Strategic Planning for Environmental Funds

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RedLAC Capacity Building Project for Environmental Funds

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Latin American and Caribbean
Network of Environmental Funds

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Scaling up Conservation Finance

The Latin America and Caribbean Network of Environmental Funds – RedLAC – was created in 1999 and congregates currently 24 funds from 15 countries. Its mission is to set up an effective system of learning, strengthening, training, and cooperation through a Network of Environmental Funds (EFs) aimed at contributing to the conservation and sustainable use of natural resources in the region.

RedLAC, with the support of the Gordon & Betty Moore Foundation and the French Fund for the Global Environment (FFEM, for its name in French), implements a capacity building project with the objective of strengthening the capacity of EFs to develop innovative financial mechanisms for biodiversity conservation, reducing their dependence on donations, and also to support the establishment of new EFs, by systematizing and sharing proven best practices in funds day to day operation.

This project, coordinated by the Brazilian Biodiversity Fund – Funbio - on behalf of the RedLAC membership, has the goal of promoting the implementation of new revenue streams in the Funds' portfolios, creating financially sustainable sources of funding for these institutions to invest in conservation. Having knowledge management as its core, the project will systematize the existing information on different topics of interest for EFs and build new content based on the collective experience of the Funds' community.

This book was prepared to support the second workshop of the capacity building initiative, focusing on Strategic Planning and the importance of this process for EFs. More experienced funds have carried out one or more strategic planning exercises to define how to respond to the challenges they were facing in the different phases of the funds consolidation. This is the case of Funbio and Fondo para la Acción Ambiental y la Niñez, who shared their experiences and most recent strategic decisions in this book. It is also the case of the Kenya Wildlife Service Fund, who supported Funbio in the organization of this workshop, in the city of Mombasa, in Kenya, on March 29 to 31, 2011.

Organization:

Funded by:

Index

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I. Strategic Planning for Environmental Funds

Introduction

Content and approach of this primer

This is one of many primers on strategic planning. The web is chock full of them, some good, some less so. What we have tried to do here, that is a little different, is to focus on the needs and challenges facing environmental funds (EF) and to make this a companion document to the workshop sponsored by RedLAC on strategic planning for EFs to be held in Mombasa, Kenya, March 29-31, 2011. We have tried to put the examples in context. However, in order to illustrate the large variability in approaches, we have, from time to time, introduced examples from other industries. The important thing to remember is that a strategic plan is a product highly customized to the needs and corporate culture of the organization that will develop and implement it. You can get help to prepare it, but you cannot hire the strategic planning out.

In the first two sections (Introduction and Laying the Groundwork) we illustrate the difference between strategic plans and other types of plans that most organizations, EFs in particular, have and need to operate effectively. We introduce the concepts behind a strategic plan. We try to answer the all-important questions: "why plan?" And we outline some of the key steps that need to take place before planning can effectively start. These two sections highlight the importance of getting to know the organization and engaging the team in the planning process.

In the third section (The Big Picture) we discuss the concepts of mission, vision and values, and emphasize the importance of understanding the broader context in which organizations function at the outset of the planning process.

In the fourth section (Planning for Implementation) we turn our attention to the implementation challenges, from taking ideas to action, to the development of an implementation plan, with tasks, assignment of responsibilities and establishment of timetables.

In the fifth section (Staying on Track) we deal with the often forgotten topic of performance monitoring and a way to keep the implementation of the plan on track and on target.

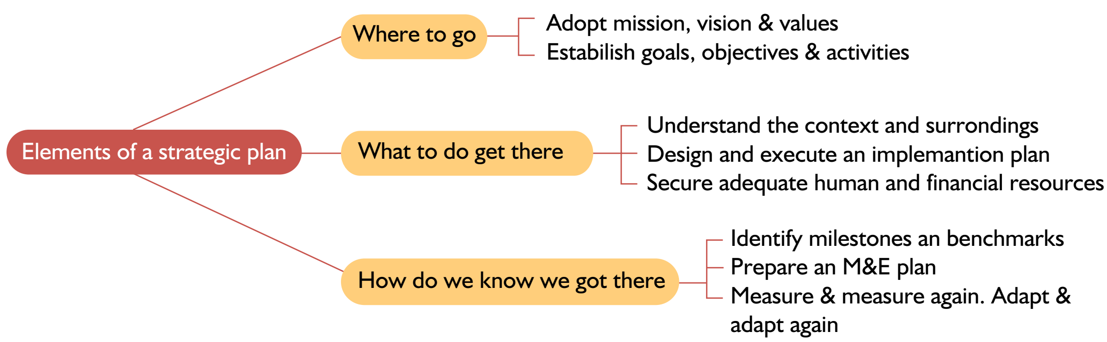
We conclude this primer with one annex with a summary of some of the tools most commonly used in strategic planning (Annex: Strategic Planning Tools) and a chapter with the case studies presented during the workshop.

Other types of plans relevant to environmental funds

Organizations with complex mandates like EFs require, in addition to strategic plans, a variety of planning and implementation instruments to function effectively, or require that their partners have them. Many of these instruments have similar elements, even though they may differ in what purpose they serve and what objective they are aimed to help accomplish.

Just like there are many approaches and guides for strategic planning, there is also no shortage of advice on all the other types of plans that we will discuss here, and that you will encounter in the day-to-day management of your institutions. You can spend days researching and reading about any of these types of plans. Some of this research and reading is necessary to understand what you need to accomplish and to get ideas of what methods or approaches to take to overcome particular challenges (see Barriers to planning and implementing the plan). However, what you will also learn from all that reading is that all plans, including strategic plans, share the same key elements (see Figure 1). All of them should tell you where to go (goals, objectives, etc.), the means to get there (staff, consultants, partnerships, financial resources, etc.), and how to keep track of your progress and know when you get there (milestones, benchmarks, etc.).

Figure 1. The most basic elements of a strategic plan.



If a good plan does not require sophisticated knowledge of planning techniques, what sets a good plan apart from a bad one? It is quite simple. A good plan is one that gets implemented. Therefore, you must focus your attention on understanding your organizations and what makes it tick; on resources you have at hand to implement your plan; and the commitment of your board, staff and supporters to see the planning, but most importantly, the implementation of the plan through.

Figure 2. The plan and their relationship plan

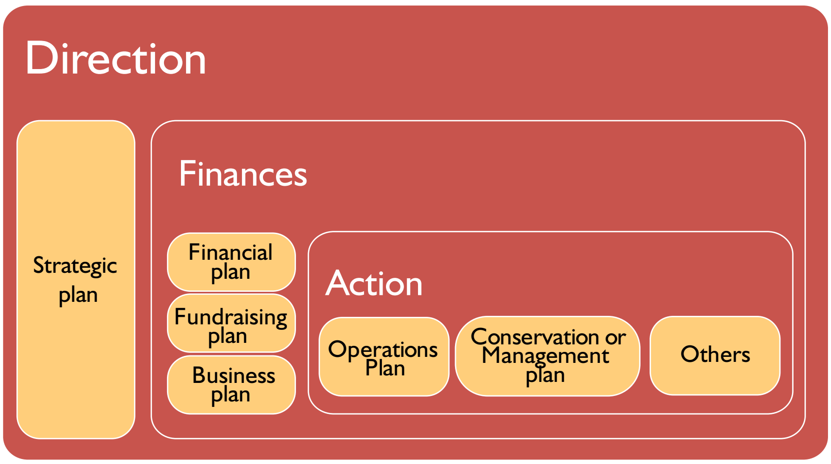


Figure 2 illustrates the most relevant types of plans for EFs. They are not mutually exclusive; in fact, they are largely complementary. As a gross oversimplification of what is a much more complex reality for the EFs in particular, it could be argued that a strategic plan provides the framework under which an organization will operate. It should be general enough that is easily understood and communicated and specific enough that everyone knows their role and what is expected from them. However, it should not be so specific and provide so much detail that the big picture is overlooked. For that we have other plans. Again, we can arrange this in many different ways, but since we are focusing on EFs, the next level of concern should be the funding. The third layer is the actions. These could be as focused as recruiting a consultant to write a report or conducting a workshop, or as broad and complex as running the operations of the entire organization. They could be internal plans, to be implemented by the staff, or, as is the case of many of the EFs, these plans could belong to the organizations that receive financial support.

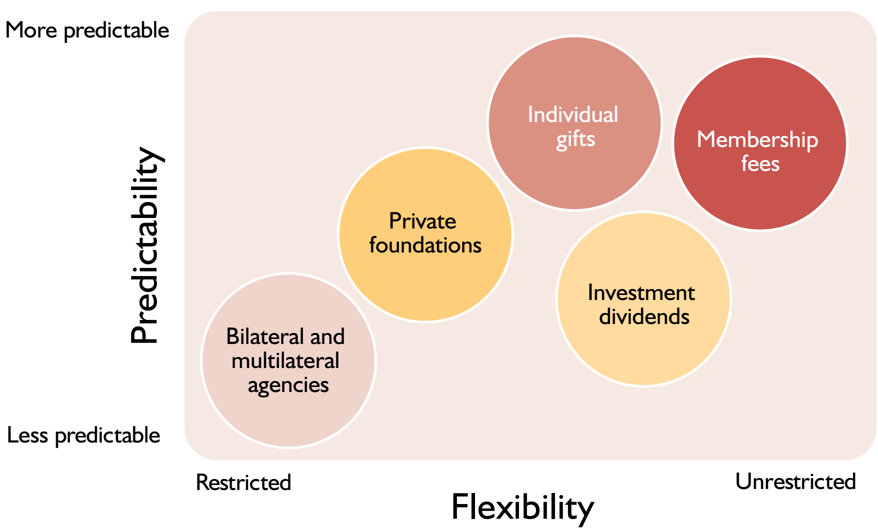
Financial plans

A financial plan allocates future revenue to various types of expenses and may also reserve for future expenses. A summary of anticipated revenue and projected expenses is often part of a strategic plan. They can be as simple as a budget and cash flow tracker, or they may have all the elements to generate balance sheets, profits and loss statements, cash flow statement and other types of financial reports and projections. The more complex the organization, the more complex its financial plan. Environmental funds generally require the more sophisticated type of plan for their internal purposes, but also because donors and investors generally have expected that from EFs. This is particularly the case if the EFs move beyond fundraising as their primary source of income, and start to incorporate other sources, such as endowments that generate revenue from investments in stocks, bonds and other financial instruments; equity investments in selected businesses; program-related investments like those done by some of the larger foundations; or even fully owned revenue-generating operations (businesses). Each of these income-generating options will require their own business plan (see the Business plans section below).

Fundraising plans

A fundraising plan differs from a financial plan because it describes in detail the means by which a non-profit organization will raise its funds from a wide range of sources. Generally fundraising plans have focused on philanthropic sources (grants, donations, personal contributions). The range of fundraising options depends greatly on local regulations. The legislation regulating fiscal incentives for charitable giving differ widely from country to country. In the United States, for instance, the tax code allows for many types of charitable giving, including opportunities for individuals to incorporate bequests to specific charities in their tax planning. While in many developing countries the tax codes are not as generous, there are other very important sources of grant funds from bilateral and multilateral development agencies. The important variables to consider when constructing a fundraising plan are flexibility (are the funds specifically earmarked for certain purposes or can the organization allocate them to the highest priority activity) and predictability (how likely is that the funds will be obtained from that particular source when needed, and in the amounts projected).

Figure 3. Hypothetical predictability – flexibility fundraising scenario



The template included in Figure 4,[1] illustrates purpose and content of a fundraising plan. A plan like this is a critical piece of the institutional tool kit of every EF, as well as non-profit organization.

Figure 4. Fundraising template

FUNDRAISING PLAN • TEMPLATE

Section 1: organizational funding needs

	Projected Need $
General organization needs	
Program or project #1	
Program or project #2	
Program or project #3	
TOTAL FUNDING NEED	

SECTION 2: FUNDRAISING GOALS

Projected Revenue By Source

Revenue sources	Last Year Actual $	This Year Projected $
Government grants		
Foundation grants		
Corporate gifts		
United Way/associations		
Individual donors		
Special events		
TOTAL REVENUE		

Projected Revenue By Fundraising Strategy

Fundraising strategies	Last Year Actual $	This Year Projected $
Top 25 contributors		
Annual giving program		
Board of Directors		
High potential prospects		
Lapsed donor campaign		
New small gifts campaign		
Monthly donors		
Online/email giving		
Special event #1		
Bequests		
TOTAL REVENUE		

Other Benchmarks	Last Year Actual	This Year Projected
# Donors >$1,000		
# Donors <$1,000		
# Monthly donors		
# Face to face donor meetings		
# Major gift asks		
Renewal rate		
# Names on email list		
Website conversion rate		

SECTION 3: FUNDRAISING STRATEGIES

For each strategy describe:
- Vision or purpose for this strategy
- Actions / steps / tasks that will help you achieve the vision and associated deadlines
- Lead person

STRATEGY	ACTIONS	LEADER
Annual Fund Individuals and organizations giving <$500 per year. We will maintain a renewal rate of at least 75% with all current donors and raise $5,000 from this source.	• Send annual renewal mailing in October. • Send renewal reminder in December. • Send newsletters twice a year (February, June) • Thank all donors within 1 week of their gift. • Customize letters with upgraded asks. • Customize letters with handwritten notes. • Invite Annual Fund donors to one event per year. • Collect email addresses on new reply forms.	Development Officer
Special Event We will net $15,000 from our Summer Garden Party event.	• Recruit event committee by January 31. • Select venue by February 1. • Develop sponsorship package and list of at least 30 prospective sponsors by February 15. • Provide solicitation training to committee by March 1	Development Officer, Executive Director, Committee

SECTION 4: BUDGET

	Last Year Actual $	This Year Projected $
Salaries		
Office costs		
Mailings		
Newsletters		
Annual report		
Donor proposals		
Website development		
Special events		
Donor stewardship		
Committee support		
Donor database		
Professional development		
TOTAL EXPENSES		

Your cost to raise $1 = Expenses/Gross Revenue

SECTION 5: SUPPORT MATERIALS

- Case for support describing the funding needs and benefit to the community
- List of top 25 donors
- List of top 25 highest potential prospects
- Job descriptions for staff and volunteers involved in fundraising

[1] This fundraising template was produced by Blueprint Fundraising and Communications (www.blueprintfunraising.com) and posted in the site of the Southwest Rural Policy Network (https://swruralpolicynetworkwiki.wikispaces.com/).

Revenues from business operations can be part of a fundraising plan, but generally they are dealt with separately in the specific business plans. Depending on how the organization is structured, income from businesses can be accounted for in the fundraising plan or directly on the financial plan.

Business plans

A business plan is a formal statement of a business goal, the reasons the plan will succeed, cost-benefit analysis, and the schedule and budget for reaching the goal. It may also contain information about the skill sets required to implement it. Business plans justify projects, in part, by referring to the particular strategic objectives that they will advance.

Environmental funds tend to use business plans for specific programs or revenue-generating activities. EFs with a highly diversified funding base may be required to develop several business plans and treat each of their major revenue sources as a profit center, much like a medium or large-sized corporation. EFs may need to develop a business plan if they, for instance, have a store, operate an ecotourism service, manage a lodge, or offer consulting services. All of these revenue-generating activities require a business plan in order to be operated profitably.

In Table 1, you can find an example of the outline of a business plan targeted at generating tourism revenue for a national park, in this case, the Kingdom of Lesotho's Sehlabathebe National Park.[2] This park is part of the Maloti-Drakensberg Transfrontier Conservation and Development Project, a joint initiative of South Africa and the Kingdom of Lesotho. Notice the difference between a business plan for a protected area and a protected area management plan (see Table 2).

Table 1. Outline of the Sehlabathebe National Park Tourism Business Plan.

1 Introduction	
2 Policy and Planning Framework	2.1 National Tourism Policy 2.2 National Environmental Legislation 2.3 20-year Strategy for the Maloti-Drakensberg Transfrontier Conservation Area 2.4 Joint Management Plan for MDTP 2.5 Proclamation of SNP 2.6 SNP Protection, Conservation and Development By-laws 2.7 SNP Management Plan 2.8 Institutional Role Players
3 Situational Review	3.1 Spatial Context 3.2 Description of the Park 3.3 Attractions 3.4 Park Facilities and Infrastructure 3.5 Community profile 3.6 Institutional development
4 Review of Existing Tourism Businesses	4.1 Introduction 4.2 Review of Accommodation Businesses 4.3 Review of Tour Operators
5 Review of Tourism Trends and Demand	5.1 Summary of Market Intelligence 5.2 Summary of Existing Market Segments 5.3 Discussion and remarks
6 Tourism Policy for SNP	6.1 Tourism Principles 6.2 Objectives for Tourism in SNP 6.3 Approach to Community Participation in Tourism
7 Commercialisation of Tourism Assets	7.1 Introduction 7.2 Rationale for Partnerships 7.3 Roles and Responsibilities 7.4 Selecting a Partnership Model for the Mountain Lodge 7.5 Caveats
8 Financial appraisal of Mountain Lodge	8.1 Introduction 8.2 Assumptions About Future Demand 8.3 Overview of Income and Expenditure 8.4 Summary of results

[2] http://www.maloti.org.ls/documents/Tourism_Business_Plan_SNP.pdf

9 Tourism Development Strategies	9.1 Strategy 1: Improve the basket of tourism product and activities at SNP 9.2 Strategy 2: Improving the quality of existing accommodation and facilities 9.3 Strategy 3: Improve the management of tourism at SNP 9.4 Strategy 4: Improve the marketing of the destination and its products 9.5 Strategy 5: Develop new facilities based on feasibility criteria 9.6 Strategy 6: Lever the meaningful participation of neighbouring communities
10 New Enterprise Development Concepts	10.1 Art and craft retail 10.2 Tour guide service 10.3 Art and craft manufacturing co-operative 10.4 Traditional food eatery/ bakery 10.5 Choir/ dance group 10.6 Supply of vegetables to lodges 10.7 Trekking accommodation
Annexure 1: Tourism Market Review	
Annexure 2: Review of Community Public Private Partnerships	
Annexure 3: Detailed Workings for Financial Appraisal of Mountain Lodge	

Protected area management and conservation plans

Protected area management and conservation plans focus directly on activities in the field. They generally are driven by goals that are aimed directly to the conservation of biodiversity and/or the sustainable use of natural resources. In their 2003 *Guidelines for Management Planning of Protected Areas*,[3] Lee Thomas and Julie Middleton start with the following question, which leads to their definition of a management plan:

> ***What is a Management Plan for a protected area? Why is one needed?***
>
> *In simple terms, a Management Plan is a document which sets out the management approach and goals, together with a framework for decision making, to apply in the protected area over a given period of time. Plans may be more or less prescriptive, depending upon the purpose for which they are to be used and the legal requirements to be met. The process of planning, the management objectives for the plan and the standards to apply will usually be established in legislation or otherwise set down for protected area planners.*

A similar definition is offered in the 2007 US Forest Service Guide to *Protected Area Management Planning in Central Africa*.[4] To illustrate these points below you will find the outline of the management plan for the Rila Monastery Nature Park in Bulgaria.[5] Notice how it differs from a business plan. Management plans are all about the management of the landscape. All their actions are aimed at protecting and managing the natural and cultural assets they contain. Business plans focus on revenue and expenses.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[3] http://data.iucn.org/dbtw-wpd/edocs/PAG-010.pdf
[4] http://carpe.umd.edu/resources/Documents/USFS_PA_Guide_Jan07.pdf
[5] http://pdf.usaid.gov/pdf_docs/PNACY613.pdf

Table 2. Outline of the draft management plan for Rila Monastery Nature Park, Bulgaria.	
Section I. Description and Evaluation	
1.0 General information regarding Rila Monastery Nature Park	1.1 Location, boundaries and territory of the Park and the protected areas from other categories included in it 1.2 Zone and administrative affiliation 1.3 Legal status of the protected area and the cultural and historic sites within its under the applicable legislation 1.4 Ownership 1.5 Managerial structure 1.6 and 1.7 Current development plans, zoning and regimes
2.0 Description of Abiotic Factors	2.1 Climate 2.2 Geology and geomorphology 2.3 Hydrobiology 2.4 Soils and soil formation processes
3.0 Biological attributes	3.1 Ecosystems, habitats and communities 3.2 Vegetation 3.3 Flora 3.4 Fauna
4.0 Cultural and Socioeconomic Characteristics	4.1 Socioeconomic activities and existing trends regarding uses of the Park 4.2 The Nature Park in a regional context and the current use of the adjoining territories 4.3 Religious, cultural and historical sites in RMNP, Rila Monastery settlement and the territory neighboring the park 4.4 Structure and aesthetic merit of the landscape
5.0 First assessment: Assessment of the significance of Rila Monastery Nature Park	5.1 Spiritual, religious and cultural-historical evaluation 5.2 Ecological evaluation 5.3 Social and economic evaluation 5.4 Potential value of the protected territory
Section II. Ideal Goals and Limitations	
1.0 Ideal (long-term) goals	1.1 Conservation of religious and cultural heritage 1.2 Conservation of natural components 1.3 Management of natural resources 1.4 Management of tourism 1.5 Interpretation and education 1.6 Partnerships and local communities 1.7 Management of the Park
2.0 Threats and limitations	2.1 Natural threats 2.2 Anthropogenic threats 2.3 Limitations
3.0 The effect of threats and limitations on the long-term goals and potential of the protected area	
4.0 Management (Operational) Objectives	4.1 Conservation of religious and cultural heritage 4.2 Conservation of natural components 4.3 Management of natural resources 4.4 Management of tourism 4.5 Interpretation and education 4.6 Partnerships and local communities 4.7 Management of the Park
Section III. Zoning, Regimes and Norms in Rila Monastery Nature Park	
1.0 General principles	1.1 Regimes 1.2 Norms 1.3 Conditions
2.0 Zones, regimes and norms	2.1 Reserves Zone 2.2 High Conservation Significance Zone 2.3 Environmentally Sound Use Zone 2.4 Technical Infrastructure Zone 2.5 Sustainable Forestry Zone 2.6 Holy Places and Cultural-Historical Heritage Zone 2.7 The Tourism Zone
Section IV. Operational / Work Plan	
1.0 Priorities of the Management Plan	1.1 Rila Monastery Nature Park Directorate structure development and improvement 1.2 Consultative Council within the Rila Monastery Nature Park Directorate

2.0 Programs and Projects	2.1 Conservation of religious and cultural-historical heritage 2.2 Conservation of natural components 2.3 Management of natural resources 2.4 Management of tourism 2.5 Interpretation and education 2.6 The Park in a regional context and the setting up of partnerships 2.7 Park Management and infrastructure
3.0 Three-year work plan and budget	
Section V. Monitoring of the Implementation of Management Plan and Assessment Criteria	
1.0 Monitoring the implementation of this Plan	1.1 Ongoing inspection and monitoring of the state of the Nature Park 1.2 Periodic reviews and revisions of the Management Plan 1.3 The ten-year Management Plan update
2.0 Recommendations and criteria for assessing the effectiveness of the completed activities and the attainment of goals	
Bibliography	
Appendices	

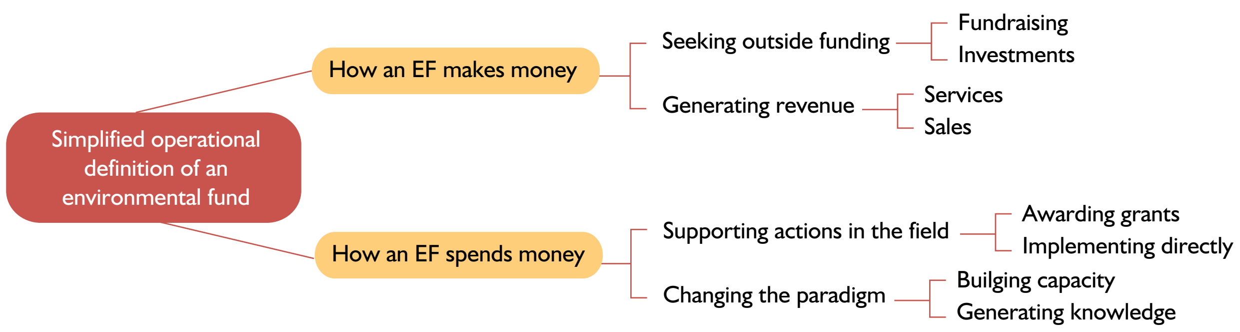
Considering that a significant amount of the funding from EFs goes to support the management of protected and sustainable use areas, it would be advisable for the EF managers to become familiar, if they are not already, with two important tools for the development and implementation of conservation plans, the *Open Standards for the Practice of Conservation*[6] used in *Miradi, the Adaptive Management Software for Conservation Projects*.[7]

Laying the Groundwork

Strategic planning for environmental funds

In its most elemental way EFs exist to generate financial resources to support environmental activities and programs (see Figure 5). Most funds have programmatic or statutory limitations to act as direct implementing agencies of the funds they generate. Although this narrow mandate restricts the scope of action of EFs, it has been one of the most important contributing factors to the success of EFs around the world. By becoming specialized and avoiding competition with many other environmental organizations focused on direct implementation of environmental activities, EFs have developed a new type of relationship with government, donors, businesses and stakeholders.

Figure 5. A simplified version of the operational elements of an environmental fund.



Even within that narrow operational scope, EFs have shown a great capacity to innovate and expand their reach, getting closer to the private sector than most environmental organizations and taking full advantage of the instruments at their disposal to advance very ambitious sustainable development agendas.

On the income side, EFs must be effective at fundraising. Many of them have started with a grant of some sort, either from individual donors or private foundations, and others through contributions from governments, either directly or through a multilateral development agency. Fundraising remains an important priority of EFs because the demand for funding has not subsided, nor is it expected to do so. To complement the funds raised from public and private donors, some of the EFs have investments, which can be as simple as an interest earning savings or money market account, where reserves are deposited generating interest (provided the donors allow this type of transac-

[6] http://www.conservationmeasures.org/initiatives/standards-for-project-management
[7] https://miradi.org/

> **the strategic planning process is fundamental for EFs to find the right fit in an ever more complex institutional environment**

tions), to fully established endowments, some even structured under a trust. Some EFs are exploring other, more creative, ways of generating revenues, reaching out to the private sector for ideas and collaboration. The previous workshop of this series, sponsored by RedLAC, discussed payment for environmental services, an emerging source of revenue for EFs, as well as community organizations and the private sector, with a significant environmental upside.

On the expense side, some EFs, but not many, play a direct implementation role in the field. Most do two things. They transfer funds in a variety of ways—grants, loans, and equity investments—to other organizations that do the field work, and invest in activities that generate knowledge and build capacity. Although there are other ways in which EFs reach the field, it is generally through other organizations that EFs accomplish their mission fully. Because of this, of all the organizations with an environmental mandate, EFs are perhaps one of the most profoundly dependent on strong partnerships with other organizations, from governments to civil society, from for-profit businesses to non-profit organizations.

In this context a strategic plan, but more importantly, the strategic planning process is fundamental for EFs to find the right fit in an ever more complex institutional environment; to identify the role that would allow them to have the greatest impact *vis-à-vis* existing and future sources of funding; and to decide the type of services they will provide their stakeholders. Other than these specifics, the strategic planning process for an EF follows a similar pattern than for other non-profit organizations, with elements of financial sector institutions.

Why plan?

We have all planned projects. Planning is how we identify the necessary actions, order, schedule and resources needed to accomplish a desired goal. Planning helps us use limited resources and time as efficiently as possible. Strategic planning is intended to get the whole organization – all the people and all projects – focused on one, overarching vision. As you develop a strategic plan, you will notice that some current projects fit into the strategy. Often a larger number of current projects will need to be adjusted to better fit the new vision. And, a few projects may not fit into the strategy at all. When done well, strategic plans energize the stakeholders, provide a common purpose for the organization, help everyone use their time wisely, and apply resources to their best use.

Barriers to planning and implementing the plan

Many strategic plans have ended in failure for a number of reasons. Some encountered their biggest challenge at the outset. Senior management is not able to communicate the importance of the strategic planning exercise and what should have been a roaring priority for the organization, moves along with a whimper, void of enthusiasm.

Table 3. Barriers to planning and implementation, their reasons and conseq

Barriers	Reasons	Consequences
Unfocused vision	Too little time is spent crafting an explicit vision for the organization.	Disagreements about the objectives are unresolved. Gaps in understanding of where the organization is heading remain unrecognized.
Underestimated the time required from senior managers	Senior managers do not set the necessary time aside for planning and/or allow themselves to be pulled off the planning process to address crises as they arise.	Conflicts remain unresolved. There is weak or no support from the top.
Stakeholders not engaged	Insufficient efforts to communicate the importance of the plan by senior management. Not all parties are heard and effectively included.	Some stakeholders disagree with plan direction. Plan is unsupported or opposed.

Unrealistic about strengths and weaknesses	Wishful thinking about difficulties and barriers. Lack of candor is permitted or fostered by senior managers.	Weaknesses are unrecognized and remain unaddressed in the plan, limiting its effectiveness. Viability of the plan is compromised.
Unclear objectives	No agreement on the mission of the organization. No effective engagement of all the stakeholders. Not enough time to get everyone on the same page.	Disagreement about the objectives of the plan lead to lower commitment to its implementation. Resources are wasted pursuing objectives that are not well understood by the staff. Monitoring and evaluation parameters are not likely to provide the right information to measure progress.
Interest in the strategic plan wanes after the document is printed	Insufficient commitment from senior manager to the implementation of the plan. Limited understanding by all the staff of the connection of strategic plan and their operating plans.	Waste of staff time and organization resources. No benefit to the organization from the strategic plan or planning process.
Unrealistic schedule or budget	Victory of hope over realism.	The plan cannot be implemented. Too little time and money dooms projects to failure.
Failure to stay on-task	Silence or unclear message from senior management about strategic plan priority.	Projects delayed due to inattention at all levels. Tasks and activities not implemented. Objectives not reached.
Wrong metrics = wrong incentives	Measures of success are poorly chosen. Not enough attention placed on the preparation of the performance monitoring plan.	Incentives drive teams to meet measures, not objectives. Monitoring data do not provide information on progress.
Distracted senior management	Once the strategic plan starts being implemented, senior management moves to other priorities.	Day-to-day distractions pull teams to respond to urgent demands not strategic objectives.
Disillusioned stakeholders	Vision seemed clear, but was not really understood and agreed.	Misunderstanding leads stakeholder to expect outcomes to be "different". Stakeholder buy-in is lost.

Getting started

Have you answered the right questions?

The process described below breaks the numerous elements of planning the organization's future into discrete steps; many of these are activities that you have considerable experience in performing already. Those elements that are unique to strategic planning or new to you can be isolated and focused on separately. As you read the sections that follow, you will notice that the strategic planning process is a cascade. Starting with the mission and vision statements, objectives are defined. Each objective reflects one or more activities; and each activity is made up of a group of specific tasks that can be scheduled, budgeted and tracked. Scorecards can be developed at each level of the cascade to measure and reward progress.

Before you start your planning process, you should make sure you have a plan for the plan, which should take into account the following considerations:

- Are your board and senior management committed to start the planning? If so, have you taken into account the time that it will take to complete the plan?
- Do you know why you are doing your strategic plan now? If so, what are the parameters of planning? How long will your strategic plan be? Are there any particular aspects that you want to emphasize?
- Have you decided when you are going to start and how long will you dedicate to developing the plan? If so, will the timing interfere with any organizational critical activities (i.e., budgeting, key reporting periods)?
- Who is going to be part of this process? Are you going to involve the board, senior management, technical and administrative personnel, stakeholders, beneficiaries, donors or investors? How are you going to organize them?

- Do you have a champion to lead this process or do you need a facilitator? Have you considered both?
- Do you have all the information you need to start the plan? If so, how are you going to get everyone up to speed?
- Are your board and senior management committed to implement the plan? If so, how are they going to ensure that it happens?
- Do you have a monitoring and evaluation process in place already? If not, what is your plan for tracking the performance in the implementation of the plan?

Have you picked your planning approach?

There are many types of, and approaches to strategic planning. In this document and in the workshop, we are only going to cover a very limited number of options. That is why it is critical that each organization takes the time to understand why they need a strategic plan and what problem it needs to solve. Carter McNamara in his book *Field Guide to Nonprofit Strategic Planning and Facilitation*[8] identifies a number of strategic planning models or approaches.[9] Two of them—goals-based and issues-based—are particularly relevant to EFs. This is how he describes them:[10]

> ***What's Goals-Based Planning?***
>
> *Goals-based (or vision-based) planning works from the future to the present. Planners pick some time into the future and then suggest specific goals to be achieved by that time. Often, goals are specified in terms of specific accomplishments, for example, achieve to 1 million in sales revenue or a 20% profit rate at the end of the next three fiscal years.*
>
> *Hopefully, planners also associate actions plans with each goal. Action plans clarify who is going to do what and by when in order to achieve the goal. The planning process might also include clarifying the mission statement, and even scanning the environments external and internal to the organization in order to identify priorities to address in the plan. Goals-based planning is usually based on a rather long-range plan, at least 3-5 years into the future.*
>
> ***What's Issues-Based Planning?***
>
> *In contrast, issues-based planning starts from the present and works to the future. Planners identify major issues facing the organization right now. It's best if issues are described as questions, for example, "How will we activate our Board of Directors?" or "How can we manage our finances much more effectively?"*
>
> *Then planners specify action plans about who is going to do what and by when in order to address each issue. They might scan the external environment, but they focus especially on the internal environment of the organization in order to ensure the organization accomplish strong internal systems. Issues-based planning usually produces a plan with a short time range, for example, one year.*

In the workshop we will conduct exercises that will focus on both of these approaches, but this primer will concentrate on the goals-based approach.

Have you engaged the key actors?

Without active, on-going, consistent support from the CEO, strategic planning is not likely to succeed. It is the CEO's job to convince the board, donors, investors, stakeholders and employees to participate in the process. First, the CEO should get manager buy-in. Next, the CEO should (re-) affirm the mission and vision with the whole organization. If you already have a mission and vision statements, you do this by circulating these statements and asking for agreement and comment. If you are writing them for the first time, then engaging other stakeholders in the process is essential to success.

In addition, the board, donors, investors, employees and other stakeholders should be told how the strategic planning process will be communicated to them and how they can provide feedback. It would not be excessive to have an all-employee meeting to discuss the mission and vision statements; to meet with major donors and investors to discuss their role; and to have a meeting of the board to discuss implications. Business partners and customers should be dealt with on a case-by-case basis.

[8] http://www.authenticityconsulting.com/pubs/SP_gdes/SP_pubs.htm
[9] http://managementhelp.org/plan_dec/str_plan/models.htm
[10] http://managementhelp.org/blogs/strategic-planning/2010/05/17/should-i-use-goals-based-or-issues-based-planning/

> **One of the first ways for strategic planning to fail is to underestimate the time required to create and implement the plan**

With all the discussion about buy-in and main actors, it is easy to forget that it is managers who will initiate strategic planning … or not. One of the first ways for strategic planning to fail is to underestimate the time required to create and implement the plan. Clear understanding among managers regarding the process and intended outcome should engage their interest. Select a management group to develop the strategic plan and also have a working group of employees to work with management. This is both empowering for employees and practical. Employees will be asked to implement the strategic plan.

The Big Picture

Mission and vision

It may be hard to believe, but in many organizations the employees do not know the organization's purpose. The answer to "Why are we here?" is too often "Because they pay us." Instead, successful organizations can offer more than a paycheck to employees by providing a clear statement of the value they bring to the community and the world. Furthermore, such a statement of mission can help the organization appeal to customers, governments, suppliers, and partners. Speaking practically, if management and employees don't agree on the purpose of the organization, it is very hard to move forward together. At best this is inefficient, at worst, fatal to the organization.

If "Why are we here?" is the question answered by the mission statement, then "Where do we intend to go?" is the question answered by the vision statement. It is often said that if an organization doesn't know where it is going, it cannot get there. John F. Kennedy, President of the United States, gave a literal answer to such a question in 1961. He said that he intended to put an American on the moon and return him safely by the end of the decade. Notice that this vision had a specific deliverable and date. By the end of the decade anyone would know whether he had succeeded. Also notice that the date was well after he could realistically expect to be leading the country. Vision statements don't need to fit into a three to five year planning schedule. That is what strategic plans are for.

Values

Before we discuss the planning process, we should briefly discuss values statements. Once agreed on the purpose of the organization (mission) and what you want to achieve in the future (vision), many organizations produce a values statement. This is intended to identify the behaviors and ethics—the guiding principles—that are most important to the organization. Starbuck's values statement is: "Provide a great work environment and treat each other with respect and dignity; embrace diversity as an essential component in the way we do business; apply the highest standards of excellence to the purchasing, roasting and fresh delivery of our coffee; develop enthusiastically satisfied customers all of the time; contribute positively to our communities and our environment; and recognize that profitability is essential to our future success." Together the mission, vision, and values statements define the culture of the organization.

Context

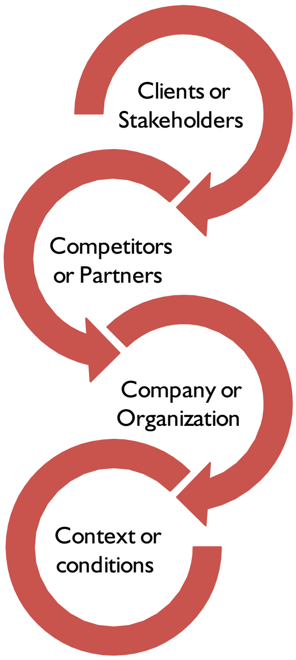
Based on your mission and vision discussed in the preceding sections, you can identify your organization's strengths and its barriers to success. There are a number of methods, approaches and theories for doing this. Some of them are described in Annex 2: Strategic Planning Tools. Regardless of which ones you decide to work with, you should keep in mind four variables that in one way or another define the context in which you operate.

- ***Clients and stakeholders.*** These are primarily your donors and stakeholders, those who provide you with the funds you need to support your programs, and those who are in the field implementing them. You need to understand what they look for in an EF and the activities it supports. If as part of your activities you have revenue-generating operations, consider your main clients as well.
- ***Competitors and partners.*** These are organizations that compete with yours for funding or that you

need to collaborate with to implement your programs. Sometimes a competitor for some activities can be a partner for others. If you have revenue-generating activities, you should consider businesses that may offer similar goods and/or services.

- ***Company or organization.*** This refers to your organization. You should understand its strengths and weaknesses. This information can feed into your SWOT analysis.
- ***Context or conditions.*** Here you should consider all the relevant variables that can assist or hinder your efforts to accomplish your goals. Look beyond your immediate surroundings because sometimes factors outside your day-to-day scope of action can be determinant as to whether you are successful or not. This is particularly the case if you have investments in stocks and bonds in your country or abroad or if you have revenue-generating activities that depend on outside clients (such as tourism and retail). The same applies to the programs you support. Changes in events far away can have a direct impact on the ability of your partners to carry out the activities that you are funding,

Figure 6. Basic elements of a situational analysis.



Understanding your surroundings

As mentioned above, Annex 2 lists many ways to conduct analyses that will help you position your organization in the context in which it operates. In some cases it may be advisable that you apply one of these methods. To start with, however, it may be sufficient that you complete the Opportunities-Threats elements of the SWOT analysis by answering some of the questions listed in (Table 4).[11]

Table 4. Sample questions for completing the Opportunities-Threats sections of the SWOT Analysis.

Opportunities	Threats
• What external changes present interesting opportunities? • What trends might impact your organization and the area where it works? • Is there talent located elsewhere that you might be able to acquire? • Are there any gaps in support by other organizations with similar mandate? • If you are running a business, is a competitor failing to adequately service the market? • Are there trends emerging that assist or hinder your organization?	• Is there an organization that is better equipped (funding, talent, mobility, etc.)? • Is there an organization that may not be a competitor today, which could become one tomorrow? • Are your key staff satisfied in their work? Could they be persuaded to leave and join other organizations? • What if there is another financial crisis and your financial assets loose value and your donors stop contributing? • What if there is a natural disaster? • What if you are sued?

[11] Modified from a posting on Rob Berman's Blog (Some Questions to Ask During a SWOT Analysis, http://www.rob-berman.com/questions-toask-during-swot-analysis/)

Understanding your capabilities

There are many ways for you to assess your organization's strengths and weaknesses. Most of the tools presented in Annex 2 include some elements of institutional self-assessment. Although there are more formal methodologies, all you may need are the Strength-Weakness elements of the SWOT analysis to identify the main factors (Table 5).[12]

Table 5. Sample questions when completing the Strength-Weakness sections of the SWOT Analysis,

Strengths	Weaknesses
• What are your assets? • What differentiates you from similar organizations in your country and abroad? • Do you have the right people on your staff? • Is your organization debt free? • Do you have a broad donor and funding base? • What unique resources do you have? • Do you have a sustainable competitive advantage?	• What areas do you need to improve on? • What necessary expertise/manpower do you currently lack? • In what areas do other organizations have an edge? • Are you relying on one donor too much? • Do you have adequate cash flow to sustain you? • Do you have a well of new ideas? • Do you have debts or other liabilities?

A detailed analysis of your own capabilities and limitations will not only help you design a realistic strategic plan, it will also lay the groundwork for improvements in your organization's performance. To do this you can, again, pick from several approaches and models. Many of them have been developed for the manufacturing industry, but even those can yield important lessons for your organization. Here is a summary of some of the ones used in for-profit and non-profit organizations.

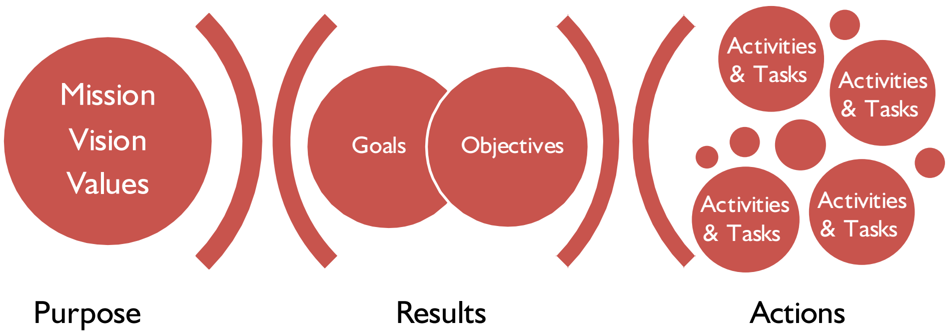
- ***ISO 9001*** certification, would take a major commitment from the part of the organization, but, for an EF, it may be worth the investment because of the enhanced credibility it would gain with potential donors and investors. The quality management system standards used are based on eight principles. (1) Customer focus. (2) Leadership. (3) Involvement of people. (4) Process approach. (5) System approach to management. (6) Continual improvement. (7) Factual approach to decision making. (8) Mutually beneficial supplier relationships.
- ***Benchmarking*** looks at other organizations in the same sector, and even other sectors altogether to establish a point of comparison and to gain insights into their performance parameters. If you are running a lodge in a national park, and the check-in process is too slow and cumbersome, you may want to look at hospitals and how they process and admit their patients.
- ***Business Process Reengineering*** seeks significant performance improvements by radically redesigning the internal processes of an organization. If you have a grants program and you find that the cost of processing and supervising the grants is greater than the award, you may need to consider a significant redesign of your process, starting by challenging the underlying assumptions on which it was designed.
- ***Continuous Improvement Process***, in contrast with Business Process Reengineering, seeks to establish a culture of improvement in the organization. This process is based on the Japanese concept of *kaizen*, introduced by Masaaki Imai in his book "*Kaizen: The Key to Japan's Competitive Success*." This approach is grounded on two fundamental principles. One, your talented workforce should be continually encouraged to find improvements in the processes they have under their responsibilities. Two, small, incremental changes are less likely to disrupt operations and more likely to be less costly to implement.
- ***Six Sigma*** is a more data intensive and statistically rigorous approach developed by Motorola in the late 80's. It is based on the idea that in order to improve performance, you need to identify, quantify and remove "defects" in your process. Defects are defined differently depending on the sector, but all have to do with outputs that do not meet a minimum requirement. The methodology for he application of this approach to the improvement of existing processes is know and DMAIC (Define. Measure. Analyze. Improve. Control).

Planning for Implementation

To facilitate its implementation a strategic plan should be organized so that there is a clear purpose, as expressed in the mission and vision statements and framed by the values of the organization. The goals and objectives should be fully aligned with that purpose and contribute to its accomplishment. And the actions should contribute to reach the stated goals and objectives. (see Figure 7 and Figure 8)

[12] Modified from a posting on Rob Berman's Blog (Some Questions to Ask During a SWOT Analysis, http://www.rob-berman.com/questions-to-ask-during-swot-analysis/)

Figure 7. Relationship between purpose, results and actions.



Purpose. It defines a state that can only be achieved by the concerted actions of the organization and all its stakeholders (how you want things to be).

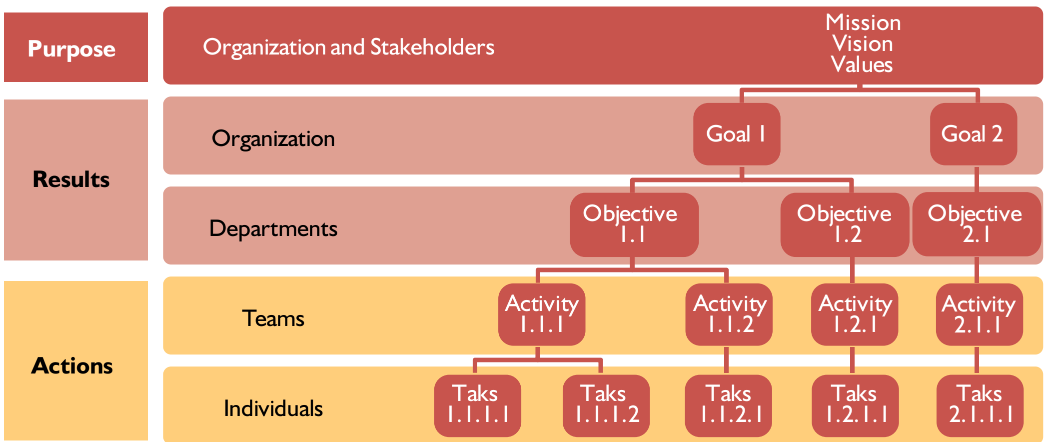
Results. They indicate a measurable change in condition (what you want to accomplish). From an operational perspective, goals and objectives are results. From a monitoring perspective, they are measured based on impacts or outcomes (e.g., number of hectares under management; number of new jobs in ecotourism).

Actions. This is how an organization's resources are organized and deployed to perform tasks and activities (what you do). Some of the actions are carried out by individuals (generally tasks), or fall under the responsibility of teams (generally activities). When monitoring actions, you measure performance or outputs (e.g., number of grants awarded; number of park guards trained).

Constructing your plan implementation framework

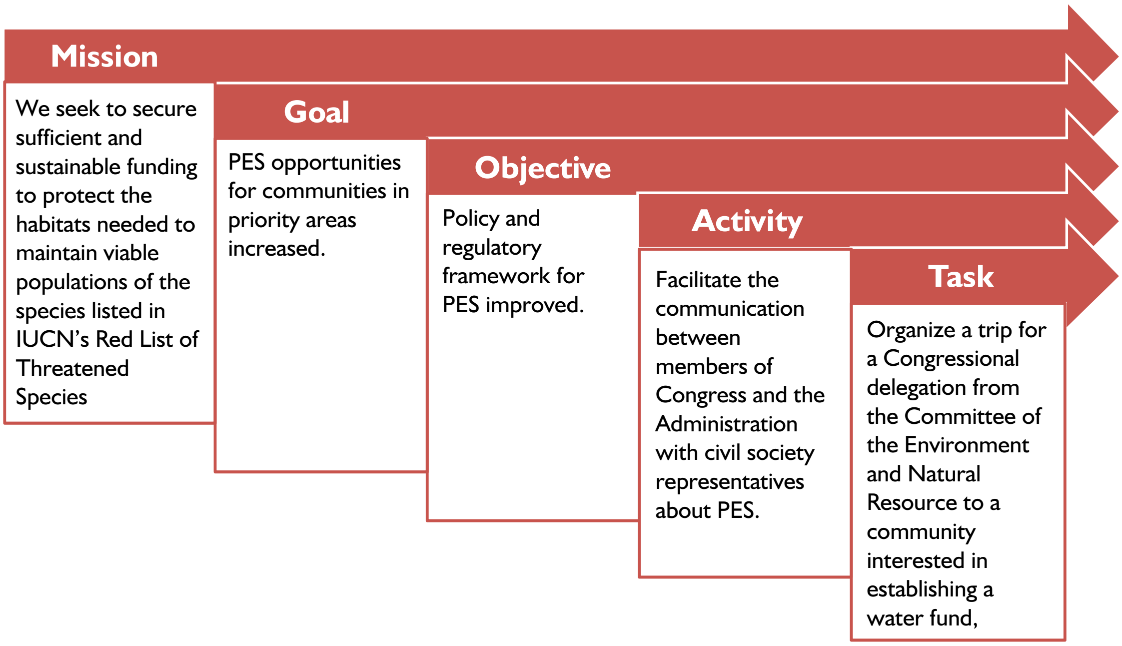
Preparing a strategic plan that can be implemented requires, in addition to the definition of the broader conceptual elements, that all the implementation components be causally related in a plan implementation framework (Figure 8).

Figure 8. Schematic plan implementation framework.



The goals have to explicitly contribute to accomplishing the organization's mission. If they don't, they should be reformulated or discarded. For example, if the mission of the EF doing the strategic planning is "to secure sufficient and sustainable funding to protect the habitats needed to maintain viable populations of the species listed in *IUCN's Red List of Threatened Species* that occur in your country", your plan should not include a goal of "reduced risk of natural disasters on coastal populations". On the other hand, a goal of "PES opportunities for communities in priority areas increased" would be contributing explicitly to the mission. Likewise, objectives should contribute directly and explicitly to achieve the results of its goal. Both goals should be SMART: Specific – Measurable – Attainable – Relevant – Time/resource-bound. A similar relationship should exist between objectives and activities, and between activities and tasks, as shown in Figure 9.

Figure 9. Illustrative partial plan implementation framework from mission to task.



Assigning the right resource to the right task

Once you have constructed the plan implementation framework, you can start identifying the skill set required to carry out each of the tasks and the activities. To make sure that each task and activity is optimally staffed, start by identifying the skill set required, then assign your team or hire the needed staff or consultants. Since this exercise is part of the strategic planning process, don't be surprised if out of this plan implementation framework emerges a different organizational structure than the one you had coming into the process. The best way to avoid sudden changes is to maintain the planning process alive and an integral part of the operations of your organization, frequently adjusting and modifying it in response to changing external and internal conditions.

Building a realistic timetable

The only thing left to complete your implementation plan is the timetable. This is what upper management and the board will use to ensure that the organization is on track, that and the financial plan performance, that is. To build a realistic timetable, it is best to do it with the team in their assigned roles. This is an iterative process, requiring frequent communication between teams working on separate tasks that share team members.

Staying on Track

Adjusting your performance monitoring to your needs and capabilities

The only way to know if the plan is working is to keep track of its progress. There are many ways to do it. Every organization should think hard before just adopting one method over another. You should give preference to the one that your organization is most likely to use consistently. Having a sophisticated M&E (monitoring and evaluation) or PMP (performance monitoring plan) means nothing if the data collection requirements exceed the resources you have available; the data analysis exceeds the capacity of your monitoring team; or the information it provides, however detailed, does not help you accomplish your goals. You should decide on an approach that can answer to your satisfaction the following general questions:

- Can the data be collected with a reasonable amount of effort? Keep in mind that, if you are going to start taking monitoring seriously now, you probably have not allocated sufficient resources to do it well before. If that is the case check what other EFs with similar operational and programmatic profile spend on this activity, provided you consider they do a good job of monitoring,
- Will the data yield the information you need to monitor the progress of your team, in a timely enough manner for you to report to your board of directors? For instance, if the data you decide to collect does not allow you to draw the necessary conclusions about the performance of your organization in the implementation of your plan in a timely manner it is the same as not doing any monitoring at all, only more expensive.
- Will this approach allow you to engage everyone on your team on the monitoring and evaluation efforts? Monitoring is not the job of the M&E expert only. A good PMP is a tool for everyone, if you have organized your teams following the plan implementation framework described above or something similar that assigns clear responsibilities to each and everyone on your team.
- Are the indicators used the right ones? Will they tell you anything about what you are trying to accomplish? If they are not, your data collection will not allow you to have access to the information that you need to manage your organization. No amount of data collection effort can make up for indicators that measure what you don't need.

Measuring progress

Ways to measure and monitor progress of whatever industry, activity or purpose abound. The balance scorecard, for instance (see Annex 2: Strategic Planning Tools), will provide you with a dashboard rich with information about the perspectives that you have used in your planning. Some tools have less sophisticated monitoring approaches, others more so. As mentioned before, your monitoring needs to respond to your needs. The expectation of more than just adequate monitoring capabilities of an EF is quite high, particularly as donors and investors start to expect more from your organization.

USAID contractors and grantees prepare a performance monitoring plan (PMP) at the outset of the project, which is adjusted as the project evolves. One of the tools of the PMP is the performance indicator reference sheet (PIRS), which I include in this report to illustrate the type of information that a typical development project tends to collect.

Table 6. Instructions on how to complete the performance indicator reference sheet (PIRS) used by USAID contractors and grant
Instructions for Completing the Performance Indicator Reference Sheet
Strategic Objective: Enter the title of the SO.
Intermediate Result: Enter the title of the relevant IR, if any.
Key Result Area: Enter the title of the Key Result Area (KRA)
Indicator: Enter the full title and number of the indicator.
DESCRIPTION
Precise Definition(s): Define the indicator more precisely. Define specific words or elements within the indicator.
Unit of Measure: Enter the unit of measure (e.g., *number of…*, *percent of…*, *U.S. dollars*, etc.).
Disaggregated by: List planned data disaggregation (male/female, youth/adult, urban/rural, region, etc.)
Justification & Management Utility: Briefly describe *why* this particular indicator was selected and how it will be useful for managing performance of the project.
PLAN FOR DATA ACQUISITION BY THE PROJECT
Data Collection Method: Describe the *tools* and *methods* through which the data will be collected.
Data Source(s): Identify who is responsible for providing the data (e.g., M&E contractor, specific team member, etc.).
Frequency and Timing of Data Acquisition: Describe *how often* data will be received and *when*.
Estimated Cost of Data Acquisition: Estimate the cost (in dollars and/or level of effort) of collecting the data.
Responsible Individual at the Project: Name the team member who will be *directly responsible* for acquiring the data.
DATA QUALITY ISSUES
Date of Initial Data Quality Assessment: Enter the date of initial data quality assessment and the responsible party.

Known Data Limitations and Significance (if any): Describe any data limitations discovered during the initial data quality assessment. Discuss the significance of any data weakness that may affect conclusions about the extent to which performance goals have been achieved.	
Actions Taken or Planned to Address Data Limitations: Describe how you have or will take corrective action, if possible, to address data quality issues.	
Date of Future Data Quality Assessments: Enter the planned date for subsequent data quality assessments.	
Procedures for Future Data Quality Assessments: Describe *how* the data will be assessed in the future (e.g., spot checks of partner data, financial audit, site visits, software edit check, etc.).	
PLAN FOR DATA ANALYSIS, REVIEW, & REPORTING	
Data Analysis: Describe *how* the raw data will be analyzed, *who* will do it, and *when*.	
Presentation of Data: Describe how tables, charts, graphs, or other devices will be used to present data, either internally within the project team, or externally to USAID or home office.	
Review of Data: Describe *when* and *how* project management will review the data and analysis (e.g., mid-term evaluation, quarterly reports, etc.)	
Reporting of Data: List any internal or external reports that will feature data for this indicator (e.g., quarterly reports)	
OTHER NOTES	
Notes on Baselines/Targets: Explain how the baselines and targets were set and identify any assumptions made. If baselines and targets have *not* been set, identify *when* and *how* this will be done.	
Other Notes: Use this space as needed.	

PERFORMANCE INDICATOR VALUES

Year	Target	Actual	Notes
2006	Enter target value	Enter actual value	Enter any explanation here
2007			

THIS SHEET LAST UPDATED ON: mm/dd/yy. To avoid version control problems, enter the date of most recent revision to the reference sheet.

Annex: Strategic Planning Tools[1]

SWOT Analysis

Description

SWOT Analysis is a tool used to analyze your organization's environment and understand your strengths and weaknesses. It is primarily intended to match an organization's resources and capabilities with their competitive environment.

SWOT stands for **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats. The Strengths and Weaknesses analysis is introspective, looking at an organization's internal capability, while the Opportunities and Threats analysis looks at the external environment.

Application

Internal factors that should be reflected upon include management, programming, and financing capabilities. Management capabilities relate to how your organization and your staff operate. The issues that should be studied include organizational structure, planning, coordination, staffing, supervision, training, and management information. Programming capabilities focus around your capacity to provide your service and the quality of that service. Financing capabilities are your funding sources, including self-financing and outside financing.

Questions to ask for an internal analysis might include:

- Does the organizational structure hinder or facilitate a free flow of information?
- What about client-responsive implementation of activities?
- Have feasible long- and short-term plans been made, involving staff and community?
- How well do different departments of your organization cooperate and coordinate with each other?
- Are staff roles clear?
- Does staff have consistent training and receive feedback to ensure high performance?
- Does all staff meet regularly with a supervisor?

[1] The summary descriptions of the tools included in this annex were prepared by Carlos Quintela, Jr.

- Does staff view the supervisor's role as one of guidance, assistance, and support? Do you regularly assess training needs of staff?
- Do managers have accurate information on the progress made toward the objectives of the program?
- What is the potential capacity of your program to provide services?
- Does the current level of activities match this capacity?
- What is your current level of self-financing?
- What are your current sources of external financing?
- How stable are these external sources of financing?

External factors in your SWOT analysis will come from the environmental analysis that you complete, using tools like PEST analysis or any of its variations (see a description of this tool elsewhere in this annex). Once that environmental analysis is completed, you will decide if those factors are strengths or weaknesses and place them in your SWOT framework as required.

Once weaknesses, strengths, opportunities, and threats have been identified, you can move towards strategy creation. You will want to create strategies that match your strengths with opportunities and convert weaknesses or threats into strengths and opportunities. If threats or weaknesses cannot be converted, they should be avoided or minimized. The following SWOT Matrix organizes your strengths, weaknesses, opportunities, and threats as well as strategies related to each.

Table 7. SWOT Strategie

		Internal	
		STRENGTHS	WEAKNESSES
External	**OPPORTUNITIES**	**S-O Strategies** Opportunities that are a good fit for your organization's strengths	**W-O Strategies** Weaknesses to overcome to take advantage of opportunities
	THREATS	**S-T Strategies** Ways that your organization can use its strengths to reduce vulnerabilities to external threats	**W-T Strategies** Defensive strategies to limit the impact of your weaknesses and threats

Pros

SWOT is most useful when there is limited time to address a complicated situation. It is a simple strategic management tool and can easily be used in workshops or brainstorming meetings. SWOT can be used for a variety of activities, such as viability studies beyond just strategic planning.

Cons

Internal and external situation analysis can produce quite a bit of information, some of which might not be relevant.

PEST Analysis, and its variations

Description

PEST Analysis is a key tool in environmental scanning, or the collection and processing of data for tactical or strategic purposes. The goal is to organize information collected about your organization's current environment or an environment that you are considering entering and to help you make strategic decisions.

PEST stands for **P**olitical, **E**conomic, **S**ocial, and **T**echnological.

- ***Political*** factors are how and to what degree the government intervenes in the economy of your specific sector. They can include: tax policy, labor law, environmental law, trade restrictions, tariffs, political stability, as well as more specific laws governing environmental funds and parks.
- ***Economic*** components include economic growth, interest rates, exchange rates, and inflation rates. These are all factors that influence how organizations operate and function.

- ***Social*** factors could entail demographic factors as well as cultural ones. They can span from population growth rate, age distribution, career attitudes, to attitudes about the environment.
- ***Technological*** factors include access and quality of Internet, phone, computer equipment, as well as technological innovation, and openness to technological exchanges.

A variation of PEST includes **L**egal and **E**nvironmental factors and is called PESTEL.

- ***Legal*** factors include discrimination law, consumer law, employment law, environmental law, and health and safety law. These factors can affect how your organization operates within the country.
- ***Environmental*** factors include ecological and environmental aspects such as weather, climate, and climate change, which may have an impact on where you work and with whom.

Application

PEST analysis is useful for analyzing macro-environment factors that influence your organization's operations.

The first step of a PEST analysis is to brainstorm relevant factors that apply to your particular organization. For example, trade restrictions might not influence your organization at all, but environmental regulations might have a huge impact on your work. Your next step will be to find the information to describe all the factors that you have decided to review. To draw conclusions from all this information it is helpful to analyze it within a framework, like the Threats and Opportunities sections of SWOT Analysis.

Ensure that you take into account factors at various levels. Local, national, and global factors can all influence your organization to varying degrees.

Pros

PEST factors directly translate to SWOT Analysis's Opportunities and Threats categories. It is a simple strategic management tool and can easily be used in workshops or brainstorming meetings. PEST analysis is useful for understanding the big picture of your environment and provides greater context for further decision-making.

Cons

Some factors may be more influential than others but receive equal emphasis on a PEST analysis. It may also be difficult to forecast future trends with most factors.

McMillan Matrix

Description

The MacMillan Matrix was designed by Ian MacMillan of the Wharton School of Business specifically to help non-profit organizations assess their competitive advantage. The matrix is based on the assumption that duplication of existing comparable services among non-profit organizations can fragment the limited resources available, leaving all providers too weak to increase the quality and cost-effectiveness of their services. The matrix also assumes that trying to be all things to all people can result in mediocre or low-quality service. The matrix argues that instead, nonprofits should focus on delivering higher-quality service in a more focused, if more limited, way.

Application

When constructing a MacMillan Matrix, the goal is to position your organization within a larger field, by asking four questions:

1. Are we the best organization to provide this service?
2. Is competing for funding good for our clients?
3. Are we spreading ourselves too thin, without the capacity to sustain ourselves?
4. Should we work cooperatively with another organization to provide services?

Using a MacMillan Matrix is a straightforward process of assessing your current programs according to the following four criteria.

a) The ***Fit*** of your program describes the degree to which it belongs in your organization. It considers the congruence with the purpose and mission of the organization; the ability to draw on existing skills in the organization; and ability to share resources and coordinate activities with programs.

b) The ***Program Attractiveness*** of your program describes the attractiveness of your organization on a financial level, including volunteers and donors, ability to attract other funding, and availability of concrete, measurable wins. Any program that is not compatible with the organization should be classified as unattractive.

c) ***Alternative Coverage*** refers to whether or not similar services are being provided elsewhere. If there are only small or few similar programs in the region, the program can be classified as low coverage, otherwise, it is classified as high coverage. The main question to ask yourself is: Can another organization do the work that we do?

d) ***Competitive Position*** is the degree to which your organization has a stronger capability and potential to deliver the service than other organizations. It is a combination of the organization's effectiveness, quality, credibility, and market share.

These criteria are tracked on a binary basis; whether the program is a good fit or if it isn't, or whether your program is attractive or unattractive. By looking at the table below (Institute for Conservation Leadership - http://www.icl.org/resourcefree/macmillan-matrix), you can see what strategy is suggested for each combination of answers to the criteria.

Table 8. MacMillan Matrix

		High Program Attractiveness "Easy" Program		Low Program Attractiveness "Difficult" Program	
		Alternative Coverage High	Alternative Coverage Low	Alternative Coverage High	Alternative Coverage Low
Good Fit with Mission and Abilities	Strong Competitive Position	1. Compete aggressively	2. Grow aggressively	5. Support the best competitor	6. "Soul of the Agency"
	Weak Competitive Position	3. Divest aggressively	4. Build Strength or Get Out	7. Divest systematically	8. Work collaboratively
Poor Fit with Mission and Abilities		10. Divest systematically		9. Divest Aggressively	

Pros

This tool is specifically designed for non-profit organizations. It is a simple tool with clear questions and clear results.

Cons

The Macmillan Matrix's simplicity can mean that organizations overlook subtleties.

BCG Matrix

Description

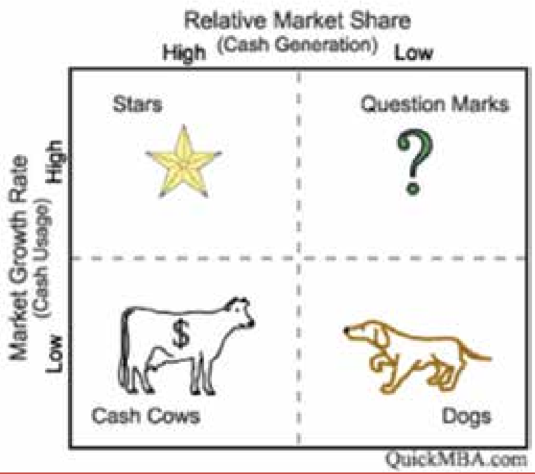
The BCG Matrix was created by Bruce Henderson for the Boston Consulting Group in 1968. Its purpose was to help corporations analyze their business units or product lines. The Boston Consulting Group is one of the most prestigious management consulting firms in the world.

The BCG Matrix is an analytical tool used in brand marketing, product management, strategic management, and portfolio analysis to allocate resources in the most effective way possible.

The BCG Matrix is laid out around the idea that the units of an institution can be organized around four categories based on a combination of market growth and market share. Market growth serves as a proxy for industry attractiveness and market share serves as a proxy for competitive advantage. The way the matrix is organized assumes that an increase in market share requires an investment of capital to increase capacity, but also means that the organization is generating more revenue. This relationship between generating revenue and investing is central to the BCG matrix.

The four categories in the BCG Matrix are: Dogs, Question Marks, Stars, and Cash Cows.

Figure 10. BCG Matrix.



- ***Dogs*** have low market share and low market growth so they don't generate or consume a lot of money. Dogs generally break about even. While there are some advantages to Dogs, such as assisting other business units, they can be harmful when they tie up capital that could be used in other business units.
- ***Question Marks*** are rapidly growing and require large amounts of capital; however, they have low market share and generate little cash themselves. A Question Mark has the chance of gaining market share and becoming a Star and eventually a Cash Cow, but there is also a chance that it becomes a Dog if market growth declines. Question Marks require careful analysis and thought to decide if they are worthwhile or not.
- ***Stars*** have high market growth and high market share, so they consume quite a bit of capital but also generate a lot. They have the opportunity to become a Cash Cow if their market growth rate declines but market share remains high. A good portfolio always includes Stars that have the potential to become Cash Cows and generate future income.
- ***Cash Cows*** are leaders in a mature market. They have a return on investment larger than the market growth rate, meaning that they turn a profit. The idea is that Cash Cows must be "milked", that is extract as much profit and invest as little capital as possible. Cash Cows provide the capital required to turn Question Marks into other Cash Cows. Cash Cows generate relatively stable profit and their value can be easily determined, making it possible to plan around such predicted value.

Application

The BCG Matrix was originally created as a model to help with resource allocation between business units. It has since developed into a tool that can also be used to analyze resource allocation within business units as well.

The strategic idea behind the BCG matrix is that an organization can use money from already mature and well-established business units and invest them in rapidly growing business units to allow even greater growth in market share.

Pros

The BCG Matrix's simplicity is an advantage. The relative position of an entire organization's portfolio can be displayed in a single diagram. It serves as a good starting point for discussing resource allocation within an organization.

Cons

Its simplicity is also a hindrance. Market growth rate is only one factor in industry attractiveness and market share is only one factor for competitive advantage. The Matrix ignores several other factors that influence these determinants of profitability. This framework also assumes that each business unit is independent of the others. However, there are often complex relationships between complementary or symbiotic business units.

Porter's Five Forces Analysis

Description

Michael Porter, a professor at the Harvard Business School, created the Porter's Five Forces Analysis framework in 1979. To do that, he drew upon industrial organization economics, the study of how firms and markets interact with the strategic interests of those firms. His main area of study is how firms can gain competitive advantages through the development of competitive strategies.

Porter's Five Forces Analysis looks at the micro-environment, unlike PEST analysis, which focuses on the macro environment. The micro-environment is made up of all the forces close to an organization that influence its ability to serve its costumers. Three of Porter's Five Forces are external factors and the remaining two are internal threats.

Porter's Five Forces are broken down into two groups: horizontal competition and vertical competition. The factors that influence horizontal competition are the threat of substitute products, the threat of established rivals, and the threat of new entrants. Vertical competition is influenced by the bargaining power of the suppliers and the bargaining power of consumers.

Figure 11. Porter's Five Forces Analysis.

Application

Each of the Five Forces has a unique set of factors that influences it and each in turn affects your competitiveness in different ways and to varying degrees.

- ***The Threat of New Entrants.*** Your ability to operate is influenced by the ability of other organizations to enter your market and compete effectively with you. If you have economies of scale already in place, or if you have acquired other advantages and have strong and durable barriers to entry in place, then you can preserve a favorable position.
- ***The Bargaining Power of Suppliers.*** Firms and organizations that supply yours can have a big impact on your operations. This is driven by the number of suppliers of each key input, the uniqueness of their product or service, their strength and control over you, the cost of switching from one to another, and so on. The fewer the supplier choices you have, and the more you need the suppliers' help, the more powerful your suppliers are. Factors to look at include:
- ***Bargaining Power of Consumers.*** The consumers of your service also have the ability to influence your organization and your product in a number of ways, including buyer volume, loyalty, and price sensitivity, among others.
- ***Threat of Substitute Products.*** The availability of alternatives to your service will influence how successful you are at attracting and keeping clients. Some of the factors to consider include price and quality of substitutes, buyers' propensity to switch products, and cost of switching, among others.
- ***Competition within the Industry.*** The intensity of competition within your industry can be the force that most influences your organization and your competitiveness. Here the role of innovation to maintain a competitive edge and the development of an effective competitive strategy are essential factors to consider.

Pros

Porter's Five Forces analysis is helpful when making qualitative evaluations of an organization's strategic position. The Five Forces look at micro-environmental factors rather than potentially abstract and distant macro environmental factors.

Cons

The Porter's Five Forces ignore what has been called the sixth force, the ***complementors***. (see Six Forces Model elsewhere in this annex)

Six Forces Model

Description

Several key assumptions that make the backbone of Porter's Five Forces Analysis have been challenged in academic literature. In response to these challenges, Adam Brandenburger from Harvard and Barry Nalebuff from Yale came up with an extension to the Five Forces, using Game Theory to describe a sixth force, the ***complementors***. Complementors help explain the reasoning behind strategic alliances in the business world. The source for their Sixth Force was Andrew Grove, the former CEO of Intel Corporation.

The first five forces in the Six Force Analysis are exactly the same as Porter's original forces. (see elsewhere in this annex). This tool is still extremely useful for micro environmental analysis and allows organizations to analyze threats.

Figure 12. Six Forces Analysis

Application

Complementors are firms that provide a good or service that are compatible with or complement your organization's service. Complementary goods or services increase the value of your own service when they are offered together. Because a complementary relationship can work both ways, this force can benefit or hurt your organization. When a complementary firm's business is booming it can help you, but if business is slow, it can hurt your own organization.

Pros

Six Forces Analysis is a more complete strategic planning tool than Porter's Five Forces Analysis. It builds on and addresses the major problems faced by the original Five Forces tool.

Cons

A micro-environmental analysis ignores the large picture and misses out on many factors that have an impact on business.

Balanced Scorecard

Description

Art Schneiderman, a management consultant working for Analog Devices, a mid-sized semi-conductor company, created the first balanced scorecard in 1987. Soon after, he was interviewed by Robert Kaplan, a Professor at the Harvard Business School, and told him about his use of the balanced scorecard. The idea was a popular one, and after publishing several well-regarded papers on the balanced scorecard, Kaplan and David Norton published *A Balanced Scorecard*, a book describing the tool, in 1992.

The Balanced Scorecard is a strategic performance monitoring tool. Managers can use it to keep track of the execution of activities by staff and monitor the consequences of these actions. The Balanced Scorecard uses a mix of financial and non-financial measures compared to a target value to ensure that performance meets expectations. By alerting managers of indicators not meeting expectations, they can correct the problem and get their organization back on track.

There are four perspectives within a Balanced Scorecard: financial, customer, internal business processes, and learning and growth. They each look at a different aspect of your organization.

- The ***financial perspective*** focuses on the bottom line.
- The ***customer perspective*** measures customer satisfaction and how well your organization is meeting the client's needs.
- The ***internal business process perspective*** is an introspective one, analyzing how well your organization runs.
- The ***learning and growth perspective*** measures how your organization is ensuring improvement through staff development or innovation.

The goal of the Balanced Scorecard tool is to give managers a dashboard of vital performance indicators as well as targets so they can make strategic decisions to move your organization towards those goals.

Application

To create a useful Balanced Scorecard, you must have a clear strategic goal for your organization. Your first action will be to translate this vision into operational goals within each of the four perspectives. A cause and effect chain links these goals to each other. From these you can then derive the key indicators to measure. The goals also give you the target that appears on your Balanced Scorecard.

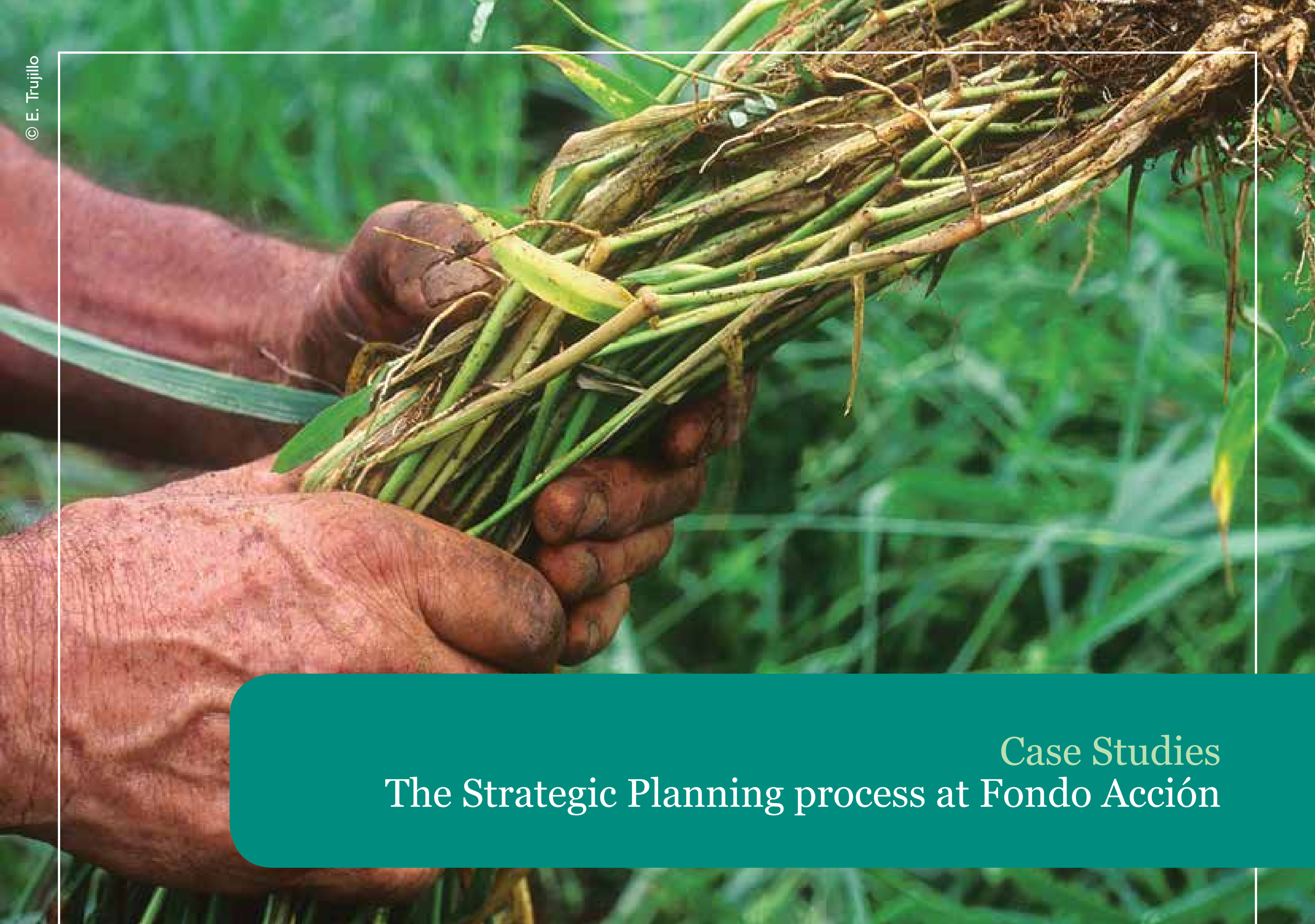
Creating a Balanced Scorecard is ultimately about choosing measures and targets. This tool is useful as more than just an information delivery system; it can help shape strategic planning by choosing certain measures and targets.

Pros

The Balanced Scorecard method is tactical and concrete. It is an active tool that describes ways to fix problems by focusing on specific actions to change. Balanced Scorecards provide a framework to make decisions based on data and targets.

Cons

The empirical structure of a Balanced Scorecard can also be the source of criticism. A poorly designed Scorecard can also give the wrong impression of the state of the organization or can focus on unimportant indicators.



Case Studies
The Strategic Planning process at Fondo Acción

Brief Fund profile

Fondo para la Acción Ambiental y la Niñez (Fondo Acción) is a private Colombian non profit organization, created in 2000 under a bilateral agreement between the governments of the United States of America and the Republic of Colombia.

Fondo Acción is a second-floor type organization: it does not implement projects or programs directly but rather manages accounts and allocates funds to first-floor implementing agencies.

Fondo Acción has consolidated its business model as an efficient and reliable financial and technical trust fund, with technical and managerial strengths that allow it to design, select and fund high impact programs and projects in two priority thematic areas: (1) conservation and sustainable development and (2) early childhood protection and development.

Motivation – When did Fondo Acción undertake its Strategic Planning exercise?

Fondo Acción´s first strategic planning exercise took place in 2005. Until then, the Fund did not have a strategy for growth and change and this had been identified as a weakness by both the Fund's **Board of Directors** and the Fund's **Executive Secretariat**.

This exercise resulted in the formulation and adoption of the first Strategic Plan for 2005-2009.

In 2009 the Fund assessed progress and results under the first four year plan and updated and adopted a new strategic and financial plan for 2009-2012.

Planning tools and methodologies used

Fondo Acción used the **Balanced Scorecard and Strategic Maps methodology - BSC** (See Annexes 1 and 2)[1] and specifically a version of this approach that has been adapted to fit the needs and nature of non profit and public organizations[2].

BSC is a flexible planning methodology that improves the use of human and financial resources, guides the organization's investments in intangible assets, enhances cooperation levels and generates higher financial results.

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[1] Robert S. Kaplan and David P. Norton. The Balanced Scorecard. Boston: Harvard Business School Press, 1996. Strategic Maps: Converting Intangible Assets into Tangible Outcomes. Harvard Business School Publishing Corporation, 2004.

[2] Paul R. Niven, Balanced Scorecard Step-By-Step For Government and Nonprofit Agencies. John Wiley and Sons, Inc. 2003.

BSC is based on the factors that generate value for the organization's main clients or stakeholders. Using BSC, the Fund's team and Board were able to formulate a 4-year strategy for growth, innovation and value creation (the Strategic Plan), and to develop Annual Action Plans as well as Key Performance Indicators (KPIs) to monitor progress in the implementation of the Strategy (Annex 3).

The Strategic Plan is drafted for four year periods. Its key elements are:

- Mission
- Vision
- Strategy
- Organizational values
- Strategic Objectives (SO)
- Key Performance Indicators (KPI)
- Investment plan

In order to facilitate the implementation of the Strategy, the Fund's team prepares Annual Action Plans. These Annual Action Plans are drafted in strategic planning sessions carried out at the beginning of the year. The key elements of an Action Plan are:

- A set of Initiatives for each Strategic Objective
- A Manager for each Initiative
- Goals, activities and a timetable for each Initiative
- Budget

Involved actors

The first draft of the four year strategic plan and the annual action plans are prepared by Fondo Acción´s **Executive Secretariat. The Secretariat** also prepares a four year financial projection or plan.

It is advisable to have an **external advisor or consultant** to lead and facilitate these planning exercises. Active participation is essential because each team member must understand the role he/she has in achieving the organization's strategy.

Once the 4-year plan is completed, the Executive Secretariat organizes a workshop with the organization's **Board of Directors**, to review the draft and obtain Board approval. The 4-year Plan becomes the framework for the subsequent preparation of the Annual Action Plans.

Implementation and monitoring – what are the main results?

A small group is in charge of monitoring the Annual Action Plan during the year. This group is composed of the Executive Director, the three Area Directors (Technical, Financial and Legal), the Planning and Development Coordinator and the Partnerships Coordinator.

Progress monitoring is carried out every four months based on information provided by each Initiative Manager and registered in an **electronic tool** that has been specially developed for this purpose. This review allows the whole team, at any time, to be informed about progress in every Initiative and guides decision making about the need to speed up, change or drop initiatives, or to reallocate financial and human resources. It also facilitates the preparation of quantitative and qualitative reports.

Innovations, obstacles and solutions

The main obstacles and difficulties faced by **Fondo Acción** in the planning and implementation of the Strategy can be summarized as follows:

It is important to set fundraising targets but these should be flexible.

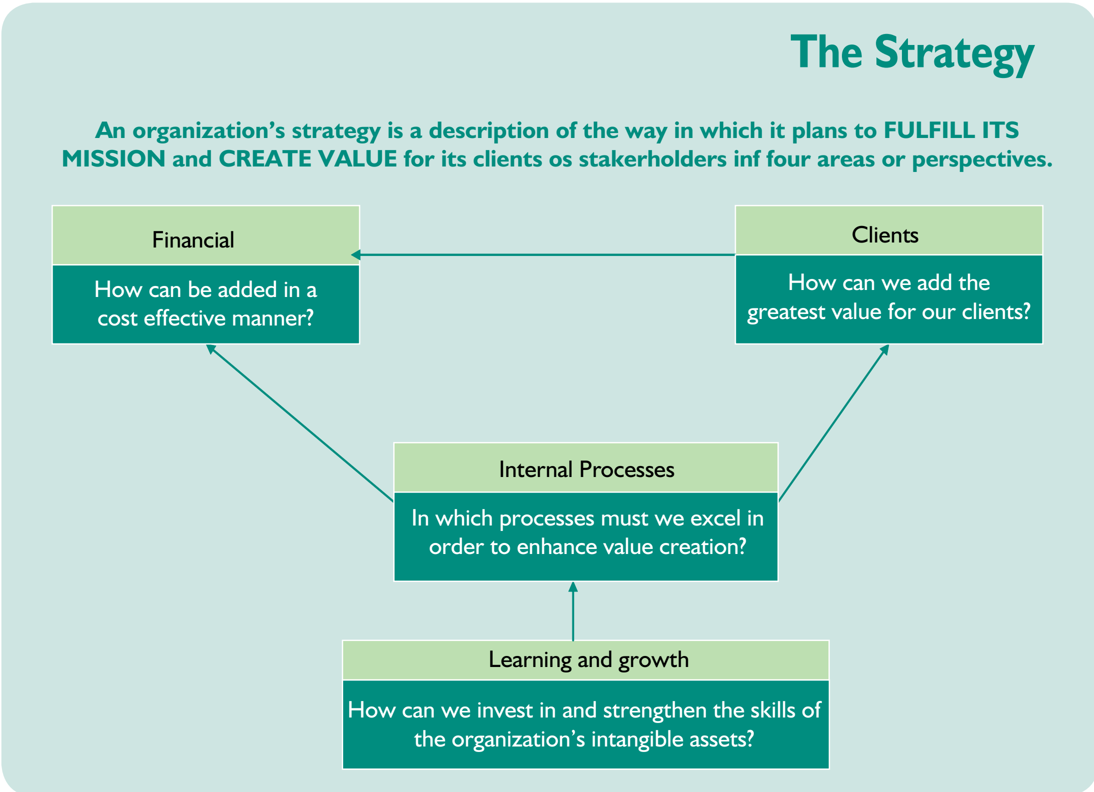
Changes in Board and team members can create disruptions. It is very important to be able to communicate the strategy clearly and easily to new members in order to maintain permanent alignment.

Progress and obstacles to implementation need to be recorded and analyzed in a timely manner. Otherwise it will be very difficult to adopt decisions and fine tune the operation.

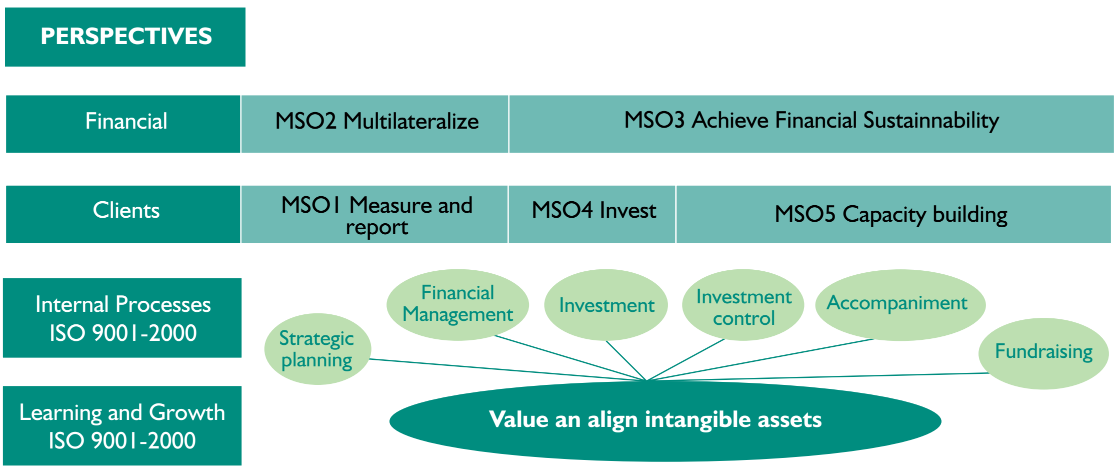
Deadlines must be as realistic as possible.

The flexible nature of the planning process must not be lost. Strategic planning and implementation are dynamic processes not straight jackets.

Annex 1. Four Perspectives for Value Creation in the Balanced Scorecard approach



Annex 2. Fondo Acción´s Strategic map



FONDO ACCIÓN´S Strategic Objectives 2009-2012	FONDO ACCIÓN´S Key Performance Indicators 2009-2012
SO1: Monitor, measure and communicate results	1.1 "Results & Impacts" annual reports are prepared and disseminated.
SO2: Fundraise and diversify donors and funding sources	2.1 Number of new donors that are engaged.
	2.2 New contributions ($) (sinking funds) are secured from both current and new donors.
SO3: Enhance long term financial sustainability (EAI Endowment and Dedicated Subaccounts; TFCA Endowment)	3.1 The Glen Nimnicht Scholarship Fund for Early Childcare & Development is consolidated with contributions to its Endowment Subaccount ($).
	3.2 The Fund for Innovations in Early Childcare & Development (PI Fund) is strengthened with contributions to its Endowment Subaccount ($).
	3.3 The TFCA Endowment is strengthened with new contributions ($).
SO4: Implement Programs and allocate grants (EAI Sinking Fund)	4.1 % of the projected funds from the EAI Sinking Account that are allocated to Conservation and Sustainable Development programs and projects during the period (in Colombian pesos).
	4.2 % of the projected funds from the EAI Sinking Account that are allocated to Early Childcare & Development programs & projects during the period (in Colombian pesos).
SO5: Build capacities and valorize intangible assets	5.1 Community-based organizations participating in the Capacity Building Program in Ecotourism improve the quality of the services offered by them.
	5.2 Childcare & development organizations participating in the Capacity Building Program improve the quality of the services offered by them.

Case Studies
Strategic Planning for longevity and greater impact at Funbio

Brief fund profile and context analysis

Funbio was created in 1995 with a GEF grant of 20 million dollars. Its creation was derived from the Brazilian government strategy to implement the Convention of Biological Diversity (CBD) signed in the Rio 92 summit. Initially, Funbio had the status of a project, with a defined date to end. The project called Funbio was hosted by a think-tank named Fundação Getúlio Vargas (FGV). Although Funbio was technically part of that Foundation, it had financial and administrative autonomy. FGV was responsible for providing operational back-office, meaning that Funbio's initial staff was mainly devoted to program operations.

To manage its actions, an Advisory Board was established, comprised of representatives from the business, environmental, government and academic sectors, equally represented, and with the responsibility for establishing overall policies and setting goals and priorities for the Fund. Since the beginning, Funbio's Board has been one of its main strengths, as it congregates key leaders from different sectors.

A first strategic planning workshop took place in 1996, coordinated by the Executive Director who was just hired to start operations. It involved 70 people from different sectors, including the Board. The main leaders in the country related to the biodiversity theme were invited to take part. This plan's main objective was to suggest Funbio's program and project priorities.

Created as a sinking fund, the GEF contract set goals for Funbio, such as having a professional external asset manager, capable of performing a minimum average yield of 6,5% yearly; raising a minimum amount of 5 million dollars in the first five years of operation; besides overall quality performance. Funbio received 10 million to start operating and had to respect a set of conditions for the use of the resources .

[1] Funbio could not use an amount equivalent to more than 3 million in any year, considering administration and operation of Funbio, studies on development of cost-recovery and fundraising programs and the funded subprojects.

Funbio operated according to these conditions from 1996 to 2000, having launched three different programs and supported 62 projects distributed by all national biomes. Funbio hosted yearly missions of appraisal and went through a midterm review without facing any problem in any of these inspections.

In the year 2000, Funbio had to leave the Fundação Getúlio Vargas and what was a project became an independent institution. This was the moment when the Board decided that Funbio should continue its operation indefinitely. It was time to plan again, as a new institution already supporting 62 projects, was being created on permanent basis. A new Strategic Plan was formulated in 2001, setting the bases for the philosophy that guides Funbio until today.

The first phase of Funbio's history (from 1995 to 2002) was focused on establishing an operational structure, on meeting the GEF contract requirements and on managing its programs, which supported mainly community based projects with local impact. In 2002, Funbio went through a final GEF evaluation (implementation completion report) receiving authorization to appropriate and manage the remaining project funds, with permission to use them as it see fit.

Additionally, also in 2002, Funbio had the first change in the Board's presidency. A newly elected Board chairman had to deal with the need for new resources for running a new institution and the beginning of the ARPA program negotiation.

ARPA – Amazon Region Protected Areas program is currently the largest tropical forest conservation program in the globe. Its goal is to protect 10% of the Brazilian Amazon region, which means almost 60 million hectares in Protected Areas (PAs). This federal government program was financed by the GEF (through the World Bank), WWF, KfW, and two Brazilian private companies, with investments of about 75 million dollars in its first phase (until 2009).

Funbio was selected by ARPA's donors to be responsible for: financial management, procurement services, asset management, community development subprojects and to studies on alternative conservation financial mechanisms for the long term sustainability of the protected areas included in the program.

ARPA brought a considerable additional work load for Funbio and had a significant impact on its governance, as its hostage was not a consensus both in the Board and in the executive staff. Funbio's staff changed and grew rapidly to respond to the new ambitious program and to keep the first phase projects on track.

In the same year, to seek for new additional resources, Funbio created a program called PICUS that was based on matching funds for landscape projects. PICUS was created to increase Funbio's projects to a regional scale and also to give a new breath to the financial health of the institution, as it proposed to articulate different financial matchings in a same project.

Just two years after the last strategic planning exercise, Funbio decided to carry out a new planning process in 2003, due to its perception of change in its original context. The focus was to establish a long term strategy for the institution, to raise funds for its permanence and to operate ARPA efficiently.

Motivation – In what moment Funbio undertook the Strategic Planning exercise?

In 2006, with most of the first phase projects finalized, Funbio was dedicated mainly to operate ARPA. PICUS program did not take off for different reasons, mainly because it could not find adequate financial partners to guarantee its long term and large scale investments. Funbio was excessively dependent on the ARPA program and unable to look for new resources for the institution. In addition, its institutional complexity was growing with global changes in the conservation context. Donors were changing their requirements, increasing the difficulties to access new resources.

It was the moment to start a new strategic planning exercise, to take Funbio out of this paralyzing situation.

Planning tools and methodologies used

This was not a conventional strategic planning exercise. It started in the middle of 2006 and it was only concluded at the end of 2007, especially because it was a turning point to the institution.

Mainly it used conventional tools and methodologies, such as reviewing mission, vision and objectives, formulating the SWOT analysis, competition analysis. It is hard to precise one methodology used in this process, because it involved three different consultancies to be completed.

Involved actors

This exercise started with representatives of all the executive secretariat areas (programs, financial, procurement, administration, human resources, communication, knowledge management, information technology). The staff was composed of 50 people and about 15 of these participated on a three-day off-site workshop to start the strategic planning process.

The main conclusions of this workshop were then presented to the Board members, who endorsed the report but decided to have themselves a second round of strategic planning, as there was a need for developing more precise definitions. This was organized some months later, when the Board, led by a new president, moderated by a different consultant, undertook a three-day off-site workshop.

After the development of the new strategy, with the staff and the Board involvement, an action plan was formulated by a third consultant, to start what is called Funbio's third phase.

Implementation and monitoring – what are the main results?

During this last strategic planning exercise, Funbio realized it had developed some specialized capabilities that could be offered as services to different audiences, creating new revenue streams to contribute to the Fund's financial sustainability. The major areas of services identified were: applied knowledge - the capacity of formulating studies on the country's social environmental issues; economic tools and financial mechanisms – the capacity of identifying economic tools and designing and implementing financial mechanisms for different conservation initiatives; program management – the original activity of the Fund, fostering conservation programs using the accumulated experience in procurement and financial management.

It took some time for Funbio to implement the new strategy. In 2007, additional staff members were hired to lead the new service areas. The staff received training in the required capacities, such as project management, and spent months in structuring the teams. This effort included dealing with new ways of preparing proposals, delivering products, controlling costs, pricing and reporting. It also involved the back office areas in this restructuring process.

Innovation and obstacle solution

The 2006-2007 strategic planning exercise brought important innovations to Funbio. The Fund kept its original activities, but started to provide services specialized in financial mechanisms for biodiversity conservation, with main focus on the private sector. With the new approach of positioning itself as a service provider, Funbio increased its impact (although this is still not precisely measured) by inducing the mobilization of additional resources to conservation.

Some important obstacles emerged from this new experience. The staff was adjusted to be focused only in two main areas: financial mechanisms and program management. The capabilities to develop studies are common responsibility to both teams. A new thematic are was created, also common to the two main teams, focused specifically on Climate and Energy.

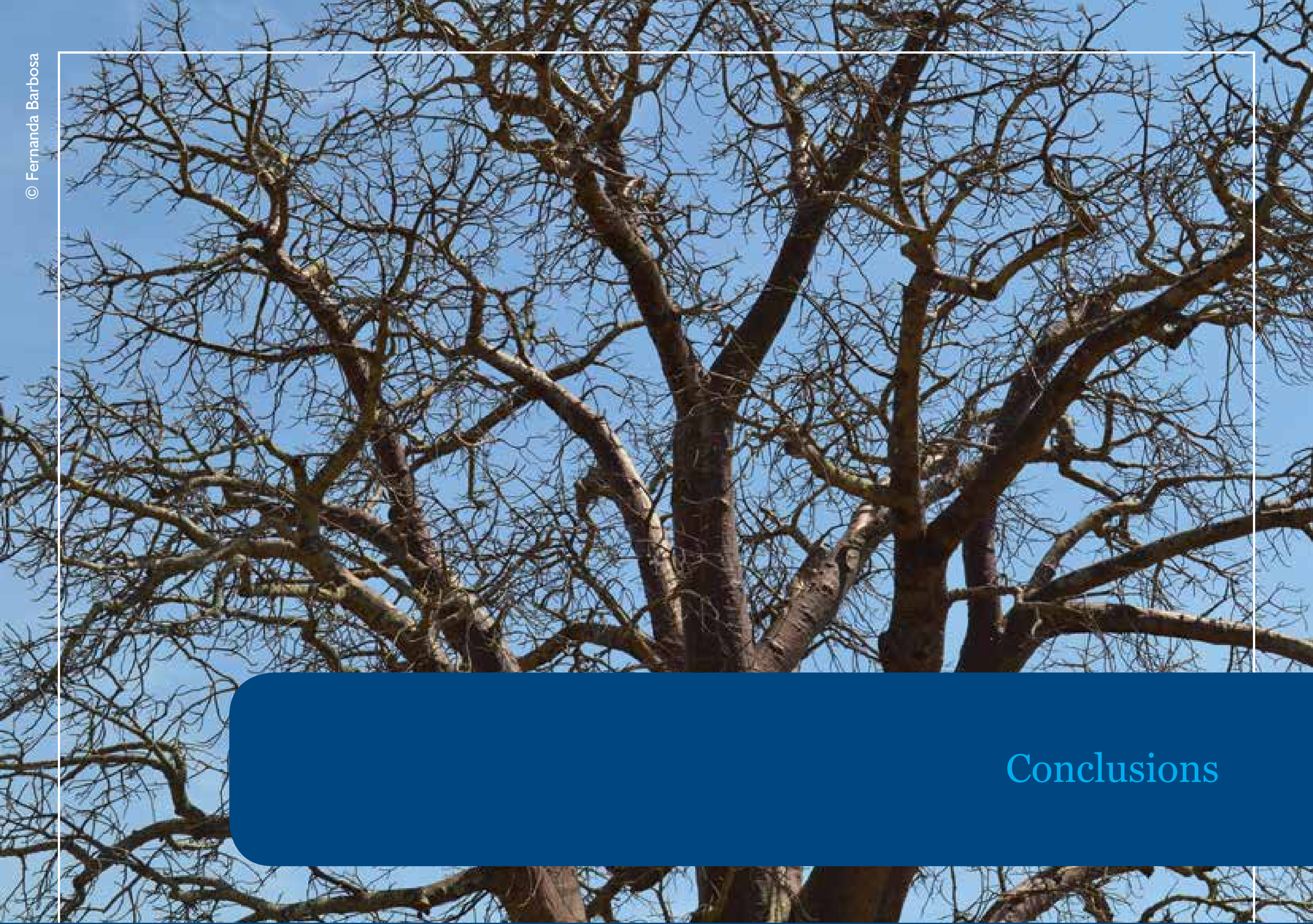
This year, 2011, Funbio is going through a revision process of the 2007 strategic plan. While keeping its mission, Funbio is slightly reformulating its vision (just some wording adjustments) and establishing key positioning messages to guide its activities. Currently, Funbio works with several private companies, developing their strategies for investing in biodiversity conservation, but still has the government as its main client. It was able to diversify its activities with the public sector, thus significantly reducing its dependence on ARPA program. Funbio understands that the perception of companies, governments and individuals on biodiversity is changing quickly and the Fund should periodically adjust its strategy in order to provide strategic resources to this variety of players who are willing to act in favor of conservation.

Funbio's mission is to provide strategic resources for biodiversity conservation.

Funbio's vision is to be the reference on making viable strategic resources and solutions to biodiversity conservation.

Funbio is guided by essential values:

- Transparence
- Ethics
- Effectiveness
- Receptiveness
- Impartiality
- Innovation



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Conclusions

Introduction

From March 29 – 31, 2011, Environmental Funds from Latin America and Africa met in Mombasa, Kenya to attend a workshop on Strategic Planning for Environmental Funds. The workshop was structured to provide a balance between strategic planning theory, hands-on exercises, and real life case studies. A technical support platform was presented to allow the workshop participants to continue to receive assistance as they embark in their strategic planning process.

The three-day workshop was broken into a number of sessions, of which the following five sessions contained the core of the material covered:

- ***The Big Picture.*** Introduction to strategic planning and the concepts of mission, vision and values. Discussion of how to get the organization ready for a strategic planning exercise.
- ***The Context.*** Introduction of some of the most relevant strategic planning tools to evaluate internal and external variables affecting organizations. Discussion of their application and limitations.
- ***Defining the Strategy.*** Discussion of the process for defining an organization's strategy. Presentation of approaches for linking long-term strategic goals with short-term tactical objectives.
- ***Planning for Implementation.*** Introduction to project planning and management. Discussion of how to move from concept to action. Tutorial on the online project management and collaboration tool.
- ***Staying on track.*** Introduction to monitoring as a function of both, the strategic planning process and the implementation of the strategic plan itself. Discussion of performance and impact monitoring tools and the concepts of performance metrics. Construct a performance monitoring plan.

Each of these sessions consisted of an initial presentation followed by working groups. Three work groups were created, which continued to work together all three days. The first work group focused on the emerging Network of African Environmental Funds. Its objective was to apply the strategic planning principles that were being discussed to this initiative. The second work group focused on the challenges of new funds as they are being established. The emerging fund from Mozambique was used as the example. The third working group had the difficult task of addressing the strategic planning challenges of an existing fund. There was no specific example they could turn to, so they created a composite of all the funds from the group members and visualize a context that would be relevant to most existing funds.

Additionally, three ***case studies*** were presented, one each day. The first day, Camila Monteiro presented the strategic plan of the Brazilian Biodiversity Fund (FUNBIO). The results of Colombia's Fund for the Environment and Childhood planning process were presented by José Luis Gómez the second day. And, the third day, Joseph Osewe and Arthur Tuda explained how the Kenya Wildlife Service arrived at its current strategic plan and how they are implementing it.

The workshop concluded with an open ***tutorial session on the use of an online project management and collaboration tool*** (www.smartsheet.com) for the funds that requested support for their strategic planning process after the workshop, and the construction of a draft plan for the preparation of the upcoming meeting of the Network of African Environmental Funds.

The workshop

Getting started

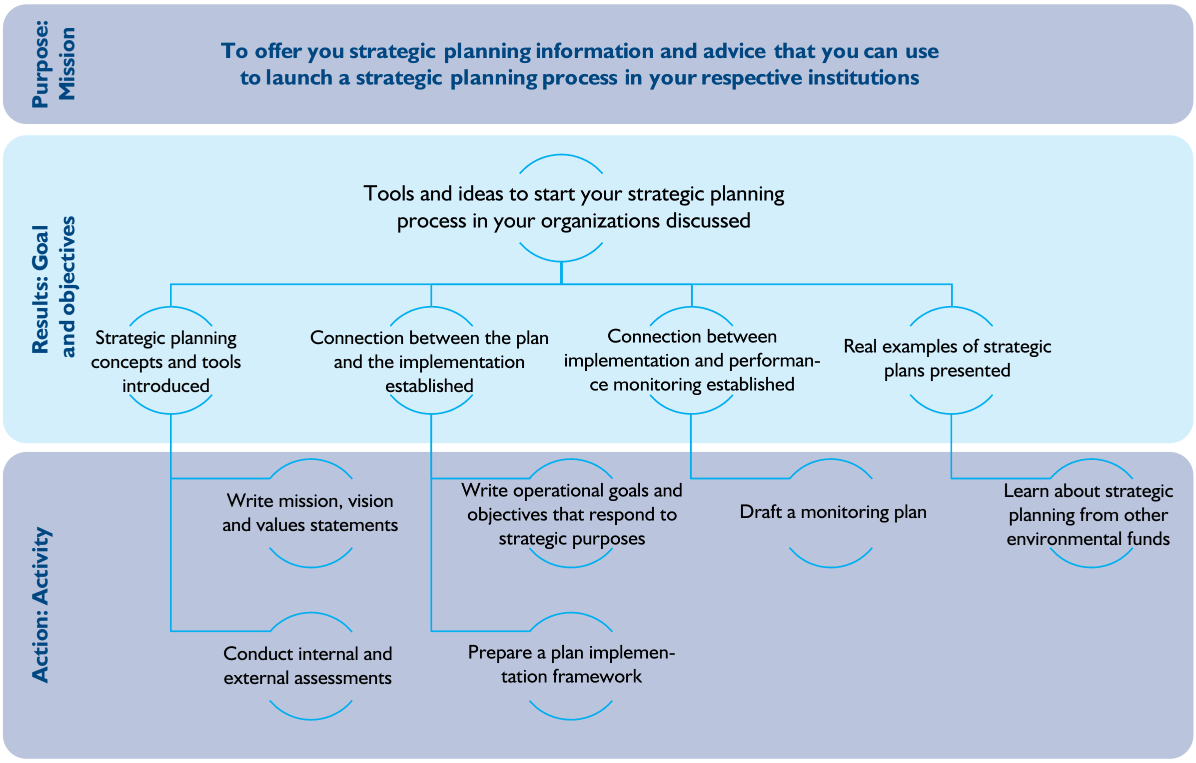
In the opening session the approach for the workshop was described, the working groups were conformed, and a plan for the workshop was prepared. This last point was particularly important because it replicated what would be covered in the following three days. Its purpose was to illustrate that strategic planning has a place even in the simplest of undertakings and that the elements of the process are essentially the same.

Following an introduction of all the workshop participants, the institutions they represented and their expectations for the workshop, the following mission, vision and values for the workshop were agreed:

- ***Mission.*** To offer you strategic planning information and advice that you can use to launch a strategic planning process in your respective institutions.
- ***Vision.*** Every environmental fund with a strategic plan that is being implemented.
- ***Values.*** Listen to your ideas. Respond to your needs. Find solutions that work for you

From these mission, vision and value statements, a workshop implementation framework was constructed (see below), in exactly the same way as a strategic plan implementation framework would be prepared, complete with expected results and activities.

Figure 1. Workshop implementation framework.



Following the construction of the implementation framework the implementation plan below was discussed and agreed.

Task Name	March, 27, 2011					
	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Tools and ideas to start your strategic planning process in your organizations					03/31/11	
Strategic planning concepts and tools introduced			03/29/11			
Write mission, vision and values statements			03/29/11			
Conduct internal and external assessments			03/29/11			
Connection between the plan and the implementation established				03/30/11		
Write operational goals and objectives that respond to strategic purposes				03/30/11		
Prepare a plan implementation framework				03/30/11		
Connection between implementation and performance monitoring established					03/31/11	
Draft a monitoring plan					03/31/11	
Real examples of strategic plans presented					03/31/11	
Brazil's Biodiversity Fund			03/29/11			
Colombia's: Fund for the Environment and Childhood				03/30/11		
Kenya Wildlife Service					03/31/11	

The final preparatory activity was the conformation of the working groups, as described above, which remained together for the three days, building on each section of the workshop.

The Big Picture

In this session the concept of the strategic planning cycle was introduced and its elements discussed. As it was quite obvious from the case studies presented, it takes several tries before an institution gets its strategic plan right. Often times it takes a while before the mission, vision and values expressed at the inception, in its founding documents, get fully grounded and linked with the reality of the context in which this institution will operate. Environmental funds are no exception. These broad statements are the ones that drive the other stages of the planning cycle—internal and external analysis; strategic planning per se; project planning; tracking progress—and the entire operation of the organization.

Several examples of mission, vision and value statements were presented to illustrate that they are driven by the philosophy of the institution adopting them. Each working group developed their own mission, vision and values statement, which they shared, with all the workshop participants.

Examples:

Mission statements

- ***Nike.*** To bring inspiration and innovation to every athlete in the world. If you have a body, you are an athlete.
- ***Google.*** To organize the world's information and make it universally accessible and useful.
- ***US Nuclear Regulatory Commission.*** License and regulate the Nation's civilian use of byproduct, source, and special nuclear materials to ensure adequate protection of public health and safety, promote the common defense and security, and protect the environment.

Vision statements

- ***Nike in the 1960s.*** Crush Adidas.
- ***Ford in the 1900s.*** Democratize the automobile.

Value statements

- ***Dow Chemical.*** Integrity, Respect for People, Unity, Agility.
- ***Multnomah County Department of Community Justice.*** A Just and Equitable System. Collaborative Relationships. Diversity & Cultural Responsiveness. Healthy Families. Information Based Decisions. Innovation. Investing in Employees. Respect. Stewardship

The Context

In this session, three of the situational analysis tools presented in the primer prepared prior to the workshop were discussed in more detail: PEST, SWOT and MacMillan Matrix. Each has its own applicability and relevance, are best used together to assess the broader context under which the environmental funds will perform. The PEST analysis focuses primarily on the external variables. SWOT analysis brings together those external factors and combines them with the internal attributes of the organization to get a better idea of what it can do. Finally, the MacMillan Matrix, when complemented with the familiar SWOT and PEST analysis, can be a powerful decision-making tool for environmental funds during the preparation of their strategic plans.

For the purposes of the workshop, each working group developed its respective SWOT analyses and presented them to all the participants.

Defining the Strategy

The process of transforming the broader mission, vision, values concepts into an executable strategic plan was discussed. The workshop participants were walked through the construction of a plan implementation framework, which consists of the following elements:

Purpose: Mission, vision and values

- It defines a state that can only be achieved by the concerted actions of the organization and all its stakeholders (how you want things to be).

Results: Goals and objectives

- They indicate a measurable change in condition (what you want to accomplish).

Actions: Activities and tasks

- This is how an organization's resources are organized and deployed to perform tasks and activities (what you do).

Indicators

- This is how progress towards the results and the purpose is tracked (where you are).

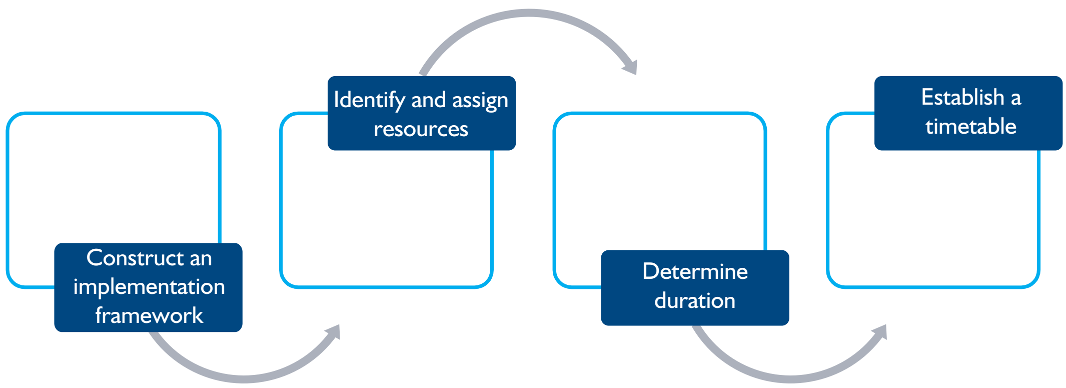
The illustrative plan implementation framework presented in the primer was developed further to demonstrate the process. The workshop participants were shown how to organize the *tasks* that individuals must perform into the *activities* that are the responsibility of teams, to accomplish the *results* and the *goals* set in response to the *mission* of the organization.

Figure 3. Illustrative plan implementation framework completed at the workshop.

Planning for Implementation

In this session, it was shown that an implementation framework is a static picture, necessary to visualize all the elements of the strategic plan, but insufficient to determine what it needs to be implemented and how long will it take. The next step was to transform the implementation framework into an implementation plan by systematically identifying and assigning resources (e.g., personnel, equipment, funds); determining how much time each activity and task require to be successfully carried out; and finally establishing a timetable of actions.

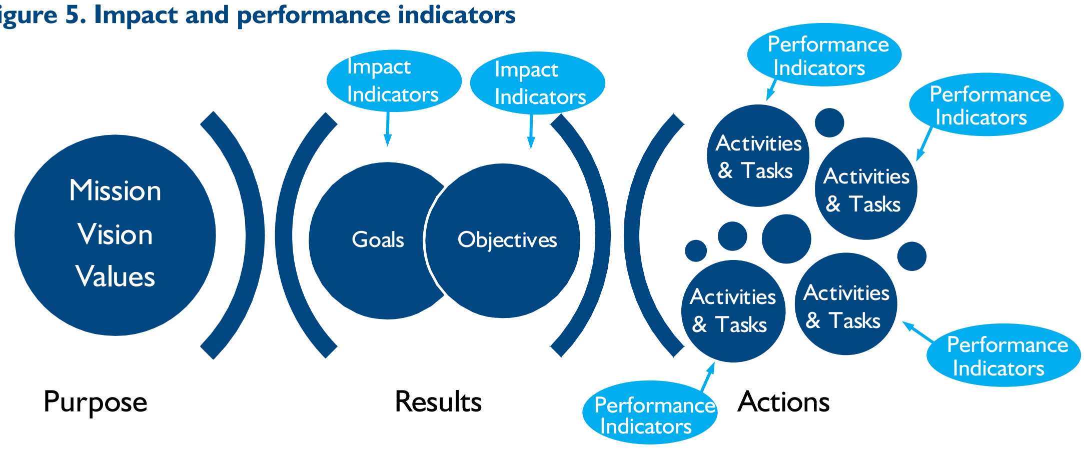
Figure 4. Moving from planning to implementation



Staying on track

One of the most intense discussions of the workshop was on how to measure progress in the implementation of a strategic plan. This is one of the most difficult tasks when implementing projects, and more so when the "project" is the strategic plan of an organization as complex as an environmental fund. The questions that occupied most of the time had to do with the level of effort needed to collect sufficient information to measure performance effectively and the type of indicators needed to track performance (of the activities and tasks) and impact (of the goals and objectives).

Figure 5. Impact and performance indicators



This session did not have a working group section, but it was done in a more interactive way. The experiences from all the participants were invaluable. Some had worked with complex monitoring plans that require a significant investment of time and resources to implement. Funbio explained RedLAC's proposed monitoring process involving over 40 indicators, most of which were never measured. Others, advocate simpler indicators that are easier to measure and can be done more frequently and used to keep the organization in track, as is the case of Colombia's Fondo Acción. The take home lesson from this exercise was that this stage of the strategic planning process tends to be one of the most neglected, yet it is the only way for organizations to determine if they are making progress toward the accomplishment of their goals. The complexity of the monitoring approach adopted needs to respond to the organizations needs, but erring on the side of simplicity is preferable to having an extensive monitoring plan that is too expensive and time-consuming to implement.

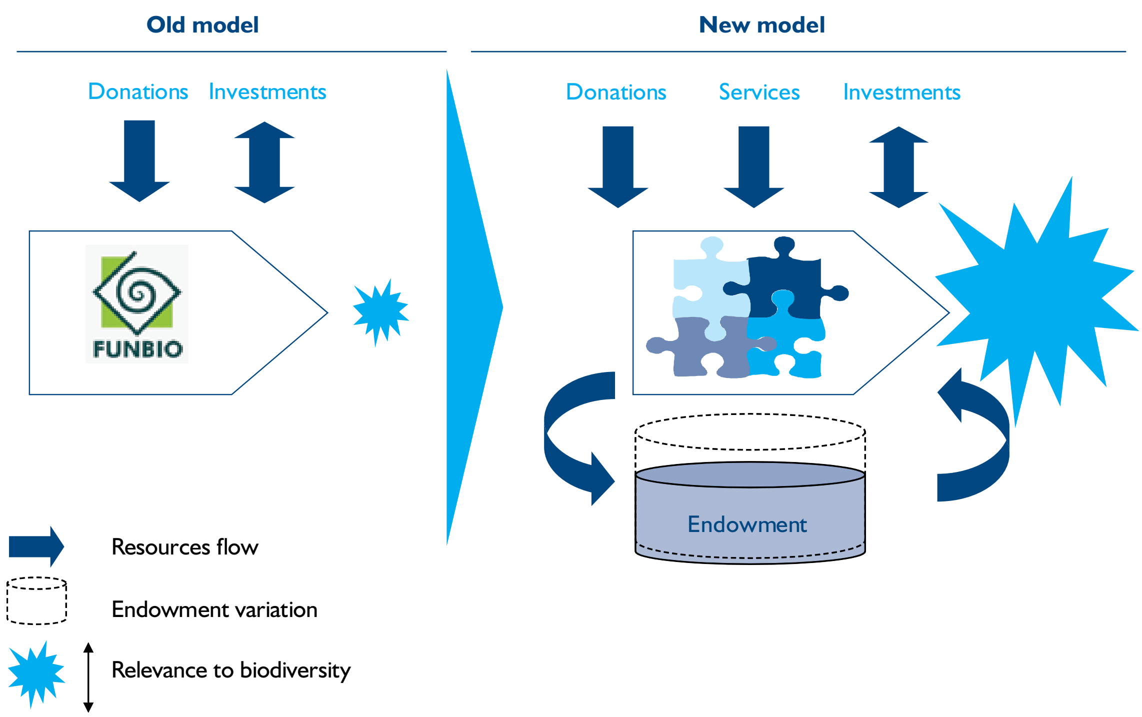
Of the different approaches discussed, the balanced scorecard methodology was best received. Both, Fondo Acción and the Kenya Wildlife Service used it as their strategic planning platform and are using as a strategic performance monitoring tool. Their experiences were presented in their respective case studies. The versatility of the balance scorecard as a management tool was explained by Edwin Wanyonyi, Head of Resource Mobilization of the Kenya Wildlife Service, who showed how he completes his individual balanced scorecard and explained how it is used to measure the performance of his department, as well as at the organization as a whole.

The Case Studies

Brazil's Biodiversity Conservation Fund (Funbio)

In her presentation, Camila Monteiro showed that Funbio has undergone many fundamental changes since it was first created in 1996. It started as a project under an established organization and five years later, it became an independent fund with a broader mandate. It went from primarily a fundraising and financial management tool to support other organizations to having a greater value-added agenda that includes, among other things, significant contributions to the development of sustainable finance tools; the development of sophisticated project management capabilities; a more complex organizational structure to meet the demands of a growing network of partners and stakeholders; and a greater need to consolidate its brand in a more competitive environment than the one that existed when it got started.

Figure 6. Changes that Funbio's is implementing as a result of its last strategic plan



Funbio's last strategic plan called for its internal re-organization into four business units: climate change and clean energy; financial mechanisms, program management and networks management. And as part of the process, it updated its mission, vision and value statements as follows:

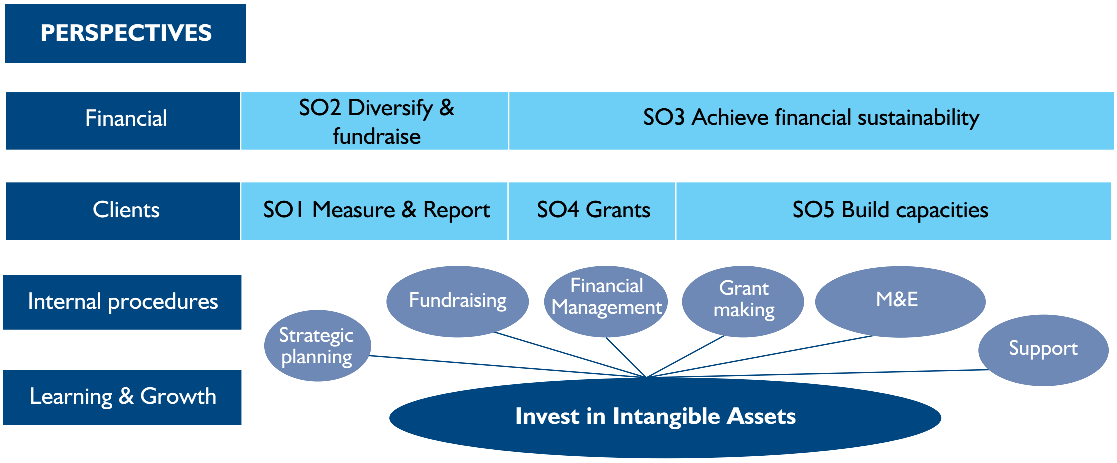
- ***Mission.*** Provide strategic resources to biodiversity conservation.
- ***Vision.*** Be the reference on making viable strategic resources and solutions to biodiversity conservation.
- ***Values.*** Transparency. Ethics. Effectiveness. Receptiveness. Impartiality. Innovation.

Colombia's Fund for the Environment and Childhood (Fondo Acción)

Not unlike Funbio, the strategic plan that Fondo Acción's presented was not its first and it served to make important adjustments in its focus and operations. In his presentation, José Luis Gómez, Fondo Acción's Executive Director explained that they decided to start their new plan before the period of the previous one was over because they felt that the challenges facing Fondo Acción required a reassessment of its strategy. This illustrates clearly that strategic planning must be a dynamic process that that responds to the changing context and internal realities of organizations. The strategic objectives pursued with the new strategic planning exercise were to (1) consolidate the existing model, strengthening, among other things, the ISO 9001-2000 procedures; (2) advance a new model for the organization focused on products and services, costing, and capacity building; and (3) explore and create new financial sustainability options.

For their new strategic plan they adopted the balanced scorecard methodology, which produced a strategic map that aligned the organization with the need to invest in intangible assets as a priority and the overarching purpose of

Figure 7. Fondo Acción's 2009-2012 strategic map



creating value at every level of their interventions. They updated their vision statement (*Fondo Acción will be recognized as a leader in the design and implementation of innovations in conservation finance in Colombia.*) and their values (*Leadership. Networks. Work environment. Reputation and brand. Trust. People.*). They reduced the number of strategic objectives from 11 to five, and reviewed and redesigned their key performance indicators, greatly simplifying their performance monitoring activities, without compromising its relevance to the operation of their organization.

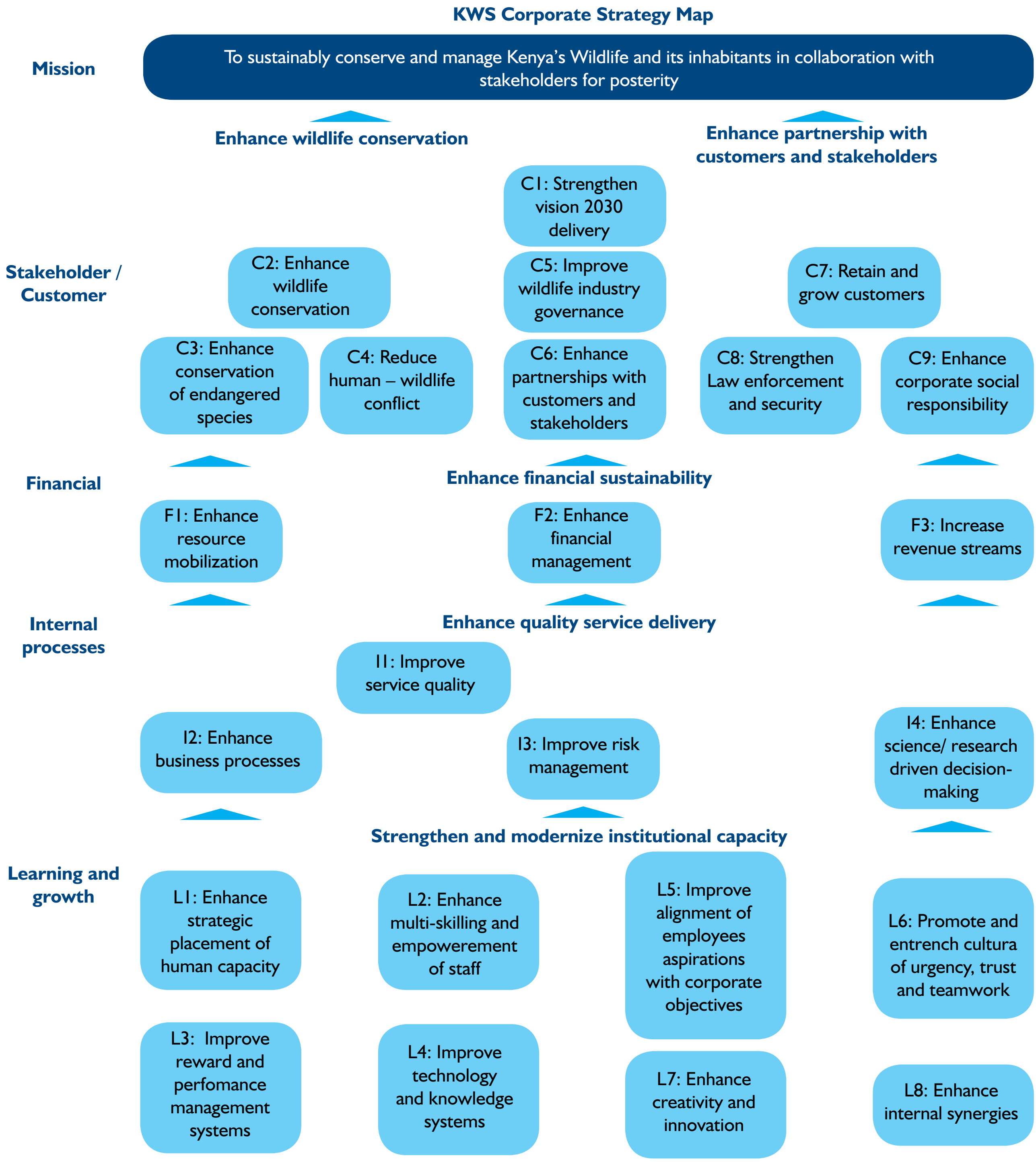
Kenya Wildlife Service

The case study of the Kenya Wildlife Service strategic plan was presented by Joseph Osewe, Head of Productivity Improvement & Quality Assurance, and Arthur Tuda, Senior Warden Coast Conservation Area. This was a very comprehensive and easy to understand explanation of the use of the balance scorecard methodology for the preparation of a strategic plan and its use as a performance management tool. Like the previous examples, this was not the first strategic plan that the KWS had conducted. The previous strategic plan, covering the period 2005-2010, was developed based on the log frame. The current strategic plan was prepared to cover the period 2008-2012, and it focused on people, technology and image, as its three pillars of excellence. In the process, the mission, vision and values statements were modified as follows:

- ***Mission.*** To sustainably conserve and manage Kenya's wildlife and its habitats in collaboration with stakeholders for posterity.
- ***Vision.*** To be a world leader in wildlife conservation.
- ***Values.*** At KWS, we conserve and manage Kenya's wildlife scientifically, responsively and professionally. We do this with integrity, recognizing and encouraging staff creativity, continuous learning and teamwork in partnership with communities and stakeholders.

From the strategic planning exercise conducted, which involved everyone in the organization, the strategy map shown below was produced, as well as a four-tiered, cascading performance management approach, with corporate scorecards at the corporate level (tier 1), departmental level (tier 2), parks and stations level (tier 3) and individuals (tier 4). The KWS has identified several key success factors, among them and quite relevant to the environmental funds are the following: a visible and engaged leadership; transparency and clarity; fact-based decision making; focus first on strategy, then on operations; and others.

Figure 8. Kenya Wildlife Service corporate strategic plan 2008-2012.



Lessons learned

- Strategic planning takes time and practice. All of the case studies presented where not the first attempt at a strategic plan.
- Deciding how to measure performance and impact is a challenge that requires finding a delicate balance between the need to know whether an environmental fund is making progress or not, and the cost—in time and money—of measuring this progress.
- There are many tools to meet the needs of the different stages of the planning cycle. Organizations should experiment until they find a set that works well for them and their context. They should also feel free to modify them to meet their needs.
- Successful strategic plans require the commitment of all the members of the organization, but it must be driven by its board and executive management team. Outside consultants can help, but a strategic plan is not something that can be contracted out.

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