Introduction

The purpose of the toolkit

The purpose of this toolkit is to produce a straightforward guide that will help trustees and managers to find a suitable pathway through the stages of strategic planning. All organisations, no matter what size they are, face the challenge of asking questions about their position, making choices based on the answers and developing action plans for change: this is what strategic planning is all about – stimulating strategic thinking and acting. Planning can be simple and straightforward, particularly if it is made more accessible and relevant. Above all, it is a creative process that brings demonstrable benefits: there is a direct link between effective planning and long-term sustainability, and it is the first step towards sustainable funding.

The toolkit has been designed to be used by every type of voluntary and community organisation, and by those who work with them as consultants or advisers. We considered developing different tools according to the nature of work or size of organisation, but quickly realised that these tools could be applied across all. We have picked out the 27 most helpful tools or areas of good practice and written some simple guidelines about how to use them. The toolkit is structured so that users can take a 'pick and mix' approach – selecting only the tools they need or have the resources to apply.

Our principles in developing the toolkit were:

- each tool can stand alone, so that you can decide what resources you have available, and select the tools to meet your organisation's needs; we give guidance about what tools we think are vital. While we recommend that the tools are followed as we suggest (at least at first), they are suitable for adaptation to meet your organisation's needs

- if we found that we could not fit the description of how to use the tool on one or two sides of A4, we abandoned it; the idea was to keep the process as simple as possible

- the toolkit will signpost you to other resources that can be used to supplement the kit in case you get bitten by the planning bug (or find it all too complicated and want a training course or a bit of consultancy help)

- the guide doesn't attempt to be an academic reference book; there are plenty of those around already

- strategy work is decidedly not just a top-down process, so all the tools are designed for use by groups from across your organisation; tips on communication and involvement, plus a tool on getting service users involved, are also included

- we believe that what happens in management is a mix of what is intended (planned for) and what emerges unexpectedly; the planning process we follow encourages the inclusion of ideas that emerge from everyday activity.

The toolkit is designed to be used by trustees, management teams and staff. We believe that everyone, led by the board or management committee, has a role to play in strategic planning and there is a section about who should get involved.

We want to encourage organisations to carry out planning throughout the year (and avoid it being a rushed job just before the budget or a submission to a funder is due). You need to be nimble and ready to respond to new challenges and opportunities as they emerge. However, it is inevitable that the process will have an annual cycle, with particularly intensive activity in the three months or so prior to the start of the financial year. We have included a section to help make judgements about when to start things; some activities repeat on an annual basis, others need only be done every two or three years.

How to use the toolkit

We have divided the strategic planning process up into six stages; each stage has a number of 'tools' or 'good practice guides' associated with it. Where there is an established technique for developing strategy or planning we've incorporated this into a tool; where we have come across good practice in a particular area, we have captured this in a good practice guide.

Listed below is a description of each of the stages, with the tools we have included for each.

When you come to look at each of the individual tools and good practice guides, you will see that we have used icons to differentiate between tools that are vital for effective strategic planning and those that can be useful, depending on the circumstances. In the next section, we show how we've tried to help you make decisions about which tools to choose.

★ Vital   ● Useful

Stage	Tool/Good practice guide
1. Getting the direction right We see the strategic planning process as a journey with a number of stages. There are some opportunities for short cuts and some vital steps that must be taken. Being sure about where you are going, your desired future and whether this is the right future for the organisation, comprise the important first stage. Starting with the board, all those involved with the organisation have a contribution to make.	• Stakeholder analysis • Engaging service users • Mission, vision and values • Value proposition
2. Environmental analysis Early on, it is important to assess the challenges and opportunities that the organisation is likely to face, as well as how fit the organisation is to carry out its work. This assessment of what is happening (now and in the foreseeable future) both internally and externally will form a backdrop for future decision making.	• SWOT • Internal health check • PEST • Portfolio analysis • Dual bottom line analysis • Other player analysis • Strategic group mapping • Risk analysis • Ansoff matrix
3. Options and choice It is likely that there are a number of options for how to achieve the desired future. These options need to be explored so that an informed decision can be made about what actions are needed. This isn't just about choice, but also priority, feasibility and risk assessment.	• Strategic options • Other player options • Force-field analysis • Cost-benefit analysis • Break-even analysis • Strategy screen

Stage	Tool/Good practice guide
4. Planning At a suitable point in the journey trustees and staff need to take stock, review all the information generated, sort it and get down to the basics of planning the next steps in detail. Often at this stage organisations like to document the actions in a written plan. Documenting the actions doesn't mean that they are carved in stone – new strategies and actions will always need to be encouraged.	• Goal and target setting • Writing a strategic plan • Budgeting
5. Implementation Once decisions have been made about the future direction and the actions needed to achieve this desired future, the management actions (often expressed as goals, targets and outcomes) need to be built into everyday life – embedded in the systems and processes of the organisation. Often these actions are a mix of continuing to do the things that have always been done (but maybe do them better), plus new projects to implement new initiatives.	• Change management • Performance management • Project management
6. Evaluation Progress needs to be assessed at appropriate reporting intervals to make sure things are on track, heading in the right direction and continuing to achieve the outcomes established at the start (delivering the desired impact). It is really motivating to have achievements discussed and reported, not just for members of the organisation, but also for service users and funders.	• Assessment and reporting • Outcome management

What is included in each tool?

Our approach with each of the tools and good practice guides is to provide you with:

- a description of what the tool or good practice guide is about
- the benefits and limitations of using the tool or good practice guide
- when to use it
- how to use it
- in some cases, an illustration to help explain the detail.

When to use the toolkit

1. Getting the direction right – periodic

- Revisit the vision and values every 8 to 10 years.
- Review the mission about every three to five years.
- Neither of these activities need to be within the planning cycle (you can take it at a more leisurely pace).

2. Environmental analysis – periodic, ongoing and annual

- You can make PEST and other player analysis an ongoing activity. Find a simple way of collecting and updating external data as people pick up on changes.
- Start the other elements at least three months before plans are due.
- Think about a detailed review every three years, with smaller scale annual planning activities in between.

3. Options and choices – annual

- All too often this stage is rushed, when it should have the biggest time investment.
- Start at least three months in advance of plans being due (this may depend on the frequency of board meetings).
- Expect big changes every three years and build more time in then.

4 . Planning – annual

- Once the thinking is done, capture it and start to cascade it across the organisation (and to external stakeholders).
- Your timescale here might be dictated for you.
- You may choose to do a high level strategic plan around every three years, with a detailed annual business plan that just needs to be updated each year.

5. Implementation – ongoing

- Once you've established the frameworks, plans and programmes should just be updated and roll on seamlessly.
- New projects will need to be incorporated.

6. Evaluation – ongoing

- Again, once the new targets and outcomes have been updated, things should roll on seamlessly.

Introduction

Stage 1
Getting the direction right
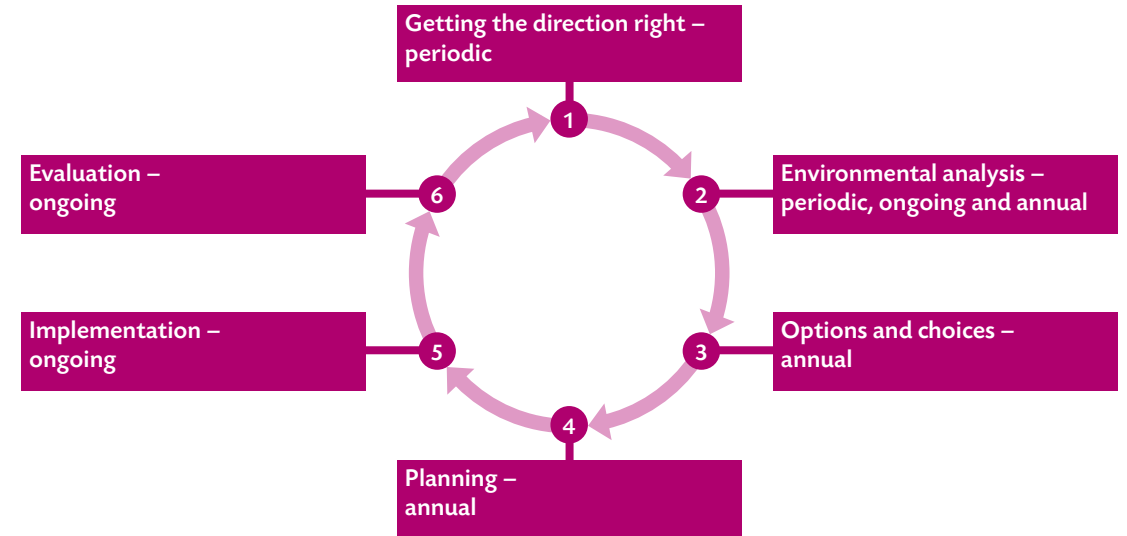
Who should get involved?

Strategic planning affects the whole organisation, so it is imperative that everyone feels part of the development process. Ultimate responsibility and decision making is the role of the board, supported by the chief executive, management team and staff. External stakeholders, such as service users and other beneficiaries, have an important part to play, as do others, such as funders, policy makers and potential partners.
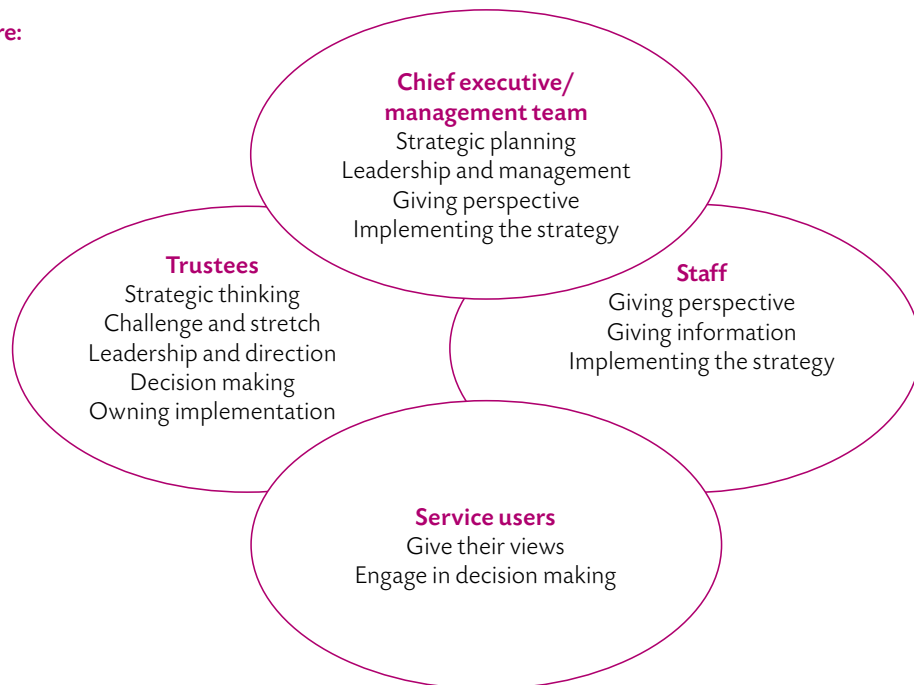
Links between strategy and governance: a trustee board perspective

- Trustees are legally accountable for the direction and work of the organisation.
- Trustees are at arm's length to the work so they can have a useful overview.
- Trustees hold the long-term health of the organisation in trust for future beneficiaries; they can put an alternative case to the shorter-term imperatives that may preoccupy staff.
- They may have experience of the longer-term history and issues of the organisation that may impact on planning.
- They can contribute moods or views 'from the outside' when assessing the PR or public support considerations.

For all those who get involved, there are some things to think about

- Strategic planning needs the best information, experience and expertise that the partnership of staff, chief executive and trustees can provide together.
- There is never only one right answer.
- There is no perfect strategy – every solution generates new challenges.
- The trust and goodwill of trustees and staff is crucial – it builds corporate commitment to the planning.
- The strategic conversation that goes on across the organisation is as important as the plan – it mobilises and gives ownership and involvement.

The key players are:

Chief executive/ management team
Strategic planning
Leadership and management
Giving perspective
Implementing the strategy

Trustees
Strategic thinking
Challenge and stretch
Leadership and direction
Decision making
Owning implementation

Staff
Giving perspective
Giving information
Implementing the strategy

Service users
Give their views
Engage in decision making

Getting the direction right

Strategic planning is a key driver for sustained organisational effectiveness. The first step in the process is to make sure that the direction in which the organisation is moving is the right one and that it meets the needs of stakeholders, including service users and clients, who are at the heart of every voluntary and community organisation.

Organisations usually have some kind of broad statement (or series of statements) that capture the strategic direction. We use the three most common definitions: mission, vision and values, and include a tool to help you define or review these statements.

We suggest that you look in detail at the overall direction of the organisation (and consult stakeholders as a major strategic exercise) once every three to five years. This should be sufficient to make sure that your purpose remains relevant and you have a strategic direction that stretches and challenges you as well as keeps pace with the changes you face.

How you deliver your mission in detail will need to be reviewed more frequently (with the mission as the backdrop). We call the statements that capture how you deliver your mission, 'strategic objectives' and 'annual goals'. Some organisations choose to carry out a big strategic review about every three years and develop long-term strategic objectives that they intend to last for about three years. Thinking in terms of a hierarchy of direction, the whole thing may look like this:

Vision and values
Review every 8 to 10 years.

Mission
Review every three to five years.

Strategic objectives
Set as part of a major strategic planning exercise, strategic objectives will deliver the mission for the next three years and should be developed to be relevant for about three years.

Annual goals
Set each year as part of a smaller-scale annual planning exercise, these annual goals will deliver the strategic objectives and should be relevant for about the next 12 months.

Tools included in this section

1.1 Stakeholder analysis
Tool

What is it?

Stakeholder analysis is the identification of your organisation's key stakeholders, an assessment of their interests and the ways in which these interests impact on your organisation.

A stakeholder is a person, group or organisation that has an interest in your organisation. Stakeholders:

• have needs and expectations
• can be internal or external to your organisation
• can be further divided into direct and intermediary stakeholders.

Direct stakeholders are connected to your organisation, for example, funders, the Charity Commission and your service users. Intermediary stakeholders are not directly connected but may still have an interest in you, for example, MPs.

Why should you use it?

Benefits It enables you to establish good relations with your stakeholders by developing stakeholder strategies that relate directly to how important the stakeholder is to you.
Limitations Everyone in an organisation has a different perception of who the stakeholders are and what importance they may have. Lack of agreement on this may cause conflict and tensions.
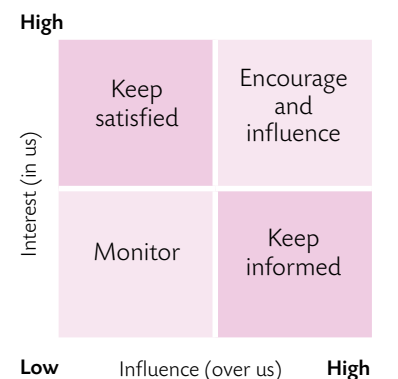
When should you use it?

⭐ **Vital** about every two years, and whenever you review your mission, vision and values.

It's vital to engage your service users in this process; be very clear about their needs and expectations, and make sure their level of influence and interest in you are appropriate to your mission.

How to use the tool

• Draw up a 'stakeholder table' for all stakeholders (see table below).
• Do an assessment of each stakeholder's interest in your organisation and their influence (or power) over you.
• Map them on the interest/influence matrix (see diagram below) and decide on strategies for each stakeholder group according to where they are on the matrix, where you'd like them to be and what it will take to shift them.
• Use a team approach to wordstorm the issues, making sure you involve staff and trustees.

Consider interviewing or sending questionnaires to key external stakeholders; see the special tool about engaging service users.

	High	
Interest (in us)	Keep satisfied	Encourage and influence
	Monitor	Keep informed
Low	Influence (over us)	**High**

Name of stakeholder	Degree of interest in us (H,M,L)	Degree of influence over us (H,M,L)	Stakeholder expectations and needs	Attitudes to our performance

1.2 Engaging service users
Good practice guide

What is it?

This good practice guide helps to structure your thinking on how to engage service users (beneficiaries, clients, members, consumers, customers) in strategic planning.

Why should you use it?

Benefits It provides a framework to start the process of user involvement (UI) and helps to clarify your thinking and planning around this.

Limitations This guide can only offer a framework – you will need to think about what will work in your organisation.

When should you use it?

⭐ **Vital** at all stages of the strategic planning process, not just at the start. UI can be particularly helpful when reviewing the mission and vision of the organisation.

How to use the guide

Whatever your motivation for developing UI, there are some key steps to take to kick-start it and a range of different ways of engaging users. It is important to recognise that while there are some general principles to follow, there is no single 'off the peg' formula for successful UI – much depends on the nature of your client group, the size of your organisation and the type of issues facing your organisation.

Key steps[1]

1. Ask yourself 'How could involving users contribute to improved organisational effectiveness and sustainability?'

2. Develop some desired outcomes so you can shape the process and measure the impact of the UI measures you adopt.

3. Think through where you most want input – be realistic and honest about how much influence people can have.

4. Gain support and participation for the UI initiative from senior people in the organisation – make sure UI isn't in a 'vacuum'.

5. Put yourself in the users' shoes or ask what techniques and approaches might help them to offer the kind of feedback you are looking for – make the UI events fun and participative.

6. Give feedback to users and champion the outcomes of UI internally – demonstrate how UI makes a difference.

7. Overall, treat UI participants extremely well – as you would a new funder or a group of trustees.

Different ways of engaging users[2]

Give information	Ask for feedback	Involve in creating things	Involve in decisions
Produce newsletters on paper or online Produce important information in accessible, easy language	User page in the newsletter or discussion group on website Suggestion box User survey or questionnaire UI teams – dedicated staff	User council, conference or 'Parliament' 'Meet the CEO' type sessions Focus groups Users carry out staff awareness training Self-help groups	Recruit users to the board Involve users in staff recruitment and induction Involve in working parties

[1] With thanks to Speaking Up!
[2] With thanks to United Response

1.3 Mission, vision and values
Tool

What is it?

Mission, vision and values are the three key components that form the purpose of an organisation. Together they make up the very basis of what an organisation is about. The vision is a compelling description of the future; it is about how you want the future to be. The mission describes the business of your organisation; it conveys what your organisation is there to do, and therefore how it contributes to achieving the vision. The value statement describes the way you work, your behaviour and the enduring traits, beliefs, convictions and characteristics that are deemed to be important and worthwhile to your organisation.

Why should you use it?

Benefits Developing your vision, mission and value statement can:
- give your organisation a long-term view
- unite the organisation around a common sense of purpose and identity
- communicate clearly to your internal/external stakeholders what your organisation is about
- create a sense of purpose from which a strategy can be developed.

Limitations There is no agreed terminology when it comes to these headings; they can mean different things to different people and can cause tension and conflict when discussing them.

When should you use it?

⭐ **Vital** if your organisation doesn't have a statement of its mission, vision and values, you should seriously consider developing one. If you already have one in place, you should re-look at the vision and values every 8 to 10 years and review the continuing relevance of your mission about every three to five years.

How to use the tool

When developing or reviewing your mission, vision and values, check for the following features in each one of them. Everyone in the organisation needs to be involved, led by the trustees. See page 66 for tips on setting up focus groups and away days.

A good vision:
- describes the future you want
- is about the heart and the head, and is idealistic in tone
- conveys a standard of excellence
- reflects horizon-expanding ideals
- inspires enthusiasm and commitment
- is easily understood and accessible to all
- is congruent with the mission
- involves bringing about change.

Your mission statement should say:
- who you are
- what you do
- why you do it
- how you do it
- why you exist.

It should be:
- clear and easily understood
- short and focused
- inspiring (internally and externally)
- realistic, workable and achievable
- expressed in terms of outcomes
- congruent with charitable objectives (if it isn't, then these should be reviewed too).

Features of values:
- people feel they have value or worth, and hold them dear
- they are beliefs, attitudes or principles expressed in behaviours
- they govern organisational behaviour – what people do and how they do it, for example, valuing diversity and equal opportunities
- they should be consistent with each other and with vision and mission.

Getting the direction right

1.4 Value proposition
Tool

What is it?

A value proposition is the difference you make, and the value you add to your stakeholders' experiences. Stakeholders may be members, service users, policy makers, commissioners, donors and so on. This value is expressed in terms of their experience, rather than what you do or say. So, it's a reduction in debt, not an easy-access debt helpline; it's a fulfilling family life, not a flat in sheltered housing.

An understanding of the value you create for your stakeholders, expressed in terms of the experience they seek, enables you to really test out the extent to which your organisation is oriented towards delivering this value. If activities aren't wholly oriented towards delivering value, you should really question why you're doing them.

Why should you use it?

Benefits It stimulates a focus on the things that are important (and helps you get rid of the things that aren't). Your relationship with donors, commissioners and policy makers, as well as relationships with service users and members, will benefit from this greater consideration, especially when you involve them in the conversation.

Limitations It can be quite a complex and multidimensional analysis, and often a range of views emerge that can be very different but equally valid. You need to be open to working with a range of perceptions and opinions as you consider what they mean for your strategy.

When should you use it?

● **Useful** to supplement stakeholder analysis when you want to engage trustees and senior external stakeholders (such as commissioners or funders) in refreshing your strategy: you'll all be looking at strategy through a different lens from normal.

How to use the tool

- List the range of stakeholders your organisation engages with.
- Ponder their needs and wants: what lies at the root of their interaction with you? Why do they do it? What do they want?
- Consider the value experience they seek from you as you deliver your services, campaigns or products. Write this down as it is at the heart of the discussion you need to have with trustees and other senior stakeholders as you explore how you really add value to stakeholders' experiences.
- Complete the table below. The final column is about evidence – you need to have evidence of the true value you add so you can be sure

that your strategy is working.
- You may then want to consider other organisations that also deliver value to your stakeholders. How do they meet the experience needs of these stakeholders? Who does it best? What can you learn? What must you stop doing or start doing differently?

Once you are clear about your range of value propositions, you can then think about the processes that deliver them by considering the following questions.
- To what extent is everything you do focused on delivering and achieving these specific results? What activities are not focused on delivering the value experience? Should you be doing them? How might you do them differently and change the impact they have?
- How can the activities that contribute to the value experience be improved to deliver an even better experience?
- How can you add to the experience or to the cost effectiveness of delivering the experience?
- Are there patterns across the value experience needs of different stakeholder groups? Where is there consistency? Are there any clashes? How will this affect your strategy?

Make sure you also think about where you work with others to deliver the value experience, as well as when you work on your own.

Stakeholder group (think about different groups – service users, funders, policy makers etc)	Value experience sought (as perceived by each stakeholder group)	Products, campaigns or services offered to deliver this value experience	How the offering delivers clear value	How the value delivered differentiates your organisation	The evidence you have of the difference made

Stage 2
Environmental analysis

Environmental analysis

Early on in the strategic planning process, it is important to assess the challenges and opportunities that the organisation is likely to face, as well as how fit the organisation is to carry out its mission.

This assessment of what is happening (now and in the foreseeable future) will form a backdrop for future decision making and is called environmental analysis. Environmental analysis looks at both internal and external issues, and takes in both the current state and the likely future.

Most tools in this section look at specifics – what's going on outside the organisation (PEST), the internal state of health (internal health check), what other players in your marketplace are doing (other player analysis and strategic group mapping). Some of these tools may only be relevant about every three years. SWOT is a more general tool, and it is vital to use it each year.

Environmental analysis will give you an indication of:

- things you are already working on that need to be amended, adapted or improved
- opportunities that need to be considered for future activity
- threats that have to be considered and counter activities that should be built into plans.

You should expect to emerge from environmental analysis with a clearer picture of the challenges you face and how fit you are to meet them, plus a list of potential things to do – options or activities.

2.1 SWOT
Tool

What is it?

An assessment of internal strengths and weaknesses, enabling an organisation to develop a strategy that will build on strengths and eliminate/minimise things that are not done so well. The tool also enables organisations to look outside themselves, at future potential opportunities and threats, and consider these when developing strategic options.

Why should you use it?

Benefits It helps to open up critical thinking across the spectrum of everything you do.

Limitations It's tempting to wordstorm a list and think you've finished. This is just the start.

When should you use it?

★ **Vital** once you are sure of the organisation's mission. Use this as the backdrop to your environmental analysis, on an annual basis.

You can expand on SWOT by doing an internal health check to get more detail on strengths and weaknesses, and PEST to get greater insights into opportunities and threats.

How to use the tool

Think through your future direction and the mission you have to achieve, and then draw the SWOT matrix:

Strengths	Weaknesses
What do we do well and have working in our favour?	In what areas is our performance not so good?

Opportunities	Threats
What trends or changes in the external environment could we take advantage of?	What trends or changes in the external environment could have a negative impact on us?

Steps

1. Go through each box, explore the positives and negatives, and come up with a list of the strategic issues facing the organisation.

2. When thinking about the internal strengths and weaknesses, consider things like:
- services, user and stakeholder satisfaction, external relationships, image
- skills/expertise, systems, trustees and staff – motivation, learning, capability, leadership
- reserves and resources including property and other capital assets, income, existing partnerships, management of costs, management of risk

- future capacity, trends and potential, as well as the current state; how sustainable is your organisation?
- what you don't do (and perhaps should).

3. When thinking about potential opportunities and threats (over, say, the next three years), consider changes to things like:
- demographics and family structures, attitudes and values
- government policy and the economy, technology and communications.

4. Refine the list by working out what's really important – the high priority issues.

5. Consider the implications – ask 'So what does this mean to us and our service users?'

6. Consider what you could do to accentuate the positive and eliminate (or minimise) the negative, ie strategies to manage the issues.

7. It's easy to focus on the negatives, so make sure you get a balance.

8. Remember that sometimes things can be both strengths and weaknesses.

2.2 Internal health check
Tool

What is it?

An internal health check is an internal evaluation framework to help an organisation highlight areas for improvement and set an action agenda for strategic change.

Why should you use it?

Benefits It enables a thorough review of internal capabilities and processes.

Limitations It can produce rather a long list of things to do and can be time consuming.

When should you use it?

● **Useful** to supplement the first two elements of SWOT and to add greater depth to this analysis, perhaps every two to three years.

How to use the tool

Use the following rating framework to stimulate discussion, making sure you prioritise.

External perspective
Rate how well you:

- meet funder and service user needs
- influence policy and practice
- get external recognition
- are accountable and transparent in dealing with the community
- are accessible to outsiders
- are active in and engaged with other organisations
- access power institutions, for example, funders and local authorities.

Mission and strategy
Rate how well you:

- achieve your goals
- perform in meeting your service, business and social outcomes
- deliver the impact associated with your mission
- communicate core values and beliefs
- share a cohesive and common identity
- link high-level goals with the front-line work of the organisation.

Leadership
Rate how well you:

- link governance and executive direction
- communicate what is important
- do what you say you will (and do it how you say you will)
- perform as a team (across and up/down the organisation)
- exercise power and resolve conflict
- align people (staff and volunteers) towards achieving the mission.

Management practice
Rate how well you:

- practise effective governance
- acquire and allocate financial resource
- use all resources to build future capacity
- manage resources such as IT and premises
- understand and manage risk
- manage performance
- develop strategy
- recruit, retain and develop people
- run core services
- develop new services
- respond to new opportunities.

Learning and growth
Rate how well you:

- stimulate creativity
- motivate and inspire at all levels
- match tasks and skills, and build capacity for the future
- delegate authority, have appropriate levels of participation and use of discretion
- manage change
- manage knowledge
- involve and include people (manage diversity).

Turn your list of how well/not so well you operate into actions for improvement and put them in order of priority.

2.3 PEST
Tool

What is it?

PEST is a tool to help you explore the likely future external environment (trends, opportunities, threats) under a series of headings – political, economic, social and technological. The aim is to identify the implications for your organisation.

Why should you use it?

Benefits Prompts you to think externally and into the future across the range of factors that influence organisational development.

Limitations The headings themselves can be limiting – try to think beyond them. Some use PESTEL – adding environmental and legal.

When should you use it?

⬤ **Useful** to supplement SWOT, perhaps every couple of years. You can carry out PEST analysis as a regular/ongoing activity by updating a set of monitoring criteria to help you keep abreast of changes.

How to use the tool

Use the headings to prompt ideas about what the different drivers for change might be in the future (try to think over the next three years); when you think of an issue, concentrate on asking, 'So what might this mean for us?' to draw out the implications.

Once you've listed the forces or trends and the implications, prioritise them (maybe around likelihood and impact), and then think about how you can maximise them (for opportunities) or minimise them (for threats).

Once again, you are developing a picture of the strategic issues facing your organisation in preparation for developing strategies to handle them.

Political	Economic
• Local as well as national • Government as funder • Legislative agenda • Infrastructure review • Public policy agenda	• Funding trends • Giving and volunteering • Economic uncertainty • Focus on outcomes and measurement
Social	**Technological**
• Attitudes/expectations • International conflict/insecurity • Demographic changes • Public attitudes	• Advances, pace of change, wider access • Harnessing potential • Skill requirements • Rates of obsolescence

2.4 Portfolio analysis
Tool

What is it?

A portfolio analysis helps you to look at your portfolio of products, services and campaign ideas to make decisions about where to invest more or less time and money or delete a product from the portfolio.

Why should you use it?

Benefits Many charities want to add new products/offerings before the previous ones have fulfilled their potential; this tool introduces logic to the decision making.

Limitations It was developed with an assumption that long-term profitability is the dominant goal, and responsibility to existing customers secondary – a balance of assumptions that does not sit easily in our sector. However, provided you are aware of this, it can be a very useful tool, primarily for products/offerings that break even (or have the potential to).

When should you use it?

⬤ **Useful** to use after SWOT and other player analysis, particularly if you feel your organisation is spreading itself too thinly.

How to use the tool

You need to place all your products/offerings onto a matrix with two axes as in the one below.

1. The best place for your offering to be is bottom right. You have all the advantages of the highest volume provider (ie economies of scale) and although continuing investment is necessary, it will not be as high relatively as in two of the other quadrants.

ACTION: invest significant time and money and defend at all costs.

2. The next best place to be is top right where, once again, you are market leader but the advantage is that the market is expanding rapidly so expansion is possible. This position has the disadvantage that you need to invest more heavily to make sure you get the majority of the new customers coming into the market (in order to stay market leader), so the investment cost per customer is higher than in 1 (above).

ACTION: invest as heavily as possible.

3. Top left means you are in a rapidly growing market (and therefore have to invest heavily) but you are not market leader. You may invest a lot of money and get nowhere.

ACTION: assess carefully to see if heavy investment can get you to the top slot. If your relative market share is low you will need some very good reasons not to exit.

4. Apparently the worst position to be in is bottom left, where you have low relative market share. Because these offerings have been around a long time, the organisation will be over loyal to them when exiting might be the best answer. If such action is not always clear in the commercial world, it is even less obvious in the charity world, where exiting may leave a cohort of vulnerable customers without help. The offering may also be popular with donors. Careful exit strategies are necessary.

ACTION: exit or reduce costs/raise income or donations to make them less of a drain on resources.

Market growth rate	**? or problem child** (minor player in a high growth market)	**Star offering** (market leader in new high growth market)
	Dog (minor player in a static market)	**Goldmine or cash cow** (market leader in a large but fairly static market)

Relative market share
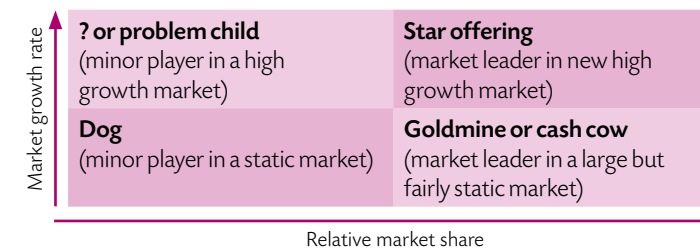
2.5 Dual bottom line analysis
New tool

What is it?

The dual bottom line analysis is about having:

1. a relevant and impactful portfolio of activities

2. sufficient working capital (funds to continue operations) to meet the needs and activities of the organisation over the medium to longer term.

These two elements are critically important in whether a voluntary and community organisation can continue to exist. This tool recognises the reality that many voluntary and community organisations face: income generation activities often compensate for services or campaigns that make a loss but have an impact. Having a balanced portfolio is important (although ideally all your activities will make a surplus).

This analysis helps you to explore your whole portfolio of activities to see how they exist in relation to each other. It also helps you to consider the extent to which each activity contributes to the impact you seek to have and the surplus you need to make to afford your activities and invest in a viable future for your beneficiaries.

Why should you use it?

Benefits It enables an exploration of all the organisation's activities (not just services or campaigns) to assess the extent to which each contributes to the dual bottom line (impact and surplus), and sets this up as a comparison that shows the relative merits of each.

Limitations Some activities are hard to quantify in terms of impact and surplus, but the conversation and improved understanding often make it worthwhile trying.

When should you use it?

⦿ **Useful** to offer a different set of insights to the portfolio analysis. The two tools can be used in alternate years to give a different perspective. Some organisations have found this tool to be very beneficial in staff workshops to illustrate why a loss-making service or campaign needs to be challenged about how it makes a difference to the lives of users (even if it's been around for years).

How to use the tool

1. List all your organisation's clusters of activities. Examples may include all the:

- services
- campaigns
- income generation approaches
- research projects
- programmes of policy development
- communications tools or initiatives.

2. Plot these activity clusters on the matrix below according to the extent to which each has impact and generates a surplus (revenue minus costs). You could draw a 'bubble' that represents each one's relative size. Bell, Masaoka and Zimmerman[1] offer an impact ranking criteria on a scale of 1–4 according to:

- fit with mission
- excellence
- scale of impact
- depth of impact
- filling an important gap (FIG)
- community building
- leverage
- financial break-even point (BEP).

3. Finally, scrutinise the whole portfolio and challenge each cluster as you develop your future strategy. The matrix below gives suggestions about tactics.

High impact

High impact/low surplus
- Keep them, but control costs and/or limit activity
- Subsidise within limits
- Turn them (back) into high impact/high surplus

High impact/high surplus
- Invest attention and money to grow

Loss ← **Break-even point** → **Surplus**

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

High surplus/low impact
- Often revenue generating programmes
- Keep and nurture them (refresh) to increase impact

Low impact

[1] Bell J., Masaoka J. and Zimmerman S. (2010) Nonprofit Sustainability: Making strategic decisions for financial viability. San Francisco: Jossey Bass.

2.6 Other player analysis
Tool

What is it?

The other player analysis looks at the work and impact of other organisations working in the same field, in order to assess how/what they are doing, so you can make informed choices about the types of relationships you might develop with them. These could be: charities, commercial organisations, statutory organisations and, in certain situations, the 'informal sector' (friends, families and neighbours); they also may be competitors, suppliers or partners.

Why should you use it?

Benefits It helps you identify the market you are operating in, who the other players are and what they do. It also helps you determine who is potentially a partner, competitor or collaborator.

Limitations It is possible to overdo the other player analysis. You should aim to create an overview of your market.

When should you use it?

★ **Vital** as part of your annual assessment of the external environment.

How to use the tool

Wherever possible follow the following steps.

1. Define the scope and nature of your area of activity or market[1] – reviewing your current outputs will give you a good idea of your market.

2. Determine who your beneficiaries are and what they expect.

3. Determine who the other players are.

4. Develop an individual profile of the players.

5. Determine what the key success factors[2] are in your market and how you and the other players compare – assess how well you all deliver what's important for success. Use the table below as a guide.

Questions to ask	Other player profile	Sources of information
• Who are the other players (may also include funders/donors)? • Are they competitors or partners/potential partners? • What are the other players' objectives? • What strategies are the other players pursuing and how successful are they? • What are their strengths and weaknesses? • What are the relationships like between them?	• Background • Financial information (annual reviews) • Products • Marketing strategies • Facilities • Personnel • Effectiveness	• Internet • Personal visits • Talking to service users • Advertisements • Presentations • Conference/trade show displays • Publications

[1] The market can be defined as individuals (eg service users) using your outputs, and purchasers (eg funders such as local authorities) who buy your outputs on behalf of service users. Both these groups may, for whatever reason, exercise the choice of going to other players who provide similar services. Your market may be affected by factors such as geography, the type of service user and purchaser and their needs, the activities your organisation is involved in and the other players.

[2] Key success factors in your market may be defined by the level of demand for your outputs, the sustained level of resources the players in your market attract, the reputation of players for quality of outputs, the level of interest taken by policy makers such as local/national government and the value and importance of managing equality and diversity.

2.7 Strategic group mapping
Tool

What is it?

Strategic group mapping is a way of looking at your marketplace and other players through the eyes of your beneficiaries, by considering their needs.

Why should you use it?

Benefits It provides another way of looking at things, so it will help you ask different sorts of questions about your future strategy, about relations with other players and about the extent to which you meet beneficiary needs.

Limitations You may raise more questions than you can answer. And like other tools and matrices, it is very one dimensional, but it is a starting point to further thinking.

When should you use it?

● **Useful** as part of external environment analysis and as an optional extra to other player analysis when you need more depth or a fresh way of looking at things.

How to use the tool

1. List the top five other players in your strategic group: organisations in your specialist sector or your field of operation. These would usually be organisations who provide similar services to yours, or who work with the same beneficiary group.

2. Develop a profile for each by asking the following questions:

• What services do they provide?
• What beneficiary group do they work with?
• What's their impact? What might their plans be for the future?
• How might you create greater impact by reconsidering your relationship with them?

3. It's important not only to think about who these other players are, but also about the marketplace you each work in and how this could affect your future strategies. To help with this, think about the two most important factors driving success (or ensuring outcomes) for your service users or beneficiaries. What are the most important aspects of your service (or campaign) for beneficiaries? What do they want most from you and others working with and for them?

Examples that people sometimes come up with are:

• being able to access the service immediately
• having all their needs met in one place
• having a tailored service based on their unique needs.

You will have your own factors for your beneficiaries. Once you've picked the top two, draw up a matrix showing each factor:
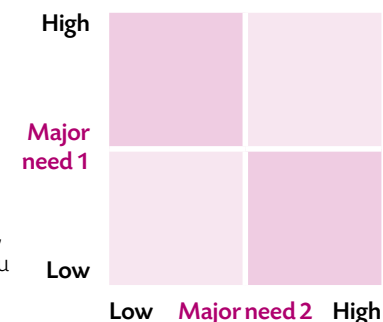
4. Plot out each of the other players and your own organisation on the matrix. You could draw a circle for each that gives an idea of relative size.

• Where are the gaps?
• Why are the gaps there?
• Who should be filling them? What potential is there for funding to create new services to meet need?
• How might you work with other players to better meet need?
• Where are the overlaps?
• What are the options for change?
• What are your options?
• What factors will affect your choice/decision making?
• What further research do you need to make?

Strategic group mapping
Illustration

In this illustration, the two most important service factors in the market are 'immediate access' to services and that when accessed, the services are 'tailored' to meet individual need.

There are four key players in the locality, all working with the same group.

- United Services is the biggest player and provides a range of services. These services are not open access, but some services can be accessed with one of two days' notice, by appointment. Key workers try to make the service as tailored as possible but are pushed for time and really only have generic solutions, much of which are on a group work basis.
- Medway is a medium-sized player and has been around for many years, providing a set service by appointment only. All its work is on local authority contracts.

- Church Pastoral operates an open-door policy, but no tailored services; it is welcoming, but when you arrive you get what it has available.
- 'Us' – we are very clear about the need for bespoke services and have key workers assigned to each client, who work out a personalised package; we have a long waiting list, are oversubscribed and do not know where next year's funding will come from given the economic climate (most of our money comes from donations and small grants).

Commentary

- There is a big gap between what service users want and what is on offer from the local voluntary and community sector.
- Statutory funding does not at present cover the 'expensive' area of service provision: tailored service at the time it is needed.

- All players should be thinking about long-term sustainability – particularly Medway; if the local authority switches to a contract base for funding (which they will), Medway may not be delivering the outcomes/value required.
- United Services' plans may have a major impact on the market – what will their strategic plan be?

Some options

- There might be opportunity to use charitable monies to fund a time-limited small project on a temporary basis to pilot service provision in the immediate access/tailored service arena (top right in the diagram); measure outcomes and impact, use this as a justification when lobbying for change with the local authority.
- There could be opportunity for other players to join in this pilot – to share skills and expertise: 'we' have skills in providing tailored services, Church Pastoral is brilliant at immediate access, United Services has infrastructure capacity to co-manage the work.
- Other players would benefit from understanding what United Services' strategic plans are; if they want to develop their service base, then any of the three other players might be interesting as merger candidates, perhaps particularly Medway.

Example of a strategic group map

A. Medway   B. United Services   C. Church Pastoral   D. Us
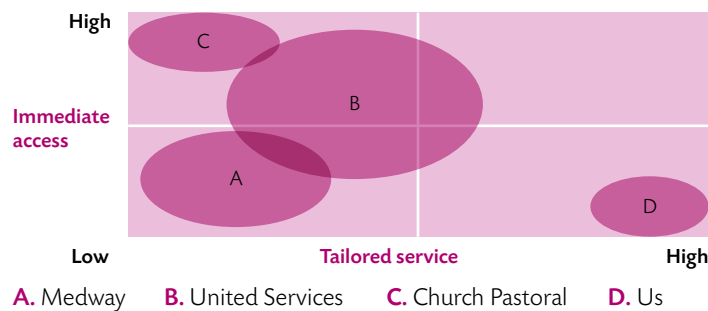
2.8 Risk analysis
Tool

What is it?

A risk analysis helps you list, sort, score and rank identified risks. This then forms a basis for trustees and staff to make informed and responsible decisions about how to handle all the risks that the organisation may face.

Why should you use it?

Benefits It enables you to:

- categorise risk
- prioritise risk
- assess the impact of risk.

Limitations It is only effective when placed in a total risk framework that also incorporates risk management; can be subjective.

When should you use it?

Vital as a tool to assess the environment from the risk perspective on an annual basis. It is one of the means by which management can fulfil their obligations of protecting and preserving the organisation and advising the board.

How to use the tool

Risk analysis involves listing all the potential risks that the organisation faces, then sifting and sorting the mass of information. The following steps will help you do this.

- Devise: headings and categories for all the risk areas to stimulate thinking, for example, finance, human resources, legislation, operations and reputation. Wordstorm the potential risks under each heading.
- Review: does the list accurately define the risks and their root causes? Simplify overly long lists by asking: are any of these items multiple symptoms of a bigger underlying issue and if so what is the root cause?
- Score: assess the risks to gauge their impact and likelihood; these can be designated as high, medium or low.

Risk map

Once the risks are scored they can then be plotted on to a risk map, which illustrates whether there is a potentially serious situation that requires urgent action, as well as less urgent issues. A risk map helps the organisation to decide its strategy for addressing risk and its priorities for action. Consider the following questions.

- What are the implications of the findings?
- What needs urgent attention, ie items that are high likelihood, high impact?
- What can we influence, what must we accommodate?
- Are there trade-offs we must make?
- How should we best allocate our resources?
- What strategies should we adopt to tackle each of the risks? Draw up a plan of action to influence, adapt, accommodate or exploit the situation.

Risk map		
Impact		
High	Medium	Low

Likelihood	High		
	Medium		
	Low		

Risk analysis
Illustration

This illustration is taken from an analysis carried out by a very small charity based in the UK but operating overseas.

The staff team and trustees met for a day and wordstormed all of the potential risks facing the organisation using a set of headings to stimulate their thinking:

- changes in the external environment (including policy and legislation)
- impact on reputation
- capacity (including human resources)
- control
- management practice (including operations)
- finance.

They then ranked the risks according to their impact and likelihood, and came up with the risk map below.

This focused their ideas about where to allocate their limited resources.

		Impact		
		High	**Medium**	**Low**
Likelihood	**High**	• Work is with children, so reputation affected when things go wrong. • Lack of capacity for fundraising; reserves very low. • No treasurer and no financial control.	• Missing opportunities to follow up partnership building leads means no investment for the future. • Board has no processes for monitoring and controlling what goes on. • Organisation only employs one staff member and is reliant on volunteers for cover. • Board devolves too much strategy development and decision making.	• Changes to charity legislation. • Changes in UK government legislation and overseas funding and policy. • Ageing players (eg trustees and volunteers).
	Medium	• Overseas partners may not deliver, affecting the integrity of our brand/reputation. • Lack of information for decision making may mean we make the wrong ones. • Expertise in our line of work is increasingly hard to find.	• Lack of control over practice of overseas partners. • Overseas partners may just take from the relationship, not give. • Some partners have unrealistic expectations of us that we can't deliver on. • We could be charged more for our office space.	
	Low	• We could be kicked out of our current offices. • Responsibility for police checks devolved to overseas agencies.	• Finding new trustees is very difficult.	

2.9 Ansoff matrix
Tool

What is it?

An Ansoff matrix is a tool to help you decide how and where to expand your activities.

Why should you use it?

Benefits It helps you to identify your full range of choices for expansion in a customer-/market-focused way. In combination with SWOT it also helps you to choose between different strategic options and indicates a relative ranking of risk between the options.

Limitations It doesn't make the choices for you.

When should you use it?

● **Useful** to use to supplement SWOT and other player analysis to help you get the facts to make a choice when your organisation has the capacity to expand and/or when you suspect it isn't using the full or right range of products/offerings.

How to use the tool

Identify all your current products/offerings and their markets, then consider your future options for expansion using the matrix below, considering opportunities, associated costs, benefits and risks.

Exploring the options
- The lowest risk option is to sell more of your existing offering in your existing market either by existing customers purchasing more or by increasing the number of customers from your existing market – the bottom left quadrant. This is increasing your market penetration.
- Somewhat more risky is to sell your existing product into new markets (more customers) – the top left quadrant. This is market development.
- More risky still is to develop new offerings for your existing markets – bottom right quadrant. This is product development.
- Most risky is to develop new offerings for new markets, called diversification – top right quadrant.

- If we introduce the charity dimension, these risk ratings might change, for example, if the existing offering is loss making, increasing the market penetration of a loss-making offering could be more risky than developing a new or amended product that breaks even.
- If your organisation has many offerings then it is useful to prioritise among them before applying the matrix, for example, start with the most important offerings as defined by fit with mission, volume of delivery, conclusions from SWOT and other player analysis.
- Unless there are particular reasons not to, start by exploring the lower risk options.
- Because of our sector's commitment to innovation we often neglect the two left quadrants, so make sure you explore these carefully.

Increasing market innovation →	Expanding through **existing** products into **new** markets (Development)	Expanding through **new** products into **new** markets (Diversification)
	Expanding through **existing** products in **existing** markets (Penetration)	Expanding through **new** products into **existing** markets (Product development)

Increasing product/offering innovation →

Environmental analysis

Ansoff matrix
Illustration

Introduction

Several major charities have large and fairly sophisticated telephone fundraising units. This is an analysis of one of these using the Ansoff matrix.

Existing product into new markets	**New offering into new markets**
Having saturated the general public at home, the next step was to sell into companies, ie an existing product into a new market. The conversion rates here were less successful and this was discontinued.	The new market of companies for raffle ticket sales was less than successful. The charity then trialled a new product for this new market – recycling ink cartridges from computer and photocopying equipment. This required a volunteer within the company to return the cartridges to an address that did the recycling. This proved a successful new product launch into a new market.
Expanding existing offerings to existing market	**New offerings into the existing market**
Originally the charity sold books of raffle tickets through its local fundraisers across the UK. After a year or two, sales reached a plateau and it decided to recruit a telephone 'sales' force which would also sell the raffle tickets. Both the local fundraisers and the telesales people were selling to the same general market, ie the general public, but the telesales fundraising method allowed a massive expansion of the numbers of people reached.

Eventually, with millions of people being telephoned each year, the maximum penetration of potential raffle ticket purchasers from the general public at home had been reached. The charity then modified the offering to increase the number of tickets in each of the raffle books by 20 per cent. Once again, this second method to expand an existing product in an existing market was successful. | Given that raffle ticket sales to the general public at home were now virtually saturated, the charity trialled a new product into the home – a small cardboard collecting box for the family's and their friends' spare change. This was a new product into an existing market. This was successful and did not seem to result in lowering the same household's commitment to raffle ticket sales. |

Increasing market innovation (vertical axis)

Increasing product/offering innovation (horizontal axis)