From Crisis to Clarity

Scenario Positioning for Nonprofits

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St. Louis Philanthropic Organization – Supporting Dreams That Build Communities

spectrum nonprofit services

1

1

Welcome!

Our Conversation Today

- Introduction
- Scenario Positioning Framework
  - Assessing our Current Context
  - Community Influences
  - Strategic Menu of Options
  - Determining Next Steps
- Conclusion

2

2


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How do we move forward given we don’t know if or when a shortfall may come?

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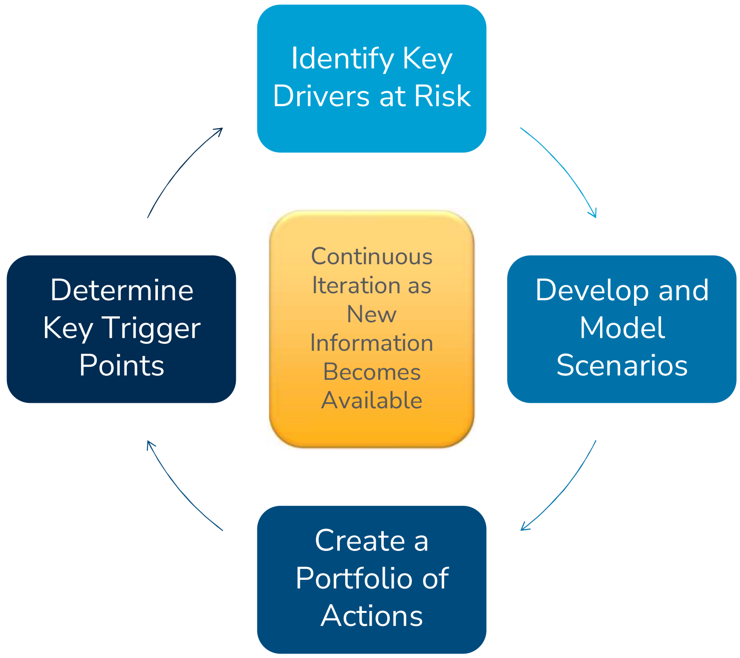
Photo by Kanhaiya Sharma on Unsplash
Framework by Bridgespan

6

Typical Scenario Planning Process



Framework by Bridgespan

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"This method 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 would not have contemplated even six months earlier."

"When Scenario Planning Fails" by Kalle Heikkinen, William Kerr, Mika Malin, Panu Routila and Eemil Rupponen – Harvard Business Review, April 21, 2023

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Introducing the Scenario Positioning Framework

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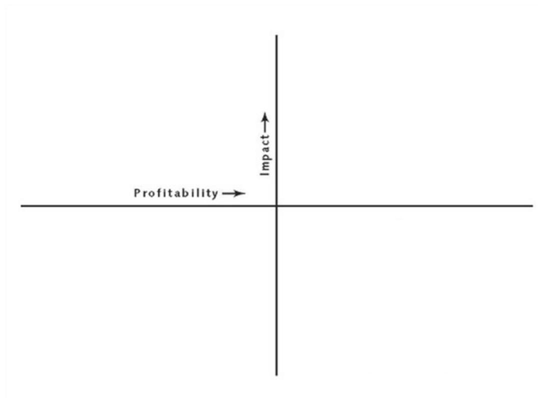
The Matrix Map



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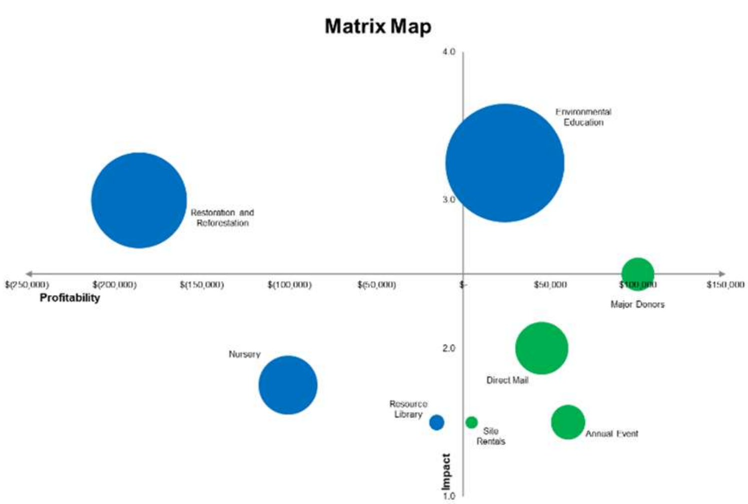
Rooting our Current Context in the Matrix Map



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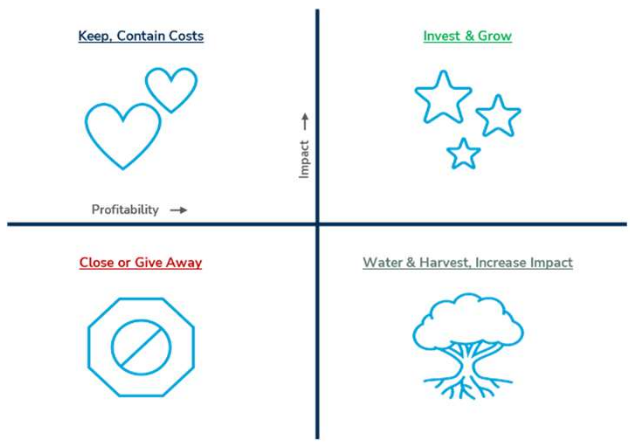
Use the Matrix Map to Make Strategic Decisions



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14

Affirm Mission and Impact First

Organizations move rapidly when there is genuine understanding of mission and impact.

- Can every leader state our intended impact?
- What values will govern our decisions when options are painful?
- What will we not do, regardless of funding pressure?

15

Defining Your Core Competencies

Definition

"A harmonized combination of multiple resources and skills that distinguish a firm in the marketplace."

— C.K. Prahalad and Gary Hamel; Harvard Business Review

16

CORE COMPETENCIES

What do we do exceptionally well?

A core competency is a distinctive capability that helps an organization deliver exceptional value consistently. It is more than an activity; it is the know-how, habits, systems, and judgment behind excellent performance.

Reflection prompt

Where do we truly excel — and what enables that excellence?

Processes / Techniques / **Knowledge**

Name the enablers that others would struggle to copy.

17

Impact Strategy

Financial Strategy

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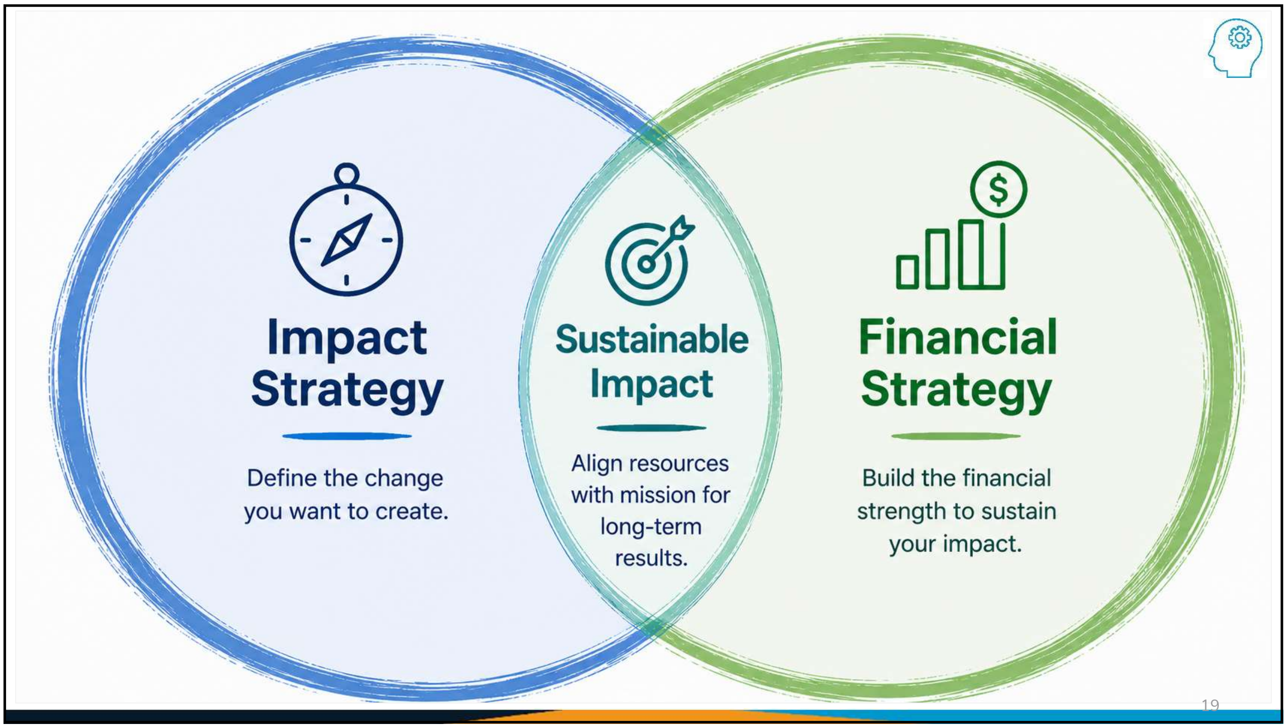
Impact Strategy
Define the change you want to create.
Sustainable Impact
Align resources with mission for long-term results.
Financial Strategy
Build the financial strength to sustain your impact.
19

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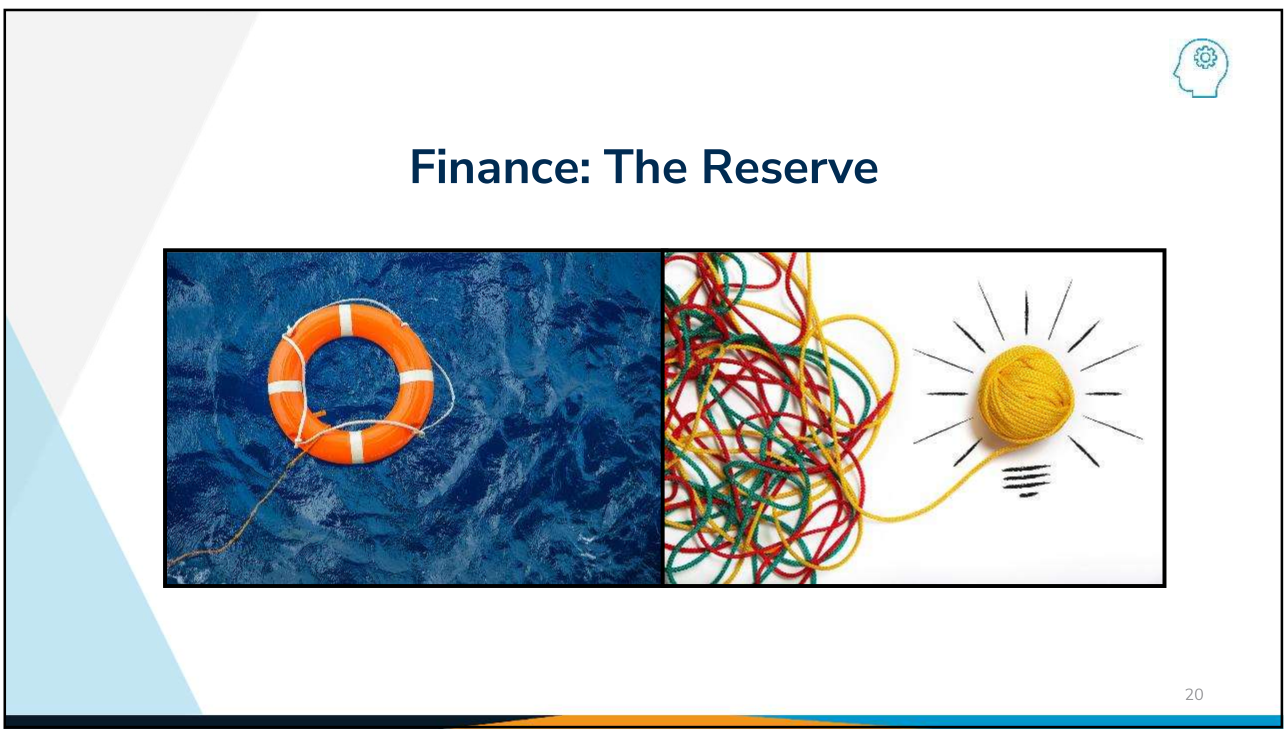
Finance: The Reserve
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20

Calculating the Reserve

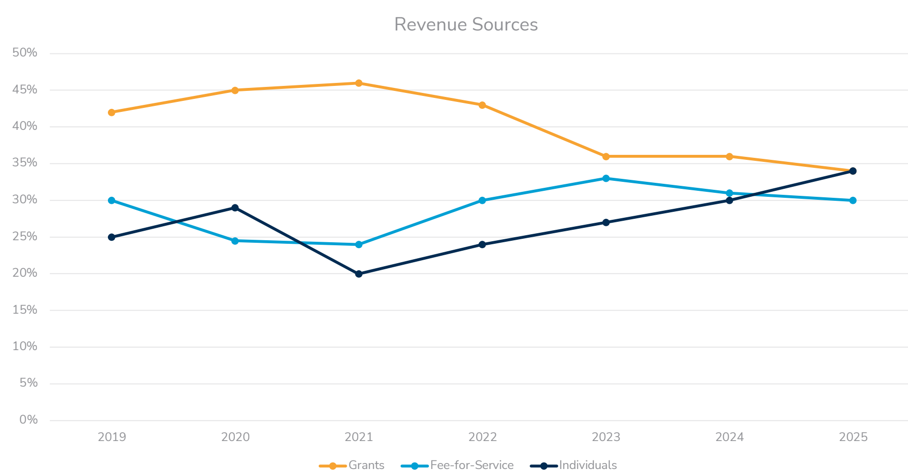
Liquid Reserves

$$\frac{\textit{Net Assets Without Donor Restrictions} - \textit{Fixed Assets}}{\textit{Monthly Expenses}}$$

21

21

Finance: Understanding Revenue Trends



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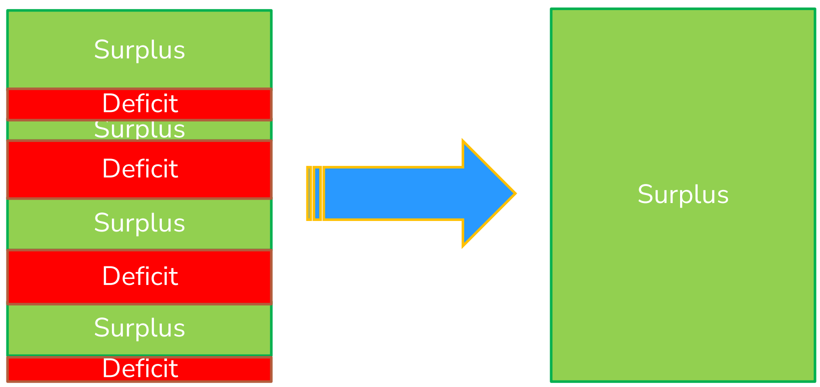
Understanding Program Profitability



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Finance: Program Profitability

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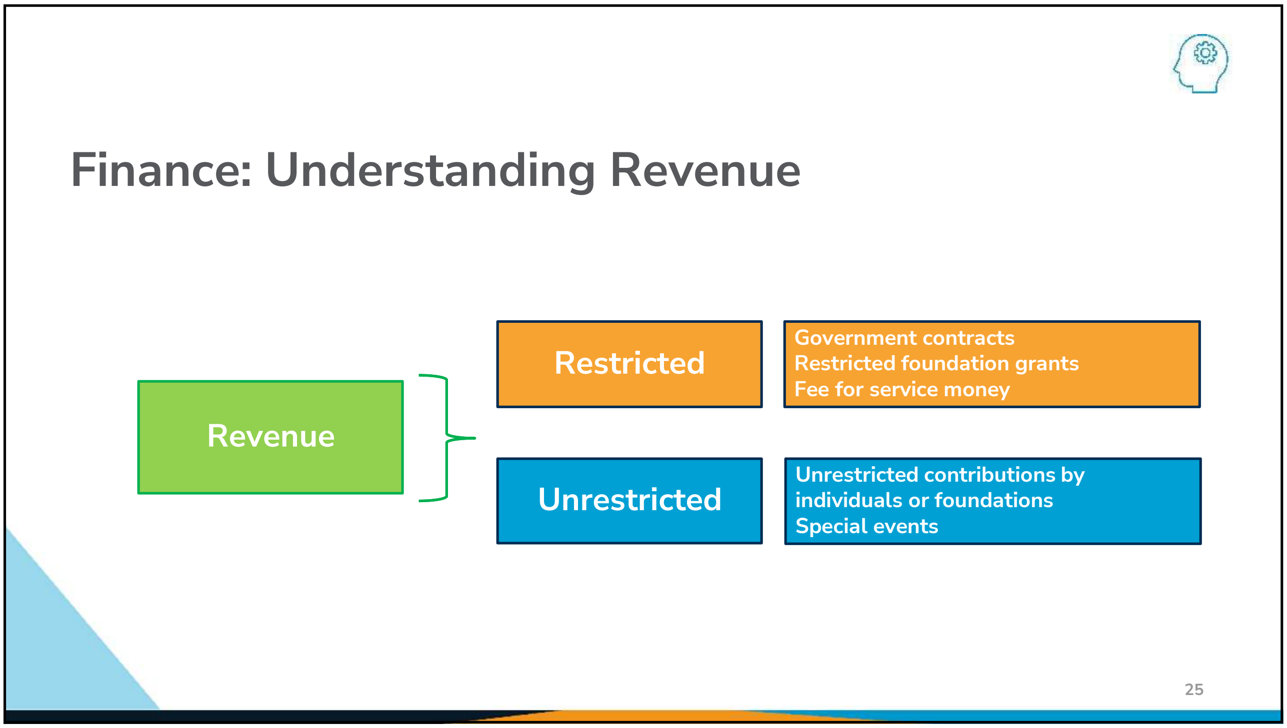
Finance: Understanding Revenue
Revenue
Restricted
Government contracts
Restricted foundation grants
Fee for service money
Unrestricted
Unrestricted contributions by individuals or foundations
Special events
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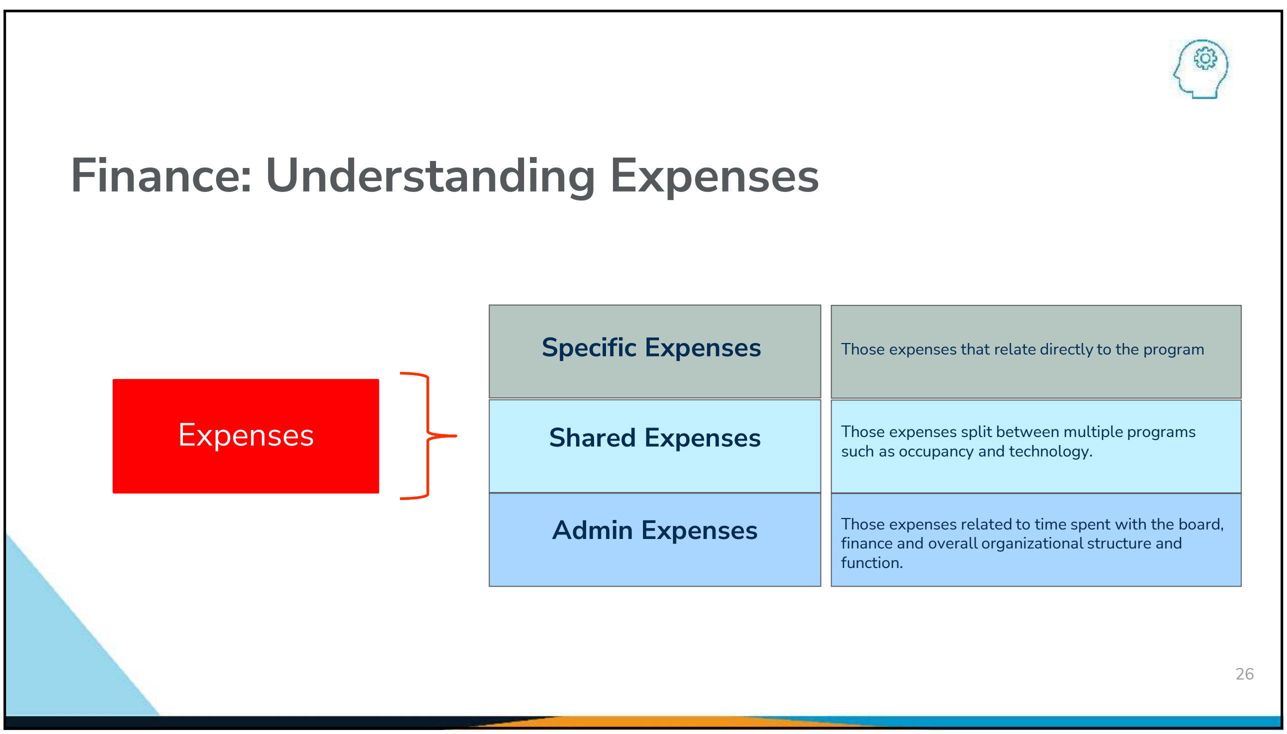

Finance: Understanding Expenses
Expenses
Specific Expenses
Those expenses that relate directly to the program
Shared Expenses
Those expenses split between multiple programs such as occupancy and technology.
Admin Expenses
Those expenses related to time spent with the board, finance and overall organizational structure and function.
26

26


Scenario Positioning Framework
ANALYZE YOUR CURRENT CONTEXT
Affirm your mission and financial position.
UNDERSTAND COMMUNITY SUPPLY AND DEMAND
Reconnect with your communities' evolving needs.
IDENTIFY LEVERS TO ACTIVATE
Assess which levers you can pull to make space for change.
PREPARE THE PROCESS
Start moving forward as clarity comes.
27

27


Understand Community Supply & Demand
Know your community as well as you know your balance sheet
Constituent Needs Are Changing
Stay close.
Listen and adapt.
Understand evolving needs.
The Broader Market Is Shifting
Markets shift.
Funding changes.
Stay informed.
Connection to Constituents
Unique Value Proposition
How to Communicate Constituents Needs to Funders
Share needs clearly.
Tell stories that resonate.
Align with funder priorities.
Who Else Is Out There Matters
Understand others.
Avoid duplication.
Identify gaps and opportunities.

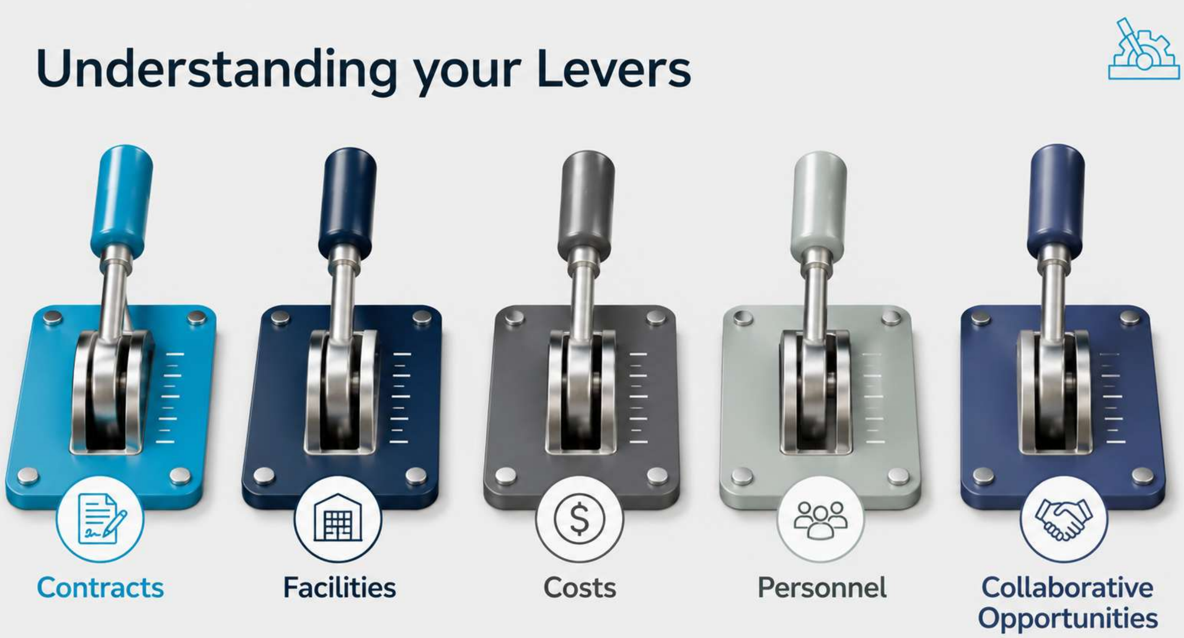
28

Scenario Positioning Framework

29

29

Understanding your Levers



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Strategic Menu of Options

- Revenue Replacement
- Restructuring
- Riding it Out
- Short-Term Adjustments

32

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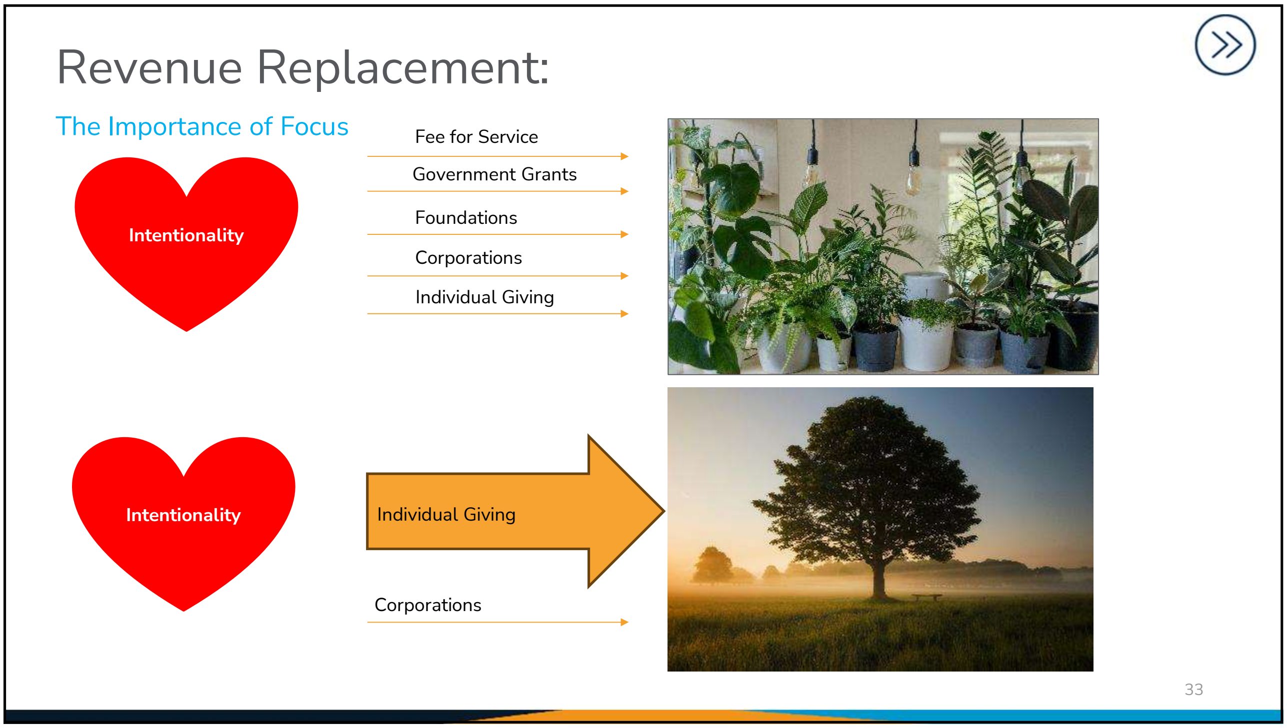
Revenue Replacement:
The Importance of Focus
Intentionality
Fee for Service
Government Grants
Foundations
Corporations
Individual Giving
Intentionality
Individual Giving
Corporations
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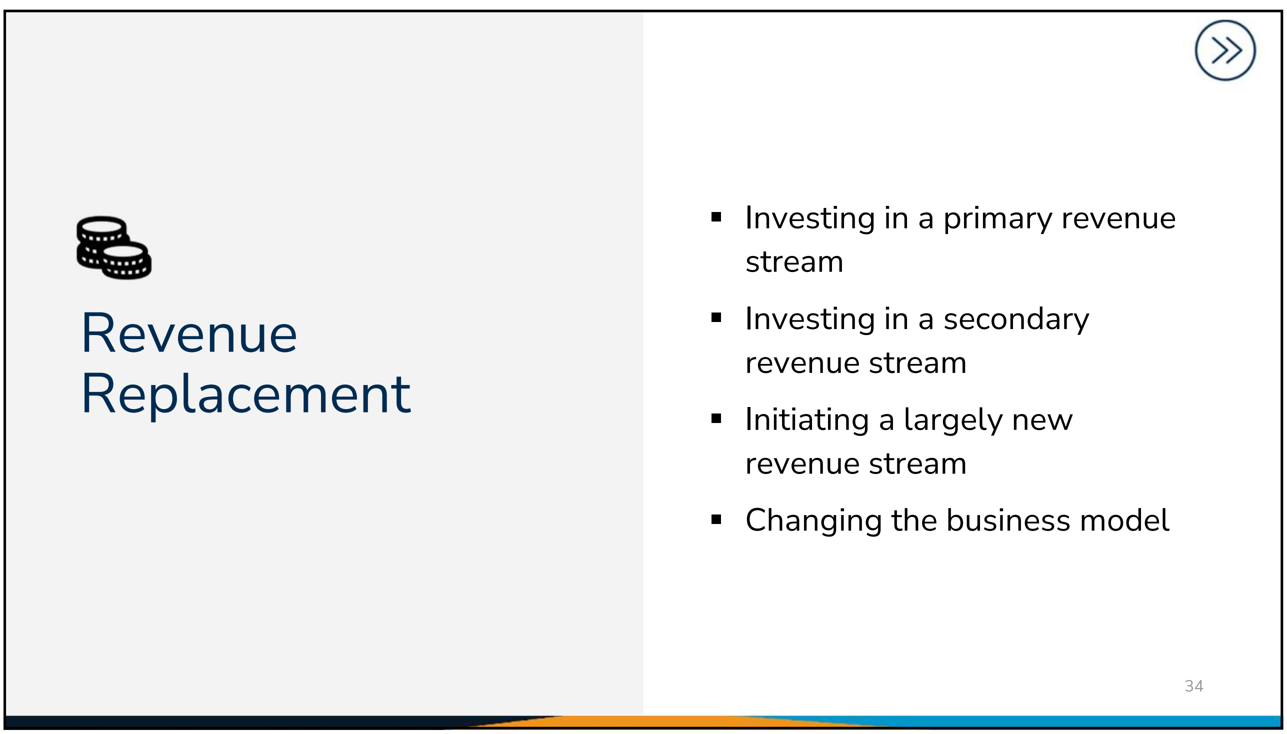
Revenue Replacement
Investing in a primary revenue stream
Investing in a secondary revenue stream
Initiating a largely new revenue stream
Changing the business model
34

34

Restructuring

35

35

Exploring Collaborative Opportunities

36

36

Riding it Out

- Improving on base business transactions and compliance
- Suspension of program
- Solidifying or expanding market
- Careful monitoring for threats
- Wise accumulation and use of reserves

37

37

Short-Term Adjustments

- Advocacy
- Facilities and Contracts
- Fixed and Variable Costs

38

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39

39

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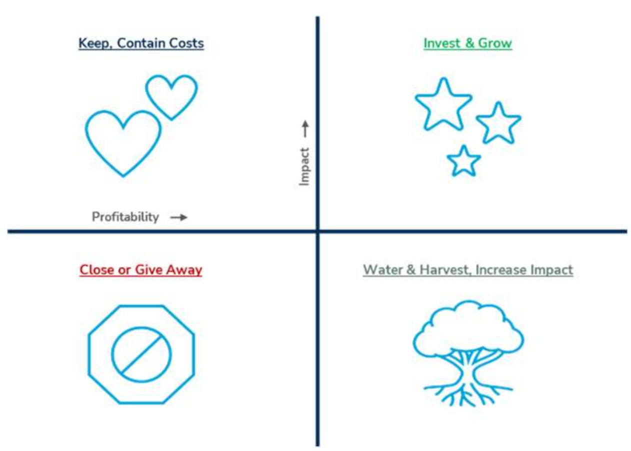

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41

41

Reflecting on the Scenario Positioning Framework

- How have you approached the current uncertainty?
- What aspects of this framework may be helpful?

42

42

Prepare a Process

Know how you'll move when clarity arrives

43

Educate Before the Crisis

44

44

Form a Rapid Response Team

Revenue disruptions can arrive without warning! A pre-designated team that can convene in 24–48 hours

Define in advance:

- The trigger events that convene the team
- The charge: rapid assessment and recommendations, not final decisions
- How you reach everyone quickly

45

Communicate!

Communication during uncertainty is not about having good news - maintain trust and prevent the vacuum that rumors fill

For each audience, decide in advance:

- **Staff**: what, when, who delivers it, what channel
- **Board**: what triggers a board vs. Finance Committee communication
- **Funders**: proactive relationship maintenance before a crisis, not just during
- **Partners**: who should know, and what collaboration might be possible

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46

46

Centering Social Capital

47

47

DISCUSSION

Who would fight for you?

If your organization announced it was significantly cutting services, who in the community would show up to a funder, a civic leader, or other stakeholders and make the case for why that matters?

And: when did you last talk to them?

48

49

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50

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51

Thank You!

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52