

Management in the Non-profit Sector: the effectiveness of planning dimensions

ABSTRACT

This study aimed to explore the effectiveness of planning dimensions in the Non-profit sector. Exploratory factor analysis identified a two factor structure representing the effectiveness and planning distinction. Further correlation analysis confirmed this and suggested that planning dimensions are associated with several effectiveness measures in the Non-profit sector.

Keywords

Effectiveness, planning, non-profit

INTRODUCTION

In this study, the correlation between strategic planning and organisational effectiveness is examined in the context of Australian Non-profit organisations. This relationship has rarely been examined in the Non-profit sector (Stone, Bigelow, & Crittenden, 1999), and on only a few occasions in the disability sector.

LITERATURE REVIEW

Published empirical studies linking strategic planning and organisational performance in Non-profit organisations are few although the number has grown considerably since 1990 (Stone & Crittenden, 1993). Most of the gains have been in Non-profit hospital, higher education, and performing arts settings (Wortman, 1988), but more descriptive, exploratory studies are required (Stone, et al., 1999; Wortman, 1988).

Van de Ven (1980) found a positive relationship in a community child care setting and Odom and Boxx (1988) found a significant relationship between the growth rate of the churches and their level of planning sophistication (intensity). Crittenden, Crittenden and Hunt (1988) also studied the relationship in churches and their findings suggest that organisational performance can be achieved by relying on individual elements of the strategic planning process. Non-profit US credit unions were examined by Jenster and Overstreet (1990) who found a positive relationship, as did Smith, Piland and Funk (1992), and Siciliano (1997) who studied rural health care organisations. The relationship has

also been examined in the social work literature, albeit in a very general way, and has been found to be useful in improving human services (Lauffer, 1984); in prediction (Henderson & Thomas, 1980); and in the ability of organisations to cope with problems and focus on initiatives (Bryson, 1988; Kaufman & Jacobs, 1987; Rothman & Zald, 1985).

METHOD

The Hoy and Miskel (1987) framework was operationalised using measurement tools from the literature in the two main research areas. This self-assessed framework measured the organisational performance construct, while the strategic planning construct was also self-assessed using a measurement tool developed by Ramanujam and Venkatraman (1987). The overall measures of organisational effectiveness were compared to confidential "ratings" provided by the Commonwealth Department of Health and Family Services.

The sample of 566 comprised the total population of Queensland disability sector organisations with response rates shown in Table 1.

Table 1 Questionnaire response rates

Respondents		
Managers	222	(26% of all managers)
Staff	565	(28% of all staff)
Organisations	129	(23% of all organisations)

RESULTS

The five dimensions of strategic planning systems - internal orientation, external orientation, functional coverage, use of planning techniques, and involvement of key personnel - were examined. Each dimension was measured using a 5-point Likert scale from No Emphasis (1) to A Great Emphasis (5). Internal reliability for the overall index was .81, and the alpha coefficient of reliability for each of the dimensions ranged from .51 to .79 (see Table 2). Overall organisational effectiveness

was measured using a modified version of Mott's (1972) model. Internal reliability for the index was .92 and the alpha coefficient of reliability for each of the dimensions ranged from .66 to .88. The mean was 3.9 (out of 5). This measure of organisational performance was validated by comparing survey questionnaires completed by employees from the same agencies as the managers.

Table 2 Alpha coefficients of reliability: Effectiveness measures

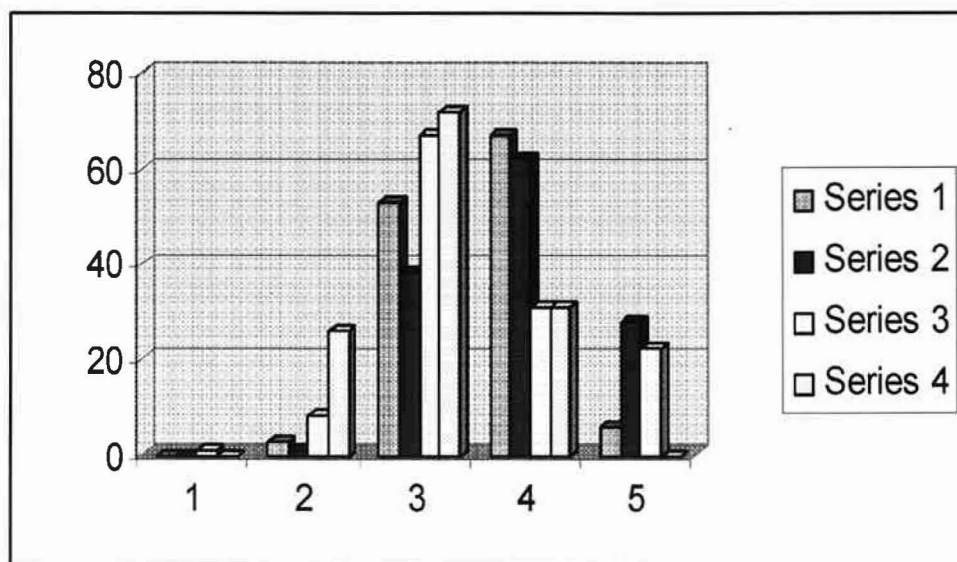
<i>Index</i>	<i>Alpha Score</i>
Index of planning characteristics (Ramanujam & Venkatraman, 1987)	
Internal orientation	.5136
External orientation	.7916
Functional coverage	.5270
Use of planning techniques	.5618
Involvement of key personnel	.6327
Index of organisational effectiveness (Mott, 1972)	
Productivity	.8799
Adaptability	.8428
Flexibility	.6610
Index of objective fulfilment (Ramanujam et al., 1986)	.9212
Index of job satisfaction (Miskel, 1982)	.5102
Index of central life interests (Hoy & Miskel, 1987)	.7137

The correlation between the two sets of survey questionnaires was computed as a test of the validity of the subjective measure. The correlation was .16, $p = .09$. This measure was also validated by comparing the scores obtained from managers and employees with those obtained from interviews with staff of the Commonwealth Department of Health and Family Services. The correlation between the managers' scores and those from the Commonwealth Department of Health and Family Services on the three measures was .10, $p = .20$. The correlation between the employees' scores and those from the Commonwealth Department of Health and Family Services was .12, $p = .12$. The alpha coefficients of reliability for the objective fulfilment, job satisfaction, and central life interests indexes were .92, .51 and .71 respectively, and are shown in Table 2. Also see Figure 1 for a histogram of these measures.

Factor Analysis

To test the factor structure of the strategic planning and organisational performance items, a maximum likelihood analysis based on oblimin rotation with Kaiser normalisation was employed. Inspection of the results revealed that three factors had eigenvalues greater than or equal to one. As can be seen in

Figure 1 Histogram of Organisational Performance Measures



Series Legend

- Series 1 Index of organisational effectiveness (Mott, 1972)
- Series 2 Index of objective fulfilment (Ramanujam, Venkatraman, & Camillus, 1986)
- Series 3 Index of job satisfaction (Miskel, 1982)
- Series 4 Index of central life interests (Hoy & Miskel, 1987)

Horizontal Legend

- 1 = Very Low/Poor
- 2 = Fairly Low/Fairly Poor
- 3 = Fair/Average
- 4 = Fairly High/Fairly Good
- 5 = Very High/Very Good

Table 3, Factor 1 comprises five items with factor loadings ranging from .48 to .81. Factor 2 comprises two items with factor loadings of .67 and .49. Factor 3 also comprises two items with factor loadings of .29 and .81. Examination of the items that loaded on these three factors indicated that Factor 1 consisted entirely of items that related to beliefs about strategic planning and its inherent dimensions, while the items in Factor 2 seemed to relate more to beliefs about organisational outcomes. Factor 3 is harder to interpret as the two items relate to size and organisational outcomes.

These findings, together with the scree plot, suggested a two-factor solution. As such, Factors 2 and 3 were combined for a second analysis limited to two factors. The obtained pattern matrix showed that the items loaded from .41 to .97 on the two factors, accounting for a total of 46.3 per cent of the variance. Inspection of these two factors shows that the items in Factor 1 are clearly related to organisational outcomes, while Factor 2 loads only on measures related to strategic planning. When the two unrelated variables were removed, the relationship between the items that defined the first factor and those that defined the second became somewhat stronger.

Table 3 Factor analysis

Item	Analysis 1 (3 factor solution)			Analysis 2 (2 factor solution)	
	Factor 1 loadings	Factor 2 loadings	Factor 3 loadings	Factor 1 loadings	Factor 2 loadings
Objective fulfilment		.67		.97	
Organisational effectiveness		.49		.44	
External orientation	.81				.71
Functional integration	.79				.75
Use of techniques	.69				.70
Key personnel involvement	.68				.69
Internal orientation	.48				.41
Job satisfaction			.29		
Size			.81		
Correlation matrix					
Factor 1	1.000	.264	.212	1.000	.293
Factor 2	.264	1.000	.232	.293	1.000
Factor 3	.212	.232	1.000		

Correlations

Although the correlations were weak, all of the dimensions of strategic planning were significantly related ($p = .01$) with each other, and there were also significant ($p = .01$) correlations between all the various measures of organisational performance. Overall organisational effectiveness was positively correlated to objective fulfilment ($p = .01$); job satisfaction was positively correlated to objective fulfilment ($p = .01$); and central life interests were positively correlated to job satisfaction ($p = .05$).

The strategic planning construct was found to be significantly correlated with organisational performance in a number of respects (see Table 4). The external orientation dimension was found to be significantly correlated with objective fulfilment ($p = .01$ - explaining 10 per cent of the variance in one another) and central life interests ($p = .01$ - explaining 7 per cent of the variance in one another). The functional integration and use of key personnel dimensions were also found to be highly correlated with the objective fulfilment measure of organisational performance ($p = .01$ - explaining 7 per cent of the variance in one another, and 9 per cent respectively).

Table 4 Relationship (Spearman's rho correlation) between planning dimensions and organisational performance

<i>Organisational performance</i>	<i>External orientation</i>	<i>Functional integration</i>	<i>Key personnel involvement</i>
Objective fulfilment	.313**	.257**	.296**
Central life interests	.268**		
** $p = .01$, 2-tailed			

Profitability was excluded from the performance measures due to the low meaningful response rate.

DISCUSSION

The above results suggest that strategic planning intensity has an effect on the objective fulfilment and central life interests measures of organisational performance. Higher planning intensity levels are associated with higher performance. The results of this study therefore tend to confirm the findings of Van de Ven (1980), Crittenden, Crittenden and Hunt (1988), Jenster and Overstreet (1990), Smith, Piland and Funk (1992), and Siciliano (1997).

As functional integration has an effect on objective fulfilment, perhaps those organisations that plan more strategically using an open systems approach are more likely to perform well. As one of the component measures of objective fulfilment is improved management development, this finding may

also suggest that organisations that have a more intense level of strategic planning are more likely to demonstrate an improvement in management development, a finding similar to Crittenden, Crittenden and Hunt (1988).

In relation to the significant correlation found between key personnel (CEO, line managers, Board members, and all staff) involvement, and objective fulfilment, it can be suggested that a human services sector orientation (collaborative, collegial, and consultative) matched by organisational arrangements is most likely to achieve organisational goals in much the same way as that found by Lauffer (1984). Much of the early for-profit research seemed to imply a “top management only” perspective when discussing the make-up and contributions of people responsible for planning within a firm. Morgan (1997) opined that it is this top management approach that encourages single-loop learning but discourages the double-loop thinking so critical for the evolution and emergence of intelligence. Further, the finding that a more intense external orientation is significantly correlated with objective fulfilment might suggest that organisations which are more able to monitor the external environment, incorporating sponsoring and funding bodies, are more likely to achieve organisational goals.

As far as causation is concerned, Hopkins and Hopkins (1997) found a reciprocal relationship between strategic planning intensity and performance. That is, strategic planning intensity causes better performance and, in turn, better performance causes greater strategic planning intensity. More research would be required to ascertain whether such a causal relationship existed in disability organisations in this study.

Finally, the high level of intensity with which Non-profit organisations in the disability sector in this study apparently conducted their strategic planning processes (mean of 3.7 out of 5 or 74%) may confirm the view that, since 1989, many Non-profit firms have adopted strategic planning and control systems as a form of operational discipline. Unfortunately, in many settings this high level of adoption is adversely affected by reduced levels of managerial skills, capacity, and credibility (Dees, 1998).

At first sight, it might appear that the Frederickson and Mitchell (1984) and Frederickson (1984) studies which found that strategic planning comprehensiveness was positively related to performance in a stable environment, and negatively related to performance in an industry with an unstable environment, might conflict with the major finding of this study. However, although the disability sector is evolving and faces a somewhat dynamic environment, the change and evolution has been somewhat slow and predictable.

CONCLUSIONS

Wortman's (1988) and more recently Stone, et al.'s (1999) call for descriptive, exploratory studies to attempt to define variables that require statistical testing is in part answered by this study. However, because this research was limited to the disability sector in Queensland, the results may not be generalisable to other states in Australia, or to other countries, or to other industry sectors.

One variable that is unlikely to differ significantly in disability-based agencies from state to state is that of profitability. The difficulties experienced in this current research in using profitability as a valid and reliable measure to assess the organisational performance of charitable Non-profit organisations tends to support the difficulties found by previous researchers.

The final limitation relates to the generic nature of the planning-performance research. In common with other observational studies where a true manipulation is not possible, in order to define the relationship between planning and performance, it is difficult to establish what performance would have been achieved by a planning organisation if planning had not been undertaken. Although the results of this study have significant implications for theory, policy, and practice in the disability sector, it should be reiterated that it is the first and only such study in the Queensland sector involving the two constructs of strategic planning and organisational performance. Consequently, there are several key areas where further research in the disability sector could be undertaken, prior to possibly examining the topic in other regions of Australia, other countries, or other industry settings. As with

this current study, such research should also consider removing some or all of the limitations mentioned in the previous section.

Finally, all disability sector organisations and staff should be aware of the benefits of strategic planning in assisting their organisations to adapt to their environments, and in so doing work towards balancing the tensions between the business and the people. In this way, survival and growth of disability-based organisations will be facilitated and outcomes for people with disabilities will be enhanced, thereby achieving a more efficient and effective use of society's resources.

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