spectrum nonprofit services

From Crisis to Clarity

Navigating Uncertainty through Scenario Positioning

May 13, 2026

From Crisis to Clarity: Navigating Uncertainty through Scenario Positioning

Introduction

Nonprofit organizations are operating in an environment of unprecedented economic ambiguity and volatility. Every revenue stream is under pressure, with constant threats to government contracts, delayed payments impacting already tight cash flow, and a fluctuating stock market and consumer sentiment potentially shifting foundation and individual giving.

To navigate potential budget shortfalls and understand the implications, many leaders are turning to- – or being urged to turn to – scenario planning. But is scenario planning really the right fit for nonprofits in the current environment?

One would argue that for many nonprofits, scenario planning is a bad fit given the level of uncertainty and the multiplicity of external threats that nonprofits are experiencing. Rather, an approach is needed that more closely responds to the character of the threats being addressed.

This is not a new notion. As Kalle Heikkinen and others wrote in their April 21, 2023, Harvard Business Review article, scenario planning "works best for foreseen risks and stable uncertainties like inflation rate forecasts, the likelihood of a new competitor, or a substitute product entering the market. It often fails spectacularly when firms are hit by shocks outside of leaders' field of vision. And today, leaders are increasingly confronted with significant, and sometimes existential, events that they would not have contemplated even six months earlier."

This new approach should address the vulnerabilities organizations and their communities face while simultaneously revisiting and recentering the mission, providing a focus on purpose. This focus, with a dedication to agility, opens the "opportunity" doors that may otherwise be ignored amidst fears of loss – the very doors that provide new paths to success. It may resemble scenario planning but is more overarching and prepares leadership to act quickly when clarity arrives.

Rather than jumping straight to projections, this data collection and education, which we call scenario positioning, allows organizations to prepare to take action and make strategic decisions as challenges become clearer.

Scenario positioning involves four steps:

- Analyzing the organization's current context,
- Understanding the community demand and supply of services,
- Identifying levers to activate, and
- Preparing a process.

Scenario Planning Reflection Question

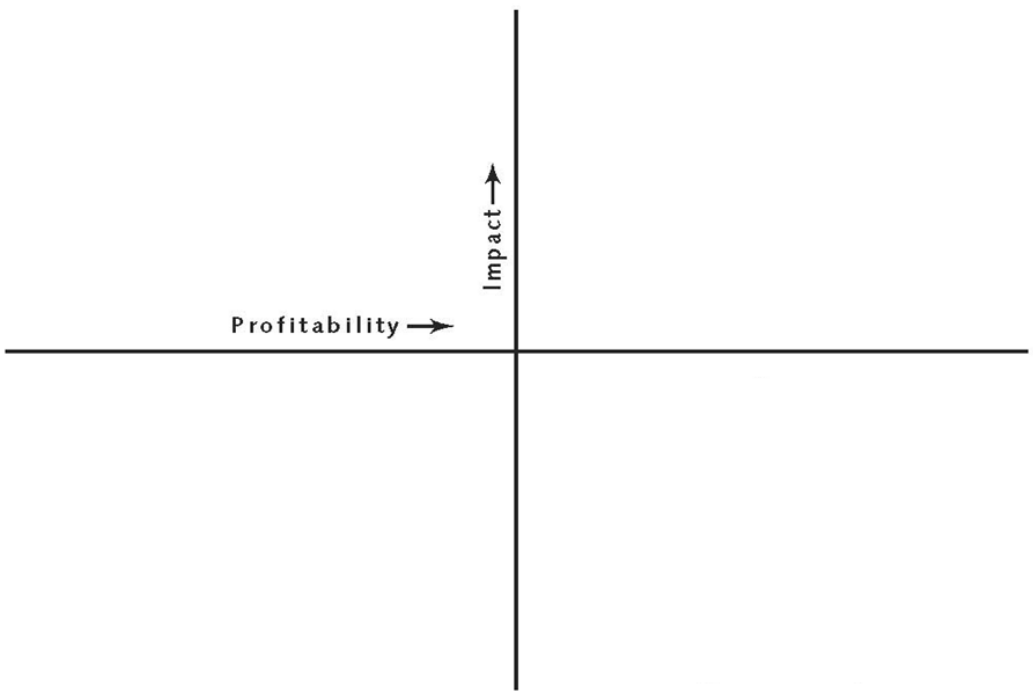
What is your current experience in scenario planning for your nonprofit?

Scenario Positioning Framework

Analyze your Current Context

To make strategic decisions in moments of uncertainty, leadership first needs to root their understanding of their current context in their business model. The business model encompasses not only how the organization generates revenue, but also how it allocates its resources to accomplish its mission.

The matrix map is a tool on which you can assess each of the organization's activities from the perspective of both impact and finance. The matrix is then broken into four quadrants with a differing strategy for each quadrant to strengthen the business model.



Impact

Nonprofit organizations start with a vision for a better community and a dream about the progress the organization can have toward realizing it. This is true whether the mission enriches society through performing and fine arts, protecting our planet, caring for those in need, providing education or supporting those overcoming challenges in life. Unfortunately, driven by the belief that their mission will solve broad societal ills and the desire to move as many individuals and potential donors as possible, organizations craft broad, inspirational missions. These statements may elicit an emotional response, but they are often so vague as to be unhelpful in determining strategy.

It was the author Lewis Carroll who wrote, “If you don’t know where you’re going, any road will get you there.” For nonprofit organizations, the “where you’re going” translates into the impact they hope their efforts will accomplish. A statement of intended impact answers this question for an organization.

The definition of intended impact comes from Susan Colby, Nan Stone and Paul Carttar of Bridgespan Group. Their article, “Zeroing in on Impact,” offered this definition:

Intended impact is a statement or series of statements about what the organization is trying to achieve and will hold itself accountable for within some manageable period of time. It identifies both the benefits the organization seeks to provide and the beneficiaries.

Here is an example from Habitat for Humanity:

Mission	Intended Impact
Seeking to put God's love into action, Habitat for Humanity brings people together to build homes, communities and hope	Provide homeownership to break the cycle of poverty and create intergenerational wealth. Measured by: Short-Term • Number of families served • Delinquency rate on mortgages Long-Term • Foreclosure rate on mortgages

Core Competencies

Rooted in impact, we ideally would want to build on our organizational strengths or core competencies. Prahalad & Hamel (Harvard Business Review) defined core competencies as "a harmonized combination of multiple resources and skills that distinguish a firm in the marketplace." In our sector, that often means a specialized knowledge, technique, or expertise that your organization has, over time, honed to great effectiveness and consistency. To identify our core competencies, we start first by looking at our organizational strengths:

What are your organization’s core competencies (strengths)?	Why?

What processes, techniques or knowledge enable us to excel in this area?

Finance

Financial Strategy

In recent years, nonprofit organizations have faced an onslaught of external challenges -- rising costs, the elimination of revenue streams, new service delivery obstacles, and rapidly changing constituent needs. These pressures have immediate and lasting implications for how organizations fund their work. The question many leaders are asking is, “How do we adapt our business model and revenue strategy to meet this new reality?” The answer isn’t simple, especially when the ground feels like it’s constantly shifting. Once reliable government funding is now clouded with uncertainty, and while the overall amount of philanthropic giving in the United States has held steady, the number of households giving to nonprofits has declined significantly. For leaders already stretched thin, it’s easy to feel like you’re running to stay in place. Let’s be clear. These challenges are not failings. They are rational, adaptive responses to external pressures. Most organizations have responded by doubling down on short-term tactics: pursuing every funding opportunity, stretching programs to fit new grants, and doing whatever it takes to keep the doors open. These are understandable, even necessary, reactions. But while tactical, short-term approaches will always be part of your revenue strategy, they cannot be the whole story. Now is the time to step back and take a broader view. Sustainable impact requires a clear and intentional long-term approach to resourcing your organization’s work. A holistic, organization-wide revenue strategy that integrates mission alignment, flexible funding, and intentional relationship management across the funder lifecycle. By engaging your entire organization in this process and challenging old assumptions, you can become more adaptive, resilient, and mission-driven to build a financial foundation for lasting impact.

For this workshop, we highlight key focus areas for understanding your organization’s current context from the financial perspective:

- Reserve
- Program Profitability
- Revenue Trends

Reserves

A reserve is unrestricted money that the organization has accumulated over time. Reserve funds can be used for making up unanticipated losses of key funding sources in any given year, to buy things not normally covered by grants or contracts such as equipment or to invest into a new program.

Reserves are usually calculated in months. The formula for a reserve is:

$$\frac{\text{Net Assets Without Donor Restrictions}}{\text{Typical Monthly Expense}}$$

The typical monthly expenses are calculated from the Statement of Activities where we would take the total expenses divided by the number of months the statement reflects.

What does this mean? If the organization stopped bringing in money today, they would have the resulting number of months of reserve to operate and turn things around before they had to shut down.

Sometimes people like to calculate a liquid reserve. The standard reserve calculation includes fixed assets such as office improvements, computers and vehicles which are not very easy to convert to cash. A liquid reserve would only include those unrestricted assets which are easily convertible to cash:

$$\frac{\text{Net Assets Without Donor Restrictions – Fixed Assets}}{\text{Typical Monthly Expenses}}$$

Programmatic Profitability

Understanding how your programs are individually performing financially and how they interact to create your organization as a whole is a key facet of understanding the financial implication of your programs as you make strategic decisions. Nonprofit organizations rely on a dual bottom line of financial profitability and mission impact. Whereas not every activity needs to make money, if all activities are losing money the organization cannot be financially viable.

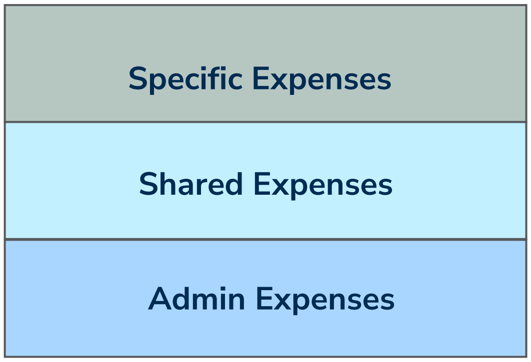
Understanding Revenue

Allocating revenue tends to be a little more awkward for people in this process since they are not used to doing so. We split revenue between your activities based on which activity is responsible for bringing in the money. When looking at your revenue, ask yourself this question: “Would we receive this money if we didn’t run this program?” If the answer is yes, then the money may be unrestricted and should be put into fundraising. If the answer is no, it should be allocated to that program. Restricted foundation grants and government fee-for-service contracts are allocated to the programs they support.

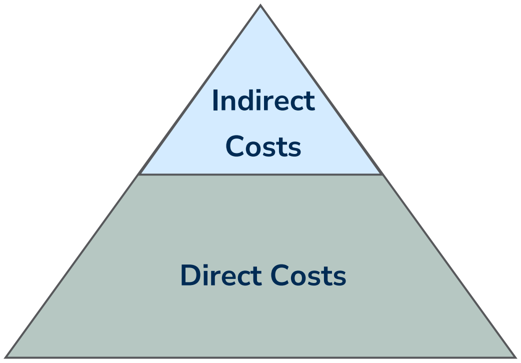
Understanding Expenses

Program and supporting is one way of categorizing activities and associated costs based on the purpose of the activity or expense. Costs within the organization may also be grouped, based on the **behavior** of the expense into two categories: **Specific costs and shared costs.**

Jargon



Nonprofit World



Funder World

For our purposes, an expense may be broken down into three categories:

Specific Program Expenses	Specific costs are expenses easily identifiable with and benefit a single activity. If you can take the receipt or invoice and know to which activity it belongs, the expense is an activity-specific cost.
Shared Expenses	Shared costs, also called common costs, are expenses that benefit more than one activity and are NOT easily identifiable with a single activity. If an invoice or receipt for an expense cannot easily be tied to a specific activity and benefits multiple programs or activities it is a shared cost.
Admin Expenses	Costs supporting the organization's existence such as governance (i.e. board-related expenses) finance and accounting, legal, and executive management.

Financial Trends

Within a shifting nonprofit market, approaches to generating revenue are also bound to shift to better align with evolving economic conditions and donor priorities. Nonprofits in this current age need a strong understanding of how their revenue is evolving in the upcoming years to uncover the implications on revenue as they explore the strategic considerations in the moment.

Understanding your financial trends deepens your understanding of your organization's revenue mix and how it's evolving over the years.

Financial Trends	How have your revenue streams trended year over year? How do funding and philanthropic trends influence how your revenue streams have trended year over year?

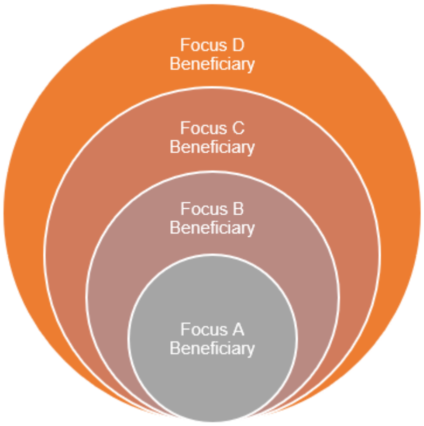
Understanding Community Supply and Demand

The matrix map represents a snapshot of an organization at any given time. But organizations face ongoing pressures and changes in our economic and political environments which affects both the profitability and mission impact of our programs. As such, programs tend to shift over time on the matrix map over time. Leadership should understand how their business model is evolving over time to understand the strategic imperatives to meet the needs of their beneficiaries and to meet the evolving conditions of the market for which it operates in.

Direct Beneficiaries

The efforts of nonprofits benefit many segments of the community. Prioritizing the list and focusing on those that benefit most directly from the organization's activities provides leadership clarity and the ability to understand the beneficiary in more depth. Direct beneficiaries can be defined by:

- Age or demographics
- Socio-economic status
- Geography
- Specific needs
- Other distinguishing characteristics



Prioritizing direct beneficiaries can be difficult but stratifying them in concentric circles recognizes the broad impact organizations have while focusing efforts.

The innermost circle reflects constituents who are core to the organization – individuals who would either benefit most from the organization's services or who the organization most wishes to serve. Answering the question, "Who *must* the organization serve to accomplish its mission?" helps identify the core direct beneficiary in the center circle.

Moving outward, the other circles reflect groups also benefiting from the organization's efforts but less directly. Identifying distinct subgroups of the market in this manner acknowledges that different groups that benefit from the organization may have different needs, and at times, trying to reach and satisfy the entire range of these needs can be difficult. Concentric circles enable prioritization, which proves useful in setting a strategy after the completion of the market analysis.

Other Beneficiaries

Beyond direct beneficiaries, numerous other groups benefit from the efforts of nonprofit organizations. Understanding these market segments helps organizations not only hone their impact but also strengthen their revenue strategy and remain relevant to funders.

In this case, it is worth considering a more expansive view of benefits than we took with direct beneficiaries. People may be drawn to your organization's work because they believe that you share their values. Neighbors may be supported by your programs unknowingly as their quality of life increases as a positive consequence of your work. There may also exist untapped potential in the form of individuals willing to donate for the services provided to your core.

Strategic Menu of Options

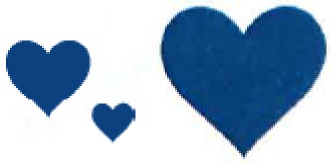
Once current context is evaluated, the organization sets the foundation to begin exploring the strategic menu of options. Outside of considering two primary areas for change, revenue model and programmatic mix, this menu also considers imperatives for strengthening the based foundation of operations to increase the organization's ability to sustain critical hits and making short-term adjustments to weather the storm. Leadership may probably use more than one of the options below, but should make that choice wisely, with a full sense of a reasonable timeline and financial runway. For instance, the organization may wish to combine *invest and strengthen the secondary revenue stream* with *reducing program costs* to limit the loss of resources. The throughline that connects all these options is centering social capital and investing in key relationships to enable resource flows and community support that strengthen the organization's ability to implement the option.

Make sure to look at timelines for each option considering where the group is starting and what is needed to accomplish the task. As a reminder, the organization's financial runway is a moving target, so leadership should be regularly evaluating cash flow and reserves to ensure the organization has the necessary flow of resources to effectively implement the option.

Overview of Strategic Menu of Options

Lost Revenue Replacement	Evolving our revenue model to adapt to changing funding landscapes and capitalize on new revenue opportunities.
Restructuring	Shifting programmatic mix and re-evaluating key partnerships to determine a structure that meets critical mission-driven needs.
Riding it Out	Strengthening the business model and operational foundation to weather critical events whilst setting the launchpad for future growth and innovation.
Short-Term Adjustment	Utilizing your strategic levers to make agile and flexible decisions to sustain operations or capitalize on sudden opportunities.

Lost Revenue Replacement	Restructuring
1. Invest and strengthen the primary revenue stream 2. Invest and strengthen the secondary revenue stream 3. Investing a new revenue stream 4. Changing the business model or primary revenue stream	**Programs** 1. Reducing program costs 2. Program suspension (with the aim of restarting in the future) 3. Developing new programs 4. Narrowing key direct beneficiaries served 5. Permanently closing a program 6. Transferring programs to another organization **Organizational Structure** 1. Reducing administrative overhead 2. Exploring restructuring options: coalition, strategic partnership, merger, acquisition 3. Dissolution of organization
Riding it Out	Short-Term Adjustments
1. Strengthening base business transactions and compliance 2. Program suspension 3. Investing in current market share 4. Expanding market share 5. Monitoring of threats 6. Wise accumulation and use of reserves. 7. Counter growth	1. Utilizing advocacy to influence decision makers to think/operate differently 2. Leveraging flexibility within facilities and contracts 3. Cutting variable costs or reallocating flexible resources.



The Heart Quadrant

Starting Point: Keep and contain costs

- Can we envision this program achieving the same impact – or very close to it – with a different cost structure?
- Is there a different revenue strategy to consider?

The Star Quadrant

Starting Point: Invest and grow

- Do we understand the needs and motivations of stakeholders who make the star possible?
- Are there opportunities (i.e. new geography, new population, complementary programming) to expand the program's impact and revenue?

The Stop Sign Quadrant

Starting Point: Close or give away

- Can we innovate this program to move out of this quadrant?
- How long will we give ourselves to move the stop sign?
- Is that the best use of resources?

The Money Tree Quadrant

Starting Point: Water and harvest, increase impact

- Can the net surplus be increased and, if so, what investment will that growth require?
- Are there means to reducing the program's cost and improve the margin?
- Are there ways to achieve greater impact by making the program stronger?
- Is it aligned with our brand?

Prepare a Process

Understanding your business model isn't enough. Even understanding the strategic imperatives isn't enough. You still have to make a strategic decision. In some nonprofits, even when the board and senior management see hardships on the horizon or even at the front door, they fail to make strategic decisions. Making hard decisions is difficult!

Hard decisions typically involve hardship, trade-offs, or risk. Board members may be asked to put them under time pressure with a lack of complete information. Oftentimes, board members will choose not to make a decision – waiting for consensus or additional insight. In today's rapidly changing economic environment, not making a decision may not be the best decision. Rather, when sustainability falters, the more time you have the more options an organization usually has available.

Take time now to:

- **Educate:** Board and staff may not have a deep understanding of the organization's business model. Use this moment to educate them and bring them along so they can meaningfully contribute to decisions. There is no "right" answer and multiple voices strengthen collective problem-solving. Consider holding special board and staff meetings focused on each of the steps of scenario positioning to strengthen the ability to act.
- **Create a Rapid Response Team:** Revenue shortfalls can arise suddenly – whether by Executive Order from the White House or an email from a foundation. A rapid response team – including finance, development and program staff along with representatives from the board – should be prepared to meet quickly and make recommendations to leadership.
- **Communicate:** Throughout any period of change, communication is essential. Prepare a communication plan to address staff, funders and partners that includes:
    - Who will draft the messages,
    - How decisions will be communicated (email, phone, meeting – or a combination), and
    - Who will deliver the messages (Board chair, CEO, other).

Sustainability is an orientation. You'll never arrive at a place where you can rest. Rather, you must continue to understand your constituents' needs, your organization and your environment and have the courage necessary to make ongoing decisions to strengthen your organization. Delays will cost money, morale and impact – and our staffs, our constituents and our communities deserve and need our help.

Reflecting on the Scenario Positioning Framework

What strategic options are you currently considering and how have you engaged your board and staff in these discussions?

What are some initial next steps to explore this framework further within your organization?

How might you incorporate your matrix map into this process?

About Spectrum Nonprofit Services

Spectrum was founded in 2007 with the strong belief that community organizations are the force for change in many people's lives. To sustain such a crucial impact, Principal Steve Zimmerman co-authored the book on sustainability, joining other leaders in recognizing the inseparability of an organization's mission from its finances.

Since then, we've grown our team and our expertise to tackle strategic challenges confronting senior leaders more effectively. But our mission has remained the same: to strengthen yours. Based in Milwaukee, Wisconsin, Spectrum Nonprofit Services brings innovative, data-driven technical assistance to community organizations of all sizes, backed by our expertise in nonprofit leadership, management, and finance.

Feel free to reach out to us if you have any questions from this training.

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