Navigating Uncertainty: Scenario Positioning for Today's Nonprofit Leaders

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June 16, 2026

Alabama Association of Nonprofits

spectrum nonprofit services

1

1

A Growing Challenge:
Uncertain Economy and Fluctuating Revenue

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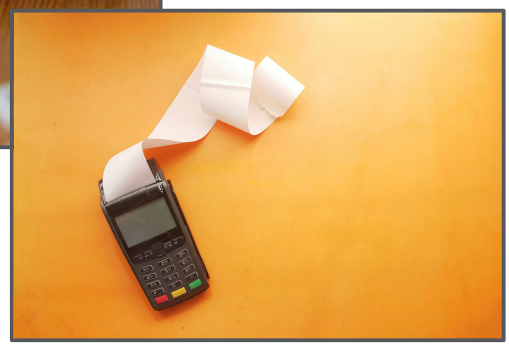
A Growing Challenge:
Rising Costs



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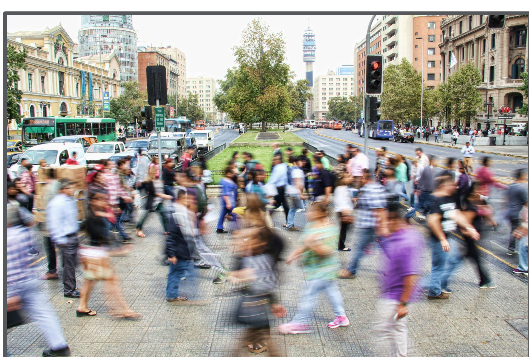
A Growing Challenge:
Meeting Evolving Community Needs and Demand



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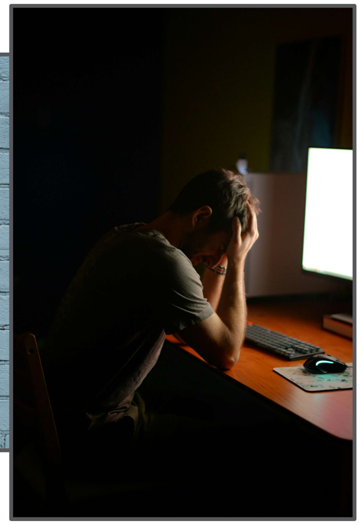
A Growing Challenge:
Staff Hiring and Burnout



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5

5

How do we move forward given that we don't know when challenges will happen?

- The instinct: survive the storm, wait for things to return to normal
- The reality: there may not be a return to the previous normal
- Volatility, funding pressure, and policy uncertainty are the new operating environment

The question shifts:

- Not: How do we get back to stable?
- But: How do we lead effectively when stability is no longer the baseline?

6

6

7

"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 Ruppponen – Harvard Business Review, April 21, 2023

8

Typical Scenario Planning Process

Identify Key Drivers at Risk

Develop and Model Scenarios

Create a Portfolio of Actions

Determine Key Trigger Points

Continuous Iteration as New Information Becomes Available

Framework by Bridgespan

9

9

Is Scenario Planning Viable in Today's Environment?

Traditional Scenario Planning

A More Adaptive Approach

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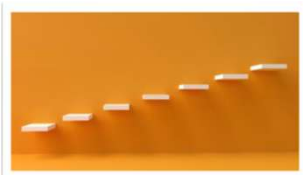
10

Scenario Planning vs. Scenario Positioning

Scenario Planning



- Assumes you can foresee the threats
- Builds plans for specific predicted futures
- Works best for stable, predictable uncertainties
- Can fail when shocks come from outside the field of vision

Scenario Positioning

- Assumes clarity will come, but timing is unknown
- Builds organizational readiness to act quickly
- Works precisely when the future is unforeseeable
- Prepares you to respond to whatever actually arrives

11

Introducing Scenario Positioning

Scenario Positioning allows organizations to prepare to take action and make strategic decisions as challenges become clearer

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12

12

"Organizations are experiencing unforeseen attacks from all sides. At these times, it is tempting to rely on spreadsheets to create concrete answers, but without knowing where the hit will come from, these efforts can be fruitless. Instead, nonprofits should prepare to adapt."

— Steve Zimmerman, Spectrum Nonprofit Services

13

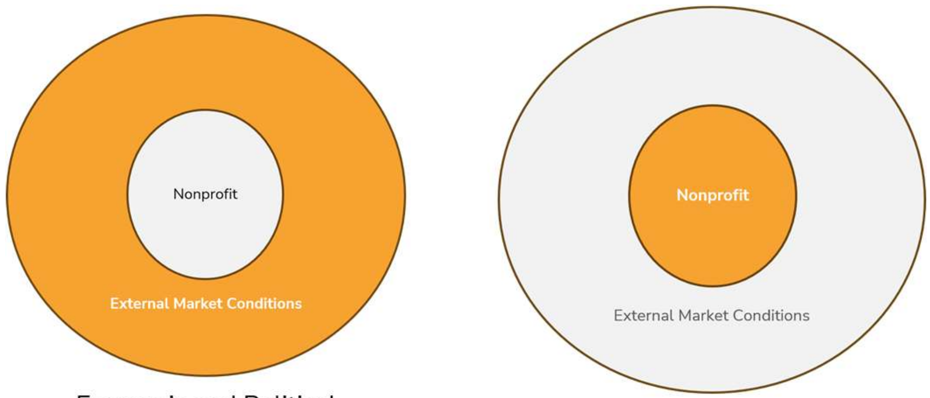
Scenario Positioning Framework

14

14

Step 1: Analyze Your Current Context

Know where you are before deciding where to go



Economic and Political Headlines

Scenario Positioning

15

Affirm Mission and Impact First

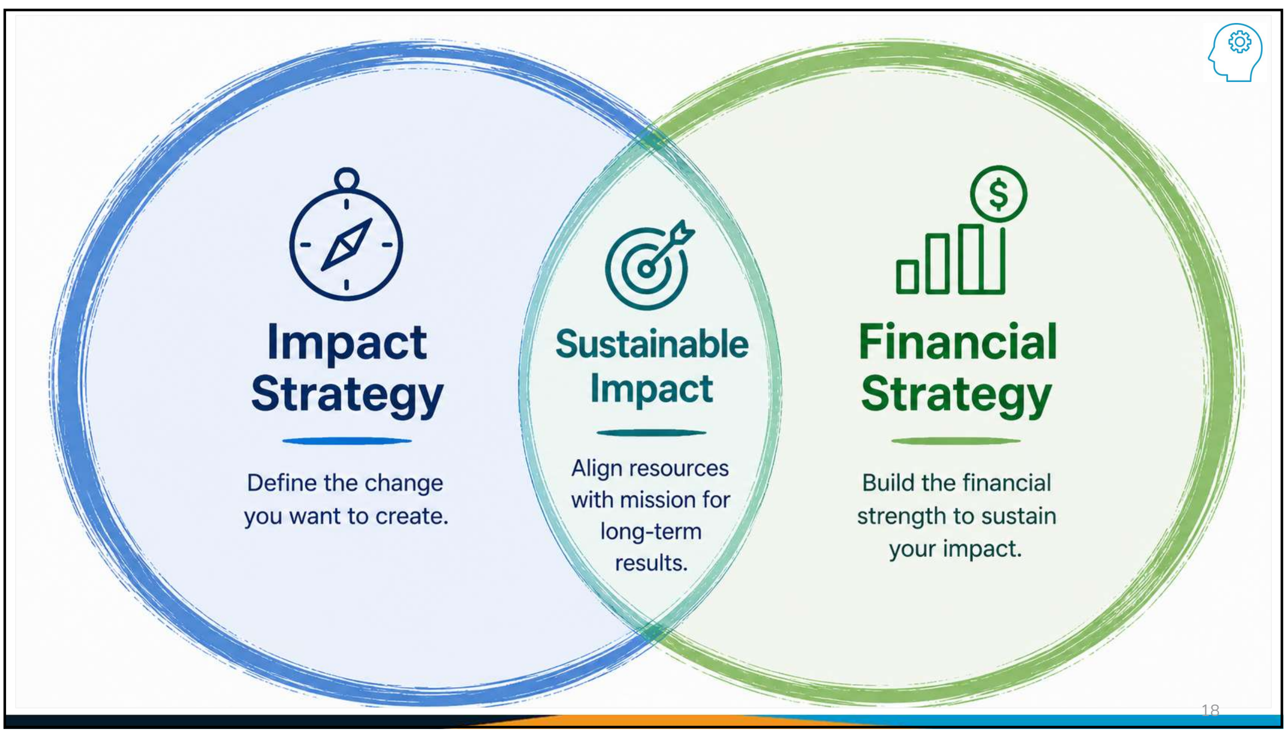
Organizations move rapidly when there is genuine understanding of mission and impact.

- 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?

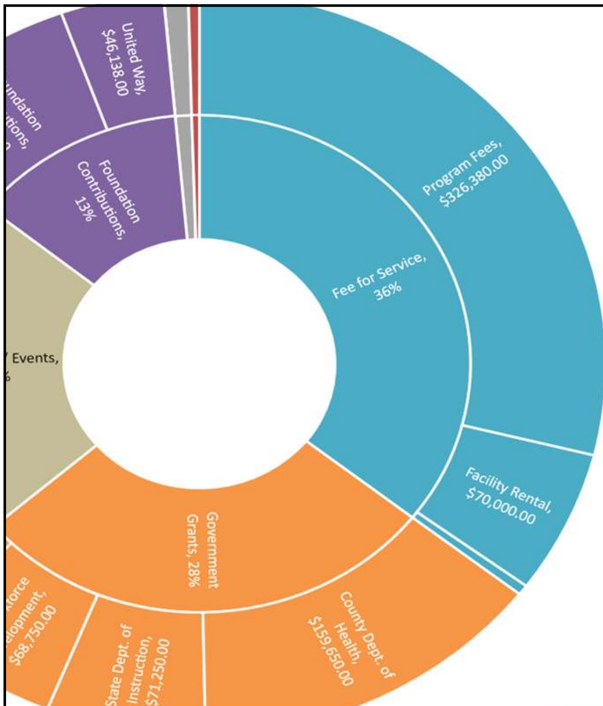
16


Impact
Strategy
Financial
Strategy
17

17


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.
18

18



Revenue Mix & Vulnerability

Callback → Session 1: Revenue reliability and flexibility are as important as amount

- Map revenue by source: federal, state, local, foundation, individual, corporate, earned, etc.
- Name the exposed streams: which sources face direct threat from current conditions?
- Identify concentration risk
- Assess flexibility: what percentage is unrestricted and freely deployable?

19

19

Reserves: Your Decision-Making Runway

Callback → Session 1: Liquid reserve formula and what 'adequate' means

Reserves are a measure of time.

The relationship between reserves and options:

- More runway = more time for good decisions
- Less runway = fewer choices, more pressure, faster deterioration

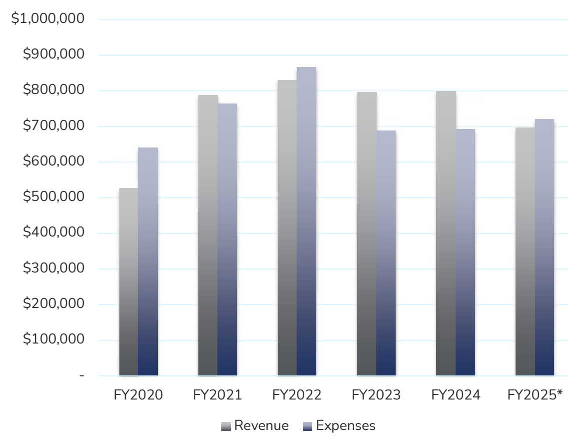
20

Year-over-Year Financial Trend

Callback → Session 3: Three-year trend analysis as a budgeting foundation

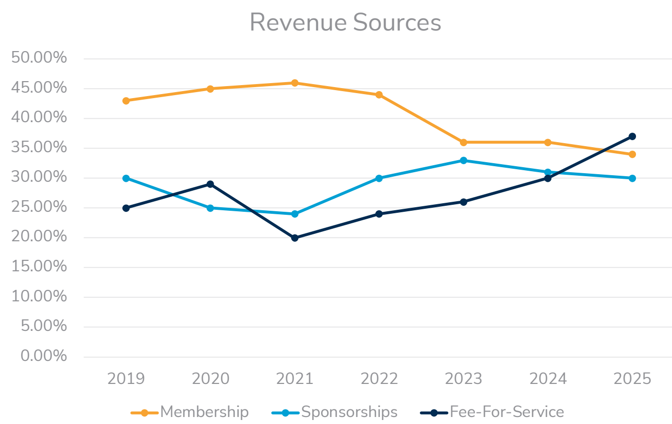
Look back to help context for looking forward

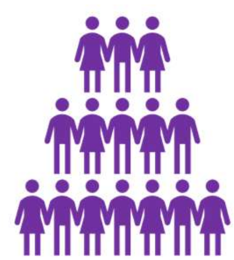
- Identify preexisting vulnerabilities that the current environment is now accelerating
- A stream already declining before the current headwinds is far more exposed than a stable one



21

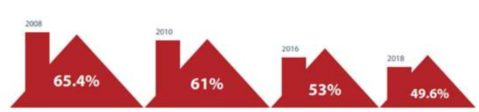
Year-over-Year Financial Trend





Overall donors are down as of 2023.

Source: Independent Sector



Number of US Households reporting donations to nonprofit organizations has steadily decreased over the last two decades.

Source: Generosity Commission

22

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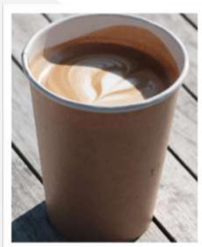


What is the cost of Impact?

Callback → Session 2: True cost = specific + shared + admin expenses

- Not every program needs to break even, but the portfolio must
- Which programs generate surplus? Which run deficits?

You cannot make responsible budget decisions without this picture

23

23

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

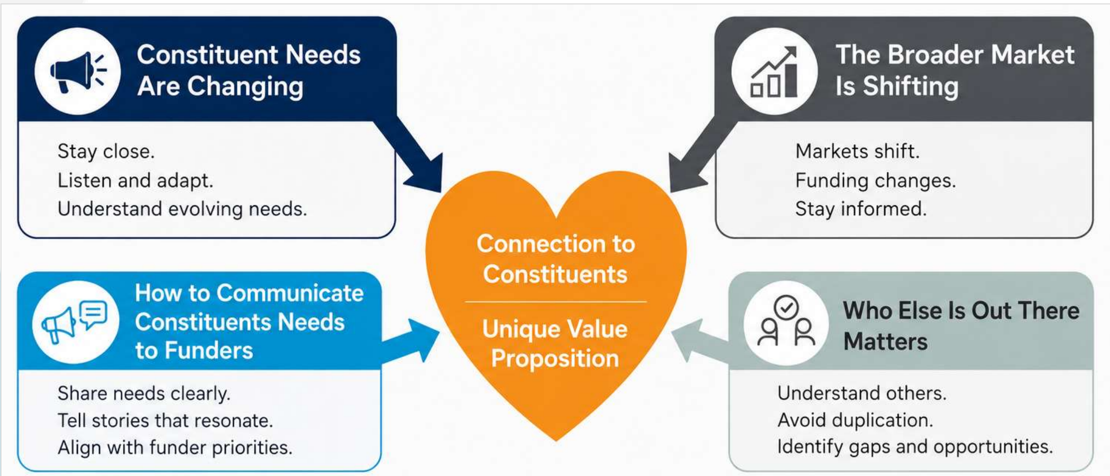
Assess which levers you can pull to make space for change.

24

24

Step 2: Understand Community Supply & Demand

Know your community as well as you know your balance sheet



25

Constituent Needs Are Changing – Communicate!

Callback → Session 1: Identifying beneficiaries: direct, partners, and other

- Economic disruption almost always increases demand while threatening funding
- This data is both mission intelligence and funder communication
- In a contracting funding environment, funders and donors make choices
  - **Do they understand your organization?**
  - **How do they benefit?**

26

26

How the Broader Market is Shifting

Understanding the landscape around you, not just inside your organization

Funding environment

- Federal and state funding contracting across multiple sectors simultaneously
- Foundation priorities shifting into new issue areas, new geographies, and new grantee expectations
- Individual giving under pressure from economic uncertainty and donor fatigue
- Reimbursement delays tightening cash flow even where contracts remain intact

Service landscape

- Demand for services is increasing as economic stress affects more households
- Peer organizations facing the same pressures — some will contract, merge, or close
- New entrants (corporate, government, tech-driven) moving into spaces previously held by nonprofits
- Policy and regulatory shifts changing what services can be delivered — and how

Key question: Given what is shifting around us, what is our unique and irreplaceable role in this landscape?

27

Your Ecosystem

Partnerships take time to build; start now, not when you need them.

Look for:

- Complementary services: where working together strengthens both organizations
- Shared populations: where coordination reduces duplication and improves service
- Back-office opportunities: finance, HR, IT, communications

28

Scenario Positioning Framework

ANALYZE YOUR CURRENT CONTEXT

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IDENTIFY LEVERS TO ACTIVATE

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29

29

Step 3: Identify Levers to Activate

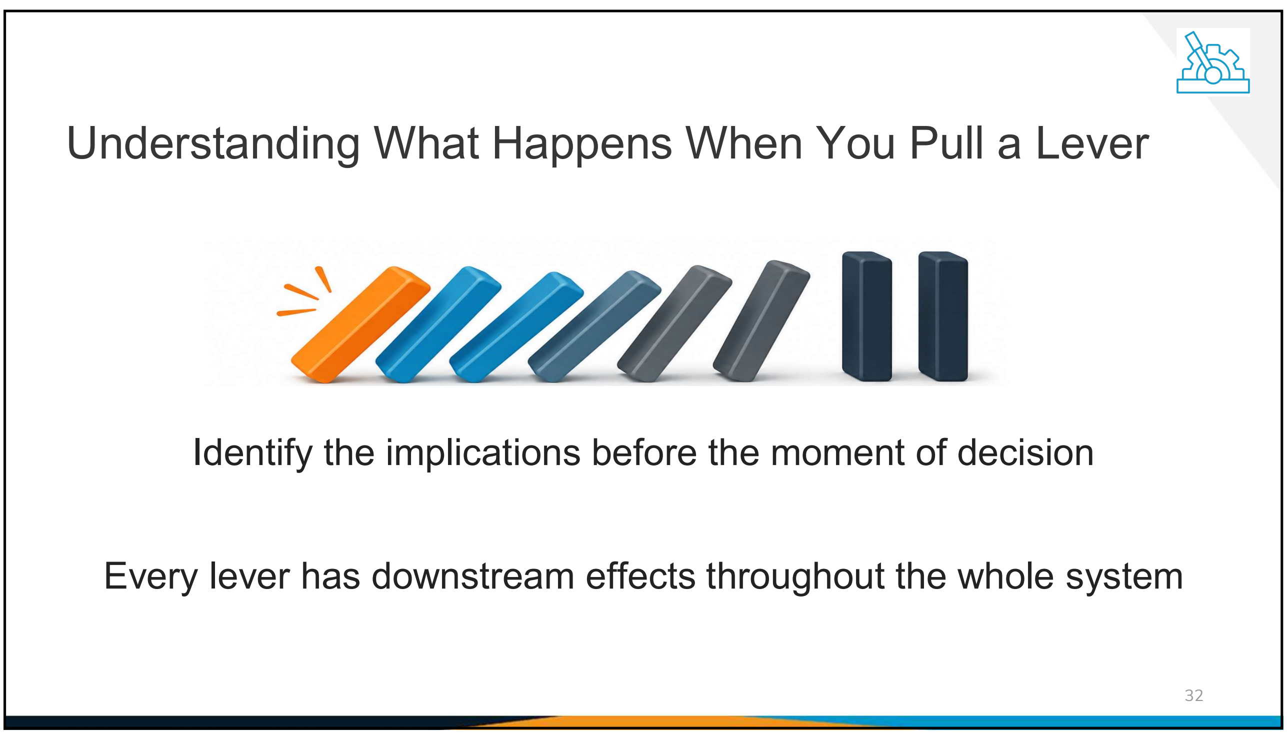
Know what you can move — before you need to move it

30

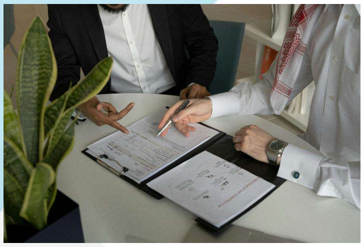
30


Understanding your Levers
Contracts
Facilities
Costs
Personnel
Collaborative Opportunities

31


Understanding What Happens When You Pull a Lever
Identify the implications before the moment of decision
Every lever has downstream effects throughout the whole system
32

32



Contracts & Facilities

- Maintain a complete, current list: most organizations don’t have one readily accessible
- Real estate is often the most visible fixed cost and the most complex

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33

33

Fixed vs. Variable Costs: The Program Floor

Callback → Session 2: True cost

Fixed costs

Present regardless of program volume: Lease, salaried staff, equipment

Variable costs

Scale with program activity: supplies, part-time hours, events

Program Floor: What’s the minimum we need to keep a program open?

34

Personnel Costs

Callback → Session 3: Risk tolerance levels and the personnel conversation

- Personnel is 75–80% of most nonprofit budgets: Significant budget adjustment is nearly impossible without addressing staffing
- Know your structure:
  - Which roles are critical to mission delivery and regulatory compliance?
  - What staffing requirements are embedded in program contracts or licensing?

Consider the cost of turnover: losing experienced staff during uncertainty is expensive

35

35

Exploring Collaborative Opportunities

Who can we partner with or learn from?

Organizations that offer complementary services to your constituents.

What strengths and resources can we bring together?

Combine capabilities to do more and go further.

Who offers similar services or competes for the same constituents or funders?

Understand the landscape so we can differentiate and collaborate wisely.

Where do we overlap geographically?

Local partnerships can strengthen community connections and avoid duplication.

What funding opportunities are available together?

Pursue grants, contracts, and investments we can't access alone.

36

36

Scenario Positioning Framework

37

37

Prepare a Process

Know how you'll move when clarity arrives

38

Educate Before the Crisis

39

39

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

40

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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41

41

Centering Social Capital

42

42

43

The Situation

- A large social service organization facing simultaneous pressure:
  - Federal and state contracts under threat
  - Loss of key foundation support
  - Tapping reserves while awaiting clarity on the severity of cuts
- New funding opportunities on the horizon but uncertain

44

Instead of waiting passively, they went into action

Process/Lever	Action Item
Educate Internal Stakeholders	Educated board members about the organizational context to prepare them for action
Understanding Fixed and Variable Costs	Reviewed every program to identify opportunities for efficiency or improvement
Exploring Collaborative Opportunities	Scanned the community to understand how their programs relate to other offerings and meet constituents needs
Understanding Programmatic Profitability	Developed a preliminary list of programs that might be closed or reduced depending on funding decisions – as well as a program that might grow with increased funding
Create a Rapid Response Team	Formed a task force to respond rapidly once there is more certainty

45

45

Scenario Positioning Framework

46

46

Reflection Questions

1. How well does our staff and board understand our current context?
2. What are some next steps we can take here to explore this framework further with our nonprofit?
3. How are we engaging the board in discussing risk and possible scenarios?

47

47

What This Lab Has Built

Session 1: The ability to read your financial reality clearly
Cash position, reserves, revenue mix, and long-term sustainability

Session 3: A budget that reflects reality and tolerates uncertainty
Connected to a strategy, not just last year's numbers

Session 2: The true cost of your work
What it actually costs to deliver each program and whether you're recovering it

Session 4: A framework for acting wisely when the environment is volatile
Know your context, your community, your levers, and your process

48

Next Steps: Office Hours

June 30 & July 13

9:00a to 11:00a

- Open discussion with peers to learn, problem-solve, etc.
- Can request time at the back end of that window for sensitive questions

49

49

Thank You!

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spectrum nonprofit services

Alabama Association of Nonprofits

50

50