

Strategic Planning Successful Practices in Non-profit Organizations (501c3)

March 2012 National Survey – Initial Findings©

Reported May 1, 2012 - Association for Strategic Planning Annual Conference

Sponsored by Association for Strategic Planning¹

with University of Arkansas, Department of Political Science

Presented by Sue Radwan & Denise McNerney

Executive Summary:

A national survey was conducted by the Association for Strategic Planning (ASP) in March 2012 regarding successful practices in strategic planning for non-profit 501c3 organizations. Initial findings of the 1000+ responses found the following three items of significant interest to advocates for the strategic planning process in this sector:

- ❖ The *driver* for strategic planning in high success organizations is “Routine periodic process in our organization.” Whereas in low success organizations, the driver for planning is “Driven by significant risks/challenges”
- ❖ Successful organizations report having successful plan implementation practices; low success organizations report that they do not have successful implementation practices.
- ❖ Highly successful organizations report that strategic planning has high impact on overall organizational success. Low success organizations do not report strategic planning as key to overall organizational success.

Additional details of initial findings are found below.

Further analysis of the data will be conducted later in 2012 to determine other significant findings of this research.

Technical Overview:

This survey was sponsored by the Association for Strategic Planning (ASP) with support from the University of Arkansas, Department of Political Science (UofA). 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*, is chaired by Sue Radwan. Support from UofA comes from Margaret Reid, Ph.D., Chair – Department of Political Science. The ASP survey effort was led by Denise McNerney.

The survey was targeted to non-profit organizations (“NPOs”), US Internal Revenue Service designation of 501c3 only, as well as consultants who serve that industry. The survey was constructed so that the majority of the questions were similar for both consultants and staff/board members of non-profit organizations so comparisons can be made. In most cases, answers to multiple choice survey questions were randomized to minimize bias.

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Presented: **Tuesday, May 1, 7:00 am (Lakeside Pavilion); Non-Profit Research Initiative Survey Results**; Denise McNerney, iBossWell, Inc. and Sue Radwan, Haines Centre for Strategic Management, presenters; preliminary results from the ASP Non-Profit Research Initiative. This the first ever, large scale research on non-profit planning practices. Survey developed, conducted and analyzed by ASP Non-Profit Research Initiative Committee. Thank you to all committee members (all are volunteers):

Survey Sub-committee: Denise McNerney (lead)(iBossWell, Inc.), with Lynne Brown (iBossWell, Inc.), Terri Harmon (iBossWell, Inc.), Dominic Perry (Essential Conversations Group) and Margaret Reid (University of Arkansas).

ASP Non-Profit Research Initiative Committee members: Sue Radwan (chair)(Haines Centre for Strategic Management), Andy Bradley (Goodwill Industries, Inc.), Keith Chiavetta (Chiavetta Management Advisors), Lee Crumbaugh (Forrest Consulting/Strategic Business Leader), Neelima Firth (Alfred Mann Foundation), Doug Graham (The Center for Strategic Capital Development), Denise McNerney (iBossWell, Inc.), Dominic Perri (Essential Conversations Group), Bob Rich (American Chemical Society) and Randy Rollinson (LBL Strategies).

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

Responses

Total survey responses: 1,003²
 Abandoned or duplicate responses: 30 (3%)
Total responses analyzed 973

Select Characteristics of Respondents

Q.1. What best describes you?

- Non-profit respondent 72.2% (703)
- Consultant respondent 22.1% (214)
- Other: (Respondents disqualified 5.8% (56)

Note: Typical of longer, more in-depth surveys, there was some waning of respondents as survey progressed.

Q.4. Size: What is your organization’s annual operating expense budget?

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

Q.6. 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
Other 501c3:	11.70%	79

Q.32. Self-Rated Success Level: How would you rate your organization for overall success and opportunity for continued success in the foreseeable future?

- Unsuccessful - we are considering closing/merging 0.6% (3)
- Minimally successful - we are barely surviving 4.9% (25)

² Note: Technical difficulties with skip logic functionality in the first few days of survey collection resulted in some organizational respondents being asked the consultant questions as well as the organizational questions. The technical error was resolved and all survey responses prior to that date were reviewed. Approximately 35 NPO respondents had completed one or more consultant questions and those answers were deleted from the data set.

- Average Success 31.2% (158)
 - Very Successful 50.9% (258)
 - Outstanding Success 12.4% (63)
- Answered Question (n) 507

INITIAL FINDINGS

The following summarizes the findings of the initial review of survey data. Further analysis of the survey results is in progress and will be reported in subsequent publications.

DOES SIZE MATTER?

When setting the charge for the non-profit strategic planning successful practices effort, one of the areas the ASP Board of Directors asked to be considered related to differences in planning practices by size of organization. Initial findings regarding size and “does it really matter... for examining successful planning practices in non-profit organizations,?” Initial findings regarding whether size “really matters” suggest:

- Not as much as you might think!
- More analysis is needed to determine significance for all “size” related data unless otherwise noted.

There were, however, several areas identified where size of the organization *may* influence some issues. (*Note: we still need to analyze for statistically significant differences in this data.*)

- By far, two of the most apparent differences relative to size were reported in the area of “challenges to getting the plan developed across different size NPO’s”:
 - “Poor board involvement/engagement”; which is the second ranking highest challenge for Small (41%) and Medium (32%) size NPOs, yet only 17% Large NPOs chose as a top 5 challenge.
 - “Silo mentalities of program staff” is by far a bigger challenge for Large NPOs (40% - #1 ranking), with Small at only 8% and Medium at 17%. Interestingly, this data tracks with other research on “Silo mentality” increasing with size of organization.
- In preparing for strategy discussions, there were five practices that had differences in rankings of success across size:
 - Conduct Stakeholder Interviews/Surveys/Focus Groups
 - 45% Medium, 38% Large, 32% Small
 - Conduct visioning sessions
 - 37% Small, 32% Medium, 26% Large
 - Review industry trends
 - 30% Large, 22% Medium, 19% Small
 - Conduct environmental scans
 - 29% Large, 18% Medium, 14% Small
 - Review of regulatory environment
 - 15% of Large NPOs ranked this in their top 5 practices, where only 4% Small and 5% Medium ranked in top 5
- Almost half of Large NPOs (48%) reported “Using high-level Dashboard/Scorecard reports, updated regularly”, with significantly lower reported use of this with Small (20%) and Medium (26%)

- Interestingly, 31% of Small NPO’s reported “Audits and financial annual reports” as a successful reporting practice vs only Medium (17%) and Large (19%) selecting the same.

We also asked external planning consultants: “Do you modify your approach significantly when working with different types or sizes of organizations?” Their responses:

- Yes – 40% (most common modification reported was “more formal/extensive process”)
- No - 6.5%
- Sometimes - 54%

SUCCESSFUL PLANNING PRACTICES RUN HIGH IN SUCCESSFUL ORGANIZATIONS

Given that the distribution of level of “self-rated³” success for respondents was the following,

- Unsuccessful – we are considering closing/merging
+ Minimally successful – we are barely surviving 6%
 - Average Success 31%
 - Very Successful + Outstanding Success 63%
- Answered Question (n) 507*

it is interesting to compare certain planning practices relative to this self-rated success level.

Q. What is the primary driver for engaging your organization in strategic planning? (pick only 1)
(Note: Significant difference by org success)

	Low Org Success	Moderate Org Succ.	High Org Succ.	Total Responses
Routine periodic process in our organization	36%	60%	74%	67.5%
Driven by opportunity	14%	8%	10%	9.5%
Driven by significant risks/challenges	46%	24%	9%	15.9%
Mandated by a stakeholder/funder	0	3%	3%	3.0%

Pearl: In highly successful organizations, the main driver for Strategic Planning = “routine periodic process” = 74%
Whereas, in low success organizations, the main driver is “risks/challenges: 46%, and if you add “Opportunities” at 14% = 60%

³ Results of question: How would you rate your organization for overall success and opportunity for continued success in the foreseeable future?

Q. How successful do you feel your current implementation practice is for plan oversight and tracking?

(Note: Significant difference by success. Not significant difference by size)

	Low Org Success	Moderate Org Succ.	High Org Succ.	Total Responses
Unsuccessful Implementation - does not work	22%	10%	2%	5.2%
Somewhat unsuccessful Implementation	26%	23%	6%	12.5%
Somewhat successful Implementation	41%	55%	52%	52.5%
Very successful Implementation	4%	6%	32%	22.5%
Exemplary – Implementation takes success to next level	0	4.5%	4%	3.2%

Pearl: 89% of highly successful orgs report successful implementation practices
Whereas, only 45% of low success orgs report successful implementation practices

Q. Extent to which strategic planning has impacted organizational success:

(Note: Significant difference by Success. No significant difference by Size.)

	Low	Moderate	High	Total
No impact on our success	7%	1%	0.6%	1.2%
Minimal impact on our success	37%	13%	4%	8.7%
Some impact on success	37%	57%	28%	37.7%
Large impact on our success	11%	18%	42%	32.5%
Critical to our success	0	5%	23%	15.9%

Pearl: 93% 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 44% reporting “no to minimal” impact.

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USE OF EXTERNAL CONSULTANTS BY NPO'S

Q. Do you use an external consultant to help with your planning process?

(Note: No significant difference across responses of different sizes OR by success)

- No 33.5%
- Yes 23.5%
- Sometimes 43%

Total response n = 519

- 87% of NPOs who use consultants report that referrals from colleagues is the primary way they find a consultant.
- Strong facilitation skills, flexibility in process, and ability to adapt expertise are the top qualities sought in an external consultant.

COMPARING INTERNAL NON-PROFIT RESPONSES TO THOSE OF EXTERNAL CONSULTANTS

Most successful practices to prepare for strategic planning, results reported by group:

<u>NPO's</u>	<u>External Consultants</u>		
▪ Perform SWOT analysis	53%		51%
▪ Define desired organizational performance outcomes	51%		49%
▪ Conduct program analysis/assessment	45%		--
▪ Mission/Strategy Mapping	45%		49%
▪ Use brainstorming techniques	41%		--
▪ Conduct Stakeholder Interviews/Surveys/Focus Groups	40%		63%
▪ Conduct Visioning Sessions	--		48%
▪ Conduct Environmental Scans	--		38%

- External Consultants put more weight on formal periodic reporting and documentation, including the use of high-level Dashboard/Scorecard reports and regular updating than did internal organizational reporters overall. However, high success organizations were closer to external consultants' level.

- Regarding processes for "updating the strategic plan", consultants rated "periodic review meetings between staff leadership and board" (61% vs 41%) and "annual retreats" (59% vs 37%) higher for updating strategic plans than did Internal organizational respondents.

PEARLS OR TAKE-AWAYS

Potential Selling Points for Strategic Planning *(for internal & external advocates)*

- ❖ The *driver* for strategic planning in high success organizations is "Routine periodic process in our organization." Whereas in low success organizations, the driver for planning is "Driven by significant risks/challenges"
- ❖ Successful organizations report having successful plan implementation practices; low success organizations report that they do not have successful implementation practices.
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NEXT STEPS

The committee members understand that these initial findings are just the first step in analyzing the results of this research and gaining further insights into successful practices in strategic planning among non-profit organizations.

Future analysis will include areas such as:

- Practices in strategic direction-setting preparation
- Practices in strategic plan development
- Practices in strategic plan implementation
- Comparisons between NPO internal reporters and external consultants' experiences

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

Denise McNerney: dmcnerney@ibosswell.com

THANK YOU TO THE TEAM & SPONSORS!

ASP Non-Profit Research Initiative Committee members:

- Sue Radwan (chair)(Haines Centre for Strategic Management)
- Andy Bradley (Goodwill Industries, Inc.)
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