

Business Planning for Nonprofits: The Organizational and Leadership Benefits

Developing a business plan is an intense and time-consuming process, and yet can have many significant benefits. Among them: program modifications that lead to better outcomes; a roadmap for expanding services to more people; and clear performance measures and milestones that help you stay on track.

Business planning also can strengthen your organization and leadership team. We have seen organizations use the process to:

- Align executives, staff, and board members around a common strategy;
- Develop the leadership team's capacity for strategic thinking;
- Identify capabilities and new leadership positions needed to take the organization to the next level.

In the following article we'll explore these three organizational and leadership benefits, drawing on the experience of MY TURN, Inc. (aMerica's Youth Teenage Unemployment Reduction Network) a \$2.7 million Brockton, Massachusetts-based nonprofit acclaimed for its work with at-risk youth. Over a six-month period in 2003, MY TURN's leadership engaged with the Bridgespan Group in a rigorous business-planning process to expand the reach of its proven programs.

Aligning your organization

Business planning is a time for an organization's leaders to connect the dots between mission and programs, to specify which activities and resources will be required to deliver those programs, and to establish performance measures that allow everyone to understand whether the desired results are being achieved. Without this kind of clarity, it's difficult for everyone to be sure they're moving in the same direction.

Consider MY TURN's experience. Over the years, its management team and board had developed a strong perspective concerning which young people the organization was best equipped to serve, what impact they could expect the organization to have, and what programming was required to create these results—but they had never fully articulated these elements. They knew they would need to make their tacit knowledge explicit if they wanted to grow and maintain consistent results. To do this they began a business-planning process.

During business planning, MY TURN's leadership documented precisely whom they wanted to serve: youth ages 14 to 21 who faced significant barriers to post-secondary achievement. They specified what success would look like: their clients would earn academic credentials and/or secure stable employment. And they codified the program design at the heart of MY TURN's success: having field staff help youth navigate all the resources in the community, rather than providing all the resources they needed within the MY TURN organization itself. They also specified characteristics of the communities they were best suited to serve (e.g., small, urban settings; convenient public transportation; proximity to prospective and/or existing MY TURN sites) and the comprehensive set of services that had to be offered to achieve the desired results (e.g., job-development support, daycare, GED preparatory services).

MY TURN's Executive Director Barbara Duffy recalled, "When we first started the business-planning project, I thought, well, we know who we are—why are we spending time doing this? But once we got into it, I realized we needed to do it. It really helped to set the stage for the decisions we had to make." For example, during business planning MY TURN's leadership



determined that the organization currently was asking too much of its case managers by having them function as both youth workers and job developers. Separating the roles was in order. When research into area job-development service providers indicated that existing organizations had too few job developers to meet MY TURN's needs and also lacked expertise in and commitment to helping at-risk youth, MY TURN's leadership decided with confidence to hire its own job developers and serve this critical need itself.

In addition, business planning can help the board of directors become more fully engaged in the organization. The process can highlight where and when board members can best contribute their particular skills or networks. It's common for nonprofit board members to feel as though they can't offer much beyond funding, only to participate in the business-planning process and realize they have experience that is directly relevant to one (or more) of the organization's strategic priorities.

"Business planning set the stage for continued productive dialogue with our board. We knew that our existing board was not sufficient to insure that we could reach our maximum growth potential. Recruitment of new board members was absolutely vital for our successful growth and expansion... Another of our to-do's was developing a dashboard of performance metrics to share with our newly engaged board on a more consistent basis—to let them clearly see our successes and challenges. This dashboard, along with the jumpstart involving the board in the business-planning process provided, has gotten us to the point where we're tapping into board members' expertise much more effectively."

Developing your team's strategic thinking

Beyond aligning everyone around the priorities with the greatest potential for impact, business planning can have a long-term effect on the way your organization approaches decision-making. The questions posed during business planning are not the sort you answer only once. Rather, leadership team members find themselves applying the approach they took to developing their business plan to opportunities and questions that arise down the road. At the end of the day, that is why so many nonprofit organizations find business planning truly energizing and transformational.

Consider once again the experience of MY TURN's leadership. The organization had grown opportunistically, with its leadership responding to requests for proposals (RFPs) from local workforce investment boards. To guide expansion beyond the organization's home turf, they had to know which communities to pursue and which RFPs to decline. In short, they needed a rigorous process for screening potential expansion communities.

As noted, early in the business planning process the leadership team clarified key elements of the organization's operating model. These factors became the screening criteria for potential target expansion communities. To collect the necessary information, the business-planning team poured over census data, interviewed local experts, and tapped into a variety of other quantitative and qualitative sources. They then formulated strategies for developing communities based on their performance in the screening process: court actively; respond to RFPs but do not initiate contact; or avoid engagement to maintain focus on priority efforts.

MY TURN's leadership found that the business-planning process in general and the screening of expansion sites in particular changed the way they approach decision making. They feel they now know the right questions to ask when evaluating new opportunities, and have better insight into how to use data and research to inform their decisions. As Duffy commented, "Now that we understand what we're good at and where we're good at it, it makes it easier to say 'no' to things that don't make sense for us." And that's good news, since the opportunities are pouring in. In the two-plus years since they underwent the business-planning process, MY TURN has met or exceeded every one of the plan's milestones.

Not surprisingly, the more you involve members of your team in the business-planning process, the greater the potential for developing their strategic thinking skills. But involving everyone is a recipe for gridlock. How do you strike the right balance?

Participation in the business-planning process varies from organization to organization, depending on culture and management team style. In our experience, a successful process draws on a variety of ideas and involves staff and board members in meaningful ways, but resists becoming so consensus-driven that no trade-offs can be made. In most cases, the planning team includes the executive director and his or her top management team and program leaders. The team also might include two or three board members, either as full members or as close advisors, depending on the role the board plays in the organization's governance.

Identifying your human resource needs

Business planning can do more than help you align and develop the staff that you have. It also can help you identify the staff you will need to take your organization into the future.

Because staff and staff-related expenses tend to comprise the largest portion of nonprofits' annual budgets, many of the additional costs incurred when implementing a business plan relate to human resources. Hiring new program staff—either because your strategic priorities require bringing additional expertise in house or because your organization is growing and you need to maintain key staff-to-participant ratios—is typically the most obvious need, but human resource investments frequently go beyond program staff. One of the most common decisions made during business planning is to supplement the management team by adding new expertise (such as a chief financial officer or chief operating officer) or other key members of a senior management team.

This was the case for MY TURN. In the past, MY TURN had managed to stretch its organization and people to provide more services on a shrinking budget. The members of its small management team each wore several hats, and field staff caseloads had soared. While viable in the short run, the strain was not conducive to sustaining high-quality service. According to Executive Director Duffy, "We realized we were stretching our infrastructure to the breaking point."

Duffy and the board committed to investing more in building management capacity. They would fill out a number of program, development, and operations functions to build an organization capable of supporting growth. The organization decided to hire additional field staff to bring caseloads down to more manageable levels. To fulfill a new plan to offer GED and job-development services at all sites, they would hire GED staff and job developers. To boost the organization's fundraising capacity, they would bring in a vice president of development and external relations, a dedicated grant writer, and a development staff member focused on individual and corporate donations. Headquarters staff would also expand, professionalizing functions formerly provided by generalists: IT; human resources; finance. These hires would be critical to allowing Duffy and her other senior managers to focus on the activities in need of their attention.

Beyond adding new positions, organizations also use business planning as an opportunity to think about the development needs of existing staff members. It's possible that you have most of the right people in place already, but will need to offer them training or other professional development support in order to carry out the new strategic priorities. For MY TURN, this took the form of devising a training program for existing case managers, to help them make the jump to a newly created regional manager role.



Once you have a handle on the human resource investments you need to make, it's time to assess the financial implications. Is the picture that emerges reasonable? For example, MY TURN's management team realized that for both cultural and financial reasons they couldn't bring in all the new hires they needed at once. Rather, they needed to prioritize among the different positions. They opted to start with the vice presidents of programs and development and to phase in the other functional managers over three years.

When it comes to realizing the benefits of business planning, the old adage "no pain, no gain" tends to apply. Depending on the complexity of your organization and the amount of strategic planning you have already done, individuals on the core team typically need to devote 15 to 20 percent of their time to the process for three to six months to develop an effective business plan.

Are the time and effort worth it? Consider the comments of another Bridgespan client, Harlem Children's Zone Executive Director Geoffrey Canada: "If I knew beforehand what [business planning] was going to take, I'm not sure I would have signed up for the process. But now I can't imagine not having done it."

For the full article "Business Planning for Nonprofits: What It Is and Why It Matters" and more information about business planning—including companion articles, sample plans, and case studies—we invite you to visit the Business Planning theme page on the Bridgespan website (http://www.bridgespan.org/kno_themes_businessplanning.html).

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