

THE PRACTICE OF STRATEGIC PLANNING: MANAGERS' PERCEPTION OF ITS USAGE BY NON-PROFIT ORGANISATION IN THE WESTERN CAPE

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Abstract

This paper investigates strategic planning to understand managers' perception of its benefits to Non-Profit Organisations (NPOs). The investigation was preceded by a review and repertoire of theoretical evidence of NPOs integration of strategic planning in support of management function: a management tool designed for and used mainly by businesses. The study was based on the application of quantitative data collection and analysis to understand respondents' perceptions. The paper found considerable increase and popularity in the usage of strategic planning by NPOs having learned about its benefits from prior working experience in businesses. Even though, there is an increase in NPOs' usage of strategic planning because of envisaged benefit, other NPOs' Managers simply do not have enough time, skills and resources to deploy them in their respective NPOs. With limited and competitive funding, the use of strategic planning becomes competitive imperatives for NPOs seeking to attract the much needed funds to support and promote their operations in South Africa.

Keywords: Non-Profit Organisations, Strategic Management, Long Term Planning, Fund Raising and Competitiveness

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1 Introduction

The world has witnessed a significant rise in civil society organisations in recent years with the African continent and South African having its fair share (Barman 2002; Kang'ethe and Manomano 2014). As stated in Dhunpath (2003), their numbers have grown considerably for a while, both nationally and internationally with South Africa estimated to be the host to over one hundred thousand. The upsurge in the number of civil society organisations or not-for-profit organisations around the world, could be ascribed to the desire for organisations that respond to citizens' needs at a human level and which can represent them in the face of the prominent and ever growing market economy that alienates the less privilege in society (Stuart 2013). Turning to South Africa, Stuart (2013) and Statistics South Africa (2014) concedes that the non-profit sector performs a vital role in aiding the government to fulfil its constitutional mandate. Dhunpath (2003) adds that the socio-economic rights enshrined in the constitution would be beyond the reach of most South Africans if not for the presence of a lively and active non-profit sector.

Managing the performance of NPOs has become more and more elaborate in the past few decades given that managers have had to contend with growing competition, rapid changes in technologies, increased scrutiny from funders, demands from a more diverse set of stakeholders, and consumers (Barman 2002;

Coldiron 2011). The aforementioned challenges are aggravated for NPOs in developing countries because they are heavily dependent on foreign donor funding.

The Charities Aid Foundation Southern Africa (2012) maintains that shrinking funds, especially foreign funds, continue to be a major challenge for NPOs in South Africa. Foreign funders, especially the European Union and USAID have diverted funds away from NPOs towards other government projects and to other countries (Patel 2009). In part, these funding shortages are the result of the global recession that began in 2008 and has resulted in international donors cutting back on international giving (Abrahams 2012; Charities Aid Foundation Southern Africa 2012). Unless the aforementioned problems are addressed, many of these organisations will be forced to retrench staff or drastically curtail their operations. This would have a devastating effect on the millions of South Africans employed in this sector. Actually, globalization and increased competition suggest the need for a new way of doing fund-raising business to be more competitive (Barman 2002).

Given that many non-profit organisations are reliant on donor funding, their survival and consequently the perceived positive impression that they have on a burgeoning economy, such South Africa is under threat as a result of diminishing funds. In the face of competition, NPOs generally contend with rivals over a finite amount of resources and proactively seek to boost their share of the crowded

market for funding (Barman 2002). NPOs therefore, consciously undertake to convince funders that they, rather than their competition deserve funding. A critical review of the relevant literature suggests that *ceteris paribus*, strategic planning may provide NPOs with the much needed competitive edge that will ensure their survival (Barman 2002; Ambrosini and Bowman 2009). Without strategic planning it is unlikely that these organisations will be able to meet the barrage of challenges that they face today (Bryson 1998; Barman 2002; Coldiron 2011).

There is thriving evidence of the adoption of strategic planning by NPOs on the international front (Barman 2002; Huntoon 2007; Bryson et al. 2010; Coldiron 2011), even though such studies are limited as far as the South African context is concerned. Considerable evidence suggests that strategic planning leads to increased performance (Dauda et al. 2010; Arasa, and K'Obonyo 2012). Yet, the majority of NPOs do not plan and the reasons why are not fully understood.

1.1 Objectives and research questions

The primary aim of this study was to explore the extent to which strategic planning was employed by non-profit organisations within the service sector. The following questions were formulated to guide the study:

- Do South African NPOs engage in strategic planning as a management tool?
- What are the drivers for the adoption or non-adoption of a formal strategic plan by NPOs in South Africa?

2 Literature review

2.1 Definition of strategic planning

In line with Stahl and Grigsby (1997) as cited by Dauda et al. (2010:97), strategic planning pertains to the managerial decisions utilised by organisations to deal with the changing environment as well as improving short and long-term efficacy. Relating strategic planning to NPOs, the Foundation for Community Association Research (2014) affirms that Strategic planning goes beyond ensuring that an association will remain financially sound and be able to maintain its reserves, it is projecting where it expects to be in the future and how it will get there. In other words, it is a systematic planning process that necessitates identifying the current status of the 715professional, including its vision, mission, needs, goals, and strategies, action plans, and monitoring plans.

2.2 The Non-profit Sector in South Africa

As stated by Russell and Swilling (2002), South Africa's history of numerous social structures, created

over the centuries, has clearly affected the development of the unique group of organisations generally referred to as the 'non-profit sector'. As a defined group, the NPO sector's diversity still reflects the challenges of present-day South Africa, combined with some elements of the past. Although 'non-profit 715professional' is a term that was perhaps imported into South Africa's sociological lexicon (Russell and Swilling 2002) and its current usage captures everything from the racially exclusive cultural and welfare organisations through the entire spectrum of religious organisations, to the enormous and dense networks of community-based NPOs that hold societies together (Russell and Swilling 2002; Statistics South Africa 2014).

Although the contributions of the NPO sector has not been fully quantified from an economic point of view, estimates however point out the vital role this sector plays in the economy of South Africa. It is estimated that the NPO sector makes cash expenditure in excess of R10 billion annually (Statistics South Africa, 2014) which is between 5-6 % of the GDP. This confirms that the sector plays a vital role in the South African economy (Stuart 2013; Statistics South Africa 2014). The NPOs sector is the fastest-growing sector of the international economy says the World Bank. Since the 1970s, there has been a steady growth in the number of NPOs in South Africa. An unpublished report by Urban Foundation put the number of NPOs at approximately 700 in 1980 (Aitchison 2000). Today, there are more than 100.000 NPOs in South Africa (Russell and Swilling 2002; Dhunpath 2003). The most current account that notes only NPOs registered with the Department of Social Development (DSD) puts the number of NPOs at 87617 in 2011 (Statistics South Africa 2014). The NPO sector is so diverse that these organisations are bound together only by their conformity to the definition of NPOs (Statistics South Africa 2014).

NPOs play an important role in providing a variety of services that cannot be adequately provided by the government (Stuart 2013). The undeniable truth is that the NPOs sector has emerged in response to the apparent government and private sector failure to meet society's needs. However, NPOs should not be disillusioned into believing that they can on their own power relieve and alleviate the current needs of the disadvantaged people of South Africa. They surely need the support of other role players as well in this regard.

2.3 Triggers for the adoption of strategic planning principles

No organisation prevails in a stationary environment. According to Mittenthal (2002), social, political and economic trends continually influence the demand for an organisation's offerings and services. Furthermore, while technological progress presents new opportunities, they also present new expectations and

needs warranting different approaches to delivering programs and services. It is therefore worthwhile that a strategic plan reflects the external environment. NPO programs, services and activities should be re-examined and reformed in line with current realities and future projections (Mittenthal 2002).

Only recently has attention been paid to the strategic profiles of organisations in the non-profit or voluntary sector. Nonetheless, it has been acknowledged that a close parallel can be drawn between the voluntary sector and for-profit organisations as far as a strategic response to environmental challenges and changes are concerned (Mittenthal 2002; Arasa and K'Obonyo 2012). A significant part of the planning literature now addresses the necessity of planning in the profit and non-profit sectors. Strategic planning has become increasingly important and has been adopted by public and non-profit managers to enable them to successfully adapt to the future (Kriemadis and Theakou 2007). According to Bryson (1998) strategic planning can let non-profit organisations anticipate and respond effectively to their drastically changing environments. In an effort to provide increased value for money and to augment their output, Kriemadis and Theakou (2007) believe that public and non-profit sector organisations have been progressively turning to strategic planning systems and models.

Gone are the days for NPOs when resources were prolific and managing was clear-cut and routine. The external environment presented limited significant challenges, opportunities or threats. Today, the business environment is changing rapidly. The associated environmental and organisational adjustments are aggravated by the increased continuing interaction of the world. Changes anywhere customarily necessitate adjustments elsewhere (Bryson 1998). The scale of these changes and their impetus will continue to have a direct brunt on the type of services provided by NPOs in the future, including how they are financed and the extent to which they fit the needs of those they serve. Organisations that face high levels of environmental demands and constraints, while also experiencing limited capacity and freedom are in a vulnerable competitive position (Maranville 1999). As maintained by Barman (2002), a non-profit organisation's response to the environmental challenges range from conforming to external rules and regulations to proactively shape the environment. Bryson (1998); Barman (2002) and Coldiron (2011) assert that only those organisations that can successfully adapt to these changes will survive. However, Mintzberg (1991) cautions that environments do not change on any regular or orderly basis and most of the time, changes may be minor or temporary requiring no strategic response.

The changes occurring in society have a profound effect on NPOs and how they are managed. By proactively planning for the future, governing

bodies and top management can create a smooth progression into the future rather than reacting to events (Kemp 1990). Change can generally be triggered by a number of factors, including the following: new political trends leading to new legislation; demographic shifts (for example an aging population); technological changes such as the Internet; urban patterns and economic factors. As claimed by Burkhart and Reuss (1999) the immediate symptoms that signal the need for an NPO to begin strategic planning include the following:

- The inability of a board of directors to make decisions due to the non-participation by other members;
- A large board that seems to be dominated by a minority of members, which result in others feeling excluded or lacking defined roles within the organisation;
- Diminishing volunteer participation or donations;
- Frustration resulting from internal power struggles or turf battles;
- Dissatisfied clients, communities, or referral agencies;
- Problems resulting from unclear roles and responsibilities for board-members, staff, or volunteers; and
- Excessive efforts spent on resolving crises and "putting out fires."

A study conducted in the USA by Huntoon (2007) reporting on the challenges facing nonprofits indicates that several issues are shared as concerns for nonprofit leaders. Notably, board development and fundraising are the main issues for nonprofits with a secondary emphasis on the difficulties related to improving operations and more effectively managing resources.

Turning to the South African economy, diminishing funds, especially foreign funds, continue to be a major challenge for NPOs (Charities Aid Foundation Southern Africa 2012). Foreign funders, especially the European Union and USAID have diverted funds away from NPOs towards other Government projects and to other countries (Patel 2009). In part, these funding shortages are the result of the global recession that began in 2008 and has resulted in international donors cutting back on international giving (Abrahams 2012; Charities Aid Foundation Southern Africa 2012; Kang'ethe and Manomano 2014). Unless the aforementioned problems are resolved, many of these organisations will be compelled to retrench staff or drastically curtail their operations. This would have a debilitating effect on the millions of South Africans employed in this sector.

2.4 The Theoretical background of the paper

The field of strategic planning is customarily concerned with how firms generate and sustain competitive advantage (Ambrosini and Bowman, 2009). Most theories of strategic planning focus on how actions by an individual or a group can catalyse organisational change and influence organisational survival. However, many other forces can affect an organisation's ability to control its fate. Several theories have been advanced captivating the relationship between an organisation and its environment. One of such theories, asserting that an organisation can influence its future through long term planning is the resources base theory (Pfeffer and Salancik, 1978). The current study is anchored on the resource dependence theory given that most organisations adopt strategic planning principles primarily to gain a competitive edge (gain bigger portion of the funding market and resources as the case may be for NPOs) and ensure survival for as long as possible.

The Resource Dependence Theory (RDT) holds that organisations do not have sufficient resources and continuously strive to acquire and sustain resources from their external environment. Propounding the RDT, Pfeffer and Salancik (1978) argued that in order to survive, most organisations require resources (money, customers labour and so forth) that are controlled by others, causing interdependencies that can lead to an imbalance of power (defined as control over resources). The scarcer and more crucial a resource is, the more power its supplier has in the dyadic relationship and environment in general, though both parties are dependent on each other for survival. This is certainly an issue with NPOs who often control very little of their means of production and rely on largely political processes for resource allocation such as grant awards, donations etc. (Coldiron, 2011).

To maintain both sufficient and consistent resources, strategic and management autonomy, organisations have to successfully manage their interdependencies. To help managers manage the numerous paradoxes (not limited multiple demands from stakeholders and how to maintain autonomy) that they face, Pfeffer and Salancik (1978) advise that organisations reduce their dependencies by diversifying their resource providers and activities. In keeping with Coldiron (2011), various strategic management processes may let organisations identify and manage their interdependencies in a proactive and structured manner in order to retain as much power as possible.

3 Research methodology

The data for this paper was gathered using a detailed-structured questionnaire. The SPSS package was

utilised to statistically analyse and interpret the data collected.

The DSD is the body charged with the registration of NPOs in South Africa. The most recent account (though conservative) of NPOs in South Africa notes that there were approximately 800000 registered NPOs in 2011 (Statistics South Africa, 2014). However, a less conservative report estimates that there are over 100, 000 NPOs (Russell & Swilling, 2002; Dhunpath, 2003) in South Africa, with about 3500 estimated to be in the Western Cape.

The e-mail survey method of data collection was the preferred. A detailed-structured survey questionnaire was used to collect the data. The constructed questionnaire was pilot-tested on a sample of 20 NPO managers and deficiencies were addressed accordingly. The survey questionnaire was then mailed to each 717rofessional with a cover letter soliciting the Chief Executive Officer (CEO), top management and preferably anyone in charge of strategy development within the 717rofessional to complete it.

The sample size for this study was determined and drawn from the South Africa National NGO Coalition (SANGOCO) database using the RAOSOFT sample size calculator. The RAOSOFT is statistical software used in the calculation of sample size. The software takes into consideration the intended margin of error, level of confidence, population size and response distribution when calculating the sample size. Working with an estimated population of 3500 NPOs in the Western Cape, and striving to achieve a 95% confidence level with a 5% error margin, a sample size of 300 NPOs seemed ideal for this purpose.

A sample of 300 NPOs (service delivery organisations) was randomly drawn, though priority was given to NPOs with email addresses for two reasons. Firstly, the questionnaires were distributed via the internet. Secondly, considering the fact those strategic planning advocates that organisations constantly adapt to environmental changes, it was imperative that NPOs included in the study should make use of the internet.

Of the 300 questionnaires mailed, 30 were rejected or returned due to change of address or because the organisations had closed down. Of the remaining questionnaires, 11 were returned partially or totally uncompleted. Of the remaining 259 questionnaires, 45 were completed and returned which reflects a 17.4% response rate. A response rate of 17.4% is fairly good, given the sensitivity of the research topic, the nature of the sector and the challenges associated with surveys of this type.

4 Results and discussion

Cognisant of the relevance of the NPO sector to an economy and the fact that this sector faces numerous challenges today due to its inability or sluggishness to

adjust to the changing environment, this study may provide insights into how important it is for this sector to improve on its performance strategies to better cope in its ever-changing environment.

4.1 The driver and propensity to engage in Strategic Planning

An extensive review of the literature suggests that NPOs are either pulled or pushed into adopting strategic planning. An expanding part of the literature on strategic planning highlights the need for strategic planning in NPOs as it is believed that NPOs like their for-profit counterparts will benefit from it (perceived pull factors). The push factors unlike the former is associated with conditions beyond the control of NPO managers and are not limited to diminishing funding or volunteers, management issues, and dissatisfied clients.

The results of the survey indicate that only forty-four (44.44%) of the NPOs surveyed applied strategic planning techniques. This indicates that a significant proportion of the NPOs surveyed did not report having a strategic plan in place. The latter cohort of NPOs advanced various reasons for not doing so.

4.2 The drivers of the non-adoption of strategic planning principles

Having noted the extensive body of literature that supports the need for the adoption of strategic planning, this section documents its non-adoption in NPOs as reported by its managers. The outstanding reasons for the non- applicability of strategic planning principles in NPOs included their inability to afford a consultant (32%) and the apparent lack of time and more important things to attend to (48%). Other minor reasons included the fact that the organisation was perceived to be too small to apply strategic planning principles (16%) and the fact that top management was not familiar with the concept of strategic planning (4%).

4.3 The perceived benefits of strategic planning

Assuming that the adoption and practice of strategic planning by NPOs would only be effective if top management of these organisations were convinced of its advantages, we set out to investigate the perception of these managers in this regard. The results indicate that an overwhelming majority (71,1%) of the managers of the NPOs surveyed believe that their organisations stand to benefit more than it can lose by formally adopting strategic planning. This means that 28.9% of these managers did not see the potential benefits of strategic planning for their organisations.

The effective practice of strategic planning necessitates the collaboration of top management and the rest of the workforce. For this collaboration to

produce positive results, the entire workforce must have the right skills. On a scale of 1 to 5, senior management of the NPOs surveyed were requested to gauge the skills of their employees. The results indicate that the workforce of the NPOs has the skills necessary to support senior management in the planning and implementation of the strategic plan. This is evident in the fact that an overwhelming majority of the employees had skills levelling 3 to 5 (86,67%) on a scale of 1 to 5 with one being skilled and five highly skilled. Based on these results, one may conclude that, contrary to popular perception (see Abrahams, 2012), the workforce of NPOs possesses the skills to support senior management in their endeavour to plan and implement strategic plans (at least the basic strategic plan as suggested by the basic strategic planning model).

5 Conclusion

This paper examined the noticeable absence of a strategic planning imperative in South African NPOs and highlights the problems with how the issues have been approached. It contends that the antecedents of strategic planning have not been properly considered and that the extant focus on the NPO (the organisation as the case may be where it has been studied) rather than on the manager is inappropriate to a better understanding of the relevant issues surrounding the adoption of strategic planning by NPO managers. The paper found considerable increase and popularity in the usage of strategic planning by NPOs having learned about the benefit from prior working experience in businesses. Even though, there is an increase in NPOs' usage of strategic planning because of envisaged benefit, other NPOs' Managers simply do not have enough time, skill and resources to deploy them in their respective NPOs. With limited and competitive funding, the use of strategic planning becomes competitive imperatives for NPOs seeking to attract the much needed funds to support and promote their operation in South Africa. Although the overall funding environment that confronts most NPOs in South Africa remains bleak, a significant proportion of these organisations are optimistic and believe that the adoption and implementation of a strategic plan would improve the situation more than it would otherwise.

6 Recommendations

A remarkable feature of the South African NPO sector is the fact that although there has been an emerging legal and policy framework governing the sector, no or very little empirical, quantitative knowledge about the non-profit sector. Even though NPOs attribute the poor state of their affairs to reductions in donor funding and lack the capacity to deliver, it is not well established who is talking from whom and who exactly is running short of funds. The non-profit sector in South Africa is a multi-billion industry, a major

employer and it would be disappointing to see it crumble due to lack of funds and poor management. There is the need to improve the statistical record of the activities of this sector and further research on the relationship between strategic planning and performance as far as NPOs using a larger sample.

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