

# *NONPROFIT STRATEGY STRESS TEST*

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# Nonprofit Strategy: A Framework for Uncertain Times

## PREPARE



- Increase your information consumption
- Clean up your board
- Identify advisors for outside perspective
- Get your data organized
- Understand public policy
- Inform key stakeholders

## REVIEW FOUNDATIONS



- Need, mission, vision, values
- Theory of change & impact
- Organizational capacity
- Revenue model and financial strength
- Evaluation & transparency
- Communications & partnerships

## STRESS TEST



- Engage in scenario planning
- Evaluate your revenue model
- Revisit your institutional values
- Plan for potential program shifts
- Assess your capacity to change

## CORE QUESTIONS



- What is your program & organizational impact?
- How competent is your board?
- How effective and strategic is your leadership?
- What do your financials tell you?
- Who is standing in your way?
- What actions do we need to take?

# STRESS TEST PROCESS

## Revisit your institutional values.

As changing philosophical values impact government programs, your nonprofit may find itself confronting conflicts of values. For example, say you are an adolescent sexual health program. What happens next year if the government funding you receive requires you to restrict science-based information provided to youth? Are you willing to play by new rules? If your board has not had a recent conversation about how institutional values impact program decisions, it should be part of your strategy stress test. Focus on defining negotiable and non-negotiable values that serve as part of your organization's foundation.

## Engage in scenario planning

Probably the single most useful planning exercise that can stress test your strategy is scenario planning. Asking “what if”<sup>1</sup> and “how confident are we in the potential futures”<sup>2</sup> are questions that help your nonprofit create scenarios that your team can use in planning. Scenario planning done well, informs your strategic position helping you to be more adaptable as an uncertain future unfolds.

## Evaluate your revenue model

Your team should also ask where your revenues are vulnerable to disruptions and, even more challenging, what will be your response if the disruptions materialize. The conversations and strategies need to reflect each slice of your revenue pie. For some organizations I know, this has meant developing a fallback budget scenario for the coming year with metrics that trigger action. Another nonprofit in my client-base has shifted some of their development assets preemptively start building program reserve in case a Federal grant supporting their program is cut next year. Without proactive revenue and contingency planning, the uncertain future has the potential of creating jarring disruptions in the flow of your revenues.

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<sup>1</sup> A great guide that was published back in 2004 was What if? The art of scenario thinking for nonprofits See PDF here: [http://monitorinstitute.com/downloads/what-we-think/what-if/What\\_If.pdf](http://monitorinstitute.com/downloads/what-we-think/what-if/What_If.pdf)

<sup>2</sup> See Courtney, H, Kirkland, J and Viguerie, P. (November-December 1997). Strategy Under Uncertainty, Harvard Business Review. Online: <https://hbr.org/1997/11/strategy-under-uncertainty>

## Plan for potential program shifts

The public policy changes that are taking shape at the federal level will create significant program shifts for many nonprofits. For example, we are already seeing nonprofit organizations that have historically been service providers, jump into the areas of protest and advocacy. Other nonprofits have had to internally shift their program focus in response to the crisis caused by increased immigration challenges. If your program strategies change in reaction to what's coming at you rather than with strategic forethought, you can potentially undermine your effectiveness. When confronted with disruption it is easy to react. However, thinking about changing your program strategy proactively in response to scenarios will help you make better decisions if the disruption arrives.

## Assess your capacity to change

A final stress test is to assess your nonprofit's capacity to change. Do you have the leadership in the management and board capable of navigating change? Can you staff support a change in strategy? Do you have the infrastructure to absorb change? If the answers to these questions are "yes," then the final step is to put in place proactive action plans and other management tools to help you move forward. Your investment in developing contingency plans, trigger benchmarks to define actions, and making shifts in advance of the change, will help you navigate the future uncertainty.

Finally, if at the end of the planning process, you realize that navigating change is beyond the capacity of your agency, you may need to think about restructuring your organization, developing new partnerships, or consider how best to deliver your programs and services at an appropriate scale.

# STRESS TEST PROCESS

Scenario Planning & Future Certainty

Institutional Values

## Revenue Exercises

Autonomy & Reliability<sup>3</sup>

Cash Flow & Disruption

## Program Decision Matrix

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<sup>3</sup> Editors, T. (2016, June 23). Reliability vs Autonomy in Nonprofit Funding: A Guide to Finding the Right Balance. Retrieved from <https://nonprofitquarterly.org/2016/06/22/reliability-vs-autonomy-in-nonprofit-funding-a-guide-to-finding-the-right-balance/>