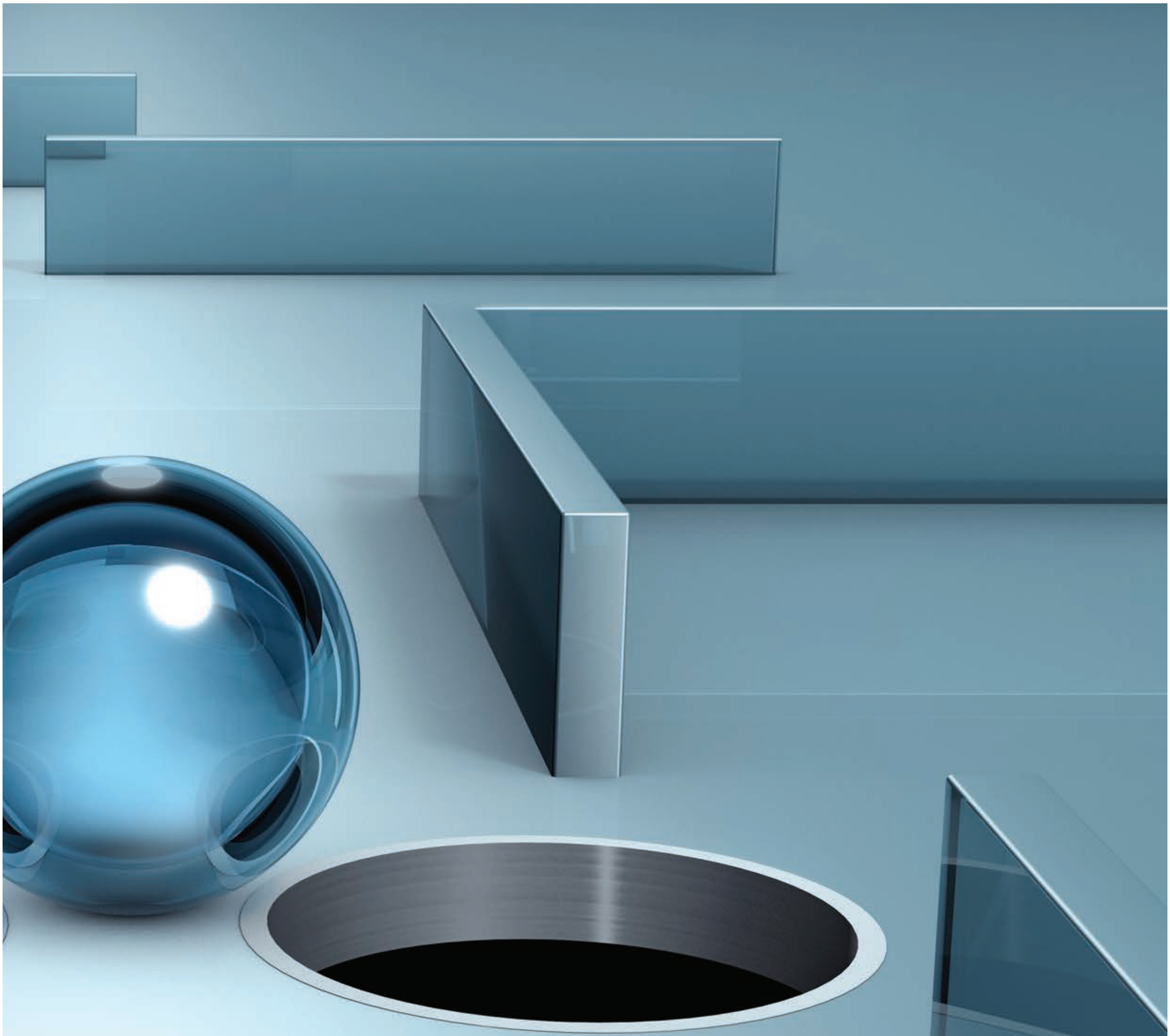
Reimagining Strategic Vision for Nonprofits

Evaluating Everything After COVID-19

By David M. Rottkamp

In Brief

The not-for-profit organizations that have weathered the storm of COVID-19 the best are those that have reimagined the organization's mission, strategic vision, and sustainability plans in light of changing circumstances. The best way to prepare for an uncertain future is to start now, by reimagining aligning parts of the organization necessary to carry out its mission for years to come. CPAs can take a more active role in helping nonprofits achieve their missions and make a profound impact in the communities they serve.



One year after the coronavirus (COVID-19) pandemic began, the difference between nonprofits who are still struggling to regain their footing and those who are emerging stronger than ever has largely come down to one key factor: whether or not they *reimagined* the organization's mission, strategic vision, and sustainability plans in light of the changing circumstances. CPAs advising nonprofits—whether as accountants, financial executives, board members, auditors, or in other roles—have played a part in this examination and reevaluation.

Looking back at the past 12 months, this reimagining took many different forms. For example, organizations that depended on in-person fundraising events quickly pivoted to virtual events, such as galas, cocktail parties, and wine tastings. Schools became virtual practically overnight, and many reopened in innovative ways, blending distance learning with in-person learning while enforcing social distancing requirements. Healthcare providers swiftly moved to providing services via telehealth. Even residential facilities and homeless outreach organizations, which cannot provide services remotely, reimagined their protocols and facilities to sustain their operations and missions.

Across all types of organizations, nonprofits had to reimagine their remote workforces, put a stronger focus on technology, and find new ways to engage and communicate with their stakeholders.

Regardless of what the reimagining looked like—or should have looked like—nonprofit organizations that did not pivot their strategic vision are likely still struggling as much today as they were when the pandemic began. The good news? It is not too late to look back at the lessons learned throughout the crisis and help nonprofit clients reimagine how their missions fit into the new reality.

If a nonprofit is still trying to operate under a pre-pandemic vision, it is imperative to help them reevaluate their current—and future—business model. This article will review some of the most impactful strategies to come out of the nonprofit sector during the COVID-19 pandemic and the importance of a refreshed strategic vision, both while the crisis continues and after it (hopefully) subsides.

Realigning Programmatic Strategies

Many nonprofits were able to successfully navigate the pandemic by realigning their programmatic strategies with the changing needs of their constituents, who were suddenly faced with new health, economic, and social concerns. Just as manufacturers found their products in low demand during quarantine and quickly transitioned to producing face masks, hand sanitizer, or personal protective equipment, these nonprofit organizations understood the importance of reimagining their programs to better meet the rapidly evolving needs of their communities.

Although the pandemic is an extreme example of the need to reevaluate programming and align it with demand, global crises are not the only situations that require such assessments. A nonprofit's financial sustainability is directly tied to its ability to continually meet their constituents' and community's expectations and needs—all of which are constantly evolving.

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The same is true for foundations and other organizations that raise money for others. Throughout the COVID-19 pandemic, many of these organizations shifted their funding toward new, urgent pandemic-related needs. But when was the last time they assessed other underfunded and underserved segments of the populations they serve? These populations have most likely changed or increased during the crisis and will still be in dire need of services after the pandemic ends.

Embracing Technology

It is no surprise that most of the solutions nonprofits turned to amid mandated closures and social distancing requirements involved *technology*, but this was a game changer not only for the obvious reasons.

Without question, virtual events and meetings were the only feasible way to bring donors, boards, employees, and other stakeholders together during the pandemic. Choosing this option was a big reason why many nonprofits were able to sustain their missions and keep their organizations moving forward during the COVID-19 pandemic.

Technology is not always a priority at nonprofit organizations, mostly due to the expense and resources required. But nonprofits that were not already making strategic investments in their technologies were at a big disadvantage even before the pandemic, which compounded these shortcomings even more. For example, if internal controls within a workforce did not take work-from-home scenarios into consideration, organizations were facing high risks of cyberattacks when workforces went remote with little time to prepare.

Healthcare providers who were forced to cancel high volumes of appointments because they had not proactively adopted telehealth practices fell far behind their peers who had. Schools that had invested in technology upgrades struggled to meet parents' expectations and students' needs when they were suddenly forced to close.

The COVID-19 pandemic presents a stark confirmation of what nonprofit organizations should have been doing all along: acknowledging the major role that technology plays in fulfilling their mission, maintaining their financial health, and utilizing the digital resources that are critical to future sustainability. CPAs can help turn this tide by helping nonprofits evaluate the internal controls, financial systems, cybersecurity and other digital tools they had in place before and during the pandemic, as well as recommending improvements that will have a lasting impact long after the pandemic is over.

Transformation of Connectivity

The importance of staying connected with stakeholders, communities, and the public throughout the pandemic cannot be stressed enough. Nonprofits that took advantage of the power of virtual and electronic communications to disseminate their messages to an even greater audience held a significant advantage over those that did not.

While serving the community and connecting with donors is a deeply personal activity, there are benefits to the virtual connections COVID-19 has necessitated. The ability to involve donors and stakeholders across the world in a single event, as well as the opportunities to offer new online services for the first time, should not be overlooked or undervalued.

As COVID-19 restrictions are lifted moving forward, nonprofits should continue to utilize these additional ways to connect, fundraise, and communicate their missions to a wider range of potential donors, board members, and other interested parties. This is not an alternative means of communication until in-person gatherings resume, but rather a complementary—and effective—way to keep communities engaged.

Identifying New Revenue Streams

The COVID-19 pandemic put added financial strain on most nonprofit organizations. It is important to mitigate this impact on current resources by proactively identifying new sources of revenue streams. As business advisors, CPAs can guide nonprofits toward pursuing their options, which include the following:

- ***Private sector partnerships.*** Engaging corporations, especially as COVID-19 restrictions and purse strings loosen up again, is an excellent source of alternative revenue. An indirect benefit that often accompanies the donation is employee awareness, engagement, and volunteerism.
- ***Private foundations.*** Many foundations, such as Mother Cabrini Health Foundation and New York Community Trust, shifted their grant making last year to fill the gaps left by federal relief programs and created emergency relief grant programs to help nonprofits survive the financial impact of COVID-19. CPAs can help nonprofits identify foundations that fund the organization's specific sector and whose grant making goals are closely aligned with the nonprofit's mission.
- ***Operating efficiencies.*** A nonprofit should not only look outside the organization for additional revenue streams. Many times, extra dollars can come from the cost savings it can find within their own four walls. CPAs should always be looking for ways to help nonprofits evaluate the efficiency of their processes, workforce, and programs as well as guide them to address areas that do not add value or can be combined.

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Joining Forces with Other Organizations

If a nonprofit was struggling before or during the COVID-19 pandemic, it may have been because it no longer had the internal resources necessary to sustain its reimagined strategy, either today or in the future. As a trusted advisor, if a CPA evaluates an organization's financial position and concludes it will not support long-term sustainability—even after the above recommendations have been considered—it may be time to look outside the organization to other nonprofits that provide similar or complementary services.

Deciding to join forces with another nonprofit to achieve financial stability can be a difficult decision for a nonprofit to make. Its identity and vision are uniquely tied to its name, history, and current way of doing things. CPAs can help a nonprofit weigh the financial pros and cons of a business combination.

It is important to first understand the business combination opportunities available in the nonprofit sector:

- ***Acquisition:*** A transaction or other event in which a nonprofit acquirer obtains control of one or more nonprofit activities or businesses.
- ***Merger:*** A transaction or other event in which the governing bodies of two or more nonprofit entities cede control of those entities to create a new combined nonprofit entity. To cede control requires that the merging entities not retain shared control of the new entity. To qualify as a new entity, the combined entity must have a newly formed governing body. A new entity often is, but does not need to be, a new legal entity.
- ***Collaboration (Shared Services):*** This occurs when two or more nonprofits agree to collaborate on a specific program, function, or task. The goal is to achieve efficiencies to provide greater value.

In addition to the financial instability that may signal the need for a business combination, nonprofits should also look at other risk factors, including an aging executive team or board of directors, lack of visionary attitude, insufficient talent in the workforce, or lack of technological advancement.

Even if a nonprofit organization is not ready to fully commit to an acquisition or merger, combining specific mission-driven activities through a collaboration may be a good first step, if it is enough to rehabilitate the nonprofit's financial health.

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Data Analytics

Perhaps a nonprofit is not sure just what it needs to do in order to rethink its strategic vision; this is where the powerful tool of data analytics comes in. Utilizing a dashboard and benchmarking tools, a nonprofit can get an accurate picture of its current financials and operations. This result can be used to see how well an organization is meeting its goals and how its performance compares to its peers.

A CPA can run the financials, but the numbers alone do not reflect an organization's position within the context of other economic, competitive, and historical data. CPAs can provide this context by benchmarking the numbers against the organization's own prepandemic performance and the current performance of its peers. The data should also be measured against the organization's goals and where its leadership expected the organization to be, today and in the future. How far along is the organization from reaching those goals?

To be most beneficial, this analysis should extend beyond the financial data and into measuring the actual outcomes the organization has realized. How is a nonprofit's programming impacting and changing the lives of the communities they serve? If it's falling short, which solutions—such as the ones outlined above—have been missed?

Reenvisioning Reality

No one can predict when the COVID-19 pandemic will "end," and such an ending may take shape gradually, imperceptibly, and unevenly across sectors and jurisdictions. What results may be a "new reality," a world that is no longer in crisis but does not quite resemble pre-COVID times. The best way to prepare is to start now, by reimagining the organization's strategic vision and aligning parts of the organization necessary to carry out its mission tomorrow and for years to come.

For CPAs, helping nonprofits reimagine their strategic vision may mean reimagining their own role. From technology selection to succession plans, the COVID-19 pandemic has opened a whole new dialogue and opportunities to strengthen client-advisor (or employee-employer) relationships. CPAs can take a more active role in helping nonprofits achieve their missions and make a profound impact in the communities they serve. ■

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Five Signs a Nonprofit Needs to Reimagine its Strategic Vision

The 2021 program planning and budgeting process did not differ meaningfully from prior years.

Coronavirus (COVID-19) was undoubtedly a new topic of concern in 2021 planning and budgeting discussions at nonprofits around the world. But if these conversations did not result in observable, actionable, and innovative change in programming or allocation of resources, the nonprofit should probably go back to the drawing board. It is time to purposefully reimagine its strategy and future.

A lack of talent, skills, or resources is keeping the organization from pivoting to a new strategic vision.

The reimagining process must include a careful reevaluation of a nonprofit's human capital. Once the organization identifies what strategic changes need to be made, it is imperative to ensure they have the right type, and amount, of talent to support it. This could be gaining more talent through strategic hires or collaborations with other nonprofits, or decreasing it, based on the impact of COVID-19 on the nonprofit's bottom line and strategic redirection.

This evaluation of human capital goes hand in hand with the organization's physical footprint. Especially given the new virtual opportunities being successfully utilized, does the organization still need as many physical locations? Might it need more, due to increased demand caused by the pandemic?

If these assessments have not been made since the pandemic began, it is very likely that the nonprofit is missing out on opportunities to improve efficiencies, save costs, and mitigate risk caused by misaligned resources and skills. By identifying these opportunities, CPAs can help the nonprofit better position itself to correct course.

The executive team or board does not represent the people they serve.

One of the most overlooked obstacles to achieving sustainability is not adequately assessing and addressing how well (or how poorly) the board and executive team represent the populations they serve. Even the best intentions by a board or management that lacks generational, racial, gender, or other diversity are going to fall short in making the deep connections that are needed to impact and drive change in communities.

The organization does not have a succession plan.

A lack of diversity often stems from a lack of succession planning. Many organizations do not have a policy for rotating members off the board or a proactive plan for replacing members of leadership as they approach retirement. Diversity, equity, and inclusion should be a foremost consideration when putting these plans in place.

But succession planning is not just about planning for retirement. It is also about having back-up plans ready to meet immediate needs as they arise, as evidenced by the pandemic. COVID-19 sent many key team members offline due to illness, family leave, or other related emergencies. Nonprofits need to ensure they have the people on staff or outsourced options they need to withstand unexpected long-term absences.

The organization has not undergone a recent risk assessment.

It is impossible to truly know if a nonprofit's reimagined strategic vision is on point without understanding the current and future risks the organization is facing and whether or not the vision addresses them.

Many nonprofits do not have an adequate risk assessment process or function, and the pandemic brought many hidden vulnerabilities to light. CPAs can play a key role in uncovering these risks, recommending strategies to mitigate them and helping their nonprofit clients understand the potential expense and reputational risk of neglecting this important step in strategic planning. ■