

COMPLEXITY AND CONFLICT – THE INFLUENCE OF STAKEHOLDERS IN STRATEGIC PLANNING PROCESSES IN NONPROFIT VOLUNTARY ASSOCIATIONS

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*Working Paper 50/04
October 2004*

**DEPARTMENT OF MANAGEMENT
WORKING PAPER SERIES
ISSN 1327-5216**



Abstract

This paper explores the experiences of two Australian nonprofit member benefit associations as they attempt to strategically plan and emphasises the influence of their many stakeholders in this process. We discuss strategic planning and the influence of stakeholders in nonprofit organizations. We suggest a typology of stakeholders that may be of use in analysing their salience and contribution to the effectiveness of strategic planning. Overall, we conclude that strategic planning was a complex, conflict-ridden, and largely unsuccessful process for these two nonprofit associations because of the number and commitment of their stakeholders. Therefore we suggest that future research should focus on clarifying if such corporate management techniques as strategic planning are actually appropriate for all nonprofit organizations. Rather than drawing from for profit ideas, we advocate specific research in nonprofits to identify how best they can be managed taking into account the needs and commitment of their stakeholders.

This paper is a work in progress. Material in the paper cannot be used without permission of the author.

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INTRODUCTION

In a recent large international study of nonprofit organizations (NPOs), the Johns Hopkins Comparative Nonprofit Sector Project, it was found that there is “a gross lack of basic information about this sector and how it operates” (Salamon, Anheier, Toepler, Sokolowski and Associates, 1999). However, there is a wealth of evidence that nonprofit organizations have slowly adopted corporate practices, such as strategic planning processes, often at the behest of their major stakeholders, and encouraged by academics and consultants, in order to be seen as professionally managed, or, more precisely, managed like for-profit organizations (Anthony, 1977; Bryson, 1995; Drucker, 1992; Harris, 1998; Hudson, 1999; Mulhare, 1999; Stone and Crittenden, 1994; Wolch and Rocha, 1993). What is still lacking is information about how successful these practices are for NPOs.

Bryson (1988) and Lyons (2001:22) have outlined a number of characteristics of nonprofits which differentiate them from for-profits, including more numerous stakeholders, but also factors such as centrality of values, lack of clarity in accountability, conflict between board and staff, reliance on volunteers, and difficulties in judging organizational performance. Drucker (1992), though, believes the major differentiating characteristic is the number of stakeholders involved in nonprofits and that all the other factors relate to this central theme.

There are many types of NPOs. One particular type is the member-benefit association, where most workers are voluntary. Harris (1998:152) identified voluntary associations as “conceptually and organizationally distinguishable from the bureaucratic service-delivering agencies of the broader nonprofit sector”. Smith (1999a) recognized that such organizations adopt an associational form because it is the members who perform most of the work done by the organization, and it is the members who often manage and certainly govern. Markham, Johnson and Bonjean (1999:152) found that these organizations are “little studied”, as did Smith (1999a; 1999b). However, they are identified as an important part of the nonprofit sector, found in every community in the US, UK, and Australia (Harris, 1998; Lyons and Hocking, 2000). Apart from the work of Harris (1998) and Smith (1999a; 1999b) there has been little research done into the management of this type of NPO anywhere in the world. There have been few Australian studies of these organizations and their management or stakeholders, but Australia has a similar nonprofit sector to that of the United States where studies have found that most organizations have some level of strategic planning, a process which involves a range of stakeholders (Crittenden and Crittenden, 2000).

This study attempts to answer Mulhare’s (1999) call for more research into how NPOs actually go about formulating their strategies, and Crittenden and Crittenden (2000) and Kearns and Scarpino’s (1996) identification of the many gaps in our knowledge of the role of stakeholders in such processes as strategic planning. We use the role of stakeholders in the strategic planning process to demonstrate the conflict that is likely to arise and the complexity of their needs. We begin by outlining the use of strategic planning in NPOs, followed by a discussion of stakeholder theory in general and applied to nonprofits in particular. We then focus on the typology suggested by Mitchell, Agle and Wood (1997) which is based on the possession by stakeholders of one or more of three attributes: power, legitimacy and urgency. We believe this model may be useful for nonprofits seeking to identify and understand the importance of their stakeholders. The current research addresses the issue of which stakeholders were involved in strategic planning, or were not involved; and what impact their participation, or non-participation, had on the outcomes.

We then outline the research questions to be addressed and the methodology and sample used in the study. We use the experiences of two small Australian member-benefit associations who undertook a series of strategic planning events over a period of time. The findings from the two

case studies are summarized, followed by a discussion of the findings linked to the research questions. By answering these questions we hope to assist managers and consultants to better understand the challenges of stakeholder management in NPOs generally and more specifically when developing and implementing strategic planning. The paper concludes with managerial implications and suggestions for future nonprofit research directions.

STRATEGIC PLANNING

Mulhare, (1999) asserts that strategic planning, as a tool of management, has become the norm in NPOs of all types and sizes. Many forces have led to them embracing strategic planning, but as Mulhare (1999) points out none more so than the need to be seen as professionally managed. Nonprofits have traditionally been seen as lacking professional management with Young, Hollister, Hodgkinson and Associates (1993:3) perceiving nonprofits as being run by "social workers, health care professionals, foundation people, educators, participants in high arts and culture, advocacy and interest groups". There is very little research undertaken into strategic planning processes in nonprofit organizations apart from Crittenden and Crittenden's (2000) large study in this area. They (Crittenden and Crittenden, 2000) found that nonprofits were more likely to ignore the array of technological tools available and make use of planning groups and suggest that may be because of the need to build consensus among the many stakeholders. Beerel (1997) suggests that strategic planning groups often consist of a committee or working party appointed to represent all stakeholders, meeting together at an event of one, two or more days where they, typically, look at the mission and goals of the organisation, identify its strengths and weakness, its opportunities and threats and try to develop a strategic plan for the future, with the event seeking to reach broad agreement on a plan with implementation details to be worked later. This concurs with Bryson's (1988) contention that in-depth discussions, leading to decisions being made about what is vital for an organization, are the most basic requirement of strategy in nonprofits, and his (Bryson, 1995) later contention that a systematic, cyclical process of planning actions, including the planning meeting, is essential. While strategic planning in this form has become common in nonprofits, there is a distinct lack of evidence that the strategic plans developed in the process, achieve any worthwhile results (Mintzberg, 1994).

While nonprofits attempt to duplicate the strategic planning processes used by profit making organisations, it is clear that there are many problems (Beerel, 1997; Crittenden and Crittenden, 2000). Problems that support the idea of much conflict and complexity in the planning processes include:

1. Strategic planning is introduced in an attempt to apply a corporate model to nonprofit organisations, where strategy and competitiveness are emphasised. This immediately clashes with the philanthropic values of many such organizations, which stress community and caring (Alexander and Weiner, 1998; Lindenberg, 2001).
2. Goals of nonprofits are often amorphous, or absent, or conflicting (Bryson, 1995) and as strategic planning requires a clear statement of goals, problems present immediately because of a struggle to clarify what the organization is all about (Beerel, 1997).
3. External forces often lead to the adoption of strategic planning, particularly when the organization is having problems. Yet, strategic planning is believed to be unsuitable for an organization in crisis (Bryson and Roering, 1988; Mitroff and Pearson, 1993) as it is likely to lead to reactions which only address the immediate cause of the crisis. Despite this, when strategic planning is used in nonprofits, the process is usually driven by operational factors, such as a response to a financial crisis, government funding requirements, or to provide direction to disgruntled staff (Mulhare, 1999; Wolch and Rocha, 1993).
4. Although nonprofits can sometimes have a long-serving, strong leader who is very successful, it is more usual for nonprofit Chief Executive Officers (CEOs) to have a brief tenure (Santora

and Sarros, 2001). As Herman and Heimovics (1994:215) remark the "chief executive position in nonprofit organizations is usually demanding and difficult" and this turnover of senior staff magnifies the difficulties in working with stakeholders.

5. Nonprofit organizations require the skills, the resources and the commitment by key stakeholders to produce a worthwhile plan. However, Lindenberg (2001) reports that many nonprofits do not have those skills and resources, and key stakeholders are likely to be intensely distrustful of corporate management techniques.
6. Mulhare (1999) asserts that strategic planning often is undertaken to placate one group, such as a major funding body, at the expense of others, resulting in an unproductive process leading to major implementation difficulties, and ultimately leading nowhere.

As Drucker (1992) suggested, all these problems relate back to the issue of the large number of stakeholders involved in nonprofit organizations. Each problem is magnified by the involvement of one group of stakeholders or another, often resulting, as Mulhare (1999) suggested in adopting strategic planning for the wrong reasons, leading to the process either failing to provide a worthwhile plan, or the results being ignored or major implementation difficulties occurring.

Overall, it seems there is a tendency in nonprofits to adopt strategic planning as a panacea for organizational problems, as it is seen as "best practice" (Mulhare, 1999:323). When the process fails, the cause is not seen as a result of adopting an inappropriate management tool, but an outcome of the lack of professional management indeed Mulhare (1999:324) argues that strategic planning "has become a symbolic demonstration of managerial competence, whether or not planning benefited the NPO in other ways". None-the-less, strategic planning has been seen as a worthwhile tool in nonprofit organizations (Bryson, 1995; Howe, 1997). There have been attempts in the literature of the 1990s to tailor strategic planning to better meet the needs of nonprofits (Bryson, 1995; Lindenberg, 2001; Mara, 2000). However, little of the research is directed at stakeholders, which is surprising as it has long been recognised that a prime advantage of the strategic planning process is "to gain the involvement and commitment of those principal stakeholders affected by the plan" (Pearce, Freeman and Robinson, 1987:659). We focus on stakeholders responding to Crittenden and Crittenden (2000) assertion that a broad array of stakeholders takes an active role in the strategic planning events conducted by NPOs in an attempt to build consensus.

STAKEHOLDERS

Freeman (1984:5) defined stakeholders as "any group or individual who can affect or is affected by the achievement of the organization's objectives". Stakeholders will be potentially affected by the organization, or may affect the organization, because they have the power to "withhold resources and support, (Seeger, 1997:9). This is particularly relevant to nonprofit organizations, and especially member benefit associations, whose major resource is the labour and money donated by volunteers.

Drucker (1990; 1992) identifies that nonprofits have more stakeholders than for-profit organizations, where the key stakeholders are mainly employees, customers and the owners, and hence the relationships between them are few. On the other hand, Drucker (1990:157) asserts that NPOs have a "multitude of constituencies" and hence many relationships. Anheier (2000) describes nonprofits as "multiple organizations" because of the multiple relationships between its many stakeholders. The number of stakeholders, and the number of relationships between them can mean that identifying and satisfying the needs of all stakeholders is a potentially a calamitous task. Anheier (2000:7) suggested that a mid-sized NPO may include the following stakeholders:

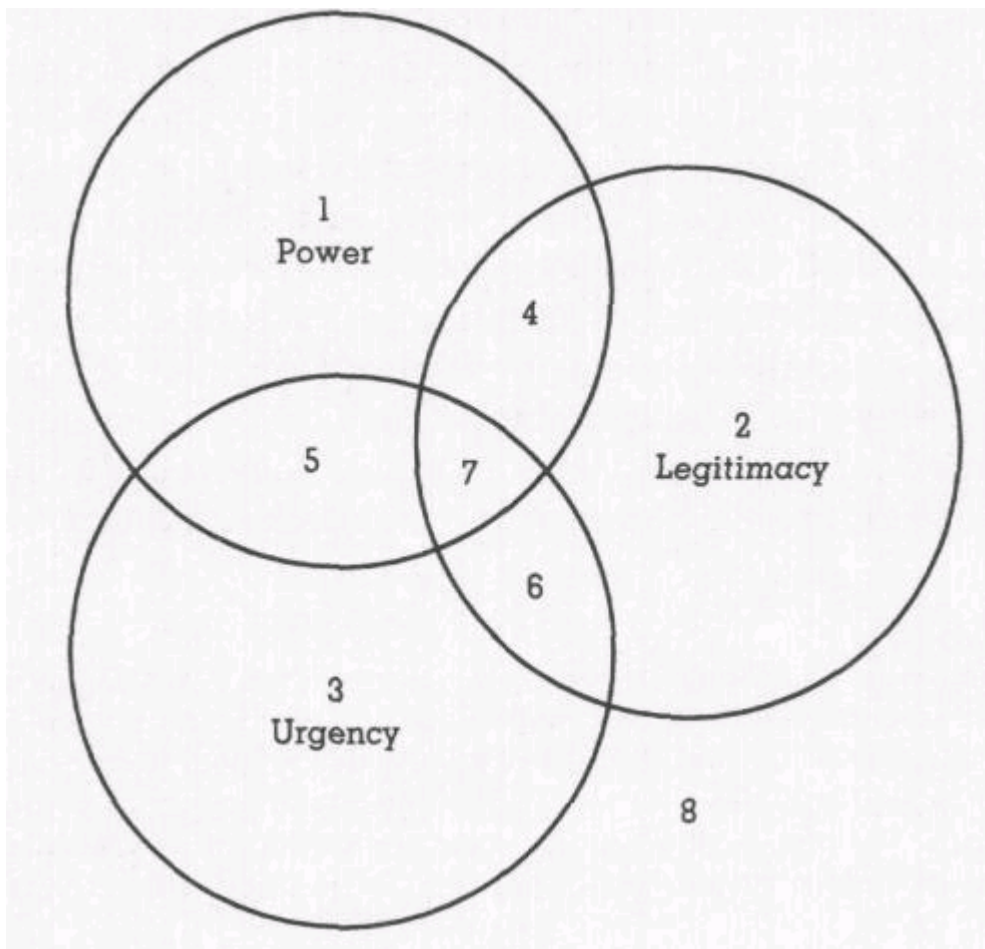
- A professional core of business managers
- A governing board of experts and community representatives

- A client or user base and their representatives
- A set of contractual relations including different levels of government
- A set of business contracts
- A volunteer component
- A membership component (particularly relevant to associations) and
- The actual service providers.

Hudson (1999) and Paton (1996) asserted that the essential feature of nonprofit organisations is their value orientation, particularly, Alexander and Weiner (1998) pointed out, the values of philanthropy, voluntarism and independence to advocate their cause. Abzug (1999) terms the stakeholders in nonprofits as "demand-side stakeholders" as their interests are in the provision of services, either for themselves or for others, with this converting into persistent demands being made by stakeholders, and the requirement for organizations to be constantly attuned to their needs. A recent study of Australian nonprofit boards (Steane and Christie, 2001) indicted that their priorities and activities imply a stakeholder approach to governance. This situation is further complicated because nonprofits actually have multiple bottom lines with different stakeholders associated with specific bottom lines and demanding that their needs be met (Anheier, 2000:3). Overall, stakeholders in NPOs are particularly likely to make strong demands on their time, effort and finance and expect to have their needs met in return. Indeed, Hudson (1999) asserted that NPOs are equally accountable to many stakeholders with Herman and Heimovics (1991:13) describing the nonprofit environment as "a complex weave of patterns of influence". With these intricacies, strategic planning is complex.

While, the literature provides many different classification systems for stakeholders (Donaldson and Preston, 1995; Evan and Freeman, 1993; Freeman and Evan, 1990; Pfeffer and Salancik, 1978; Suchman, 1995), we believe these are too simplistic for the complexities inherent in nonprofit organization relationships. We turn to Mitchell et al's. (1997) model which provides a dynamic view of stakeholder that we believe it more appropriate in understanding the complexities of nonprofits. They (Mitchell, Agle et al., 1997:854) divided stakeholders into three areas based on the following attributes: "(1) the stakeholder's power to influence the firm, (2) the legitimacy of the stakeholder's relationship with the firm, and (3) the urgency of the stakeholder's claim on the firm". Organizational decisions, Mitchell et al. (1997) asserted, are usually made on the basis of the legitimacy of a stakeholder's claim on the organization, combined with the amount of power they have. However, they then argue that the two attributes must be evaluated in light of the more compelling demands of urgency. When an organization attempts to strategically plan, it needs to be able to identify and classify its stakeholders.

FIGURE 1: Attributes of Stakeholders



Source: Mitchell, R. K., Agle, B. R. and Wood, D. J. (Armstrong, Gosling, Weinman and Marteau, 1997). "Towards a theory of stakeholder identification and salience: Defining the principle of who and what really counts." *The Academy of Management Review* 22 (ABS, 1994): 863.

As well as classifying stakeholders as legitimate, powerful and/or urgent, Mitchell and colleagues (1997) suggested that stakeholders can also be divided into three areas: latent, expectant and definitive stakeholders. Definitive stakeholders are the group (Number 7 on Figure 1), such as shareholders or members, which are often viewed as the only stakeholders in an organization (Mitchell, Agle et al., 1997). They have all three attributes. Latent stakeholders (Numbers 1,2,3,) will possess only one attribute, are not active in the organization and organizational leaders do not recognize them as stakeholders of any importance. Expectant stakeholders have two attributes (any two of Numbers 4,5,6) and are viewed by Mitchell et al. (1997:886) as expecting to receive "something" from the organization. Individuals or organizations with no attributes (Number 8) are nonstakeholders, or perhaps future stakeholders. Therefore, Mitchell et al. (1997) believe the importance of each group of stakeholders to an organization is determined by the number of attributes they possess.

Figure 2: Classes of Stakeholders

Class	Attributes (legitimacy, urgency, power)	Represented in figure one (by numbers)
Definitive	All three	7
Expectant	Any Two	5, 6, 7
Latent	One only	1, 2, 3
Nonstakeholders	None	8

However, Mitchell et al. (1997) warned that these attributes are variable and likely to change with circumstances. Latent stakeholders may increase their importance to organizational leaders by acquiring a second attribute and expectant stakeholders by acquiring a third. For whatever reasons stakeholders acquire another attribute, this situation means that a stakeholder who was previously of little importance to the organization, is suddenly demanding that their needs be considered. Rowley (1997) says that, in doing so these stakeholders are likely to form alliances with other stakeholders, leading to multiple, interdependent stakeholders' demands that cause unexpected major problems for organizations

So to this point we know that stakeholders will sometimes be latent and at other times active and this will change with circumstances. That they can have a measure of power and legitimacy which when combined with a sense of urgency can bring the stakeholder to a position of significance to the organization.

Mitchell et al's (1997) stakeholder model sheds some light on stakeholders in nonprofits. A few stakeholders are definitive, with all three needs, but other groups are expectant with a mixture of two needs, or latent with only one need. While it is likely that definitive stakeholders will be clearly identified in organizations, the latent and expectant stakeholders will be identified only when their needs become obvious. This leads to difficult situations where managers and the boards of nonprofits, trying to cater for the needs of the definitive stakeholders, find that other stakeholder can emerge unexpectedly, acquire another attribute and insist on their needs being met.

From the discussion above we have developed the following research questions:

1. What are the reasons for NPOs employing strategic planning?
2. What stakeholders are involved in their strategic planning events?
3. What stakeholders are likely to find problems with the strategic planning process?
4. How can they be classified according to Mitchell et al's typology?
5. Did the process result in a workable plan able to be implemented in the future? and
6. What are the unintended outcomes, if any, of the strategic planning process?

METHODOLOGY

To answer these questions we studied two nonprofit member benefit associations who have held strategic planning events. The two organizations that participated in the study are Happy Times and Healthy Start (both pseudonyms). Both organizations are associations that provide support, education and activities to parents through Australia. One aims to create effective relationships by providing opportunities for parents and young children to interact, and the other aims to provide help to parents of babies (mostly mothers) by providing a range of information, self-help and support.

Happy Times

Happy Times is a legally incorporated association of parents of pre-schoolers throughout the community, who meet regularly in approximately 3,000 small community groups operating throughout one of the larger Australian states. In 2002 over 30,000 families were members of

these groups through their membership. Happy Times employs 28 staff, with a volunteer workforce of over 1,000 running most community activities. For 2002 revenue was \$A2.2 million, coming from a mixture of fees from member families and grants, with the Australian federal government providing a large part of the funds. The paid staff, either administrative or professionals in the field, are based together at the association's office, though the professional staff also work with the grassroots groups throughout the community in assisting with the running of their programs.

Healthy Start

Healthy Start is a national association of approximately 15,000 members all over Australia, with most services provided by volunteers in local areas. Twenty-three administrative and professional staff, based in the national head office, supports them. Its activities are funded by membership fees and by profits from a trading company, selling products to members and the general public. In 2002 revenue was nearly \$A3.5 million. Government funding is minimal.

Both associations are governed by boards of between seven and twelve members, elected by the members annually. A Chief Executive Officer (CEO) administers both. The Boards meet between six and eight times a year, with the Chairperson of each board (the President) having almost daily contact with the CEO. Both, under pressure from major stakeholders such as government and sponsors, had attempted to devise and implement a strategic plan on three occasions over the past seven years. Both had used a strategic planning meeting as the method of devising an overall plan and specific implementation steps.

The case study method was used as it allowed us to conduct in-depth studies into two organizations, their stakeholders and the use of strategic planning events. Case study methodology is an invaluable tool for conducting research in social and behavioural sciences and a traditional vehicle for nonprofit management research (Crittenden and Crittenden, 2000; Yin, 1994). Creswell (1994) recommended the use of case studies to focus on one, or a small number of organizations, in great depth, while Lee (1999) saw case studies as the ideal vehicle for studying intensely, over an extended period time, events, processes and outcomes occurring within a specific context. They are thus an ideal method to study the two organizations and the events, processes and outcomes that occurred within them over an extended period of time

We began our study by identifying member benefit voluntary nonprofit organizations which had used a strategic planning process. This we did from our own knowledge of the sector and by asking consultants who advise nonprofit organizations. We identified two organizations that had been using strategic planning processes for the past eight years. We contacted the Chief Executive Officers of the organizations and requested their participation in our study. In order to obtain a deeper understanding of the organizations, we reviewed the organizations' primary and secondary documents. We studied the past 10 annual reports and newsletters over the past 10 years, as well as the organizational history for each, the mission statements each organization had developed from the strategic planning events, organizational charts and descriptions of their programs. In all more than 50 documents were perused for each organization. We then prepared a semi-structured interview schedule and interviewed the present President and the two immediate past Presidents, and the present CEO and the immediate past CEO of both organizations, a total of 10 interviews. These officials covered a period of the past eight years. The major benefit in selecting these organizations is that each undertook three different strategic planning processes during that time. These six events, which were a major part of the process, provided a substantial store of data as garnered from the documents studied and the interviews conducted.

We thus met Yin's (1994) requirements for construct validity by using multiple sources of evidence including documents searchers, observations and interviews. Examining the findings against Mitchell et al's (1997) initial theory ensured internal validity. Compiling a protocol for the cases that included predetermined set schedules as well as analysing the data collected using set criteria developed from the research questions, ensured reliability. We recognise the limitation of generalisability imposed on all case study research, but single organization case studies are

traditional in nonprofit management research (Stone and Crittenden, 1994) and in this study we felt that the two organizations observed helped in an understanding of what resulted from the strategic planning process, particularly the planning event.

FINDINGS

Table 1 and Table 2 below present a summary of the events as they occurred in the two organizations as they went through three strategic planning events. The research questions are used to focus the findings. This is followed by an explanation of the events and the outcomes.

Table 1: Summary of Strategic Planning Events: Happy Times

Research questions	Strategic Planning Event One (1994)	Strategic Planning Event Two (1997)	Strategic Planning Event Three (1999)
1. Reasons for Strategic Planning	Financial problems – (pressure from govt - a previously latent stakeholder)	Need for strategic planning supported by staff and board.	Need for strategic planning supported by staff and board.
2. Stakeholders involved	CEO Key Board members	CEO and senior staff All Board members	CEO, Board Representatives of all types of staff, volunteer workers and members
3. Unhappy stakeholders	Other Board members Professional staff	Professional staff	None
4. Classification 5. (Mitchell et al 1997)	CEO (definitive) Key Board members (definitive) Other Board members (expectant then definitive)	Professional staff Members (both expectant, then definitive)	All staff (expectant) Volunteers workers (expectant) Members (latent)
6. Implementation of strategic planning	Not implemented (Mission statement developed)	Not implemented (Destructive conflict occurred between board and staff/members)	Not implemented (Unexpected crisis diverted activities ob board and staff)
7. Unintended outcomes	Conflict between board members	80% of the Board resigned	No strategic planning has occurred since

Table 2 – Summary of Strategic Planning Events: Healthy Start

Research Questions	Strategic Planning Event One (1994)	Strategic Planning Event Two (1997)	Strategic Planning Event Three (2001)
1. Reasons for Strategic Planning	Financial problems	Need for strategic direction identified by CEO and Board	Need for a strategic plan recognised by CEO, Board and staff
2. Stakeholders involved	CEO Some Board members	CEO All Board	Anybody who wanted to be involved
3. Unhappy stakeholders	Board members not involved	Founders	Founders
4. Classification 5. (Mitchell et al 1997)	CEO (definitive) Board members involved (definitive) Board members not involved (expectant, then definitive)	Founders (previously latent, then expectant, then powerful with support)	Founders (expectant with attributes of legitimacy and urgency, but no longer powerful)
6. Implementation of strategic planning	Not implemented (Mission statement)	No (Destructive conflict occurred at board level)	Yes
7. Unintended outcomes	CEO resigned	CEO resigned 50% of Board members resigned	None so far Another event planned for 2004

Strategic planning in these organizations was convened in response to operational drivers, such as the need to demonstrate professional management to satisfy government funder requirements, a response to financial crisis, and to provide direction to disgruntled staff. They were driven by the requirement to meet the need of one or more stakeholders and each planning meeting saw the emergence of different stakeholders who influenced the process. However, both organizations had been disrupted by conflict as a result, and the success of the planning had been limited due to resistance from various stakeholders.

The First Strategic Planning Group Meeting

Happy Times

In 1994, a previously latent stakeholder, a government department which gave a small grant, forced Happy Times into the strategic planning process demanding it occur before any further funding would be given. It immediately became a more powerful stakeholder, and then added the attribute of urgency when it saw the full extent of the Happy Times' financial problems. The planning process was a one day event involving the CEO and three key board members.

Healthy Start

Similarly, in 1995 Healthy Start had lost revenue because of the withdrawal of a major sponsor and saw a strategic planning process as a way of identifying alternative funding. The CEO initiated a planning event and involved all the Board members in the process (though not all attended).

However, while the CEO was looking for future solutions to the problems, others, especially the Happy Times' Board members not involved in the process, could not see beyond the crisis and focused on that, ignoring the planning group's recommendations and focusing on doing whatever kept the Government funding body happy. As a result, cuts to services were made and there were complaints from the professional staff and members, leading to the resignation of the CEO within a year of the event.

The strategic planning process, in both instances, led to mission statements being developed and some goals outlined, but implementation of these failed as the Boards' urgent need to avoid a financial loss at the time dominated the process and led to short term reactions. In both organizations the first strategic planning meeting failed to achieve anything worthwhile, in part, because it took place at a time when the organizations were in a financial crisis. This concurred with the suggestion that strategic planning is unsuitable for an organization in crisis (Bryson and Roering, 1988; Mitroff and Pearson, 1993). However, it was different groups of stakeholders who ensured that implementation did not take place.

The Second Strategic Planning Group Meeting

The next strategic planning meeting for both organizations (in 1998) were genuine attempts by the board and senior staff to find a strategic direction for their organizations. Both planning meetings involved representatives of staff and all board members. However, the process was influenced by the emergence of different stakeholders who had not previously been considered.

Happy Times

Happy Times found a previously expectant, but not powerful stakeholder, the professional staff, rejected the plans stating they would destroy the "soul" of the organization. They objected strongly to the corporate model being suggested. Their needs emerged as urgent and, because of their influence with the board and grassroots members, they were also powerful and they dominated the process and there were few outcomes. At the next election, eight out of the 10 of Board members resigned.

Healthy Start

For Healthy Start, the meeting involved a new CEO and the Board and focused on long-term issues, but the founders prevented implementation of the plans. The founders, who had conceived and established the organization over 30 years before but, while legitimate stakeholders, they had been latent for many years. They felt the organization was losing its value-base by becoming focused on managerial issues (Mulhare, 1999; Young, Hollister et al., 1993), and used their power to involve other members. The founders made urgent demands on board and staff to consider their ideas. The issues caused much conflict and distress to the CEO and the board. The CEO resigned soon after it, together with five out of the twelve board members.

As Mitchell and colleagues (1997) suggested, a problem arose because of the urgent needs of one group of powerful, legitimate stakeholders with urgent needs. In both cases, the corporate model was seen as clashing with the values of the organizations. The needs of professional staff and founders (backed by grassroots members) dominated the process leading to few positive outcomes.

The Third Strategic Planning Group Meeting

Happy Times

Happy Times' third planning meeting, in 1999, was another attempt to implement a strategic plan for the organization. The Board and the CEO put together a group representative of all stakeholders, including all senior staff, representatives from volunteer workers and other members and funding organizations. The process proceeded without destructive conflict and was viewed as extremely positive by all participants. However, implementation was not possible after an incident involving a child at a self-help activity led to a rash of negative publicity and to several local authorities removing permission to use their facilities. Previously latent stakeholders, the local government and church officials who were their landlords, and the general community, now became very important and the subsequent negotiations and efforts to re-establish a good public image diverted the staff and board from any thought of implementing strategic plans. For Happy Times, once again, strategic planning, had achieved little, because of the intervention of stakeholders, who previously had not been considered as salient to the organization. Three years on little has happened and their major funder is again threatening to withdraw support.

Healthy Start

Healthy Start's third planning meeting in 2001, tried to balance managerial tools successfully with the organization's culture by including just about everybody (Crittenden and Crittenden, 2000). The more participative process pleased all participants and it combined management techniques with the needs of the organization (Lindenberg, 2001). Although the founders were again unhappy with one outcome of the process, their resistance did not carry much weight as most stakeholders were approving. Although the CEO and President identified it as very time consuming and expensive (Mara, 2000), they felt the outcomes made it a worthwhile process. However, six months later a dispute arose among Board members and some Board members and the CEO. The CEO resigned and the President decided not to stand for re-election. Once again the organization focused on more on day-to-day affairs rather than longer term strategy.

DISCUSSION

Drucker (1992) outlined the complexities inherent in nonprofits because of the large number of stakeholders, and hence the large number of relationships that are present in these organizations. These case studies illuminate the various agenda that these stakeholders bring to nonprofits and the difficulties which this creates in strategic planning. In particular the cases revealed that these various and complex agenda led to conflict in the organizations that made implementation difficult and led to unintended, and largely unwanted, consequences. Specifically the six research questions suggest the following.

Question 1: What are the reasons for the NPOs employing strategic planning?

We set out to identify why nonprofits organizations employed strategic planning. In the first instance, both organizations saw the need for a strategic plan to deal with a financial crisis. The second and third strategic planning sessions were an acknowledgment by both organizations that strategic planning was a good idea and necessary for future managerial effectiveness. This concurs with the views of Lindenberg (2001) and Alexander and Weiner (1998) that strategic planning is introduced in an attempt to apply a corporate model, with Bryson (1988) and Mitroff's (1993) views that strategic planning is introduced because of external forces and particularly in times of difficulty, and with Mulhare (1999) and Wolch's (1993) suggestion that strategic planning in NPOs is driven by operational crises.

Question 2: What stakeholders are involved in a strategic planning event?

We sought to identify the stakeholders who were involved in strategic planning and found that, at first, only the CEO and key board members were involved. By the third planning event, both organizations were inviting every stakeholder they could identify to be part of the process. They found, as Drucker (1992) and Anheier (2000) suggested, that the many stakeholders led to many relationships between them which had to be acknowledged, and all interested stakeholders allowed a voice in the proceedings if conflict was to be avoided, or at least kept to a minimum.

Question 3: What stakeholders are likely to find problems with the strategic planning process?

In all planning events, the organizations found that those not involved were likely to be unhappy with the process. Stakeholders who were not involved objected, or influenced previously agreeable stakeholders after the event. Some stakeholders, in both organizations, were distrustful of what they saw as a corporate model, clashing with nonprofit values. As well, the stakeholders were constantly changing, and the new stakeholders found it hard to focus on strategic planning because of the distraction of day-to-day activities. Both organizations found that previously non-involved stakeholders, such as the founders, emerged and caused conflict. In particular, stakeholders who were devoted to the purpose of the organization, such as the founders or the professional staff were most likely to find problems with the strategic process. This supports Drucker's (1992) contention that the number of stakeholders and relationships which is the cause of many difficulties in nonprofit.

Question 4: How can they be classified according to Mitchell et al's typology?

Mitchell et al's (1997) typology helps understand the needs of various stakeholders. The cases studies revealed that the stakeholders involved in the processes included definitive stakeholders, with legitimacy, power and urgency, who must be included in the process. It was found that expectant stakeholders are likely to acquire urgency if they see their needs are not being met, and that latent stakeholders, while seemingly of low salience, may be able to acquire urgency and power if they believe their needs are not being met. The organizations tried, over time, to identify all definitive stakeholders, but also those who were expectant and latent stakeholders; and identified that, while it is ideal to involve as many stakeholders as possible the time involved, and the cost to the organization may be considerable.

Question 5: Did the process result in a workable plan able to be implemented in the future?

After most of the planning events, attempts at implementation failed. As most planning followed operational difficulties, this concurs with Bryson's (1988) and Mitroff's (1993) view that strategic planning is unsuitable for an organization in crisis. However, the main factor leading to failure to implement was the emergence of different stakeholder groups, previously not considered important, who disliked the direction of strategic plans and objected strenuously causing other stakeholders to support them.

Question 6: What are the unintended outcomes, if any, of the strategic planning process?

In undertaking the strategic planning process, these organizations discovered that destructive conflict leading to turnover of staff, board and other volunteers was a likely result. They also found strategic planning extremely difficult to achieve in a situation of operational difficulties or crisis and that strategic planning processes in nonprofits was not likely to result in workable plans for the future.

CONCLUSIONS

We have told the story of two nonprofit voluntary associations as they underwent strategic planning processes, with particular emphasis on the role of stakeholders. Our study found, as Drucker (1992) suggested, is that the major problem with strategic planning in nonprofits is the large array of stakeholders who are committed to these organisations. We believe, an understanding of stakeholders, using a typology such as Mitchell et al's (1997), can lead to a greater ability to interpret the importance and impact of any one stakeholder group at any particular time, and is, therefore, of use to nonprofit organizations.

Our main conclusion, however, is that strategic planning is seldom successful, likely to be very complex, and often causes conflict. Contrary to the claim that using managerial techniques such as strategic planning will ensure that nonprofits are more professionally managed, we found that it was more likely to distract managers and volunteer leaders from their core tasks and involve them in long, drawn out negotiations with various stakeholders, leading often to resignation. For large government funded organizations that provide public services, such as child welfare agencies and health care institutions, pursuing management techniques that have been embraced in for-profit organizations may be a necessity. On the other hand, we suggest that the smaller member benefit associations, such as those outlined in this article, may find such techniques inappropriate and destructive.

If our findings in these two organizations are true of other nonprofits, they raise specific questions as to the extent to which managerial techniques used in for-profit organizations are applicable to the smaller, community, voluntary associations. It appears that the use of professional managerial techniques may well have significant impact on the commitment of stakeholders to the work of a nonprofit, and lead to undesirable consequences such as rapid turnover of staff and volunteers. Overall, we suggest, these techniques need to be applied with caution.

Given the increasingly important roles nonprofit organizations play in the community, these findings raise major questions about the underlying problem of how to manage and lead them, but particularly how to avoid the conflict and complexity that occurs during strategic planning because of the influence of stakeholders. Perhaps these organizations should be recognized as unique, with their own particular structures, processes and an array of stakeholders who value the work of the organisation. Hence, perhaps it is more appropriate that these organizations be allowed to develop their own management techniques that better suit their needs, and those of their stakeholders. We believe that future research should focus on clarifying the need for nonprofits, particularly small, community voluntary associations, to mimic profit-making organizations in introducing corporate management techniques. We also suggest that future research should include an in-depth investigation into the role of stakeholder values and commitment in the work of nonprofits, and whether these are compatible with modern management ideas.

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