

AN UNEASY ALLIANCE: PLANNING AND PERFORMANCE IN NONPROFIT ORGANIZATIONS

William F. Crittenden, Victoria L. Crittenden, Melissa Middleton Stone
and Christopher J. Robertson*

ABSTRACT. The research presented here contributes to our understanding of strategic planning and its relationship to performance in nonprofit organizations. Based on a sample of 303 nonprofit organizations, the study emphasizes individual and diverse elements of the planning process. Multiple measures of performance highlight a nonprofits need to garner resource contributions from several constituencies. Using factor analysis and canonical correlation analysis, we find a positive association between scope of planning and executive satisfaction and a negative association between administrative informality and volunteer involvement. Our results suggest that two critical resource contributors, executive directors and donors, may not value formalized decision-making and planning to the extent previously assumed.

INTRODUCTION

The nonprofit sector attracts considerable resources in terms of time, talent, and dollars. Yet, the quality of management and other resources within nonprofit organizations is a matter of contention. Some claim an

* *William F. Crittenden, Ph.D., is Associate Professor, General Management Group, Northeastern University. His research interest is strategic management and social enterpris. Victoria L. Crittenden, D.B.A., is Associate Professor and Chair, Department of Marketing, Boston College. Her research interest is Strategic Marketing. Melissa Middleton Stone, Ph.D., is Associate Professor, Hubert H. Humphrey Institute of Public Affairs, University of Minnesota. Her research interest is nonprofit management and governance. Christopher J. Robertson, Ph.D., is Assistant Professor, General Management Group, Northeastern University. His research interest is cross-cultural ethics.*

Copyright © 2004 by PrAcademics Press

alarming lack of managerial professionalism within the sector (Unterman & Davis, 1982, Wortman, 1981). Others applauded the savvy of many nonprofit managers (Byrne, 1990; Drucker, 1989). The critical question remains, however, what constitutes effective management in nonprofit organizations? Unlike the for-profit sector, where much research has focused on the relationship between strategic management and organizational performance, few empirical studies have attempted to link elements of strategic management in nonprofit organizations to measures of performance (Stone & Crittenden, 1994).

Despite the lack of research, much of the literature available to nonprofit managers assumes that formal planning improves performance. Two problems exist with this assumption. First, much management literature views planning as a single process rather than one composed of separate, identifiable elements, some being more relevant to a nonprofit's specific situation than others (Bryson, 1989; Nutt, 1984). Second, performance is notoriously hard to measure in nonprofit organizations. These kinds of organizations are often characterized by vague goals appealing to multiple constituencies who hold several, often competing, concepts of what constitutes effective organizational performance (Hatten, 1982; Kanter & Summers, 1987; Newman & Wallender, 1978). Multiple measures of performance seem necessary, but the question remains, what to measure? A straightforward assertion, therefore, that planning improves performance is problematic.

In this paper we contribute to the above discussion in several ways. Through an empirical study of over three hundred nonprofit organizations, we directly address the question of what relationships exist between elements of a strategic planning process and performance. Furthermore, we define performance in resource acquisition terms, using theoretical arguments, previous research on nonprofit organizations, and interviews with executive directors in the field.

The paper is organized into four sections. The first reviews literature on strategic planning and performance and presents our concept of performance in nonprofit organizations. The second section describes the study's methodology, while the third presents the study's results. The fourth section examines implications from the study for theory, research and practice.

STRATEGIC PLANNING, PERFORMANCE AND RESOURCE ACQUISITION IN NONPROFIT ORGANIZATIONS

Strategic Planning and Performance

There has been a long stream of research on whether elements of strategic management, such as the use of formal planning, are related to increased organizational performance in for-profit firms. Performance has primarily been measured using a variety of financial indicators, such as return on equity or operational measures such as new product introduction (for a thorough review on this research stream, see Rhyne, 1986; Stone, Bigelow & Crittenden, 1999; Venkatraman & Ramanujam, 1986). A number of recent articles have focused on issues such as the effects of collaboration and the strategy-performance link (Crittenden, 2000; Stone, 2000). In general, the results of these studies have shown a weak but positive relationship between strategic planning and performance (Armstrong, 1982; Pearce, Freeman & Robinson, 1987; Ramanujam, Venkatraman & Camillus, 1986). A meta-analysis of empirical research on planning and performance, however, indicates that a much stronger, positive relationship exists if variation in research methodology is accounted for (Miller and Cardinal, 1994).

The importance of studying performance and its relationship to organizational and environmental factors is clear. As Venkatraman and Ramanujam (1986, p. 801) state, "For the strategy researcher, the option to move away from defining (and measuring) performance or effectiveness is not a viable one." Performance is of theoretical, empirical, and practical significance.

There is theoretical benefit to studying the planning-performance relationship in nonprofit organizations. It has been argued that many nonprofit organizations exist in environments that are more institutional than technical in nature (Oliver, 1991; Scott & Meyer, 1991) where organizations are not rewarded for efficient behavior that improves performance but rather for symbolic behavior that conforms to prevailing rules and norms regarding what constitutes good managerial practice (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Therefore, in institutional environments, a weak relationship, if any, is likely to exist between formal planning and performance. That is, some nonprofit organizations may adopt formal planning for its legitimating qualities rather than for any direct performance effects (Stone, 1989).

Alternatively, many nonprofits are increasingly concerned with demonstrating actual organizational and program effectiveness (Fine, Thayer & Coghlan, 2000; Kaplan, 2001). Most nonprofit researchers recognize that multiple stakeholders must be considered in developing performance measures. Numerous evaluation models are being posited (Fine et al., 2000; Kaplan, 2001; Rojas, 2000), however many have not been empirically examined across an array of nonprofit organizational types. Further, many focus exclusively on evaluating specific programs rather than examining overall performance.

The nonprofit context, then, provides an interesting theoretical venue for examining the planning-performance relationship. Empirically, the study explores relatively uncharted waters. As stated earlier, the relationship between formal planning and nonprofit performance has rarely been examined. A review of research on strategic management in nonprofit organizations (Stone et al., 1993) found only four articles since 1977 that explicitly addressed the relationship between the use of formal planning and organizational performance (Crittenden, Crittenden & Hunt, 1988; Jenster & Overstreet, 1990; Odom & Boxx, 1988; Siciliano & Floyd, 1993). All used multiple measures of performance, but these measures differed sharply, making generalizations difficult.

The study reported on here extends this previous research in several ways. First, it employs multiple measures of performance based on a definition of performance rooted in a nonprofit's ability to acquire resources from critical stakeholders. This view of performance, while especially relevant for nonprofit organizations, also has implications for understanding performance effects in for-profit enterprises. There is increasing recognition that different corporate stakeholders evaluate performance using multiple kinds of measures (Graves and Waddock, 1994; Greening & Gray, 1994; Wood, 1991). Second, the research disaggregates the planning process into separate elements and determines what, if any, relationships exist between these elements and performance.

The practical significance of examining planning and performance in nonprofit organizations is also considerable. Increasingly, nonprofit organizations are being required to plan by major funding sources (Stone & Crittenden, 1994) and are expending considerable resources doing so. Resources are limited for most nonprofit organizations, making it important to explore whether limited resources spent on formal planning actually yield positive performance effects.

Performance and Resource Acquisition

As described above, many have recognized the difficulty of measuring performance in nonprofit organizations. These difficulties fall into three interrelated questions: What should be measured? How should performance be measured? Who does the measuring?

The question of *what to measure* is an especially thorny one. The relationship between means and ends is often not clearly understood in nonprofit organizations (Hatten, 1982); for example, what inputs are needed to produce a superior orchestral performance? Agreement about the means to achieve a certain end may be contested (is talent enough or is money the critical input?). Additionally, the ultimate goal of the nonprofit itself may be a source of contention (is the orchestra there to educate the public or to play what the public wants to hear?) (Powell & Friedkin, 1986). *How to measure performance* is also controversial. Even if agreement exists over the organization's principal goal, it may be almost impossible to measure whether the goal has been met because most goals are stated in noneconomic terms. For example, has the orchestra educated the city's population? Finally, the question of *who measures performance* in nonprofits is complicated. As Kanter and Summers (1987) argue, constituencies at different levels in the nonprofit organization assess performance using different criteria. Consumers and volunteers are likely to concentrate on service quality indicators, managers will focus on resource allocation and managerial control systems, while board members and donors are likely to be concerned about indicators of external legitimacy and sustained funding.

We argue that performance is best defined by resource acquisition measures. This definition is based on the particular context within which most nonprofit organizations operate. Because of their inability to generate many of the resources needed to sustain operations, they are dependent on external resource suppliers for funds, expertise, clients or users, and legitimacy. In this study, interviews with executive directors identified four sets of critical contributors. These sets complement Kanter and Summer's (1987) organizational levels presented above: volunteers and members, consumers or clients, administrators, and donors. Broad measures that traced changes in contributions over a three-year period were developed as indicators of performance.

For the present study, we interpreted a decrease in contributions as an indication that a constituent perceived the nonprofit as being less

effective over the long run than other alternatives. Performance, therefore, relates directly to how key resource contributors assess organizational effectiveness (Pfeffer & Salancik, 1978; Yuchtman & Seashore, 1967). Simply put, contributors will continue to supply the needed time, talent, and dollar resources if they perceive the nonprofit to be effective according to their own perspectives and standards.

To summarize, the strength of our approach to measuring performance is twofold. First, it is grounded in the resource dependent context facing most nonprofit organizations and identifies sets of constituencies that contribute critical resources. Second, it recognizes that there is a marketplace for contributions. That is, competitors exist for a limited pool of resources. The question then becomes whether certain strategic management practices, such as formal planning, relate in any significant way to increasing resource contributions.

METHODOLOGY

Research on the strategic management of nonprofit organizations, especially that focused on formal planning processes, has often been limited to the single case study or very small sample sizes of similar kinds of nonprofits (Stone & Crittenden, 1994). The primary weakness of these approaches is an inability to generalize results to other organizations. Large, multi-organizational studies allow a greater generalization of results while reducing problems with sample error or sample bias (Stone, 1978).

Data Collection Techniques

This study used standardized, mailed questionnaires, developed after employing rigorous instrument pretests. We obtained a directory of 11,300 voluntary organizations in a single state. This directory was used to solicit a systematic, random sample for the study. Based on pretest response rates, a sample size of 600 was selected to ensure an adequate number of responses for the valid use of the intended data reduction techniques and statistical measures. Preliminary contact was made by telephone with the top administrator in each of the sample organizations. Questionnaires were then mailed to the sample of 600, directed to the top administrator.

Primary nonprofit fields along with respective response rates are shown in Table 1 (respondents were self-classified based on their view of

which category most accurately described their primary field). The total usable response rate of 50.5 percent was considered satisfactory when compared to other strategic planning research.

TABLE 1
Comparison of Respondents and Non-respondents

Nonprofit Field	Usable Responses	Non-response or Non-usable	Percent Usable
Arts	29	5	85.3
Civic Service	64	68	48.5
Education	56	26	68.3
Environment	14	6	70.0
Health	21	19	52.5
Religious	27	47	36.5
Social Service	56	83	40.3
Sports / Recreation	12	8	60.0
Other	24	35	40.7
Totals	303	297	50.5

Three of nine nonprofit fields fell substantially below the fifty percent response rate, (that is, religious, social service, and other), suggesting potential non-response bias. Findings by Kanuk and Berenson (1975) indicate that late respondents are more similar to non-respondents than to early respondents. Therefore, to evaluate potential non-response bias in this study, respondents were categorized based on when they responded -- either prior to or after a follow-up mailing. Statistical comparisons, using various descriptive measures (for example, size and age), were made between the two groups (for each field and for the whole sample) and no significant differences were found ($p > .05$).

Sampled organizations were all established to aid or maintain charitable activities serving the common welfare. They operated under state or federal charter and enjoyed privileges of tax exemption. All organizations listed were required to file IRS Form 990 along with annual State documents. However, the directory was not believed to cover all voluntary organizations as the Office of Voluntary Citizen Participation did not have direct access to State Revenue Service

documents. Table 2 provides descriptive statistics for the responding organizations.

TABLE 2
Descriptive Statistics for Sample

Category	Average Mean	Range
Membership	432	8 to 9,100
Age	21 years	3 to 101 years
Net Worth	\$83,985	\$500 to \$4.1 million
Annual Budget	\$175, 608	\$25,000 to \$5.4 million

Data Analysis

The questionnaire gathered information on three major areas: general organizational characteristics; strategic planning elements; and, resource contribution measures. The purpose of the data analysis was to see if significant relationships existed between strategic planning elements (independent variables) and resource contribution measures (dependent variables). The study did not assume that planning was a single process but rather one composed of separable elements. The analysis, therefore, sought to determine statistically what elements were included within the planning process and whether specific elements were related to resource contribution measures. Furthermore, studies have often examined the relationship of organizational characteristics to the comprehensiveness of an organization's strategic planning process (Fulmer & Rue, 1974). However, the objectivity and accuracy of planning comprehensiveness measures have been questioned (Pearce et al., 1987). We chose to derive empirically a comprehensiveness measure and then determine whether this measure related significantly to our resource contribution measures. Described below are, first, the planning factors produced by initial data analysis and the planning comprehensiveness measure and, second, the resource contribution measures used.

Independent variables. Factor analysis was used to reduce an original set of thirty-five strategic planning variables into underlying factors that could then be used to test for relationships to performance measures. A value of 0.5 or above was used to assess the significance of factor loadings. A Cronbach's alpha was calculated for each factor to assess further the internal consistency of the newly developed constructs.

The factor analysis of the strategic planning variables produced ten factors with eigen values of 1.0 or above. Table 3 summarizes the ten factors including: a brief description of each variable with factor loadings exceeding 0.5, respective eigen values, and a Cronbach's alpha for each construct with more than one variable. A second analysis reduced these ten factors to a measure of planning completeness.

TABLE 3
Strategic Planning Factors

	Factor Loading	Eigen Value	Cronbach's Alpha
Scope of Planning			
Develop Detailed Budgets	0.78413		
Procedures Spelled Out	0.74963		
Alternative Futures	0.69381		
Financial Forecasts	0.67215		
Growth Goals	0.65909		
Review Direction/Mission	0.65416		
Project Evaluation	0.60231		
Forecast Trends	0.59129		
Established Expected Results	0.55055		
Qualified Goals	0.54693		
		11.594	0.92
Planning Formality			
Written Plan	0.80254		
Planning Horizon	0.7878		
Age of Planning process	0.67102		
Formal Evaluation Process	0.54487		
		3.167	0.76
Administrative Informality			
Intuition Plays a Key Role in our Planning	0.79468		
Short Range Decision Making	0.6821		
Laissez-Faire Leadership	0.6356		
		2.156	0.66
Level of Participation			
Broad Participation - Planning & Decision Making	0.78393		
Input from Volunteers in Plan. & Decisions	0.67587		

TABLE 3 (Continued)

	Factor Loading	Eigen Value	Cronbach's Alpha
Regular Information Flow to all Members	0.52577		
		1.857	0.51
External Interdependence			
Outside Agencies Influence on Planning Process	0.68899		
Clients are Chief Consideration in Decisions	0.59807		
		1.511	0.51
Implementation Responsiveness			
Concern with Marketing to the Public	0.65729		
Identification of Action Steps	0.64428		
Volunteer Staffing Needs Identified	0.61328		
Planned Actions Consider Competition	0.56379		
Careful Scheduling of Volunteers	0.54377		
Admin. Involvement in Implementation	0.54403		
		1.424	0.79
Stat Planning Routinism			
Planning Meetings per Year	0.81421		
		1.32	
Constraint Identification			
Activity to Identify Constraints re Alternatives	0.64024		
		1.258	
Subjective Planning			
Number of Planners	0.59649		
Use of mathematical Models/Computers	-0.60396		
		1.175	0.53
Resource Misallocation			
Resource Allocation Not Tied to Objectives	0.78931		
		1.025	

Scope of Planning. The first factor extracted in the factor analysis has fifteen variables with positive factor loadings of 0.5 or above. The variables include objective setting, forecasting, and evaluation. Previous studies of strategic planning tended to emphasize the importance of individual planning elements only as they contributed to a total or complete planning process (Kopp & Litschert, 1980; Kudla, 1980). The

fact that these variables loaded together indicates the interwoven nature of only some specific elements.

Formality of Planning. The second factor has four variables with significant factor loadings. The factor suggests that planning formality is supported by having a written plan as well as an explicit evaluation process. In addition, the longer the planning process has existed within the organization and the longer the time span covered by the plan, the more formalized the process tends to become.

Administrative Informality. The third factor is represented by three positively-related variables: short-term thinking, intuitive decision-making, and laissez-faire leadership tendencies. This supports previous work that suggests nonprofit organizations are more likely to emphasize informality and short-run concerns in their planning process than their corporate counterparts (Snyder & Glueck, 1980; Stone & Brush, 1992).

Level of Participation. The fourth planning factor has three variables with significant loadings. Two deal explicitly with involvement by volunteers and other organization members in the planning and decision-making process. The third concerns information flow to the membership.

External Interdependence. Two variables, loading significantly on the fifth factor, emphasize the nonprofit's interrelationship with its external environment. The first concerns the influence of customers or clients on decision-making, while the second deals with the effects of external agencies on decision-making. This factor emphasizes the extent to which the nonprofit is open to critical elements in its environment.

Implementation Responsiveness. An emphasis on client-oriented strategies and the implementation of plans and programs are included within this factor. Two variables concern the identification and utilization of internal human resources, two others focus on external interactions with competitors and the community, while the final two emphasize the integration of plans.

Strategic Planning Routinism. The number of times the planning team meets per year is the single variable contained in this factor. This suggests that the more often planners meet, the more routine planning has become within the organization.

Constraint Identification. The eighth factor extracted also has only one variable loading significantly, and it deals with the identification of

operating constraints (such as feasibility or limitations of alternatives) within the strategy making process.

Subjective Planning. The ninth factor reflects a lack of quantification within the planning process, or, simply, a high level of planning subjectivity. The two variables contained within this factor include a negative relationship between the utilization of mathematical models or computers in the planning process and the numbers of planners involved. Apparently, administrators perceive a trade-off between reliance on quantifiable data and more personal or subjective data presented by the planners themselves.

Resource Misallocation. The tenth factor extracted has one variable loading significantly: the occasional misallocation of resources relative to the stated organizational objectives.

A factor analysis of mean summate scores was performed to determine if there was an underlying planning dimension that combined some of the ten factors into a measure of planning comprehensiveness.

Dependent Variables. The specific resource contribution measures used draw on Hatten's (1982) work on strategic management in nonprofit organizations. In viewing resource needs, Hatten considered managerial, personnel, and financial resources. In this study, we translated these resource requirements into changes in executive satisfaction, percentage change in numbers of volunteer members, and percentage change in levels of funds received. In addition, Hatten argues that the environment faced by nonprofit organizations is subject to more diverse influences than those in profit-making organizations. For the purposes of this study, we have captured some of these environmental influences in a measure of change in the number of service/activity/product offerings, reflecting the extent to which consumer demand is increasing or decreasing.

Managerial Resource Contribution. Executive satisfaction scale. The influence of the top executive in nonprofit organizations is especially high, particularly given the part-time and volunteer nature of boards of directors (Young, 1987). The top executive's level of satisfaction with his or her job, therefore, determines his or her willingness to contribute managerial resources. Satisfaction was measured using a six-point scale, including satisfaction with organizational goal achievement, member involvement, financial status of the nonprofit, morale, facilities and equipment, and planning processes. This construct, in stressing

satisfaction, is an indirect measure of resource contribution, but we argue that it is an appropriate one, given the difficulty of directly measuring managerial resource contribution.

Volunteer Resource Contribution: Percentage Change in Volunteer Involvement. Volunteers are critical to the existence of many nonprofit organizations. Turnover and fluctuations in their performance reliability can cause major problems for nonprofits that come to rely on their participation (Hatten, 1982). Demographic and social changes have reconfigured the pool of volunteers, and it is widely recognized that volunteers will seek alternative places to contribute their labor if not satisfied. Therefore, in this study, volunteer resource contribution is measured as percentage change in their active involvement over the three-year period.

Donor Resource Contribution: Percentage Change in Level of Funds Received. Included in this measure are percentage changes in total annual revenues over the three year period, including donations, grant and contract dollars, fees-for-service, and dues. The significance of a successful financial strategy for a nonprofit organization entails not only organizational survival (Anthony & Herzlinger, 1975), but also the community's positive perception of the organization's future relevance (Hatten, 1982). The resource measure used here indicates the extent to which customer/clients (fees), individual donors, government contracting or granting agencies, and the general membership are willing to contribute financial resources based on their assessment of organizational effectiveness (Harvey & McCrohan, 1988).

Percentage Change in Service/Activity/Product Offerings. The ability to alter programs or services in response to changes in the nonprofit's environment, including demographic trends, client needs, and competitor actions, is becoming more and more critical for nonprofit organizations (Drucker, 1989; Wilson, 1992). It is measured in this study as the annual percentage change over a three-year period in service/activity/product offerings. While changes in the number of organizational activities can be stimulated by many factors (such as shifts in founder priorities), we are using this construct to provide an indication of client or user evaluation of the nonprofit's services or programs. An increase in offerings suggests increasing demand and positive evaluation, while a decrease in offerings suggests declining demand and negative evaluation.

To examine the relationships between the strategic planning elements and the resource contribution variables, we employed canonical correlation analysis. The analysis was performed using the strategic planning factor mean summate scores as independent variables and the four resource contribution measures as dependent variables.

RESULTS

In this section, we present results from the canonical correlation analysis relating planning elements with measures of resource contribution.

Strategic Planning and Performance

As previously stated, little is known about the extent to which adoption of specific planning practices improve or influence the performance of nonprofit organizations (Stone & Crittenden, 1994). Canonical analysis of the ten planning factors and the resource contribution measures allows an identification and examination of the extent to which strategic planning elements are related to the performance/resource contribution measures in the nonprofit domain.

Two significant canonical functions were found and are presented in Table 4. The correlation for the first pair of canonical functions is .642, which is significant at the 0.0001 level. The correlation for the second pair is 0.316 with a significance level of 0.0159.

The first pair of functions shows a clear and positive association between *scope of planning* and *executive satisfaction*, indicating that a planning process which includes objective setting, forecasting, and evaluation is important to the view of performance by the nonprofit's top executive.

The second pair of canonical functions is more complex. It indicates that administrative informality (the use of short-term, intuitive decision-making and a laissez-faire leadership style) is negatively associated with increases in volunteer involvement and service/activity/product offerings but is positively related to executive satisfaction, although at a much weaker level of relationship. On the other hand, a positive relationship exists between external interdependence (that is, inclusion of client needs and external agencies in decision-making) and increased volunteer

TABLE 4
Canonical Correlation Analysis of Strategic Planning Elements and Resource Acquisition

Scale	I	II
Canonical Correlation	0.642	0.316
"F" Statistic	4.390	1.697
Significance Level	0.0001	0.0159
Strategic Planning Elements		
Scope	0.989	-0.210
Formality	0.071	0.054
Administrative informality	0.044	-0.753
Level of participation	0.109	-0.232
External interdependence	-0.299	0.551
Implementation responsiveness	0.042	0.289
Planning Routinism	-0.179	0.147
Constraint identification	-0.084	-0.259
Planning subjectivity	0.042	0.238
Resource misallocation	-0.107	-0.055
Resource Acquisition Measures		
Administration Satisfaction	0.971	-0.323
% Change in Volunteer Involvement	0.083	0.678
% Change in Funds Received	0.061	0.212
% Change in Service Offerings	0.017	0.513

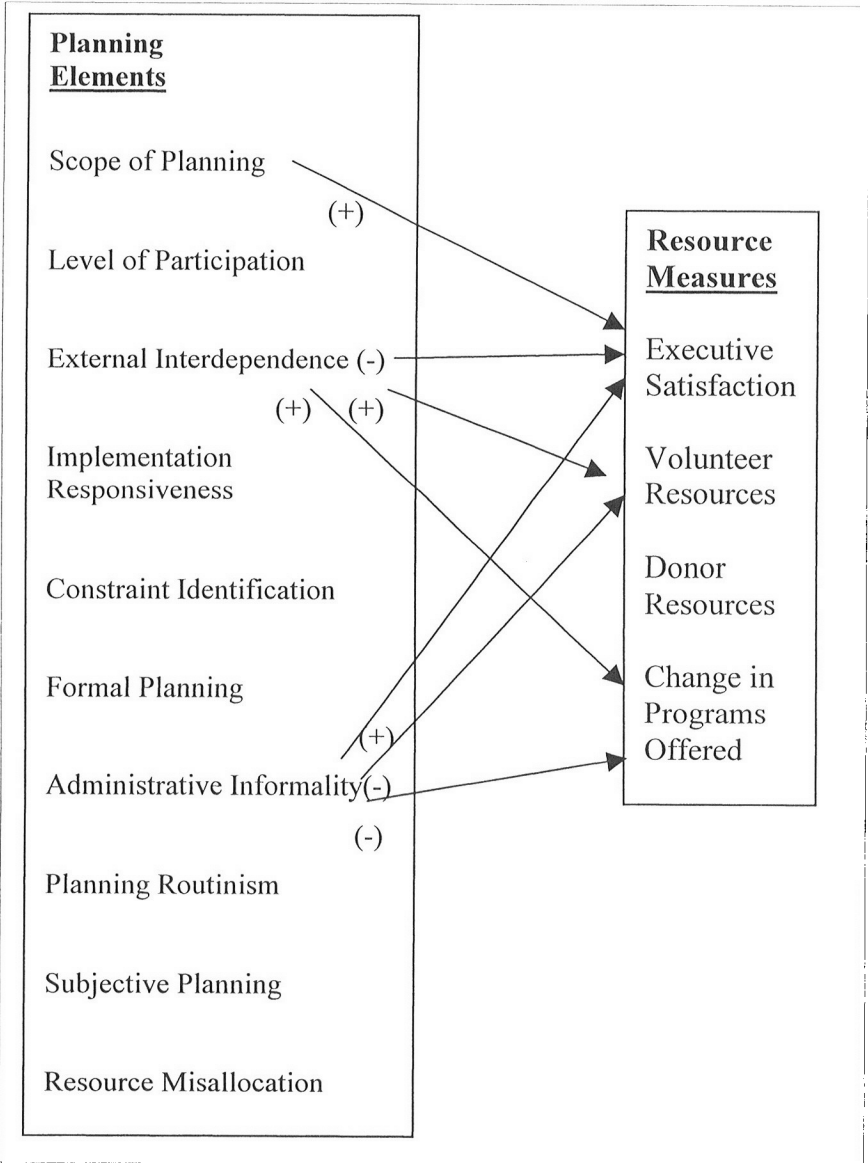
involvement and service/activity/product offerings. This planning element is weakly associated with decline in executive *satisfaction*.

There were no significant relationships between strategic planning elements and donor resource contributions.

DISCUSSION

Figure 1 summarizes significant relationships between the planning factors and performance measures. These findings suggest that for an organization to increase its program offerings and volunteer contributions, it is necessary to avoid excessive managerial informality and to respond to key external demands in a planning process.

FIGURE 1
Relationships Between Planning Elements
and Resource Acquisition Measures



Consistent with Drucker (1989) and Moyer (1990), the finding about volunteer involvement suggests that volunteers are demanding more from organizations and managers. Volunteers do not want to waste time on perceived meaningless tasks. They want to be in an organization with some formalized decision-making where that decision-making process is responsive to important external demands. It appears logical that growth in service/product/activity offerings is related to more formalized decision-making that is responsive to external demands from clients, consumers, and external agencies.

On the other hand, managers hold more positive attitudes toward informality in decision-making and are less enthusiastic about including a broad range of external participants in decisions. This finding suggests that nonprofit top executives value autonomy in decision making, preferring to use their own judgments and intuition to control organizational direction rather than relying on formal techniques and broad participation.

As Figure 1 highlights, some executive satisfaction appears to be at odds with actions desired by volunteers and those related to growth. Two planning factors, external interdependence and administrative informality, relate in opposite ways to executive satisfaction, volunteer involvement, and growth in service offerings. This finding suggests potential organizational conflict over formalizing or rationalizing efforts and practices within nonprofits. These associations with executive satisfaction are weak, however, so caution is needed in interpreting the results.

A much stronger association is found in the first canonical pairing, indicating that managers value some elements of the planning process more than others, in particular, objective-setting, forecasting, and evaluation (that is, the “scope of planning” factor). These elements may help reduce uncertainty for executive directors; that is, these tools help managers feel as if they have some control over the direction of the nonprofit and may provide executives with mechanisms to shape staff and board behavior, important because financial incentives and rewards are often absent.

Executives may also perceive that these planning elements contain important legitimating qualities. To the extent they demonstrate to funding sources that a formal planning process exists, these elements help legitimate the executive and the nonprofit (Stone, 1989). It appears,

then, that nonprofit executives' favor planning elements that they perceive will enhance their control and help secure external legitimacy, but they are reluctant to embrace fully a formalized process that constrains their decision-making prerogatives.

Figure 1 also highlights the absence of strong relationships between some planning elements and performance measures. In previous studies of planning and resource acquisition, researchers usually viewed the planning process as an either/or situation (Herold, 1972; Thune & House, 1970). Organizations were classified as either having or not having a formal, strategic planning process. Allowances were seldom made for organizations that emphasized the select use of individual planning elements without having a "complete" and formal process. Our findings do not support the assumption that a more complete strategic planning process results in increased resources. For example, neither planning formality nor most of the planning completeness factors were associated with performance. Only two of the five constructs identified as constituting a complete planning process, scope of planning and external interdependence, were significantly related to resource contribution measures. Furthermore, key parts of standard planning processes were unrelated to performance measures (that is, the identification of constraints and the responsiveness of implementation plans to internal and external contexts).

Importantly, only a weak relationship was found between planning elements and donor resource contributions, measured as percentage changes in funding levels. The importance of a nonprofit to donors, in terms of continued or increased contributions, may be determined by a far more complex set of factors than the existence of a strategic planning system. A nonprofit's size and prestige, networks of social relationships between board members and various kinds of donors, the political savvy of the executive director and so forth have all been documented as having a critical effect on donor contributions (Galaskiewicz, 1985; Smith & Lipsky, 1993).

These findings suggest that a tenuous relationship exists between formal planning and performance in nonprofit organizations. Few individual elements within a strategic planning apparatus led to increases in resources, and resource contributors differed regarding which elements were most important.

CONCLUSIONS

At the beginning of this paper, we argued that assuming formal planning improves organizational performance was problematic in nonprofit organizations. Based on our findings, we wish to draw attention to an additional feature of this problematic relationship -- the symbolic effects of formal managerial practices on internal and external stakeholders.

The study found few significant relationships between formal planning elements and measures of performance. This finding lends support to the argument that organizations in institutional environments will adopt elements of administrative practice and structure for their legitimating qualities, regardless of their effect on efficiency or performance (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). More specifically, this study found that only certain elements of planning are important to certain stakeholders, suggesting that planning elements contain significant but different signals. For example, the planning element *external interdependence*, which concerns the influence of clients/customers and external agencies on decision-making, was important to *volunteers*. These stakeholders may be especially sensitive to signals of nonprofit responsiveness, not wishing to devote their scarce resources to organizations isolated from consumer and community needs. The *comprehensiveness of a planning process*, therefore, does not provide one unified signal or symbol to stakeholders; rather, particular elements appeal to the perceptions of individual constituent groups.

Furthermore, formal planning in many nonprofit organizations is often viewed as part of a larger effort toward rationalizing managerial activities and practices (Wolch, 1990). As such, it has a meaning to insiders and outsiders that extends beyond that embodied in the planning process itself. For example, some report that staff in nonprofit organizations resist formal planning because it represents the managerial ideology of large-scale corporate enterprises (Tober, 1991), while others (for example, funders and board members) view planning as essential to a businesslike and professional attitude (Stone, 1991). Thus, formal planning may be significant for its legitimating qualities.

Limitations to this study should be noted before generalizing too broadly from the study. When assessing increases in resource contributions, organizations were not stratified according to size. Use of percentage increases, therefore, may have been modestly biased toward

smaller nonprofits. Second, it was not established how long each organization used its combination of strategic planning elements. It is possible that some nonprofit organizations are now reaping the benefits of past planning efforts and that other organizations have not yet been rewarded for their present planning efforts. Moreover, it should be noted that differences in organizational age should be considered when interpreting our results. Younger nonprofits are likely less tied to institutional traditions when compared to their older counterparts and may have more of a keen eye on efficiency and performance. Further, certain nonprofit fields or organizational forms may be differently affected by stakeholder influence and/or funding sources and these differences may not be readily apparent in an aggregated study of this scale.

Despite these limitations, the findings suggest several implications for future research. A primary research implication of these findings is the need to investigate more thoroughly what kinds of managerial activities are most salient to which resource contributors. We found that many elements of formal planning were not related to increases in resource contributions and suggested that political and social factors, such as interorganizational network centrality, may be more germane. We recommend, therefore, that future research compare the relative importance of strategic management activities versus political and social factors to performance. As previously suggested, perceptions of effectiveness may be determined by a far more complex set of factors than simple indications of managerial professionalism.

This kind of comparative research would benefit the general strategic management field as well. This field has steadily recognized that formal, comprehensive planning is not always a major element in strategy-making (Chaffee, 1985). Understanding how political and social factors influence perceptions of performance and the need to use multiple measures of performance that recognize different stakeholders would be of considerable worth to the strategy field.

Second, we recommend further refinement of notions of performance in nonprofit organizations. Our measures tapped some important elements regarding resource contributions from multiple sources, however, a few of these measures were indirect ones and not all critical contributors were included. For example, it is possible that some of our aggregated data masked significant relationships; more specifically, neither types of funds nor funders were disaggregated. It is possible that

some kinds of funders, for example, corporate funders or the United Way, may be more likely to increase their resource contributions if they see many elements of a formal planning process (Stone, 1989).

The findings also have implications for board members and executives. First, governing bodies can foster management satisfaction by formalizing the processes involved with forecasting, objective-setting, and evaluation and ensuring that the executive director is involved with these activities. Providing latitude for executives to utilize their personal leadership and decision-making style regarding non-strategic issues will also enhance management satisfaction. However, broad participation by external constituencies is needed for strategic issues involving expanding the volunteer base or adding programs. Managers can deal with external interdependence issues by using planning boards to gather and share information among outside agencies and clients. Such boards provide a buffer between managers and what might be perceived as undue intervention.

Finally, the development of strategic plans solely to secure funding may be an inappropriate use of organizational resources. Funding organizations should question the extent to which their requirements to submit formal and comprehensive planning documents are beneficial. Such documents may help funders compare grantee requests but this study suggests that the usefulness to the nonprofit itself of comprehensive plans is quite limited. Indeed, the current *modus operandi* of nonprofits may be to emphasize the implementation and execution of strategies with less regard for formal strategic planning and formulation. This pattern may be forced to change in the future as nonprofit organizations are pressured into a higher level of performance due to economic, political and market pressures. However, until all affected stakeholders can agree in identifying appropriate outcomes, nonprofit managers will continue to have significant difficulties aligning performance expectations and managerial actions.

ACKNOWLEDGEMENTS

The authors would like to acknowledge helpful comments on earlier drafts from Candida Brush, Joseph Galaskiewicz, Jennifer Griffin, and Kenneth T. Hatten. The authors would like to thank Marcelo Perez-Verzini for his research assistance.

REFERENCES

- Anthony, R., & Herzlinger, R. (1975). *Management control in nonprofit organizations*. Homewood, IL: Richard D. Irwin, Inc.
- Armstrong, J. (1982). The value of formal planning for strategic decisions. *Strategic Management Journal*, 3, 197-211.
- Bryne, J. (1990, March 28). "Surprise! Some of America's Best Run Organizations Are Nonprofits," *Business Week*, 30.
- Bryson, J. (1989). *Strategic Planning for Public and Nonprofit Organizations*. San Francisco, CA: Jossey-Bass.
- Chaffee, E. (1985). "Three Models of Strategy," *Academy of Management Review*, 10, 89-98.
- Crittenden, W., Crittenden V., & Hunt, T. (1988). Planning and stakeholder satisfaction in religious organizations. *Journal of Voluntary Action Research*, 17, 60-73.
- Crittenden, W. (2000). "Spinning Straw into Gold: The Tenuous Strategy, Funding, and Financial Performance Linkage," *Nonprofit and Voluntary Sector Quarterly*, 29 (1), 164-182.
- DiMaggio, P., & Powell, W. (1983). "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality In Organizational Fields," *American Sociological Review*, 48, 147-160.
- Drucker, P. (1989). "What Business Can Learn From Nonprofits," *Harvard Business Review*, 67 (4), 88-93.
- Fine, A. H., Thayer, C. E., & Coghlan, A.T. (2000). "Program Evaluation Practice in the Nonprofit Sector," *Nonprofit Management and Leadership*, 10 (3), 331-339.
- Fulmer, R., & Rue, L. (1974). "The Practice and Profitability of Long Range Planning," *Managerial Planning*, 22 (6), 1-7.
- Galaskiewicz, J. (1985). "Professional Networks and the Institutionalization of a Single Mind Set," *American Sociological Review*, 50 (10), 639-658.

- Graves, S., & Waddock, S. (1994). "Institutional Owners And Corporate Social Performance," *Academy of Management Journal*, 37 (4), 1034-1046.
- Greening, D., & Gray, B. (1994). "Testing a Model of Organizational Response to Social and Political Issues," *Academy of Management Journal*, 37 (3), 467-498.
- Harvey, J., & McCrohan, H. (1988). "Strategic Issues for Charities and Philanthropies," *Long Range Planning*, 21 (6), 44-55.
- Hatten, M. (1982). "Strategic Management in Not-For-Profit Organizations," *Strategic Management Journal*, 3, 89-104.
- Herold, D. (1972). "Long-Range Planning and Organizational Performance: A Cross-Valuation Study," *Academy of Management Journal*, 15 (3), 91-102.
- Jenster, P., & Overstreet, G. (1990). "Planning for a Non-Profit Service: A Study of US Credit Unions," *Long Range Planning*, 23 (2), 103-111.
- Kanter R., & Summers, D. (1987). "Doing Well While Doing Good." In Powell, W.W. (Ed.) *The Non-Profit Sector: A Research Handbook*. New Haven, CT: Yale University Press.
- Kanuk, L., & Berenson, C. (1975). "Mail Survey's and Response Rates," *Journal of Marketing Research*, 12 (4), 339-349.
- Kaplan, R.S. (2001). "Strategic Performance Measurement in Nonprofit Organizations," *Nonprofit Management and Leadership*, 11 (3), 353-370.
- Kopp, D., & Litschert, R. (1980). "A Buffering Response in Light of Variation in Core Technology, Perceived Uncertainty, and Size," *Academy of Management Journal*, 23, 252-266.
- Kudla, R. (1980). "The Affects of Strategic Planning on Common Stock Returns," *Academy of Management Journal*, 23, 5-20.
- Meyer, J. & Rowan, B. (1977). "Institutionalized Organizations: Formal Structure as Myth and Ceremony," *American Journal of Sociology*, 83, 340-363.

- Miller, C., & Cardinal, L. (1994). "Strategic Planning and Financial Performance: A Synthesis of More Than Two Decades of Research," *Academy of Management Journal*, 37 (6), 1649-1665.
- Moyer, M. (1990). "Attracting Volunteers Using Buyer Behavior Concepts," *Nonprofit Management and Leadership*, 1 (1), 55-68.
- Newman, W., & Wallender, H. (1978). "Managing Not-For-Profit Enterprises," *Academy of Management Review*, 3, 24-31.
- Nutt, P. (1984). "A Strategic Planning Network for Nonprofit Organizations," *Strategic Management Journal*, 5, 57-75.
- Odom, R., & Boxx W. (1988). "Environment, Planning Processes, and Organizational Performance of Churches," *Strategic Management Journal*, 9, 197-205.
- Oliver, C. (1991). "Strategic Responses to Institutional Pressures," *Academy of Management Review*, 16, 145-179.
- Pearce, J., Freeman E., & Robinson, R. (1987). "The Tenuous Link Between Formal Strategic Planning and Financial Performance," *Academy of Management Review*, 12, 658-675.
- Pfeffer, J., & Salancik, G. (1978). *The External Control of Organizations*. New York: Harper and Row.
- Powell, W., & Friedkin, R. (1986). "Politics and Programs: Organizational Factors in Public Television Decision-Making." In P.J. DiMaggio (Ed.), *Nonprofit Enterprise in the Arts: Studies in Mission and Constraint*. NY: Oxford University Press.
- Ramanujam, V., Venkatraman, N., & Camillus, J. (1986). "Multi-Objective Assessment of Effectiveness of Strategic Planning: A Discriminant Analysis Approach," *Academy of Management Journal*, 29, 347-372.
- Rhyne, L. (1986). "The Relationship of Strategic Planning to Financial Performance," *Strategic Management Journal*, 7, 423-436.
- Rojas, R.R. (2000). "A Review of Models for Measuring Organizational Effectiveness among For-Profit and Nonprofit Organizations," *Nonprofit Management and Leadership*, 11 (1), 97-104.
- Scott, W., & Meyer, J. (1991). "The Organization of Societal Sectors: Propositions and Early Evidence." In Powell, W.W., & DiMaggio,

- P.J. (Eds.), *The New Institutionalism in Organizational Analysis*. Chicago: University of Chicago Press.
- Siciliano, J., & Floyd, S. (1993). *Nonprofit Boards, Strategic Management and Organizational Performance: An Empirical Study of YMCA Organizations* (Working Paper #183). New Haven, NJ: Yale University, Program on Non-Profit Organizations.
- Smith, S., & Lipsky, M. (1993). *Nonprofits for Hire*. Cambridge, MA: Harvard University Press.
- Snyder, N., & Glueck, W. (1980). "How Managers Plan The Analysis Of Managers," *Long Range Planning*, 13, 70-76.
- Stone, E. (1978). *Research Methods in Organizational Behavior*. Santa Monica, CA: Goodyear Publishing Co.
- Stone, M. (1989). "Planning As Strategy In Nonprofit Organizations: An Exploratory Study," *Nonprofit and Voluntary Sector Quarterly*, 18, 297-315.
- Stone, M. (1991). "The Propensity Of Governing Boards to Plan," *Nonprofit Management and Leadership*, 1, 210-215.
- Stone, M., & Brush, C. (1992). *Planning in Ambiguous Contexts: An Elaboration and Application of the Interpretive Model* (Working Paper Series #92-05). Boston, MA: Boston University, School of Management.
- Stone, M., Bigelow B., & Crittenden W. (1993). "Strategic Management in Nonprofit Organizations: An Analysis of Research Findings, 1977-1992." Paper presented at the Academy of Management Annual Meetings, Atlanta, GA., August 9-11.
- Stone, M., & Crittenden, W. (1994). "A Guide to Strategic Management Literature on Nonprofit Organizations," *Nonprofit Management and Leadership*, 4 (2), 193-213.
- Stone, M., Bigelow, B., & Crittenden, W. (1999). "Research on Strategic Management in Nonprofit Organizations," *Administration and Society*, 31 (3), 378-423.
- Stone, M. (2000). "Exploring the Effects of Collaborations on Member Organizations: Washington County's Welfare-To-Work Partnership," *Nonprofit and Voluntary Sector Quarterly*, 29 (1), 98-119.

- Thune, S., & House, R. (1970). "Where Long-Range Planning Pays Off," *Business Horizons*, 13, 81-87.
- Tober, J. (1991). "Strategic Planning in Organizations and Environments." (Working Paper #165). New Haven, CT: Yale University, Program on Non-Profit Organizations.
- Unterman, I., & Davis, R. (1982, May-June). "The Strategy Gap in Not-For-Profit," *Harvard Business Review*, 30-40.
- Venkatraman, N., & Ramanjam, V. (1986). "Measurement of Business Performance," *Academy of Management Review*, 11 (4), 801-814.
- Wilson, D.C. (1992, Spring). "The Strategic Challenges of Cooperation And Competition in British Voluntary Organizations: Toward the Next Century," *Nonprofit Management and Leadership*, 3, 239-254.
- Wolch, J. (1990). "Planning as Crisis Management: An Analysis of London's Voluntary Sector" (Paper #147). New Haven, CT: Yale University, Program on Non-Profit Organizations.
- Wood, D. (1991). "Corporate Social Performance Revisited," *Academy of Management Review*, 16 (4), 691-718.
- Wortman Jr., M.S. (1981). "A Radical Shift from Bureaucracy to Strategic Management in Voluntary Organizations," *Journal of Voluntary Action Research*, 10 (2), 62-81.
- Young, D. (1987). "Executive Leadership in Nonprofit Organizations." In Powell, W.W. (Ed.), *The nonprofit sector: A research handbook*. New Haven, CT: Yale University.
- Yuchtman, E., & Seashore, S.E. (1967). "A System Approach to Organizational Effectiveness," *American Sociological Review*, 32, 891-903.