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STRATEGIC PLANNING: *Positioning Identity, Values and Aspirations*

Today, perhaps more than ever before, nonprofit organizations are trying to use strategic planning to help them anticipate and respond to the many challenges and opportunities looming on the horizon. Many foundations and government agencies demand that nonprofits have a viable strategic plan as a condition of a grant or contract. Trustees who work in the business world often think in terms of corporate strategy. And there is no shortage of books, management guides, and pamphlets extolling the virtues of strategic planning in nonprofit organizations. Consequently, The Forbes Funds receives dozens of inquiries per year from nonprofit organizations seeking assistance with their strategic planning processes. It is by far the most frequently requested type of assistance in our management enhancement grants program.

But we also know, from anecdotal evidence as well as surveys, that once strategic plans are completed, they often sit **unused** on the shelf. The plan is either ignored or worse yet occasionally disseminated only externally as a kind of public relations tool, to "prove" that the organization is well managed, to get a grant, or to lure an unsuspecting donor. Eventually this approach damages the credibility of the organization with external constituencies and breeds cynicism among employees, volunteers, and others inside the organization.

The questions, therefore, are:

- What makes for effective implementation of strategies in nonprofit organizations?
- Are there easy-to-use tools that can help nonprofit organizations make a better connection between strategic *planning* and strategic *management*?
- Are there examples of nonprofit organizations that have successfully used these tools?

The Forbes Funds commissioned Dr. John Camillus to address these questions. Camillus is the Donald R. Beall Professor of Strategic Management at the University of Pittsburgh's Katz Graduate School of Business. He has conducted numerous studies on the relationship between strategic planning and strategy implementation. He is one of the nation's leading scholars on this topic.

Camillus has conducted extensive literature reviews on the topic of strategy development and implementation in all types of organizations. Most of his prior research has focused on the business sector, but in recent years he has turned his attention to the nonprofit sector. For this study, Camillus developed detailed case studies of four nonprofit organizations in the Pittsburgh region: The Andy Warhol Museum, the Carnegie Library of Pittsburgh, Gateway Rehabilitation Center, and Glade Run Lutheran Services. He also interviewed senior nonprofit managers for their perspectives on strategic planning and implementation.

THE INHERENT PROBLEM IN TRADITIONAL STRATEGIC PLANNING PROCESSES

By now, nearly all senior managers in the nonprofit sector are familiar with the traditional process of strategic planning, which begins with an assessment of the organization's mission as well as its **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats (**SWOT** Analysis). The SWOT process is then somehow blended with the priorities of key stakeholders to produce the organization's **strategy**.

Camillus argues that traditional SWOT Analysis is inadequate for most strategic planning contexts. First, an organization's SWOTs change as its strategy changes. Therefore, to list its SWOTs prior to developing a strategy can be problematic. Also, SWOT Analysis typically is biased toward only incremental change in past strategies. It does not usually accommodate the dramatic organizational transformations that many nonprofits need. Finally, the traditional planning process does not readily offer a way for key stakeholders to express their values and priorities and to ensure that these are reflected in the outcome.
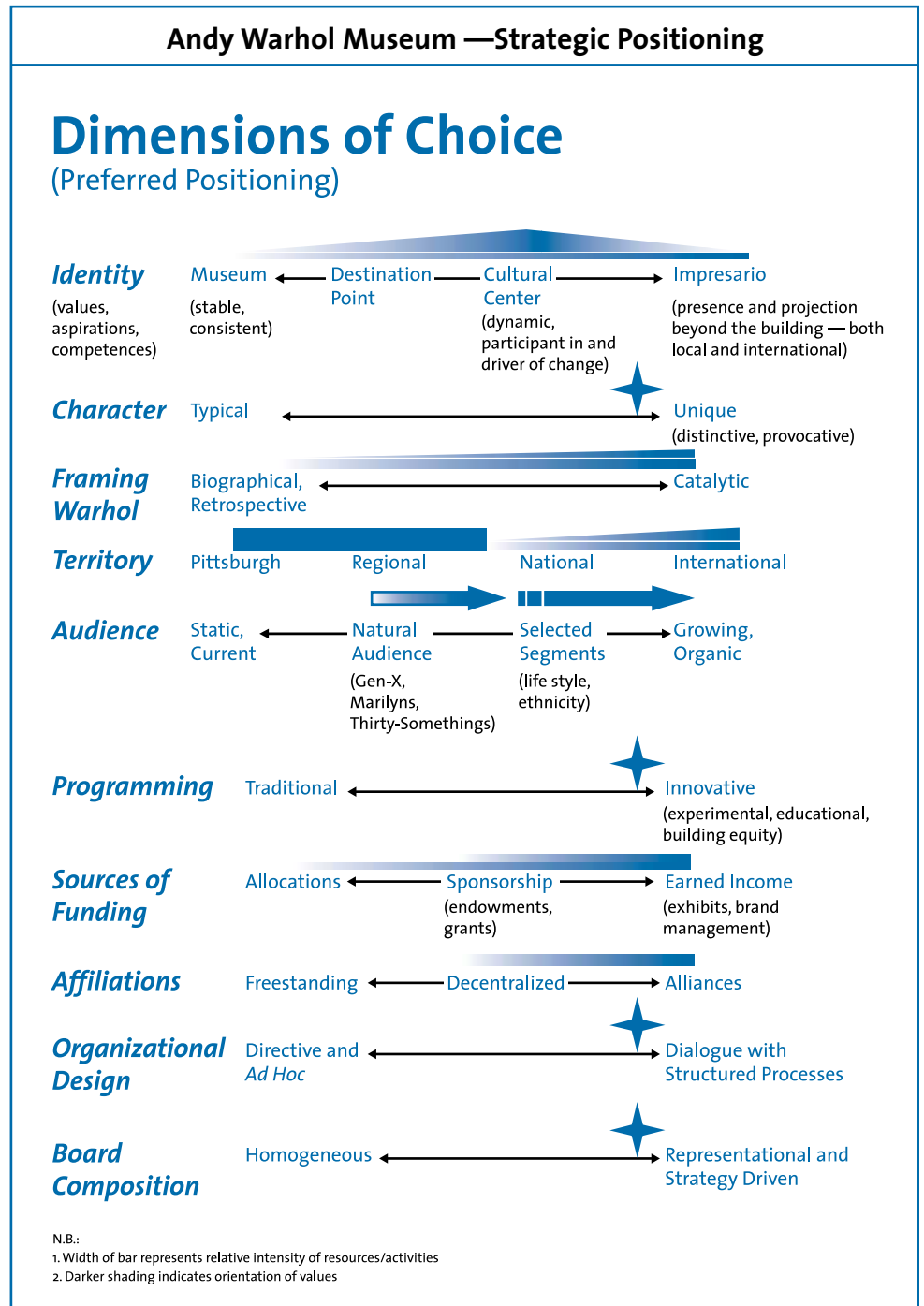
A DIFFERENT APPROACH

Camillus has developed what he calls a *Pragmatic Planning Process* that is quite different from the traditional SWOT approach. His process begins by asking stakeholders to generate, prioritize, and cluster the key issues or choices that their organization faces. These issues often are clustered under headings like *core identity* (the organization's values and aspirations), *territory* (the geographic area it wants to serve), *consumers* (the types of clients or audience the organization wants to attract), *programs and services* (describing the service philosophy), *finances* (the preferred sources of funds), *organizational design* (the structures and processes) and so on. While these are typical headings, they are not necessarily applied to every organization. The first step is to ask stakeholders to articulate the key choices they face and then to cluster those choices under whatever headings make sense.

Next, Camillus helps the organization generate alternative responses to these issue clusters, typically along a continuum of plausible options. For example, with respect to the *core identity* of the Andy Warhol Museum, there is a plausible continuum of options. At the conservative end of the continuum, The Warhol could conceivably choose to identify itself as a traditional museum with stable and consistent programming. Moving toward alternative models, The Warhol could envision itself as a cultural center, which would likely involve a role as a participant in and driver of change. Finally, at the outer end of the

continuum, The Warhol could conceivably choose to become an impresario with a presence and projection beyond Pittsburgh. Other issues and their associated choices for The Warhol are shown below.

When the stakeholders have expressed their values with respect to each of these issue clusters, the overall product is a strategic profile of the organization as shown in the figure below. This strategic profile has the added benefit of giving organizational stakeholders a visual picture of their desired strategic profile.

Finally, Camillus helps the organization identify a set of concrete actions that will be necessary for the organization to achieve its desired strategic profile. If, for example, The Warhol wants to

To read the full text of this study, log onto The Forbes Funds' web site at (www.forbesfunds.org).

Andy Warhol Museum —Strategic Positioning

Dimensions of Choice
(Preferred Positioning)

Identity
(values, aspirations, competences)

Museum (stable, consistent) ← Destination Point — Cultural Center (dynamic, participant in and driver of change) → Impresario (presence and projection beyond the building — both local and international)

Character
Typical ←————————→ Unique (distinctive, provocative)

Framing Warhol
Biographical, Retrospective ←————————→ Catalytic

Territory
Pittsburgh — Regional — National — International

Audience
Static, Current ← Natural Audience (Gen-X, Marilyns, Thirty-Somethings) — Selected Segments (life style, ethnicity) → Growing, Organic

Programming
Traditional ←————————→ Innovative (experimental, educational, building equity)

Sources of Funding
Allocations ← Sponsorship (endowments, grants) → Earned Income (exhibits, brand management)

Affiliations
Freestanding ← Decentralized → Alliances

Organizational Design
Directive and Ad Hoc ←————————→ Dialogue with Structured Processes

Board Composition
Homogeneous ←————————→ Representational and Strategy Driven

N.B.:
1. Width of bar represents relative intensity of resources/activities
2. Darker shading indicates orientation of values

eventually position itself as a cultural center, what actions are needed now to accomplish that? If it wants to broaden its territory, how exactly can that be accomplished? If it wants to adopt a more educational service philosophy, what changes must take place now? The specific actions identified via this process become the organization's strategy.

The key difference between this process and the traditional SWOT analysis is that the strategy that emerges from the Camillus framework is *not* rooted in the detached intellectual exercise of environmental scanning, but in the *values and aspirations of key stakeholders and leaders*. Certainly, there is plenty of room in Camillus' framework for internal and external scans of organizational strengths, weaknesses, opportunities, and threats. Data as well as values play an important role. But the planning process is not *driven* exclusively or even primarily by these assessments. Rather, it is driven by the values, aspirations of key stakeholders and practical choices available to the organization.

Camillus argues that this practical approach leads to greater buy-in to strategy implementation at the start (not the end) of the process. Also, his recommended model focuses almost immediately on practical actions needed to implement the strategy. Traditional planning processes usually wait till the end to identify actions.

DETERMINANTS OF EFFECTIVE STRATEGY IMPLEMENTATION

Camillus has found that strategies are more likely to be implemented when the following conditions are met. In the four nonprofit case studies, he found these conditions present in most cases:

- **Articulating the organization's core identity and values in evocative, memorable, and practical terms**: Each of the four organizations studied had at the core of their planning process a vision that drove the process and spurred them to action. The Carnegie Library had leaders who saw the library as a key player in the role of strengthening civilized society. Glade Run Lutheran Services used its belief in the theological tenets of the Lutheran faith as a motivator to guide its mission to help troubled children. The Andy Warhol Museum had a strong desire to function as a crucible of culture, both reflecting and fashioning society's norms. And finally, Gateway Rehabilitation Center used its skills and understanding of 12-step programs and its reputation as a leader in that field to revolutionize the organization's reach and capabilities.

- **Employing a process of strategy development that is designed with the requirements of effective implementation in mind**: While the process may vary, senior managers in this study observed three commonalities during the strategy development phase: 1) commitment of the senior management and the board to the process with a shared understanding of expected outcomes, 2) involvement of the key constituencies, particularly staff, the Board and external stakeholders, and 3) a process that initially identified significant choices and ultimately defined the actions to address to choices.

- **Integrating strategy and the strategic planning system with other elements of the organization's management system**: Strategies often are labeled in simple terms like "growth" or "diversification." But these labels run the risk of being divorced from the actual elements and activities of the organization as experienced and perceived by key stakeholders. Thus, strategies are better understood when they are not simplistically labeled, but rather expressed as actions related to things like the organization's image, its consumers, its programs and services, its location and market, its processes, and its structure.

- **Ensuring effective action planning**: An essential step on the road from strategy to performance is the formulation of action plans that support the strategic vision. Action plans serve both to guide carefully prepared and detailed actions and, at the same time, trigger changes in those plans as needed.

- **Linking measures of performance with strategic goals**: Two managers in the case studies expressed the familiar lament "What you measure is what you get" and "What cannot be measured can't be managed." The Carnegie Library and Gateway Rehabilitation Center each pay considerable attention to tracking performance measures related to strategy. In the library, task forces were set up to identify the appropriate measures and to design the procedures for generating these measures, reporting them and acting on them.

- **Providing feedback from performance to ensure appropriate modifications to action plans, strategy and perhaps even to the organization's vision**: All the organizations studied implemented a system of formal feedback to review actual performance relative to strategic goals and action plans. At Gateway, organizational units met with senior managers on a regular basis in addition to conducting performance analysis of each unit and more in-depth financial assessment. At Glade Run performance shortcomings over time led to elimination of programs. The case studies demonstrated that feedback resulted in remedial action at multiple levels, both operational and strategic.

- **Aligning the organizational structure with the strategy**: All of the organizations studied recognized and acted on the need to align strategy and structure. The Warhol set up cross-functional teams to carry out strategy. Glade Run created divisions to focus on residential and community-based programs. At Gateway a divisionalized structure was adopted. The most dramatic restructuring occurred at The Carnegie Library where structural changes were used to affect both strategic and cultural transformation. In each of these cases, the organizational structure changes supported not just the current strategic vision, but were expected to influence future evolution of strategy.

- **Emphasizing communication and human resource development**: Strategy implementation depends on the competence and commitment of the people in the organization. To implement its new strategy, the role of human resources proved to be crucial for The Carnegie Library. Because of the dramatic changes envisioned for the library, new personnel with technical, budgeting and marketing skills were recruited. This required rewriting or developing job descriptions, refining reward and compensation practices and providing management training programs for staff. Gateway used the human resource function to support strategy implementation by creating a flexible recruitment and hiring process that allowed managers filling vacancies in their units to be as actively involved in the hiring process as they chose. Through a conscious effort during orientation and training programs, Gateway sought to develop a sense of identity with Gateway

Rehabilitation Center as opposed to the individual locations/units at which employees worked.

- **Allocating resources**: Money and people are what turn thought into action. Each of the four organizations in this study had different challenges to face. The Carnegie Library needed to obtain capital funding for strategy implementation. As is often the case, tradeoffs had to be made between immediate operational needs and the strategic investments they felt were crucial, such as management training. In some cases, funds were reallocated between budget lines in order to support the new strategy. Gateway and Glade Run used an innovative method called the Analytical Hierarchy Process (AHP) to evaluate alternative capital investments according to their respective contributions to the strategic goals.

LEADERSHIP MATTERS

This study suggests methods and steps that can help an organization create a stronger link between strategic *planning* and strategic *management*. But, the planning framework provided is incomplete without two crucial elements, visionary leadership and the management system within which the strategy is conceived and realized. In the case study organizations, Camillus found that four visionary leaders were perhaps the most visible and significant factor affecting the outcome of their organization's planning.

At The Warhol, Tom Sokolowski's vision and interaction with key stakeholders facilitated the planning and implementation process. At The Carnegie Library, Herb Elish's passionate belief in the "civilizing" role of libraries, combined with his management expertise, helped energize an organization with a decades-long history of stasis. At Gateway Rehabilitation Center, Ken Ramsey's leadership style enabled a talented executive group to revolutionize the organization's reach and capabilities. Charles Lockwood's

commitment to Lutheran values defined the mission of Glade Run Lutheran Services, fundamentally affecting resource allocation as well as management style within the organization. In all of these organizations, the leadership's imprint was unmistakable.

TECHNIQUES MATTER

Camillus observes that effective planning and implementation does not emerge only from the subjective impressions and values of key stakeholders. Data and rigorous analysis also are part of the process. In his full report, which is available on The Forbes Funds web site (www.forbesfunds.org), he describes a variety of analytical techniques and tools for blending objective data analysis with subjective judgements and values.

LOOKING AHEAD

No doubt, The Forbes Funds will continue to receive numerous requests for assistance with strategic planning processes and implementation. Despite some mixed results in the past, The Fund remains committed to the value of strategic planning, particularly in the turbulent environment now confronting most nonprofit organizations.

In the future the focus of our technical assistance will be increasingly on strategy implementation and measuring the impact of strategy on organizational performance. Traditional planning models can have value, but we will continue to search for planning processes that help organizations think seriously about strategy implementation. The Camillus model is one that holds real promise.

This TROPMAN REPORT is one of a series of briefing papers generated by The Tropman Fund for Nonprofit Research. TROPMAN REPORTS in this 2002 series are:

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