Planning and Organizing for Results
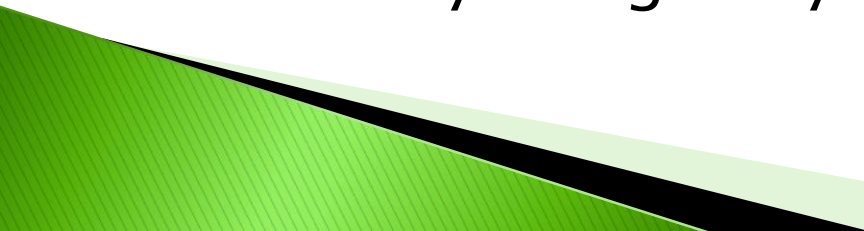
Chapter 8

Strategic Management

- Nonprofit organizations are created to achieve a specific purpose.

- However, an organization's mission and strategy can become disconnected when organizations shift their core services in order to pursue available funding.

- Funders often provide funding consistent with their own objectives and nonprofit organizations find themselves applying for funding programs that only marginally fit with their missions.

Strategic Management

- Missions may also be influenced by significant economic pressures that force organizations to move beyond their immediate mission and engage in social entrepreneurship.

- Strategy is central to successful decision-making in the private sector using one of three competitive strategies: low-cost leadership, differentiation and focus.

- These have now been conceptualized as "strategic management" consisting of two main components: strategic thinking and strategic planning.

Strategic Thinking

- Five major attributes of strategic thinking:

    ◦ Is holistic in that it looks at all parts of the organization and their interrelationships.

    ◦ Is characterized by strategic intent, which is the force that mobilizes leaders to think beyond the current capacity of the organization.

    ◦ In addition to future oriented strategic intent, strategic thinkers make connections between the past, present and future.

    ◦ Involves asking "what if" questions, develop hypotheses and are prepared to test them.

    ◦ Requires leaders to be intelligently opportunistic, remaining open to alternatives even if a strategic path is set.

Strategic Planning

- More and more nonprofit organizations formalize their vision in a strategic plan, which in turn provides the framework for initiatives and projects.

- One of the major challenges of strategic planning is how to prevent strategic plans from sitting on a shelf and not being used.

- Strategic plans demand participation from all levels in an organization and should be relevant to the day-to-day operations.

Strategic Planning

- In the development of a strategic plan, organizations may choose to hire in a consultant in order to have someone dedicate their full attention to the planning process – keep in mind that when this is done the organization may not develop it own in-house expertise, nor will there be a corporate memory of the process.

- Consultants play different roles in planning:
  ◦ Facilitators
  ◦ Researchers
  ◦ Writers
  ◦ Coaches/guides

Strategic Planning

▶ Figure 2: Strategic Planning Process on page 306 shows the complexity and flow of strategic planning.

▶ The next slide depicts the same process

▶ Both are important as they show the stages of planning from information collection, creation of the mission, vision, values and strategies and then giving form to the strategic issues translating them into "doable" strategies.

Strategic and Work Plan Template

Strategic Plan – 1–5 years — Organization Direction					Work Plan — up to 1 year — Operational Direction				
Values	**Vision**	**Mission**	**Goals**	**Objectives**	**Strategies**	**Activities**	**Time Line**	**Responsibility**	**Outputs**
Principles that govern interaction between CBO members and the public or other groups	Statement that provides the beacon directing and guiding the CBO towards its desired future	Statement that describes what the CBO would like to occur	Statement that describes what the CBO would like to achieve in the long term	Provide for action to be taken in a short term (generally one year).	Plan of action designed to achieve a particular goal. Strategy deals with the how part rather than the what.	Process of parsing a project into a number of individual tasks which must be completed before the deliverables can be considered completed	Statement of how and when a project's objectives are to be achieved	Assigned person, committee, team or work group responsible for completing and/or reporting on the activities	Short term key deliverables or tangible deliverables usually measured in quantity opposed to quality

Performance Measures

Assumptions	Outcomes	Indicators	Methods	Tools	Source
There may be external circumstances or events that must occur for the project to be successful. If you believe these external events are likely to happen, then you have an assumption.	The end results in terms of impact - usually measured by quality	Quantifiable measurements that reflect the critical success factors of an organization	The system or approach data is collected	The instruments in which data is collected	The primary and secondary points at which data is collected

Strategic Planning

- It is useful to get agreement to the planning process.

- Formal agreements can be simple or complex and may be a simple letter of intent or as detailed as a project charter.

- A formal agreement provides legitimacy and authority for the planning effort, demonstrates that the ED is committed to the process and will assist in getting by-in from employees, volunteers and community stakeholders.

Strategic Planning

- The first step in the planning process should consist of those involved formally confirming the organization's mandate.

- The mandate states what the organization is, what the limits are within which it is legally allowed to function and what it is required to do. It must also consider stakeholder's expectations (informal mandate).

- Stakeholders are any person, group, or organization that can place a claim on an organization's attention, resources, or output or that is affected by that output.

- A stakeholder analysis should be done at this point.

Strategic Planning

- **Mission** is a statement that describes what the organization would like to achieve.

- **Vision** should emphasize purposes, behaviour, performance criteria and decision rules that service to the public, rather than the organization, and create public value.

- **Values** are those conditions that the Board of Directors considers it desirable for the organization to meet in executing its mandate.

Strategic Planning

- The next step in the planning process is to carry out an analysis of the internal and external environments.

- External environmental scans are broken down into three phases:

    ◦ **Emerging issues** – picking up signals/issues
    ◦ **Monitoring** - priority issues and keeping track of them
    ◦ **Forecasting trends** - using this information by projecting different scenarios into the future.

Strategic Planning

- Internal environmental scan involves the assessment of the organization's people and financial resources, including information technology, volunteers, staff competencies and prevailing culture.

- The assessment also includes examining current performance using existing indicators, history or previously prepared reports.

Strategic Planning

- The result of external and internal information gathering is a SWOT analysis.

- Table 1: Partial SWOT Analysis page 312 shows how the internal and external factors are gathered and analyzed.

- Strengths, Weaknesses, Opportunities, Threats (SWOT)

Strategic Planning

- Determining strategic issues is a key central point in the planning process.

- Strategic issues are key questions facing the organization that most fundamentally affect its policies, programs and services.

- The identification and definition of strategic issues should be firmly connected to the vision statement.

- A collective picture of the future in which the organization has successfully met its mission will provide a clear point of reference for framing strategic issues.

Strategic Planning

- An alternative method to approaching strategic issues is called "scenario building" or "scenario planning". This is a technique that allows leaders to imaging and build on different possible futures.

- It introduces a new step between the environmental scan and the final identification of strategic issues.

- Forecasting is one of the three components in scans and using the scenario building approach makes these probabilities explicit by imagining and articulating mutually exclusive relevant futures.

- Scenario planning techniques answer "what if" questions and enhance the non profit leaders' ability to add strategic thinking to the strategic planning process.

Strategic Planning

- Once the strategic issues have been identified, the next step in the planning process is to design a strategic plan to address these issues.

- The strategic plan is a blueprint for realizing the organization's vision.

- It formulates the specific goals and objectives to be achieved.

Strategic Planning

- Plan Implementation is qualitatively different from the process of arriving at the strategic plan and its rate of success tends to be rather low.

- It is the point at where planning ends and reality starts.

- Implementation often requires leaders to provide new energy and new players into the plan.

- Good implementers are people who take a highly structured approach to their work and pay sufficient attention to detail without losing sight of the larger picture.
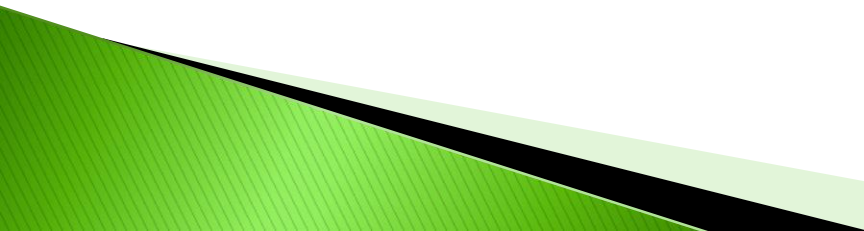
Strategic Planning

- Successful implementation also requires solid budgeting, scheduling, monitoring, evaluating and reporting skills.

- Implementation is also the point of transition between strategic plans, business plans, operational plans and project management.

- A feedback process is important to ensure experiences during the implementation phase are evaluation and interpreted into possible implications for the strategic planning process.

- Feedback loops encourage ongoing learning and reflection on the plan and the process.

Strategic Planning & Project Management

- There are two types of projects: those that flow from a strategic planning effort and those that are undertaken independently.

- When projects are undertaken independently, it may stem from fiscal, environmental, technological, accountability regimes, restructures and other internal or external changes.

Project Life Cycle

- A project life cycle is the sequence of stages that a project might progress through, from the time that it emerges from a strategic plan to the point that its objectives have been accomplished.

- Feasibility study – An early, high level assessment of whether it would be practicable and worthwhile to pursue and opportunity or a solution to a problem and, if so, how.

Project Life Cycle

- Business Case – The documented justification for setting up a project, defining the benefits being sought, the likely investment, the constraints and the timescales, all of which go to answer the question "Why should we do this project?"

- Risk Management – A project risk is a possible future event or situation that, it happens, will affect the ability of a project to arrive at its intended outcome. Procedures should be put in place to identify those factors and result in measures to deal with them.
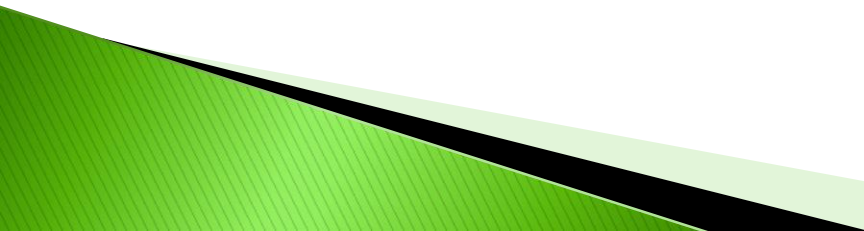
Project Life Cycle

- Terms of Reference – Written terms of reference are used to indicate the parameters of a particular project.

- Scope – This is the definition of what the project needs to deliver (in terms of specific outputs) to identified stakeholders for a predefined purpose within a predefined period.
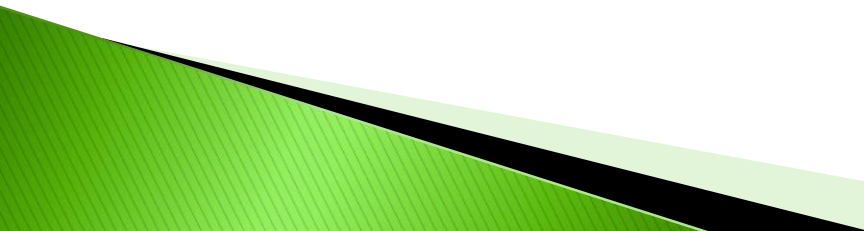
Project Life Cycle

- Sponsor – Describes a senior individual in the organization, normally a person who will see their part of the organization benefit from the project outputs. The CEO or ED is the ultimate authority on a project, but may delegate.

- Communication Plan – Part of the project plan designed to ensure that internal and external stakeholders know what is going on, when and why, and enabling feedback from them.
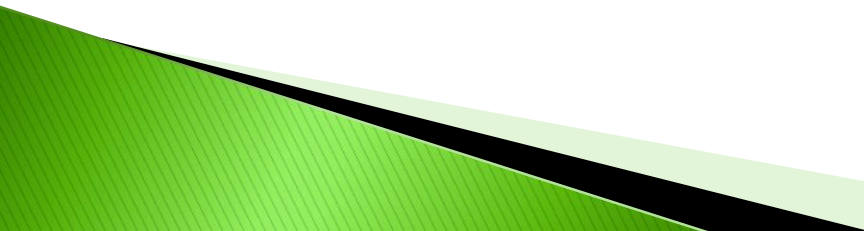
Project Life Cycle

- Impact Analysis – Conducted to understand the effect of requested chages to the project. It is used to forecast the possible effects of any proposed or imposed changes and the justification, schedule, budget, risks, and issues – allows for informed decisions.

- Post-project Review – An appraisal to determine whether the expected benefits, as documented in the business case (or other authorized documents showing expected results) have been achieved.

Project Life Cycle

- All projects can be broken down into five distinct phases:

  1. Initiating – the development of a vision for a project and the establishment of overall project goals

  2. Planning– definition of financial and human resources, development of a schedule, specification of detailed project objectives.

  3. Executing – management and co-ordination of the project team and the resources allocated to the project as agreed to in the terms of reference or project charter.

  4. Controlling – monitoring the project for deviations from the plan and taking remedial action as and when required.

  5. Closing – bringing formal closure to the project through completion of all deliverables, disbanding of the team, and the production of final reports.

Organizational Form

- Traditional nonprofit form of organization (governance by a voluntary board, use of volunteers and benefits that accrue to membership or community) is not the only form of nonprofit.

- With reductions in funding, increasing social and economic pressures, greater competition and the encroachment of the private section, the nonprofit sector has seen the emerging "social entrepreneurship" form of nonprofit organization.
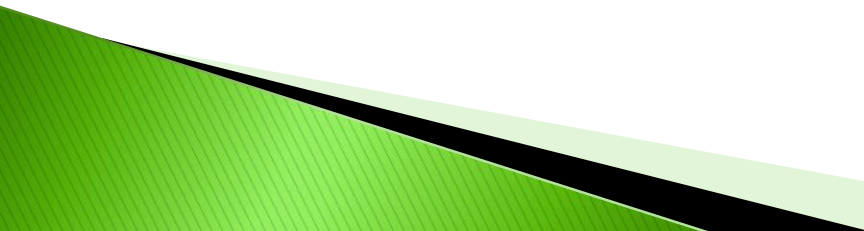
Organizational Form

- Social entrepreneurship occurs when nonprofit organizations establish or enter into profit-making ventures to finance their nonprofit operations.

- Some examples are one organization selling their "expertise" to another organization, or by employing their clients, or event planning or organizing.
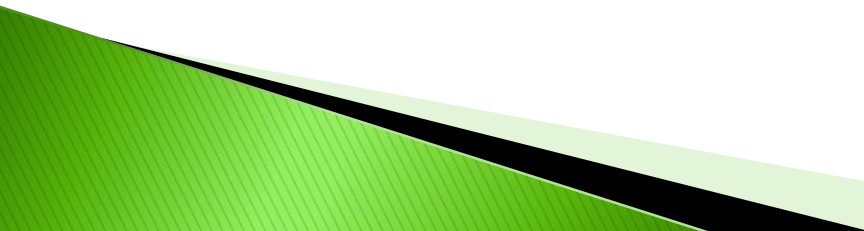
Organizational Form

- What all these examples have in common is that they are intended to create revenue in the form of profit for the nonprofit organization.

- In order for these to be successful the social entrepreneur has to build capacity.

- Social entrepreneurship may also lead to the nonprofit organization entering into subcontract to provide programmatic expertise with private sector firms that have won government contract through privatization.

Organizational Form

- As a result of social entrepreneurship activities, nonprofit organizations adopt non-traditional organizational hybrid forms such as holding companies and joint ventures.

- These new organizational forms allow the nonprofit to generate revenue while remaining true to its mission.

- The strategic vision and key strategic issues in a strategic plan may contemplate a deviation from the traditional nonprofit form through entering into social entrepreneurship initiatives.

- Nonprofit organization would then need to be prepared to operate in a paradoxical environment or have multiple bottom lines.

Organizational Design

▶ Organizational design refers to the grouping of organizational functions within an organization.

▶ An organization's basic design is the backbone of its structure, which comprises the various processes, technologies, systems and coordination and control mechanisms necessary to allow individuals to perform tasks in an integrated manner.

Organizational Design

- One of the most common designs is the functional grouping.

- Functional grouping places employees together who perform similar function or work processes or who bring similar knowledge and skills.

- Thus some nonprofits may be designed around the primary functions served by the organization.

Organizational Design

▸ More often, however, nonprofits are organized by programs.

▸ Each program is typically headed by a program manager, who in turn has program staff report to them.

▸ Programs may be in the same building or may be physically separate and located in special centers to be closer to the community.

▸ In large organizations program managers may have their own budge, goals and objectives and in smaller organizations programs may be organized around individuals.

Organizational Design

▸ Regardless of whether a nonprofit is organized by program or function, if it is large enough it will usually have separate functional departments responsible for finance, information systems, human resources, and public relations – in small organizations this usually falls to one or two individuals.

▸ These departments or individuals who provide services to other parts of the organization are called staff functions.

▸ Line functions are carried out by employees who directly serve the purpose of the organization and staff functions are carried out by employees who support line manages in doing their jobs.

Organizational Design

▶ Mechanistic and Organic Design

◦ In the private sector this environment is primarily framed by technological advances and competition.

◦ In the nonprofit sector, political, legal and regulatory regimes have traditionally been the environmental forces which have strongly influenced this sector.

◦ However, in the last 20 years, competition from other nonprofits, economic and social conditions and technological developments are having an increasing effect on organizational design.

Organizational Design

▶ Mechanistic and Organic Design

◦ In stable environments with high levels of certainty, structures tend to be mechanistic. Mechanistic structures exercise strict hierarchical control, often highly centralized, communication runs vertically and employees usually have highly formalized sets of rules to follow.

◦ In unstable, uncertain environments, organizations tend to be more flexible and their structure becomes more organic; meaning their authority is decentralized, communication happens across the organization (horizontal), and employees have more discretion in decision-making and work in more independent teams.
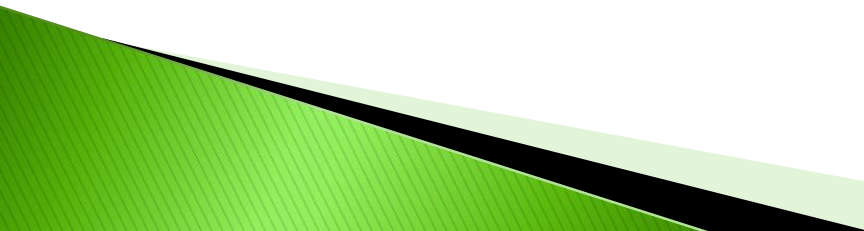
Organizational Design

▸ Vertical and Horizontal Structures

◦ Vertical structures comprises two major control mechanisms: hierarchy and formalization.

◦ Horizontal structure includes two central coordination devices: information systems and cross-functional teams and task forces.

Organizational Design

▸ Vertical Structures

◦ Hierarchy
- The chain of command from CEO or ED to managers to front line workers;

- The Board of Directors are usually shown on the organizational chart (organigrams) but the board should be concerned with governance not operations;

- Span of control is smaller at the top levels and broader at the lower levels;

- Some organizations my have more centralized authority – where decisions come from the top or a decentralized authority – where lower levels of employees are given some decision making in the day-to-day operations; and

- Some CEO/Eds prefer to "flatten" the hierarchy by having more direct reporting from all employees, more decisions made collectively and operate with democratic principles.
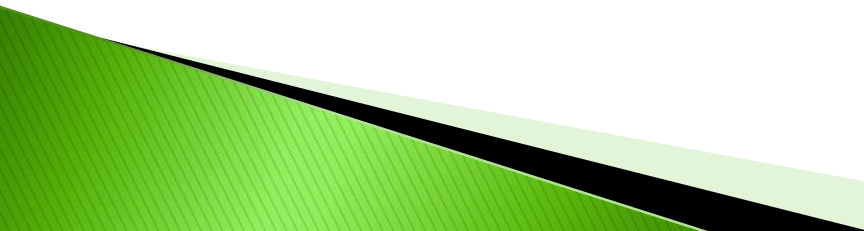
Organizational Design

▸ Vertical Structures

◦ Formalization
- The number of rules, regulations, and operational procedures in plan in an organization represents how formalized its structure is. A common formal procedure is the departmental or program budget. Other examples include, job descriptions, protocols, health and safety regulations, disciplinary procedures, etc.

- Degree of formalization varies with professionalism – for example, nonprofits with highly professionalized staff may have less formalization and controls, whereas nonprofits with low professionalized staff may have more formalization with increased controls.

- Formalization also depends on the size and scope of an organization. Large nonprofits (even with highly professionalized staff) may need more formalization and controls, where as smaller organizations (with less professionalized staff) may have less formalization and higher controls.

Organizational Design

- Horizontal Structures

  ◦ Information Systems
    - Typically refers to computerized data processing for programmatic, financial, or other purposes.

    - These systems not only collect, store and retrieve information but also provide linkages across departments and programs.

    - New technology with information systems allows organization to communicate, plan, monitor, report across the organization in addition to the vertical communication structure.

Organizational Design

▸ Horizontal Structures

◦ Task Forces and Cross-functional Teams
  • **Taskforces** are created for a specified time and charged with the responsibility for completing a large project or problem across functional and program units. Often referred to as "Committees".

  • **Cross-functional** teams can be seen as permanent taskforces. Usually coordinated can charged with the responsibility for projects that require strong coordination over a long period of time.

  • The creation of both these committees or cross-functional teams acknowledges that solutions should be created through different parts of the organization working together.