



HR and Financial Strategy in the New Economy





Public Interest Management Group is a consulting practice that delivers strategic and business planning services to nonprofits in the US and Canada.

Our analytic methods help nonprofit leaders make well-informed decisions and position their organizations for impact, operational efficiency and financial sustainability.

Our Challenge

The pandemic and world events have brought us new economic conditions. Notable among these is a set of human resource challenges we haven't seen before.

How can we systematically address short-term needs while helping to ensure our organizations' longer-term financial health?

Workshop Overview

1

The New Economy and You

2

Financial Strategy in Context

3

Systematic Approach to
HR Challenges



The New Economy: What's New?

- **Inflation** has driven up prices of goods and services, the cost of living and buying power of your employees.
- **Labor shortages** are impacting many industries, notably the nonprofit sector.
- Is a **downturn** around the corner?

A confluence of factors puts unique pressure on employers.



Impact on Nonprofit Leaders

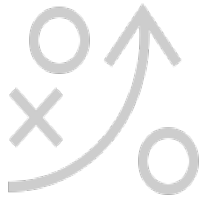
- It's hard to **recruit** qualified applicants and fill vacancies – affecting services and income.
- At the same time, **staff retention** is harder than ever, for multiple reasons.
- Nonprofits have **limited resources** – throwing money at the problem isn't usually an option.
- Tactical approaches may help short-term but could backfire longer-term.
- We need to think creatively and **strategically**.

Chat box

Which characteristic of our new economy most impacts you and your staff?

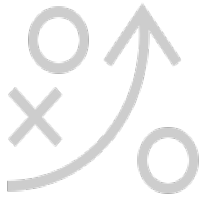
2. Financial Strategy in Context





Financial Strategy





Strategic Financial Thinking

Look at org's
business model

Data-based
decision
making

Multi-year
view

Management
philosophy

Systematic
Planning



A Robust Financial Strategy

- Specific **financial goals**
- Expense, income and reserve **projections over multiple years**
- Explicit **assumptions** about staffing, fundraising, and other parameters
- Investments in the organization's **capacity**
- **Contingency** plan
- **Integration** with operational and programmatic goals



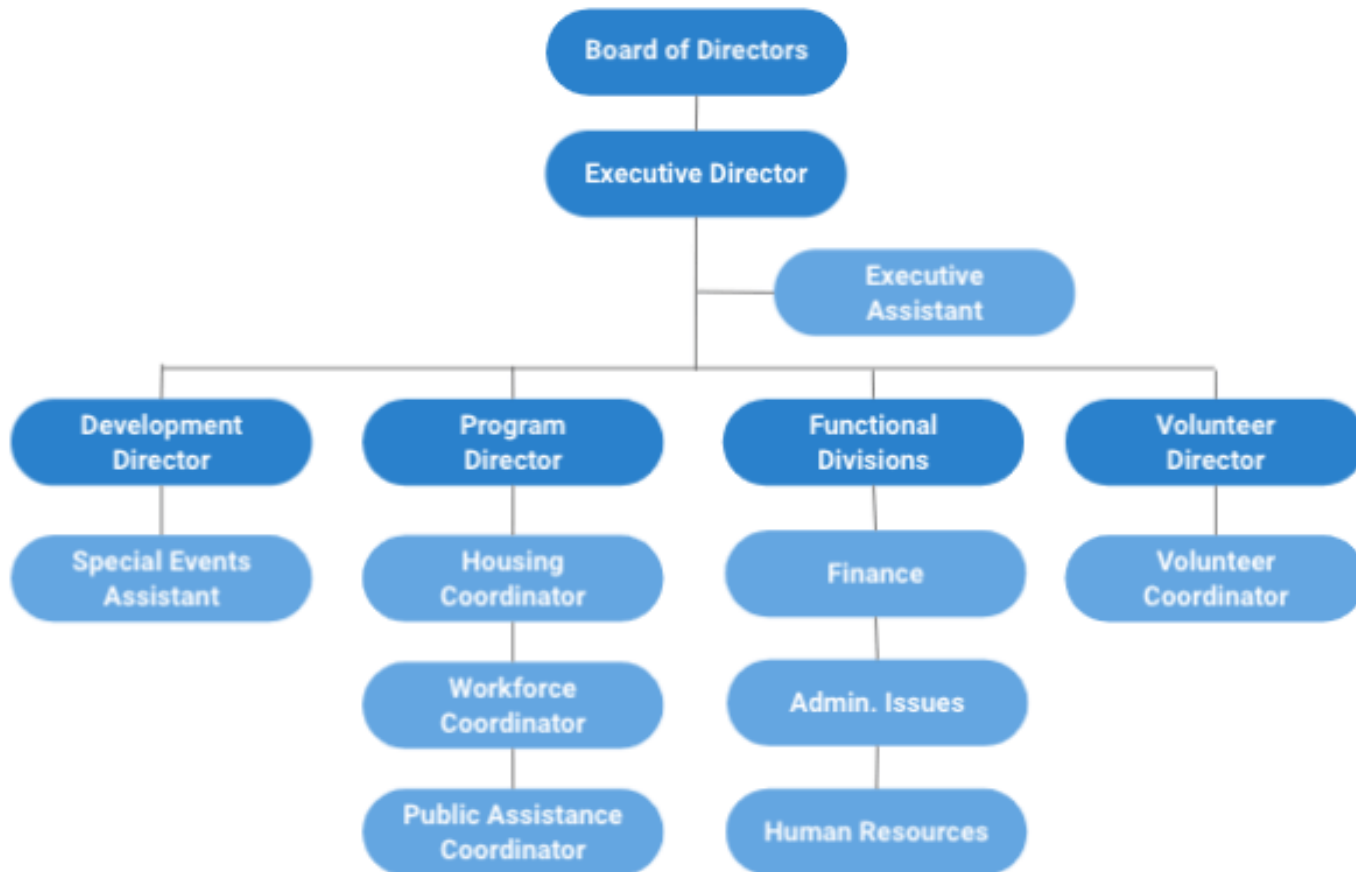
Staffing: a Key Part of Financial Strategy

Staffing typically accounts for 70-80% of nonprofits' operating budgets and most service delivery.

Staff investments are a foundation in the org's present and future.

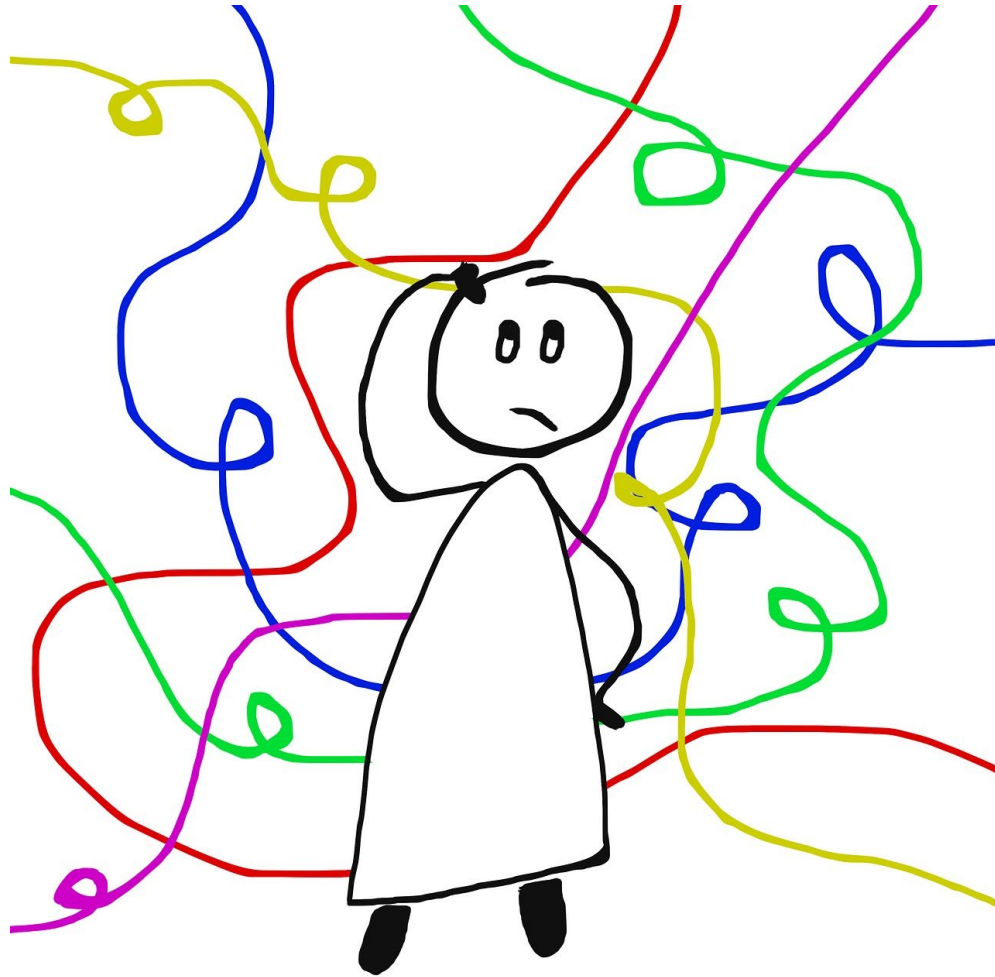


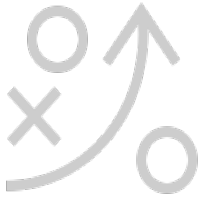
Staff Structure



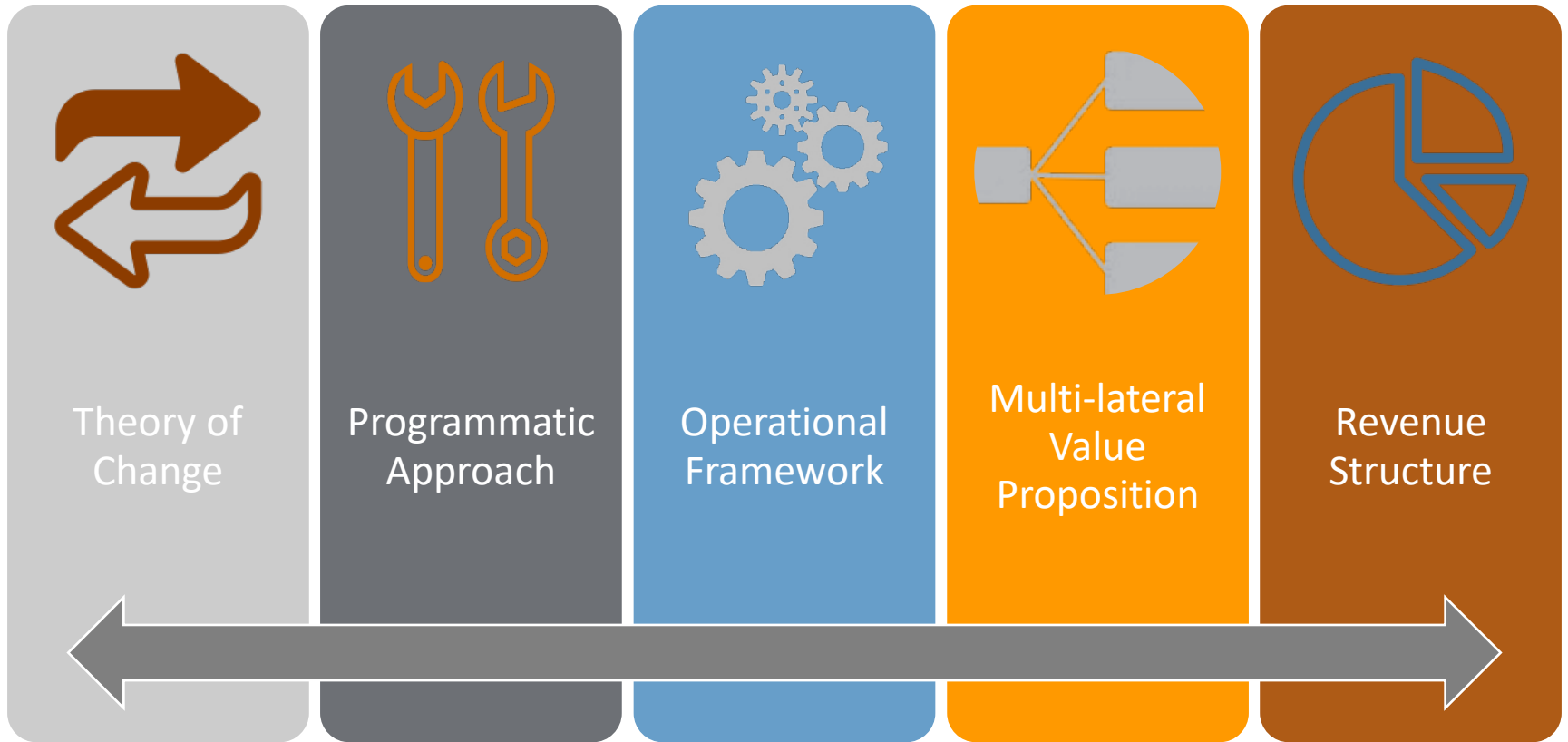


Financial Stress





5 Elements of the Nonprofit Business Model





Operational Framework

The specification of the facilities, systems and human resource requirements to conduct an org's work.

It defines an organization's cost structure.

Common Symptoms of Business Model Challenges

stressed
administrative
capacity

inefficient/inadequate
infrastructure

cashflow problems

**high workforce
turnover**

trouble meeting
budgeted revenue

unintentional
downsizing

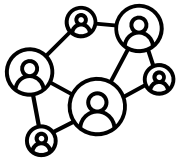
unmet growth
potential

Chat box

Does your organization
experience any of these
common symptoms?

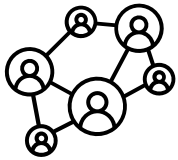
3. Systematic Approach to HR Challenges





Guiding HR Philosophy

A cohesive concept for how we will succeed in getting the workforce we need to deliver on our mission within our means.

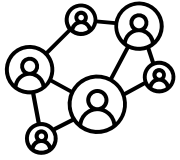


Compensation Structure

Positions the organization in the labor market and can incentivize retention and embody core values (such as fairness and consistency).

Sample Compensation Structure

Grade	Position Class	Salary			Benefits
		Low	High	Midpoint	
1	Executive Director	100,000	150,000	125,000	All staff .75 FTE or higher get health and disability insurance.
2	Director	80,000	100,000	90,000	
3	Manager	65,000	80,000	72,500	All staff eligible for opt-in retirement savings with employer match and paid leave time.
4	Coordinator	50,000	65,000	57,500	
5	Case Worker	50,000	70,000	60,000	
6	Associate	40,000	55,000	47,500	Paid leave time increases each 2 years of tenure.
7	Maintenance	35,000	50,000	42,500	

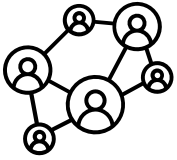


Strategic Decision

How will we spend available funds?

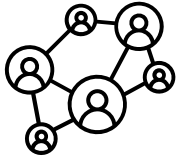
Allocation of \$2.6 Million Payroll

Staff Group	Option 1	Option 2	Option 3
Senior Management	5 positions 5.0 FTE \$620k base salary	4 4.0 \$500k	4 4.0 \$500k
Middle Management	10 positions 10.0 FTE \$720k base	14 11.0 \$800k	8 8.0 \$540k
Line Positions	12 positions 12.0 FTE \$700k base	17 12.0 \$720k	10 10.0 \$600k
Support Positions	2 positions 2.0 FTE \$90k base	3 2.0 \$90k	2 1.5 \$70k
Total	29 positions 29 FTE \$2,130,000 salaries	39 29 \$2,130,000	24 23.5 \$1,710,000
Contingency or Op Reserve Allocation	NA	NA	\$890k minus income diff.



Productivity

The big variable we rarely talk about.



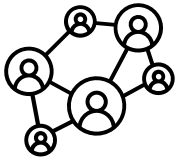
Productivity

How do we measure it?

What standards do we apply?

How can data inform management practice and personnel decisions?

How can the act of measurement change organizational culture?

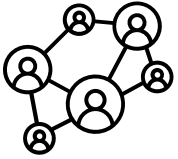


Productivity

Examples of metrics:

- Utilization rates
- Focus hours per day (“deep work”, operational)
- Planned-to-done ratio
- Self-rated productivity

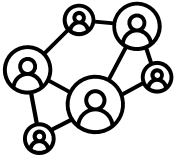
We measure what we want to see...



Productivity

What sorts of things diminish or limit productivity?

What practices may boost productivity?

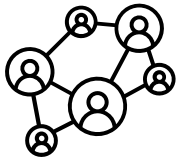


Intentional Intangibles

- Re-think historic employee pools and job requirements
- Local vs. non-local, in-person vs. virtual
- Flexible vs. fixed hours, part-time vs. full-time, job sharing
- Accountability and autonomy in job design
- Monitoring and evaluating performance
- Workplace culture and morale

Chat box

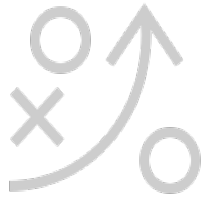
Does your workplace have an intangible benefit that boosts employee morale without a monetary cost?



Guiding Philosophy: Examples

- Minimize head count, maximize productivity and compensation
- Median compensation, high intangibles
- Modest salaries, generous benefits
- Right-size to financially viable core
- Embrace labor market niche

Philosophy should meld with org's culture and be backed up by data.



Goal: a Healthy and Sustainable Business Model

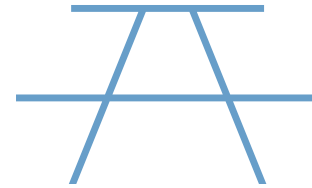
Resolving workforce challenges has become a key to building a strong business model for nonprofits of all shapes and sizes.

Staffing is the glue that can hold an organization's financial strategy together.

These ideas can help you proactively shape the next chapter in your org's story.

Discussion

Pulling it all
together...



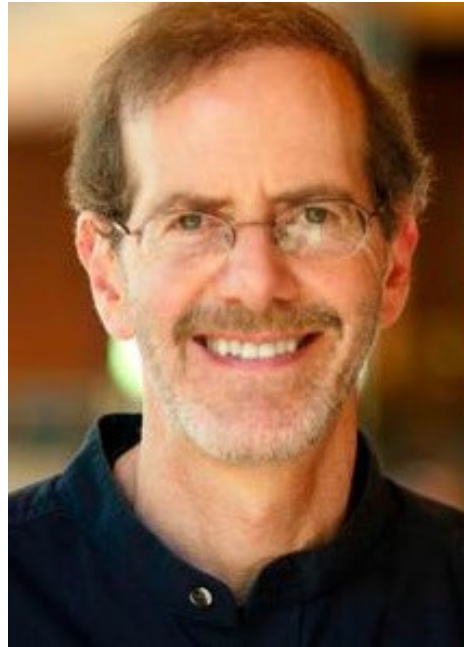
and taking it home.

A photograph of a wooden desk in a bright, sunlit room. In the foreground, a silver laptop is open, showing its keyboard. To the left, a black folder or bag is partially visible. In the center, a white ceramic mug filled with dark coffee sits on the desk. To the right, a smartphone lies flat. In the background, a window with a view of a bright outdoor scene is visible. A semi-transparent white box is overlaid on the right side of the image, containing text.

Actions you can take:

1. Assess your compensation structure.
2. Survey your staff.
3. Understand your external labor market.
4. Consider productivity measures.
5. Initiate business planning.
6. Celebrate success!

Thank you!



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