

# Staff Paper Series

**The Role of Business Planning Concepts in Balancing Mission and Financial Sustainability Responsibilities in Extension Programming**

By

**Thomas K. Klein**  
Assistant Director, Finance and Planning  
University of Minnesota Extension Service  
405A Coffey Hall, 1420 Eckles Avenue  
St. Paul, MN 55108  
Phone: 612-624-2238  
Email: klein046@umn.edu

and

**George W. Morse**  
Associate Dean and Director  
University of Minnesota Extension Service  
240 Coffey Hall, 1420 Eckles Avenue  
St. Paul, MN 55108  
Phone: 612-625-9767  
Email: morse001@umn.edu

Department of  
**APPLIED  
ECONOMICS**

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College of Food, Agricultural  
and Natural Resource Sciences

UNIVERSITY OF MINNESOTA

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Email: morse001@umn.edu**

**Presented at  
Outreach Scholarship Conference**

**October 10, 2006**

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# **The Role of Business Planning Concepts in Balancing Mission and Financial Sustainability Responsibilities in Extension Programming**

## **Abstract**

The University of Minnesota Extension Service used program business plans, an effective tool in other sectors, to improve integration among campus-based state specialists, field educators, and administrative staff and to address operational and financial issues. The traditional semiautonomous work of educators contributed to silolike efforts, unclear roles and responsibilities, and difficulty communicating program benefits to stakeholders. Plans were written for fifty-four of fifty-six Extension programs in a nine-month time frame around a template developed in the Department of Applied Economics. This paper explores the rationale for program business plans in outreach education, key plan concepts, and the process used to develop the plans. We interviewed program team members to gather early insights and preliminary outcomes. Most program teams interviewed in this study recommend program business planning. We continue to use the plans and build our understanding of how this tool can strengthen Extension programming.

## **Rationale**

Outreach work, including Extension's, reaches across traditional groups and requires cooperative efforts. While numerous success stories provide evidence of the benefits of broad engagement (Peters et al. 2005, Council on Public Engagement 2006), there is relatively little in the literature on actual use of program support tools that foster

successful Extension engagement. This isn't surprising, since there isn't much glory in behind-the-scenes efforts.

### **A Critical Gap**

Prior to 2004, there had been a growing gap between campus-based state specialists and field-based educators. The tendency was for each to “do its own thing” (Morse and O'Brien 2006). This gap challenged a fundamental tenet of Extension—that our localized educational programming is directly based on university research.

This gap and the traditional independent nature of campus-based faculty and county-based field educators made it difficult to explain Extension programs to legislators, interested customers, and potential partners new to Extension. Some Extension programs were guided and delivered almost exclusively from campus, making it difficult for field personnel to explain the program to county funders and local customers. Other programs varied extensively from county to county or from educator to educator, raising questions about accessibility, quality, cost, and consistency. Questions challenging the role of extension were surfacing more frequently in Minnesota and other states (Johnsrud and Rauschkolb 1989, Harriman and Daugherty 1992, King and Boehlje 2000). Researchers pointed to the need to organize land-grant educational programs more efficiently (Phillips 1997).

### **Underlying Financial Pressure**

Faced with a \$4.5 billion budget deficit in 2002, the state of Minnesota reduced funding to the University of Minnesota and to local units of government. Extension experienced a \$7 million funding reduction as a result. This budget cut compounded an existing

structural deficit (Osborne and Hutchinson 2004). We needed a mechanism to improve our financial sustainability.

### **Double Bottom Line**

Traditionally, financial sustainability was viewed as an administrative responsibility that did not involve educators. To provide a framework to address the dual responsibilities for educational outcomes and financial sustainability, we adopted the terminology of “the double bottom line” from other nonprofits (Morse 2004, National Center for Social Entrepreneurs). This phrase conveys that Extension as an organization and each Extension program must *both* carry out our educational land-grant mission and manage our funding to sustain the work and the organization. We use the double bottom line terminology to explain to employees and stakeholders that we seek funding to support the mission and do not seek increased funding as a goal itself.

In summary, Extension on campus and across the state was under significant economic, operational, and political pressure (Morse and Klein 2006). The economic pressure required us to change our organizational structure and delivery model. The gap between campus-based state specialists and field-based educators and the broad array of Extension programs made it important to have a system to provide accurate, consistent, and timely information to stakeholders on our educational programs. We decided to use program business plans to help better organize our program planning and address financial issues.

### **Key Concepts**

Nationally, extension provides a wide range of planning advice to other organizations (examples include Dawson and Brown 1989, Hanson et al. 2002, Duncan and Prudie

1991, Holcomb and Johnson 2006). Extension has fielded several recommendations to use business tools in its own work (Hoag 2005; Cropper 1998). Most state extension services have a strategic plan. We did not find literature that describes a state implementing business planning at the program level for all extension programming in the state.

There are many sources of information and guidance on business plans. These sources provide similar insights on the parts of a good plan, questions to ask in formulating a plan, examples of plans, and advice on leading and managing the process. We believe the key to success is to adapt the standard practices to the specific Extension conditions.

As a point of clarification, we stress that Extension program business planning is a plan for a successful educational program, and not a plan to operate like a business. Collins (2005) argues that social sector organizations achieve great success by carrying out their mission in a disciplined, rigorous manner and not by trying to become “more like a business.”

We focused on three adaptations that were important for a programmatically diverse organization in its first efforts at formal program business planning:

1. Localize the plans by identifying key conditions in Minnesota and Extension.
2. Support program teams’ work on their plans rather than try to teach planning to the teams.
3. Set priorities within the planning tool; don’t try to do all aspects of a program business plan in the initial work.

### **Adaptation 1: Localize the Plans**

We identified five key Extension-specific conditions that we needed to manage in writing plans.

- Program teams and individuals have a wide variety of planning experience and expertise. Some teams had well-written plans and a culture of planning. Most were event oriented and used individual plans of work rather than an overall program business plan.
- A few teams had developed the basic market and financial information that would be the foundation of the program business plan. Most did not have this information.
- Programs were very different in size, complexity, funding, and cohesiveness.
- Programs teams were likely to delay the plan-writing process, resulting in a workload bulge thirty to sixty days before the plans were due.
- Extension people were busy and uneasy following the budget cut and regional reorganization. Some were unhappy about the changes in Extension and would not initially be supportive of the planning work.

### **Adaptation 2: Support Program Team's Work on Plans**

We concluded that we should focus on supporting the teams rather than trying to teach program business planning techniques. This emphasis resulted in:

- setting a reasonable but aggressive goal: To have all programs write a program business plan in nine months.
- developing a flexible program business plan template to provide guidance.

- providing assistance based on program team desires, ranging from direct assistance (a planning consultant who works with the team) to indirect assistance (access to staff papers and planning reference materials).
- providing financial incentives and awards (Double Bottom Line Awards) to motivate program teams and administrative units to complete their plans.
- communicating frequently with the deans and department heads in the colleges that were the tenure home of campus-based faculty with Extension appointments. This built administrative support for writing the plans.

### **Adaptation 3: Set Priorities Within the Planning Tool**

We also agreed that some elements of the program business plan were more valuable than others. For instance, accurate descriptions of the people the program intends to serve (the target market) and the role of partner organizations were viewed to be more important than financial projections. We accepted that the plans would not be perfect in this first effort and that getting the market information right would provide a solid long-term base for future planning.

### **The Process**

The first step in developing program business plans was a series of discussions among administrative personnel initiated by the associate dean and director on the need to develop better program information. These discussions identified what information different groups wanted, observed the widespread need for such information, and noted that this type of situation had been addressed in private sector organizations through business plans.

## **Identify Needs**

Field educators and newly appointed regional directors wanted consistent program information they could present to county commissioners, County Extension committees and citizens. Campus faculty wanted a reliable description of their work that did not overpromise their time. Extension's external relations unit and the dean and director wanted concise program summaries to be able to quickly respond to requests from legislators, university officials and news media. Accounting wanted a list of programs to use for setting up the chart of accounts and reporting financial results. Requests for program information traditionally resulted in reactive efforts to pull together a list of programs or write up stories about select programs. Campus-based faculty and field educators were particularly vulnerable to repeated requests for the same information from different units. This approach was understandably irritating.

## **Create a Template**

Early on we contracted with the Center for Farm Financial Management, a unit in the University of Minnesota Department of Applied Economics, to develop a program business plan template and to provide technical support. The template became the basic planning tool. We recruited an advisory group of field and campus personnel to provide perspective and to be beta users of the template software. Testing, revisions, and training were handled through the center. The table of contents for the program business plan template is in Exhibit 1.

## **Begin Planning Work**

After the direction to write plans was given, a core group in a metro county began work on five program business plans with an Extension educator with planning experience, an outside consultant, and the Resource Development Unit (RDU), a group of six Extension staff members who provide marketing, planning, customer service, project planning, and distribution services to program teams.

Other program teams with high interest also initiated plans. The RDU offered to work with all programs but focused attention on teams that expressed interest in doing the planning and asked for assistance. In the words of Donald Sargeant, former chancellor of the University of Minnesota Crookston, “Start with those who show up.” We did.

### **Train Resource People**

The first two plans were sent to the RDU for comments in February 2004. We used this opportunity to review the plans at RDU staff meetings. This allowed RDU personnel new to writing program business plans to review the plans with experienced colleagues and outside consultants and ask questions on how to work with program teams and develop marketing and financial information for a plan.

### **Build Administrative Support**

Eight plans were submitted in draft form by mid-March. With the agreement of the program teams, we sent copies of the plans to the dean and director and senior Extension administrators as a status update and as examples of the information program business plans could provide. Circulating the sample plans produced a round of enthusiasm from senior administrators in the form of e-mails to team members acknowledging their work and complimenting them on the quality of the early plans. A systemwide electronic newsletter article from the dean emphasized the visibility and importance of the plans.

The dean also shared the information with other collegiate deans, which lead to broader support and the encouragement of department heads and campus-based faculty to write the plans. This was a turning point because almost all program teams now accepted that program business plans must be written.

### **Create an Accurate Program Count**

We repeatedly worked on the definition of a program and an accurate count of the number of programs. An initial review of printed program materials and program Web sites identified 183 Extension programs. Discussions about what should be considered a program gradually reduced the number to 80. Further discussions reduced the count to 70 and then 56 programs as logical relationships and groupings combined similar activities under one program name.

### **Address Program Team Obstacles**

By the end of May our regular check-ins with program teams indicated that more than 80 percent (approximately forty-five of the fifty-six) were making good progress and intended to complete their plans by June 30. We asked the remaining teams what obstacles blocked them from completing their plan. The common answers were:

- I/We don't have time.
- I/We haven't written this kind of plan before and have trouble getting started.

We interpreted these responses to mean that people believed the cost, in terms of their personal time, was greater than the potential benefits of writing and using a program business plan. To address this situation, we offered creative ways to reduce the time required by campus specialists and field educators. RDU people traveled to locations

convenient for the program team to help the team gather information. Two programs teams asked RDU people to interview key personnel and organize the program information into the template. Campus and field faculty reviewed and corrected this draft. The program leader finalized and then submitted the plan.

The final result was that all fifty-six plans were completed by September 1, 2004. An example of a program business plan can be found at [www.extension.umn.edu/administrative/information/components/RADbizplan-11-15-06.pdf](http://www.extension.umn.edu/administrative/information/components/RADbizplan-11-15-06.pdf)

### **Outcomes**

We interviewed campus-based and field-based personnel who were involved in writing the plans for six of the fifty-six program teams asking what benefits they saw, what difficulties they encountered, and whether they would recommend the program business plan mechanism to colleagues in other extension services. We learned the following.

1. Initially most disliked writing program business plans for various reasons.
2. The planning process helped teams reach agreement on essential issues.
3. Program business plans are a useful tool for guiding new program development.
4. The planning process and the plans benefited the program team.

### **Initial Dislike**

All those interviewed mentioned their initial dislike for the planning. For some it was as basic as the word “business.” They did not like using businesslike terms to describe Extension work and did not believe in using business tools in Extension.

Some felt the plans shifted power away from individuals and to the program teams. Some liked this more teamlike approach to program management and felt the team

could now “call the shots.” Others disliked the shift and the additional work and responsibility placed on teams and individuals. For many, the initial dislikes gave way to appreciation of the benefits of the plan for the team members.

### **Essential Discussions**

A major benefit of the plans was the improved understanding among campus and field personnel of team member roles and responsibilities, the intended audience and goals of the program. The key to this was having focused discussions on priorities, values, opportunities, and concerns. One senior program leader describes the plans as “the conversation we’ve never had, but should have had a long time ago.” The people interviewed also noted that having more program information written down made cooperation easier and resulted in fewer misunderstandings and less redundant effort.

### **New Program Development**

When a team proposes a new program, we now ask it to write a program business plan. This elicits from the team a clear description of the proposed work, the underlying need, the audience to be served, the projected resources needed, Extension’s comparative advantage, and how the proposed work will be evaluated. This is widely viewed as an improvement over our previous process for reviewing new program ideas.

### **Benefits to Program Teams**

The following benefits were described by team members.

- Integration of individual efforts of team members and alignment of program components improved through the discussions and the writing of the plans (Morse 2006).
- The program business plan provides a framework for discussing financial and other operational issues. These issues previously were often not considered part of the program teams' responsibility and were difficult to talk about.
- We now have an Extensionwide list of programs, who works on them, their public value (a key component of our justification for using public money for Extension work), and a succinct summary. This information is used by different personnel across Extension.

### **What Program Personnel Say**

Program teams that actively engaged in the program business planning effort are pleased with the results and use the plans. Five of the six would recommend the writing of program business plans to colleagues. One of the five would recommend program business planning only if certain preconditions existed, namely that the team was already working together somewhat effectively. If the program team is dysfunctional, the planning effort produces limited results.

Teams that disdained the planning usually delegated the work to a few individuals and saw few benefits. Teams that have widely disparate elements among their personnel and in their programs saw some benefits but were not satisfied with the results. They reported seldom using the plan after it was written.

The five who recommend program business plans saw the plan as a useful tool. Some, for example, copy sections of the plan for grant proposals. Some have established

operating rules that resolve marketing issues and are using the program business plan to improve implementation and evaluation.

### **Conclusion**

Our early interviews indicate that program business plans can be a good mechanism to help campus and field personnel communicate and cooperate. The planning process creates an opportunity to identify and resolve key issues. The plan fosters information sharing, clarifies roles and responsibilities, identifies financial issues, and is a good mechanism for communicating program information to team members, administrators, and stakeholders.

Program business plans are an alternative to starting over from scratch as recommended by some to revitalize Extension (King and Boehlje 2000). They offer a practical and effective way to use business planning tools to improve Extension management and programming. Business plan writing skills in other settings are transferable into the Extension world.

The major cost of writing program business plans is the time of the team members. We did not estimate that cost. Actual expenses were less than \$80,000 (plus internal time) for the fifty-six plans.

We continue to use the program business plan tool as a key component of program planning and management and are learning how to use this tool more effectively. We will add to these initial interviews to do more intensive study of what contributes to an effective plan and the role of program business plans in improving Extension educational programming.

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## Acknowledgements

The authors wish to thank their University of Minnesota Extension Service colleagues who put their thoughts, energy and insights into the writing of program business plans and the vigorous debate that accompanied this work. Those who took the lead in writing the first program business plans demonstrated the potential benefits for everyone in Extension and paved the way.

In particular we acknowledge the leadership of Dean and Director Charles Casey's support of program business plans in the early and not very popular stages of the planning and launching the plan writing effort. We also thank Neil Anderson, Anita Dincesen, Catherine Dehdashti, Karen Lilley, Sonja Brown and Karen Sorensen of the Resource Development Unit who accepted the challenge to work with the program teams in a new way.

Any errors are the responsibility of the authors. Questions and comments are welcome and should be sent to Thomas Klein at [klein046@umn.edu](mailto:klein046@umn.edu)

## **About the Authors**

Thomas K. Klein, MBA, is assistant director, finance and planning for the University of Minnesota Extension Service. In addition to his accounting and financial planning and management duties, he has served as head of the Resource Development Unit and the Marketing Team for Extension; led the work to establish the Farm Information Line; negotiated the agreement with Iowa State University for Minnesota's participation in Iowa's Answer Line, a toll-free consumer questions service; negotiated the merger of Extension's conference planning services with the College of Continuing Education and lead the restructuring of Extension Distribution Center. Prior to joining Extension in 1997, he worked as vice president of marketing/business development for Survivalink, Inc., a manufacturer and marketer of automated external defibrillators, and Recovery Engineering, Inc., the developer, manufacturer, and marketer of PUR water filters. He also served as a senior accounting analyst, product manager, and international sales representative for Kohler Co, an international building products company.

George W. Morse, Ph.D., is associate dean and director for programs for the University of Minnesota Extension Service and professor in the Department of Applied Economics, University of Minnesota. He provides leadership for support services to Extension's eighteen areas of expertise on needs assessment, market research, program marketing, program business planning, program business services, evaluation, reporting and promotion in rank for field staff.

## **University of Minnesota Extension Service Program Business Plan Outline**

1. Executive Summary
2. Program Description
  - a. Program Summary
  - b. Capacity Area
  - c. Program History
  - d. Location
3. Strategic Plan
  - a. Mission Statement
  - b. Goals
  - c. Expected Outcomes
  - d. Competitive Position
  - e. Research Basis
4. Marketing Plan
  - a. Target Market
  - b. Pricing Strategy
  - c. Promotion
  - d. Distribution
5. Operations and Implementation Plan
  - a. Program Development Plan
  - b. Timeline
  - c. Logistical Support
  - d. Risk Management Plan
  - e. Evaluation Plan
6. Management Plan
  - a. Team Leaders
  - b. Team Members
  - c. Partners
  - d. Consultants
7. Financial Plan
  - a. Budget Summary
  - b. Budget Narrative
  - c. Source of Funds
  - d. Financial Sustainability
  - e. Net Revenue Distribution
  - f. Accounting