Chinese Proverb

Leading a public service agency is hard work. This shows in the median tenure for an executive director of four years or less, the 65 percent who are first timers in the job, and the fact that less than half of all new executives want to play the role again.[[2]](#endnote-1) Working in the sector often results in a mixed bag of feelings for executive directors who “enjoy their jobs as a means of addressing important community needs (mission) but don’t want to do it again because of the high stress involved (burnout).”[[3]](#endnote-2)

Though some experts on nonprofit management bemoan the state of the field,[[4]](#endnote-3) there is much to celebrate when it comes to leading service organizations. Most executives take the jobs because of the “mission of their agencies as well as their own desire to help others and to give back to their communities.”[[5]](#endnote-4) As a result, almost all experience a high level of enjoyment in their work.[[6]](#endnote-5)

Executive directors are not alone. Nonprofit employees are “highly motivated, hardworking, and deeply committed [and are] motivated primarily by the chance to accomplish something worthwhile.”[[7]](#endnote-6) Perhaps this is why paychecks only motivate 16 percent of the nonprofit workforce compared to stimulating nearly half of those who work in the private sector.[[8]](#endnote-7)

More than money, a recent report on what people earn sheds light on what really counts: “In any economy, the best jobs provide emotional as well as financial rewards.”[[9]](#endnote-8) This statement reflects what workers in the nonprofit sector already know: almost all who work in the industry experience a high level of enjoyment in their work.[[10]](#endnote-9) Another survey found that **the number one attribute of a dream job was making a difference in people’s lives.**[[11]](#endnote-10)

If it is true that “in our hearts, we would all like to find a purpose bigger than ourselves.”[[12]](#endnote-11) Where better to find it than the nonprofit sector?

# About This Book

Good things only happen when planned;
bad things happen on their own.

Philip B. Crosby

St. Vincent de Paul says, “It is not enough to do good. It must be done well,” which in contemporized words is “Do good great.” This book shows you how to do just that by bringing your organization’s purpose to life using sustainable strategy.

In the first section, **Great Start**, you will investigate what your organization *is doing* now by looking at your purpose and current strategies. In the next section, **Great Ideas**, you generate ideas about what your organization *could do* next and develop them into a new vision statement and new strategies. The third section, **Great Strategies**, pulls everything together about what you *should do* next. The final section, **Strategic Plan,** is what you *will do* next.

This book will show you how to develop a unique sustainable strategic plan for your organization. To do that, the late Peter Drucker advises, “you don't start out with people—you start out with the job. You ask: What are we trying to do?”[[13]](#endnote-12) To get to the answer, **the process must be quick, simple, and make a difference.**

## Quick

Since stakeholders, board members, and staff members do not have much time to give to developing a sustainable strategic plan, the process must be quick. Although rapidly made strategies will be less refined than those developed over longer periods, you can balance this by polishing, reforming, and/or discarding them later.

Quicker installations can be better than drawn-out ones for another reason. Because of the modest investment in time, your strategies become a home that no one will feel sad about renovating, selling, or rebuilding from scratch. After all, and in the adapted words of Prussian General Helmuth von Moltke: “No business plan ever survived its first encounter with the market.”[[14]](#endnote-13)

On the other hand, as the late John Wooden warns, “be quick, but don’t hurry.”[[15]](#endnote-14) Begin with what you’re doing now and not with what you’re doing next. Deciding what’s next – formulating strategy – is both a science and an art; it can take a lot of time or be a lucky break.

Finding a balance is essential, as Henry Mintzberg notes: “few if any, strategies are purely deliberate, just as few are purely emergent. One means no learning, the other means no control. All real-world strategies need to mix these in some way: to exercise control while fostering learning.”[[16]](#endnote-15)

## Simple

Experience is going to vary within any given professional staff, and so whatever approach you use must be friendly for a wide variety of users. In the words of Albert Einstein, “Everything should be made as simple as possible, but not simpler.”[[17]](#endnote-16)

Gone should be the long-winded mission statements and impossibly complicated documents that few can understand. Less is more; simple is better—the focus is on the critical few rather than the trivial many. This is all in keeping with what Tom Peters and Robert Waterman observed in the early eighties in their project that studied excellent companies:

“The project showed, more clearly than could have been hoped for, that the excellent companies were, above all, brilliant on the basics. Tools didn’t substitute for thinking. Intellect didn’t overpower wisdom. Analysis didn’t impede action. Rather, these companies worked hard to keep things simple in a complex world.”[[18]](#endnote-17)

Sustainable strategy gets much of its simplicity by using the 80/20 rule, formally known as the Pareto Principle. Vilfredo Pareto was an economist who declared that in any group of objects, 20 percent would account for 80 percent of the group’s entire value. For example, 20 percent of donors contribute 80 percent of the funds in an annual campaign. In the process of building sustainable strategy, **it is important to focus on those issues that will have the most significant impact**.

## Make a Difference

Everything should ultimately make a difference in the work that people do in the here and now; nothing should be included unless it informs the work that you must do today. For example, instead of an operating plan that contains every goal and action, including what are essentially job duties (the 95 percent of tasks that we all do every day), you should include only material goals (the 5 percent of new or improved things that we have a motivating shot at getting done).

Sustainable strategies are not just for organizations already strong. In fact, sustainable strategy can be extremely valuable for those in dire circumstances. After all, climbing out of a hole can actually be easier with a plan of action than fighting your way out without any idea of where to go next. For new and seasoned executive directors, no matter what shape your organization is in, step one is having a clear strategy for where you are going in the future.

# Planning Rules

The essence of strategy is

choosing what not to do.

Michael Porter

Along with opposable thumbs, planning is one of the essential characteristics of humanity. As opposed to simplistic behaviorism wherein we are slaves to the stimuli around us, planning governs our complex human behavior, from the mundane to the momentous.[[19]](#endnote-18) David Lester goes even further to remind us “plans are being executed as long as we are alive. The question is not ‘Why are plans being executed?’ but ‘Which plans are being executed?’”[[20]](#endnote-19)

No practitioner or scholar would disagree that the making of plans, the essence of which is goal setting, is a fundamental obligation of leadership. As James McGregor Burns says, “All leadership is goal-oriented.”[[21]](#endnote-20) This is true whether you are looking for a solution to an intractable problem, making a goal, or dealing with things that need you need to do next.[[22]](#endnote-21)

Clearly, leaders agree. Results from five surveys of top management tools used by global for-profit companies spanning five continents gave strategic planning the gold three times (2000, 2006, 2012) and the silver twice (2008, 2010).[[23]](#endnote-22)

The nonprofit sector reflects the for-profit sensibility to plan, and high-performing executive directors wholeheartedly endorse the practice. When asked what below-average organizations could do to improve performance, strategic planning garnered the highest marks for what worked by these best-of-class executives.[[24]](#endnote-23) And when researchers asked these same leaders what particular management tool had most improved the performance of their own organizations, strategic planning again received the highest marks. Furthermore, these high-performing executives walk their talk; 91 percent had strategic plans in place at their own organizations.

Strategic planning is not only a high-performer attribute; three out of five organizations do it. A study of 1,007 nonprofit organizations found that almost 60 percent of all nonprofits had strategic plans. Moreover, the bigger the organization, the more likely it is to have one; 52 percent of organizations with budgets under $250,000 have them compared to 80 percent of organizations with budgets of $10 million and over.[[25]](#endnote-24)

Not only do nonprofits sanction the practice, but management services organizations surveyed by the Alliance for Nonprofit Management rank strategic planning as the number one item on the capacity-building menu. Independent Sector, a “nonprofit, nonpartisan coalition of more than 700 national organizations, foundations, and corporate philanthropy programs,” also recommends strategic planning. Doing so, it says, will help organizations “be more efficient and effective in mapping out a system for achieving organizational goals and making the best choices to fulfill their missions.”[[26]](#endnote-25)

Yet before moving forward to examine the pros and cons, just what is strategic planning? This is a tough question given Mintzberg’s assertion that “the literature of planning has offered literally hundreds of models of a process by which strategy could supposedly be formally developed and operationalized.”[[27]](#endnote-26) Fortunately, he goes on to write, “One single set of concepts underlies virtually all the proposals . . . Sometimes called the SPOT model (for *s*trengths and *w*eaknesses, *o*pportunities and *t*hreats).”[[28]](#endnote-27) He then identifies six premises for what he calls the design school model:

1. Strategy formation should be a controlled, conscious process of thought.
2. Responsibility for the process must rest with the chief executive officer.
3. The model of strategy formation must be kept simple and informal.
4. Strategies should be unique: the best ones result from a process of creative design [and] build on *distinctive* (now called *core*) competencies.
5. Strategies must come of the design process fully developed.
6. The strategies should be made explicit and, if possible, articulated, which means that they have to be kept simple.
7. Finally, once these unique, full-blown, explicit, and simple strategies are fully formulated, they must then be implemented . . . structure must follow strategy.[[29]](#endnote-28)

## Just Say No

Boards and executive directors that are considering engaging in a planning process can understandably become concerned about the investment of time and resources. Questions will arise about whether there is value in having a framework at all. After all, to achieve its chosen destiny, organizations must be strong and stable while at the same time quick and innovative. The job is complicated and often contradictory:

Organizations are supposed to be simultaneously loose (that is, decentralized into relatively autonomous units) and tight (strongly controlled from the top); big (possessing extra money for good ideas) and little (with everyone having a stake in the organization’s success); young (characterized by new people and new ideas) and experienced (stocked with seasoned professionals who know what they are doing); highly specialized (with individual employees and units focused on narrow pieces of the organization’s overall job) and unified (with everyone sharing in the mission).[[30]](#endnote-29)

Building an organization that can achieve a chosen destiny is a perplexing challenge. The people we need to push the envelope for innovation chafe under the very structure required to support the innovation once born.

Despite the fact that three out of five organizations do strategic plans and the near unanimity of recommendations, there are a number of complaints people raise as justification for not joining the cause. **The** **first and most prevalent complaint is that few people actually use their strategic plans** and that they really do gather dust. Here’s how it all works according to balanced scorecard experts Robert Kaplan and David Norton:

To formulate their strategic plans, senior executives go off-site annually and engage for several days in active discussion facilitated by senior planning and development managers or external consultants. The outcome of this exercise is a strategic plan articulating where the company expects (or hopes or prays) to be in three, five and ten years. Typically, such plans then sit on executives’ bookshelves for the next 12 months.[[31]](#endnote-30)

Unfortunately, a study of human service executives by Karen Hopkins and Cheryl Hyde lends support to this viewpoint. It found that only 27 percent reported using strategic planning as a way to address real agency problems.[[32]](#endnote-31) The authors of the study suggest that the cause for this “may be that managers are overwhelmed with the problems with which they have to contend, and that may interfere with strategic problem-solving.”[[33]](#endnote-32) Or it could be that Henry Mintzberg is correct in stating that the “nature of managerial work favors action over reflection, the short run over the long run, soft data over hard, the oral over the written, getting information rapidly over getting it right.”[[34]](#endnote-33)

**The second major complaint about planning is that the very organizations that need it most can least afford to do it from money and time perspectives.** After all, 77 percent of nonprofits have expenses of less than $1 million, two out of three run at less than $500,000, and just 1 out of 10 are at or above $5 million.[[35]](#endnote-34) These numbers cover only the 1.4 million public charities that filed form 990s with the IRS and do not include the other 1.6 million flying under the radar.[[36]](#endnote-35)

Staffing, especially the paid full-time variety, is in short supply since half of all reporting nonprofits have five or fewer full-time employees and nearly 30 percent have one or none.[[37]](#endnote-36) Hoping that the nonprofit executive director brings planning expertise to the table is wishful thinking since most are first-timers in the job.[[38]](#endnote-37)

Juxtapose these realities against the lengthy time required by most planning processes, and things get tough. Bryson’s highly respected nonprofit strategic planning model requires a meeting agenda of 18 to 20 hours over three months.[[39]](#endnote-38) Allison and Kaye’s approach requires a period of one to three months; the extensive method needs four to eight months.[[40]](#endnote-39) Not including homework, Barry’s compact protocol takes 18 to 20 hours over 5 months; his longer version requires 60 to 65 hours over 15 months.[[41]](#endnote-40)

Looking to the private sector offers little hope for anything faster: The ironically titled *Simplified Strategic Planning: A No-Nonsense Guide for Busy People Who Want Results Fast* calls for a seven-day, 56-hour agenda spread out over three months.[[42]](#endnote-41)

Yet it’s not even the amount of time that gives one pause; it’s what can happen during those long stretches. If you decided to use a three-month approach in the late summer of 2008 when the Standard & Poor’s 500 stood at nearly 1,300, you would have been living in a decidedly different world than right before Thanksgiving when the S&P 500 tumbled down nearly 40 percent to about 750.

**The third major reason that people give for avoiding planning at all costs is that it isn’t fluid enough to allow for the unexpected.** You cannot anticipate all of the opportunities in formal planning processes. A competitor loses its executive director and thus creates a chance for a merger. A foundation board changes its focus in a way that invites a new program. Why not just wait for these sorts of opportunities to come up and then seize upon them?

This is certainly the observation that gurus Jim Collins and Jerry Porras make:

Visionary companies make some of their best moves by experimentation, trial and error, opportunism, and – quite literally – accident. What looks *in retrospect* like brilliant foresight and preplanning was often the result of ‘Let's just try a lot of stuff and keep what works.’ In this sense, visionary companies mimic the biological evolution of species. We found the concept in Charles Darwin's *Origin of Species* to be more helpful for replicating the success of certain visionary companies than any textbook on corporate strategic planning.[[43]](#endnote-42)

Adding more weight to a “fast and loose” approach to strategy is compelling evidence that planning doesn’t make a lot of difference in smaller, entrepreneurial organizations that epitomize the nonprofit sector. Though the value of strategic planning on small firms with 100 or less employees was confirmed in one meta-analysis, “the effect sizes for most studies are small [and] it may be that the small improvement in performance is not worth the effort involved.”[[44]](#endnote-43)

Whether the organization is an entrepreneurial startup also matters. A National Federation of Independent Business study of nearly 3,000 startups “showed that founders who spent a long time in study, reflection, and planning were no more likely to survive their first three years than people who seized opportunities without planning.”[[45]](#endnote-44)

Those that believe that planning is a questionable use of time find validation in Mintzberg’s recommendation that “conditions of stability, controllability, and predictability [are] necessary for effective planning.”[[46]](#endnote-45) As such, he acknowledges the significant impact that the environment can have on the organization. While the research on planning is not conclusive, there is reasonable evidence to suggest that planning is less appropriate in times of crisis:

An organization may find itself in a stable environment for years, sometimes for decades with no need to reassess an appropriate strategy. Then, suddenly, the environment can become so turbulent that even the very best planning techniques are of no use.[[47]](#endnote-46)

Compare the need for stability against the helter-skelter realities of most nonprofits and you come up with a resounding recommendation to say no. Choosing a strategy rooted in reacting is common, as John Kay explains in *Why Firms Succeed*:

The notion that successful strategies are often opportunistic and adaptive, rather than calculated and planned, is a view as old as the subject of business strategy itself . . . firms are better seen as shifting coalitions, in which conflicting demands and objectives are constantly but imperfectly reconciled, and all change is necessarily incremental. In this framework, rationalist strategy – in which senior management chooses and imposes a pattern of behavior on the firm – denies the reality of organizational dynamics.[[48]](#endnote-47)

The idea here is that you shouldn’t try to control the world, but let the world control the organization.

## Just Say Yes

Recall the earlier advice from Jerry Porras and Jim Collins about visionary companies? The one where they say firms make “some of their best moves by experimentation, trial and error, opportunism, and – quite literally – accident.”[[49]](#endnote-48) The problem with this statement is in the word “some” in the first sentence. If visionary companies only make some of their best moves by experimentation, what do they do about the rest of their moves?

The issue here isn’t about where strategies come from; use peyote and a sweat lodge if that’s what works for you. Try a bunch of things and see which one works. See what others are doing in your field, imitate, and improve. Don’t try to control the world, let the world control the organization. Eventually, you will have to program those strategies into some workable protocol that allows you to execute. As Larry Bossidy and Ran Charan warn, “Strategies most often fail because they aren’t executed well. Things that are supposed to happen don’t happen.”[[50]](#endnote-49)

But why plan when we know that there’s considerable debate and research? Brian Boyd’s meta-analysis of 21 studies representing nearly 2,500 for-profit companies at first seemed to suggest that strategic planning had a very weak effect on performance. But when he took measurement errors into account, he found that the studies were guilty of “seriously underestimating the benefits of planning [because] many firms do report significant, quantifiable benefits.”[[51]](#endnote-50)

More evidence from a later analysis led to the striking conclusion that strategic planning “appears to double the longer term likelihood of survival as a corporate entity” as compared to non-planners.[[52]](#endnote-51) A different review of 35 studies found “strategic planning to positively affect firm performance . . . equally in large and small and capital-intensive and labor-intensive firms.”[[53]](#endnote-52)

When it comes to nonprofits, Robert Herman and David Renz argue that the “evidence supports the view that strategic planning is related to effectiveness.”[[54]](#endnote-53) Julie Siciliano looked at 240 YMCA organizations and found that “those organizations that used a formal approach to strategic planning had higher levels of financial and social performance than those with less formal processes.”[[55]](#endnote-54) This particular study is notable because it linked planning and successful performance.[[56]](#endnote-55)

According to Henry Mintzberg, at the most basic level there is only one reason to engage in planning and that is to “translate intended strategies into realized ones, by taking the first step that can lead to effective implementation.”[[57]](#endnote-56) Put another way, “the very purpose of a plan or the action of planning is to prepare for future activity.”[[58]](#endnote-57) Even though he says that “strategies can appear at all kinds of odd times, in all kinds of odd ways, from all kinds of odd places,”[[59]](#endnote-58) we usually engage in planning because we want to implement the strategies that we already have in place or the new ones that we discovered or designed.

Allison and Kaye offer two reasons for nonprofits to plan: it helps leaders “be intentional about priorities and proactive in motivating others to achieve them.”[[60]](#endnote-59) Bryson and Alston give seven reasons: Increased high performance, increased efficiency, improved understanding and better learning, better decision making, enhanced organizational capacities, improved communications and public relations, and increased political support.[[61]](#endnote-60)

Bryson names four reasons that benefit the organization: “the promotion of strategic thought and action . . . improved decision making . . . enhanced organizational responsiveness and improved performance.”[[62]](#endnote-61) Barry has seven advantages including improved results, momentum and focus, problem solving, teamwork-learning-commitment, communication and marketing, greater influence over circumstances, and a natural way to do business.[[63]](#endnote-62)

If this is not enough to convince you, think about the fundamental responsibility of the board as argued by William Bowen, former President of the Andrew W. Mellon Foundation:

Perhaps the overriding obligation of boards in both sectors is to require that a sensible plan of some kind be in place and that it be monitored carefully. It is surprising how frequently no real planning occurs, especially on the part of the nonprofit world. And it is even more surprising how frequently plans that were adopted are not tracked in even the most rudimentary fashion.[[64]](#endnote-63)

Why should Bowen be surprised that no real planning occurs or that organizations do not track the plans adopted? Despite the efforts that boards make, there will be members who miss meetings and don’t read advance materials. There will be disruptive members, those who are too involved with the organization, and those who are disconnected. There will always be inexperienced members and members who ignore the organization’s annual fund appeal. There will be novice executive directors. That’s why well-designed planning processes have value, especially ones that are quick and practical with not too much and not too little.

The first point in W. Edwards Deming’s Management Method, widely credited for turning around post-WWII Japanese Industry and restoring American quality to world leadership, is to create constancy of purpose. This constancy of purpose does not originate in a reactive environment: “It is easy to stay bound up in the tangled knots of the problems of today, become ever more and more efficient in them.”[[65]](#endnote-64) Just what is Dr. Deming’s recommendation to deal with this? A plan for the future.

## Show Me the Money

In Cameron Crowe’s classic film *Jerry McGuire*, Cuba Gooding plays Rod Tidwell, an aspiring tight end who believes that he’s worth a lot of recognition both financially and otherwise. Tidwell’s mission is a four-word sentence, “Show me the money.” In trying to convince Tidwell that it takes confidence plus performance with a touch of humility to win the game, Jerry McGuire’s four-word mission is quite different: “Help me, help you.” Forget all the other reasons for planning, especially when it comes to funding. If there’s one thing that helps funders show you the contribution, it’s planning.

**First, using the plan as a communications tool has tremendous value because it tells the story of what the organization is trying to accomplish – the direction it is heading.** If what Howard Gardner observes is true, that “the artful creation and articulation of stories constitutes a fundamental part of the leader’s vocation,”[[66]](#endnote-65) then at some point the leader must create the script for that story. As such, planning provides better communication by generating necessary information and data that is useful for things like the annual message, grant writing, sponsorship proposals, and the like.

Instead of an off-the-cuff approach that cobbles things together, an effective planning process improves internal communications by providing a means to stimulate meaningful conversation about what the organization is trying to accomplish. It brings people together by providing a common language and vocabulary concerning the organization’s efforts.

More specifically, an organization doing a comprehensive job of planning will be able to raise money more effectively. After all, in order to be successful in fundraising, you always need to make a strong case statement. And that goes for both established and emerging agencies:

When [established] nonprofits make a pitch for a donation, they describe their longest running programs, show how well they manage money, and tout their success stories. But when start-up organizations look for seed money, they can’t point to their achievements. To compensate, they must have a well-thought-out plan, something in writing that they can show prospective funders.[[67]](#endnote-66)

Evidence from studies of entrepreneurial pitches to venture capitalists supports this wholeheartedly, finding that preparation is positively related to funding decisions, whereas passion alone is statistically insignificant.[[68]](#endnote-67)

As funds get tighter and funders become more concerned about organizational capacity, the nonprofit with a comprehensive plan can prove that it has all the elements in place to address any questions about strategy, operations, and governance. The inclusion of a well-executed plan in a funder packet engenders confidence. It is an impressive document, which shows the potential funder that the organization takes its business seriously.

In a world where general operating funds are increasingly difficult to identify - much less to secure - being able to build strong project-oriented proposals is necessary for garnering support. Unfortunately, a frequent claim from nonprofit executive directors is that their agencies are not project-oriented, especially in the human service area. It is often a surprise when they find that their organizations are in fact, much more programmatic - and thereby fundable - than they first imagine.

Program support gives a sense of ownership to the donor and it starts with a careful review of the organization’s lines of business – its key programs, services, or major products. These by themselves may merit sponsorship support. By breaking them into the various program components, most nonprofit organizations can create a sizable inventory of attractive funding opportunities.

Any organization can do the homework to develop a roster of sponsorship opportunities and the necessary case statements for general fundraising. The difference between fundraising in an organization that plans and one that doesn’t is that proposals, solicitations, and opportunities for giving come from a carefully considered process that answers the question that every donor wants explained: “Where will we go tomorrow?”

Moreover, all people who raise money face the inevitable funder inquiry about programs that receive support: “When did it happen?” Especially in the case of general operating support, funders often need an annual report outlining the results of operations for the fiscal year. Sponsors demand detailed reports about the funded project and government agencies require compliance summaries. Whatever you call it, accountability is the underpinning. Rather than waiting until the last minute to produce the report of accomplishments based on hastily assembled activity logs, data, and statistics, a good plan has the needed information readily accessible.

**Second, enhanced legitimacy comes with planning.** Remember that strategic planning is the top 2013 management tool for global business from a satisfaction standpoint.[[69]](#endnote-68) Recall strategic planning garnered the highest marks for what worked by executives of high-performing nonprofits and that 91 percent of them had strategic plans in place at their own organizations.[[70]](#endnote-69) Don’t forget that three out of five nonprofits do it and management services organizations make it their top field of concentration. Considering all this, it is hard to ignore the implications: If you want your nonprofit to grow into a high performing organization with a big budget (or get essential funding), you need to have a plan.[[71]](#endnote-70)

Moreover, even those who don’t plan at the onset eventually will “adopt formal planning when required to do so, suggesting that funders exert a form of coercive pressure on nonprofits.”[[72]](#endnote-71) Unsettling as it may be for those who don’t plan and uplifting for those who do, is the news that nonprofits “appear to be rewarded for doing so through an increase in resources.”[[73]](#endnote-72)

Woody Allen once said, “Eighty percent of success is showing up.”[[74]](#endnote-73) That’s what legitimacy is all about. In a study of 330 nonprofits, researchers found few significant relationships between formal planning and measures of performance, but they did find that “organizations in institutional environments will adopt elements of administrative practice and structure for their legitimating qualities, regardless of their effect on efficiency or performance.”[[75]](#endnote-74)

In a different study comparing churches that plan and those that didn’t, no significant differences were found, but “a formal written plan appears important for convincing funding sources that church administrators know what needs to be done and how it should be done.”[[76]](#endnote-75) Put directly, planning quite literally shows you the money.

###

## Bottom Lines

So, which way is best? Is it the “Just say no” reactive approach in which no planning is good planning? Or is it the “Just say yes” proactive approach?

There are those who will throw up their hands in the face of organizational complexity and the quickly changing world around them. They will complain about the plan that gathers dust on the bookshelf and they will strenuously avoid wasting time in any exercise that attempts to think about the future. Meanwhile, back at the ranch, real people are doing real work. Whether consciously or not, each one of those people is making assumptions about the future.

No matter what leaders may wish, actions today have impact on tomorrow. Denying this reality does little to help those people who must do the work. Either you make a choice about the organization’s destiny or someone else will. As Stephen Covey says, “If you wait to be acted upon, you *will* be acted upon.”[[77]](#endnote-76) It may not be a board member or an executive director, but no matter what, someone or something is going to give the organization direction. This being the case, does the executive director or board president really want the marketing director to set the “vision du jour?” One way or another, direction is going to be given either by default or design.

Paul Light – my handsome identical twin brother – studied 26 nonprofit organizations as he searched for common characteristics that would make the sporadic act of innovating a regular occasion. He identified four broad characteristics including critical management systems that must serve the mission of the organization, not vice versa. About these management systems, he says:

Rigorous management systems cannot be taken as a given and are essential for sound innovation. They also make the single act of innovation less an act of courageous defiance and much more a natural act central to achieving an organization’s mission.[[78]](#endnote-77)

Having a framework, any framework at all, that deals with these important questions instills discipline into an organization that provides a welcome infrastructure hospitable to opportunity. The Yogi Berra leadership school of “When you come to a fork in the road, take it”[[79]](#endnote-78) clearly applies here. If you don’t know what business you’re in, how can you make effective decisions about that profession or new ones that you might enter?

Organizations are in some respects like long-distance runners that must build up muscle and endurance for the challenge of the race. That training, the mundane, day-to-day sweat and pain that prepares the athlete for the eventual marathon, is part and parcel of what it takes to win. Although not glamorous, it is necessary for success. An organization that uses a disciplined and comprehensive planning approach builds the essential organizational muscle to win.

As such, “success isn’t measured by the number of breakthrough ideas it produces [but] by how well the review helps management forge a common understanding of its environment, challenges, opportunities, and economics, thus laying the groundwork for better real-time strategic decision making.”[[80]](#endnote-79) This framework assures the board and staff that essential systems will be in place that offer the organization a foundation for achieving its chosen destiny.

There will always be people who believe that planning of any sort is a waste of time. “The world changes so rapidly, all that can be done is react,” these people claim. Faced with the question to act or to react, do both. Invest in a process that will give the security of direction, but don’t invest so much time and effort that changing course as conditions warrant it becomes more difficult. Have a roof over your head that’s flexible, one that invites addition, modification, or outright abandonment, but don’t have a palace that you must worship and preserve because of its cost.

Here’s the bottom line about planning: Even if you don’t think you’re ready to do it, don’t think you need to do it, don’t want to do it, don’t care about it, or don’t believe it matters - your stakeholders (and funders in particular) believe it matters greatly. Engaging in a planning process simply because your stakeholders believe it is important may appear to be the ultimate folly, but doing so is completely consistent in a world where stakeholders judge nonprofit effectiveness “in terms of response to the needs and expectations of their stakeholders.”[[81]](#endnote-80)

For those familiar with philosophy, this argument for planning is similar on a small scale to Pascal’s Gambit where it is better to believe that God exists than not believe because you have so little to lose by believing and so much – both infinite and eternal – to gain. Henry Mintzberg puts it this way, “Too much planning may lead us to chaos, but so too would too little and more directly.”[[82]](#endnote-81) As Michael Porter asserts: “**questions that good planning seeks to answer . . . will never lose their relevance.**”[[83]](#endnote-82)

# Strategic Management

The essence of strategy is

choosing what not to do.

Michael Porter

What is strategic management? According to one major study that reviewed academic definitions within and across fields, “strategic management deals with the major intended and emergent initiatives taken by general managers on behalf of owners, involving utilization of resources, to enhance the performance of firms in their external environments.”[[84]](#endnote-83) Bryson gets it tighter, “the reasonable integration of strategic planning and implementation across an organization.” Oster’s lays out three primary elements: setting the strategy, implementing the strategy, and evaluating the results.[[85]](#endnote-84) This is how she envisions the process of putting it all together:[[86]](#endnote-85)



A better definition of strategic management is “the formulation, implementation, and evaluation of managerial actions that enhance the value of a business enterprise.”[[87]](#endnote-86) In sum, **the heart of strategic management is formulation of the strategy, its implementation, and then evaluation of the results.** They are the core of the sustainable strategy approach:



Because of the complex relationships and often-smaller scale for nonprofits – 77% have budgets of less than $1 million[[88]](#endnote-87) - the sustainable strategy approach breaks operations into two pieces so that no one neglects delegation. In the sustainable strategy approach, the right answers come from the five questions that every organization must answer:

* Why?
* Where to go tomorrow?
* What to do today?
* Who does what?
* When did it happen?

You can answer these five questions in many different ways, from informal to formal. Sustainable Strategy takes a moderate approach that strikes a balance between these two extremes by creating a unified frame – a classic approach to strategic management – to guide the work of the organization.

Governance experts John and Miriam Carver argue that the job of leadership is to ensure that “the organization produces what it should ... while avoiding situations and conduct that should not occur.”[[89]](#endnote-88) William Bowen, former president of the Mellon Foundation, says, “Perhaps the overriding obligation . . . is to require that a sensible plan of some kind be in place and that it be monitored carefully.”[[90]](#endnote-89)

For the Carvers, accomplishing the mission is the end; for Bowmen, the plan is the means to that end. For organizations looking for a quick and practical way to do both, the five questions are the key, and sustainable strategyoffers a method for answering them.

In terms of the strategic plan, it is the combination of the purpose and the strategy. Purpose contains values that guide behavior and mission that describes the customer, the life-changing difference they experience because of being your client, and how your agency is better than its rivals – your competitive advantage as it were.

Strategy is where the high-impact decisions are made about how to bring the purpose to life. Strategy advances the organization’s purpose. This is why gurus like Michael Porter often talk about competitive strategy.[[91]](#endnote-90) After all, why would any organization undertake a strategy if it didn’t advance its interests by serving its clients better, garnering greater resources to serve those clients better, or to serve even more clients? In other words, by being competitive.

Strategy in the for-profit sector is “an integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage.”[[92]](#endnote-91) Strategies are not the competitive advantage; they’re what establish it.

Michael Porter’s definition is, “Strategy is the big picture of how an organization is going to win.”[[93]](#endnote-92) Nonprofit experts David La Piana and Michaela Hayes define strategy as a “pattern of thoughtful action through which an organization’s leaders seek an increased share of limited resources, with the goal of advancing their mission.”[[94]](#endnote-93) James Phills says, “mission, no matter how clear, compelling, or poetic, won’t ensure economic vitality. That is the job of strategy.”[[95]](#endnote-94) Add this all up for a simple definition that

strategy brings purpose to life.

# Plan to Plan

We can’t cross a bridge until we come to it;

but I always like to lay down a pontoon ahead of time.

Barnard Baruch

## First Who

Choosing who will participate in strategic management decisions is a critical matter. Half of all decisions in organizations fail primarily because people “impose solutions, limit the search for alternatives, and use power to implement their plans.”[[96]](#endnote-95) Paul Nutt suggests that the leader “make the need for action clear at the outset, set objectives, carry out an unrestricted search for solutions, and get key people to participate.”[[97]](#endnote-96) **But which key people?**

Some boards, like smaller all-volunteer agencies, will obviously be very involved. Other boards with full-time staff may participate less. Some experts say “those who carry out strategy must also make it.”[[98]](#endnote-97) If the staff who will implement the strategy are missing from the room, you are doomed for failure. So, should the marketing director be in the room, the development officer? Or should you use a small, behind-the-scenes group of executive leadership to take the role?

The degree of involvement is fluid and depends upon a host of variables including the experience of the executive, the amount and depth of staff, and resources available. A grassroots organization with a budget of less than $100,000 and no full-time professional staff will answer the five questions differently than a $10 million foundation.

Some people use the need for acceptance and quality of decision as key factors in deciding who should be involved. Gary Yukl’s modification of Victor Vroom and Phillip Yetton’s model[[99]](#endnote-98) has two variables – the decision quality and subordinate acceptance – and three decision making styles – directive, consultative, and group.

Generally simplified, if subordinates’ acceptance is not important or everyone will agree with whatever you decide, you make the decision. If you need acceptance and the decision quality isn’t quite as important, delegate the decision to the group. If you need acceptance and the decision quality is important, consult the group, but make the decision yourself.[[100]](#endnote-99)

When it comes to directive versus participative, some people argue that the latter is the only way to go. Indeed, many nonprofit leaders avoid directive (also called autocratic) decision making on principal.[[101]](#endnote-100) Wilfred Drath for example condemns the lone hero directive style, but he recognizes the difficulties of participative approaches, including the limitations of too many chefs in the kitchen and diffused accountability.[[102]](#endnote-101) As the Chinese proverb goes, “A courtyard common to all will be swept by no one.”

Not everyone thinks that participative approach is best in all situations. Gary Yukl, for example, warns that the lack of “consistent results about the effectiveness of participative leadership probably means that various forms of participation are effective in some situations but not in others.”[[103]](#endnote-102) Recognizing this explicitly is Henry Mintzberg who says that in times of crisis, people not only expect directive leadership, but demand it. Because the organization “must respond quickly and in an integrated fashion, it turns to its leader for direction.”[[104]](#endnote-103)

John Kotter and Leonard Schlesinger also use time as the key variable when offering their continuum that goes from “a very rapid implementation, a clear plan of action, and little involvement of others [to] a much slower change process, a less clear plan, and involvement on the part of many people other than the change initiators.”[[105]](#endnote-104) The bottom line is that **if you need lots of acceptance, go slower and have more people involved, if you don’t need lots of acceptance, go as fast as you want and have fewer.**

Equally important to the steps are the conditions for a successful planning process that Allison and Kaye advocate. These factors are affinity grouped in the table below:

| Allison and Kaye’s Specific Conditions[[106]](#endnote-105) | Affinity Groups |
| --- | --- |
| * Commitment, support, and involvement of top leadership, especially the executive director and board president.
* Commitment of organizational resources to complete the planning process as designed (including time of staff and board members, money for consultants, and needed research).
* Commitment to tying the strategic planning process to the organization’s annual planning and budgeting process.
 | Commitment |
| * Commitment to clarifying the roles of all participants in the planning process, including clarity about who will have input into the plan and who will be the decision makers.
* Balanced mix of individuals on the planning committee, from big-picture visionaries to a detail-oriented thinkers group that is committed to full participation and is likely to be able to work well together (including the ability to disagree with each other).
* Willingness to encourage participation of board, staff, and as appropriate, external stakeholders.
* Board and staff who understand the purpose of planning and are clear about the desired process outcomes and issues to be addressed.
* No serious conflict exists between key players with the organization.
 | Team |
| * A willingness to question the status quo and look at new ways of doing things, along with a willingness to ask the hard questions and face difficult choices.
* Board and top management are willing to articulate constraints and non-negotiable issues up front.
 | Trust |
| * No high-impact decision (e.g. a major funding or policy decision is about to be made by an external source) that would dramatically change the course of the organization.
* Organization is not in the middle of merger discussions.
 | Timing |

## Then What

In terms of the steps for planning, experts agree that you should follow a multi-step process. Here is Bryson’s classic 10-step strategic planning process for nonprofits:

1. Initial Agreement

2. Mandates

3. Mission/Values

4. External and Internal Environment

5. Strategic Issues

6. Strategy Formation

7. Strategy and Plan Review and Adoption

8. Description of Organization in the Future

9. Implementation

10. Strategy and Planning Process Reassessment[[107]](#endnote-106)

Allison and Kaye’s nonprofit model is also 10 steps:

1. Set up for Success
2. Internal Stakeholder Engagement
3. Mission, Vision, Values
4. Environmental Scan
5. Theory of Change and Program Portfolio
6. Business Model
7. Organization Capacity
8. Leadership
9. Complete the Strategic Plan
10. Use Your Plan Successfully[[108]](#endnote-107)

Nolan, Goodstein, and Goodstein’s Applied Strategic Planning uses a nine-step protocol:

1. Planning to Plan
2. Values and Culture
3. Mission Formulation
4. Strategic Business Modeling
5. Performance Audit
6. Gap Analysis and Closure
7. Integrating Action Plans
8. Contingency Planning
9. Implementing Your Plan[[109]](#endnote-108)

Here are the eight steps for creating a sustainable strategy strategic plan:

1. Get Set: First Who, Then What
2. Purpose: Values and Mission
3. Current Strategy: Lines of Business, Success Measures, and Vision
4. Vision Statement: Ideate and Statement
5. Vision Ideas: Collect and Evaluate
6. Vision Strategies: Build and Test
7. Strategy: Lines of Business, Success Measures, and Vision
8. Strategic Plan

Michael Porter argues there are just three questions you must answer when building competitive strategy: “What is the business doing now? What is happening in the environment? What should the business be doing?”[[110]](#endnote-109) As Burt Nanus observes, “vision starts with understanding the enterprise – or in other words, what you see depends on where you stand – you must be quite clear about the fundamentals of the business you are in.”[[111]](#endnote-110) After all, who would plan a trip without knowing the point of departure? Here then is the trip map for building a sustainable strategic plan:



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Endnotes

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2. (J. Peters & Wolfred, 2001, p. 4) [↑](#endnote-ref-1)
3. (J. Peters & Wolfred, 2001, p. 21) [↑](#endnote-ref-2)
4. (Carver, 1997; Chait, Holland, & Taylor, 1996; Dees, Economy, & Emerson, 2001; P. Light, 2002b) [↑](#endnote-ref-3)
5. (J. Peters & Wolfred, 2001, p. 14) [↑](#endnote-ref-4)
6. (J. Peters & Wolfred, 2001, p. 20) [↑](#endnote-ref-5)
7. (P. Light, 2002a, pp. 9-10) [↑](#endnote-ref-6)
8. (P. Light, 2002a, p. 10) [↑](#endnote-ref-7)
9. (Brenner, 2008, p. 8) [↑](#endnote-ref-8)
10. (J. Peters & Wolfred, 2001) [↑](#endnote-ref-9)
11. ("How the economy looks to you," 2008) [↑](#endnote-ref-10)
12. (Handy, 1998, p. xix) [↑](#endnote-ref-11)
13. (Drucker, 1990, p. 152) [↑](#endnote-ref-12)
14. (Anthony, 2010). The General’s actual quote was “No plan of battle ever survives contact with the enemy.” [↑](#endnote-ref-13)
15. (Hill & Wooden, 2001, p. 72) [↑](#endnote-ref-14)
16. (Mintzberg, Ahlstrand, & Lampel, 1998, p. 11) [↑](#endnote-ref-15)
17. (Frank, 2001, p. 791) [↑](#endnote-ref-16)
18. (T. J. Peters & Waterman, 1982, p. 13) [↑](#endnote-ref-17)
19. (G. A. Miller, Galanter, & Pribram, 1960) [↑](#endnote-ref-18)
20. (Lester, 1995, p. 72) [↑](#endnote-ref-19)
21. (Burns, 1978, p. 455) [↑](#endnote-ref-20)
22. (Heifetz, 1994; Northouse, 2001; Yukl, 2002) [↑](#endnote-ref-21)
23. ("Management Tools - Top 10 Management Tools," 2013) [↑](#endnote-ref-22)
24. (P. Light, 2002b, pp. 171-176) [↑](#endnote-ref-23)
25. (Wiener, Kirsch, & McCormack, 2002, p. 68) [↑](#endnote-ref-24)
26. (Wiener et al., 2002, p. 26) [↑](#endnote-ref-25)
27. (Mintzberg, 1994b, pp. 6-7) [↑](#endnote-ref-26)
28. (Mintzberg, 1994b, p. 36 italics as written) [↑](#endnote-ref-27)
29. (Mintzberg, 1994b, pp. 38-39 italics as written, bolding removed) [↑](#endnote-ref-28)
30. (P. Light, 1998, p. 16) [↑](#endnote-ref-29)
31. (Kaplan & Norton, 1996, p. 82) [↑](#endnote-ref-30)
32. (Hopkins & Hyde, 2002, p. 11) [↑](#endnote-ref-31)
33. (Hopkins & Hyde, 2002, p. 11) [↑](#endnote-ref-32)
34. (Mintzberg, 1994b, p. 324) [↑](#endnote-ref-33)
35. (McKeever, 2015) [↑](#endnote-ref-34)
36. (Yoshioka & Ashcraft, 2008) This study of operating nonprofit organizations in Arizona found that 54 percent of the estimated 39,600 agencies operating in the state were not in the National Center for Charitable Center database. The estimate included viable agencies only. Applying the ratio found in Arizona nationally yields a field of just over 3 million. [↑](#endnote-ref-35)
37. (Wiener et al., 2002, p. 66) [↑](#endnote-ref-36)
38. (Wolfred, Allison, & Masaoka, 1999) [↑](#endnote-ref-37)
39. (Bryson, 1995) [↑](#endnote-ref-38)
40. (Allison & Kaye, 1997, pp. 52-53) [↑](#endnote-ref-39)
41. (Barry, 1997) [↑](#endnote-ref-40)
42. (Bradford, Duncan, & Tarcy, 2000, pp. 30-31) [↑](#endnote-ref-41)
43. (Collins & Porras, 1994, p. 9) [↑](#endnote-ref-42)
44. (Schwenk & Shrader, 1993, p. 60) [↑](#endnote-ref-43)
45. (Quoted in Bhide, 1994, p. 150) [↑](#endnote-ref-44)
46. (Mintzberg, 1994b, p. 342) [↑](#endnote-ref-45)
47. (Mintzberg, 1978, p. 943) [↑](#endnote-ref-46)
48. (Kay, 1995, p. 266) [↑](#endnote-ref-47)
49. (Collins & Porras, 1994, p. 9) [↑](#endnote-ref-48)
50. (Bossidy, Charan, & Burck, 2002, p. 15) [↑](#endnote-ref-49)
51. (Boyd, 1991, p. 369) [↑](#endnote-ref-50)
52. (Capon, Farley, & Hulbert, 1994, pp. 109-110) [↑](#endnote-ref-51)
53. (C. Miller & Cardinal, 1994, p. 1662) [↑](#endnote-ref-52)
54. (Herman & Renz, 1999, p. 117) [↑](#endnote-ref-53)
55. (Siciliano, 1997, p. 387) [↑](#endnote-ref-54)
56. (Stone, Bigelow, & Crittenden, 1999, p. 391) [↑](#endnote-ref-55)
57. (Mintzberg, 1994b, p. 333) [↑](#endnote-ref-56)
58. (Myers & Kitsuse, 2000, p. 221) [↑](#endnote-ref-57)
59. (Mintzberg, 1994b, p. 379) [↑](#endnote-ref-58)
60. (Allison & Kaye, 2005, p. 3) [↑](#endnote-ref-59)
61. (Bryson & Alston, 1996) [↑](#endnote-ref-60)
62. (Bryson, 1995, p. 7) [↑](#endnote-ref-61)
63. (Barry, 1997) [↑](#endnote-ref-62)
64. (Bowen, 1994, p. 29) [↑](#endnote-ref-63)
65. (Quoted in Walton, 1986, p. 55) [↑](#endnote-ref-64)
66. (Gardner & Laskin, 1995, p. 43) [↑](#endnote-ref-65)
67. ("Raising money: Tips for start-up organizations," 2000, p. 5) [↑](#endnote-ref-66)
68. (Chen, Yao, & Kotha, 2009) [↑](#endnote-ref-67)
69. (Rigby & Bilodeau, 2013) [↑](#endnote-ref-68)
70. (P. Light, 2002b, pp. 171, 176) [↑](#endnote-ref-69)
71. (*2005 MSO Benchmarking Survey Results*, 2005) [↑](#endnote-ref-70)
72. (Stone et al., 1999, p. 409) [↑](#endnote-ref-71)
73. (Stone et al., 1999, p. 409) [↑](#endnote-ref-72)
74. (Frank, 2001, p. 833) [↑](#endnote-ref-73)
75. (W. F. Crittenden, Crittenden, Stone, & Robertson, 2004, p. 99) [↑](#endnote-ref-74)
76. (W. E. Crittenden, Crittenden, & Hunt, 1988, p. 68) [↑](#endnote-ref-75)
77. (Covey, 1989, p. 76) [↑](#endnote-ref-76)
78. (P. Light, 1998, p. 23) [↑](#endnote-ref-77)
79. (Frank, 2001, p. 934) [↑](#endnote-ref-78)
80. (Beinhocker & Kaplan, 2002, p. 55) [↑](#endnote-ref-79)
81. (Herman & Renz, 1999, p. 123) [↑](#endnote-ref-80)
82. (Mintzberg, 1994a, pp. 415-416) [↑](#endnote-ref-81)
83. (Michael E Porter, 1987, p. 18) [↑](#endnote-ref-82)
84. (Nag, Hambrick, & Chen, 2007, p. 944) [↑](#endnote-ref-83)
85. (Oster, 1995, pp. 11-15) [↑](#endnote-ref-84)
86. (Oster, 1995, pp. 12 gray-filled boxes added) [↑](#endnote-ref-85)
87. (Teece, 1990) [↑](#endnote-ref-86)
88. (McKeever, 2015) [↑](#endnote-ref-87)
89. (Carver & Carver, 1997, p. 30) [↑](#endnote-ref-88)
90. (Bowen, 1994, p. 29) [↑](#endnote-ref-89)
91. (Michael E. Porter, 1998) [↑](#endnote-ref-90)
92. (Hitt, Ireland, & Hoskisson, 2009, p. 4) [↑](#endnote-ref-91)
93. (Michael E. Porter, 2012) [↑](#endnote-ref-92)
94. (La Piana & Hayes, 2005, p. xx) [↑](#endnote-ref-93)
95. (Phills, 2004, p. 52) [↑](#endnote-ref-94)
96. (Nutt, 1999, p. 75) [↑](#endnote-ref-95)
97. (Nutt, 1999, p. 75) [↑](#endnote-ref-96)
98. (Beinhocker & Kaplan, 2002, p. 53 bolded as written) [↑](#endnote-ref-97)
99. (Vroom & Yetton, 1973) [↑](#endnote-ref-98)
100. (Yukl, 2010, p. 98) [↑](#endnote-ref-99)
101. (Meehan & Arrick, 2004; Reinelt, Foster, & Sullivan, 2002) [↑](#endnote-ref-100)
102. (Drath, 1996) [↑](#endnote-ref-101)
103. (Yukl, 2010, p. 116) [↑](#endnote-ref-102)
104. (Mintzberg, 1983, p. 141) [↑](#endnote-ref-103)
105. (Kotter, 1999, p. 45) [↑](#endnote-ref-104)
106. (Allison & Kaye, 2015, pp. 32-33) [↑](#endnote-ref-105)
107. (Bryson, 2011, pp. 44-45) [↑](#endnote-ref-106)
108. (Allison & Kaye, 2015, p. 11) [↑](#endnote-ref-107)
109. (Nolan, Goodstein, & Goodstein, 2008, p. 5) [↑](#endnote-ref-108)
110. (Michael E. Porter, 1998, p. xxvii) [↑](#endnote-ref-109)
111. (Nanus, 1992, p. 44) [↑](#endnote-ref-110)