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Board involvement in strategy development and planning
Good practice guide

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Centre for Charity Effectiveness

Foreword

Cass Centre for Charity Effectiveness's unwavering vision is that of a strong nonprofit sector leading positive social change. We support the sector to achieve this through the services we deliver: education, knowledge sharing, research and independent consultancy advice.

We know that the need for good governance in our sector is greater than ever with recent public concern and media scrutiny which is often about the effectiveness of an organisation's governance. As the Charity Governance Code says, 'good governance in charities is fundamental to their success'. Our governance practice team is regularly commissioned to undertake reviews or other activities in support of more effective governance.

This updated good practice guide is one of a series (and downloadable from Cass Centre for Charity Effectiveness resources pages) covering key governance activities plus a new guide on developing the top team:

- Board & trustee performance review
- Board involvement in strategy and planning
- Board reports that add value
- Developing a balanced scorecard & dashboard
- Developing the whole top team (new for 2019)
- Effective board meetings.

We are confident that, taken together, these guides will be an extremely useful resource for trustees and the senior team, covering the key areas of practice that make the difference between a board that does the minimum and one that is truly effective. If you need further information or advice, please get in touch.

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What is strategy development and planning

Strategy development and planning is the process of creating your organisation's strategy and bringing it to life so that all involved are aligned and engaged in delivery. A strategic plan captures your strategy and is used to communicate what the organisation intends to do over the next few years and how this will deliver impact and change.

An organisation's strategy determines how it relates to the outside world – how it makes the most of opportunities, responds to change, and faces up to threats, seeks opportunities to innovate, improvise and improve. Strategy provides a framework for decision making, making it clear what the priorities are, and what the organisation's resources and capabilities should be concentrated on delivering and mobilising and aligning resources to better fit the changing environment. All of this focussed on the difference your work can make for beneficiaries and wider society.

A strategy usually focuses on the medium to long term (3 to 5 years), but is reliant on the short term too – you can't accurately predict when and how things will change, so your strategy has to be flexible, and so do you! Strategies are often developed 'top-down' but increasingly organisations seek to mobilise and engage everyone by early involvement.

THE CHARITY GOVERNANCE CODE (2017) IS VERY CLEAR ABOUT A BOARD'S RESPONSIBILITY FOR STRATEGY:

- The board is clear about the charity's aims and ensures that these are being delivered effectively and sustainably

- The board has a shared understanding of and commitment to the charity's purposes and can articulate these clearly

- The board can demonstrate that the charity is effective in achieving its charitable purposes and agreed outcomes

- The board is clear that its main focus is on strategy, performance and assurance, rather than operational matters and reflects this in what it delegates

Every charity is headed by an effective board that provides strategic leadership in line with the charity's aims and values. Key outcomes:
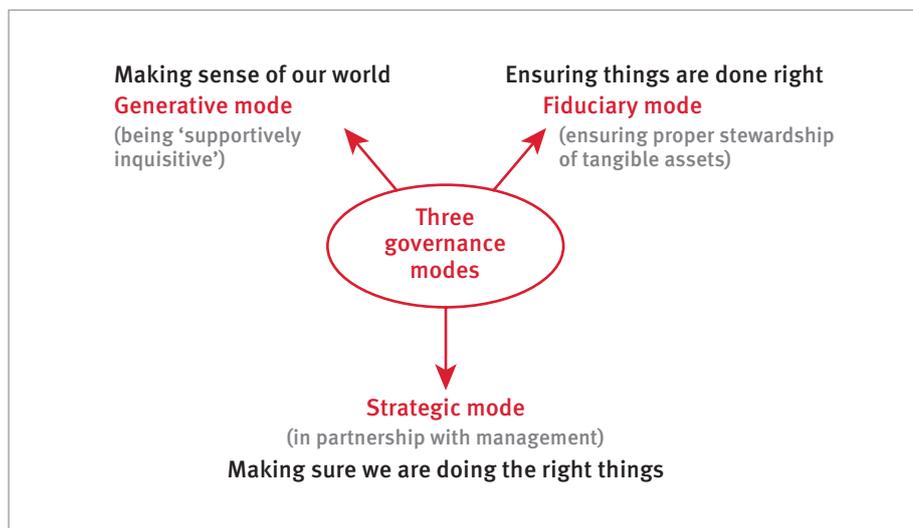
- The board as a whole, and trustees individually, accept collective responsibility for ensuring that the charity has a clear and relevant set of aims and an appropriate strategy for achieving them

- The board agrees the charity's vision, values and reputation and leads by example, requiring anyone representing the charity reflects its values positively

- The board makes sure that the charity's values are reflected in all of its work, and that the ethos and culture of the organisation underpin the delivery of all activities.

The board leads the organisation in being transparent and accountable. The charity is open in its work, unless there is good reason for it not to be. Key outcomes:

- The organisation's work and impact are appreciated by all its stakeholders

- The board ensures that the charity's performance and interaction with its stakeholders are guided by the values, ethics and culture put in place by the board. Trustees make sure that the charity collaborates with stakeholders to promote ethical conduct

- The charity takes seriously its responsibility for building public trust and confidence in its work

- The charity is seen to have legitimacy in representing its beneficiaries and stakeholders.

What is strategy development and planning

One helpful way of thinking about the board's role in strategy development and planning is to consider working in the three 'governance modes'[1]:

Making sense of our world
Generative mode
(being 'supportively inquisitive')

Ensuring things are done right
Fiduciary mode
(ensuring proper stewardship of tangible assets)

Three governance modes

Strategic mode
(in partnership with management)
Making sure we are doing the right things

Trustees have an important role to play in each mode and hold key responsibilities in the strategy development and planning process:

Making sense of our world: generative mode (being supportively inquisitive):

- Defining the preferred future: reflecting the external as well as internal view

- Framing problems, making sense of things, reframing problems and issues, challenging assumptions and getting out of ingrained habits: ensuring that the organisation's strategy is not simply a 'codification' of what is already known; trustees have a vital role to play in ensuring the organisation asks different strategic questions to gain new knowledge and explore new thinking

- Building consensus and getting buy-in externally as well as internally

- Linking to the Charity Governance Code (2017) this could involve you:

  - Periodically reviewing your purpose to ensure you are best placed to deliver impact; discuss how you might work differently with other players in your market to increase impact and drive efficiency

  - Have periodic discussions to recognise your wider responsibilities to the sector and society

  - Ensure you take soundings from a range of stakeholders about how you are seen, the impact you actually deliver, and have this intelligence influence decision making

  - Making sure that you have a diverse range of mindsets in the board room – avoiding groupthink.

Making sure we are doing the right things: strategic mode:

- Defining value and impact as trustees challenges the executive to evidence the difference the organisation needs to make, based on a shared understanding of need

- Setting priorities to deliver value and impact, establishing clear decision making criteria to test future strategic options coming to the board

- Allocating resources accordingly,

- Thinking strategically (not planning)

- Having conversations with key constituents externally and internally

- Understanding strategic drivers – especially the external ones

- Considering risks and the board's risk appetite

- Linking to the Charity Governance Code (2017) this could involve you:

  - Ensuring you look at the business model at least twice a year and take positive action to ensure future sustainability for growth in impact

1. Adapted from Chait, R. P., Ryan, W. P., Taylor, B. E., (2005) Governance as Leadership: reframing the work of nonprofit boards. Wiley: New Jersey

- Making sure trustees are involved in strategy development at the right time (starting really early on before thinking is narrowed down)

- Ensuring the values drive behaviour both within the organisation and externally across all those who deliver on its behalf; make sure that there is a shared understanding of what is right and wrong, and that everyone knows the board will not compromise on these standards

- Exercising collective decision making, and review these to learn and adapt for the future.

Ensuring things are done right: fiduciary mode (stewardship of all assets):

- Ensuring the organisation is faithful to and advancing the purpose/mission in all its activities, in line with governing documents

- Being accountable for performance results, and monitoring the execution of the plan

- Pressure testing the strategy and plan at each meeting against reports which show progress against the strategy; making sure there is alignment between the high level priorities and what is happening on the ground

- Ensuring compliance; safeguarding and optimising assets

- Promoting the success of the organisation

- Stimulating learning and change

- Linking to the Charity Governance Code (2017) this will involve you:

  - Acting at all times to preserve the integrity, independence and reputation of your organisation

  - Challenging assumptions and not just accepting what is put before you

  - Ensuring you can demonstrate you are making decisions in the best interests of beneficiaries and the organisation, with an awareness of knock on implications for the wider sector

  - Having policies, plus an assurance framework and performance management framework that sets out the breadth and depth of what needs to be in place to deliver the strategy, and that you revisit regularly.
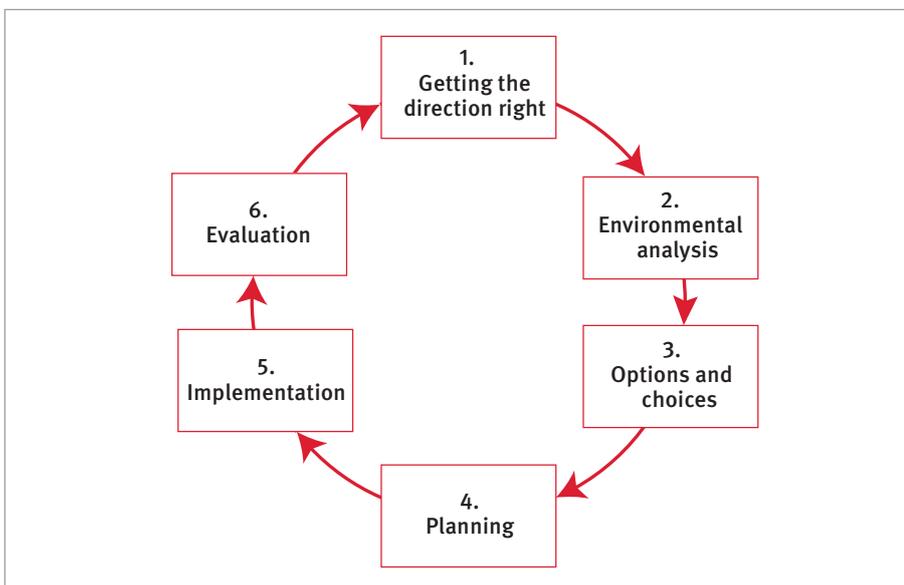
Key benefits of board involement in strategy development

It provides ownership from the leadership of the organisation to:

- Help you determine the most effective way of delivering your purpose or mission, with a focus on the difference you seek to make for your beneficiaries and the wider community

- Align everyone in the organisation towards a shared goal (or set of goals): a range of risk management and performance measurement and management processes and tools can 'sit under' the strategy and ensure everyone focuses on the quality of delivery

- Provide a sense of priority and a set of decision making criteria against which to 'test' future strategic options

- Keep stakeholders engaged in a continuing conversation about the future direction of the organisation: key external stakeholder involvement in the strategy development process is vital

- Provide a baseline from which to change and amend the strategy in the future, in light of what actually happens as well as anticipated changes in the external environment

- Give the board a structure for ongoing discussion and debate: talking about the right things at the right time

- Provide a framework for reporting, highlighting the critical data required to ensure that funds are applied to create the greatest value for beneficiaries.

Steps involved in strategy development and planning

The strategy development and planning process is a journey, with a number of steps[2]:

1. Getting the direction right	Being sure about where you are going, your desired future, and whether this is the right future for beneficiaries is the important first stage. Starting with the board, all those involved with the organisation have a contribution to make in deciding where to focus. This step will involve the board in lots of generative thinking and will include exploring who else to work with to gain better advantage for beneficiaries, and even asking questions about whether your organisation is best placed to deliver what beneficiaries need.
2. Environmental analysis	It is important to constantly keep your eye on the challenges and opportunities the organisation is likely to face, as well as how fit it is to carry out its work. This assessment of what is going on (now and in the foreseeable future) both internally and externally will form a backdrop for future decision-making and open up your thinking to opportunities to innovate, improvise and improve. This is something to keep up to date with at each meeting, not just once a year as you review your strategy.
3. Options and choice	It is likely that there are a number of options about how the desired future can be achieved. These options need to be explored so that informed decisions can be made about the actions needed to achieve the desired future. This isn't just about choice, but is also about priority, feasibility and risk assessment, and often about compromise.

2. Copeman, C., Bruce, I., Forrest, A., Lesirge, R., Palmer, P., Patel, A., (2012) 'Tools for Tomorrow' NCVO: London

4. Planning	At a suitable point in the strategy development journey trustees and staff need to take stock, review all the information generated, sort it and get down to the basics of planning the next steps in detail. Often at this stage organisations like to document the actions in a written plan. Just because things are documented doesn't mean that they are carved in stone – new strategies and actions will always need to be encouraged. In many organisations, it will be staff who carry out the detail of the planning – to be evaluated at board level to ensure performance (results) against the plan can be measured and that desired impact is being delivered.
5. Implementation	Once decisions have been made about the future direction and the actions needed to achieve this desired future, the actions (often expressed as goals, objectives, measures and indicators) need to be built into everyday life – embedded in the systems and processes of the organisation, making sure that everyone can see the contribution they are making to achieving the vision, and that all the steps have logic and lead to results. Often these actions are a mix of continuing to do the things that have always been done (but maybe do them better), plus new projects to implement new initiatives. And plans to stop doing some of the things that aren't delivering results.
6. Evaluation	Progress on the journey needs to be assessed at appropriate intervals – to make sure things are on track, heading in the right direction and continuing to achieve the outcomes established at the start (delivering the impact). It is really motivating to have results discussed and reported, not just for staff and volunteers, but for beneficiaries, commissioners and other funders too.

You can find signposts to tools and techniques in the Resources section.

The table below gives a view on a cycle for the key elements of a strategy:

Values and Vision	Revisit every 5 to 10 years to ensure they remain relevant to the external context and market
Purpose (or Mission)	Revisit every 3 to 5 years to ensure fit with the needs of beneficiaries and the scope of work of other organisations in your marketplace
Strategic Direction (priorities, goals and objectives)	Revisit every year, but expect change as it is needed – this could be quarterly.
Strategic Plan	Revisit regularly to check assumptions; significant change considered annually but subject to real-time change on an ad hoc basis. Many organisations choose to 'zero base' their strategy every 3 years i.e., start from a blank sheet of paper, without any assumptions – sometimes called a 'strategic review'.
Operational Plan	This would usually be completely rewritten annually N.B its basis – the Strategic Plan – remains the constant backdrop, so the Operational Plan should adapt to reflect changing circumstances at the level above.
Business Plan	A document supporting a new initiative or a significant investment injection or 'ask'; the logic/background for both would be contained in the Strategic Plan.

The main strategy documents

The strategy is the foundation for a number of key documents that together will form the basis of the strategy and the means for reporting against the strategy through the year:

- **A strategic plan** – this contains the broad strategic direction for the organisation, a summary of the analysis that has been considered as part of the strategic planning process, along with the strategic objectives and high level activities for the forthcoming period. A high level budget is usually attached to the plan to indicate how the strategy will be resourced. The plan will feed into….

- **A strategy map** – this identifies the few select things that the organisation must do. These are the organisation's key strategic objectives and will be inter-related and mutually supportive. A strategy map helps you summarise your strategy, and helps you create….

- **A balanced scorecard** – this is the regular report showing performance against your chosen indicators and targets, to help you monitor your performance in delivering your strategy. This will be linked to (and provide a summary of) your ….

- **Regular board reports** that together enable you to carry out your stewardship responsibilities, ensuring that you continue to do the right things in the most effective and efficient way.

Appendix Two contains a suggestion for the structure of a strategic plan for you to adapt to your own needs.

More can be found on strategy maps and balanced scorecard reporting in the *Developing a dashboard and balanced scorecard Good Practice Guide*. More can be found on board reports in the *Board reports that add value Good Practice Guide*.

Top tips

Take a step by step approach and don't try to do too much too soon; having a two page strategy that is the result of some good conversations across the organisation and beyond is far better than having a 20 page document that no-one reads.

Eight pages is the perfect size for a strategic plan (or at least something to aim for….) those whose job it is to read, understand and buy into it will thank you!

Involve as many people as you can in strategic conversations to get them into the habit. People at the front line – staff and volunteers – often have the most informed perspective of beneficiary needs and wants – make sure you have a variety of different ways of hearing their voice. Involving your beneficiaries will enable you to really understand need and optimum ways of meeting need.

Constantly review how the board keeps itself up to date with what is going on in the external environment and with beneficiary needs and wants: when did you last update your knowledge?

To what extent are you relying on anecdotes and myths?

Consider the expertise you need to get fully involved in strategy development, implementation and evaluation. 44% of boards say that they simply review and approve management proposed strategies, and some of this is down to an 'expertise gap'[3].

Focus on the results you expect to see as a consequence of your strategy – this will really engage people and enable you to measure the extent to which you deliver and make a difference.

Have the board spend at least 30% of every meeting discussing future strategy (rather than limiting such discussions to the odd annual away-day); use away-days to get quality time together to focus on the longer term, and 'blue-sky' generative thinking.

Remember that the strategy and plan are always a 'work-in-progress'; be firm about the things that must stay the same, but be prepared to be flexible around the things that need to change.

3. Bhagat, C., Hirt, M., Kehow, C., (2013) Tapping the Strategic Potential of Boards, McKinsey Quarterly, February 2013. Downloaded March 2019. Available at: https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/tapping-the-strategic-potential-of-boards

Resources

GENERAL STRATEGY MATERIAL:

The Know How Nonprofit site has a range of tools for use by trustees and staff (at away days, in special meetings and workshops etc.)

Looking at strategy development through a reinvention and lifecycle lens, Peering over the Precipice has useful tips on how to assess where you are on the lifecycle curve, and what you might do next.

On strategic analysis and external drivers:

NCVOs Road Ahead summary gives a broad overview of the complexity in our external environment. If you have time, NPCs State of the Sector programme, especially *Flipping the narrative* provides interesting analysis of what lies in our sector's future, and how we might equip ourselves to get ready and take advantage.

On organisational health-checks:

The organisational capacity assessment tool from McKinsey is especially adapted for the social sector and will help you determine your fitness to respond to the big opportunities and threats we face.

SOME BOOKS/JOURNAL ARTICLES:

A set of strategy tools developed by the team at Cass CCE

Copeman, C., Bruce, I., Forrest, A., Lesirge, R., Palmer, P., and Patel, A., (2012) *Tools for Tomorrow* NCVO. Also available as a Kindle edition.

Risk

The Institute of Risk Management: guides on risk management; look for the special work done for charities in 2015.

Sayer Vincent guide: 'Beyond the tick box'

Kate Sayer article on the importance of establishing a Risk Culture

Stakeholder management

The Institute of Risk Management has published this guide on best practice in stakeholder engagement.

Theory of Change

If you are interested in leading your organisation towards an in depth consideration of the difference you seek to make, then look at Theory of Change, and how using this very powerful tool can help you mobilise people towards shared strategy for change. With an example from Comic Relief.

Innovation

A very stimulating discussion of innovation in nonprofits and its link to growth and impact can be found in this Stanford Social Innovation Review article An Operating Model to make Social Innovation Stick.

Operationalising the strategy (a management responsibility, but the board must ensure alignment between what is intended and what actually happens – that is, alignment between strategic priorities and operational activities)

Some thoughts from Stanford Social Innovation Review on impact measurement

John Doerr has developed an approach to translating strategic priorities into Objectives and Key Results (OKRs) asserting that 'execution is everything', and a belief in the need to 'measure what matters'. Follow the link to other articles from the Sloan Management Review Strategic Agility Project. This TED talk is also another take from John, and equally interesting.

Doerr, J., (2017) *Measure What Matters*. Penguin, Random House

Appendix 1: Some strategy development tools

Some examples of tools that can be used to engage boards in strategy development are included below. More tools can be found in Tools for Tomorrow[4].

A. GETTING THE DIRECTION RIGHT
Key questions for a direction setting board workshop:

1. **Vision:** what is the ultimate difference we want our work (combined with that of others) to achieve for beneficiaries? Describe the changed community we want to see (not the changes we want to see in our organisation).

2. **Purpose or Mission:** what is our role in creating this change? Be clear about what is in scope and out of scope – what we will do, for whom and where.

3. **Values:** what are the principles that will guide our behaviour as we deliver our mission? Start with the principles, strike out those that apply to everyone in the world (e.g. honesty and respect would seem quite basic), and focus on those that differentiate your organisation.

4. **Key priorities:** What four or five big things should be our focus for the next three to five years, to enable us to deliver on the mission? Often four of these will be outward facing (doing things for beneficiaries and the community) and the fifth will be to strengthen the organisation for this endeavour.

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4. Copeman, C., Bruce, I., Forrest, A., Lesirge, R., Palmer, P., Patel, A., (2012) 'Tools for Tomorrow' NCVO: London
5. Bell, J., Masaoka, J., Zimmerman, S., (2010) Nonprofit Sustainability: making strategic decisions for financial viability, Jossey Bass: San Francisco. Also see the 'Organised Abandonment Grid http://www.socialent.org/pdfs/NONPROFITWORLDOrganizedAbandonment.pdf

B. OPTIONS AND CHOICES

Business model sustainability

It might be useful to get the board to consider the current portfolio of activities and projects and the health of the overall business model.

Business model = who we are; what we do; why we do it; how we do it; with what resources

Sustainability = doing what's required to meet the needs of the present without compromising the ability of future generations to meet their own needs[5] (sustainability can be attained through a blend of philanthropy, grants, loans, contract income, earned revenue)
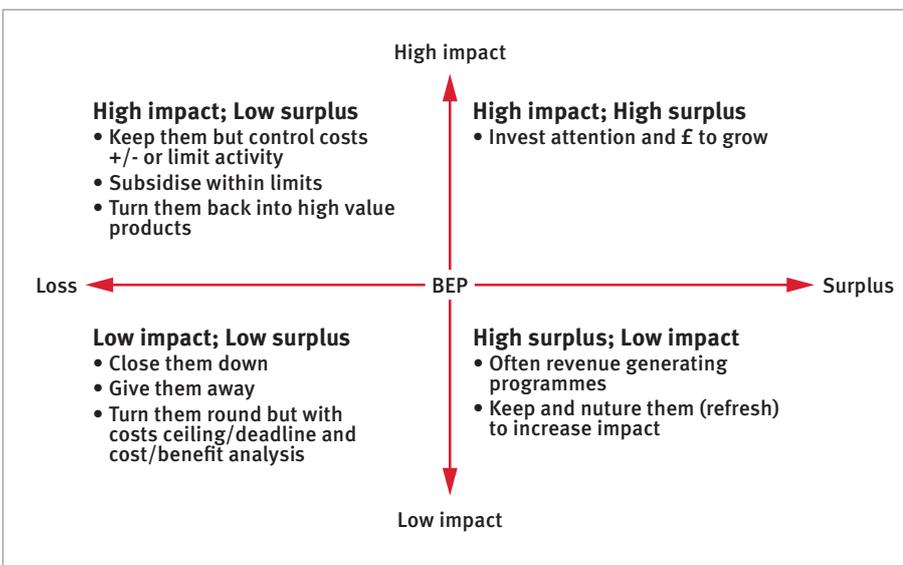
A sustainable business model can be seen as having both a relevant and impactful portfolio of activities, along with sufficient working capital (funds to continue operations) to meet the needs and activities of the organisation

over the medium to longer term. To determine sustainability, Bell, Masaoka and Zimmerman encourage nonprofits to look at how their whole portfolio of activities works together, and map both the Mission Impact and Financial Return/Surplus of all activities (products, services, campaigns and revenue generation activities).

Surplus = revenue minus costs for each activity

Impact = Ranking using a selection of criteria: e.g. fit with Mission/Purpose; excellence; reach/numbers; breadth of need met; service no-one else can provide; community building; leverage (use data as evidence where possible).

Use a 'bubble' for each activity; make the size of the bubble relative to the cost of each activity (to spotlight where resources are going).

High impact

High impact; Low surplus
- Keep them but control costs +/- or limit activity
- Subsidise within limits
- Turn them back into high value products

High impact; High surplus
- Invest attention and £ to grow

Loss ◄———————————— BEP ————————————► Surplus

Low impact; Low surplus
- Close them down
- Give them away
- Turn them round but with costs ceiling/deadline and cost/benefit analysis

High surplus; Low impact
- Often revenue generating programmes
- Keep and nuture them (refresh) to increase impact

Low impact

Ansoff grid: growth strategies[6]

Ansoff's grid is a tool to help decide how and where to expand the organisation's activities in a very beneficiary-focussed way. It helps compare and contrast options to grow impact and achieve the purpose/mission, and consider relative risk. The first step is to identify all your current products/offerings and their markets, then consider your future options for expansion using the matrix shown below, considering opportunities, associated costs, benefits and risks:

Exploring the options:

- The lowest risk option is to 'sell' more of your existing offering in your existing market either by existing customers purchasing more or by increasing the number of customers from your existing market, the bottom left quadrant. This is increasing your **market penetration**

- Somewhat more risky is to 'sell' your existing product into new markets (more customers) – the top left quadrant. This is **market development**

- More risky still is to develop new offerings for your existing markets – bottom right quadrant. This is **product development**

- Most risky is to develop new offerings for new markets. This is **diversification**

	Existing	**New**
New	Market development	Diversification
Existing	Penetration	Product development

Increasing product innovation →

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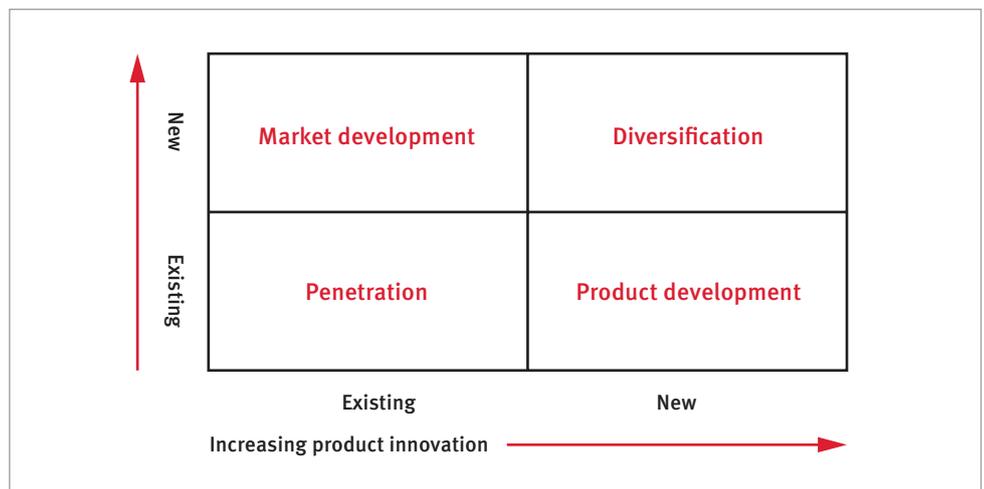
6. Copeman, C., Bruce, I., Forrest, A., Lesirge, R., Palmer, P., Patel, A., (2012) 'Tools for Tomorrow' NCVO: London

STRATEGY SCREEN: DECISION MAKING CRITERIA TO COMPARE DIFFERENT OPTIONS

Before you start on strategy development, it's important for the board to be clear about decision making criteria to help assess different strategic options; these are an example. To construct such a list in your organisation, you might use post-its and ask trustees to think about what criteria are important to them, then rank them:

Example criteria	Option 1	Option 2	Option 3
Fit with Mission, Vision, Values			
Impact on beneficiary			
Filling known gap			
We are best placed to do this (no-one else can do it better)			
Impact of change on organisation (risk, structure etc.)			
Your capacity to pursue (skills, funding, return)			

Appendix 2: **A Strategic plan framework**

Plan headings	Purpose of section	Possible sub sections	Possible sources of content
1. Purpose	Clear statement about the reason you exist; the difference you make; your distinctiveness; the value and benefits you add.	Purpose, Vision, Values; public benefit Short contextual piece about the sector in which the organisation operates	Constitution Purpose, Vision, Values focus groups Workshops to explore needs, value proposition, scope and differentiation
2. Drawing from the past	Be clear about what must continue, past achievements and learning: facing the future with pride in the past.	What we must continue to do and why Learning from the past: about need, about ourselves, our performance (inc. what we must do differently – use client feedback)	Review of previous period against plan Review of achievements Beneficiary research
3. Considering the future	Explore the world the organisation will be facing in the future. With the Purpose, Vision and Values as backdrop and context.	Beneficiary needs; key stakeholder needs External environment analysis (drivers, other players) Internal environment analysis (fitness to face future) Future funding map Level of ambition & approach to risk/parameters Collaboration attitude and approach	Scenario planning PESTEL, SWOT, skills audit, Internal health-check; benchmarking data Stakeholder analysis Other Player Analysis Funder priorities/funding opportunities analysis
4. Strategic direction: goals, objectives, map & scorecard	Clear statement about the organisation's priorities for the forthcoming period given the analysis of what has gone on in the past, and the results needed for the future.	High level goals with objectives for each and anticipated results Measures defining what the organisation wants to deliver Strategies to deliver quality assurance	Gap analysis Resource analysis Matrix of options/decision making criteria Cost benefit analysis Break even analysis Strategy map, and balanced scorecard
5. Delivering the strategy	Key activities required by the organisation to deliver the strategy. Give confidence to the reader that the organisation has thought through the 'what' and 'how' to deliver the strategy and has a results orientation.	Factors critical to success (the things we have to do well) & outcome measures/indicators High level activities (over each of the years in the plan period; strategic staircase – as an appendix) Communications plan for engagement Risk and impact analysis Resourcing the plan	Risk analysis Impact analysis Staff/service user consultation/activity workshops Financial modelling/forecasting, planning Funding planning, by source Investment needs analysis
Appendices	Detailed material that some readers may be interested in.	High level Gantt High level P&L/budget	

youtube.com/user/cassprogrammes

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Cass Business School
In 2002, the School was renamed
Sir John Cass Business School
following a generous donation
towards the development of its new
Bunhill Row premises.

Sir John Cass's Foundation
Sir John Cass's Foundation has
supported education in London since
the 18th century and takes its name
from its founder, Sir John Cass, who
established a school in Aldgate in
1710. Born in the City of London in
1661, Sir John served as an MP for
the City and was knighted in 1713.

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