The Bridgespan Group

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Business Planning for Nonprofits

What it is and why it matters

Kelly Campbell
Betsy Haley

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Introduction

Mention business planning and people often think about written plans—the tangible products. The leap is natural, but it is also problematic. It short circuits the process of developing the plan, which is where many nonprofits find the greater value.[1]

The business-planning process offers a nonprofit's decision makers a rare opportunity to step back and look at their organization as a whole. It is a time to connect the dots between mission and programs, to specify the resources that will be required to deliver those programs, and to establish performance measures that allow everyone to understand whether the desired results are being achieved. As a result, it encourages strategic thinking, not only while the plan is being created, but also thereafter, as implementation leads to new challenges and the need to make new decisions and tradeoffs.

To illustrate, consider the experience of MY TURN, Inc. (aMerica's Youth Teenage Unemployment Reduction Network), a Brockton, Massachusetts-based nonprofit acclaimed for its work with at-risk youth in small, urban communities. In 2003, the Edna McConnell Clark Foundation approached MY TURN about expanding the reach of its proven programs. Over a six-month period, MY TURN's management team engaged with the Bridgespan Group in a rigorous business-planning process. They established a sharper definition of the population they wanted to serve, identified aspects of the program model they needed to supplement, and prioritized a list of potential expansion sites. They also developed firm estimates of how much the new initiatives were going to cost and laid out a detailed timeline for getting the work done.

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[1] We use the term "business planning" to refer to the process of developing a comprehensive document that sets forth what an organization is working to accomplish and how it intends to succeed. Others use the term "strategic planning" to encompass the same set of activities.

The result was a clear plan to guide MY TURN's growth over a five-year time horizon. Equally important, the management team found that the planning process 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 Executive Director Barbara 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."

During Bridgespan's first six years of operation, we have collaborated with more than 80 nonprofit organizations to develop business plans. While each organization approached business planning with its own particular set of questions and priorities, we've found that the process typically includes four distinct components:

- **Strategic clarity:** Developing a concrete description of the impact for which the organization will hold itself accountable over some specified period of time (its intended impact) and the cause-and-effect logic explaining how its work will lead to that impact (its theory of change);
- **Strategic priorities:** Determining what specific actions and activities must take place to achieve the intended impact;
- **Resource implications:** Understanding the resources—financial, human, and organizational—needed to pursue these priorities and mapping out a plan to secure them;
- **Performance measures:** Establishing the quantitative and qualitative milestones that make it possible to measure progress toward the intended impact.

In this article, we draw on client experience to illustrate each of these four components. Although we chose to discuss them individually and sequentially, in practice they are quite tightly linked. As a result, the business-planning process is rarely linear, but rather requires nonprofit leaders to circle back on critical decisions as new information emerges. It also requires significant energy and discipline from those involved, so we have included some questions readers can use to help determine if their organization is ready to take the plunge. Last but not least, in the appendix of this article we address the written document that results from the process.

Gaining Strategic Clarity

A nonprofit organization's mission statement is its heart and soul, defining its reason for being and inspiring staff, volunteers, funders, and participants to believe that positive change is possible. But the breadth and ambition that can make mission statements so compelling are also the reasons that they are seldom good guides for allocating resources. There are simply too many activities that can fit legitimately within them.

Business planning gives you the opportunity to get underneath your mission statement to see how it plays out in the programs and activities that constitute your organization's day-to-day work. It's a chance to draw on qualitative and quantitative information, as well as the passion and commitment that inspire you to do your work, to articulate the specific outcomes you're striving to achieve (the organization's intended impact) and to clarify how your programs lead to concrete, measurable change for those you serve (its theory of change).

Larkin Street Youth Services offers a good example of how such discussions can lead to strategic clarity. Initiated in 1984 as a small, neighborhood initiative, the San Francisco-based organization operates a nationally-recognized model for helping homeless and runaway young people get off the streets and lead stable lives. By 2003 the nonprofit was operating programs at 10 sites across the city, and nearly 80 percent of those enrolled in its case management services were succeeding in exiting street life.

Larkin's management team was ready to expand the organization's impact even further. They had surfaced several options for doing so within two broad categories: deepening Larkin's current activities in San Francisco (e.g., increasing its stock of temporary housing options, adding services for youth emancipating from the foster care system); and broadening Larkin's activities outside of San Francisco (e.g., expanding to other cities in California, disseminating knowledge).

All of these ideas fit within Larkin's mission statement, "To create a continuum of services that inspires youth to move beyond the streets." But with a turbulent economy threatening to constrain funding, the organization simply couldn't pursue every one. To weigh the options, the management team first needed to get specific about who the beneficiaries of the organization's work should be: homeless youth in the Bay Area or homeless youth in a broader geographic area.

Questions to help establish strategic clarity:

- Who or what are we ultimately trying to serve?
- What are the specific outcomes for which we want to be held accountable?
- What activities must we undertake to achieve concrete, measurable results?
- How does our specific portfolio of programs and services lead to change?

Data on the problem, while essential, couldn't resolve the issue: San Francisco had a much larger population of youth in need than the 2,000 Larkin already was serving, and there were clearly many more youth elsewhere in California (and throughout the country) who could benefit from Larkin's approach. Rather, the management team members needed first and foremost to consider whom they cared about and wanted to serve. After several rounds of intense discussion in which they candidly shared their personal motivation for doing the work, they realized that they wanted Larkin to remain in San Francisco for the foreseeable future.

Additional clarity about Larkin's target beneficiaries came from defining what would constitute success. While the mission statement spoke broadly about moving youth off the street, management team members wanted this exit to be a permanent one. This meant Larkin would have to focus on kids who (with Larkin's intervention) had a high likelihood of getting back on their feet and achieving independence—another hard decision, but one they hoped would increase the organization's ability to have a lasting impact.

The team members then mapped out the theory of change that explained how Larkin's various programs would lead to this intended impact. Years of hands-on experience had led Larkin to develop a continuum of services to get kids off the streets permanently. The continuum began by addressing a homeless youth's immediate need for food, shelter, and medical care, and then offered transitional housing, case management, and opportunities to build life skills. The team reaffirmed this program model as the organization's focus in light of its newly articulated intended impact.

By clarifying these three questions—what kids, what outcomes, and what activities—Larkin management found that they could rule out—and rule in—several of the options for growth. While they still had work to do in figuring out the optimal service model and the approach for rolling their programs out across the city, they were energized by this newfound clarity.[2]

Larkin's story is not unique. Many organizations start business planning with a number of competing options, and it can be tempting to jump right into making choices without first stepping back and getting clear on what you're trying to accomplish, for whom, and how. Once these decisions are made, however, the possibilities often don't seem quite as endless. Moreover, they create the platform on which the rest of the business plan can be built.[3]

[2]To learn more about Larkin's experience with business planning, see the case study, "Larkin Street Youth Services: Learning to Grow with Purpose," available free of charge on the Bridgespan Group's website, www.bridgespan.org.

[3] To learn more about intended impact and theory of change, see the Bridgespan-authored article "Zeroing in on Impact," published in the Spring 2004 issue of the Stanford Social Innovation Review (SSIR). The article is available free of charge on the Bridgespan Group's website, www.bridgespan.org, via a link to SSIR's website.

Determining Strategic Priorities

One of the most valuable aspects of business planning is the opportunity to look closely at current programs and to take stock of what is working well, what could work better, and what is missing. Without a clear understanding of the current state of affairs, it's hard to think critically about what you are best positioned to do going forward or what changes in programs and services you may need to make. Making such decisions—determining your organization's strategic priorities—is often best done while your organization's intended impact and theory of change are taking shape, so that decisions about beneficiaries and outcomes can inform your planning.

Most of the decisions makers we have worked with end up choosing among four potential options: modifying existing programs, adding new programs, discontinuing programs, and/or increasing the number of the participants served. To decide which option, or set of options, is right for your organization, it is helpful to collect evidence—empirical information about your programs, your organization, and the external context in which you operate.

The first step is essentially diagnostic: looking closely at the current operations of each of your programs to make sure you know what's really happening on the ground, and using this internal data to determine your organization's strengths and weaknesses. This can mean assessing fidelity to the program model and/or analyzing participant or site outcomes. If you are running programs at multiple sites, you may

Questions to help surface strategic priorities:

- How well does each of our current programs or activities align with our mission and intended impact?
- What are our full costs, both direct and indirect, for operating each program?
- What is our cost per outcome or positive result?
- Do all of our activities complement our core capabilities and expertise, or are we stretched too thin across different services?
- How well do we perform compared to peers?
- Are there services we should modify or add to maximize impact?

want to explore how well each individual site is performing and whether strong practices are being shared actively across sites.

Internal assessment can also include determining the full costs (that is, the direct costs plus an allocated share of the organization's indirect costs, such as administrative expenses and building rent) to operate each of your programs and services. When possible, you should also determine the true cost per outcome (an estimate of the resources required to achieve your desired impact for one recipient, be that a homeless child, a disadvantaged community, or a threatened forest). Assessing current financials can help you understand whether your resource allocations are aligned with your mission and intended impact. It also provides a useful baseline against which to compare future projections.[4]

It is also important to look outside of your organization during business planning. For example, you may want to consider how well your organization is performing when compared to peers, or to research public policy or funding trends to identify changes that may affect your organization's ability to achieve its goals.

There is no "one size fits all" approach to determining strategic priorities. In this section, we'll look at how several organizations assessed their current programs and prioritized among competing options to determine the strategy right for them.

MODIFY EXISTING PROGRAMS OR APPROACHES

Expeditionary Learning Schools/Outward Bound (ELS) seeks to transform public schools by providing school personnel with high-intensity professional development focused on innovative learning methods and design principles inspired by Outward Bound. When ELS' management team embarked on business planning, they had a network of over 120 schools and were eager for more growth. As a first step, they conducted a thorough assessment of their existing operations.

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[4] To learn more about full cost analysis, please see the article, "Costs Are Cool," available free of charge on the Bridgespan Group's website www.bridgespan.org.

For ELS' management team, helping schools improve a little isn't enough; their intended impact is for schools to achieve *excellence*. To accomplish this, the organization aims to work closely with each school for at least three years, training school personnel to deliver the core elements of its proven educational model.

When ELS' management team analyzed internal data and interviewed field staff, however, they found that few schools were engaged as deeply as they needed to be to achieve powerful results. So even though ELS had begun the business-planning process prioritizing growth, it became clear that its first strategic priority should be to rethink the way the organization worked with its schools. Specifically, the management team committed to refocusing staff resources and financial subsidies on schools that demonstrated the potential for excellence and the commitment to achieving it. In contrast, where schools had lost interest in the ELS approach or the funding climate wasn't viable, ELS' management and the schools' leadership teams decided that ending the relationship was the best course of action.

This assessment also influenced ELS' approach to growth going forward. The management team plans to use more rigorous criteria to select schools and to make expectations about performance more explicit. While this may mean opening fewer new schools, it will enable ELS to make more progress toward the intended impact of developing a network of excellent schools.[5]

ADD NEW PROGRAMS OR SERVICES

Sometimes assessment highlights gaps in an organization's existing programs that would be best addressed by adding a new service or program. Take MY TURN, Inc., the youth-development organization profiled at the beginning of this article. Data the organization had collected over the years, combined with insights gleaned

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[5] To learn more about ELS' experience with business planning, see the case study, "Expeditionary Learning Schools/Outward Bound: Staying True to Mission," available free of charge on the Bridgespan Group's website, www.bridgespan.org.

from interviews with case managers, showed that MY TURN's clients needed additional GED training and more active assistance in securing employment in order to transition successfully to work or college.

Eager to avoid replicating services others could provide more cost-effectively, the management team scanned the options already available in the communities MY TURN served. They learned that GED courses were in short supply in several of the communities, and that outsourcing the vocational support function would be difficult. Accordingly, they decided to administer GED programs themselves where necessary, and to create a new in-house role for job developers. MY TURN would pilot this more comprehensive model at a handful of sites. If the results were promising, they would then roll the model out across the entire network.[6]

DISCONTINUE PROGRAMS OR SERVICES

Business planning is not synonymous with doing more. At times a hard look at your current programs, in light of your intended impact and theory of change, will lead you to stop doing things. Consider the experience of Our Piece of the Pie, Inc. ® (formerly Southend Community Services), a large community-based organization in Hartford, Connecticut. Our Piece of the Pie had a proud history of responding to the urgent needs of its community. By 2004, when the organization engaged in business planning, it was offering nine different programs spanning childcare, youth development, and elderly support services. The management team saw the planning process as a chance to explore opportunities to refocus.

During their intended impact and theory of change discussions, team members agreed that improving the life chances of young people offered the highest potential for having a positive impact in Hartford. Management studied the results of the organization's existing youth programming to develop a better understanding

[6]To learn more about MY TURN's experience with business planning, see the case study, "MY TURN, Inc: Preparing for Regional Expansion," available free of charge on the Bridgespan Group's website, www.bridgespan.org.

of what was working well and where enhancements might be warranted. They also interviewed community leaders and current program participants to understand which of their youth-oriented services were most valued and which needs were still unmet. The takeaway: Our Piece of the Pie needed to integrate its various youth programs and to add case management services.

Given that Our Piece of the Pie's resources weren't unlimited, sharpening its focus would also mean changes to its elderly and childcare programming. Through external research, management determined that the elderly services would operate more efficiently if they were absorbed by larger providers in the Hartford area. In addition, some of the childcare programs, such as preschool daycare, could be adjusted to meet the needs of youthful participants who were single parents.

Business planning positioned Our Piece of the Pie to accomplish more going forward. But it did so by first prompting the management team to transition programs that no longer fit the mission and that could be provided effectively by others in the community.

INCREASE THE NUMBER OF SERVICE RECIPIENTS

For both Expeditionary Learning Schools/Outward Bound and MY TURN, the changes made to existing programs were a first step toward increasing the number of people or communities served. For other nonprofits, such as Boston-based Steppingstone Foundation, a close look at existing programs indicates that they are ready to add more participants right away.

When Steppingstone's management team began business planning in 2001, the organization had been preparing

Questions to help clarify growth goals:

- How much of the need for our services are we currently meeting? In our neighborhood? In our city? Beyond?
- What motivates us to grow? For example, do we want to attract national attention by expanding to multiple cities? Would we be satisfied if we could increase our impact where we already are?
- What are potential barriers to growth? How will these barriers affect the program model or the speed at which we grow?

disadvantaged 4th and 5th grade students for placement in top private and exam schools for more than 10 years. The model was well-defined, the cost per scholar was decreasing steadily, and the first few cohorts had successfully headed off to competitive four-year colleges. Steppingstone wanted to do more. The critical question was whether that would entail moving to other cities in the near future.

By analyzing the number of Boston-area students in their target demographic and interviewing local admissions officers, Steppingstone management discovered that they didn't need to leave the city in order to grow. Rather, Steppingstone would aim to double the size of their Boston program over the next five years and revisit the idea of geographic expansion at a later date.[7]

Understanding Resource Implications

Once you've agreed on the strategic priorities that will guide your organization over the next few years, it's time to look at the practical implications. The objective in this phase of business planning is aligning your staff, infrastructure, and finances in a way that can support sustainable implementation.

Achieving alignment begins with an honest assessment of what it will take to implement each of your priorities. Next you need to determine how much more the organization can take on, given current resource levels and where you'll need to bring in additional personnel or invest in new infrastructure. At that point, you can create financial projections to help you understand how your budget will have to change. For most organizations, the first pass at the financials is eye-opening. They find that they need to adjust their targets and reconsider the pace of change.

To illustrate, let's return to Steppingstone. Like many nonprofits, Steppingstone was a very lean organization. As the management team evaluated the situation,

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[7] To learn more about the Steppingstone's experience with business planning, see the case study, "The Steppingstone Foundation: Managing Growth," available free of charge on the Bridgespan Group's website, www.bridgespan.org.

they realized that doubling the student numbers would require doubling program staff to maintain a low student-to-staff ratio, in addition to bringing in a grant writer and creating several new senior management roles, including a director of marketing and a director of organizational learning.

Aggressive expansion would also mean that Steppingstone would outgrow its program facility and need to find additional space in which to offer its summer and after-school enrichment programs. Putting it all together, the management team realized it could not realistically absorb all of the new costs at once. This led them to think about what investments were needed immediately and which ones could be postponed.

As the Steppingstone example demonstrates, iteration is one of the most valuable aspects of business planning, because it pushes the organization to think hard about what's really possible and to create explicit links between the results it can deliver and its aspirations, capabilities, and existing capacity. Before you can commit to adding new services or growing the number of people participating in your programs, you need a firm understanding of the resources those activities will require—not just at the outset, but over time. Here we have provided a deeper explanation of each aspect of resource planning: human resource investments, infrastructure investments, and the subsequent financial implications.

HUMAN RESOURCE INVESTMENTS

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, like MY TURN, your strategic priorities require bringing additional expertise in house or because, like Steppingstone, 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 another layer of managers.[8]

You may also decide that your organization is outgrowing its current organizational structure, and that you need to redesign its overall reporting structure. MY TURN's business plan, for example, called for adding a new tier of regional managers to oversee local case workers in its expansion regions.

Organizations also use business planning as an opportunity to think about the development needs of existing staff members. It's possible that you have some 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.

Questions to help identify required human resource investments:

- Do we have the right organizational structure in place to implement the plan?
- Does our existing staff have the skills and expertise to execute our strategic priorities?
- If so, how much capacity does our current staff have to take on new work? Do we need to add positions, or scale back our goals?
- If not, what roles do we need to create? And where will we find the right people to fill these roles?
- How soon do we need to bring new people on board? What's a realistic timeline given our culture and ability to raise funds?

INFRASTRUCTURE INVESTMENTS

The temptation to allocate every available resource to program delivery can be almost irresistible. But over time, this takes a toll on the organization—particularly on its infrastructure. Common areas of under-investment include information technology systems, office space, and financial tools.

[8] To learn more about common human resource investments as organizations grow, see the white paper, "Growth of Youth-Serving Organizations," available free of charge on the Bridgespan Group's website, www.bridgespan.org.

Business planning can provide a valuable opportunity to invest in the critical systems that will allow your organization to deliver services more effectively and more sustainably. Much like human resource investments, determining what infrastructure your organization needs requires that you understand both your current capacity and the new resources you'll incur by pursuing your objectives.

Questions to help identify necessary infrastructure investments:

- How much staff and client growth can our current office and program space accommodate?
- What new or improved systems do we need to do our work more effectively (e.g. IT, performance measurement, financial)?
- What human resource systems should we put in place to manage our organization (recruiting, orientation, training, evaluation)?

MY TURN management, for instance, decided to contract with a technology firm to develop a new tracking system after assessing their existing technology in light of the new strategic priorities. This new IT capability was essential both to coordinate services for a growing number of participants and to support effective communication as MY TURN expands to new sites.

FINANCIAL IMPLICATIONS

Once you have a handle on the people and infrastructure, it's time to establish the financial implications of implementing the new strategy. Is the picture that emerges reasonable? That is, when you add everything together, does this seem like a feasible rate at which to grow? To answer this question, consider both your organization and the external funding environment.

Questions to help assess the financial implications:

- Can we manage the budget required by the human resource and infrastructure investments?
- How will the increased budget affect our organization's culture?
- How will the new costs affect our cost per outcome?
- How is the funding community likely to respond to the spending plan? Can we raise the money we need?

Internally, think about your organization's capacity to manage a larger budget and the likely impact on your culture. For example, MY TURN's management team realized that for 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.

Analyzing how the necessary investments will affect your cost per outcome is another good reality check. If you are bringing your existing service offering to more beneficiaries, for example, your unit cost may stay the same or even decrease because of greater scale, and this will flow through to your cost per outcome. If you are enhancing services, your cost per participant may very well increase; and yet if the investments translate to greater effectiveness, your cost per outcome could decrease.

For MY TURN, forecasting revealed that while the cost per youth served would increase, the organization still would be operating at significantly lower cost than peer organizations. This knowledge enabled MY TURN's management team to have productive and informed discussions with current and potential funders.

Nothing is more frustrating than developing a solid plan only to find out that you can't raise the money to implement it. Exploring the funding environment can help you gauge whether you'll be able to raise adequate funds to support the new direction. One way to approach the question is to look at the commitments you've secured in the past and your fundraising prospects for the next few years. If, for example, your organization's budget has been growing at a five-to-10 percent clip in recent years and fundraising has been difficult, it may be unrealistic to assume you will suddenly be able to double or triple that growth.

Another approach is to look into the fundraising capabilities of your peers, particularly those that have a larger budget than you currently do. This may point you toward new funders interested in supporting your strategic priorities or give you ideas for new fundraising techniques. When MY TURN's management team decided to replicate their model in a handful of new cities, they researched the funding sources of larger peer organizations that were serving these communities, and surfaced several potential new foundation funders.

No matter how thorough your financial projections, however, there will always be a non-trivial degree of uncertainty. Short of having the money in the bank, can you know for certain that you'll find a foundation that will fund a new initiative or that you'll win a crucial government contract? Probably not.

Laying out two or three financial scenarios can help manage this risk, allowing you to determine in advance how you might prioritize under different funding situations. In addition to the core budget, you may want to consider a "stretch" scenario and a "delayed" scenario to help you think about what you would do in the event of a significant new funding stream or an unanticipated funding shortfall.

For example, Our Piece of the Pie's management team developed a three-year budget to serve 1,250 youth by 2008. They then worked through "ambitious" and "delayed" fundraising scenarios, establishing what their investment priorities should be if they were able to raise funds for 2,100 youth or only half that number.

Staying on Track

Business planning requires a great deal of discipline; implementation takes even more. Many organizations find it essential to develop milestones that will help them check their progress and determine whether they're on track as implementation ensues. A more focused set of milestones, sometimes called a dashboard, can be given to the board, so that they can help the management team monitor high-level progress. Many organizations also use a version of the milestones when communicating with funders and other supporters, in order to demonstrate their commitment to the new strategic direction and their progress in implementing it.

The organizations we have worked with tend to develop milestones across three categories: program, operations, and finance. In each case, the milestones flow directly from their strategic priorities and the decisions the team has made about the resources required to implement the plan.

PROGRAM MILESTONES

In its purest form, program performance measurement entails expensive multi-year studies conducted by evaluation experts. Such studies are not easy to come by; but even if they were, they would not trump the value of simple tracking of program milestones: outputs (e.g., the direct and immediate results of program activities, such as the number of children attending an after-school program) and outcomes (e.g., the benefits to the participants during and after the program activities, such as students earning better grades).[9] Systematically collecting this type of data is critical to knowing on an ongoing basis whether your organization is doing the work it intends and if that work is translating to the desired results.

Program milestones are the tangible goals associated with each of your strategic priorities. For example, if your goal is to expand a particular program, one of the key milestones probably will be the year-by-year targets for the number of recipients served. Program milestones should also include metrics designed to evaluate the effectiveness of your service delivery, so that you can track whether you are maintaining the quality of your program and having the desired impact.

In today's funding environment, most grant applications call for some form of program metrics, so you probably have some systems for data collection and analysis in place already. However, many organizations use business planning as an opportunity to revisit their program metrics and to put in place a system that is more informative for management purposes.

A good monitoring system is one that generates valid, reliable information without overwhelming or intimidating the program staff responsible for collecting or interpreting the data. Balancing a desire for perfect data with considerations about

[9] *Measuring Program Outcomes: A Practical Approach*, United Way of America.

how difficult—and expensive—the system might be to use is helpful in making certain that your approach fits the needs and capabilities of your organization.[10]

Recall Our Piece of the Pie's decision to focus its services on youth. Our Piece of the Pie's management established a clear set of program milestones tied to its goals of deepening its youth programs. The milestones specify not only the number of youth served, but also the hours and types of services they received. The management team also began to scope out specific targets for desired outcomes, such as the percentage of youth obtaining vocational certification or graduating from a two- or four-year college program. To gauge how Our Piece of the Pie is doing vis-à-vis these milestones, staff will track each participant on entry, throughout the youth's involvement with the program, at exit, and one year after exit.

OPERATIONAL AND FINANCIAL MILESTONES

Like program milestones, operational and financial milestones are tangible goals related to the successful implementation of each strategic priority. Operational milestones encompass both human resources and infrastructure, while financial milestones lay out the year-by-year budget and revenue projections. In most cases, the resource implications you map to your strategic initiatives will become the milestones against which to chart your operational and financial progress.

To measure the success of their new strategy, MY TURN's management team reconsidered many aspects of their existing metrics system. For each initiative, they laid out a detailed three-year hiring plan. In addition, they developed a timeline for the infrastructure investments, specifically the upgrade of the IT system and the newly designed system for collecting and monitoring program outcomes.

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[10] To learn more about measurement, see the case study, "Great Valley Center: Measuring for Mission," available free of charge on the Bridgespan Group's website, www.bridgespan.org. See also The Edna McConnell Clark Foundation's *Guide to Assessing Program Quality and Effectiveness*, available free of charge on the Foundation's website, www.emcf.org.

With a clear picture of when organizational and programmatic changes would take effect, MY TURN could then set yearly targets for its cost per participant and its revenue. Given that they had expanded the set of services offered to participants, MY TURN was eager to keep tabs on these figures. They were determined to remain a low-cost provider, even though the cost per participant was expected to rise, and so they agreed to review these financial milestones formally every six months in order to make sure their predictions were bearing out.

In establishing milestones, it is important to be clear about both timing and ownership. Some organizations create detailed calendars and assign various members of the organization discreet responsibilities each month. Others prefer a higher-level map in which timelines are divided into quarters or six-month increments, and the head of each program area or operating unit is responsible for mobilizing their team to get the work done on time.

Agreeing on milestones and setting them to paper is in many ways the final step in the formal business-planning process. At this point, it's likely that your team will be excited about the strategic plan, and a bit nervous about the challenges ahead. One way to ease tensions is to remind everyone that the milestones are a guide, intended to inform decisions going forward, and not an end in and of themselves.

Returning to the milestones over time is a sign that your organization is continuing to think strategically. In some instances, organizations find the check-ins to be incredibly exhilarating, because they realize that they have achieved results faster than expected. In others, check-ins provide an opportunity to talk candidly about targets that were not met. Taking a step back and figuring out the cause of the delay may lead to new approaches or a change of course. And scheduling regular check-ins may create a safe space where your team feels comfortable voicing concerns about the next phase of the plan.

Getting Started

"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."

—Geoffrey Canada, Executive Director of the Harlem Children's Zone

As the examples in this article demonstrate, business planning can be valuable on many dimensions, not least the opportunity to align everyone in the organization around the priorities with the greatest potential for impact. It is also a challenging process, however; and like many things in life, the rewards are highly correlated with the effort the participants are willing to invest. As a result, we have found it helpful for an organization's management team and board to ask themselves a few hard questions before deciding to embark on business planning:

1) **Are we prepared to tackle tough questions and, if necessary, make the trade-offs that flow from the answers to those questions?**

   Business planning requires getting crystal clear about your mission, target beneficiaries, and goals and considering how each of your programs and activities affects your impact and financial sustainability. If the management team and board lack the will to act on the results there's little point in undertaking the analysis and debate. Are you comfortable recognizing that resources are tight and making trade-offs? Does the board agree with the management team about the need for a plan? And will the board help uphold and implement whatever decisions are made?

2) **Can we devote sufficient time and energy to make the business-planning process worthwhile?**

   Depending on the complexity of your organization and the amount of strategic thinking you have already done, it typically takes between three and six months to develop an effective business plan. Moreover, the process requires a great deal of hard work and patience from all involved. Setting aside this amount of time may seem untenable, but it is essential.

3) Who will we involve in the process, and what will be expected of them?

Participation in the business-planning process varies from organization to organization, depending on its culture and the style of its management team. While business planning is certainly not an initiative that executive directors should take on alone, the more people you involve, the longer the process is likely to take. 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, the top finance person, and key program leaders. These individuals typically need to devote 15 to 20 percent of their time to the process for three to six months. 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.

Bringing in an external resource—someone to help organize the planning process and facilitate discussions—is frequently a good idea. This person not only can lighten the load on the executive director, but also can increase the rigor of the planning process. He or she often is in a better position than the executive director to ask the tough questions, to help surface implicit assumptions, and to elicit candid input from team members.

Once the team is assembled, everyone needs to be clear about their respective roles and responsibilities. A successful planning process almost always has a champion, a person within the organization who takes responsibility for leading the rest of the team through the inevitable bumps along the way.

4) How will we solicit input from others and communicate progress?

Again, the answer to this question depends on the organization’s culture. Keep in mind, however, that any potential change generates uncertainty and that, not surprisingly, staff seldom embrace business plans that simply descend from management on high.

In general, it makes sense to be transparent up front about the overall process and how it might affect everyone. Preview the kinds of questions you'll be asking and the data you'll be seeking, and be clear about how and when you'll want input. Let people know when active debate will be encouraged (for example, when you're outlining your aspirations for the next five years) and when discussions might be limited to a handful of decision-makers (when you're determining compensation or the new organizational structure).

Closing Thoughts

Business planning is a highly iterative process that has significant short- and long-term benefits. In the short term, business planning is a powerful way to align your management team, your staff, and your board on achieving significant impact. The process is a chance to dig into your mission statement and to decide what your organization is willing to hold itself accountable for. Setting strategic priorities allows you to supplement intuition and consensus-driven conversations with evidence-based decisions. Finally, by figuring out the concrete resources—organizational, infrastructure-related, and financial—needed, you enhance your ability to actually get the work done.

Moreover, many of the organizations with which we've worked have found business planning to be a powerful way to engage the skills and energy of their board members. It's an opportunity to talk candidly about what you do well and what you could do better, and organizations often find that their boards are untapped sources of advice and expertise.

Business planning also 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, decision makers 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.

Appendix: The Value of the Written Business Plan

In this article, we've focused on the strategic and organizational benefits that come from engaging in the business-planning process. Now we want to look briefly at the product of this process—the written plan which is the vehicle for sharing the new strategy with the outside world.

In any particular field, there may be dozens of organizations working toward the same ultimate impact—ensuring that all children have access to high-quality education, for instance—but each group probably has its own point of view on how to tackle the challenge. As a result, your organization's business plan should make a compelling case for your specific goals and the resources required to achieve them.

WHAT DOES A BUSINESS PLAN LOOK LIKE?

A business plan is a written document that someone unfamiliar with your organization could read and understand. Most business plans follow a similar flow, relying on a standard table of contents to organize the message. This simplicity can be misleading, and it's led some organizations to fill in a table of contents quickly with fairly generic information. While a document that looks and feels like a business plan does emerge after a few days of effort, it's unlikely that this plan will deliver any real value or increase the organization's ability to maximize its social impact.

Sample Table of Contents:

I. Executive Summary

II. Overview of History, Mission, and Strategic Intent

III. Strategic Priorities

IV. Organization and Financial Implications

V. Milestones and Deliverables

Business plans share a common table of contents, because they are written with the same purpose: to build a compelling case for an organization by addressing a core set of questions. As with any good argument, the best business plans make their case step-by-step, explaining the why and where before getting to the details of when and how. The goal is to capture the “answers” that your organization agreed upon during the planning process. Keep in mind the reaction of one executive director, who after several months of planning finished the written document and commented, “It seems so simple—no one will ever believe how much work went into it!” For instance, while the planning team may have spent weeks assessing the organization’s strengths and weakness and researching its peers, the written plan should only include information about the decisions you eventually made.

USES FOR THE BUSINESS PLAN

To understand the various uses for a business plan as a product, it’s helpful to think about the audience. Just as an executive director spends the average day communicating effectively with a broad spectrum of stakeholders—board members, funders, and program staff—a strong business plan should deliver a clear and compelling message to many different groups, both external and internal.

External uses

A well-written business plan that makes a strong case for your organization and its vision of the future, while also laying out the resources needed to achieve these goals, can be a powerful tool for marketing and fundraising. On several occasions, we’ve seen a good business plan translate directly into dollars. It may also allow your organization to stand out in a crowd, because the quality and depth of the product itself convey a serious commitment to getting things done well.

You can also use the written plan as an outreach tool when looking to create new partnerships with nonprofit organizations, corporations, or government agencies. Highlighting your organization’s strengths helps other organizations understand how you might be able to work together, and identifies unmet needs or gaps that other organizations might be able to fill.

Internal uses

While the business plan is usually written with an external audience in mind, it also can and should serve as an important internal roadmap. Treated as a “living” document—one that is updated when goals are met or timelines are extended—the business plan becomes an essential resource for aligning current staff, new hires, and the board.

While staff involvement in the business-planning process varies from organization to organization, most chose to share the completed plan broadly. In our experience, it’s common for the staff to rally around the plan, expressing enthusiasm—and sometimes relief—that everyone is finally in synch. Going forward, the written plan becomes a way to stay grounded and to focus on the organization’s core agenda, helping to set transparent boundaries so that trade-offs, while still difficult, seem more reasonable to the staff involved.

Beyond current staff, the plan can be useful in recruiting and hiring new staff. It provides a clear story about where you’ve been and where you’re headed. And it helps ensure that those jumping on board understand the role they will play in helping you get there.

The written plan can also help the organization’s board become more fully engaged. Nonprofit boards are becoming increasingly accountable for their organization’s impact and financial stability, so your board members need to have a clear understanding of its day-to-day operations and long-term goals. The written business plan can also help board members understand where and when they 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 read the plan and realize they have experience that is directly relevant to one (or more) of the organization’s strategic priorities. Finally, the business plan is useful in recruiting new board members. It both provides an introduction to the organization and the key initiatives they’ll be asked to help implement in the years to come, and demonstrates your commitment to focus and strategic thinking.