

April 2012

The logo for Right Lane Consulting, featuring the words "right" and "lane" stacked vertically in a bold, sans-serif font. The "right" is in black and the "lane" is in black with a trademark symbol. The logo is set against a background of diagonal grey lines.

**right  
lane™**

**Research:**

**Strategic planning  
practices of Victorian  
not-for-profits**

Prepared by  
Right Lane Consulting

The logo for "for benefit", consisting of the letters "fb" in a bold, sans-serif font. The "f" is dark grey and the "b" is green. Below the letters, the words "for benefit" are written in a smaller, lowercase, sans-serif font.

**fb**  
for benefit

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### 1. Background

In 2011, Right Lane conducted a survey of not-for-profits' strategic planning practices. Titled 'Strategic planning practices of Victorian not-for-profits', the survey aimed to develop a clearer picture of how Victorian not-for-profits are approaching strategic planning.

In the survey, we defined strategic planning as the process of identifying strategic organisational objectives, planning for actions to achieve those objectives and deciding on metrics to measure success.

The survey included questions relating to:

- frequency of strategic planning activity
- tools and frameworks used to structure strategic planning
- scope of environmental analysis undertaken during strategic planning
- monitoring and measurement of success.

### 2. Research methodology

During October and November 2011, Right Lane contacted 172 Victorian not-for-profit organisations to invite them to participate in the survey. The list of 172 organisations was generated from the Victorian Council of Social Services (VCOSS) membership list, which is available online at <http://www.vcooss.org.au/aboutUs/member-orgs.htm>. Organisations were contacted and invited to participate in the survey if they were on the VCOSS membership list, and their website stated that they were a 'not-for-profit' or a registered charity, or if we were able to establish through further analysis of publicly available information that they met common tests of not-for-profits, particularly that they were 'non-profit distributing'.

We contacted these organisations by phone and asked for the email address of their CEO or equivalent senior officer. We then emailed these people a link to an online survey.

The survey contained in total 28 questions relating to the profile of the organisation and its approach to strategic planning. For each question, respondents were asked to select from a set of pre-determined options, or rank statements against a pre-determined scale. These options and statements were based on the Right Lane team's experience of working with around 60 not-for-profit, for-profit and public sector organisations on strategic planning and what we learnt from a similar survey we conducted in the superannuation industry in 2009.

Respondents were given two weeks to complete the online survey. In total, 36 organisations participated in the research, a response rate of 21%. Data was transferred from the online survey software tool, Survey Monkey, into Excel for data analysis. The data analysis was conducted in January and February 2012 and the findings were issued to survey respondents in April 2012.

### 3. Profile of survey respondents

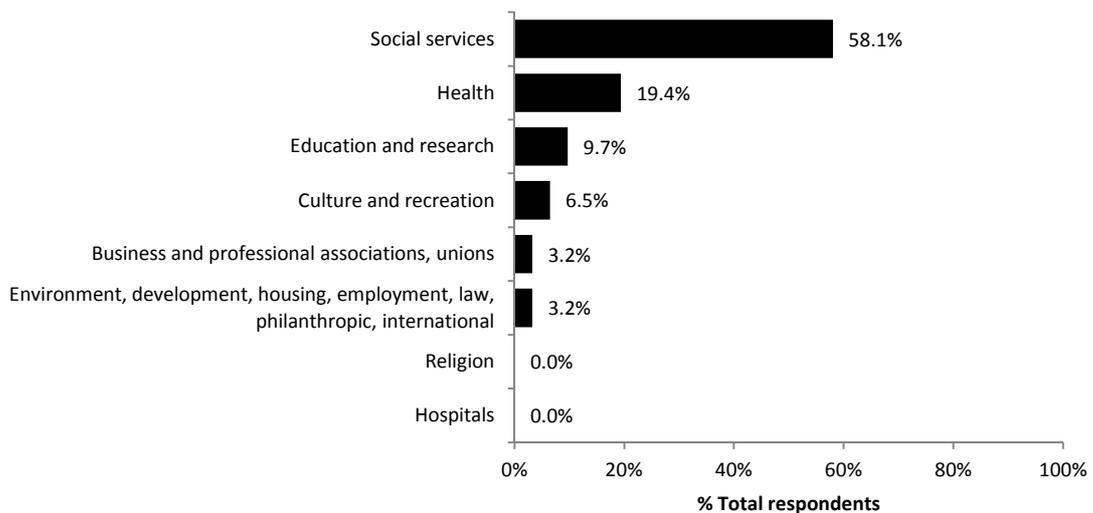
Table 1 below shows the job titles of respondents; most respondents were the most senior officers of their organisations.

**Table 1** – Job titles of survey respondents

Job title	
CEO	15
Manager	8
President	3
Executive Officer	3
Executive Director	2
Managing Director	1
Director	1
Unknown	3
<b>Total</b>	<b>36</b>

As shown in Figure 1, the majority of respondents' organisations operate in the areas of social services and health.

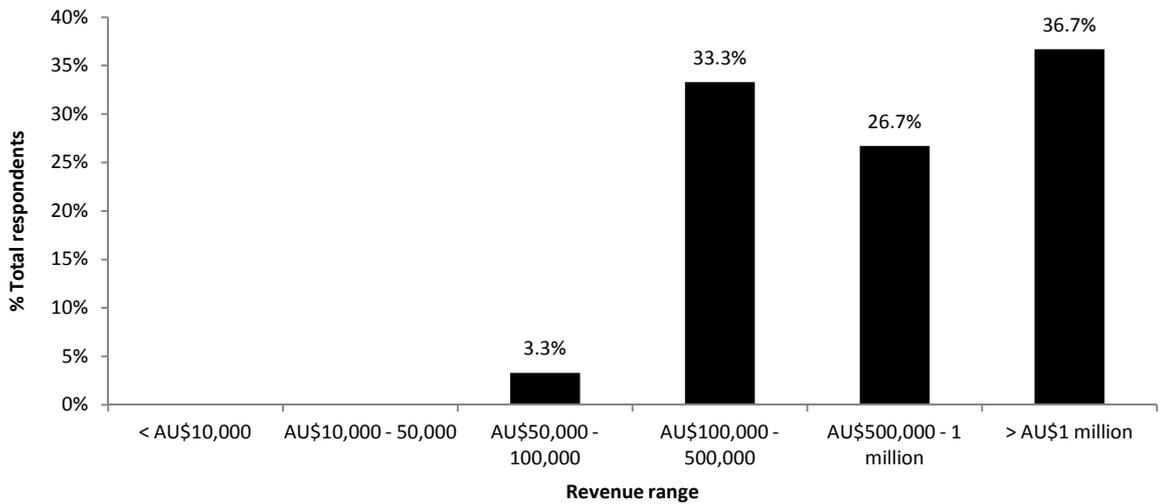
**Figure 1** – Organisation category of survey respondents\*



\* Organisation categories based on Australian Bureau of Statistics categorisation of not-for-profit organisations

Annual revenue of respondents' organisations ranged from under \$100,000 to over \$1 million, as shown in Figure 2.

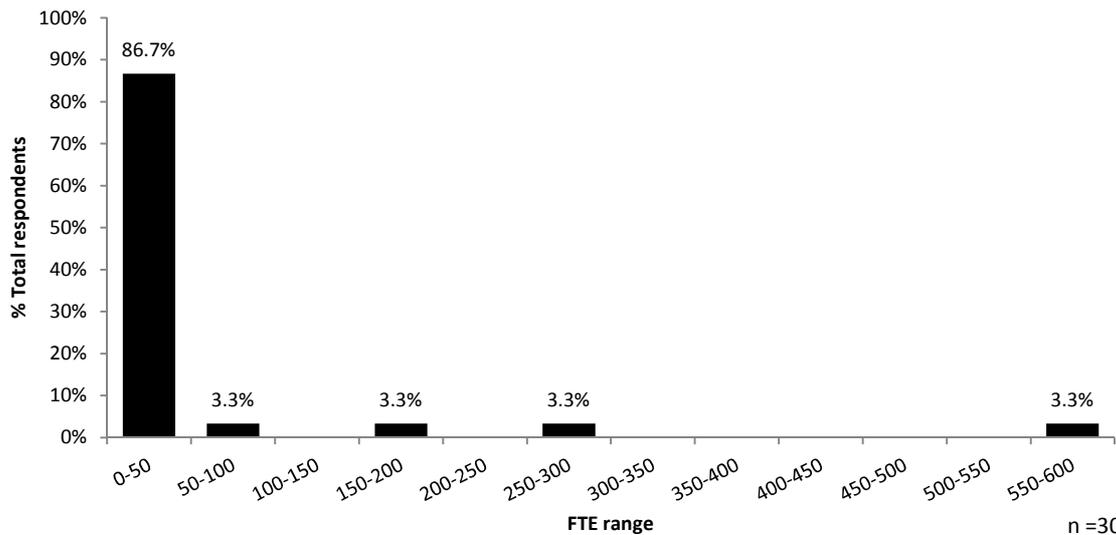
Figure 2 – Annual revenue of survey respondents' organisations



n = 30

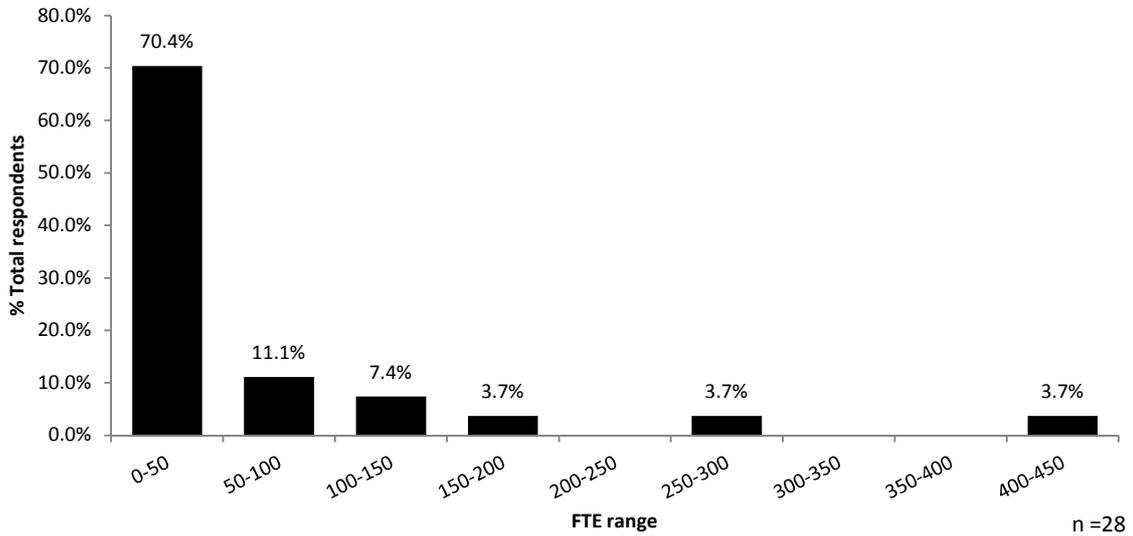
Figure 3 shows that 86.7% of respondents' organisations had fewer than 50 full-time equivalent employees. 70.4% of respondents said that there were between zero and 50 full-time equivalent unpaid volunteers supporting their organisation, as illustrated in Figure 4.

Figure 3 – Number of paid employees at survey respondents' organisations



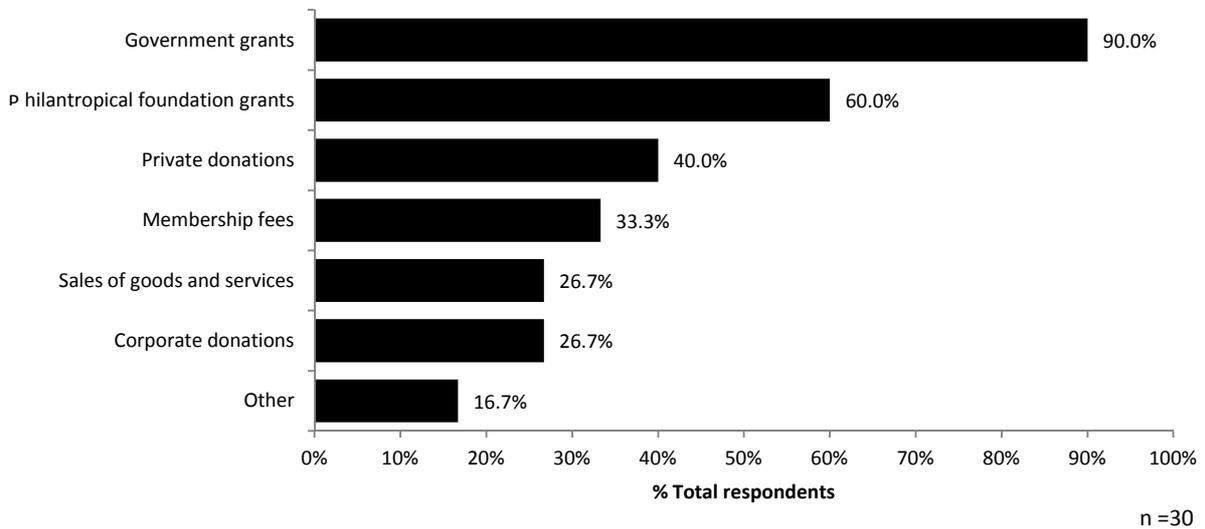
n = 30

**Figure 4 – Number of unpaid volunteers at survey respondents’ organisations**



For 90% of respondents’ organisations, government grants were a source of revenue. As shown in Figure 5, other revenue sources listed by respondents included philanthropic foundation grants, private donations, membership fees, sales of goods and services, and corporate donations.

**Figure 5 – Revenue sources of survey respondents’ organisations**



## 4. Results

This section describes some of the highlights of the survey along with the detailed results.

### 4.1. Highlights

- 84.4% of respondents strongly agreed or agreed that the board had a clear understanding of the organisation's strategic objectives and 93.5% strongly agreed or agreed that the executive staff had a clear understanding. However, ratings for understanding strategic objectives among staff were considerably lower.
- To clarify their organisations' strategy, most respondents' organisations had developed at least one of the following tools: strategic objectives (100%), vision (86.7%), mission (93.3%), values (93.3%), strategy statement (89.7%), or a measurement framework (86.7%) such as KPIs or a balanced scorecard. Only 43.3% of respondents said that the measurement framework their organisations had adopted was effective as a means of clarifying their strategies; however, higher proportions of respondents said that the other tools mentioned above were effective in clarifying their strategies.
- 90.3% of the respondents' organisations had a defined strategy; 89.2% of these respondents believed that a defined strategy was important to their organisations' success.
- The survey included a question regarding whether the organisation spent enough time on its last strategic planning cycle. Over half of respondents (56.7%) said that the organisation spent a little less time than was needed or much less than was needed. 13.3% of respondents said too much time was spent on strategic planning and 30.0% of respondents believed they spent just the right amount of time.
- The results of the survey suggest that participating organisations could be better at engaging staff in their strategies; for example, average scores for 'our staff clearly know how to contribute to our strategies' were considerably lower than 'we are open with our staff about our strategic objectives'.
- According to respondents, the top three challenges their organisations faced were: cost constraints (63.3%), fundraising (56.7%) and internal capabilities (43.3%).

The sections that follow describe the survey results in more detail.

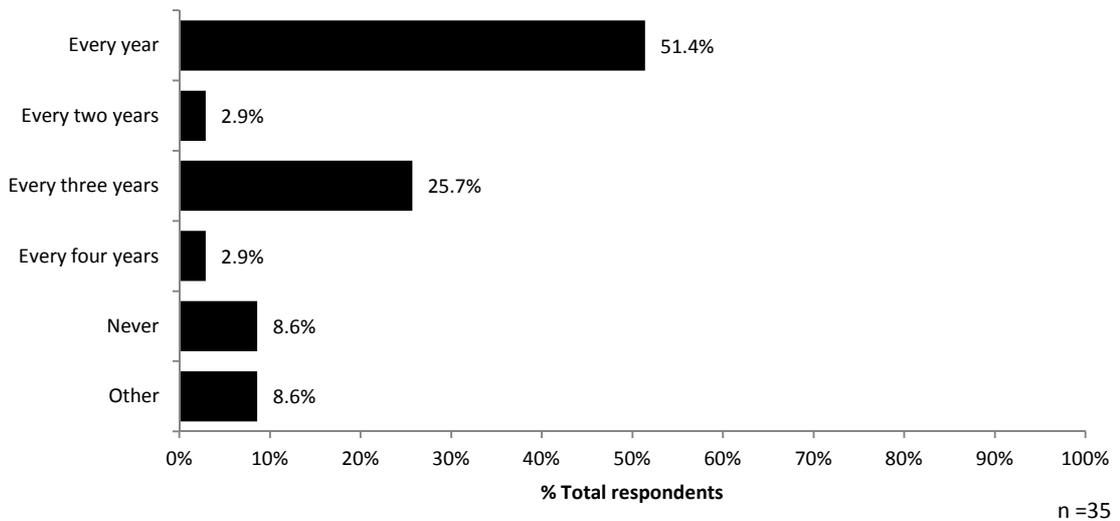
### 4.2. Strategic planning adoption and impact

- 90.3% of the respondents' organisations had a defined strategy. Of these, 57.1% believed that a defined strategy was very important to their success; 32.1% believed that a defined strategy was somewhat important, and 10.8% believed that a defined strategy was not important.
- As shown in Figure 6 below, just over half (51.4%) of the respondents' organisations undertook strategic planning every year and 25.7% every three years.
- 13.3% of respondents strongly agreed with the statement 'we are successfully implementing our strategy' and 50.0% agreed with this statement.
- 13.3% of respondents strongly agreed with the statement 'our organisation's strategic

planning processes adequately prepare us to meet **current** challenges’ and 70.0% agreed with the statement.

- 10.3% of respondents strongly agreed with the statement ‘our organisation’s strategic planning processes adequately prepare us to meet **future** challenges’ and 72.4% agreed with the statement.

Figure 6 – Frequency of strategic planning activity



**Right Lane insights**

Right Lane finds that most organisations prefer a sustained, deliberate program of strategy and planning improvement over some years to a ‘big bang’ approach. The effectiveness of either approach depends on factors such as the level of executive commitment and resourcing. In our experience, strategy and planning improvement can be achieved through incremental changes; for example, focus on budget integration in year one, cascading to individual performance plans in year two.

Regular strategic discussions enliven the strategy and planning processes we have observed, including when teams are able to constructively challenge an established strategy in years two and three of a three year process.

### 4.3. Stakeholder understanding of strategic objectives

Table 2 shows levels of understanding of the organisation’s strategic objectives among board members and staff.

**Table 2** – Stakeholders’ understanding of strategic objectives (n = 32)

Group has clear understanding of their organisation’s strategic objectives	Strongly agreed	Agreed	Neutral	Disagreed	Strongly disagreed
Board members	40.6%	43.8%	3.1%	12.5%	0.0%
Executive staff	51.6%	41.9%	0.0%	6.5%	0.0%
Middle management staff	28.6%	50.0%	10.7%	10.7%	0.0%
Other staff	6.9%	48.3%	24.1%	20.7%	0.0%

### 4.4. Stakeholder involvement and influence with respect to strategic planning

Table 3 shows levels of importance attributed to the involvement of board members and staff in the organisation’s strategic planning process.

**Table 3** – Importance of involving different stakeholders in strategic planning (n = 30)

Important to involve this group in strategic planning	Very important	Mildly important	Not at all important
Board members	93.3%	6.7%	0%
Executive staff	93.3%	6.7%	0%
Middle management staff	75.0%	25.0%	0%
Other staff/volunteers	58.6%	41.4%	0%
Major service providers	31.0%	55.2%	13.8%
Representative bodies/committees	33.3%	44.4%	22.2%

Table 4 shows levels of influence attributed to board members and staff in the organisation’s strategic planning process.

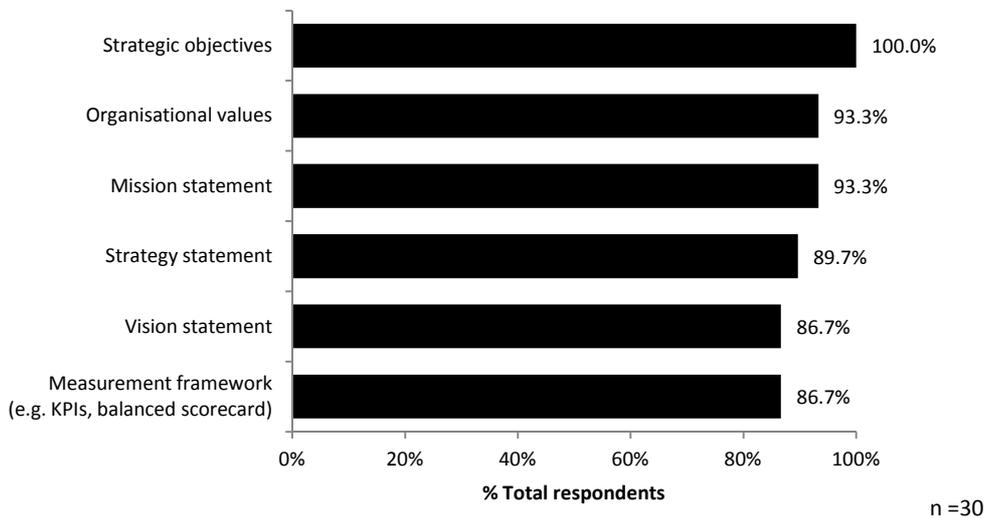
**Table 4** – Influence of different stakeholders in strategic planning (n = 30)

Influence of this group in strategic planning	Very influential	Mildly influential	Not at all influential
Board/trustees/directors	90.0%	10.0%	0%
Executive staff	90.0%	10.0%	0%
Middle management staff	51.9%	40.7%	7.4%
Other staff/volunteers	20.7%	65.5%	13.8%
Major service providers	13.8%	55.2%	31.0%
Representative bodies/committees	11.1%	59.3%	29.6%

**4.5. Strategic planning ‘tools’ used to clarify organisations’ strategies**

As shown in the Figure 7, the most common tools used by respondents’ organisations to clarify their strategy were: strategic objectives; mission, vision and strategy statements; and values.

**Figure 7** – Tools used to clarify organisations’ strategy



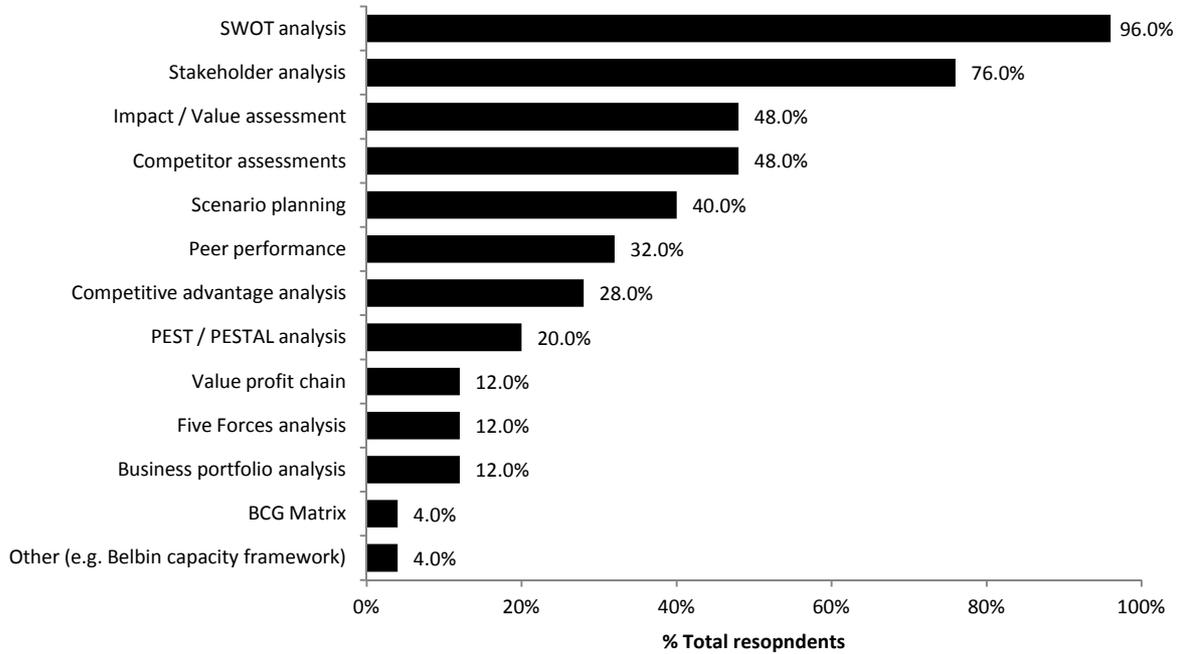
- 92.9% of respondents found strategic objectives to be a very effective (50%) or mildly effective (42.9%) means of clarifying their strategy.
- Of those who had used organisational values to clarify their strategy, 82.1% found values to be very effective (57.1%) or mildly effective (25%) means of clarifying their strategy.

- Of those respondents whose organisations had used a mission statement to clarify their strategy, 89.3% found a mission statement to be very effective (50.0%) or mildly effective (39.3%) means of clarifying their strategy.
- Of those respondents whose organisations had used a strategy statement, 84.7% found a strategy statement to be very effective (46.2%) or mildly effective (38.5%) means of clarifying their strategy.
- Of those respondents whose organisations had used a vision statement, 88.4% found a vision statement to be a very effective (53.8%) or mildly effective (34.6%) means of clarifying their strategy.
- Of those respondents whose organisations had used measurement frameworks, 50.0% found them to be a very effective (23.1%) or mildly effective (26.9%) means of clarifying their strategy.

#### **4.6. Methods of environment analysis used in strategic planning**

- 80.6% of respondents saw environmental analysis—analysis of the market, industry, competitors, organisational capabilities, etc.—as very important (54.8%) or somewhat important (25.8%).
- As shown in Figure 8, the top three tools used to undertake environmental analysis were SWOT analysis, stakeholder analysis and impact/value assessment.
- 96.0% of survey respondents' organisations used SWOT analysis. Of this group, 48.0% found SWOT analysis to be very effective and 40.0% mildly effective.
- Other tools used included competitor assessments, scenario planning, peer performance, competitive advantage analysis, five forces analysis, and PESTAL/PEST analysis.

Figure 8 – Tools used for environmental analysis



n = 25

4.7. Strategic planning communication and engagement

Table 5 shows respondents’ ratings relating to staff communications and engagement with respect to strategic planning.

Table 5 – Extent and importance of staff communication with respect to strategic planning (n = 30)

Aspects of staff communication and engagement	Strongly agreed	Agreed	Neutral	Disagreed	Strongly disagreed
‘we are open with our staff about our strategic objectives’	20.7%	62.1%	13.8%	0.0%	3.4%
‘we frequently communicate our strategies to our staff’	10.3%	58.6%	17.2%	10.3%	3.4%
‘our staff’s performance plans are clearly linked to the organisation’s strategy’	13.3%	46.7%	23.3%	13.3%	3.3%
‘our staff clearly know how to contribute to our strategies’	3.4%	44.8%	41.4%	6.9%	3.4%

**Right Lane insights**

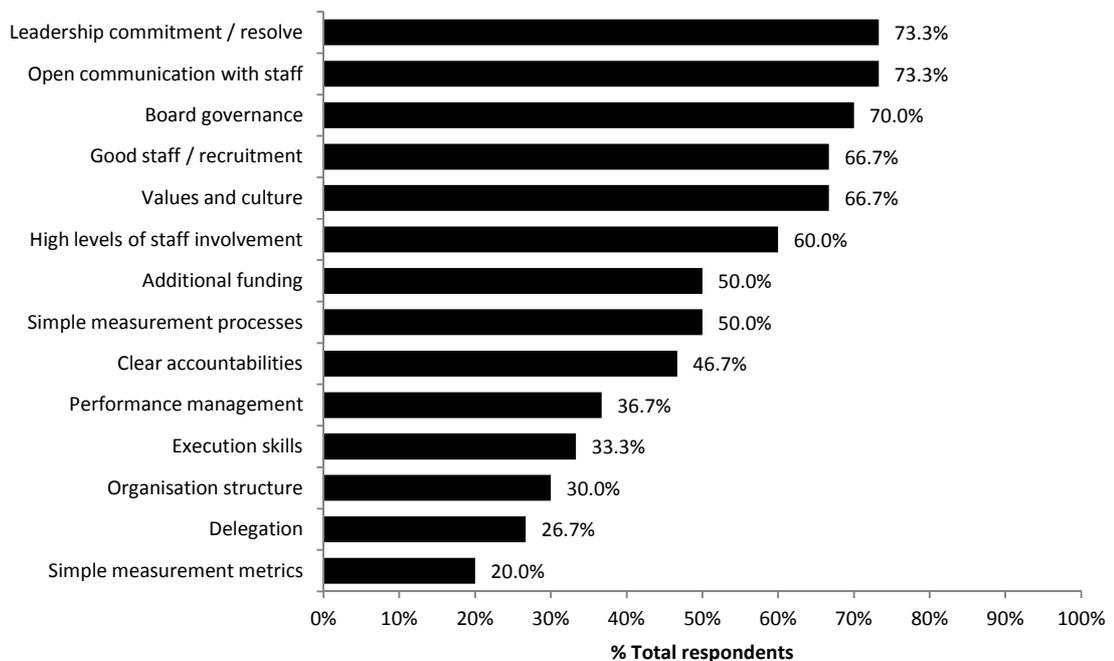
In our experience, organisations that seek to engage their people in strategic planning, rather than simply communicating the strategy and/or plan, are rewarded with higher levels of support for the strategy (which generally shows up in their climate surveys). Different methods of staff engagement work in isolation and in parallel—project teams, focus groups, team discussions, etc. Face-to-face is the preferred method of communication with respect to strategic planning—although these communications efforts frequently peter out after initial ‘town hall’ style announcements, and messages are frequently not well cascaded throughout the organisations we have observed.

**4.8. Factors in strategy implementation**

Respondents were asked to identify the most important factors in implementing strategy within their organisations from a list developed by Right Lane. 73.3% of survey respondents identified leadership commitment/resolve as an internal factor important to successful implementation of strategy. 73.3% of respondents identified open communication with staff as key factor, while 70.0% of respondents selected board governance.

Other important factors in implementing strategy within respondents’ organisations are shown in Figure 9 below.

**Figure 9 – Internal factors most important in implementing strategies**



n =30

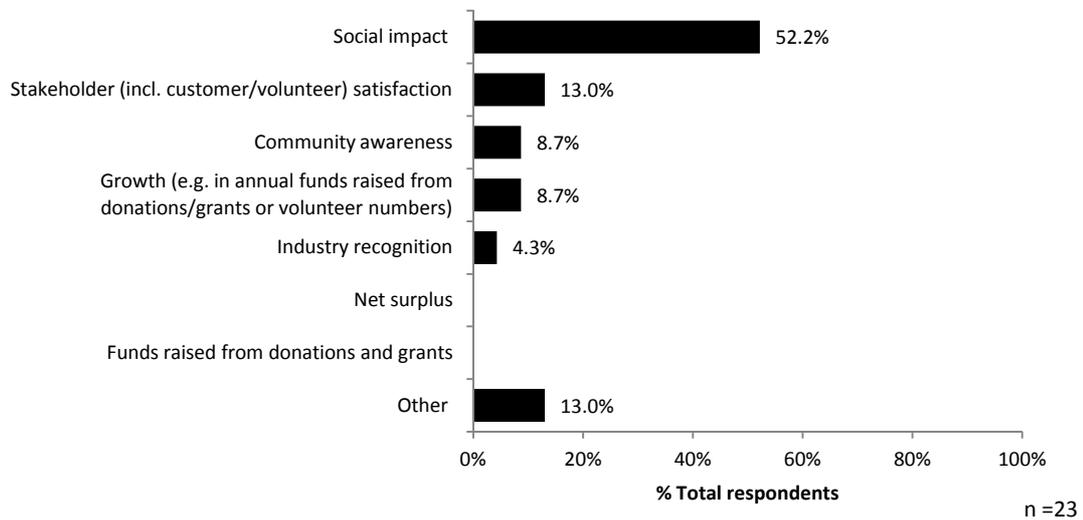
**Right Lane insights**

Cascading strategic plans throughout the organisation presents significant challenges for organisations for which it is a priority. We have observed the following qualities in organisations that effectively cascade their strategies: strong CEO/senior executive support; easily understood strategic planning architecture; a relatively small number of measures of success; someone responsible for driving the cascading of the strategic plan; and a level of flexibility for teams in the adoption of the strategy framework.

**4.9. Measuring success**

- 71.0% of respondents said their organisations had clearly defined ‘what success looks like’.
- The most widely used tools for measuring success were key performance indicators (88.9%) and key result areas (74.1%). Other tools used included the balanced scorecard (23.1%), dashboards (23.1%) and the value reporting framework (23.1%).
- As shown in Figure 10, for the majority (52.2%) of respondents’ organisations, social impact was the most important measure of success.

**Figure 10 – Metrics used by survey respondents’ organisations**



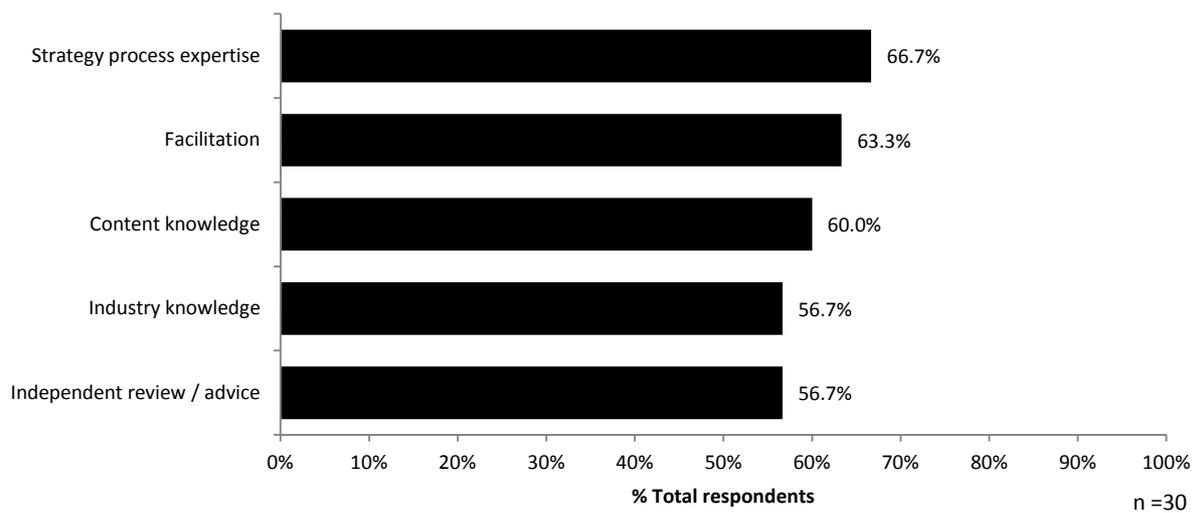
**Right Lane insights**

With respect to measurement, we have found that many organisations under-invest in ‘measures definition’, target setting and monitoring and review. This frequently leads to poorly conceived measures and targets, and a lack of organisational commitment to performance evaluation. A smaller number of measures ( $\leq 15$ ) appears to be linked to higher engagement in performance evaluation and is generally less taxing in terms of data collection.

**4.10. Use of external consultants for strategic planning**

Many respondents said their organisations were using consultants to support their strategic planning processes. As shown in Figure 11, 63.3% of Victorian not-for-profit organisations who completed the survey had engaged external consultants in a facilitation role as part of their strategic planning process. 94.7% found external facilitation to be very effective (73.6%) or mildly effective (21.1%).

**Figure 11 – Use of external consultants in strategic planning process**



- Of those who had engaged external consultants in a content knowledge role, 77.8% found their contribution very effective (38.9%) or mildly effective (38.9%). 22.2% found the content knowledge contribution of the external consultant(s) to be neither effective nor ineffective.
- In relation to engaging consultants in a strategy process expertise role as part of their organisation’s strategic planning process, 85.0% of respondents found their expertise very effective (65.0%) or mildly effective (20.0%). 10.0% found the strategy process expertise of the external consultant(s) to be neither effective nor ineffective. 5.0% found the strategy process expertise of the external consultant(s) to be mildly ineffective.
- Of those whose organisations had engaged external consultants in an industry knowledge role, most (70.6%) found their contribution of industry knowledge very effective (29.4%) or mildly effective (41.2%). 23.5% found the industry knowledge contribution of the external consultant(s) to be neither effective nor ineffective. 5.9% found their contribution to be mildly ineffective.
- Of respondents whose organisations had engaged external consultants in an independent review/advice role, 64.7% found their contribution very effective (29.4%) or mildly effective (35.3%). 29.4% found the independent review/advice contribution of the external

consultants to be neither effective nor ineffective. 5.9% found the contribution to be mildly ineffective.

**4.11. Effort and resources directed to the strategic planning process**

As shown in Figure 12, 46.7% of survey respondents felt that their organisation had spent a little less time than needed on strategic planning and 10.0% felt it had spent much less time than needed.

**Figure 12 – Time spent on strategic planning**

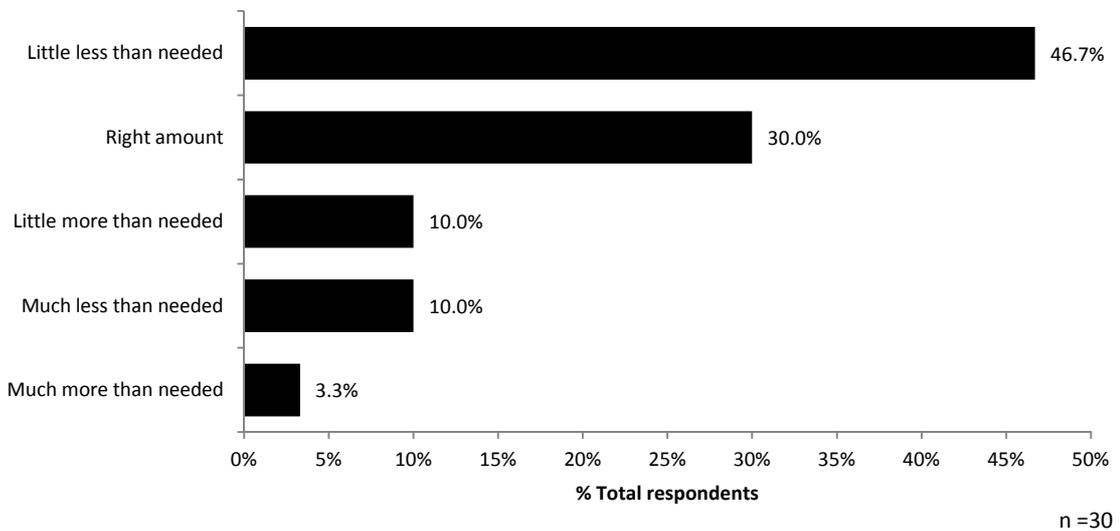
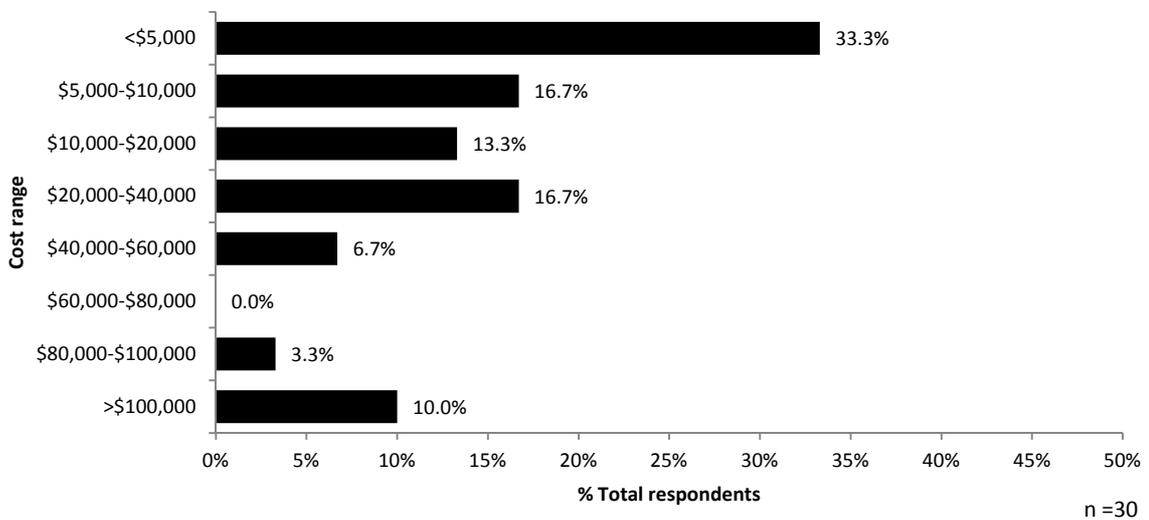


Figure 13 shows that around half of respondents’ organisations were spending less than \$10,000 annually on strategy and planning. More than one-third were spending \$20,000 or more.

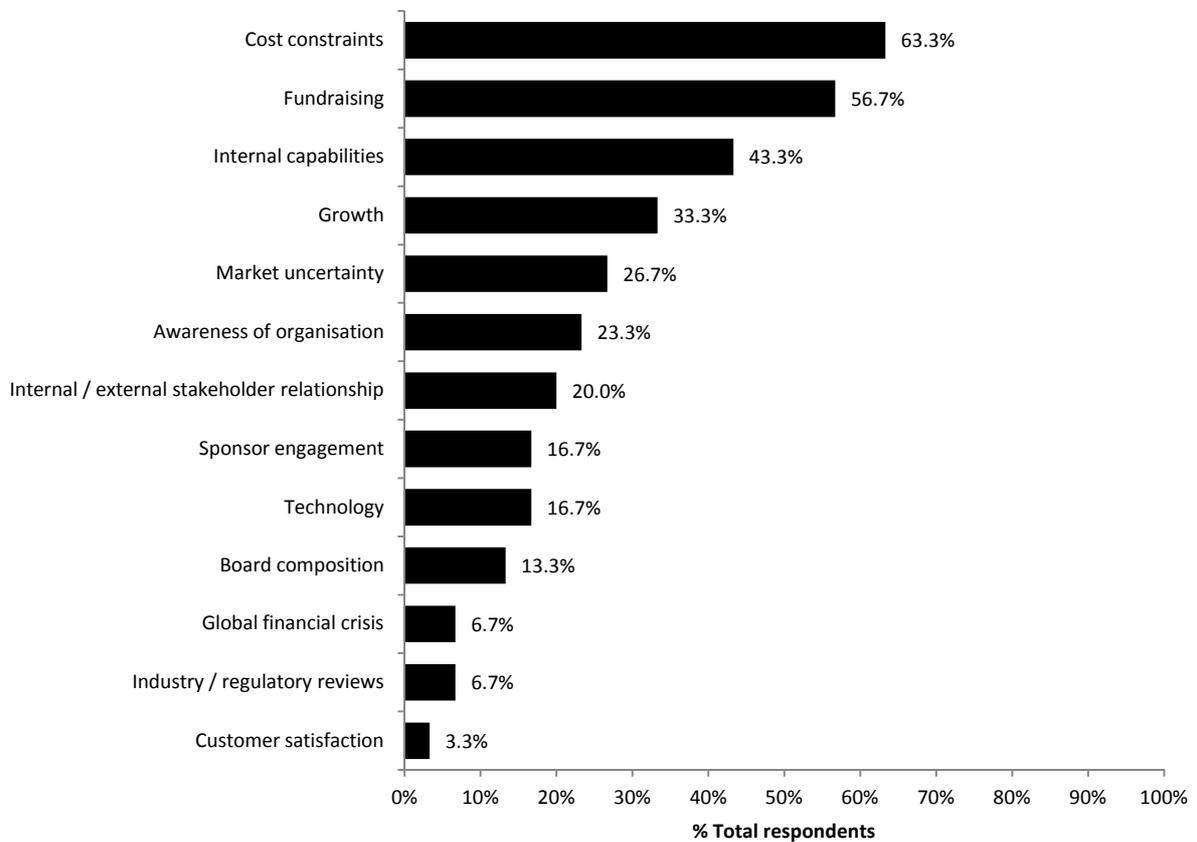
**Figure 13 – Annual costs of strategy and planning (including internal and external staffing and consulting)**



**4.12. Challenges facing Victorian not-for-profits**

- As shown in Figure 14, survey respondents identified cost constraints (63.3%), fundraising (56.7%) and internal capabilities (43.3%) as the biggest challenges facing their organisations.
- Other challenges identified included growth (33.3%), market uncertainty (26.7%), awareness of their organisation (23.3%), stakeholder relationships (20.0%), technology (16.7%), sponsor engagement (16.7%) and board composition (13.3%).

**Figure 14 – Biggest challenges facing survey respondents’ organisations**



n =30

### 5. About Right Lane

In 2011, Right Lane became, to our knowledge, Australia's first 'for benefit' management consulting firm. Capping our return on shareholder funds at reasonable levels, rather than seeking to maximise financial returns, allows us to pursue our social mission to help organisations that do good, do better. As a 'for benefit', we practice inclusive ownership, stakeholder governance, transparency and social and environmental responsibility. These philosophies are reflected in a lasting commitment to the clients we choose to serve, relatively low fees, and a more family friendly workplace.

Right Lane was established in 1997 to help not-for-profit, private and public sector clients to clarify and accelerate their future plans. Over the past 15 years, we have helped the executive teams and boards of more than 60 organisations to define and adapt their direction and strategy, identify and clarify their priorities, align their efforts with their aspirations, get their major projects started and finished, and measure and improve their performance.

### 6. Contact details

For more information about this research or Right Lane please contact Marc Levy or Brad McSwain on 03 9428 5336.



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