

# Strategic Planning Practices Result in Higher Performing Nonprofits <sup>1</sup>

Presented at Annual Meeting of the Association for Strategic Planning – Atlanta GA

April 23, 2013

*Sponsored by Association for Strategic Planning and the University of Arkansas, Department of Political Science  
Presented by Denise McNerney (iBossWell, Inc.), Dominic Perri (Essential Conversations Group) and Margaret Reid  
(University of Arkansas)*

## Summary

In March 2012 the initial findings from a national survey of 501c3 nonprofit organizations (NPOs) was presented during the Annual Conference of the Association for Strategic Planning (ASP)<sup>2</sup>. The study attempted to ascertain successful strategic planning practices by administering a national survey to more than 20,000 501c3 nonprofit organizations. Initial findings of the approximately 1000 responses led to further analyses of those organizations that considered themselves highly successful. On April 23, 2013, the additional analysis of the data collected in this effort was presented during the Annual Conference of ASP in Atlanta, GA.

The current analyses produced the following highlights:

- Successful practices that can be used to guide processes for plan development in nonprofits;
- Successful practices help drive the creation of a culture of discipline for ongoing plan implementation and oversight practices;
- Overall, compelling data that makes the case for the value of good strategic planning and management practices by enhancing overall organizational success in nonprofits.

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## Technical Overview:

The Association for Strategic Planning, with support from the University of Arkansas department of Political Science (UofA), sponsored the survey). In 2012 The ASP Board of Directors called for a committee to look at successful practices in non-profit strategic planning. The committee titled: ASP Non-Profit Research Initiative, was chaired by Sue Radwan. The survey was targeted to 501c3 nonprofit organizations as well as consultants who serve that industry. Questions for both subgroups were designed to mirror each other to allow for later comparisons.

An invitation to participate in the survey was sent to more than 20,000 individuals through various email lists including a GuideStar nonprofit list, Association for Strategic Planning member and contact lists, and email lists of ASP committee members. In addition, survey invitations were posted on five different LinkedIn professional groups that ranged from 5,000 to 21,000 members in size.

## Purpose:

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McNerney D, Perri D, Reid M. "Strategic Planning Practices in High Performing Nonprofit Organizations (501c3)" – research results from national survey sponsored by Association for Strategic Planning (ASP) with University of Arkansas. Presented April 23, 2013, ASP National Conference. Atlanta GA. For further information contact [dmcnerney@ibosswell.com](mailto:dmcnerney@ibosswell.com) or ASP.

<sup>2</sup> [http://www.strategyplus.org/pdf/ASP\\_Article\\_NPO\\_National\\_Survey\\_Initial\\_Findings%20\(March%202012\).pdf](http://www.strategyplus.org/pdf/ASP_Article_NPO_National_Survey_Initial_Findings%20(March%202012).pdf)

The main purpose of the survey was to address lack of national data on nonprofit strategic planning practices; to determine if size of the organization matters when looking at specific practices; to identify practices that Nonprofits themselves describe as “very successful”; and to identify consultant practices working with (not covered in this report). The survey centered on the essential elements of strategic planning and management practices: plan development and plan implementation. Because the 2012 analyses revealed that NPO size was not a singular indicator for successful strategic planning practice, the presentation at the 2013 national meeting focused on a comparative analysis of practices used by Nonprofits which characterized themselves as highly successful versus those which said they were less successful as organizations.

**Responses:**

Total responses analyzed	973
Nonprofit respondents	72.2%
NPO consultant respondents	22.1%
Other: unusable responses	5.8%

**Size of NPOs:**

NPOs’ Annual Operating Expenses<sup>3</sup>

Less than \$1 million	41.0% (278)
\$1 million to \$5 million	32.6% (221)
Greater than \$5 million	26.4% (179)

**Classification of NPO respondents:**

Human Services	30.60%	207
Health (health care, mental health, health/med research, related associations, etc.)	16.70%	113
Education	10.90%	74
Arts, culture & humanities	8.90%	60
Public & societal benefit (except Foundation)	6.20%	42
Religion-related	4.30%	29
Environment/animals	3.80%	26
Foundation (principally grant-making institution)	3.20%	22
International and foreign affairs	1.80%	12
Mutual/membership benefit	1.30%	9

<sup>3</sup> The national numbers are roughly

- Under 100K: 45%
- 100-500K: 29%
- 500K to 1 mill: 8%
- 1 – 5 mill: 11%
- >5 mill: 5.6%

<http://www.urban.org/UploadedPDF/412674-The-Nonprofit-Sector-in-Brief.pdf>

Other 501c3:	11.70%	79
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**Self-Rated Success Level:**

**Respondents were asked to self-rate their organization for overall success and the likelihood for continued success in the foreseeable future. Results from this data were used for analysis of practices by level of success (N=507).**

- Low (*Unsuccessful/Minimally*) Success **6%**
- Medium Success **31%**
- High Success **63%**

There is no agreed upon set of criteria which measures success in the nonprofit sector; there are however certain practices that can logically be used to define overall organizational success, such as community impact and long-term sustainability. Survey analysis revealed organizations that self-rated themselves as highly or very successful overall, also were the most successful at achieving these broader organizational outcomes:

**Highly successful Nonprofits:**

- Make a Distinctive Impacts on their Communities
  - 88% of high-success NPOs report making an impact, compared to 10% which reported average success
- Assure Long-term Sustainability
  - 62% of high-success NPOs say they are highly successful at sustainability compared to 30% which reported average success
- Receive Steady Flow of Funding
  - 58% of high-success NPOs say they are highly successful at securing funding, compared to 32% which reported average success
- Strategies are Data-Driven
  - 39% of high-success NPOs say they are highly successful at developing data-driven strategies compared to 39% which say they have average success with such strategies.

**Findings**

**1. Plan Development**

In this section of the survey, four key questions focused on plan development and addressed such topics as factors that drive engagement in the strategic planning process in the first place, activities Nonprofits engage in to get themselves ready for the process, and challenges they face when planning as well as how they work through these challenges. These questions were designed to ascertain the differences in each of these areas between those organizations that characterize themselves as high-success as opposed to those that consider themselves less successful. In each section key findings are presented followed by the take-ways (“pearls”) identified by the Survey Committee

**1.1. Primary Drivers for Engaging in Strategic Planning(SP)( N= 504)**

<b>Overall Success:</b>	<b>Low Success</b>	<b>Moderate Success</b>	<b>High Success</b>	<b>Total Responses</b>
Routine (systematic) periodic process in our organization	36%	60%	74%	68%
Driven by opportunity	14%	8%	10%	10%
Driven by significant risks/challenges	46%	24%	9%	16%
Mandated by a stakeholder/funder	0	3%	3%	3%

**Takeaway: Successful organizations don’t plan only to meet risks/challenges; planning is a “consistent periodic process”**

**1.2. Activities Nonprofits use to Prepare for SP (N= 507)**

<b>Overall Success:</b>	<b>Low</b>	<b>Medium</b>	<b>Hi</b>	<b>Overall</b>
Conducting Environmental Analysis	2.8%	19.3%	39.3%	61.3%
Mission/Vision Discussion	3.2%	19.3%	39.1%	61.5%
Review Industry trends/Benchmarks	2.8%	14.4%	33.5%	50.7%
Brainstorming Techniques	2.6%	13.2%	24.9%	40.6%
Define Organizational Performance Outcomes	3.2%	14.0%	33.5%	50.7%
Conduct Program Analysis/Assessment	2.0%	12.8%	30.2%	45.0%
Conduct Stakeholder Interviews/Surveys/Focus Groups	1.4%	1.8%	26.0%	39.3%

**Takeaway: Highly successful Nonprofits are far more likely to engage in all the typically recommended (by planning professionals) preparation activities.**

**1.3 Challenges during Plan Development (N= 502)**

<b>Overall Success:</b>	<b>Medium</b>	<b>High</b>	<b>Overall</b>
Lack of Time to Plan	40%	46%	43%
Poor Board Involvement	34%	28%	31%
Fear of Change by Staff and Board	29%	32%	31%
Lack of Clarity for who is accountable	29%	23%	26%
Lack of high-level strategic thinking by leadership	37%	18%*	26%
Resistance to make hard choices	35%	18%*	25%

**Takeaway: Medium success Nonprofits are more challenged with lack of leadership support/direction and making the hard choices. (The differences between the two groups in these areas were statistically significant.)**

**1.4. Working Through the Challenges**

When trying to work through the challenges of plan development, the survey identified distinctive practices that managers use to assist in successfully working through them:

- Focus on making the goals, objectives, and other content concise and making them understandable for planning participants – 61%
- Communicate clearly and concisely how the plan will lead to action - 45%
- Carefully define expectations/process for participants on the front end – 42%
- Gather input from key stakeholders, employees – Highly success Nonprofits were statistically significantly more likely to engage in this practice than the others (35% vs. 14%)

**2. Ongoing Plan Implementation**

The second segment of the survey attempted to determine the extent to which very successful Nonprofits and less successful ones might differ in how they went about implementing their plans.

The survey committee analyzed four key questions to gain insight into implementation practices: degree of success with plan tracking and oversight; key implementation practices for reporting plan progress; challenges encountered to achieve successful plan implementation and frequency of reporting plan milestones.

**2.1. Success with Plan Tracking and Oversight (N=503)**

Overall Organizational Success	Medium	High
Somewhat Successful Implementation	55%	52%
Very Successful Implementation	8% *	36%*

**Takeaway: While all organizations report some success with plan implementation, there is a statistically significant difference between Nonprofits which report high overall organizational success and their reported high success in implementing their plans, compared to organizations which characterize themselves as medium success.**

**2.2. What are the Most Successful Implementation Practices for Plan Tracking and Reporting (N=507)**

Overall Success:	Low	Medium	High	Overall
Discussing updates on progress during some executive staff meetings	3%	16.2%	38.3%	57.4%
Annual review of mission/vision in alignment with strategic plan	2%	14.2%	28.8%	45%
Periodic Assessment/Reporting	6 %	15.4%	41%	57.6% *

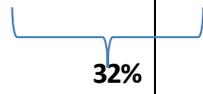
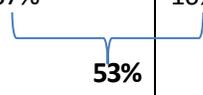
**Takeaway: Highly successful Nonprofits are more systematic and disciplined in monitoring their progress towards plan implementation than their counterparts. They are especially more focused on communicating plan outcomes ( \*this finding was statistically significant)**

**2.3. What are the Most Significant Challenges Encountered during Plan Implementation to Tracking/Reporting (N=507)**

<b>Overall Success:</b>	<b>Low</b>	<b>Medium</b>	<b>High</b>	<b>Overall</b>
Staff spread too thin to pay explicit attention to plan implementation	3%	17%	33.8%	53.4%
Insufficient financial resources	3.4%	13.6%	26%	43%
Lack of formal reporting process on plan progress	1%	8.3%	14%	23.3%
Lack of measurable progress indicators	1%	9.1%	10.8%	20.9%

**Takeaway:** Most organizations face challenges with staffing and financial resources; while it seems counterintuitive that highly successful organizations report similar or greater challenges, it is probably due to their greater commitment to planning and a greater awareness of these challenges that may likely result from their increased efforts to develop, monitor and implement their plans well. Since many organizations are challenged by these issues, increased awareness about the realities of strategic planning can position Nonprofits to more effectively face them.

**2.4 Reporting Plan Achievements (N=501)**

<b>Frequency of reporting:</b>	<b>Not Reporting</b>	<b>Inconsistent Reporting</b>	<b>Once annually</b>	<b>Twice annually</b>	<b>3-4 times annually</b>	<b>Monthly</b>
<b>Medium Success NPOs</b>	11%	24%	17%	12%	22%	10%
					 32%	
<b>High Success NPOs</b>	6%	11%	12%	12%	37%	16%
					 53%	

**Takeaway:** Highly successful organizations assess and report plan progress much more frequently: at least 3 to 4 times a year or monthly.

**In summary the “pièce de résistance”**

**The extent to which strategic planning has impacted organizational success (N=504)**

<b>Overall Success:</b>	<b>Low</b>	<b>Medium</b>	<b>High</b>
SP No/minimal impact on success	44%	14%	5%
SP Some impact on success	37%	57%	28%
SP Large impact on success	11%	18%	42%
SP Critical to our success	0%	5%	23%

**Takeaway:** Highly successful Nonprofits credit strategic planning and management to their overall success to a greater extent than lower success organizations. Ninety three percent of successful organizations report that strategic planning has “some to critical impact” on overall success, whereas only 48% of low-success organizations report such impact, with another 44% reporting “no to minimal” impact. Furthermore, there is a statistically significant difference by “Success” but not a statistically significant difference by “Size” of NPO.

**Implications**

So what is the bottom line of this research, and what can NPO managers, consultants and other stakeholders take away and do to improve overall organizational success?

**Plan Development**

- Successful organizations make strategic planning a consistent/routine periodic process, and not just something they do in times of crisis, or because a funder requires it.
- High-success Nonprofits are far more likely to engage in ALL of the recommended planning preparation activities, including looking at industry trends and their external environment, as well as internal strengths and weaknesses.
- Medium success organizations are more challenged with lack of leadership support/direction, and have more difficulty in making some of the tough choices that good strategic planning can demand. Leaders must arm themselves with good information to inform direction setting, and prepare themselves to step-up and make the difficult decisions that will help them develop and implement clear strategic direction.
- To better position themselves to work through common challenges encountered during plan development, leaders should:
  - Gather input from key stakeholders;
  - Focus on making the goals, objectives, and other content concise and understandable for planning participants;
  - Communicate how the plan will lead to action;
  - Carefully define expectations and the planning process on the front end.

**Plan Implementation**

- Evidence clearly supports the value of maintaining consistent/routine and explicit plan implementation practices, including assessing progress to plan goals/objectives/metrics and reporting to key stakeholders.
- Since evidence indicates that high success Nonprofits are more disciplined in conducting systematic implementation practices, staff and board leaders must put reasonable processes for assessment and reporting into place, and keep in mind that highly successful Nonprofits do this 3 to 4 times per year.
- All organizations face implementation challenges; it is crucial to keep these higher occurring challenges in mind and position the organization to deal with and minimize them.

**Bottom Line and “The Call to Action”**

This research leads us to believe that high-success Nonprofits have a “culture of planning” that involves a commitment and discipline that lower success organizations do not have. The results of this survey lay out a path to success, from initial steps through implementation. The survey confirms that the practices the field of strategic planning and management has identified are in fact inextricably linked to organizational success.

With this evidence supporting the value of strategic planning and strategic management, planning advocates should:

- Use it to guide your processes for development
- Use it to create a culture of discipline for implementation
- Use it to sell the value of planning – as it clearly impacts the bottom line of organizational success.

Clearly, successful organizations credit strategic planning and management to their overall organizational success. This evidence is so compelling, regardless of size of organization, we believe these successful practices should be adopted by all Nonprofits, demanded by boards, and supported by funders. Furthermore, funders should consider not only supporting strategic plan development, but also supporting development of ongoing plan management/implementation practices, and requiring plan assessment reports/updates as part of the grantee’s reporting. Once the bar of strategic planning and management is raised to this level, we all can feel more confident that the success of Nonprofits in achieving their goals, and ultimately fulfilling their missions, will significantly advance. And, in the end, isn’t that what this is all about?

**Next Steps: Stay Tuned for Reports on Further Analysis**

Future analysis will include:

- Comparisons between NPO internal reporters and external consultants’ experiences
- Comparisons (where possible) between sub-segments of the nonprofit sector

If you are interested in receiving future reports on this research, please contact:

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## Thank you to the team & sponsors!

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