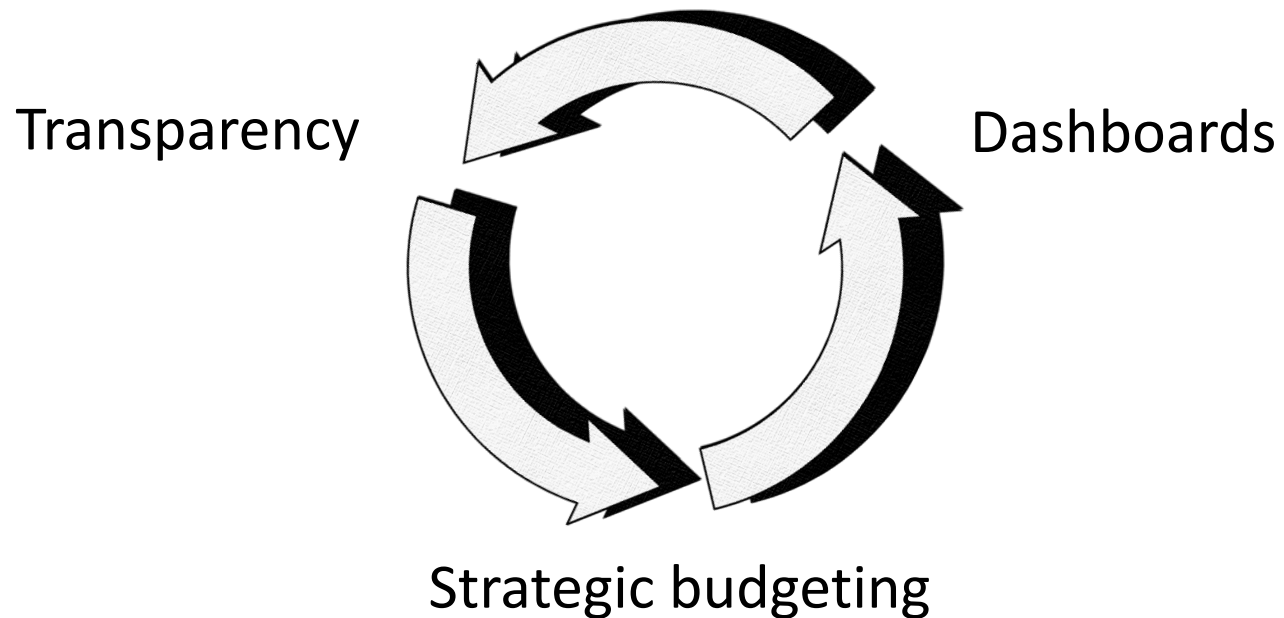


Both Sides Now

How great financial management can connect stakeholders with your mission



Good organizations work where the stakeholders are now
Great organizations work where the stakeholders are going to be

apologies to Wayne Gretzky

Future stakeholders (donors, employees, board members, ...) will want:

- More engagement with the mission
- Higher confidence that their money and effort are producing results

Great organizations will be able to convincingly state and document:

- “This” is the problem we are solving
- “This” is our progress towards the goal
- “This” is where the next dollar is going
- “This” will be the result of your investment

3 inter-related financial tools that will help to address the challenge

- A culture of transparency that enables stakeholders to look through the numbers into your operations
- Dashboards that reflect outcomes driven management
- A budgeting process that drives and communicates strategic change

Transparency is not

providing lots of data aka “a paper blizzard”



Transparency is



- Clear, simple communication about substance
- Sophisticated understanding of goals, success drivers, and progress
- Free of jargon and “inside baseball” knowledge

Improving Transparency

1. Commit to a better & deeper understanding of the organization's program, fundraising, and administrative activities.
2. Consider examples of traditional measures and how they may be used to communicate underlying activity i.e. same store sales analysis, gross margin, inventory turn. When they don't work, ask why and develop measures that will get at the underlying activity (average revenue and cost per bed night, occupancy rates, etc.)
3. Start measuring and reporting these on a regular basis to test them for validity.
4. Rinse and repeat

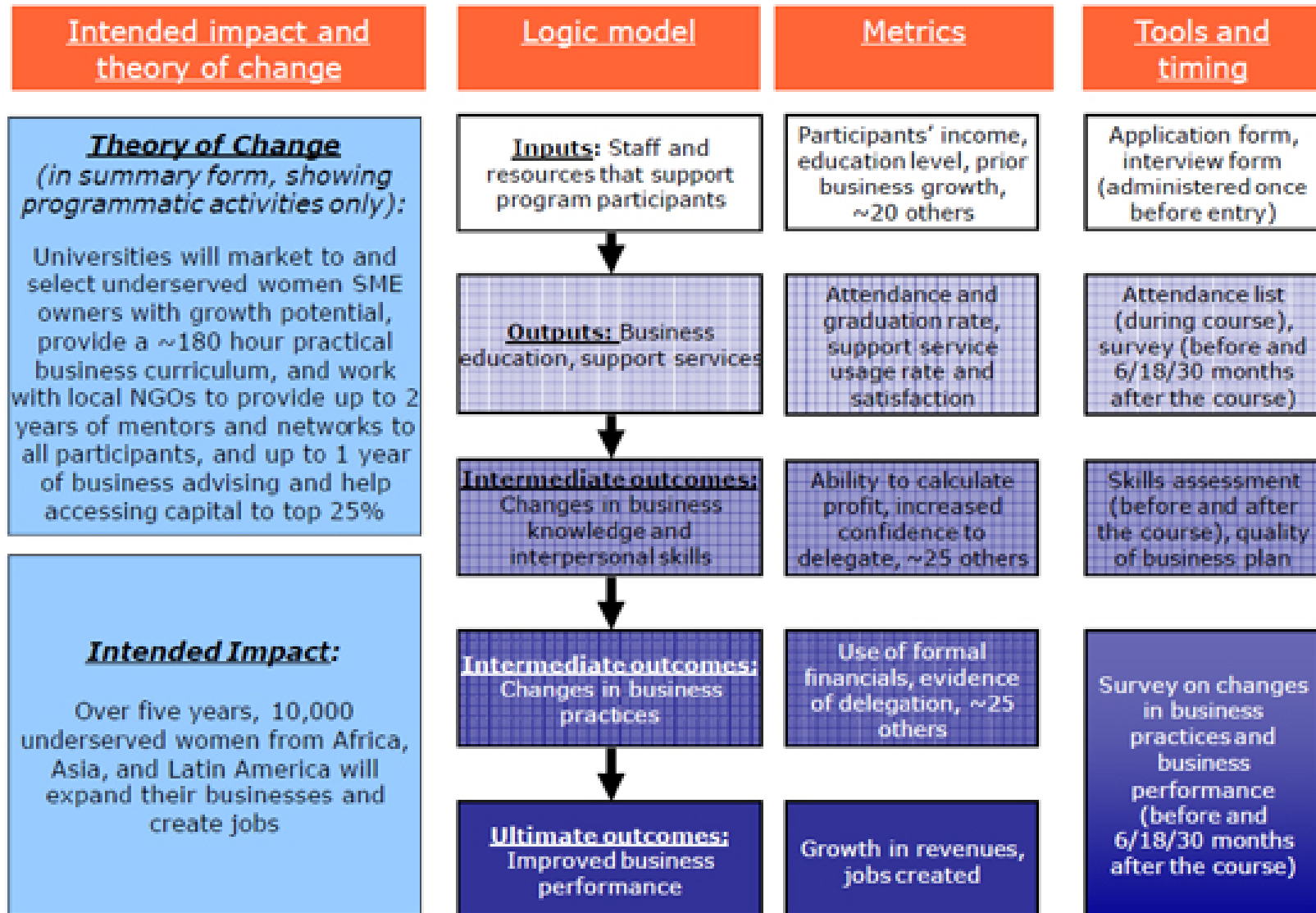
Dashboards

Not everything that can be counted counts
Not everything that counts can be counted

- 5-7 key items of ongoing focus for the organization
 - Indicators that - if met - should lead to successful outcomes
 - Deceptively simple
- How to start
 - What outcomes are you trying to achieve, and by when?
 - How will you know if you are successful, and how will you measure it?
 - Write it down, measure it and report results
 - Keep adjusting / experimenting until you nail it, then rinse and repeat
- Risks
 - Post hoc, ergo propter hoc (implied causality)
 - Focusing only on negative results instead of what is going well (problem solving vs. appreciative inquiry)

Dashboards (2)

10,000 Women performance measurement system



Dashboards (3)

2013 Dashboard Quarter 4

2013 Dashboard Quarter 4					
				Graph	% of YTD Goal
Goal 1: Raise \$2m to support our programs	Current	\$ 1,850,000	1,850,000		93%
	YTD Goal	\$ 2,000,000	2,000,000		
	Annual Goal	\$ 2,000,000	2,000,000		
Goal 2: Deliver aid to 10,000 people	Current	12,000	12,000		120%
	YTD Goal	10,000	10,000		
	Annual Goal	10,000	10,000		
Goal 3: Recruit 3 new board members	Current	2	2		67%
	YTD Goal	3	3		
	Annual Goal	3	3		

Driving Strategic Change through Budgeting



“If you don’t know where you are going, any road will get you there”

Driving Strategic Change through Budgeting (2)

- A budget is a financial representation of the organization's strategy
- Expenses are investments that need to produce future outcomes
- Effectiveness first, then efficiency
- Don't start with numbers – start with a rationale for investing
 - How does this program/ department support the mission
 - What outcomes do you expect to achieve and when
 - Why are these expenses necessary
 - How will these investments produce outcomes more effectively in the future than in the past (and why)
- Once you start using numbers, show the impact over at least 3 years which forces longer term thinking and allows you to:
 - Do what-if analysis on your assumptions
 - Properly assess the highest and best use of the next dollar in (or first dollar to be cut)
 - Identify structural vs. one time costs