

## STRATEGY PLANNING OF NONPROFIT ORGANIZATION

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**Abstract:** *Today your nonprofit organization faces a complex and sometimes turbulent market environment. Your staff must support the goals of your organization while also managing both your investment portfolio and your spending requirements. In the world of charitable associations, advertising must be seen and drew closer uniquely in contrast to a typical business or organization would approach their showcasing needs. Viable charitable promoting ought to propel individuals to give, make a move, and spread the news about their cause.*

**Keywords:** Nonprofit organization, charitable associations, strategy and planning

### 1 INTRODUCTION

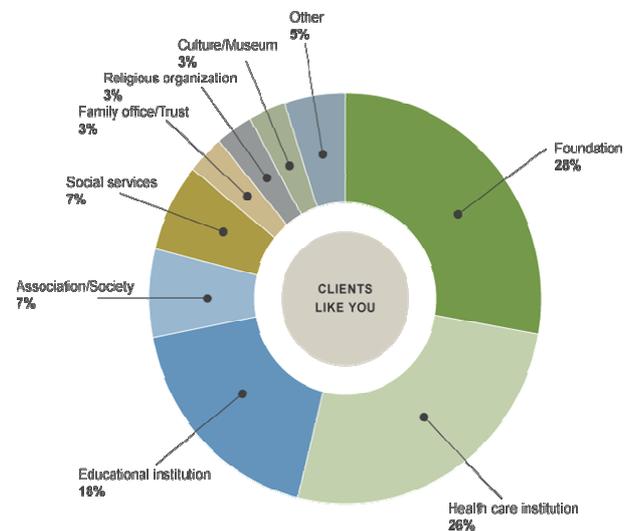
There are well over 1.6 million nonprofits in the United States today. All of them have had a passionate founder or a group of committed individuals, who saw a need, had the willingness and capacity to get organized, or who wanted to realize their own big dream of doing good and giving back.

To be able to make a nonprofit organization viable, the founder(s) need(s) more than good intentions. Forming a nonprofit is like forming a for-profit company: you must know the business you want to get into, possess management and leadership skills, have connections and supporters, have the time and energy to devote to the endeavor, and be able to anticipate the unthinkable and act accordingly.

The founder also needs to make sure that this organization is needed. Find out whether somebody is already providing the service you intend to offer. Is the timing right? Do you have initial funds to get going? Do you have a clear plan that guides your strategic decisions and will bring in revenue? Being prepared and well covered is the only way to ensure that your organization will still be there next year or 10 years from now.

Nonprofits play many vital roles in society, and Vanguard understands the many issues you face. In fact, as a leading investment manager for endowments and foundations, Vanguard is keenly aware of the key trends among nonprofits.

Associations, charities, cooperatives, and other voluntary organizations formed to further cultural, educational, religious, professional, or public service objectives. Their startup funding is provided by their members, trustees, or others who do not expect repayment, and who do not share in the organization's profits or losses which are retained or absorbed. Approved, incorporated, or registered NPOs are usually granted tax exemptions, and contributions to them are often tax deductible. Most non governmental organizations (NGOs) are NPOs. Also called not for profit organization.



Source: Vanguard, 2014.

Fig. 1 Clients of nonprofit organization

All investments are subject to risk, including the possible loss of the money you invest.

### 2 NONPROFIT ORGANIZATION STRUCTURE

The first internal steps in the formation of a new nonprofit involve building a board, defining the purpose and future goals for the organization, setting up an office and/or service facilities, and setting up various systems to allow for proper recordkeeping and communication.

Every founder needs to determine his or her role within the organization. Probably the most difficult thing to realize is that you will not be the owner of the organization. As a tax-exempt organization your nonprofit will be accountable to the people it serves, to its funders, the attorney general, and the general public. If this lack of total control is impossible to accept, you should consider forming your own business where you

can alone make all the strategic decisions. Naturally a founder is an important figure in the organization, deserving respect and gratitude but ultimately there is no such position as a 'founder.' Every founder has a choice to be part of the staff or part of the board.

If you are most interested in being part of the daily activities in the organization, you may determine to be the first chief executive responsible for the operations, management, and administration. However, you will report to the board and the board is responsible for assessing your performance and giving you the strategic direction.

The chief executive usually serves as an ex officio non-voting member of the board. This provides a shield against conflict of interest and questions about accountability while forming a necessary and constructive partnership with the board.

If you want to ensure you have a direct say in the future of the organization, you may want to become a board member and may decide to be the first chair. Still, remember that every board member has only one vote - including the chair - and the full board must always speak with one voice to the outside world. However, as the founder you are able to form the initial board with members who believe in the mission of the organization, share your strategic goals, and are able to devote their time and energy to help you.

If the organization is not able to hire staff right away, you will have a working board where each member has individual fiduciary and governing duties as a board member and individual tasks and responsibilities to carry on the daily affairs. The important issue is to remember which hat each member is wearing at the different times to keep accountability intact. The board makes decisions as a body; individual members are accountable and responsible for their own tasks.

Every organization has a mission. For for-profits, it is to create profit for the owners or shareholders. In the nonprofit sector there are just about as many missions as there are organizations. Nonprofits are formed to educate our children, provide shelter for the homeless, protect our environment, feed our cultural needs, cure illnesses, research solutions to societal or political dilemmas, teach us survival and professional skills, and so on. The founder and founding board need to clarify the purpose of the organization and draft an appropriate mission statement that clearly and succinctly explains why the organization exists. Your mission statement is the key to explaining why the organization needs our support.

### **3 STRATEGIC AND FINANCIAL PLANNING**

Without a solid strategic plan to guide future decisions, direct staff in the right direction, and help the board and staff assess accomplishments, the organization functions without a rudder and easily makes snap decisions that serve the moment but do not necessarily take the organization where it is heading. The board and chief executive need to work together to

draft a plan that functions as the road map in the future. The steps in the traditional strategic planning process include:

- Define or review the mission and vision of the organization.
- Carry out SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis to assess your strengths, weaknesses, opportunities, and threats.
- Define your goals and objectives
- Write the plan.
- Draft operational plans.
- Monitor progress.

The strategic plan serves as the road map for your operational plan. It should help you determine what the applicable services are that allow you to fill your mission in the most effective manner. You may need to be less ambitious in the beginning and not try to do everything for everybody. Define your core programs, justify expenses and, ensure that you have funding or adequate revenue to sustain the activity and cover your administrative costs.

Draft a business plan. Even nonprofits need a business plan. In fact, your business plan should be part of your initial planning process. It must make the financial case for moving ahead. If you cannot justify the need for your organization, rely on continual revenue, and keep expenses under control, you will not have a viable organization. The elements of a business plan are:

- Executive summary: a one-to-two page plan overview that answers the questions of who, what, where, why, and how.
- Organization description: information on the past, present, and future activities of the nonprofit and how each is in line with the mission.
- Market analysis: Discussion of the outside competition, your pricing structure, and your marketing plan to attracting clients and customers.
- Financials: Detailed, multi-year analysis of revenues, expenses, and projected cash flows.
- Operations plan: Detailed outline of the daily activities, staffing, and general procedures.
- Appendices: Additional or back-up documents - Resumes of key staff, an organizational chart, market research results, a list of funding sources.

#### **3.1 Strategic planning**

A strategic planning process identifies strategies so that a nonprofit will achieve its mission. Ideally, as staff and board engage in the process, they become committed to measurable goals, approve priorities for implementation, and also commit to revisiting the organization's strategies on an ongoing basis as the organization's internal and external environments change. Many nonprofits start the process by identifying the nonprofit's strengths, weaknesses,

opportunities, and threats, in what is commonly called a “SWOT” analysis. Recently much has been written about the need to keep strategic plans relevant: don’t let the plan gather dust on the shelf. If no one refers to the plan after it is completed, then it’s hardly serving as a “strategic” guide! It’s more advisable to revisit the plan periodically, making adjustments, adapting the plan – and the nonprofit’s strategic priorities – as circumstances change. Some argue for throwing out the “plan” completely or reducing it to a very short, concise document, easily digestible by staff and board, but maintaining the all-important process of strategic thinking through periodic discussions with board and staff. Articulating and perhaps visualizing an organization’s “theory of change” is another way to think about “what success will look like” and how to get there. There are lots of resources for nonprofits engaged in strategic planning and developing a theory of change. We’ve selected just a few for you below. Your state association of nonprofits may also offer educational programs and workshops throughout the year to assist nonprofits with proactive planning. Strategic planning involves choosing the highest priority achievements that an organization is prepared to commit to over a period of three to five years. The process of planning emphasizes conscious, thoughtful choices. If an organization is in crisis or if the Board and/or management are spending most of their time reacting to tense or uncertain present circumstances then the organization is not in a good place to begin the planning process.

How do you begin? Strategic planning builds commitment so it is very important for all levels of the organization to be involved. A good first step is to form a Strategic Planning Committee (SPC). This committee should involve creative energetic thinkers from management and non-management staff and the board. Many organizations choose to bring in an outside consultant (can be paid or volunteer) to facilitate conversations and capture external interviews.

He or she will move the process along, and may draft the final plan, however, in the end the plan must be owned by the staff and the board in order to move it successfully and strategically into the future.

The first task for the SPC is to assess the current situation and review the relevance of the mission and programs. The committee is also responsible for developing a “plan for the plan” that articulates the outcome(s) of the planning process, strategic issues to address, planning activities (such as retreats) and time frame. The importance of the SPC’s composition and full board and staff involvement is crucially important. Strategic planning is iterative – the thinking, the collective experience of staff and board and the external and internal research may change the course of the planning and challenge earlier assumptions or conclusions.

The second activity is to summarize the organizational history, detailing what has or has not been accomplished since the last planning process. Empirical data, such as budget, fundraising and program trends, should be collected so that the SPC can better understand the choices to be made during the

strategic planning process. The best strategic plans have both a soft and a hard composition. The softer side includes mission, visions and values and beliefs.

The harder side includes outcome goals and strategic objectives that include milestones, metrics and benchmarks.

The cornerstone to any strategic plan are “the big five” They are:

- Mission: Why does the organization exist? What is the reason for being?
- Vision: How will your community be changed, and made better by what you have done?
- Values/Beliefs: What core principles should guide your organization in the present and into the future?
- Goals: These are outcome statements that define what an organization is trying to accomplish, both programmatically and organizationally. Goals need to be SMART – Specific, Measurable, Achievable, Realistic and Timely.
- Strategies: How are you going to meet the goals? Remember: if the strategies get too detailed, you are moving away from strategic planning and into annual operational planning.

The strategic planning process should include an opportunity for all board and staff to come together and analyze the strengths, weaknesses, opportunities and threats (SWOT) facing the organization. The SWOT analysis helps everyone focus on key priorities. The strengths and weaknesses are internal – how is the organization positioned, what are the internal challenges and what are the areas where the organization shines? Board and staff may be considered a strength as well as the organization’s reputation and history, and weaknesses could be capacity, infrastructure etc. Opportunities and threats are external. Opportunities may be new program areas; new funding; and community collaborations. Threats could be government regulations; the economy; or competition.

The SWOT, or any similar exercise that identifies the current environment will inform your plan. It should be frank, candid and detailed. The notes from the analysis should be referred to throughout the planning cycle, however it does not need to be discussed in detail in your plan.

After the retreat, and once the documents have been gathered and analyzed it is time to write the plan! Decide on the key areas that should be addressed in the plan. For example:

- Facilities
- External Relations
- Internal Operations
- Revenue
- Programs
- Governance

Strategic plans do not predict the future. The strategic plan proposes future action steps but cannot

predict exact implementation activities out into the future. The plan will, however, take into account the business elements of operating a nimble nonprofit and help guide future resource development and deployment. You may find yourself in two years realizing that what was thought to be very important is less so and that something else has come in from left field, which was totally unexpected. You need to be flexible and designing a process whereby you check in every six months will allow for nimbleness. Make the plan operational by attaching time lines, assigning responsibilities to people and creating a budget.

Set Goals and Strategies A properly organized nonprofit marketing plan supports itself like a pyramid. For each goal, there are objectives, every objective has strategies, and each strategy has tactics. However, all too often the terms goal, objective, strategy, and tactic are used interchangeably. Plainly put, they aren't the same—and the resulting lack of precision can be problematic. Goals A goal is a "statement of being" for a plan. While the completion of a goal signifies the end of your plan, the objectives, strategies, and tactics are the means to that end. Objectives Objectives are more focused and specific. The best-formulated objectives express results as measurable outcomes. Think in terms of the awareness, attitude, or action that you hope to invoke. Often there are multiple objectives in support of a single goal. Meaningful objectives start with action verbs and have four parts. They should: 1. Identify a specific audience being addressed. 2. State a measurable outcome. 3. Set an attainment level. 4. Set a time frame. Strategies Strategies are where the rubber meets the road. Rarely is one strategy enough to fully accomplish an objective. Likewise, it is not unusual for a single strategy to serve multiple objectives. Tactics Tactics are the specific tools you use to implement your strategies. News releases, brochures, media pitches, e-newsletters, blogs, websites, surveys, focus groups, and videos are some examples that spring to mind. It is up to you to decide exactly which tactics are needed to successfully implement the chosen strategies. A good nonprofit marketing plan is interlinked from top to bottom. Without good tactics, a strategy will not successfully complete an objective, rendering the success of a goal limited. A true marketing plan should employ the right mix of experience with critical thinking. With a strong understanding of the key differences between goals, objectives, strategies, and tactics, you'll have a clear plan that can be successfully executed. What Do These Goals.

#### 4 CONCLUSION

A nonprofits organization is a business conceded charge excluded status by the Internal Revenue Service (IRS). Gifts made to a philanthropic association are normally charge deductible to people or organizations that make them, yet the not-for-profits must make money related and working data open with the goal that benefactors are sure their commitments have been utilized adequately. Not-for-profits pay no

salary charge on the gifts they get or any cash they procure through raising money exercises.

The not-for-profit scene is very fluctuated, albeit many individuals have come to relate NPOs with beneficent associations. Despite the fact that philanthropies do make up a frequently prominent or obvious part of the segment, there are numerous different sorts of not-for-profit association. By and large, they have a tendency to be either part serving or group serving. Part serving associations incorporate common social orders, cooperatives, exchange unions, credit unions, industry affiliations, sports clubs, resigned serviceman's clubs and pinnacle bodies – associations that advantage a specific gathering of individuals i.e. the individuals from the association.

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