

Strategic Planning in Nonprofit Organizations: A Content Analysis of Best Practices

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I have adhered to the Trinity Washington University policy regarding academic honesty in  
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## Abstract

The external environments in which organizations operate continue to be complex in terms of the nature and magnitude of opportunities and threats that keep emerging from them. Many organizations including those in the nonprofit sector have found it necessary to develop capabilities that can enable them take advantage of the opportunities that the environment present as well as tackle the challenges that come alongside these opportunities. Competition for the scarce resources as well as stricter requirements by government and funding organization have made it necessary for nonprofits to develop plans that will enable them tackle some of these challenges. Despite the known benefits of strategic planning to nonprofit organizations, many in the sector have not fully embraced the culture of strategic planning. This is mainly because planning is expensive and time consuming. Many nonprofits also lack planning capacities. This problem is made worse by the fact that there are many planning models that any organization can adopt. There is therefore need for the development of a best practice and a user friendly model that can simplify the planning process, especially for small nonprofits that lack the abundant resources necessary for effective planning. This study through content analysis, sought to develop a strategic planning model that can be implemented by small nonprofit organizations so as to simplify the planning process. This qualitative study utilized a content analysis approach to analyze and synthesize existing literature on strategic planning models for nonprofit organizations with the aim of developing a best practice model. For academicians and policy makers, this study sought to highlight planning issues and challenges in the nonprofit sector with the aim of developing solutions to such

*Keywords:* Strategic planning, nonprofit effectiveness, strategic approach, sophistication, best practice.

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### Introduction

The nonprofit sector has been plagued with varied and complex challenges emanating from the environment under which they operate. Capon, Farley and Hulbert (1980) identified competition and increased availability of data as some of the reasons compelling nonprofits to adopt strategic planning. Cases of fund mismanagement and lack of clarity of purpose among many nonprofit organizations have also not made matters easy for them (Kearns, 1994). Changes in the external environment such as the oil crisis, demographic shifts, changing values and privatization have led to scarcity and competition for resources between nonprofits and other for profit organizations. Despite these challenges, there has been a steady rise in the demand for services offered by nonprofits. While demand continue to rise, it is becoming increasingly difficult for many nonprofits to acquire financial resources. This has made it necessary for nonprofits to enter into collaboration with other organizations and also promote good governance and financial transparency (Aliston & Bryson, 2011).

These challenges have made it necessary for many nonprofits to adopt strategic planning. Bryson (2010) argues that strategic planning promotes strategic thinking, acting and learning. It assists the organization in enhancing its vision, help identify best strategies and improves the decision making process in the organization. Another challenge in the nonprofit world has been that of how to measure performance due to the nature of services provided by nonprofits. While different stakeholders use different criteria to measure performance, there are parameters that many stakeholders agree on as being universal to nonprofit performance; measures such as growth, resource acquisition and internal efficiency have been widely agreed upon by many stakeholders (Courtney, Marnoch & Williamson, 2009). The goal model theory proposed by Henri (2003) will also be used in developing the planning model.

While the benefits of strategic planning to any organization remains clear, research finds that the culture of strategic planning has not been fully embraced by many nonprofit organizations because of the challenges that come with the planning process. This study sought to develop a planning model that can assist organizations in their planning processes

### **Statement of the Problem**

With the continued threats from the external environment; dwindling resources; stricter regulations and preconditions for funding from major donors and governments; higher expectations from stakeholders; continued growth in demand for nonprofit services and competition for resources from the for profit sector, there seem to be more need for deliberate efforts to embrace strategic planning so as to enable nonprofit organizations realize their visions. As a result it is critical for chief executives and board members to fully embrace the culture of strategic planning in their organizations.

Despite the obvious need for planning, many nonprofits have not fully embraced it because of lack of resources that planning requires. This is also complicated by lack of a planning model that is both doable and interesting for participants (Mara, 2000). Many plans are not implemented because of lack of ownership by the main stakeholders. This comes as a result of lack of involvement and participation by key stakeholders. This study seeks to develop a model that can address these issues and make planning affordable, interesting and doable to small nonprofit organizations.

### **Purpose of the Study**

The purpose of this study was to develop a strategic planning model for small nonprofit organizations by examining the steps involved in the strategic planning process and the extent to which they are undertaken. This model was to be developed by carefully reviewing literature

then using content analysis to analyze and synthesize various planning models identified from the literature. In order to develop such a model, this study analyzed the manner in which many nonprofits conducted their strategic planning exercise with a view of developing a best practice to be used as a model for planning.

This study sought to investigate the factors that inform the planning process and implementation of strategic plans; the key elements of the strategic planning process among nonprofit organizations; the different approaches to strategic planning, and the factors that promote or inhibit strategic planning among nonprofit organizations. This study utilized the extensive research done on strategic planning among nonprofit organizations in developing a conceptual framework for strategic planning and best practice among nonprofit organizations.

### **Significance of the Study**

By analyzing different planning models, this study developed a model that can guide nonprofits in their strategic planning process. This model intends to reduce ambiguity and complexity of the planning process by outlining the strategic planning best practice and planning processes. By examining how nonprofits develop and successfully implement strategic plans, this study will make it possible to identify issues and challenges that stifle the adoption of formal strategic planning in the nonprofit sector. By understanding these dynamics, stakeholders such as funders, government, policy makers and academicians will be better placed when making decisions and formulating policies that govern the nonprofit sector. This study will also add to the existing body of knowledge and assist in identifying areas that need further research.

### **Theoretical Perspective**

This study will be guided by the social constructivism worldview. Herman & Renz (2004) argue that strategic planning practice in the nonprofit sector is purely subjective with

different organizations holding divergent views on what constitutes the planning process. This is an ongoing process of sense making and implicit negotiations. There is however a consensus that the social processes resulting in the development of a strategic plan could lead to a consensus among stakeholders on the criteria for the successful development and implementation of a strategic plan. Individuals develop subjective meanings of their experiences with situations or objects. This leads to varied meanings which the researcher seeks to understand through a research process. This study relied heavily on the organizations' perception of the situation under study. Through the use of content analysis, I sought to unearth various planning models that have been utilized by small nonprofit organizations in their planning process and how they can impact their planning (Creswell, 2014).

### **Research Method**

A content analysis design of inquiry was utilized to develop a strategic planning model for small nonprofit organizations. Content analysis is defined as an analysis of the underlying content of a body of communicated material and evaluating the key symbols and themes with the main of ascertaining its meaning and probable effect. This method is empirically grounded, predictive and exploratory in process. Through its own methodology, content analysis allows a researcher to plan, execute, communicate, and evaluate their analyses (Krippendorff, 2004).

Content analysis was conducted by analyzing 10 scholarly articles published on strategic planning processes in nonprofit organizations. The search was based on a criteria set by the researcher using keywords to guide the search. Articles were selected based on relevance to the topic rather than date of publication. These articles were first read for familiarization and then analyzed using first (descriptive) and second cycle coding (classifying, integrating, and

conceptualizing) with the aim of segregating, grouping and relinking in order to consolidate meaning and explanation (Saldana, 2009).

**Delimitations**

This study focused on the development of a strategic planning best practice and a planning model that can be implemented by small nonprofit organizations in order to facilitate the planning process and encourage the culture of strategic planning. This study might have extended to evaluate the impact of successful strategic planning on organizational effectiveness; however, due to time constraints, the content analysis only focused on synthesizing data on the available planning models identified in the literature review. The various planning procedures were referred to as models in this study.

**Limitations of the Study**

Due to time constraints, 10 scholarly articles on strategic planning models were selected for analysis. Increasing the number of scholarly articles, conducting surveys and case studies would have created a more comprehensive model for strategic planning. This would have allowed for more up to date practices to be included in the study. Due to time and resource constraints, the model developed in this study was not tested and modified before publication. This would have allowed for feedback on its practicability. Future research could benefit the sector more by testing this model in a pilot study before adoption by the nonprofit sector.

### **Literature Review**

This study through content analysis sought to investigate the various planning models used by nonprofits and how they could be modified to develop a best practice model that was easy to understand and implement. Many organizations are now embracing strategic planning as a response to the complexities emanating from the environment in which they operate. Despite its benefits, strategic planning has not been fully embraced in the nonprofit sector. This is both in terms of the approach to strategic planning and the amount of resources nonprofit dedicate to strategic planning. This study sought to explore the current state of strategic planning in the nonprofit sector and its contribution towards organizational effectiveness. The study analyzed existing literature on strategic planning models with a view of synthesizing them to develop a best practice model

### **The Nonprofit Sector**

Between 2001 and 2011 the Internal Revenue Services (IRS) registered 1.58 million nonprofits. This increase represented a 21.5 growth in the number of nonprofit organizations nationally. This sector contributed an estimated \$836.9 to the U.S economy. Out of this income contribution, three quarters was from public charities. In 2012, total giving from individuals, foundations, and business was \$316.23 billion. In the same year there was a drop in volunteerism. Total time volunteered was 12.7 billion hours, worth approximately \$259.6 billion. In 2011, 40% of the registered nonprofits were required to file financial forms. This returned \$2.10 trillion in revenue and \$4.63 trillion in assets. This represented a 35% growth in revenues between 2001 and 2012 (Pettijohn, 2013).

### **Strategic Planning Defined**

Allison and Kaye (2005) define strategic planning as,

A systematic process through which an organization agrees on- and builds commitment among key stakeholder: to priorities that are essential to its mission and is responsive to the environment. Strategic planning guides the acquisition and allocation of resources to achieve these priorities (Allison & Kaye, 2005, pp. 1-2). From this definition, we can deduce that a successful planning process should possess the following qualities:

- The process should be *strategic* because it involves choosing the best option in terms of response to counter the ever changing external environment that an organization operates in. Nonprofits need to prioritize their responses to maximize the benefits from opportunities that the environment provides and minimize the impacts of threats from the same environment.
- The process should be *systematic* by following a structured process which should enable the organization leverage their past experiences and strengths in aligning the strategies with the organization's mission and vision.
- The outcome of the process should be *a set of priorities* of what the organization need to do in a given time frame and the implications of these choices on the organization's future.
- The process should be *an all-inclusive* one that results in a united voice in the organization and a strong commitment to the mission and vision of the organization.
- The process should result in *a roadmap* on how the organization will acquire and allocate the scarce resources in the most optimal way to maximize benefits to the stakeholders.

Bryson (2010) defined strategic planning as, “a deliberative, disciplined effort to produce fundamental decisions and actions that shape and guide what an organization (or other entity) is, what it does, and why it does it” (p. 10-12). Robinson, Logan and Salem (1986) focused on the difference between strategic and operational planning. Operational planning results in the development of short term goals, action plans and procedures that guide the day to day running

of the business. Strategic planning is the opposite; it focusses on the mission, strategies and long term goals of the organization. Operational planning is mainly done at the lower levels, involves allocation of smaller resources and is conducted from time to time. Strategic on the other hand is long term, conducted by the whole organization under the leadership of the top management and the board (Bryson, 2010).

Steiner (2010) focused his definition on the role that strategic planning plays in management: it provides guidance, direction and boundary for operational management. It helps management determine the future of current decisions; assists management identify opportunities and threats and define how best to confront them.

### **Strategic Planning Approaches**

In determining the approaches that organization use to develop their strategy, the term *sophistication* was coined to refer to the strategic analysis, formulation and implementation of strategic planning in organizations. Through interviewing chief executives and examination of supporting documents, a three level sophistication scale was developed: full planners, partial planners and informal planners (Courtney, Marnoch & Williamson, 2009).

A second term, *strategic approach* was also employed to refer to the rules that organizations use when it came to determining their scope of operations. This led to the development of four categories of strategic approach: *All opportunistic expansionists* were a group of organizations who over time expanded their scope of operations beyond their initial mission to cover new geographical areas or strategic business units. To beat competition, these organizations resorted to cost minimization through cross subsidy and effective utilization of financial resources. *Opportunists* consisted of organizations that pursued innovation beyond the written plans and objectives of the organization. They were not limited or restricted by the

strategic plans in their pursuit of new opportunities. *Incrementalists* were organizations that had shown interest in broadening their mission but were yet to take full advantage of the current opportunities to do so. *Niche strategists* were organizations stuck to serving a particular section of the market and had no desire to expand beyond that niche. Their innovation and pursuit of opportunities were restricted to their niche market (Courtney, Marnoch & Williamson, 2009).

### **Why Should Organizations Plan?**

Strategic planning has become widely adopted in the nonprofit sector despite many business theorists' reduced confidence on the process. While there might be other ways of reaching the future, many professionals agree that strategic planning assist businesses make informed decisions about the future. Despite varied opinion on the efficacy of strategic planning, a technique needs not to produce consistent results for it to be generally accepted (Mulhare, 1999).

While charity organizations are meant to benefit the society in general, there have been cases of the contrary. Many volunteers are not sure of what the society expects of them; there have been cases of embezzlement of public funds; and many nonprofits not living up to the expectations of their stakeholders (Kearns, 1994). Strategic planning assist organizations envision their future and determine how to get there; stimulates new approaches; improves participation of members of the organization; help in the development of a common vision; clarifying of values and beliefs and provision of a framework for operational decisions (Zimmerman, 2007).

Bryson (1988) paid attention to the continuing change in the external environment organizations operate in which make it vital for strategic planning to be undertaken. The oil crisis, demographic shifts, changing values, taxing limits, privatization, centralization and

decentralization, move towards service based economies, volatile microeconomic performance are some of the changes posing threats of organizations' existence. Organizations therefore have to plan on how they intend to counter these changes and take advantage of any opportunities emanating from such changes.

Aliston and Bryson (2011) outlined the challenges that are continually facing nonprofits organizations: significant increase in demand for services offered by nonprofits; increased competition and difficulty in acquiring resources- especially finance; need for collaboration with other organizations; increased demand for accountability and good governance, increased uncertainty about the future of the economy, politics, social and demographic changes; the physical environment and public safety, the continued need for restructuring, reframing, reengineering, purpose reevaluation, equity and quality of business processes.

Perry, Preston, and Nicole (2012) also focused on the modern challenges facing nonprofits: economic inequality between the rich and the poor; shrinking government aid as a result of budgetary woes in Washington; the increased pressure on nonprofits to show results of their work to donors because of the general feel that they spend huge chunks of their budget on overheads and administrative expenses; innovations and competition from social enterprises as a result of many organizations putting more efforts and resources on corporate social responsibility (Perry, Preston & Nicole, 2012).

Bryson (2010) found out that planning promotes strategic thinking, acting and learning. It enhances clarity of vision, help identify best strategies and in building consensus among stakeholders; decision making is improved by ensuring that decisions are tied to the general purpose of the organization; encourages collaboration at different levels with different

stakeholders; improves organization effectiveness and legitimizes the organization's purpose and existence.

Capon, Farley, and Hulbert (1980) identified competition, increase availability of data, planning techniques and skilled consultants; success stories about planning; commitment by board of directors and senior management and environmental uncertainty as some of the factors that compel organizations to adopt strategic planning.

### **Organizational Effectiveness**

The effectiveness of organizations can be judged using different criteria. The goal model measures organization's effectiveness by examining how well it has achieved its intended goals; the system resource approach examines effectiveness in terms of how well an organization exploits its environment to acquire the scarce resources such as finance. This approach may not apply to all stakeholders. Funders and board members only might find this approach useful (Herman & Renz, 2004). These authors also discussed social constructionism approach to effectiveness where measures of effectiveness are created by people differently. Thus different stakeholders will judge effectiveness differently.

Rojas (2000) developed four models for assessing organizational effectiveness: in the first model, four components- production, commitment, leadership, and interpersonal conflict was used to measure organizational effectiveness on a 7-point scale. This model was faced with challenges when it came to defining commitment and productivity in the nonprofit sector.

The second model was based on the need for organizational survival and the maximization of return on contributions. From this model developed eleven key processes that consultants and their clients use to determine organization effectiveness. The third model is based on gathering perceptions of preselected effectiveness indicators. Through survey,

perception and relative priority of community members of the following indicators is measured- management experience, organizational structure, political impact, volunteer involvement, board involvement, and internal communication. The fourth model-competing value framework utilized internal processes and human relations model to measure effectiveness (Rojas, 2000).

Measuring performance in the nonprofit sector can be difficult because of the following three reasons. The non-distribution constraint: - Lack of ownership; lack of easily interpretable results; lack of stakeholders with direct financial interest; difficulty in defining outcomes. Secondly, the nature of goods supplied (collective goods) is always guided by a trust element that nonprofits are providing these goods with a strong commitment to their mission as opposed to financial interests. This makes the nonfinancial outputs difficult to measure. Thirdly, the bottom line problem which means that performance in one dimension might have a negative impact on the other (Courtney, Marnoch & Williamson, 2009).

Courtney, et al. (2009) identified the following indicators of performance:

- Growth- this can mean the physical expansion of an organization over a period of time. For a nonprofit dealing with childhood obesity it can be in terms of schools reached, neighborhoods served, number of students enrolled in the program among other indicators. For a housing organization this could involve acquiring new sites, negotiating private finance among other indicators.
- Resource acquisition-this is the ability of an organization to acquire financial and nonfinancial resources such as staff and volunteers. This also involves diversifying sources of funding for the organization
- Customer service- this refers to how satisfied the clients are with the services the organization is providing and how it is providing it.
- Internal efficiency- this refers to how well the organization was utilizing its resources. Targets set by the respective government agencies that the organization is serving can be used as a yardstick to measure internal efficiency.

From the above criteria, scores were awarded under each category then an effective score was derived from adding up all scores from each category (Courtney, et al., 2009). Resource and stewardship, people, social impact and value, and organizational leadership and integration can be used to measure effectiveness. Financial performance on the other hand can be measured by assessing organizational efficiency through calculating ratio of program, administrative, fundraising expenses to total operating expenses. To measure organizational capacity, primary revenue growth, program expense growth and working capital ratio over a period of time can be calculated. Ratings in each category can be assigned then used to calculate organizational effectiveness (Epstein & McFarlan, 2011).

To deal with the challenge of measuring outcomes in nonprofit performance, Sorensen and Grove (1977) suggest assessment at different times to determine the effect of a program over time; weighting all the possible outcomes since one program might have multiple effects on the society and taking into consideration, the effect of a program among different populations.

There exist four models of measuring organizational effectiveness: *The goal model* concentrates on achievement of the desired goals as a measure of effectiveness. *The systems model* focuses on the means necessary for successful achievement of the intended goals. This involves inputs, resource acquisition, and the necessary processes to deliver the outputs. All parts are considered to be interdependent. *The strategic-constituencies model* builds up on the goal and system model and further incorporates other powerful stakeholders with interest in the organization's performance. *The competing values model* brings in a value based perspective to effectiveness. For an organization to be effective there has to be a rational goal, internal processes, open system and human relations (Henri, 2003).

It is vital for nonprofit executives to understand that different stakeholders will measure their performance using different lenses. It is therefore important for these executives to be aware of the various lenses that apply to their stakeholders and provide the necessary information, based on these criteria on how far they are going to satisfy the expectations of these stakeholders as far as goal achievement is concerned (Light, 2011).

### **Review of Related Research**

Prior studies (Logan, & Salem, 1986; Herman & Renz, 1998; Robinson, Herman & Renz, 2004; Courtney, Marnoch, & Williamson, 2009) to assess strategic planning and organizational effectiveness mainly utilized qualitative and mixed methods. Herman and Renz (2004) set out to investigate the effectiveness of local nonprofit organizations. The population of study was two types of nonprofit organizations: Health and welfare service providers that received funds from the local United Way and organizations providing services to the developmentally disabled. Sampling was done twice. The first round of sampling yielded 54 respondents 46 locally-based, United Way funded organizations and 18 organizations dealing with the developmentally disabled. In the second sampling, letters were sent to 55 organizations requesting for participation. One-hour interviews were also conducted with 47 chief executives. 8 of the 55 chief executives never responded to the requests for interviews (Herman & Renz, 2004).

Information on current board management practices, IRS form 990 for the previous three years, current board roster, names of senior members of staff and names of foundations and companies that had recently made significant grants or donations were requested. There was reluctance on the side of chief executives in filling the questionnaire or providing the requested information. Of those who took the interview, three were unwilling to provide adequate information. Questionnaires on board effectiveness and organizational effectiveness were almost

always never filled. The final sample size for analysis reduced from 55 to 30. The study was greatly impacted by attrition and nonresponse. The results indicated that different stakeholders judged organizational effectiveness differently; there seemed to be a correlation between board and organizational effectiveness ( $r=.64$ ). There was also a general feeling that a change in the use of the correct management practices was not related to a change in judgments of overall organizational effectiveness (Herman & Renz, 2004).

Courtney, et al. (2009) used mixed methods in interviewing CEOs and analysis of data collected from the study. This study focused on the CEOs because they are the ones at the center of strategic planning and architects of strategy and organizational change. This study concentrated on evidence relating to formal, top level, CEO centered strategic planning which utilized a range of tools and techniques. Data was collected through in-depth interviews of chief executive officers of selected housing associations. These organizations were profiled using two categories: sophistication and approach. Under approach, a four category typology was developed based on the options that an organization can use to pursue growth. On sophistication, a three category was developed based on the tools and techniques employed by organizations in strategic planning.

Nine active housing associations were selected using stratified random sampling. The main aim was to select organizations of different sizes since it was determined that there was a correlation between organization size and propensity to plan. This resulted in three large, three medium and three small organizations. CEOs were interviewed on what constituted high performance. Indicators chosen were growth, resource acquisition, financial performance, internal efficiency, and customer care. Each indicator was given the same weight and points were awarded on a 1-10 scale. The individual scores from these indicators were then used to calculate

a total score for an organization. Results indicated a strong correlation between organizational size and sophistication in planning. These large and medium sized organizations also depicted high performance ratings. The limitations of this study were that it was not easy to eliminate other factors from the environment that may have accounted for differences in performance. Factors such as availability of funds, culture, and attitude of central government or strategic planning being adopted by the management to create a monopoly of use of a particular technology were identified. There was therefore need to consider these confounding factors in analysis of the findings of this study (Courtney, et al., 2009).

Robinson, Logan, and Salem (1986) utilized questionnaires with three sets of questions. The first set of questions sought to determine the extent of involvement in operational planning. The second set requested information on the existence of a long range plan in an organization. The third set requested information on the importance managers attach to operational planning as opposed to strategic planning among other things. Mailings to 800 stores yielded 120 usable responses. This represented a 15% response rate. Managers indicated on a 5 point Likert scale the extent to which each activity was emphasized in the firm's operational planning efforts. Responses were totaled within each functional area and average score calculated to determine the extent of operational planning (Robinson, et al., 1986).

Herman and Renz (1998) used interviews with CEOs to develop an objective organizational effectiveness criterion. Questionnaires on board effectiveness were sent to CEOs, 2 board executives, and 2 funders of each organization. They were asked to rate their organizational effectiveness on a scale of 1-5. Two-hundred and fifty responses were obtained from 63 CEOs, 101 funders and 86 board executives. To measure organizational effectiveness an instrument with nine elements was developed. 162 respondents submitted their ratings. This

included 35 board presidents, 28 board members, 60 staff and 39 funders. Information was also collected from IRS 990 forms and interviews with CEOs (Herman & Renz, 1998).

### **Theoretical Construct**

The goal of this study is to develop a strategic planning model that can result to nonprofits being more effective. To help in understanding how successful development and implementation of strategic plans can lead to better performance in the nonprofit sector, the strategic planning-organizational effectiveness model will be utilized to help understand the outcomes in an organization in terms of various performance measurement criteria.

**Sophistication** refers to strategic analysis, formulation and implementation of strategic plans in an organization. Review of literature developed three main levels of sophistication: full planners, partial planners and informal planners (Courtney, Marnoch, & Williamson, 2009).

**Strategic Approach** refers to the rules organizations use to determine their scope of operation. Review of literature developed four categories of strategic approach: opportunistic expansionists; opportunities; incrementalists and niche strategists (Courtney, Marnoch, & Williamson, 2009).

**Growth** can mean the physical expansion of an organization over a period of time. For a nonprofit dealing with childhood obesity it can be in terms of schools reached, neighborhoods served, number of students enrolled in the program among other indicators. For a housing organization this could involve acquiring new sites, negotiating private finance among other indicators (Courtney, Marnoch, & Williamson, 2009).

**Resource Acquisition** is the ability of an organization to acquire financial and nonfinancial resources such as staff and volunteers. This also involves diversifying sources of funding for the organization (Courtney, Marnoch, & Williamson, 2009).

**Internal Efficiency** refers to how well the organization was utilizing its resources. Targets set by the respective government agencies that the organization is serving can be used as a yardstick to measure internal efficiency (Courtney, Marnoch, & Williamson, 2009).

**Financial Efficiency.** These are measures used by nonprofit organizations to measure and evaluate their financial performance. These measures cannot be used widely to compare nonprofit organizations because of the differences in organizational missions, strategies organizational structure, and systems (Epstein & McFarlan, 2011).

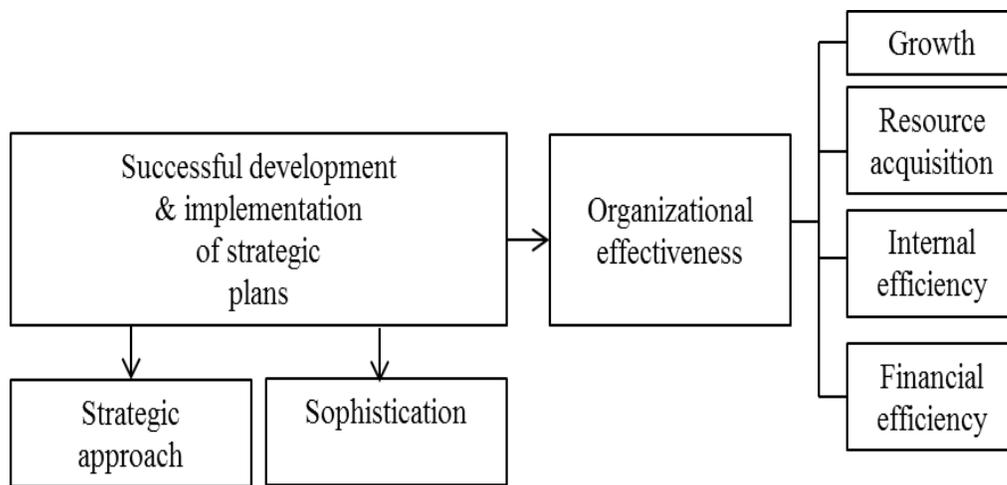


Figure 1. The model of the theoretical construct: Strategic planning in nonprofit organizations.

**Summary**

Use of secondary sources of data such as financial documents and past strategic plans contributed heavily to studies that were conducted before. Many of these studies were conducted in other regions or nationally. Substantial amount of time has elapsed since some of these studies were conducted. This study will rely heavily on the methods revealed in the review of literature in an attempt to explore the current status of strategic planning in the nonprofit sector and how it can lead to better performance by nonprofit organizations.

### **Research Methodology**

This section outlines the study design, data collection and analysis methods. This study will be guided by a social constructivism worldview. Herman & Renz (2004) argue that strategic planning practices in the nonprofit sector is purely subjective with different stakeholders holding divergent views on what constitutes a good strategic planning process. This is an ongoing process of sense making and implicit negotiations. There is however a consensus that the social processes resulting in judgments of strategic planning best practice could lead to a consensus among stakeholders on the criteria for measuring a good strategic planning model. Rather than starting from a theory, this study, through content analysis, will seek to generate or develop a theory or pattern of meaning (Creswell, 2014).

### **Research Questions**

The purpose of this study was to develop a strategic planning model for small nonprofit organizations by examining the steps involved in the strategic planning process and the common practice among nonprofit organizations. This model was to be developed by carefully reviewing literature then using content analysis to carefully analyze and synthesize various planning models identified from the literature. This study will help in answering the following research questions:

**Research question one (RQ1).** What are some of the factors that inform nonprofits to undertake successful strategic planning?

Previous studies have identified factors such as changes in the external environment, demand for accountability by stakeholders, growth in organizational size, prerequisite for funding and organizational age and size as some of the driving forces on organizations' decision to undertake strategic planning (Capon et al 1980, Bryson 1988, Kearns 1994, Mulhare 1999,

Lehman 2007, Aliston and Kay 2011 & Perry et al 2012). This study sought to identify the factors that inform organizations' decision to plan.

**Research question two (RQ2).** What critical issues should an organization address before commencing the strategic planning process?

Allison and Kaye ( 2005) observe that during the designing phase of a planning process, an organization will have to make a series of decisions including: who should participate in the process? What are the roles of the participants? Involve a consultant or not? How should the process be structured? Regardless of the direction of the decision, every organization needs to design a process that meets its' specific needs. The organization must decide on how much time it is willing to dedicate to the planning process. This number is largely dependent upon the planning scope, number of people in the planning team and the amount of time an organization is willing to dedicate to this process. Planning demands time in terms of employees taking time off to work on the actual plan, time to research and meetings to brainstorm and decide on the objectives to be pursued (Connors, 1993). This study sought to outline a series of critical issues that an organization must address before embarking on the strategic planning process.

**Research question three (RQ3).** How can the challenges of developing and successfully implementing a strategic plan be overcome?

Research found that many nonprofits did not use formal planning but were involved in some form of planning. These included operational planning, informal planning or some form of long range planning. This is largely because of the existence of many complex planning models (Katsioloudes & Tymon, 2003). This study sought to develop a simplified strategic planning model to be adopted by nonprofit organizations. This model will go beyond planning steps by developing a model that guides the entire planning process.

### **Data Source and Collection**

Data was obtained electronically through a search of databases such as EBSCO Host, Harvard Business Review and ABI/INFORM Complete. Keywords used to search for articles included: *strategic planning, strategic planning practices, strategic planning processes, strategic planning models, best practice in strategic planning, nonprofit planning, nonprofit change management, nonprofit effectiveness, and nonprofit resource allocation.*

Using the above keywords, searches were conducted on selected databases that led to the selection of 10 scholarly articles that were relevant to the topic strategic planning models among nonprofit organizations. These articles had to be peer reviewed and published in a scholarly journal; these articles had to be on studies done on organizations in the nonprofit sector.

### **Ethical Considerations**

Details of this study were reviewed and approved by the IRB (Trinity Washington University) to ensure that data protection rights are adhered to, and documents obtained from the organization treated with utmost privacy. All articles used in this study were cited to prevent plagiarism. Each source was cited in the reference list using the American Psychological Association style. This study did not use any human subjects and an application for exemption was filed and approved before commencement of the study.

### **Research Design**

Through content analysis, an in depth analysis of research work done on strategic planning models was conducted. 10 scholarly articles selected through a criteria developed by the researcher were first read for a general understanding then first, second cycle coding and triangulation were employed to analyze the data and develop meaning (Saldana, 2009). This process led the researcher to draw conclusions and develop a strategic planning model. This

model was then used to develop a strategic planning best practice and a step by step guideline on the strategic planning process. This analysis resulted into developing answers to the critical research questions identified at the beginning of the study.

Electronic data was obtained through a search conducted on identified databases using a criteria developed by the researcher. Articles relevant to strategic planning models for nonprofit organizations were selected regardless of year of publication. Due to time and resource constraints, 10 articles were selected for analysis for this purpose. These articles were first read for familiarization and then analyzed using first (descriptive) and second cycle coding (classifying, integrating and conceptualizing) with the aim of segregating, grouping and relinking in order to consolidate meaning and explanation. Exploratory coding uses tentative labels at the initial stage when data is initially being reviewed. The data is then subjected to a more specific second cycle coding methods such as classifying integration and conceptualization which will lead to the development of a theory or model (Saldana, 2009).

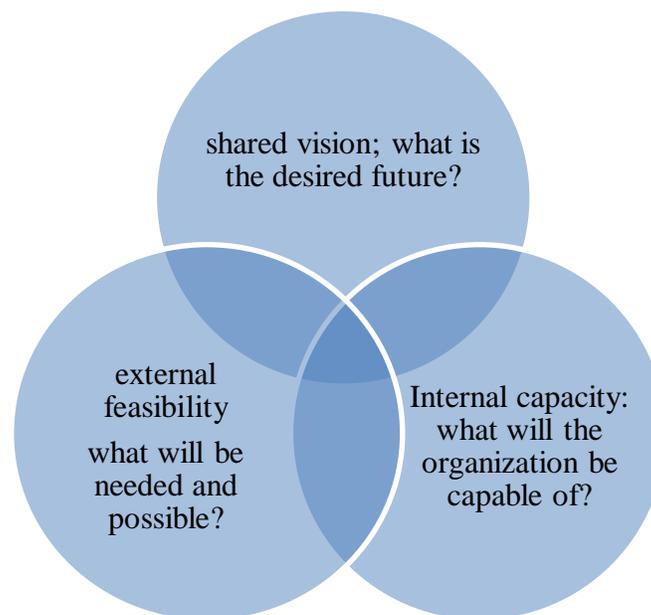
### **Data Analysis Protocol**

This section developed a strategic planning best practice model that was used to analyze the data collected from the sources identified by the researcher. This model addressed the characteristics of a good strategic plan; the necessary parameters for strategic planning; how to assess an organization's readiness for strategic planning; the strategic planning process; the elements of a good strategic plan; the role of the planning team; monitoring and evaluation strategies and time commitment for strategic planning (Connors, 1993).

**Characteristics of strategic planning.** Connors (1993) identifies four characteristics that distinguishes strategic planning from other forms of planning: strategic planning is mainly concerned with assisting the organization adapt to the changing external environment. This

process helps the organization recognize and respond to the external forces for change that exist in the organization's external environment. Strategic planning focusses on securing the future for the organization by focusing mainly on future problems of the organization. Current problems are only addressed if they impact the future. Strategic planning is comprehensive and encompasses a wide range of factors- internal and external to the organization. Strategic planning is a consensus building process which brings together the diverse interests of the stakeholders.

**Strategic planning parameters.** The strategic plan should define three conditions: what is desired; what is needed; and what is most possible. Many nonprofits because of the nature of their business, have been reluctant in making critical choices that may lead to abandoning causes that do not yield results. Strategic planning should assist nonprofits develop the discipline to make hard and critical choices (Connors, 1993).



*Figure 2.* Strategic planning parameters: Strategic planning in nonprofit organizations (Connors, 1993).

**Assessing readiness for strategic planning.** Strategic planning is continuing to gain popularity in the nonprofit sector. Before planning, an organization has to be ready for the

planning process to ensure success. A good planing model should provide an avenue for the organization to assess its readiness before commencing the planning process. The following chart can be used to assist in assessing the organization’s readiness to plan (Connors, 1993).

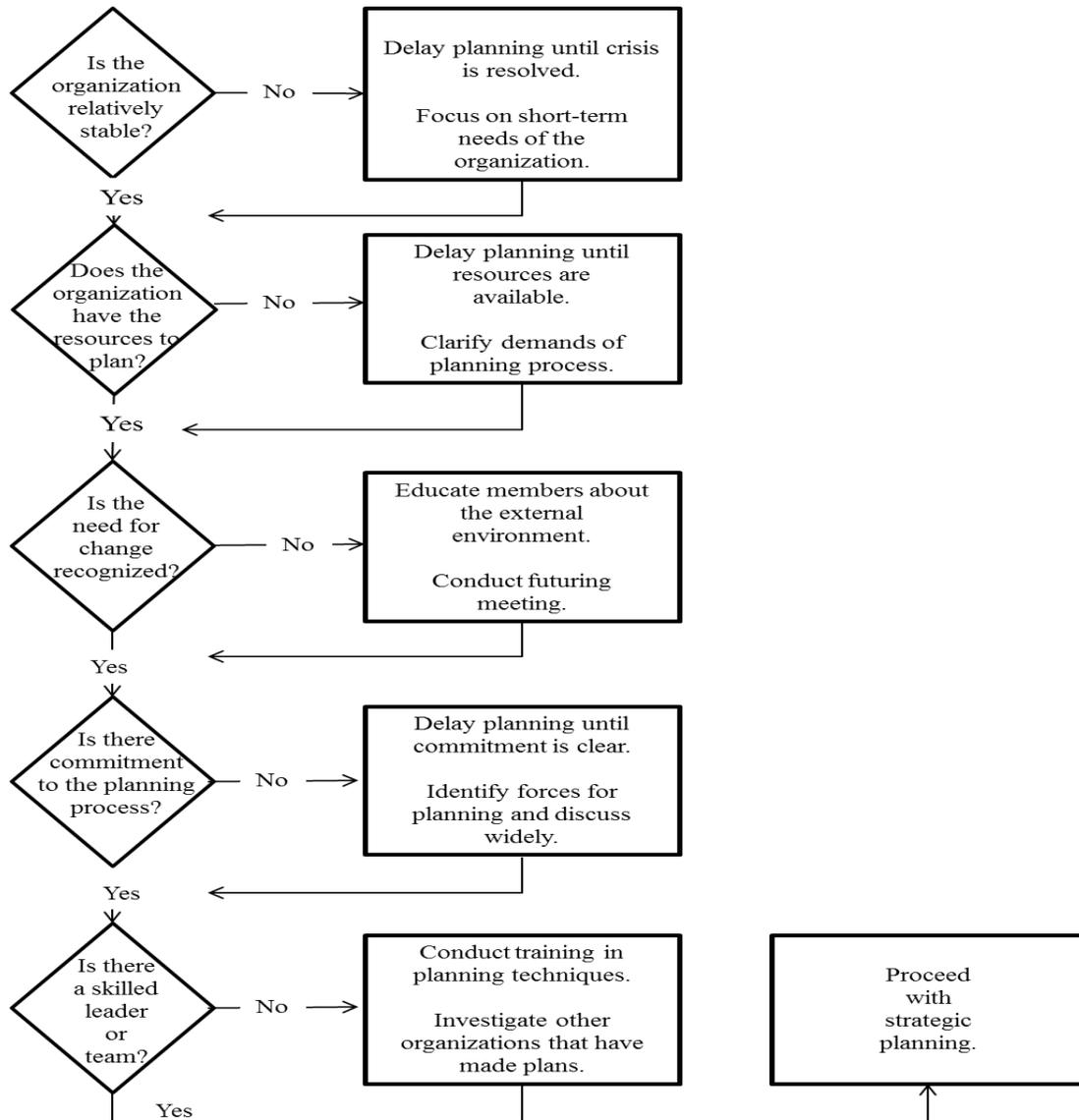


Figure 3. Strategic planning readiness assessment model (Connors, 1993).

**The planning team and member roles.** For most nonprofits, planning is done by board members. In some instances, it may include staff, constituents, and a consultant who may also act as a facilitator. The size of the team should be determined by the size of the organization and the

planning scope. The board members should be responsible for setting the overall direction of the organization and they should be updated frequently on the progress of the planning process. Staff members should be represented in the planning committee where they should help by conducting research and generating financial data. A strategic planning process should involve role definition which should be conducted prior to the start of the planning process. Role definitions should be included in the plan document. The members of the planning team should reflect the diversity of opinion in the organization to ensure inclusivity in the planning process (Connors, 1993).

**Role of consultants.** Strategic planning should be conducted by members of the organization who know and have the interest of the organization at heart. There is however need for an objective person who has expertise in strategic planning. Although consultants are expensive, they add valuable input in the planning process. Organizations should restrict the consultant's role to a facilitator of the meeting and a process expert; the consultant should not end up being the planner (Connors, 1993).

**Time commitment to the planning process.** The time taken to develop a strategic plan depends on the planning scope, the number of people in the planning team and the amount of time the organization is willing to devote to the planning process. Planning meetings should be 2 to 6 hours long; with an interval of 2 weeks to allow for accomplishment of assignments. A good planning process should take at least 32 hours of work (Connors, 1993).

**Monitoring and evaluation.** A good planning model should provide for a mechanism to evaluate and update a strategic plan annually. For nonprofits, the environment is very volatile and therefore reviews should be done semi annually. There should be provisions for quarterly meetings for review of progress and major reviews at the end of the financial year. During these

reviews, the planning team should interrogate all aspects of the plan and review aspects that do not seem appropriate (Connors, 1993).

**The planning process.** Many planning models exist depicting different stages in the planning process. An organization should tailor the process to fit with its unique needs. A good planning process should however encompass most of the following three phase-steps: *The premise phase* occur when managers look towards the future and develop a mission and vision for the organization; *the analysis phase*, managers analyze the business environment with the aim of determining the organization's strengths, weaknesses, opportunities and threats. From this analysis, the organization's distinctive competencies are developed. These provide vital input for the final phase of *strategy development*. In this phase results from the environmental analysis and their implications are used to develop a working plan to guide the organization's activities. This process results into a growth strategy that leads into development of long term goals, and strategies for achieving them (Fry, Stoner, & Weinzimmer, 1999).

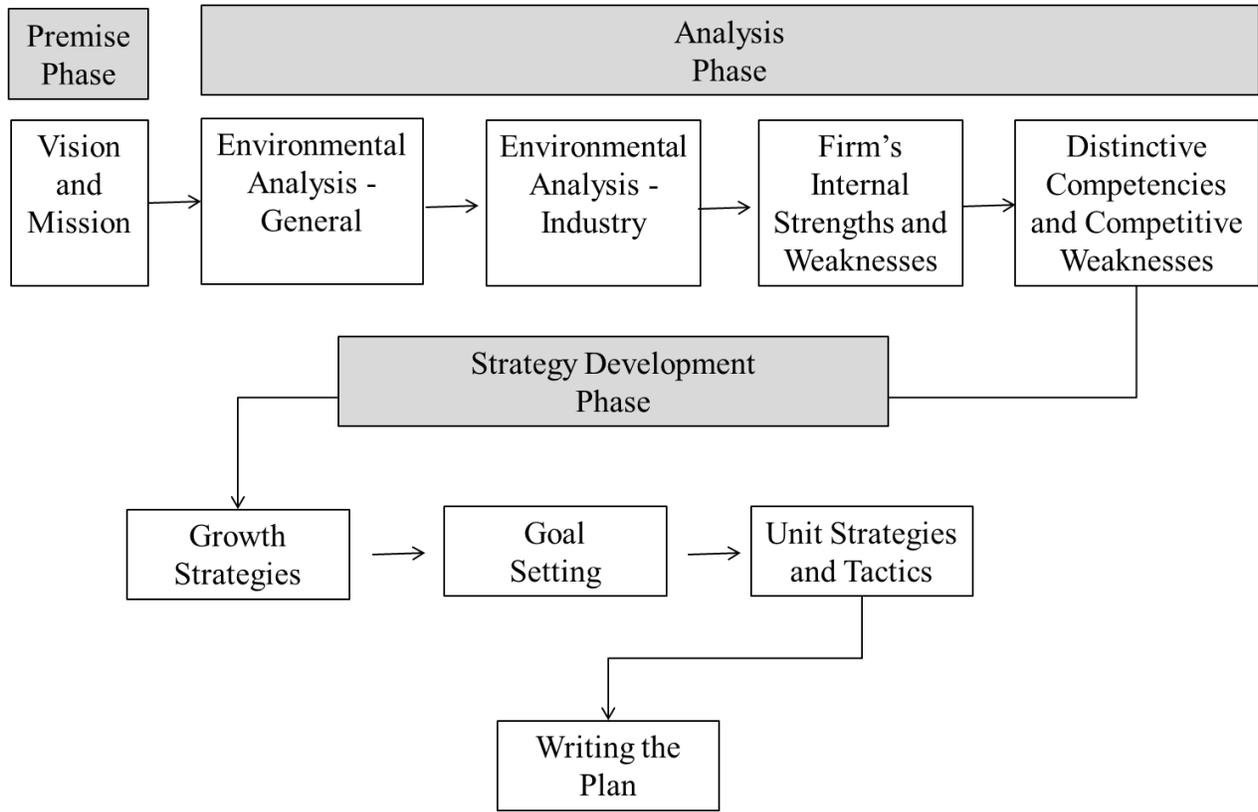


Figure 4. Strategic planning processes (Fry, Stoner, & Weinzimmer, 1999).

**Summary**

This study utilized content analysis to analyze and synthesize the findings of previous studies of strategic planning models for nonprofit organizations. The purpose of this study was to develop a strategic planning model and best practice that can be used by small nonprofit organizations to make their strategic planning experience easy and affordable to conduct. To achieve this goal, an analysis was done on 10 scholarly articles selected using a criteria developed by the researcher. The findings from these analyses were then coded using first and second cycle coding to identify patterns and develop meanings. First cycle coding was mainly exploratory and procedural while second level coding was done with the aim of classifying, integrating and conceptualizing the categories developed at this stage of analysis.

### **Findings**

This chapter is a discussion of the analysis of 10 scholarly articles published on models of strategic planning. The findings resulted from three level coding processes which initially used a hybrid planning model developed from literature review to critically analyze the various models proposed in these scholarly articles. The chapter explains data analysis strategy, followed by a brief summary of the articles used in the analysis. The findings are also related to the theoretical construct that guided this study.

#### **Data Analysis Strategy**

A strategic planning hybrid model was developed from review of literature. This model consisted of characteristics of strategic planning, planning parameters, how to assess organization readiness for planning; roles of the planning team; role of consultants; the strategic planning process; monitoring and evaluation and time dedication to strategic planning. Each model proposed in the 10 articles was assessed based on this model with a view of describing what each model covered and the extent to which it was covered. This represented first level coding which allowed for categorization as a basis for second level coding (Saldana, 2009).

For second level coding, an analysis using pattern coding was conducted to analyze the common trends in the planning models and to assign a pattern code (Saldana, 2009). Using the trends developed in the second level coding, data from first and second cycle coding was used to develop a new model that comprised of the hybrid model and models from the 10 articles from the data. Triangulation resulted in identification of fits and misfits among the proposed models and the hybrid model; causes of these variations were then addressed and findings used to develop a new model for strategic planning.

### Discussion of the Sample

**Ramsey (1984). A strategic planning model for nonprofit human service organizations.** Ramsey set to investigate the techniques used for planning by various organizations of different types and sizes. This study defined the key elements of the planning process by examining 11 nonprofits organizations through interviewing their directors. This resulted in the development of a planning wheel which could be adopted to guide nonprofit strategic planning. The study found the existent of some “form” of planning especially in small nonprofit organizations.

**Ingle (1991). The relationship of strategic planning models to organizational effectiveness.** Ingle sought to investigate the impact of strategic planning models on organizational effectiveness. This was done through survey conducted on 213 institutions of higher education. Three strategic planning types were identified as the independent variables while organizational effectiveness was used as the dependent variable. The research strategy was documentation of the nature of strategic planning process and a critique of the process.

**Mara (2000). A strategic planning process for a small nonprofit organization: a hospice example.** Mara sought to develop a strategic planning process for a small nonprofit. The hospice was facing challenges as a result of changes on the funding sources it heavily relied on. There was therefore a need for the organization to diversify its funding sources; need to reduce over dependence on volunteers and hire paid staff; unpredictability of income due to the increased uncertainty of the donations to the United Way, the primary funder, among other challenges. There was therefore a need to develop a planning process for the organization.

**Lu (2002). A strategic planning model for the performance workshop (Taiwan): an internship report.** Lu conducted a study with the aim of developing a strategic planning model

for a performance company in Taiwan. This was done through combining theory and cases of strategic planning in nonprofit arts organizations from published resources. The study analyzed the strengths, weaknesses, opportunities and threats of the organization. This led to the development of a planning model for the performing arts.

**Katsioloudes and Tymon (2003). Strategic planning practices: Are they what they should be?** This study examined the executive directors' perception of the actual and desired strategic planning practices in their organizations. A random sample of churches, museums and human services directors returned 53 usable questionnaires out of 150 questionnaires sent out. The questionnaire assessed six factors of the strategic planning process. The result indicated an underusage of strategic planning. Degree of participation in the planning process was also found to be minimal.

**Hambright and Diamantes (2004).An analysis of prevailing K-12 educational strategic planning models.** Hambright and Diamantes conducted a content analysis to develop a planning model for K-12 educational institutions. This study detailed the most important features of various strategic planning models which were mainly designed for educational institutions. A purposive sample of literature yielded 66 books, 29 journal articles, 28 research presentations from national conferences and 6 doctoral dissertations. All the data was interpreted through documentary analysis which led to the extraction and comparison of the elements of strategic planning processes.

**Espinosa (2009). Collaborative strategic planning: A mixed method study of models and superintendents' perspectives.** Espinosa conducted a study to research the practice of using strategic planning in 269 U.S. school districts. Using a survey, a nine step strategic planning model was used to investigate the use, nonuse and prevalence of these steps in the

planning process. Using content analysis, strategic plans from 78 district schools were analyzed; interviews with six school district superintendents provided qualitative data and narrative to the analysis. This analysis yielded an insight into the planning practice in schools and their effectiveness.

**Earle (2009). Development of a strategic planning process model for division 1-A intercollegiate athletic departments.** This study sought to determine how strategic planning was being used by athletics departments in Division 1-A. This was conducted through a review of the strategic planning processes and challenges that departments face during planning. This descriptive study examined the planning process with the aim of developing a planning model for Division 1-A athletics departments. The study identified the benefits of planning and its challenges too.

**Starsia (2010). Strategic planning in higher education: An examination of variation in strategic planning practices and their effect on success in NCAA division1 athletics department.** This study reviewed and categorized strategic planning processes according to their historical and qualitative similarities. Unique qualities of each category were then used to develop three models of planning: linear, hybrid and chaos model. The population of study was NCAA Division 1 athletics directors. The study concluded with results showing positive relationship between planning and operational success among other parameters.

**McHatton, Bradshaw, Gallagher, and Reeves (2011). Results from strategic planning process: Benefits for a nonprofit organization.** This study sought to use the results from a nonprofit professional organization that undertook a strategic planning process to address its challenges, refine its mission and principle statement, obtain feedback from members with an aim of moving the organization forward in a cohesive and purposeful manner. The article

describes the process and implementation of the planning process and how the findings were used to develop planning model.

**Data Coding**

In first level coding, a strategic planning model which was developed from literature review was used to analyze the models developed in the scholarly articles. Elements of the model were listed against elements of proposed models from the scholarly articles are variances analyzed with the aim of developing a superior model from this analysis.

Table 1. Analysis of elements of the planning model.

Authors	Planning Characteristics	Planning parameters	Readiness for planning	Team member roles
Ramsey (1984). A Strategic planning model for nonprofit human service organizations.	-focus on securing future, -proactive planning	-not addressed	-not addressed	Members involved, motivated, involve key staff, department heads,
Ingle (1991). The Relationship of Strategic Planning Models to Organizational Effectiveness	-not addressed	-review internal functioning-values, beliefs, expectations, assumptions, -determine mix of effectiveness desired	-not addressed	-not addressed
Mara (2000). A Strategic Planning Process for a Small Nonprofit Organization: A Hospice Example	-futuristic -planning period 5- 10 years -consensus building process	-use of modified <i>policy Delphi</i> to determine urgent needs/priorities	-not addressed	-brainstorming at initial planning sessions -members provide data/research necessary for planning
Lu (2002). A Strategic Planning Model for the Performance Workshop (Taiwan): An Internship Rpt.	-focus on current problems/challenges	-focused only on what is needed	-not addressed	-minimal involvement, -no role assignment

Katsiolouides and Tymon (2003). Strategic Planning Practices: Are they what they Should be?	-consensus building	-not addressed	-not addressed	-minimal involvement of employee -assigning responsibility in the planning process
Hambricht and Diamantes (2004).An Analysis of Prevailing K-12 Educational Strategic Planning Models	-securing the future	-identification of key strategic issues -identification of “what is” and “what is preferred” -prioritizing of key strategic issues -strategic issue resolution	-recognize need for change -assess organization’s readiness to adopt strategic planning -educate organization on strategic planning	-planning team identified as most important element -training of the planning team -communicating to the planning team
Espinosa (2009). Collaborative Strategic Planning: A Mixed Method Study of Models and Superintendents’ Perspectives	-consensus building through collaboration -facilitate buy-in by stakeholders	-focus on desired goals	-pre planning stage	-development of shared aspiration -role development
Earle (2009). Development of a Strategic Planning Process Model for Division 1-A Intercollegiate Athletic Departments	-5 year planning period -consensus building -focus on securing future	-setting goals and objectives	-minimal assessment	-member roles outlined -involvement at planning stage
Starsia (2010). Strategic Planning in Higher Education: An Examination of Variation in Strategic Planning Practices and Their Effect on Success in NCAA Division1 Athl. Dept.	1-2 year plan -focus on future	-assessment of needs	-internal analysis	-minimal involvement
McHatton, Bradshaw, Gallagher, and Reeves (2011). Results from Strategic Planning Process: Benefits for a Nonprofit Organization	-consensus building process -focus on future -3 to 5 year plan	-desired conditions identified	Internal analysis	-collaboration and inclusion in the planning process

Table 2. Analysis of elements of the planning model, continued.

Authors	Role of Consultants	Time commitment	Monitoring & evaluation	Planning process
Ramsey (1984). A Strategic planning model for nonprofit human service organizations.	-not addressed	Time commitment is vital, pre-scheduling	-Not addressed	-define mission/purpose -determine strengths /weaknesses -develop marketing strategy -set financial strategy -Assess consumer needs
Ingle (1991). The Relationship of Strategic Planning Models to Organizational Effectiveness	-not addressed	-not addressed	-not addressed	-environmental analysis -establishment of goals -development of plan
Mara (2000). A Strategic Planning Process for a Small Nonprofit Organization: A Hospice Example	-Facilitator leading the initial planning stage -individual meeting with participants -guides the entire process	-2-6 hours of planning through meetings	-participants reviewed process -8 1/2 years later, after plan formulation, executive director and board member interviewed on the plan's progress	-situational analysis -establishment of goals -development of plan -evaluation
Lu (2002). A Strategic Planning Model for the Performance Workshop (Taiwan): An Internship Report	-not addressed	Not addressed	-not addressed	-review of mission/vision -goal development -operational plan not strategic plan
Katsioloudes and Tymon (2003). Strategic Planning Practices: Are they what they Should be?	-not addressed	-organizing retreats for planning	-not addressed	-Brainstorming -situational analysis -plan development -promulgation of plan

Hambright and Diamantes (2004). An Analysis of Prevailing K-12 Educational Strategic Planning Models	-facilitator of planning team's activities	-not addressed	-not addressed	-planning to plan -developing mission/vision statement -determining guiding principles -environmental analysis -identify/prioritize strategic issues -strategic issues -develop strategic issue resolution -authoring compelling guidelines
Espinosa (2009). Collaborative Strategic Planning: A Mixed Method Study of Models and Superintendents' Perspectives	-not addressed	-time allocated for planning	-not addressed	-pre planning -vision, mission, goals -guiding principles -environmental scan -strategic issue resolution -action plans
Earle (2009). Development of a Strategic Planning Process Model for Division 1-A Intercollegiate Athletic Departments	-not addressed	-time requirement laid out in preplanning stage	-monitoring and evaluation mechanism incorporated in the process.	-plan to plan -Mission and vision statement -values and guiding principles -environmental scan -goals and objectives -operational strategies -link to budget -link to performance management -monitoring and reporting
Starsia (2010). Strategic Planning in Higher Education: An Examination of Variation in Strategic Planning Practices and Their Effect on Success in NCAA Division 1 Athletics Department	-not addressed	-not addressed	-2 year evaluation/ updating cycle	-formal planning process
McHatton, Bradshaw, Gallagher, and Reeves (2011). Results from Strategic Planning Process: Benefits for a Nonprofit Organization	-not addressed	-not addressed	-annual evaluation report	Formal planning process

**Second level coding.** The second level coding involved an in-depth analysis of the extent to which elements of the strategic planning model developed from the literature were addressed

by the various models identified in the 10 scholarly articles. This analysis is based on categories developed in the table above.

*Strategic planning characteristics.* These elements assist nonprofit organizations separate strategic planning from other forms of planning during the pre-planning stage. A strategic planning process should assist organizations adapt to change; focus on securing the future; encompass a wide range of factors both internal and external and a consensus building process resulting in a buy-in from all stake holders. This element should be addressed at the pre-planning stage.

All the articles except Lu (2002) addressed this element. The strategic plan proposed by this article is actually a grant proposal that according to my knowledge is not a long term plan. This article was selected to represent the confusion that many nonprofit organizations experience during planning. Many nonprofits such as the one in the study mistake grant proposals for strategic plan. Grant proposals are made to address current challenges- funding for projects. Out of the 10 studies, only 4 studies addressed this element, the other four did not mention it. Of the 6 that addressed this element, only 3 extensively covered it.

*Planning parameters.* The strategic plan should define three conditions: what is desired; what is needed; and what is most possible. Out of the 10 articles, 8 have addressed this elements through focusing only on what the organization needs; focusing on desired goals and setting goals and objectives. This element closely ties with the strategy development stage (goal setting) where the organization determines what is ideal and what can be realistically achieved. Mara (2000) extensively covered this element through the modified *policy Delphi*. The planning team anonymously propose goals that they feel the organization should focus on achieving, the list is

the compiled ranked then choices made on what the organization needs and what it can actually achieve.

*Assessing organization readiness for planning.* Before planning, an organization has to be ready for the planning process to ensure success. A good planing model should provide an avenue for the organization to assess its readiness before commencing the planning process. This element was addressed by 2 articles under the pre-planning stage of the strategic planning process. The element was also addressed in the second phase of the planning process under the internal analysis stage. Extensive coverage of the element was evident on the model by Hambright and Diamantes (2004) who proposed before commencing planning, an organization must recognize the need for change; assess its readiness to adopt strategic planning and educate its members on the planning process.

*Team member roles.* All the articles covered this element through processes such as member involvement; involvement of key members of staff; brainstorming with key members of staff at initial planing stages; training the planning team and collaboration and inclusion in the planning process. Mara (2000) extensively covered this through the modified policy delphi method. This is where the planning team members were anonymous during the brainstorming session individual meeting between group members and the facilitator to discuss the important issues. This method assisted in reducing group dysfunction and improve interpersonal relations and group communication.

*Role of consultants.* Of the 10 articles analyzed, (Mara, 2000) highlighted the role of the consultant as a facilitator moderating the entire process of strategic planning. The consultant lead the initially brainstorming stage, conducted one on one meetings with the planning team and lead the final development of the organization's strategic planning. The plan was developed by the

planning team under the guidance of the consultant; Hambright and Diamantes (2004) addressed the role of the consultant as a facilitator of the planning team's activities.

*Time commitment to the planning process.* This was covered by 5 out of the 10 articles reviewed. Extensive coverage was noted with the pre-planning stage where organizations allocated time for the planning process. There is however not enough time allocated for the planning process.

*Monitoring and evaluation.* Of the 10 articles reviewed, only four covered this element. One suggested a monitoring and review process, but did not specify "how". Another suggested a 2 year review cycle while the other indicated a review done after 8 years for a 10 year strategic plan. This review was done by interviewing the chief executive on the progress of the 10 year strategic plan. There was no evidence of an effective review mechanism in all the 10 articles reviewed.

*The planning process.* Of the 10 scholarly articles presented to analysis, 8 addressed the strategic planning process. Planning steps ranged from 3 to 8 and differences were mainly semantic with no major variances recorded. Earle (2009) developed the most comprehensive model with 9 steps: pre-planning, developing mission and vision statement, determining guiding principles, environmental analysis, goals and objectives, operational strategies, link to budget, link to performance, management, monitoring and reporting level. There seem to be no fundamental variance between mission and vision statements step and values and guiding principles step. These two should be combined together since values and guiding principles guide the mission and vision of the organization, and therefore should precede the development of mission and vision. Hambright and Diamantes (2004) posit that there is no debate that

necessitates development of mission or vision but guiding principles should be developed before turning to vision and mission statements.

This model developed the most comprehensive guideline for the preplanning stage since it lays a foundation that lead to the development of planning parameters in terms of the desired conditions; most possible and what the organization needs. This model also lays foundation for the developement of a working plan among the key stakeholders by spelling how each member's involvement. Time commitment to the planning process is also addressed. At this stage, the frequency and mode of monitoring and updating the plan is also spelt out. This stage is also covered by Hambricht and Diamantes (2004) who included educating the planning team on the organization's current situation that necessitates planning.

Katsioloudes and Tymon (2003) go a step further and introduce the *promulgation* step that none of the 9 models addressed. This stage involved educating the employees about the objectives of the strategic planning process. This step is vital as it helps build consensus and buy-in among stakeholders. This will go a step further to ensure ownership once the plan has been developed. Successful implementation of strategic plans is mainly determined by how much employees feel they own the plan. Promulgation is vital since it helps the chief executive achieve this objective.

**Triangulation.** Third level coding was conducted using notes developed in the first and second level coding to determine fit with the proposed model developed in the literature review. This led to further evaluation of the model to incorporate vital elements identified from the literature.

Data used in this analysis indicate that although studies have been devoted to developing planning models, there still does not exist one model that best fits the nonprofit sector; especially

the small ones who do not have abundant resources to dedicate to planning. There seem to be confusion between strategic plans and other operational/ short term plans.

Most of the data did not include the preplanning stage in the planning process. This goes to explain why many strategic plans fail in the development stage or during implementation. Of the 10 articles, only 2 included the preplanning stage. This stage is vital since it helps the organization determine its readiness to plan; help in consensus building and the development of team roles before the initiation of the planning process. Use of consultants in the planning process was evident only in 2 articles. Consultants are neutral individuals who bring expertise and objectivity in the planning process and must be involved as facilitators in the entire planning process.

### **Summary**

In this chapter, a model developed from review of literature was used in the first level coding to analyze the 10 articles identified from data. Second level coding was then done by analyzing how each article addressed the elements outlined in the model. Notes developed from these two levels were used in triangulation to determine fit between the proposed model and models identified from the data. Most of the models depicted similarities in the planning process. However some elements such as use of consultants, monitoring and evaluation, time dedication to the planning process and assessing readiness for strategic planning were least prevalent in most of the models.

### Discussion

This chapter is dedicated to discussing in detail the research data and the conclusions to be drawn from this analysis. The structure of this chapter is organized around responding to the critical research questions raised at the beginning of this study. The end result will be a comprehensive planning model that can be adapted by nonprofits to meet their strategic planning needs.

It is important to note that this study was based on the analysis of 10 scholarly articles that addressed the development of strategic planning models. 9 of the 10 articles addressed, to a satisfactory level, the strategic planning processes in nonprofit organizations. One article turned out to address the planning process for the development of a grant proposal plan. This represents the confusion that has dogged the nonprofit sector for a long time, especially small and relatively new nonprofit organizations. Indications from the data were however that nonprofits are somehow involved in some form of planning although the rigor and processes involved were not certain.

### Research Questions

**Research question one.** What are some of the factors that inform nonprofits to undertake strategic planning?

Review of literature before the study revealed factors such as pressure from external environment, demand for accountability by stake holders, prerequisite for funding, growth and size of the organization among other pressures. The effect of this was that it made organizations to be more reactive and therefore play catch up with the planning process. This study uncovered a different trend in the category of factors that inform the decision to plan by nonprofit organizations.

Earle (2009) indicated that most organizations were now more proactive in undertaking strategic planning with the aim of using it to improve internal and external communication in the organization. A survey conducted in the study indicated that 37% of the organizations strongly agreed that strategic planning had assisted them improve their communication; while 57.4% agreed with the same. Strategic planning was said to have unified the departments by bringing the employees on the same page. This was made possible during the planning stage where through collaboration, employees worked together with department heads to set the agenda for the planning process.

Strategic planning was also being adopted in an attempt by organizations to be more effective. Out of the 10 articles, 6 indicated that organizations were adopting strategic planning to assist them streamline their operations and improve their bottomline. Effectiveness was defined to mean departments were now more focused on the pursuing the goals set out in the plans; this was seen to be as a result of a shared vision and greater accountability by employees who understood and felt ownership of the strategic plans. Planning was also pursued by organizations to assist them grow. 6 out of 10 of the articles indicated that organizations were adapting strategic planning with an aim of growing their businesses. Organizations recorded growth in their revenue as a result of successful implementation of their strategic plans.

In summary, this shift in the reasons as to why organizations choose to adopt strategic planning from reactive to proactive is welcome news for the concept of strategic planning in the nonprofit sector. If organizations proactively pursue strategic planning as opposed to being coerced by external factors, it will become a pleasant exercise that will go a long way in ensuring successful implementation of these plans. Through coercion, many nonprofits ended up

developing strategic plans that were never implemented because among many other factors, the reasons that led to the development of these plans were mainly to meet external requirements.

**Research question two.** What critical issues should an organization address before commencing a strategic planning process?

Research identified a number of critical questions that an organization must answer before embarking on the planning exercise. These questions should be addressed in the pre-planning or the plan to plan session. Literature in the study suggested a prevalent use of the board of directors in the planning process and minimal involvement of employees. While this is a common practice, it limits participation, collaboration and buy-in by employees at all levels of the organization. There were suggestions that a planning team should be formed composing of members of different departments and levels of the organization. This team should reflect the diverse views and opinions in the organization. This will ensure inclusivity of the process. The board members through its chairman play a critical role in setting the long term direction of the organization. Before commencement of the planning process, the board, through the chairman communicates the overall strategic direction to the team through the chairman's note. This note highlights the strategic issues around which the planning process should be tailored.

To ensure that the process is conducted professionally, a consultant should be involved to help guide the planning process. Consultants bring in objectivity and expertise in the planning process. These consultants should play the role of a facilitator by helping define the appropriate process and keep the planning process on track. Role definitions are discussed in the plan to plan section of the planning process (Connors, 1993). Research found that most small nonprofit organizations paid consultants to develop strategic plans on their behalf. While this may save

time and money, implementation has proved to be unsuccessful because of lack of buy-in from internal stakeholders.

Total time dedicated to the planning process was also addressed in the study. While no literature was found that recommended a formula for determining how much time should be dedicated to the planning process, there was an indication that sufficient time need to be allocated for the entire process. This should be arrived at by putting into consideration the size of the planning team, the planning scope, amount of tasks accomplished between planning meetings, and how much time the organization is actually willing to give up for this process. There was a suggestion that total planning time may extend up to 32 hours of work with planning meetings lasting between 2 to 6 hours, meeting every two weeks

**Research question three.** How can the challenges of developing and successfully implementing a strategic plan be overcome?

The bulk of this study was dedicated to developing a model that small nonprofit organizations can adopt, tailor to fit their unique needs and implement in their planning process. This model addresses all the issues that surround the planning process from *pre planning* to *monitoring and evaluation*. This model was as a result of the evaluation of the 10 models identified in the data alongside the model used to analyze these sets of data.

### **Strategic planning model.**

***Pre planning stage.*** At this stage, the organization is strongly considering developing a strategic plan. Before commencement, the organization needs to assess its readiness to plan. The diagram below can assist the organization through the planning process. The process starts by assessing whether it is stable or in a crisis. If it is in a crisis then this needs to be addressed. Planning can only commence when an organization is stable and ready to plan for the future.

Secondly the organization must assess its capabilities in terms of resource availability. Planning is expensive in terms of time and money and resource availability is critical. Staff members as well as board members will need to spend their working hours developing the plan. An assessment of this sacrifice on the organization's stability should be assessed prior to commencement. A special budget allocation will have to be set aside to cater for research, materials, consultants, and miscellaneous expenses. The next stage will be assessing the organization's readiness for change. Strategic planning is about change and adaptation to the external environment. This process should result in consensus building to ensure that everyone is in agreement.

Once a strong compelling need for change has been developed, the organization's commitment to planning has to be established. Commitment especially from the top is very vital. This is because resources will have to be devoted to the planning process, and without a strong commitment, the planning process might not be successful. Finally the organization has to assess its capabilities in terms of human resource. Skills required range from those of the person to lead the planning process to the planning team members. Lack of a skilled person to lead the process should not delay the planning process but a consultant can be hired to lead the planning process. Hambright and Diamantes (2004) suggested training the planning team about strategic planning to familiarize them with the process. This can also be done by a consultant specialized in strategic planning.

This stage should conclude with a plan to plan document with the above analysis, team member roles, data requirement, time allocation for the process and a timetable for completion. This stage is the most critical and all organizations should strive to undertake it before commencing the actual planning process.

*The Planning Process.* Once the organization's readiness to plan has been assessed and a decision made to undertake planning, the next step is to develop the strategic plan. The study revealed a number of planning models. While there was no data to support the superiority of one model to another, there was a strong suggestion that the steps chosen should be one that meets the organization's unique planning needs. Whichever steps an organization chooses to follow, it must do the following: Develop a vision and mission. This will help provide a broad direction and philosophy for the business.

Secondly the business has to conduct a situational analysis. The business must assess where it is now, where it wants to be in the future, and how it plans to get there. This analysis should result in the identification of the organization's strengths, weaknesses, opportunities and threats. This analysis will place the organization in a position to determine where to invest its resources in terms of priorities. This will represent the organization's purpose, activities and desired outcomes. The next step will be to develop the strategies for achieving these set goals. The strategies proposed should be those that can be achievable withing the organization's resource capabilities. Finally, the organization will embark on developing the implementation plans and budgets. Earle (2009) referred to this as the allignment of the strategic plan to operational and financial plans. An implementation plan indicating areas of responsibility for the implementation, financial cost and timelines for implementation.

*Monitoring and Evaluation.* This is the last and most critical part of the planning process. Once the plan has been developed, a mechanism to continuously monitor and update it should be developed. Research suggested that semi-annual meetings should be conducted to review the plan while updates should occur annually. This is because the external environment is very volatile and the plan needs to be updated annually for it to remain relevant. There were

suggestions of minimum time the planning team should spend whenever they meet semi annually for reviews. Although there is no formular to determine this, review teams meeting semi annually for reviews must meet for at least 2-6 hours per review for an effective review to take place. The actual time spent on reviews should be determined by organizations individually.

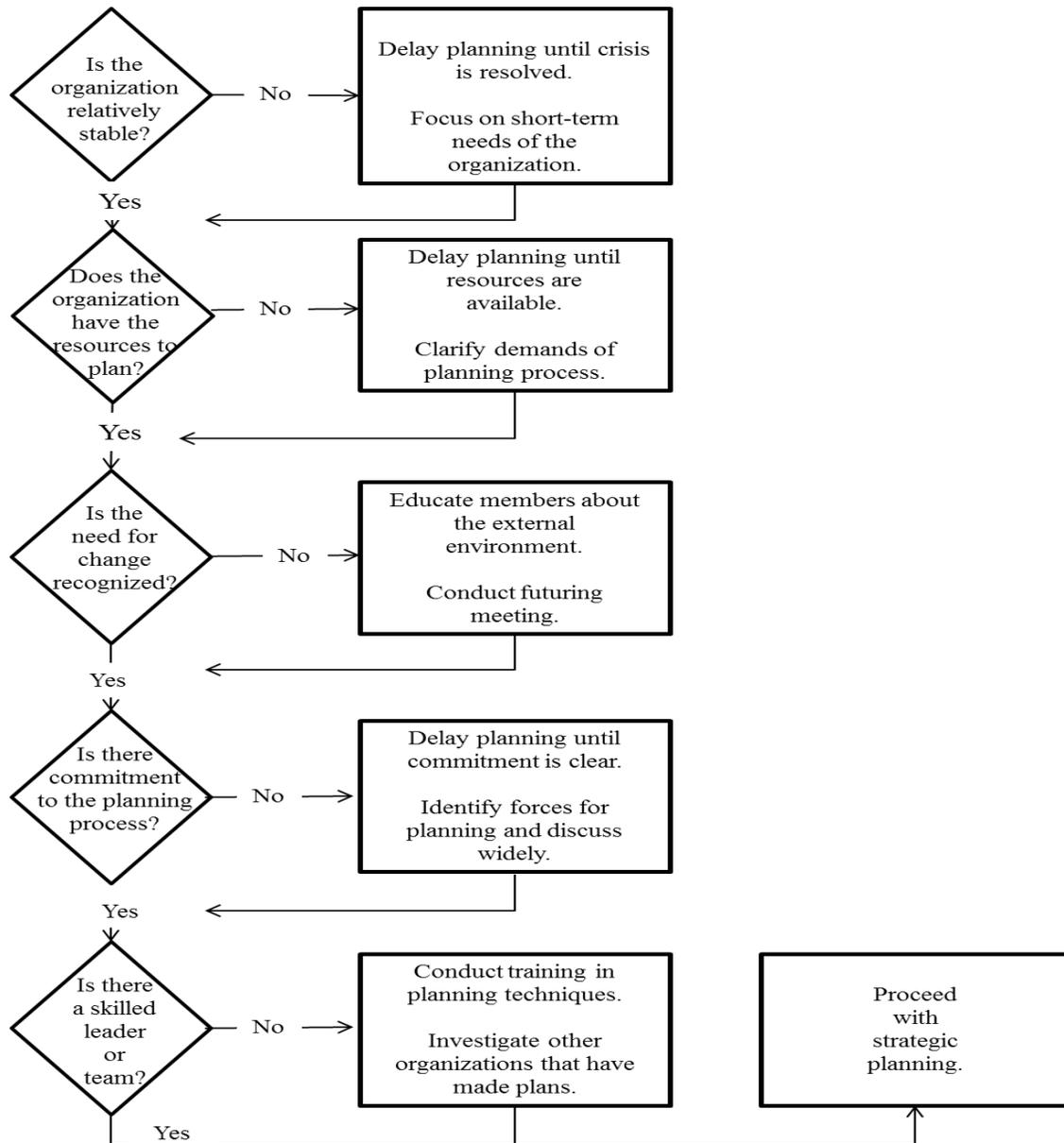


Figure 5. Strategic planning readiness assessment model (Connors, 1993).

## Conclusions

All the 10 scholarly articles reviewed in this study developed a strategic planning model with 6 to 9 steps. Emphasis on developing a planning model has always been on developing steps for planning. This study took a departure from this and highlighted some of the existing planning steps that an organization can choose from; then went a step further and proposed a three stage planning model. This model consisted of the *pre planning stage*, *the planning process* and *monitoring and evaluation*. Based on literature review and the researcher's personal opinion, there was a general feeling that strategic planning in nonprofit organizations has not been successful today not because of lack of planning steps, but a model that can allow an organization to choose the steps it feels fits its needs as an organization.

The success of any planning process is determined at the implementation stage. It is the researcher's view that if the organization gets the first stage (pre planning) right, then the chances of developing and successfully implementing a strategic plan will be very high. There can be a margin of error in the second stage; but organizations must get the first and third stage right all the time. Organizations must assess their readiness to plan, develop a plan to plan document; use it to develop a plan; then finally develop a monitoring and evaluation plan that will ensure that the plan is fully adopted.

## Recommendations and Implications

This study intended to demonstrate how successful development and implementation of strategic plans result to improve organizational effectiveness. Due to time constraints, the study was not able to address how strategic planning leads to organizational effectiveness. However, time was dedicated to developing a model that can assist organizations undertake successful strategic planning. The study was not able to test this model and make adjustments before actual

implementation. Surveys and interviews with nonprofit executives would have provided a picture of the current situation as far as strategic planning is concerned. This study could benefit from further research on these issues.

This study discovered some underlying trends between consultants, nonprofits and the planning process. It was not clear whether consultants actually aided or hurt the development of best practice in strategic planning. The study revealed that while consultants provide expertise and objectivity in the planning process, they also acted as a short cut to plan therefore making many organizations not dedicate the required resources to planning. The consultants were therefore seen as a confounding factor in this case. This study could benefit from further researcher on this relationship.

The model proposed in this study is very rigorous, time consuming and expensive in terms of resources. This implies that organizations will have to devote a lot of resources to the planning process. This model is more practical in the sense that before making this decision, the organization is provided with a mechanism to assess its readiness to plan before starting the journey and committing resources. This model is self-evaluating and only allows organization to start the process once it determined that they are ready and have the capabilities to undertake the planning process. To successfully implement this model, it implies that the organization will have to sustain the monitoring and evaluation/planning committee throughout the strategic plan's period. This is because monitoring and evaluation has to be done twice a year until the goals have been fully achieved.

### **Summary**

The purpose of this study was to develop a strategic planning model for small nonprofit organizations. To achieve this goal, the study through content analysis was organized around

three critical research questions: what factors inform the decision to plan by nonprofit organizations? What critical issues should a nonprofit organization address before commencing a planning process? How can the challenges of developing and successfully implementing a strategic plan be overcome? Data was collected through identifying 10 scholarly articles using search words such as strategic planning, planning practices, strategic planning processes, strategic planning models, nonprofit resource allocation. This search yielded a number of articles but due to time shortage, 10 articles were chosen for analysis. These articles were PhD theses, research reports and journal articles.

From literature review, a strategic planning model was developed and used to analyze these models. For first level coding, these articles were compared against the model and notes taken how each model addressed the elements of the best practice model. On second level coding, an analysis was conducted regarding how each element was addressed by the 10 articles. For third level coding, notes from first and second level coding were synthesized to determine fit between the model and those proposed in the data collected. Finally the findings were used to develop a simplified model of strategic planning with three critical stages.

The result of this study was the development of a model that took a departure from the tradition of developing models that merely enumerate the planning processes, and developed a three stage model that allowed organizations to tailor the process according their needs. The model assures successful implementations with an evaluation mechanism.

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