



Redesigning Strategy for Growth:

*Greater Washington Society of CPAs
2023 Nonprofit Symposium*

DECEMBER 5, 2023

1:00 PM ET – 2:00 PM ET



Speakers

Not-for-Profit and Higher Education Advisory Services



**Matt
Unterman**

**Practice Leader &
Principal**

E: Matt.Unterman@us.gt.com
P: (212) 542-9834



Rick Strasser

Director

E: Rick.Strasser@us.gt.com
P: (703) 637-2871

Introduction



Organizations generally think about transformation within four components: Growth, Contraction, Improved Operations, and Enhanced Mission Achievement.

“Redesigning Strategy for Growth” covers the **elevated market opportunities that not-for-profit organizations and higher education institutions seek to capture** due to societal and economic shifts, as well as changing stakeholder needs.

Not-for-profit (NFP) and higher education (HE) **leaders commonly view their role of formulating a strategy as a highly critical responsibility**. As an industry, we have traditionally stopped short of driving towards growth; however, that is no longer the case.

Investing in growth may be a term the NFP/HE space doesn’t typically use; however, leading **organizations are increasingly centering their strategy and development and strategic planning efforts** toward the creation of clear and compelling growth agendas.

Depending on the organization, **growth can be found in a variety of areas**: mission impact, financial performance, organizational size and scale, workforce expansion, geographic footprint, etc.

Today, we will discuss growth strategy formulation with industry-centered perspectives and not-for-profit case studies. Our goal is to support NFP/HE leaders and organizations plan for, adapt to, and seize shifting market conditions to drive future expansion and success.

Session objectives



- **Analyze industry trends and forces that are making growth an organizational mandate**
- **Identify opportunities to enhance your strategic vision and plans to maximize mission impact**
- **Evaluate growth options available for not-for-profit and higher education organizations**
- **Cite techniques for aligning organizational stakeholders around a growth strategy**
- **Describe leading practices associated with strategy development and strategic planning efforts**

Poll 1

How large is your organization / institution?

Not-for-Profit

- A. \$0-75M Revenues
- B. \$75-150M Revenues
- C. \$150-300M Revenues
- D. \$300M+ Revenues

Higher Education

- E. Under 2,000 students
- F. 2,000-5,000 students
- G. 5,000-15,000 students
- H. 10,000+ students

Other

- I. Other

State of Not-for-Profits & Higher Education in 2023

The road ahead



Investing in growth

- Mission / financial review
- Strategic planning and action plans
- Positioning within the future NFP/HE landscape
- “Customer” strategies (growth, demand generation, retention / success, etc.)
- “Product” (program) portfolio optimization / rationalization
- Financial and operational modeling
- M&A / JV / transactions



Investing in infrastructure

- Enterprise Risk Management
- Reserves planning
- Future readiness (BCP; cost containment)
- Board governance
- Operational effectiveness / efficiency (grants, fundraising, finance, procurement, HR, comms, risk management, etc.)
- IT / system optimization (ERP) and cyber security
- Cost of Education/Mission modeling

Key growth questions: do they apply to NFP/HE?

1. Is our market growing or shrinking? Is there an opportunity to **grow our total market**? What is its upside potential?
2. What **market share** can we reasonably capture? How can we grow and capitalize on our true potential in the market?
3. Who are our **preferred customer segments**? Are we focused on the right markets? Should we extend into additional segments?
4. Are all potential customers currently served? Are there pockets that we can **penetrate to achieve scale**?
5. How are we perceived as compared to our **competitors**? Are we appropriately positioned in the overall market?
6. Are we efficient and effective in our current external messaging? Is our **outreach to potential customers** clear?
7. What is our true operational capacity? Are we currently at capacity and/or are **positioned to scale**?
8. Do our **product offerings resonate** with our customer segments? Do we need to modify our existing products or offer additional?
9. Do we need to offer **complementary products/ support** to enable potential (or actual) customers to engage with us and our products?
10. Are our **customers satisfied** with us and our products? Would they use us again or recommend us over our competitors?

Poll 2

Is “growth” a dirty word for not-for-profit organizations and higher education institutions?

- A. It’s a core part of sustainably delivering on our mission
- B. Growth requires some degree of increased operating revenue
- C. Tread carefully with growth for growth’s sake
- D. Growth should only mean increasing an organization’s workforce size and scale
- E. We should be focused on mission, not the size of our revenue
- F. I’m all for growth, but we haven’t had much growth traditionally

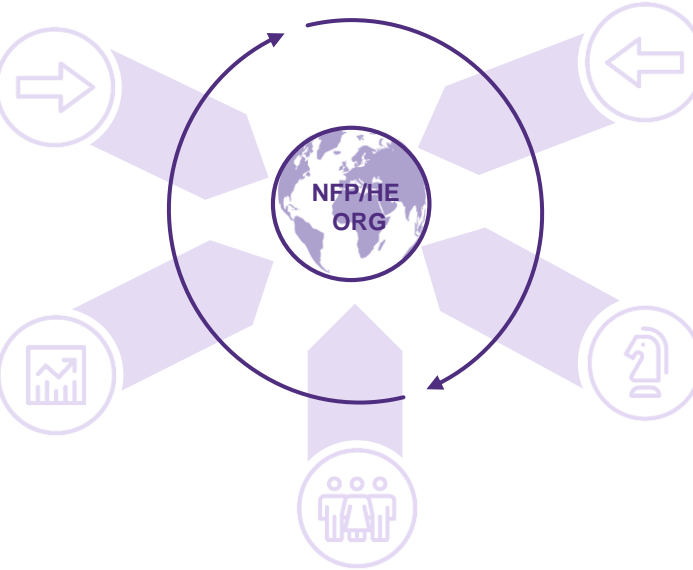
NFP/HE entities are under pressure, creating opportunities to lead

THE RULES OF THE GAME ARE CHANGING

Technology is significantly impacting delivery models, revenue and cost drivers

THE PLAYBOOK IS OUTDATED

Winning requires a move to becoming a modern enterprise to confidently and rapidly sense and respond at the same pace



GROWTH IS HARD AGAIN

Market dynamics, governmental funding priorities, political & donor sentiments are fostering **instability & uncertainty**

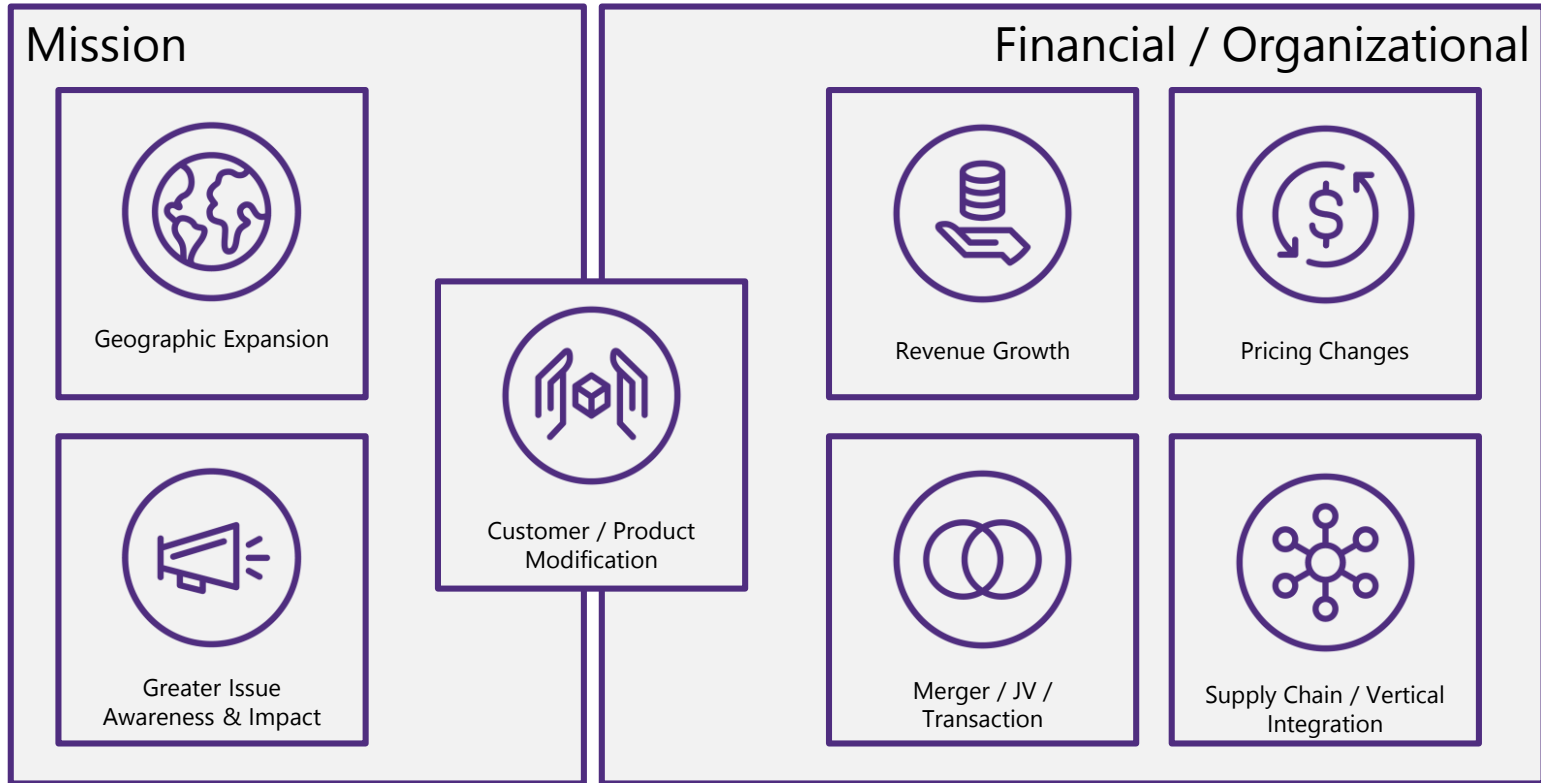
THE RISK OF AMBUSH IS HIGH

New and unanticipated entrants are emerging in a way that radically upsets stakeholder expectations & shifts revenue models

STAKEHOLDER DIVORCE RATE IS ON THE RISE

Constituents and supporters are more empowered, expect more value, service and outcomes, and are **quick to switch at an ever-increasing pace**

What do we mean by "growth"?



"Growth" is not siloed by categories but often complementary



- For most NFPs/HEs, growth requires some degree of increased operating revenue / top-line growth
- Mission impact growth without increased funding is difficult, if not impossible, for all but well-funded foundations with a draw-down mandate

Important part of strategic planning for growth:

- What are you **NOT** going to do?
- What opportunities are you **NOT** going to pursue?
- What are you going to **STOP** doing?

NFP/HE strategy development & strategic planning



Approach

Historical

- Static with occasional frequency – longer term of focus (10-15 years)
- “Feel good” activities

Current

- More dynamic with frequent/ongoing with shorter term of focus (1, 3, 5 years)
- Increasingly data-driven and quantitatively /financially-focused



Planning Types

Reactive and Top-Down

- External force(s) drive mission expansion (climate/weather disaster, pandemic, etc.)
- Top leadership direct strategy design/execution

Proactive and Bottom-Up

- Intentional and planned effort
- Involve the entire organization and Board
- Seek input from funders and community



Impact Creation

Actionable & Result-Oriented

- Focused on specific & tangible initiatives
- Tied to clear success measures & S.M.A.R.T. metrics
- Map metrics to funding and action plans
- Clear governance & change plans to drive results
- Fill gaps within capabilities, talent, and funding

Aspirational & Forward-Looking

- Aligned to vision and mission
- Supported by a high-level road map only

Combined strategy for growth

Is your organization aligning on both corporate and business strategy?

Is your organization's strategy promoting consistent growth?

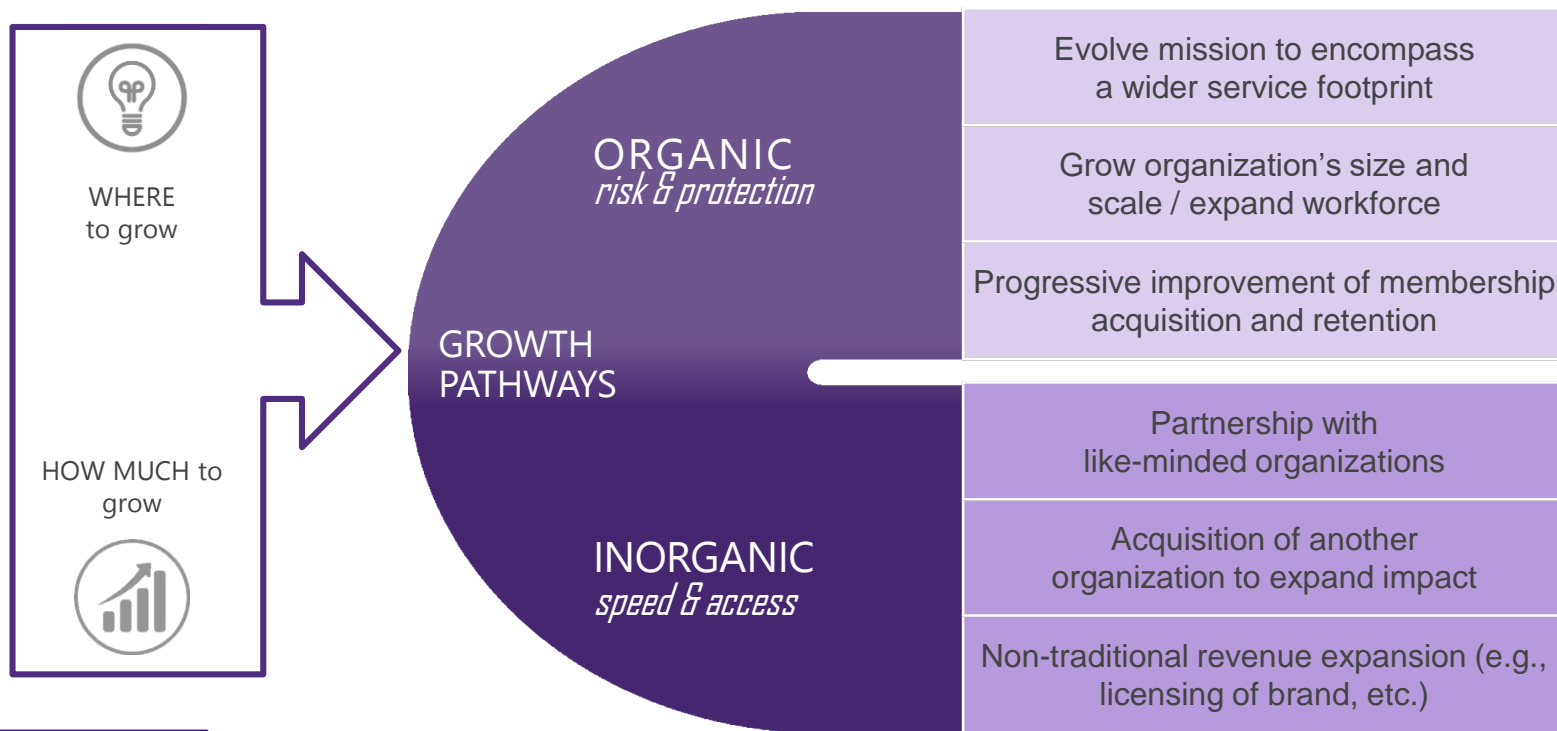
Corporate Strategy – Selecting the correct playing field

- Identification of priority areas of execution for organization
- Commitment to prioritize resources to achieve strategic goals & execute mission
- Flexibility and creativity to mobilize into new operational areas if warranted

Business Strategy – Executing in the field of play to win

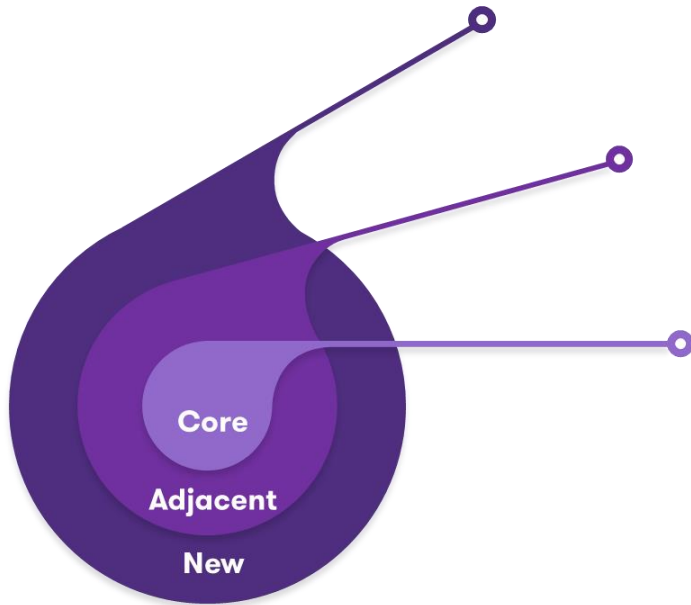
- Operational execution to win the market identified by corporate strategy
- Management of resources to impact the high priority goals of the organization
- Risk management to maintain operational budget and grow topline revenue

Growth is often a “dual path” and requires a delicate balance



Furthering mission and financial objectives

Sources of Growth



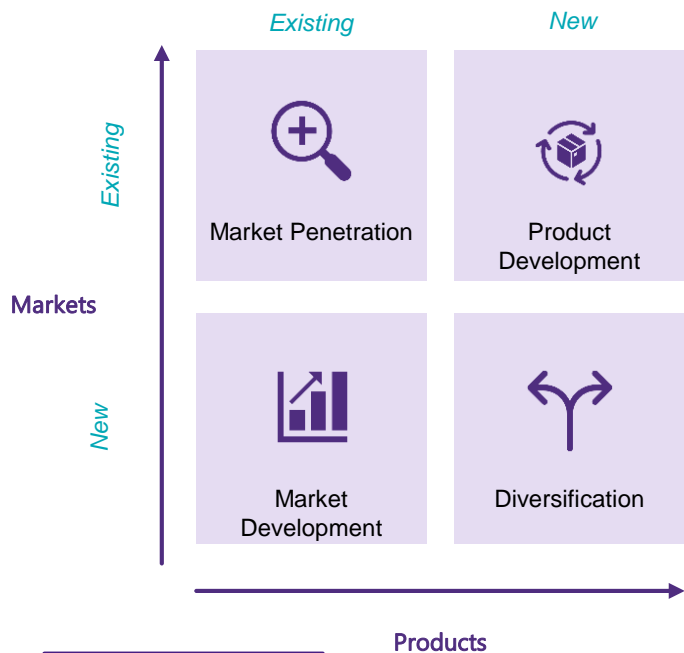
Capture overlooked capacity for growth in your current organization – be clear about the capabilities that make you great

Wisely expand the boundaries of your organization where you can deploy and scale your differentiating capabilities and assets

Disrupt and respond to change with new revenue models – be clear about new capabilities you will need and how to develop or acquire these

Strategic intent and mission fit will drive growth pathway choices

Growth Pathways



Growth Enablers



Stakeholder Insights

Understand target stakeholder base



Stakeholder Segmentation

Segment stakeholders based on impactful factors (needs) to effectively deliver



Program/Service Rationalization

Ensure delivery of compelling value in support of the mission



Marketing Alignment

Ensure go-to-market and branding are formulated with a stakeholder focus



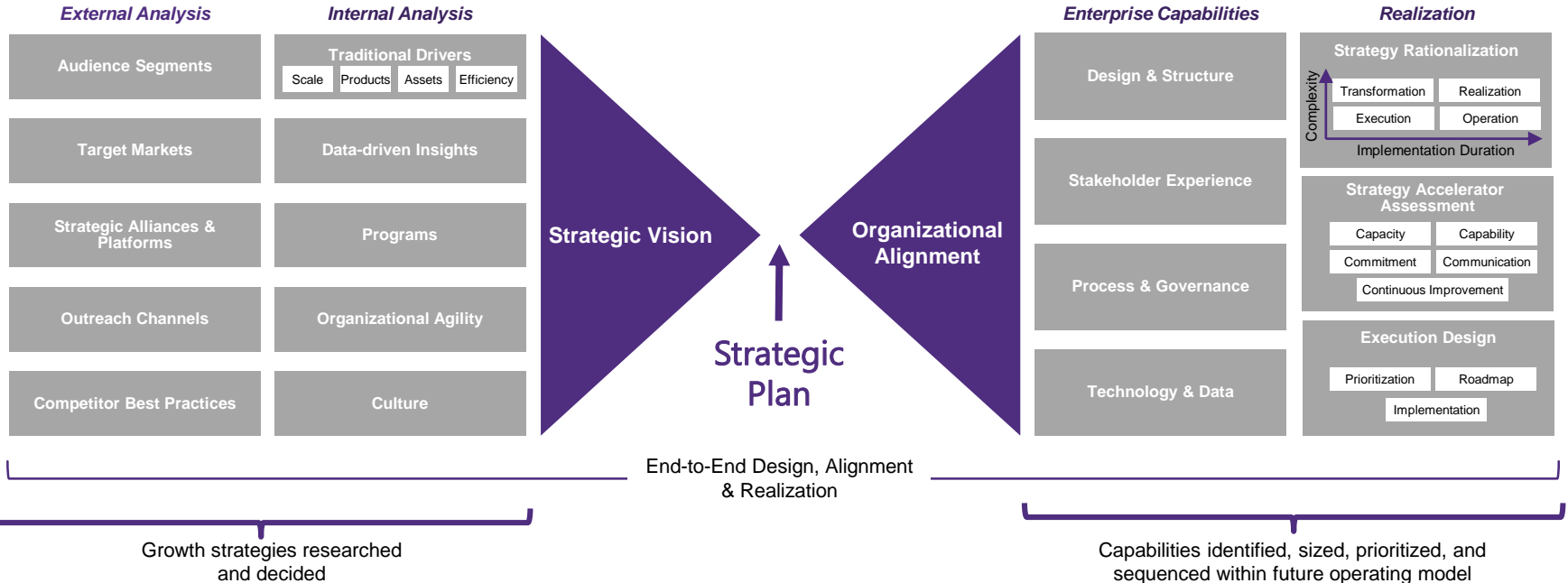
Operating Model Optimization

Define capabilities, technologies, and a transformation roadmap for long-term strategic vision and growth

Linking growth & operational alignment

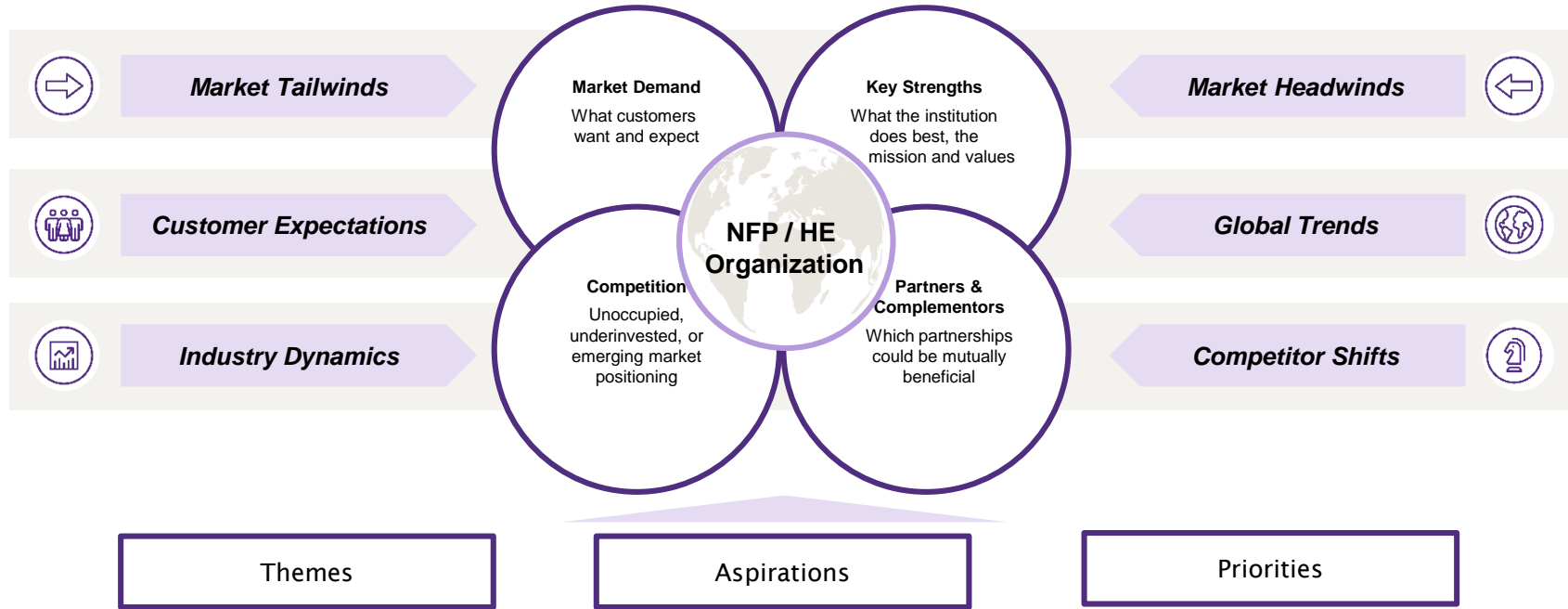
Growth Agenda *Deciding where to grow*

Transformation Roadmap *Deciding how to get there*



Effective strategy accounts for market pressures and includes organizations' guiding themes, aspirations, and priorities

Growth Strategy / Strategic Planning Formulation Framework



Poll 3

What degree of growth do you anticipate for your organization in the next 3-5 years?

- A. Contraction
- B. None; we will continue in a similar manner as today
- C. A small degree; minimal changes
- D. Moderate growth
- E. Significant growth
- F. Other / don't know

What does growth mean for NFP subsectors?

NGO

- Expand geographic footprint and diversify charitable offerings to impact a larger audience
- Focus management of operations to minimize costs, risks and inefficiencies

Museum/Cultural

- Reach new markets and demographics with educational initiatives
- Maintain existing infrastructure and develop new exhibits to promote engagement

Foundations

- Attract new benefactors to deepen existing mission and reach new geographies
- Publicize foundation work to raise profile and gain new donors

Faith-Based

- Find new funding sources, including secular sources, to expand mission
- Promote the message and values of the faith through mission work to grow membership

Higher Education

- Deliver educational opportunities to a wider and more diverse set of students
- Partner with employers for skill enhancement programs

Associations

- Maximize membership to increase impact of common interests and goals
- Leverage increased membership to have a larger community impact, thereby attracting additional investment

Social Services

- Cover more areas of service where government or private organizations fall short
- Partner with fellow NFPs to provide services to a larger population

Poll 4

Is your organization prepared for its future growth? If not, what does it need to successfully grow?

- A. Yes – we're totally prepared. All set!
- B. No – all kinds of help are needed, let me count the ways...
- C. No – we need assistance with internal/external analysis
- D. No – we have the analysis down, we just don't make decisions well
- E. No – we know where we're headed, but we need an implementation plan
- F. N/A (we're not planning to grow)... or, Other / Don't Know

Strategy formulation: key questions

- What should our goals be to seize shifting societal and economic conditions and changing stakeholder needs?
- Where should we play?
- What should our optimal positioning be? How should we compete and differentiate?
- What are the critical success factors to achieve strategic outcomes?

Approaches to redesigning strategy to growth



Strategic Planning



Revenue Enhancement
(Fundraising/Grants)



Strategic Deployment
of Reserves



Partnerships
and M&A



Investments in Board
& Management



Program/Product
Enhancement &
Rationalization



Customer/ Stakeholder
Expansion



Brand
Enhancement



Financial & Operational
Modeling

A data-driven and collaborative approach with organizations should be applied to develop effective & impactful strategies

Plan Inputs and Analyses

Situational Analysis

- Assess NFP/HE market landscape, national and regional trends over the next five years
- Develop a viewpoint on competitors and their strategic plans / processes
- Identify expected trends and disruptions in stakeholder needs, characteristics, etc.
- Review NFP/HE organization's current mission, vision, values, aspirations
- Conduct high-level organizational scan to analyze NFP/HE organization's preparedness vs. future trends

Financial Assessment

- Review NFP/HE org's financial status / future financial goals
- Identify areas to be potentially addressed by an updated strategic plan

Opportunity Identification & Prioritization

- Develop NFP/HE organization's specific SWOT analysis
- Define key threats / opportunities to be potentially addressed in strategic plan

Plan Components

Vision, Mission, & Values

Articulates a vivid, realistic, and credible description of the NFP/HE organization's future aspirations

Objectives

Critical elements that must be delivered for the NFP/HE organization to achieve its strategic priorities

Strategies

The key pillars of and principal areas of focus within the strategy, along with measurable targets

Initiatives

Actionable efforts, above the level of specific tactics, that will guide the NF/HE organization's execution of strategy

Community Inputs

Stakeholder Engagement & Assessment

- Work with the NFP/HE organization's leadership to develop and facilitate a planning process that will result in a publicly supported strategic plan
- Facilitate interviews, focus groups, surveys, town halls, etc. with internal and external constituencies to inform strategic plan, including:
 - Executive Leadership
 - Staff
 - Customers
 - Donors
 - Community Leaders
 - Business Partners
 - Etc.

Robust membership strategy, business model & service delivery options can further drive the realization your growth agenda

Strategy process

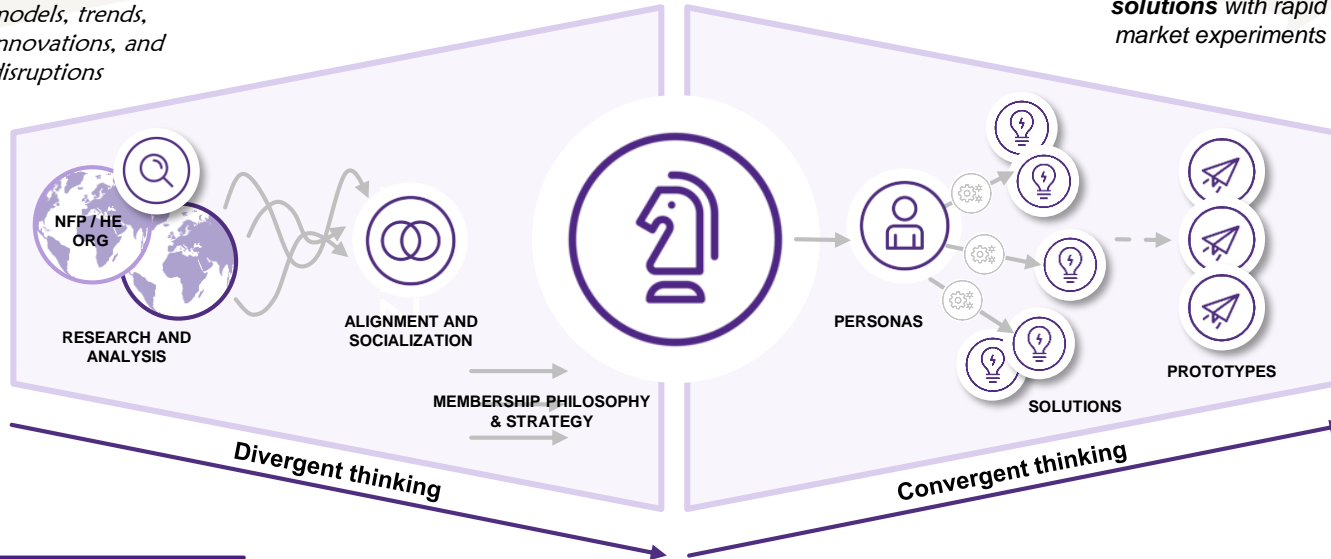
Understand the NFP/HE org's **constituents** and **markets**: membership offerings, business models, trends, innovations, and disruptions

Engage the NFP/HE org. community; conduct **internal and external scan**

Iterate and design an impactful **membership philosophy and strategy**

Develop solutions tailored to **stakeholder needs**

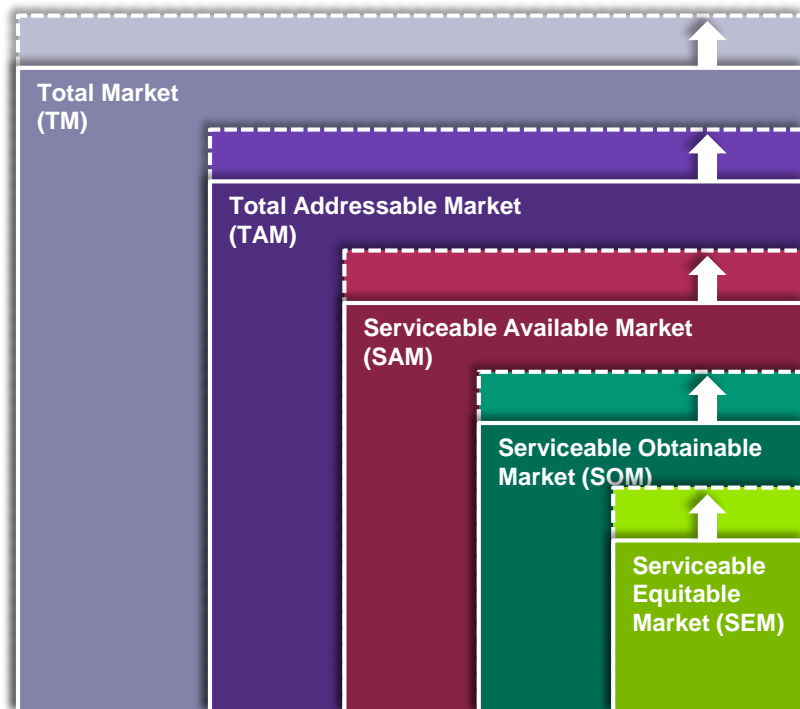
Introduce **prototype solutions** with rapid market experiments



Strategy outcomes

Membership philosophy, strategies, business models, and service delivery options that align with NFP/HE organization's mission that will enable future financial viability and stability, supporting commitment to strengthening communities

Higher education – customer/product review



Grant Thornton's Framework for Educational Equity

Even among students who graduate with credentials, only a small subset graduate equitably (SEM)

The **Total Market (TM)** includes all individuals that are eligible for post-secondary education

The **Total Addressable Market (TAM)** includes individuals who apply to post-secondary education

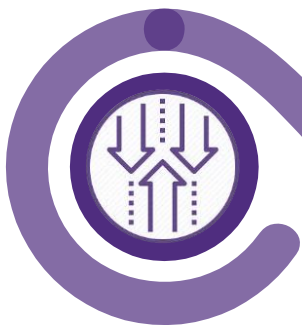
The **Serviceable Available Market (SAM)** includes individuals who are accepted and enroll into post-secondary institutions

The **Serviceable Obtainable Market (SOM)** includes individuals who persist and complete their credentials

The **Serviceable Equitable Market (SEM)** includes individuals who equitably complete their credentials paving the way for an equitable future

Dialing in your formula for successful growth bets comes down to a set of decision points

TARGETING



Preserve the principle on what your mission and vision are



Avoid mismatch in desired purpose and extensive trade-offs

ORIENTATION



Be deliberate about how you 'String the pearls' across your growth portfolio

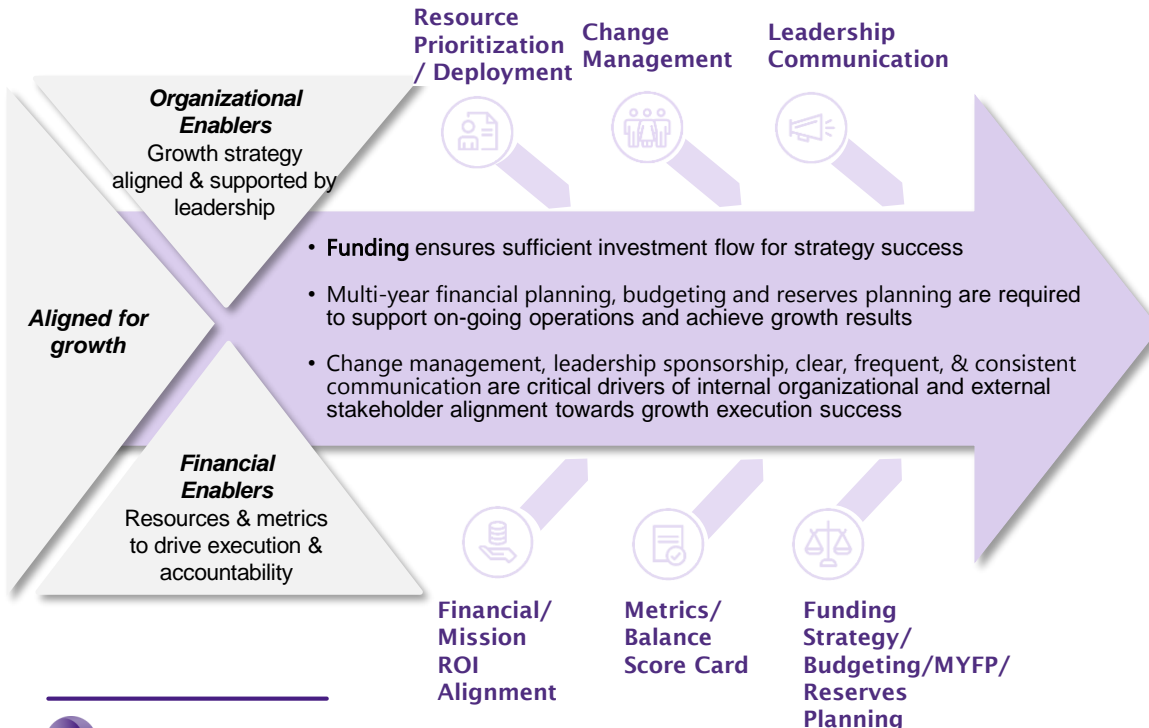


Avoid inability to create the appropriate experiences

Growth Strategy Performance

Sustainable growth is a result of aligning strategy and resources

Linking Growth Strategy to Execution Success...



... and Delivery of Results

1. **Grow revenue** with a clearly defined mission and maintaining focus on financial objectives and ROI
2. **Grow scale** by deploying funding and teams to high priority areas as defined by the growth strategy / strategic plan
3. **Sustain growth** by decreasing risk, unlocking operational efficiencies, and clearly aligning strategic and financial priorities to KPIs, accountability, and rewards

Any final questions?



Speakers

Not-for-Profit and Higher Education Advisory Services



**Matt
Unterman**

**Practice Leader &
Principal**

E: Matt.Unterman@us.gt.com
P: (212) 542-9834



Rick Strasser

Director

E: Rick.Strasser@us.gt.com
P: (703) 637-2871

Thank you for attending



www.gt.com



twitter.com/GrantThorntonUS



linkd.in/GrantThorntonUS

Disclaimer

IRS Circular 230 disclosure: To ensure compliance with requirements imposed by the U.S. Internal Revenue Service, we inform you that any U.S. federal tax advice contained in this PowerPoint is not intended or written to be used, and cannot be used, for the purpose of (a) avoiding penalties under the U.S. Internal Revenue Code or (b) promoting, marketing or recommending to another party any transaction or matter addressed herein.

The foregoing slides and any materials accompanying them are educational materials prepared by Grant Thornton LLP and are not intended as advice directed at any particular party or to a client-specific fact pattern. The information contained in this presentation provides background information about certain legal and accounting issues and should not be regarded as rendering legal or accounting advice to any person or entity. As such, the information is not privileged and does not create an attorney-client relationship or accountant-client relationship with you. You should not act, or refrain from acting, based upon any information so provided. In addition, the information contained in this presentation is not specific to any particular case or situation and may not reflect the most current legal developments, verdicts or settlements.

You may contact us or an independent tax advisor to discuss the potential application of these issues to your particular situation. In the event that you have questions about and want to seek legal or professional advice concerning your particular situation in light of the matters discussed in the presentation, please contact us so that we can discuss the necessary steps to form a professional-client relationship if that is warranted. Nothing herein shall be construed as imposing a limitation on any person from disclosing the tax treatment or tax structure of any matter addressed herein.

This presentation is the work of Grant Thornton LLP, the U.S. member firm of Grant Thornton International Ltd. The information contained within this document is intended only for the entity or person to which it is addressed and contains confidential and/or proprietary material. Dissemination to third-parties, copying, or use of this information is strictly prohibited without the prior written consent of Grant Thornton LLP. It is not intended for, and should not be used or relied upon by, any other party unless approved by Grant Thornton LLP.

"Grant Thornton" refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton International Ltd (GTIL) and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.