

## **Strategy for Nonprofit organizations**

### Strategic Planning for Nonprofits

Planning is essential for any activity to be undertaken and when investment in people and technology is to be made to reach goals, strategic planning becomes crucial.

Very simply put, strategic planning identifies where the organization wants to be at some point in the future and how it is going to get there. The "strategic" part of this planning process is the continual attention to current changes in the organization and its external environment, and how this affects the future of the organization. Skills in strategic planning are critical to the long-term success of your organization. This form of planning includes:

a) Taking a wide look around at what's going on outside the organization and how it might affect the organization (an environmental scan), and identifying opportunities and threats.

### **Strategic Plan Development Tool – Strategy Designer**

Strategic plan creation framework for nonprofits and business management teams. To achieve results with optimum use of resources, a nonprofit organization should develop a strategic plan that will guide the management team in executing key functions both in the short and long run.

A strategic plan addresses all questions of why, what, where, who, when and how goals can be achieved by the organization laying down the best roadmap for the organization to drive through.

What does a strategic plan do for the organization?

- It specifies the objectives and goals to be achieved
- It identifies the strategies to be adopted to achieve these objectives
- It lists methods and measures to appraise actual performance (KPI)

For a non-profit organization (NPO) where resources are always scarce and sustenance of activities is important, strategic planning goes a long way in keeping the NPO in the planned direction.

A detailed nonprofit strategic plan in terms of its outline (the plan's structure) covers the following 10 headings:

1. Executive Summary

2. Vision and Mission Statement
3. Values
4. Campaigning the Cause
5. Goals and Tasks
6. Key Performance Indicators
7. Human Resources
8. SWOT Analysis
9. Risk Analysis
10. Financial Projections

Let's go through these sections in detail.

### **1. Executive Summary**

As the heading implies it is a summary of the entire plan and is prepared after the complete plan document has been drawn up. It gives stakeholders, advisors and staff brief information about what the organization is currently doing and what it is up to in the coming period.

Learn how it works to create a nonprofit strategic business plan that is founded on a standard template

### **2. Vision and Mission Statement**

A Vision statement tells the whole world "what" the NPO wants to achieve and for what purpose it is in existence.

A Mission statement clarifies "how" the NPO wants to achieve its Vision. It sets the boundaries within which employees can decide and act towards achieving results and also informs third parties like investors, vendors, and clients dealing with the organization what the NPO expects from them.

### **3. Values**

Goodwill is the strongest asset to any NPO. As a non-profit organization, an NPO has to approach government and non-government entities for aid and donations to fund their activities and also approach the community for support to their service. Such entities would donate and support only if the NPO has strong goodwill and reputed name.

To ensure this, any NPO has to have a work culture based on good values, which are listed as part of the strategic plan to remind all internal staff and external stakeholders the values recognized and adhered by the NPO.

Values respected by a typical NPO would include qualities like integrity, trustworthiness, honesty, transparency, teamwork, accountability, etc.

#### **4. Campaigning the Cause**

The NPO has to sell its laudable cause, purpose and the change it wants to bring about through its service to governments, foundations, philanthropic entities and individuals to obtain grants and raise funds.

The success of its operations and achievement of the goals entirely depends on funds raised through various campaign methodologies adopted by the NPO.

In a for-profit organization, the marketing function is very important as this brings in the revenues for the organization without which the organization will not survive. In an NPO, products, and services are not marketed but the cause and purpose are sold as a noble concept to governments and foundations that give grants to NPOs. Similar to any marketing activity, the NPO should plan its campaign of conveying its message to such entities and convincing them to make grants in its favor.

This section details exhaustively everything an NPO has to do to raise the targeted funds, leaving no stone unturned, including the message, whom to approach, how to approach and grant seeking methodologies.

Having stated the Vision, Mission, and Values of the NPO, and detailing the campaign to be adopted to sell the cause, the strategic plan should now lay down Goals, Tasks and Key Performance Indicators to be achieved.

#### **5. Goals and Tasks**

The purpose of preparing a strategic plan is to achieve definite goals and complete specific tasks by the end of the plan period. NPOs are generally service providers and a goal could be a number of beneficiaries to be serviced during the plan period.

In setting goals, NPO management should follow the SMART rule, where goals set are Specific, Measurable, Attainable, Realistic and Timely. When plan period is 3 to 5 years, long-term goals can be broken down into annual goals under the SMART rule and any shortcoming in one year can be made good in the subsequent plan year.

Such goals identified and defined help employees of the NPO to clearly understand what they have to do and achieve. In the course of operations during the plan period when actual performance is compared with the goals set, employees can find where they stand and take necessary steps if needed to achieve the goals as planned.

Goals set also help NPO management to monitor whether the resources of people, money, and technology are used appropriately to achieve the set goals. Where deviations are found, the NPO management can take corrective measures to bring back the NPO activities on the right and planned track.

Hence it is important to clarify and list all the goals and targets to be achieved by the NPO. It informs everyone in the organization what the NPO is planning to achieve in the current plan period and in the period immediately following.

## **6. Key Performance Indicators**

NPO's activities have to be conducted efficiently with high productivity as resources are scarce while goals and targets are high. Efficient and productive use of donated grants and funds will strengthen the goodwill and image of the NPO helping it to raise funds with ease in the future.

To deploy resources efficiently, the strategic plan identifies and sets benchmarks as key performance indicators that would be used to measure and show how efficiently the NPO activities have been conducted during the plan period.

As the very name implies, **Key Performance Indicator** (KPI) is a measure that tells how efficiently a key activity has been performed.

Key activities that determine the success of an organization are listed and measured periodically to find how efficiently the organization is functioning.

For example, in the automobile industry, the number of vehicles manufactured per month may be a key activity/factor to be measured periodically. In the transportation industry, the number of passengers transported or quantum of cargo carried may be a key factor. In a service industry, like for example insurance, the number of policies sold will be a key performance indicator.

When goals are broken into key performance activities and benchmarks are set for such activities, comparison of actual performance with such benchmarks "indicates" how efficiently activities are being performed. Once activities are identified and benchmarks set, monitoring key performance indicators becomes a continuous process for the NPO's management to correct deviations in the right time.

Key Performance Indicators also help in improving the efficiency of an organization's operations by comparing performance with similar competing entities in the same industry. As mentioned above competing insurance service providers can compare their key performances and strive to improve their efficiency to beat the competition.

An NPO should derive the maximum benefit out of its resources as they have been obtained after sustained efforts from donors. Hence an NPO should set key performance indicator for every activity possible to measure the utilization of its resources. The more the benefit, the better are the chances of getting more grants and donations in the future.

## 7. Human Resources

Human resources development and deployment is a very important factor for the success of any organization. The strategic plan has to detail existing human resources, additional manpower needed to execute targets set, training needs of staff, authority and accountability in performing various tasks and empowerment to take decisions in the right time.

The strategic plan should also clearly define the organization hierarchy such that operational issues are properly escalated and solved in right time without wastage of resources.

Having set goals and tasks along with key performance indicators to measure efficiency, the NPO should now analyze their strengths and opportunities to make use of and their weaknesses, threats, and risks to be cautious about while executing the strategic plan.

## 8. SWOT Analysis

When strategies are drawn during war times, a general analyzes his strengths, weaknesses, opportunities, and threats (SWOT) to win the war.

A large army could be his **strength**, lack of adequate firepower or air support could be his **weakness**, civil disturbance in the opponent country could be an **opportunity** to attack while the opponent country having a stockpile of nuclear weapons could be a **threat**!

Similarly, business strategies are drawn up after analyzing business strengths, weaknesses, opportunities and threats, termed as SWOT Analysis.

An NPO has to do a SWOT analysis to overcome weaknesses and threats with its strengths and opportunities.

For a typical NPO, its people and/or cause could be a strength, its size or age could be a weakness, lack of competition could be an opportunity and economic upheavals could be a threat.

The SWOT Analysis includes not only the listing of strengths, weaknesses, opportunities, and threats but also how they are going to be managed. The NPO should plan how it is going to use its strengths to increase its activities in raising more funds to serve more beneficiaries, how it is going to overcome its weaknesses, how it is going to use opportunities to expand its activities and what steps it is going to take to meet a threat.

Sustenance of activities is a very important requirement for any NPO and to ensure this the NPO has to identify and leverage its strengths and opportunities to overcome weaknesses and threats.

## **9. Risk Analysis**

Most of the activities of an NPO are dependent on environmental or outside factors beyond the control of the NPO, having an inbuilt element of risk while being performed. Hence an NPO having defined its goals and targets should identify possible risks that may arise while executing the strategic plan to achieve the goals.

After listing the [risks](#), an NPO should detail how it is going to avoid and manage the risk if it occurs.

A shortfall in revenue in a for-profit organization can be met with short and long-term borrowings from investors and lending agencies. But in an NPO shortfall in revenue will undermine its activities and to sustain its present activities and growth plans, an NPO should always be raising sufficient funds from targeted sources.

To ensure this an NPO should identify the risks that may occur in obtaining the needed funds and be ready with alternate and precautionary actions in its strategic plan against such risks.

## **10. Financial Projections**

The strategic plan is to be quantified to monitor performance and evaluate results achieved. A [Financial Projection](#) of revenues and expenses is to be drawn up for the current period and the plan period. Generally, it is a three year period for which projections are made to be as realistic as possible. For the immediate current

period, the annual plan is broken down into monthly or quarterly plan for effective monitoring of actual performance and timely correction of deviations.

If KPIs measure the efficiency of individual activities that constitute an organization's overall operations, Financial Projections (targets) monitors the overall health of the organization. In a for-profit (business) organization improving the bottom line will be the objective, measured by the projected profit to be achieved during the plan period. In an NPO where profit is not the motive, Financial Projections fix expense budgets to be within allocated resources for various activities.

An NPO can spend only what it raises as grants and funds from its beneficiaries and hence everyone in the NPO should know how much they can spend on various activities to be within the available funds' position. Where expenses go beyond the projected limits, the NPO management takes corrective action to bring down such expenses.

An NPO Financial Projection also forecasts grants to be received and funds to be raised during the plan period. The staff team entrusted with this activity should ensure that the targeted grants and funds are raised to meet the expenses planned during the plan period. Where it is found that the planned fund-raising is falling below targeted values, the NPO management should increase its efforts in this regard to raise the shortfall grants and funds.

### **Measurement of Success**

The strategic plan should specify clearly how the NPO will measure the success of its activities. This will be a measurement of its services, as an NPO, since there would be no profit to judge the success of any NPO operations.

In this section, details of what to measure and how to measure the various achievements of the NPO is explained. What to measure will generally be based on goals and tasks set by the NPO to be achieved during the plan period. How to measure success will be a methodology used to measure the actual performance of NPO compared to the targets set for each goal.

### **Plan Appraisal**

Having prepared the strategic plan, it should be used by all stakeholders in achieving the targeted results and not just maintained in the organization's archives.

The NPO's management should conduct periodical reviews of actual performance in comparison with the strategic plan, call for **review meetings** with concerned staff and take corrective steps wherever deviations are reported.

The strategic plan is not only for guiding the NPO in the right direction but should also help in monitoring the activities of the NPO. A management reporting and information system should be in place to report actual performance to the corporate management. Variance reports should be prepared periodically and circulated to concerned staff for taking corrective action, well in time.

## **Conclusion**

Strategic Plan for a non-profit organization is essential as resources are scarce while their applications are always high. Strategic Plan helps to utilize resources effectively and efficiently, thereby performing better and achieving the goals set in the annual plan. When set tasks are accomplished as planned, the NPO is recognized as a good performer by governments, foundations, and philanthropists enabling the NPO to obtain higher grants and raise more funds for its activities in the following years.

## **Non-Profit Strategic Plan Template**

### **Executive Summary**

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### **Vision and Mission Statement**

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At this section, list all the goals and targets to be achieved by the NPO. It informs everyone in the organization what the NPO is planning to achieve in the current plan period and in the period immediately following.

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