



A Strategic Planning Network for NPOs - A critical review

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ABSTRACT

The critical review is based on extensive reading about strategic management in non-profit organisations (NPOs). Efforts are made to study, comprehend and relate the strategic tools to this sector. A summary of the argument is given in the beginning followed by a brief note on how the argument is relevant to the course of Strategic Organisation in Marketplace. The part on critical review considers the strengths of the argument, usefulness/ relevance to the business, critique of argument and alternative views that could be valid. Towards the end, different areas of future research are suggested based on the paper under review. An alphabetical list of resources used, classified as Journals and Books / Other Resources, is presented as Bibliography in the end.

1. SUMMARY OF ARGUMENT

The paper under consideration argues that there is a need for strategic planning network that meets the organisation framework (and goal) of NPOs. Nutt (1984) argues that in NPOs, “the goals are always vague and often contentious” and this makes it necessary to search for new strategic planning tools. The paper presents a strategic planning network based on the planning process and the expected outcome of the strategic planning. The suggested planning network is essentially normative. The planning network allows for choice of methods to meet the contingent situation for strategic application. The planning process includes Formulation and Conception stages. Each of these stages is further categorized into various phases, under which different techniques are suggested for use to meet the objective of the stage. The expected outcome of strategic planning is expressed in terms of quality, acceptance and innovation. Combination choices of these factors result in eight different ‘strategic archetypes’. Six of them are:

1. Comprehensive
2. Traditional
3. Prototype
4. Utility
5. Seductive
6. Gesture

In addition to above, Nutt (1984) argues that a kind of strategic archetype would not be acceptable “that ignores quality, unless his / her objective is seductive or gesture.” Two such combinations are undefined. Each of the above mentioned strategic archetypes are discussed in detail, which includes the techniques to be used in planning process (i.e. formulation and conception stage), rationale behind use of the techniques and its application/ use.

2. RELATION TO COURSE MATERIAL

The course ‘Strategic Organisation in the Market Place’ aims to provide a conceptual, practical and contemporary understanding of the strategic analysis and its application in the context of marketing. The Strategic Analysis includes, amongst other things, the strategic decision-making structures and strategic planning approaches. The various strategic planning approaches are used pre-dominantly in the private sector. Nevertheless, the use and application of such approaches and techniques have been on a rise in the not-for-profit organisations.



The not-for-profit organisations are finding it essential to use the tools and technique of strategic management. This is considering the increasing complexity of its operations, growing demand for accountability and the necessity of efficient utilization of limited resources. As Wilkinson and Monkhouse (1994, p16) explains:

“...In their efforts to provide increased value for money and to genuinely improve their outputs, public sector organisations have been increasingly turning to strategic planning systems and models.”

The Paper under consideration and the Course Material, both emphasize on the relevance of strategic planning in organisations. Similarly, both also details different approaches and contexts to strategic planning. It may also be noted that Nutt (1984) has based his argument on the research and knowledge in the field of strategic management as applied to the corporate world while trying to stimulate a planning process that can be tailored for the non-profit sector. It is thus argued that the Paper under consideration is relevant to the course material.

3. CRITICAL REVIEW OF ARGUMENT

3.1. Strengths in the argument

The key strength stems from the fact that the argument identifies that the nature of non-profit organisation is different from business organisations. As a sequel, the theories of strategic management, originally devised for profit organisations, cannot be directly (i.e. on as-it-is basis) implemented in NPOs. Hatten (1982) similarly looks at adapting of corporate strategic management theory to NPOs. At the same time, it accepts that there is a need for the application of strategic management concepts in this sector. Hatten (1982, p89) concurs:

“...the efficient provision of services by not-for-profit groups requires continual assessment of their strategies to maintain consistency between their efforts and the world in which they operate. Not-for-profit managers can indeed benefit from the application of the strategic management concepts originally developed for profit making corporations.”

The paper published in 1984 draws heavily on the literature and research of that time. For instance, the Formation and Conception stage of planning process is based on the goal development and strategic options framing process of Glueck (1980). Further, efforts have been made to integrate the concepts of organizational behaviour and systems theory to strategic management for NPOs. The citations at the end of the paper under review clearly indicate the wide and extensive literature researched.

The elements of strategic management and the process are visibly used in chalking out the Planning Network. Empirically, it may be concluded that as these methods were widely used in business corporations during that period, it was appropriate to base the new planning network on similar tested and tried models of strategic management.

Nutt (1984) offers a wide range of techniques that include interacting groups, silent reflective techniques, survey approaches and ranking approaches under each stage of strategy formulation and conception stage. Also, most of the techniques described are widely used in practice. Some of these are Delphi Survey, Nominal Group Technique and Nominal Interacting technique.

It is argued that Nutt (1984) has provided a good synthesis of various methods and techniques for the Managers of NPOs to use in different contingent situations. One of the strengths of the archetypes detailed is that it gives the Manager an option to choose from wide range of techniques depending on the situation and context of the NPO.

Though the relevance and success rate of the techniques lie untested, at least a beginning was made in the right direction to spur thinking on the necessity of strategic planning in NPOs. As it can be seen in Nutt and Backoff (1992, p167) the strategic planning process is refined further.

It is also believed that the intention of author was to raise an understanding of the strategic planning in NPOs and at various places it was hoped that practitioners and researchers would add and consolidate the model and further develop the subject area of application.



3.2. Usefulness and relevance to the business

The growing importance of the NPOs is clearly brought out from the statement of Stone, et al (1999, p1): "Recognition has grown in recent years of the importance of the nonprofit sector to the nation's economy, to the vibrancy of our civil society, and to the implementation of public policies... In 1991, those organisations recognized as tax-exempt by the Internal Revenue Service numbered over 1 million and accounted for 6% of the Gross National Product and of total employment."

What is true for USA is indeed true for most of the other developed economies. Nutt and Backoff (1992, p24) broadens the scope of meaning of NPOs to include all such organisations that have an element of "publicness" in it. Such 'Public Organisations' include Government sector organizations / agencies, public sector undertakings, charity organisations, private NPOs, educational institutions, welfare agencies, public services, religious institutions, trade associations, etc. The factors of distinction between the private and public organisations are lucidly elaborated in Nutt and Backoff (1992, pp26-51). It may also be noted that the NPOs are wide and varied type of organisations with different focus on goals, objectives, resources, interaction with external environment, structure and operation.

The importance of strategic planning for NPOs is amplified by the growing need for accountability of such organisations to the society or the 'publics'. There is an alarming need on optimizing the use of resources and its allocation to projects and activities that are seen as priority by the 'public'. The pressure is to justify the expenditure on NPOs. Further, there is now a greater importance attached to the role of NPOs in the development of the society and as such its efficient and goal-directed operation is in the larger interest of all.

The competitive focus of the NPOs is also leading to growing application of strategic planning tools to this sector. Generally, the NPOs compete for funds and resources from various agencies. For instance, Universities in UK compete for research funding from the Higher Education Funding Council for England (HEFCE). Within a specific class of NPOs (say, amongst the Art Councils in England), there could be stiffer competition. Of late, the NPOs have also been a threat to for-profit organisations. As Liu and Weinberg (2004, p 69) quotes:

"The competition between for-profit firms and nonprofit organisations has produced a fair amount of controversy and has attracted an increasing amount of research..."

The strategic plan may also be prepared, in certain cases, to inform the 'publics' or the Sponsors, about its long term direction and periphery of activity. Also, with the increasing number of professional employees and qualified volunteers in this sector, the importance of and need for strategic planning has increased further.

Strategic planning network model for NPOs as detailed by Nutt (1984) fulfills the need for customizing the corporate strategy models for use in NPOs. What is commendable about the Network Model is that it blends the structured discovery and decisional phases with the creative phase, using various techniques, making it easy and simple to be used in any situation and by person at any level of organisation.

The various strategic archetypes are based on the attributes of quality, acceptance and innovation which are common requirements for strategic planning. The six outlined strategy types completely fit into any requirement of the sponsor or manager of NPOs, irrespective of the diverse nature of such organisations.

In the light of the above, it is argued that the strategic planning network model for NPOs is relevant and useful.

3.3. Criticisms of the argument

The primary premise that the performance of NPOs cannot be easily measured by figures of profit or return on investment because of vague goals is not well-founded. There is a greater clarity of objective amongst NPOs. Further, profit is not the only factor why there is a need for a separate strategic planning tool for NPOs. Nutt and Backoff (1992, pp26-51) identifies environmental, transactional and process distinctions between the two types of organisations.



Indeed, profit is no longer the strategic objective of profit-making corporations. In present times, the distinction between NPOs and profit-making organisations is dwindling fast. It may be argued that under present environmental factors, there is no necessity to modify the strategic models for application to NPOs. The distinction between different organisations stems from its “publicness”. As Nutt and Backoff (1992, pp23-24) points out,

“...all organisations are public and this publicness is the key to understanding how organisations behave... Because all organisations are influenced to one degree or another by public authority, all organisations can be seen as public.”

Another criticism of the argument is that the proposed planning network is largely “untested”. The findings are based on research and there are no practical illustrations of its application, relevance and success. The Planning Network is a mere crystallization of the various processes proposed by Strategy and Planning theorists to suit the NPOs. It is also surprising that no reference is made to the Design School of Strategic Management which was prevalent then.

Further, the planning network is modeled around the existing organisations and the problems it confronts. The use of the term ‘project planning’ as a mere substitution for the term Strategic Management Process as used by Glueck (1980) appears to convey little about the actual process and confuses the reader with the general understanding of the word project planning. Similarly, the use of the word “Network” is debatable.

While Nutt (1984) has aimed at detailing the techniques that can be used under each phase, it conveys little usefulness in terms of its application and greater understanding. For instance, while discussing about the Interacting Groups, no details are given about the context, group selection method and conduct of the technique.

To further critique, the Planning Network does consider the “environmental assessment” and reconciles with the “formal and informal audits of the resources”, but this notion is incomplete and ignores the “competitive position” of the organisation, the fundamental arena within which the NPOs operate (Porter 1998). Moreover, it fails to capture the essence of strategic decision making process in contrast to strategic planning process.

Additionally, there is an element of over-simplification in the paper. Nutt (1984) assumes that the strategic intent of all NPOs is similar. In case of for-profit organisations, there is a commonality in goal / objective in terms of growth, market share and financial stability. But, in case of NPOs, though the goal and objective is clear, it is varied and different from organisation to organisation. The goals of Police in Society are different from a Government School. Similarly, a Trade Association would radically differ from a Temple in terms of goal. Also, the Planning Network fails to recognize the cultural and political issues within the organisation that affects the strategy formulation.

It is worth noting, the Archetypes are configured based on the selection of three attributes based on choice of Yes or No. It is difficult to visualize an organisation that could ignore Quality aspect of planning process and still proceed with the planning process. Nutt (1984) does not clarify as to what factors lead to a choice between the three attributes. When does a manager ignore innovation or quality as an attribute for planning? The real world, perhaps, is not as simplified as professed here.

Lastly, it is observed that the argument does not touch upon the essential concepts for implementation of the process. Questions like, how is the “Project Planning” assessed and what determinants are used remain unanswered. System Operation as part of the strategic planning process given in Figure 1 of Nutt (1984) is left untouched in the paper.

3.4. Alternative Views

The suggested argument appears to be drafted in the context of developed economies and it would be interesting to see if similar strategic perspectives could be applied to NPOs in developing or undeveloped economies. For instance, in India, it is found that, traditionally, the charity organisations are organized as Trusts and Societies that are family dominant with little or no accountability to ‘publics’. There is seldom a necessity to review the external environment and / or audit the internal resources. This is typical, as in case of small entrepreneurial firms. Most of the planning is done using the ‘back of the



envelope' approach. In such economies, the planning network may not be relevant.

It is also argued that the suggested planning network is based on the existing problems, availability of resources and expertise to analyse the environment and internal resources. In case of new NPOs, the model would appear inefficient. As there is a no past record of its performance, it may be difficult to formulate and define the options required under this framework using the given techniques.

Over the last few years, there has been a rapid commercialization of NPOs. This resonates further with an increase in public-private partnerships. Considering the professionalism and commercialization of NPOs, an alternative view of the Planning Network may emerge.

The strategic archetypes are based on three attributes of the planning process, viz. Quality, Acceptance and Innovation. The proposed six archetypes would radically change if a fourth factor is introduced. One such factor could be pervasiveness of strategy; i.e. would it affect the whole organisation or a few areas only.

4. DIRECTION/ AREA OF FURTHER RESEARCH

In spite of all the research and publication on strategic management for NPOs, there is a considerable gap. As Rhodes and Keogan (2005) suggests:

“Nevertheless, the field remains fragmented (Stone et al., 1999) and displays an over-reliance on dated approaches to researching and formulating strategy derived from the private sector...”

This informs that there is scope for further research in NPOs within the context of strategic management. A humble attempt is made here to indicate the areas of further research in the backdrop of the argument made by Nutt (1984).

Distinction between NPOs and for-profit organisations

Nutt and Backoff (1992, pp23-24) have argued that all organisations are ‘public’ in terms to their accountability towards ‘publics’. Also, as mentioned earlier, NPOs have increasingly commercialized their operations with an object to grow from “distributors of wealth” to creators of “community wealth”. In other words, NPOs are chalking out different avenues of creating wealth and value. They no longer depend on donations, grants and sponsorships alone. The Charity Shops in England is an example.

Back in India, a non-profit initiative was taken to improve the dairy produce in the region of Gujarat. It was called the Anand Milk Union Limited (AMUL). It was started as a cooperative movement and was popularly known as Operation Flood. As a result of this initiative, today AMUL is one of the leading corporations in dairy and milk produce at the same time has made considerable economic and social change to the milk producers in the region.

The public – private partnership and employment of professional managers in this sector is an indicator of “corporate-like” management of NPOs. It may be appropriate to quote an instance here. In India, the Director of AVAHAN, Bill and Melinda Gates Foundation’s India AIDS initiative, Mr. Ashok Alexander is the former Director of McKinsey Consulting, India. With professionals donning the responsibility of NPOs, it is likely that we will witness the application of the strategic management techniques in its operation.

It is worth considering the fact that profit as a principal differentiator between the two types of organisations has lost its significance. Most of the pharmaceutical and health companies no longer focus on profit as their goal. The Mission and Purpose of Pfizer are quoted below as an instance:

Our Mission

We will become the world's most valued company to patients, customers, colleagues, investors, business partners, and the communities where we work and live.



Our Purpose

We dedicate ourselves to humanity's quest for longer, healthier, happier lives through innovation in pharmaceutical, consumer, and animal health products. (Source: www.pfizer.com)

The point that is being made here is that there appears no necessity of bending and twisting the strategic management tools to suit the NPOs. The contrary is also valid. There is no need to classify organisations as for-profit or non-profit in order to decide on the application of any planning technique. These propositions need to be further studied in order to ascertain its validity in the present times.

Attributes of the plans

The argument pre-supposes only three attributes as typical for a planning process. These attributes are Quality, Acceptance and Innovation. Based on the combination of these attributes various strategic archetypes are proposed as part of the strategic planning network. Out of the eight possible types, two are undefined as it ignores the quality aspect of the plan.

It would be worthwhile to investigate further to find, firstly, if the above three attributes are relevant in discussion as above. Secondly, if there are any other attributes that can be considered for discussion and framing of strategic archetypes. Finally, if the notion of not defining the two archetypes is valid.

Research on the usefulness and merit of planning techniques

A number of techniques are suggested for use at various phases of planning stage. Techniques for Formulation Stage are Nominal Group Techniques (NGT), Nominal Interacting (NI), Brain-writing, Interacting Groups, Brain storming, Delhi, Stakeholder Analysis, Function Expansion, Q-Sort, Estimate-Discuss-Estimate (EDE) Approach, Anchored rating scales, paired comparisons, rank weight, direct weight and pooled rank. Techniques for Conception stage are Synectics, lateral Thinking, Brainstorming, Focus Groups, Nominal Interacting (NI), Brain-writing, Delphi, Scenarios, Morphology, Relevance Trees, Input-Output and Policy Capturing.

A quick glance at the above list would hint that prior to use of any of the above techniques one must evaluate the technique for its usefulness, merit and limitations. Also, there is a need to renew the list of techniques proposed under each phase of Formulation and Conception Stage. Some of the new techniques may be considered and used to refine the planning network further.

As suggested by Nutt (1984) the list of the techniques is not exhaustive. The cost effectiveness and timeliness of the techniques must also be studied.

Strategic Decision Making

The Argument suggests a contingent planning network for use in NPOs. The process evaluates the external environment and audits the internal resources before identification of strategic options. It would be worthwhile to consider how the models of strategic decision-making would fit in with the NPOs at this stage.

Personally speaking, there is a grave necessity in developing countries like India to look at rational models of planning offering clarity of objective and purpose without compromising on its value creation for the community.

It may be appreciated that the characteristics and dynamics of both NPOs and strategic management has changed radically since Nutt (1984) published this paper. In the present research arena, there is little or no work being undertaken to stimulate the application of strategic management tools and methods for use by NPOs in countries other than developed countries.

In China, "the non-profit sector has grown at a heady pace over the past few years, expanding from roughly 6,000 registered groups in 1999 to about 150,000 in 2005." - Cheng, et al. (2006).

With the burgeoning of the non-profit sectors in countries like China, there is an implicit need for



creation and adoption of strategic techniques for planning and management of this sector.

In developed economies, the private sector is facing competition from the NPOs. The competitiveness emerge between for-profit and nonprofits when the objective aligns and targets common consumer base (Liu and Weinberg 2004). Often the competition is seen as unfair with uneven playing grounds:

“As non-profit sector grows, the debate over its proper role in modern economy continues, periodically grabbing public attention. Private firms claim they are victims of “unfair competition” from subsidized tax exempt nonprofits pressuring lawmakers to restrict non-profit’s commercial activities.” - Weisbrod (2000, p4)

Strategic Knowledge Management

NPOs are essentially managed by people. There is no dominance of machinery or physical assets in this sector. People constitute a major asset for this sector. Considering this factor, it is worthwhile to research how the model of strategic knowledge management can be implemented and would ‘fit’ in the planning network such that it taps into the unleashed potential of its people (the tacit and the explicit knowledge).

Nutt (1984) has led the research forward by proposing a planning network for NPOs that hitherto was no thought about. There is scope for leap-frog and implementing the contemporary strategic planning and decision making models in this sector of organisations across the globe. However, an investigation and research must be called for before any conclusions can be drawn on the relevance or irrelevance of it to NPOs.

Medium of transfer of knowledge

Often the NPOs are accorded step-motherly treatment in spite of its importance in the society and economy. A majority of a country’s government expenditure goes to NPOs (which includes government bodies and agencies). In addition to this, Corporate must recognize the fact that certain social issues are becoming strategic for them. Issues like environment protection, safe drugs, privacy, off-shoring, etc. are best addressed via the medium of NPOs. They generally garner better community empathy and support in their initiatives. In fact, it is not uncommon to see business doyens nurturing Foundations and Charities.

The key issue is that there is a need for both for-profit and NPOs to work in close association. The immensely valuable knowledge domain of corporate world must be transferred, shared, with the NPOs. It would be worthwhile to consider the mediums of transfer of knowledge. Nutt (1984) has sourced the knowledge from the corporate world in proposing the planning network. Indeed, there seems no logical reason for reinventing the wheel. Nevertheless, it is essential that the medium of transfer of knowledge is identified and applied.

Measuring performance of NPOs

Nutt (1984) has suggested the planning network based on six strategic archetypes. The planning process is defined to include the implementation aspect but it is not dealt with in detail. Moreover, the mechanism of evaluation and feedback on the process is also not elaborated. Any revision of strategic plans would be a futile exercise without the understanding of factors of measurement of its effectiveness. Thus, it is suggested that research is essential to identify the measures or factors of evaluation of effectiveness of the strategic plans in case of NPOs.

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