

# Scenario Planning for Nonprofits

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The scenario planning process helps organization leaders navigate uncertainty while providing structure around making key strategic decisions. It is critical for organization leaders to engage in an iterative scenario planning process that accounts for factors outside of your control (e.g., shelter-in-place restrictions and the pace of economic recovery) and actions and options within your control (e.g., operational shifts and cost reductions).

This toolkit shares a four-step scenario planning process anchored in preserving your organization's ability to pursue its mission. Specifically, it will help you and your leadership team identify key drivers (the ones most important to your organization's economics and impact, and facing the highest levels of risk), develop a range of best-, moderate-, and worst-case scenarios over the next 6-12 months, create related action plans for each scenario, and determine triggers that tell you when to put plans into action. This approach focuses primarily on continuity and recovery, though it will likely inform important questions and decisions surrounding your organization's long-term strategy.

For further detail, please see the article "[Making Sense of Uncertainty: Nonprofit Scenario Planning](#)."

## Guiding Principles

Before you begin the scenario planning process, consider aligning on a set of principles—values based criteria—with your leadership team to guide decision making in the face of uncertainty. Such principles should reflect your organization's mission, values, and unique circumstances and can help you communicate the rationale behind tough decisions to key stakeholders.

For further guidance, refer to: "[A Compass for the Crisis: Nonprofit Decision Making in the COVID-19 Pandemic](#)."

# Scenario Planning Process

## Identify key drivers at risk

Identify the drivers (i.e., major elements) of your organization's economics and impact. After completing the chart, note which drivers are at both a high level of importance and a high level of risk—you will use these in the next worksheet to develop scenarios.

- What are the drivers of your organization's economics and impact?
- Which of these drivers have both high levels of importance and high levels of risk?



**TIP:** Don't get distracted by the small stuff; stay focused on the key drivers

## Develop and model scenarios

Construct best-, moderate-, and worst-case scenarios anchored in the key drivers highlighted in Step 1 and relevant external factors outside of your control. Translate scenarios to reflect their impact on your -6-12 month revenue forecast.

- What external factors (e.g., shelter-in-place) are directly affecting your organization?
- How will these external factors impact your key drivers in different scenarios?



**TIP:** Don't aim for precision; the goal is to explore what is possible



## Determine key trigger points

Determine concrete and measurable trigger points that will help prompt your organization to act at the right time. Monitor them regularly to help your leadership team make and execute decisions quickly as circumstances evolve.

- What are clear, measurable trigger points for taking each action?
- How will you regularly monitor these triggers?



**TIP:** Establish clear decision processes and roles to support effective decision-making

## Create a portfolio of actions

Develop a set of actions that would allow you to effectively manage against each scenario. Quantify the financial impact of these actions to understand total estimated savings achieved or costs incurred.

- What actions will you take to successfully manage against each scenario?
- What is the related impact of these actions on your organization's budget?



**TIP:** Align on a set of principles to guide decision making in the face of uncertainty

# Step 1: Identify key drivers at risk

Nonprofit leaders face an unprecedented number of uncertainties and risks amid COVID-19 that span all aspects of their organizations—only a subset of these matter most and it is critical to prioritize among them in scenario planning. To complete this worksheet, first identify the drivers (i.e., major elements) of your organization’s economics and impact across three categories: programs,\* operations, and funding. Next, assess the level of importance of each driver to your organization and the level of risk each faces. In evaluating levels of risk, consider three questions: (1) What is the nature of the risk? (2) What is the likelihood of the risk? (3) What is the level of impact of the risk? After completing the chart, note which drivers are at both a **high level of importance** (to organization economics and/or impact) and a **high level of risk**—you will use these in the next worksheet to develop scenarios.

Identify drivers of organization economics and impact			Level of importance**	Level of risk
Programs	List drivers of programmatic impact	•	Low / Med / High	Low / Med / High
		•	Low / Med / High	Low / Med / High
		•	Low / Med / High	Low / Med / High
		•	Low / Med / High	Low / Med / High
Operations	List drivers of organization operations	•	Low / Med / High	Low / Med / High
		•	Low / Med / High	Low / Med / High
		•	Low / Med / High	Low / Med / High
Funding	List drivers of organization revenue	•	Low / Med / High	Low / Med / High
		•	Low / Med / High	Low / Med / High
		•	Low / Med / High	Low / Med / High
		•	Low / Med / High	Low / Med / High

\*Organizations with multiple programs should begin by elevating the critical programs that anchor their mission and economics, **and** are facing the highest level of risk.

\*\*Level of importance in this context refers to the driver’s contribution to your organization’s economics (e.g., percentage of revenue or expenses) and/or your mission (e.g., role in achieving target outcomes)

# Step 2: Develop and model scenarios

Consolidate the best data available to construct best-, moderate-, and worst-case scenarios that reflect the full spectrum of possible outcomes for your organization. First, elevate which external factors (factors outside of your control) will directly impact your organization—these may include shelter-in-place restrictions, unemployment rates, the pace of economic recovery, etc. Next, estimate the potential impact that these external factors could have on the key drivers of your organization’s impact and economics prioritized in Step 1. Once you have developed these scenarios, translate them into their related impact on your organization’s revenue forecast over a short- to medium-term time horizon relevant for your organization (e.g., ~6-12 months).

External factors that directly impact our organization	Best case	Moderate case	Worst case
	•	•	•
	•	•	•
	•	•	•

Prioritized key drivers from Step 1	Best case	Moderate case	Worst case
Programs	•	•	•
	•	•	•
	•	•	•
	•	•	•
Operations	•	•	•
	•	•	•
	•	•	•
	•	•	•
Funding	•	•	•
	•	•	•
	•	•	•
	•	•	•

Projected impact on our organization’s revenue forecast			
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# Step 3: Create a portfolio of actions

Develop a set of potential actions that would enable your organization to successfully manage against each scenario, preserving both your financial viability and your ability to deliver impact. Actions typically fall into one of three categories: (1) appropriate for any scenario, (2) smaller-scale and more flexible, (3) larger and more permanent. As you identify potential actions, weigh the pros and cons of each and ensure they fall in line with any guiding decision principles agreed upon by your leadership team. Most of these actions will likely have some economic cost or benefit. Quantify the potential costs incurred and/or savings achieved for each action (over the time horizon the action would be implemented), and then calculate the total estimated costs incurred or savings achieved by each set of actions for your best-, moderate-, and worst-case scenarios.

## Case Scenario (create one action plan for each scenario; 'appropriate for any scenario' will be the same in each)

Category	Definition	Actions	Estimated Cost (+ or -)
Appropriate for any scenario	Actions that will positively affect the organization's ability to deliver impact and financial position under any future scenario	•	
		•	
		•	
		•	
Smaller-scale and more flexible	Smaller-scale, flexible investments or cost reduction measures that can be executed quickly (and reversed) if various scenarios come to fruition	•	
		•	
		•	
		•	
Larger and more permanent	Large-scale investments or cost reduction measures that may be more permanent in nature	•	
		•	
		•	
		•	
Total estimated costs incurred or savings achieved			

# Step 4: Determine key trigger points

Many of the potential actions outlined for each scenario in Step 3 (with the exception of ‘appropriate for any scenario’) will only make sense under certain circumstances. Determine concrete and measurable trigger points for each action in the ‘smaller-scale and more flexible’ or ‘larger and more permanent’ categories. Some actions you outline may be relevant across different scenarios. Likewise, you may find that one trigger (e.g., extension of shelter-in-place restrictions) is the best gauge for multiple actions. This worksheet will help consolidate your list of potential actions and related trigger points, serving as a dashboard for your leadership team to support continuous monitoring and rapid decision making as circumstances evolve.

Actions	Scenarios			Key trigger points (to prompt action at the right time)
	Best Case	Moderate Case	Worst Case	
•				•
•				•
•				•
•				•
•				•
•				•
•				•
•				•
•				•
•				•
•				•
•				•
•				•