

The Value of Strategic Planning for Small Non-Profit Organizations

Gevorg Sargsyan
Lamar University

Enrique R. Venta
Lamar University

Craig Escamilla
Lamar University

Hannah Rumsey
Lamar University

Joshua Gibbs
Deloitte & Touche LLP

ABSTRACT

This paper describes results of research conducted on the value of strategic planning in small non-profit organizations. A survey instrument was developed based on Bryson's strategic planning process (Bryson, 2011) and sent to 204 small non-profit organizations in Southeast Texas, with 34 responses received. About half the organizations had a formal strategic plan. Those organizations have a higher incidence of the use of vision statements, identification of organizational goals, values/guiding principles, and key issues. A priori expectation is that these organizations are likely to make better managerial decisions. However, results show a greater percentage of organizations that did not use strategic planning believed that they made good decisions than those who use strategic planning. The organizations that do not use strategic planning are probably not as aware of the issues and challenges facing them and so they feel unrealistically confident of their preparation for the future and financial stability. Possibly the process of going through strategic plan makes organizations more aware of external factors and internal strengths and weaknesses.

Keywords: Non-profit organization, Strategic planning, Efficiency, Financial stability, Long-term prospects

Copyright statement: Authors retain the copyright to the manuscripts published in AABRI journals. Please see the AABRI Copyright Policy at <http://www.aabri.com/copyright.html>

INTRODUCTION AND BACKGROUND

A non-profit organization is an organization that conducts business for the benefit of the public without shareholders and a profit motive (“Non-Profit Organizations”, 2017). The literature related to this topic outlines the increasing needs for non-profit organizations. The main reason for these needs is the erosion of safety nets provided by governments. Without the assistance of non-profits to help people in need, millions are left without proper health care, education, and other basic human needs (Schlesinger & Gray, 2006). Another reason for the increase in the need for non-profit organizations is a decline in family structure (Dreyer, et al., 2016).

Although a rich literature exists for the role of strategic planning in larger organizations (for-profit and non-profit organizations), there is limited literature found for small and medium non-profit organizations. The main work that has contributed to non-profit strategic planning literature is John Bryson’s “Strategic Planning for Public and Nonprofit Organizations: A Guide to Strengthening and Sustaining Organizational Achievement”. Bryson outlines a ten-step process for strategic planning in non-profit organizations. Elements of this process are the basis of the survey used in this study. Bryson expresses the need to keep goals, concerns, and interests of stakeholders at the forefront of all business decisions. Non-profit strategic planning “requires good working relationships between the strategic planning staff, unit or division managers, and the top management team” (Ugboro, Obeng, & Spann, 2011). Policy issues and other unique mandates because of the nature of nonprofit organizations make strategic planning for these organizations a challenge (Bryson, 2011). Because of the unique nature of non-profit organizations and lack of available literature, “significant gaps exist in our knowledge [because] few explicit connections have been made among research studies” (Stone, Bigelow, & Crittenden, 1999). This disparity increases the need for research on not-for-profits, their structure, and how strategic planning is used.

RESEARCH METHOD

To conduct this analysis, a survey was created based on Bryson’s 10 step plan for strategic planning. A summary of survey questions associated with each step in Bryson’s plan is provided in table 1. The strategic planning process is initiated by the formation of a strategic planning task force where the organization’s stakeholders, purpose, and major leadership roles are identified. Next, the organization must identify organizational mandates they include the requirements, restrictions, and expectations of the organization. These are the “musts” of an organization.

The third step in this process is the formulation of the mission and determination of the values of the organization. This, in most simple terms, is the social justification for the organization’s existence, ethical standards, and general philosophy. The fourth step in this process is the identification of an organization’s internal and external environment. The internal environment consists of employees, managers, and stakeholders. In contrast, the external environment consists of factors that the organization cannot control: political, social, economic, and legal for example. The result of the internal and external evaluations drives the SWOT (strengths, weaknesses, opportunities and threats) analysis. () Using the SWOT analysis, the fifth step in the process identifies the strategic issues that are facing the organization. These are fundamental issues and overall challenges facing the organization.

The sixth step is formulation and evaluation of strategies to respond to the identified issues. An effective strategy is foreseeable, politically stable, ethical, moral, and legal. () The seventh step is the adoption of the strategic plan. At this juncture, it is essential for the organization to pay attention to the goals, concerns, and interests of stakeholders. The eighth step is the development, formulation and adoption of the organization's vision. In other words, what the company seeks to become. The ninth step in this approach is the development of an effective implementation process. It is essential here to consider building capacity for sustained implementation, goal achievement, and building a continuous learning organization.

The final step in this process is the evaluation of the effectiveness of the strategic plan. Generally, a set of measures is developed along with the plan to be able to compare the results of the plan to previously agreed upon benchmarks. The evaluation happens after the plan has been in place for some time. This evaluation is accomplished by comparing the organization's performance to previously established financial and strategic controls. In the for-profit sector these controls are easily determined and include items such as profit margin, return on equity and market share. In the non-profit sector these controls are much more difficult to formulate. Typical financial controls are generally not available and surrogates like perceived financial stability, long term health of the organization, and stakeholder satisfaction measures are used. The difficulty of evaluating the effectiveness of the strategic plan is a fundamental difference between the for-profit and non-profit sectors.

Following Bryson's approach, a survey instrument was developed. The complete survey is shown in the Appendix. Table 1 below depicts how the questions from the survey relate to Bryson's ten steps. One of the questions asked early in the survey is whether the organization has a formal strategic plan. The answer to this question bifurcates the survey. Similar questions are asked in both parts, but the language is slightly different to reflect the existence or lack of a formal strategic plan.

Table 1. Alignment between survey questions and Bryson's methodology

Bryson's 10 Step Strategic Planning Process	Survey Questions
1. Initiation and Agreement of Strategic Planning Process	Q 1- 10, 28, 29, 30, 32, 39, 40, 41
2. Identification of Mandates	Q12, 43, 53, 57
3. Organization's Mission and Values	Q16, 17, 18, 45, 46
4. Identification of External and Internal Environments	Q 20, 21, 46, 47
5. Identification of Strategic Issues	Q22, 23, 48, 49
6. Formulation of Strategies and Plan	Q11, 19, 42, 54, 58
7. Adoption of Strategies and Plan	Q24, 25, 50
8. Establishment of Organization's Vision	Q13, 14, 44
9. Development of an Effective Implementation Process	Q25, 26, 27, 51
10. Assessment of Strategies and the Strategic Planning Process	Q33, 34, 35, 36, 37, 52, 56

RESEARCH RESULTS

Thirty-four (34) responses were received from local small nonprofit organizations, out of the 204 survey questionnaires that were distributed. The results from the survey showed that most non-profit organizations are not using strategic planning. 52% of the not-for-profit organizations do not have a formal strategic plan, but even those that don't have a formal strategic plan still have a mission statement. 61% of the not-for-profits identify their stakeholders and 39% do not. Similarly, only 61% of the organizations identify how their service is provided. However, 93% of the organizations have a mission statement that identifies who the organization serves. The survey takes two paths depending on the existence of a formal strategic plan. Table 2 shows a summary of the significant differences between organizations that have a formal plan and those that do not.

Table 2. Differences between organizations that have a formal strategic plan and those that do not

	Mission identifies what the organization hopes to be	Existence of vision statement	Existence of values/guiding principles	Identification of Key Issues: "Nearly complete" & "Complete"	Importance of key issues: "Nearly complete" & "Complete"
Formal strategic plan (52%)	69%	84%	76%	61%	62%
No formal strategic plan (48%)	47%	26%	53%	13%	27%
All organizations	57%	54%	64%	29%	32%

Organizations with a strategic plan had a yes response rate of 69% to the question "does your organization's mission statement identify what the organization hopes to be" while not-profits without a strategic plan had a yes response rate of 47%. 84% of the organizations with a formal strategic plan have a vision statement compared to 26% of organizations without a plan. Overall, 64% of the respondents have a list of values/guiding principles, but organizations with a strategic plan had a 76% yes response rate compared to the 53% yes response rate of those without a strategic plan. In organizations with a strategic plan, 61% had "nearly complete" and "complete" identification of key issues and challenges versus the not-profits without a strategic plan which only had 20%. Overall, most organizations describe the important key issues to some extent, with those organizations with a strategic plan having a 62% response rate of "nearly complete" and "complete" description compared to 27% for those without a plan.

Organizations without strategic plans have less appreciation of the impact of external factors and of the strengths of their internal organization. Table 3 shows in detail the importance of each factor to organizations with and without a strategic plan. As can be observed in the table those organizations with a formal strategic plan are more aware of all factors and strengths.

Table 3: Importance of external factors and internal strengths of the organization

Factor or strength	Formal strategic plan (52%)	No formal strategic plan (48%)	All organizations
External factors			
Political, legal and regulatory	54%	40%	46%
Economic	92%	60%	75%
Social and demographic	92%	73%	82%
Technology	62%	40%	50%
Competitors	77%	47%	61%
Internal strengths			
Suppliers and vendors	46%	33%	39%
Clients, beneficiaries, patrons	77%	47%	61%
Available resources	77%	60%	68%
Core competences	92%	73%	82%
Organizational structure	77%	55%	64%

The final set of questions are an attempt to measure the perceived effectiveness, financial stability and long-term health of the organizations. Because quantitative measures of these factors are not available to researchers, and in fact are often not available for small not-profits, the opinions of the leadership are used as surrogates. Table 4 below shows the results of these measures. The data in the table shows surprisingly that organizations without a strategic plan feel that they are effective, financially stable and in good position in the future to a greater degree than those with a formal plan. The results of the table appear to be inconsistent with those presented earlier in this section.

Table 4: Perceptions of effectiveness, financial stability and long-term health

	Formal strategic plan (52%)	No formal strategic plan (48%)	All organizations
Effectiveness (fulfilment of mission)	85%	90%	88%
Financial stability	43%	81%	60%
Long-term health	43%	82%	60%

DISCUSSION, LIMITATIONS OF THE STUDY AND FUTURE RESEARCH

The results of this study provide a glimpse into the value of using of strategic planning in small non-profit organizations. The sample used in this study is small and regional, making it difficult to obtain widespread conclusions. In spite of this limitation, interesting insights can be obtained.

About half the organizations that responded to our survey had a formal strategic plan. In those that didn't have a formal plan, there is a lower incidence of the use of vision statements, identification of organizational goals, identification of values/guiding principles, and identification of key issues. By using a strategic planning process an organization becomes more aware of their internal and external environment. Because the organization is more in tune with their internal and external environment, the expectation is that they are more likely to make better managerial decisions that will allow the organization to be more efficient in fulfilling their mission, achieving financial stability and securing long term health.

In contrast to this expectation, in our survey a greater percentage of organizations that did not use strategic planning believed that they were fulfilling their mission, achieving financial stability and planning for the future than those organizations who use strategic planning. Because the strategic planning process takes into consideration the strengths, weaknesses, opportunities, and threats, organizations using strategic planning are more aware of their performance, stability, and potential. This apparent contradiction could mean that the organizations that do not use strategic planning are not as aware of the issues and challenges facing them and so they feel unreasonably confident of their preparation for the future and financial stability.

The study concludes that organizations without strategic planning may lack the forward thinking needed to fully realize their potential. Organizations without strategic planning may be focusing on the day-to-day operations of the organization, rather than on long term success and viability. It might be the process of going through strategic plan makes those organizations more aware of external factors and internal strengths.

Future work will focus on continuing the study of the non-profit organizations in Europe. The focus will be on two different countries. First the research will be extended to Spain, a developed member of the European Union that has a different structure of the non-profit sector than the US. Second, the study will include Armenia, a developing ex-Soviet Union country that since independence has relied in a great extent and still relies on non-profit organizations. The work in Spain has already begun.

REFERENCES

Bryson, J. M. (2011). *Strategic planning for public service and non-profit organizations*. Oxford: Pergamon Press.

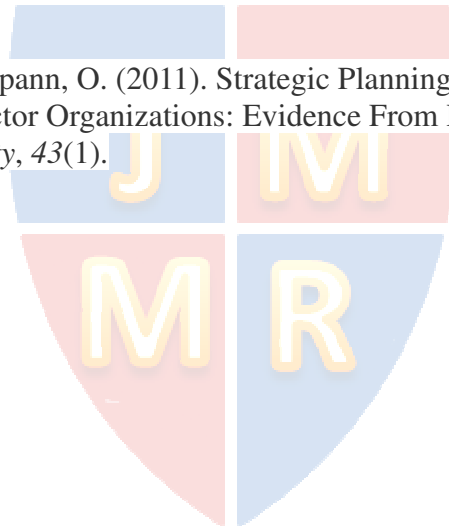
Dreyer, B., Chung, P. J., Szilagyi, P., & Wong, S. (2016). Child Poverty in the United States Today: Introduction and Executive Summary, *Academic Pediatrics, 16*(3).

Cornell Law School Legal Information Institute (2017). Non-profit organizations. Retrieved from http://www.law.cornell.edu/wex/non-profit_organizations

Schlesinger, M., & Gray, B. H. (2006). How Nonprofits Matter In American Medicine, And What To Do About It, *Health Affairs, Vol. 25, no. Supplement 1*

Stone, M. M., Bigelow, B., & Crittenden, W. (1999). Research on Strategic Management in Non-profit Organizations: Synthesis, Analysis, and Future Directions. *Administration & Society, 31*(3).

Ugboro, I. O., Obeng, K., & Spann, O. (2011). Strategic Planning As an Effective Tool of Strategic Management in Public Sector Organizations: Evidence From Public Transit Organizations, *Administration & Society, 43*(1).



APPENDIX

Question Number	Question
Q1	Does your organization (the local organization over which you have control) have a strategic/long-range plan?
Q2	Is a strategic plan required of your organization by an umbrella organization or granting agency?
Q3	When was the plan last updated?
Q4	How frequently is progress towards achieving the strategic plan discussed in board meetings or executive meetings?
Q5, Q38	Did your organization have a mission/purpose statement prior to the strategic plan's development?
Q6	Was the mission statement reviewed as part of the strategic planning process?
Q7	Was a mission statement developed as part of the strategic planning process?
Q8, Q39	Does your organization's mission statement identify who is part of the organization?
Q9, Q40	Does your organization's mission statement identify who the organization serves?
Q10, Q41	Does your organization's mission statement identify what the organization does?
Q11, Q42	Does your organization's mission statement identify how the organization provides this service?
Q12, Q43	Does your organization's mission statement identify what the organization hopes to be?
Q13, Q44	Did your organization have a vision statement (what your organization aspires to be) prior to the strategic plan's development?
Q14	Was the vision statement reviewed as part of the strategic planning process?
Q15	Did you develop a vision statement as part of the strategic planning process?

- Q16, Q45 Did your organization have a list of values/guiding principals prior to the strategic plan's development?
- Q17 Was the list of values reviewed as a part of the strategic planning process?
- Q18 Was a list of values developed as a part of the strategic planning process?
- Q19 Was the list of values revised as a part of the strategic planning process?
- Q20, Q46 Which of the following did your organization consider during the strategic planning process? (Political/legal/regulatory issues, Economic issues, Social/demographic issues, Technology issues, Other organizations that provide similar services, Relationship with suppliers/vendors/services providers to organizations similar to yours, Relationship with organizational customers, relationship with donors and grantors, resources your organization has available, things your organization does well, whether you are organized to achieve your organization's goals)
- Q21, Q47 To what degree did your organization identify key issues and challenges facing the organization that should be addressed by the strategic plan?
- Q22, Q48 To what degree did your organization describe why these key issues are important
- Q23, Q49 To what degree did your organization identify the negative consequences of not addressing these key issues and challenges?
- Q24, Q50 Did your organization discuss specific action steps to take to address the key challenges /issues facing the organization?
- Q25 Were those action steps incorporated into the final plan document?
- Q26, Q51 Did the planning process discuss resources needed, and their appropriate applications, to address the key challenges/issues facing the organization?
- Q27 Were those resource plans incorporated into the final plan document?
- Q28 Who initiated your organization's strategic planning process? (Executive Director/Management, Board/Board President, Other)
- Q29 Which of the following groups were involved in your strategic planning process? (Executive Director, Staff, Executive Board, Board, Donors, Grantors, Customers/Clients/Patrons, Volunteers, Legislators/Regulators, Civic/Community Leader, Other)

- Q30 Did your organization explicitly create a list of who should be included in the strategic planning process?
- Q31 Did you hire/use a consultant for the strategic planning process?
- Q32 Did the consultant give you a template for the plan document?
- Q33 Did any of the following stakeholder groups review the plan document, after it was drafted, before a final approval (mark all that apply):
- Q34 Which of the following groups of stakeholders were given responsibility for implementing the strategic plan (mark all that apply):
- Q36 Which of the following stakeholder groups are involved in the monitoring process of the plan (mark all that apply):
(Executive Director, Staff, Executive Board, Board, Donors, Grantors, Customers/Clients, Volunteers, Legislators/Regulators, Civic/Community Leaders)
- Q35 Which of the following items are included in the plan (mark all that apply): (Parties responsible for strategy/action execution, Milestones for strategy/action execution, Deadlines for strategy/action completion, Schedules for plan implementation, Sources of needed resources, Plans to communicate the strategic plan to stakeholders, Plans for monitoring the strategic plan's progress, Plan for reviewing and updating the strategic plan)
- Q37 To what extent is progress towards achieving the strategic plan tracked?
- Q52, Q56 To what degree do you believe your organization is meeting its mission?
- Q53, Q57 To what degree is your organization financially stable?
- Q54, Q58 To what degree is your organization proactive in preparing for the future?
- Q55, Q60 Please share any other relevant details about your strategic planning process, strategic plan, and/or strategic plan execution.
- Q59 Please attach a copy of your organization's strategic plan document, including your organization's mission statement.
-