



Right Here. Right Now!
CP of NYS - Together Towards Tomorrow

75 Years

CP of NYS Annual Conference – October 24-27, 2021

NOT-FOR-PROFITS' GREATEST HITS

TOP 10 CONSIDERATIONS FOR NOT- FOR-PROFIT ORGANIZATIONS

CP of NYS Annual Conference

October 26, 2021

With You Today



Adam Cole

Managing Partner
Greater New York
Nonprofit Practice
& National Nonprofit
Practice Co-Leader

acole@bdo.com



Matthew Becker

Assurance Director
Greater New York
Nonprofit Practice

mjbecker@bdo.com



Keith Linzer

Experienced Audit Manager
Greater New York
Nonprofit Practice

klinzer@bdo.com

Top 10 Considerations for Nonprofit Organizations Today

1. Stimulus Money
2. New Accounting Standards
3. Cybersecurity & Breaches
4. Lack of Technology Vision
5. Diversity, Equity & Inclusion
6. Succession Planning
7. Funding
8. Remote Management & Leadership
9. Planning for Disruption
10. Change Management

Stimulus Money



Stimulus Money

- ▶ PPP (Payroll Protection Program) funding
- ▶ Provider Relief Funds - HHS
- ▶ EIDL (Economy Injury Disaster Relief) advances or EIDL loans
 - The EIDLs are loans of up to \$2 million and carry interest rates 2.75% for nonprofits. These loans may be used to cover payroll costs, supply chain interruptions, rent or mortgage payments and debt or similar repayment obligations
- ▶ Deferring payment requirements for employers who do not receive certain debt forgiveness, for the 6.2% employer portion of Social Security taxes from the date of enactment through the end of 2020, with half the balance due by the end of 2021, and the other half due by the end of 2022



Stimulus Money

- ▶ Employee Retention Credit (ERC) Allowing credits against payroll taxes of employees unable to work during the covered period (with the “unable” qualification not applicable to those with less than 100 employees) up to \$5,000 in wages paid (50% of wages with limit of \$10,000)
- ▶ Grants for Shuttered Venue operators
 - set aside \$15 billion for the Small Business Administration (SBA) to make grants to eligible live-venue operators or promoters, theatrical producers, live performing arts organizations, relevant museums, movie theater operators, or talent representatives. The grants are available to for-profit and not-for-profit organizations



Issues/Challenges

- ▶ Are you eligible?
 - Things changed between the first round and second round
 - 501(c)(6) was eligible for PPP (second round)
 - You can claim Employee Retention Credit (ERC) even if you have applied for PPP2
- ▶ Double dipping
 - Are you covering same cost by two sources of stimulus funding?
 - Are you getting grants to cover salaries? If so, you cannot claim this in your eligible expenses under the PPP funding
- ▶ Forgiveness
 - Forgiveness by bank doesn't mean it has been forgiven by SBA
 - What method of accounting are you using to book this?
 - Auditors and other accountants consulted?



Issues/Challenges

- ▶ Is it accounted for appropriately?
 - Loan vs revenue?
 - ASC 470 or ASC 958-605
- ▶ Cost reporting impact - is your organization covering the same cost by two sources of stimulus funding?
- ▶ Debt covenant impact?
- ▶ Is it federal financial assistance? Like EIDL loans? Single audit?
- ▶ Tax treatments -
 - Forgiveness of PPP loan not taxable income
 - PPP loan eligible expenses are deductible
- ▶ Appropriate controls in place to handle/process this funding?
- ▶ Retention of agreements and other documentation related to the funding
- ▶ What is the source of the funding? Which agency? That will impact the requirements



Thoughts

- ▶ Involve the following ASAP
 - Auditors
 - Bankers
 - Board (experts on the board)
- ▶ Do research and understand the requirements behind each funding
 - Compliance Audits?
 - PPP is not subject to single audit
 - Understand the requirements thoroughly - things change constantly, and new guidance is published around these regularly.
 - Document your research and conclusions



Thoughts

▶ Others

- Reputational risk - protect what gets disclosed and where
- Communication with key donors
- Read OMB Compliance Supplement and Addendum to ensure there isn't anything else you are missing
- Presentation of COVID-19 Related Federal Programs on the Schedule of Expenditures of Federal Awards
- Staff training - seek your auditors help



New Accounting Standards

New Accounting Pronouncements - Leases ASU 2016-02

Some of the impacts of the leasing standard:

- ▶ Lease arrangements have to be classified as either finance leases or operating leases
- ▶ Establishes the right-of-use asset model, which shifts from the risk-and-reward approach to a control-based approach
- ▶ Lessees will recognize an asset on the statement of financial position, representing their right to use the leased asset over the lease term and recognize a corresponding lease liability to make the lease payments
- ▶ The lease liability is based on the present value of future lease payments using a discount rate to determine the present value based on the rate implicit in the lease, if readily determinable, or the lessee's incremental borrowing rate
- ▶ As a result, a lessee's operating lease accounting model will change significantly

New Accounting Pronouncements - Leases 2016-02 - Effective date

- ▶ Non-public nonprofits - The effective date for the lease accounting standard will be for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022.
- ▶ Public not-for-profits (with public debt)- lease accounting standard effective date to fiscal years beginning after Dec. 15, 2019, including interim periods within those fiscal years. Should have been implemented in 2020



Ways to Prepare

- ▶ Become familiar with the new standard - read it!
- ▶ Discuss the new standard with your accounting advisors and evaluate the impact the standard will have on all facets of your organization's leasing activities
- ▶ Identify and classify all leases based on the criteria in the ASU
- ▶ Prepare draft financial statements based on the guidance in the ASU and determine if your organization has any potential issues with meeting current debt covenants as a result of recording these leases on the statement of financial position
- ▶ Review current lease disclosures and update to meet the criteria of the ASU



Thoughts

- ▶ Involve the following ASAP
 - Auditors
 - Bankers
 - Board (experts on the board)
- ▶ Consider debt covenant impact ASAP
- ▶ Staff training - rely on your auditors and other experts
- ▶ Resources - if stretched thin consider hiring a consultant to help with implementation



New Accounting Pronouncements - ASU 2020-07

(Presentation and Disclosures by NFPs for Contributed Nonfinancial Assets)

- ▶ The ASU should be applied retrospectively to all periods presented and is effective for annual reporting periods commencing after June 15, 2021 and interim periods within annual periods starting after June 15, 2022. Early adoption is permitted
- ▶ Diversity in the presentation and disclosure of contributed nonfinancial assets by NFPs
- ▶ The term nonfinancial assets includes fixed assets such as land, buildings, and equipment; the use of fixed assets or utilities, materials, and supplies such as food, clothing, or pharmaceuticals; intangible assets; certain services; and unconditional promises of those assets
- ▶ Contributions may be disclosed using varying terms such as gifts, donations, or gifts-in-kind

Main Provisions - ASU 2020-07

- ▶ The contributed nonfinancial assets are separately stated as an individual line item in the statement of activities, distinct from contributions of cash or other financial assets
- ▶ The contributed nonfinancial assets are disaggregated in a footnote by category that shows the type of contributed nonfinancial assets in the statement of activities
- ▶ For each type of contributed nonfinancial assets recognized, an NFP will disclose:
 - The NFP's policy (if any) on liquidating rather than using contributed nonfinancial assets
 - Qualitative considerations on whether the contributed nonfinancial assets were monetized/liquidated or used during the reporting period. If used, a description of how the asset was employed should be included
 - Any donor-imposed restrictions related to the contributed nonfinancial assets.
 - The valuation methods and inputs utilized to determine a fair value measure at initial recognition in accordance with ASC 820
 - The principal or most advantageous market utilized to calculate fair value if it is a market in which the NFP is restricted by the donor from selling or utilizing the contributed nonfinancial assets



Thoughts

- ▶ Involve the following ASAP
 - Auditors
 - Board (experts on the board)
- ▶ Do you have appropriate gift acceptance policy?
- ▶ Staff training - rely on your auditors and other experts



Cybersecurity and Breaches



Why are we Highlighting This?

- ▶ More people working from home
- ▶ Increase in cyber crime in this new environment - and this will just keep going up
- ▶ Bigger impact on NFPs because of the information they have in their books and records
- ▶ Damage to reputational risk and impact on future contributions/donations
- ▶ Prioritize risk management and be prepared ahead of a cyber breach, which is more a matter of “when” than “if”



Cyberbreaches

- ▶ Blackbaud - impacted MANY NFPs
- ▶ Solar Winds
- ▶ Microsoft - impacted MANY NFPs
- ▶ Many others



Thoughts

- ▶ Promote organization-wide awareness
- ▶ CFOs should brainstorm with CIOs or equivalent periodically to ensure they are ahead on all cyber issues and can very clearly define what got exposed and when
- ▶ Communicate early and often - don't hold information to know more about a breach before letting others know - like board/committees
- ▶ Ensure you have a cyber insurance and know what you are covered for
- ▶ Have cyber procedures and processes defined - CIO or equivalent
- ▶ Leverage external resources to identify and cover any privacy/security gaps
- ▶ Have legal counsel involved ASAP



Thoughts

- ▶ Have a well thought out plan and procedures on what the organization will do when there is a breach -
 - CIO role
 - CFO role
 - Legal role
 - Notification to insurance
 - Notification to auditors
 - Communication to board/committee - don't wait for the next meeting. Have one on one with your expert on the board/committee
 - Donor letters and how to mitigate impact on reputational risk



Lack of Technology Vision



Technology or Lack There of

- ▶ COVID-19 remote working environment highlighted organizations reliance on manual processes and process workflows
- ▶ Things that worked before don't work any more
 - Collaboration by walking in someone's office
 - Manual approval/sign off on invoices
 - # of people needed to do a manual process was highlighted in scenario planning at many organizations
- ▶ Do you really have effective internal controls in the new environment? Segregation of duties?



Thoughts

- ▶ Re-assess your systems, controls and processes in this new environment
 - What worked before is not effective/efficient anymore
- ▶ Train yourself and your team to embrace change and to think ahead
 - Change is hard
- ▶ Seek help and brainstorm honestly with the following
 - Board (experts)
 - Auditors

Thoughts

- ▶ Seek help with developing a plan and make it a priority
 - Highlight the issue and related plan to resolve it to the stakeholders
 - Develop a technology vision (include all departments and stakeholders)
 - All departments
 - CIO and other C suite
 - Board (experts)
 - Develop a funding plan
 - Seek donors
 - Implementation
 - Hire experts to ensure smooth transition
 - This is the backbone of the organization and needs to be strong!
 - This cannot go wrong.. No PRESSURE



Thoughts

- ▶ Organizations are doing the following and relying on their systems and technology (few examples)
 - Bank recs and other manual processes done by bots
 - Data analytics - CFOs spending more time analyzing the data to help define/redefine the vision of the organization
 - Which revenue streams have the strongest bottom-line impact and mission impact?
- ▶ Boards and management can make real time decisions in this uncertain environment with technology to help the mission and vision of the organization. No lag or delay in decision making



Diversity, Equity, and Inclusion



DEI

- ▶ Begin with an exploration of terms and definition. What does this mean for you and your organization?
- ▶ Make it your own
- ▶ Don't be in a rush to push a DEI statement and DEI policy
 - Sometimes these are seen as unintended signals that your organization does not consider DEI as integral to all its operations and that you need a policy to remind employees that it does

Questions to Consider/Reconsider

- ▶ How transparent does your organization wish to be about the steps it is taking to become more diverse and encourage inclusive practices? How does your organization communicate its values to the public, to paid staff, and to volunteers?
- ▶ Are organizational values published on the nonprofit's website or otherwise shared publicly? Does it make sense for your DEI commitments to be inward-facing, outward-facing, or a combination of both?
- ▶ Does your nonprofit create opportunities to listen to the voices directly from community, grassroots, or young leaders in low-income, under-served and/or marginalized populations within its community?
- ▶ How can your nonprofit open its board recruitment and staff hiring pipeline to talented candidates from among underrepresented groups?
- ▶ Is the organization's commitment to diversity, inclusion, and equity part of the orientation message for new board members and incorporated into onboarding new teammates and volunteers?
- ▶ Does your organization expect its collaborative and community partners to uphold its own values?
- ▶ How will your nonprofit assess the progress you are making towards your goals of diversity, inclusion, and equity? What will success look like? Feel like?



Thoughts

- ▶ What looks good on paper may not be good in practice
- ▶ Don't over highlight DEI in every decision making as then it doesn't seem genuine. Can rub people the wrong way
- ▶ Make it a part of your cloth/fiber and ensure that this is ingrained seamlessly in all processes
- ▶ Rely on experts (on your board or external) to help brainstorm
- ▶ Keep everyone honest and make them accountable - your partners, board, collaborators, donors, management, etc.
- ▶ All three are important - D, E and I
- ▶ BROADEN your view. Avoid tunnel-vision

Succession Planning



Succession Planning Defined

- ▶ A proactive and systemic process in building a pipeline within an organization and identifying external candidates, so that when transitions are necessary, organizations are ready to act
 - Not only lays out what to do when a Board Member or Chief Executive Officer leaves an organization
 - Organizations should be developing plans to replace anyone whose departure could disrupt operations



Importance of Succession Planning

- ▶ Prepares an organization for transition when necessary
- ▶ Recognizes two types of departure: unexpected and planned
- ▶ Ensures an organization's business continuity
 - Protects the organization from unexpected changes that could potentially hurt the organization
 - Helps to retain institutional knowledge and reduces learning curve
 - Decreases time to fill vacant positions
- ▶ Improves retention
 - Focuses on internal mobility and advancement and professional development and tailored training opportunities



Importance of Succession Planning

- ▶ Fosters deeper engagement of managers by establishing accountability for talent development
- ▶ Embeds leadership development as a core organizational system, rather than as an ad hoc process
- ▶ Helps an organization decide where to invest its resources with respect to talent development
- ▶ Supports an organization's DEI efforts
 - nurtures a diverse pool of candidates



Importance of Succession Planning

- ▶ Lowers talent acquisition costs
- ▶ Higher quality decisions due to the objective approach and more effective use of data
- ▶ A future proofed workforce that is better prepared to thrive in dynamic and different conditions



Importance of Succession Planning

- ▶ BoardSource research reveals that 27% of nonprofits surveyed reported that they had a written succession plan in place
 - Most of these organizations are unhappy with the plans they have in place
- ▶ Study Conducted by Deloitte: While 86% of leaders believe leadership succession planning is an “urgent” or “important” priority, only 14 percent believe they do it well



Challenges with Succession Planning

- ▶ Often leadership is uncomfortable with the topic because they associate it with their own departure
- ▶ Self preservation
 - Can be perceived as a lack of confidence in current executive team
- ▶ Information hoarding versus sharing
 - Self esteem is linked with being the resident expert
- ▶ Mentality that success at one level guarantees success at higher levels
 - Subjective process where people are advanced based on loyalty, hard work and tenure
- ▶ Managers feel as if they are being asked to give up their best performers



Challenges with Succession Planning

- ▶ “Like Me” and “Like Us” bias
- ▶ Long-term issue
 - People are rewarded for resolving issues in the short-term
- ▶ Lack of clarity as to who is accountable
- ▶ Good data is not available or ignored
- ▶ No clear process
- ▶ Difficult to implement



Suggestions for Succession Planning Success

- ▶ Start Now!
 - Create a written succession planning policy that clearly states purpose, policy and procedures
- ▶ Obtain board and senior leadership support
- ▶ Reward
 - Reward leaders for creating environments that develop successor not just identify potential successors
- ▶ Assign Roles and Responsibilities
- ▶ Lead
 - Someone within senior leadership needs to take the lead

Suggestions for Succession Planning Success

- ▶ Assess which positions your organization's succession plan will address
 - Focus on linchpin positions at all levels within your organization
 - Draft a timeline for critical position successions that are planned
 - Develop competency profiles for the critical positions
 - Identify high potential employees
 - It should be based on performance - not tenure and loyalty
 - Performance reviews should gauge performance at their current position and their ability to learn
 - It's about building a pipeline - not about pre-selection
 - Identify gaps and growth needs in the workforce
 - Design professional development and training programs to fill gaps and support needs in the workforce

Suggestions for Succession Planning Success

- ▶ Communicate the succession planning process
 - Discussing the plan is just as important as having a plan
 - Let employees know that the succession plan exists and explain its benefits to both the organization and the individual members of the workforce
 - Share periodic updates about the plan, especially highlighting statistics that demonstrate your organization's commitment to the development and promotion of employees
 - Don't let the naysayers take the floor
 - Emphasize the importance of building bench strength
 - Celebrate the short-term wins to sustain a long-term focus



Suggestions for Succession Planning Success

- ▶ Grow your talent laterally as well as linearly
- ▶ Include Succession Planning in Your Talent Acquisition Strategy
- ▶ Integrate your organization's goals for leadership diversity into your hiring decisions

Suggestions for Succession Planning Success

- ▶ Measure your success and refine your plan
 - Use clear metrics to evaluate how well your succession planning efforts are meeting the initial goals
 - Key data points may include: percentage of vacated leadership positions filled by internal succession candidates, retention of potential succession candidates, employee turnover rates, and talent acquisition costs and time
 - The extent in which organizations can fill important positions with internal candidates (75% to 80% is considered good)
 - Review the succession plan on an annual or semi-annual basis to keep the plan up to date, identify new challenges, and improve on the process.
 - Review of talent should be a regular process just like reviewing your financials
 - Explore the use of succession planning software



Funding



Funding

- ▶ Due to the shutdown, revenue was lost from cancelled events and closed operations
- ▶ In accordance with “Impact of COVID-19 on Mid-Sized Nonprofit” survey conducted by Independent Sector, of the organizations that saw a decrease, the areas with the biggest decreases were:
 - Earned Revenue (83%)
 - Individual Giving (53%)
 - Philanthropic Grants (33%)
- ▶ Funding volatility remains a major challenge for not-for-profits



Liquidity and Financial Sustainability

- ▶ Strive for funding diversification
 - Ascertain where you are now
 - Determine where you need to be
 - Explore new programs that may offer more diversification
 - Focus on what you do well



Liquidity and Financial Sustainability

- ▶ Cash really is King!
 - Monitor on a daily basis
 - Aggressively manage accounts receivable and payables
 - Consider renegotiating contracts
- ▶ Obtain a sufficient Line of Credit
 - Don't use Line of Credit to fund structural deficit
 - Meet financial and nonfinancial covenants
- ▶ Create a cash forecasting model



Liquidity and Financial Sustainability

- ▶ Maintain adequate operating reserves
 - Withstand negative events
 - Self-fund large expenditures
 - Take advantage of opportunities
 - Have a margin of error
 - Write and implement reserve policies
 - Set targets
 - Establish how to fund

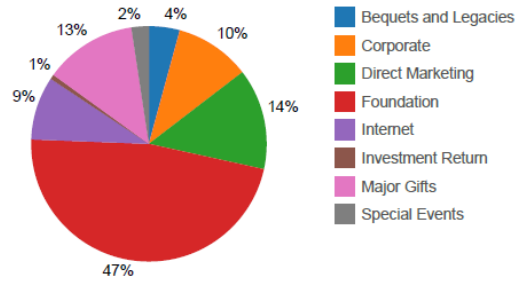


Liquidity and Financial Sustainability

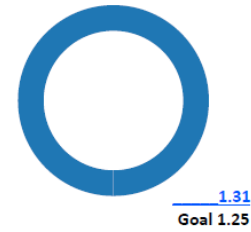
- ▶ Compose and adopt a Risk Tolerance Statement
 - Work with the Finance Committee to develop financial stability targets
 - Required cash levels, no multi-year deficits, minimum unrestricted net asset levels
- ▶ Calculate key financial metrics
- ▶ Use of Financial Dashboards
 - Set targets
 - Monitor often

Not-For-Profit XYZ

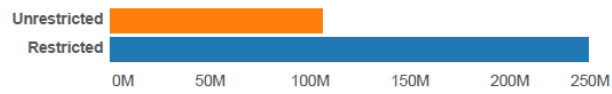
1. Funding



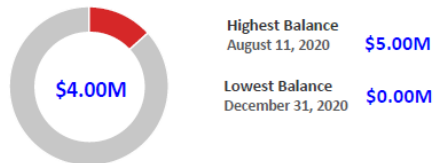
4. Current Ratio



2. Unrestricted vs Restricted Funds



2. Outstanding Balance of \$30M Line of Credit



5. Rainy Days Fund 75 Days
Goal: 90 Days



Remote Management & Leadership



Remote Management & Leadership

- ▶ Before the crisis, surveys repeatedly showed 80% of employees want to work home at least some of the time. Over a third would take a pay cut in exchange for the option*
- ▶ As of June 2020, 4 in 10 United States workers were doing their jobs from home**
- ▶ It is estimated that 25-30% of the workforce will be working from home multiple days a week by the end of 2021*

*Glassdoor Workplace Trends, 2021, Dr, Andrew Chamberlain (2020)

**Work-at-Home after COVID-19-Our Forecast - Global Workplace Analytics (2020)



Advantages to Remote Work

- ▶ Enhances employee retention
 - Greater work schedule flexibility
- ▶ Positive health benefits resulting from less commute time
- ▶ Savings*
 - Employees: Save \$2,500 - \$4,000/year when working 50% remotely

*Work-at-Home after COVID-19-Our Forecast (2020)



Advantages to Remote Work

- ▶ Reduction in real estate costs
 - During pandemic occupancy studies have shown just how inefficient office space was being used
 - On average organizations plan on reducing their real property footprint by 30%*
- ▶ Allows employers to hire the best talent anywhere
- ▶ Improved sustainability

*The future of work after COVID-19, McKinsey and Company (2021)



Advantages to Remote Work

- ▶ “In recent years, major brands such as IBM, Aetna, Bank of America, AT&T and Reddit implemented expansive remote work programs. These programs were abandoned after disappointing results. Reasons cited included:
 - Poor employee communication
 - Lack of motivation and performance
 - Lower creativity, innovation and serendipity”*

*Glassdoor Workplace Trends, 2021, Dr, Andrew Chamberlain (2020)



Challenges Related to Remote Work Programs

- ▶ Workforce inequity
- ▶ Social Isolation
- ▶ Lack of communication
 - Informal communication doesn't happen
 - In-person casual encounters are critical to building a culture of innovation and creativity
 - Reduced spontaneity
 - Less willing to tolerate co-workers' curt e-mails



Challenges Related to Remote Work Programs

- ▶ Managers find it harder to measure productivity
- ▶ Absence of face-to-face supervision
- ▶ Some staff thrive in remote workplace while others don't
- ▶ Difficult to gauge how staff are doing
 - Can't detect nonverbal communication via Zoom
- ▶ Some activities are less effective when done remotely
- ▶ Teamwork is more difficult
- ▶ Magnifies issues with already existing silos



Challenges Related to Remote Work Programs

- ▶ Harder to connect staff to mission
- ▶ Inadequate technology and manual processes
- ▶ Insufficient internal controls
- ▶ Lack of access to information
- ▶ Unsatisfactory work space at home
- ▶ Home distractions
- ▶ Inability to unplug leads to burnout



Tips for Successful Remote Management and Leadership

- ▶ Always prioritize the well-being of your staff
 - Exhibit empathy
- ▶ Can't take a one size fits all approach
 - Managers need to understand the unique circumstances of each employee
- ▶ Provide staff with necessary resources
 - Take advantage of newest technology when possible
 - invest in proper communication and management tools
- ▶ Resist the urge to micromanage
 - Believe your staff will do the right thing
 - Set clear expectations
 - Focus on outcomes not activity
 - Mentor more than manage
 - Continue to encourage innovation



Tips for Successful Remote Management and Leadership

- ▶ Communicate often
 - Be cognizant of information overload
 - Utilize different modes of communication
 - Shy away from email
 - In accordance with Statista 306.4 billion emails were sent daily in 2020
 - The overall average e-mail open rate is less than 17%
- ▶ Schedule frequent and predictable check-ins
- ▶ Establish rules of engagement
 - Determine best type of communication for various scenarios
- ▶ Make yourself accessible
 - Virtual open-door policy



Tips for Successful Remote Management and Leadership

- ▶ Increase recognition
- ▶ Professional development must continue
- ▶ Solicit employee feedback
 - Use simple pulse surveys
 - Solicit feedback and then do something about it
- ▶ Encourage social interactions
 - Start meetings with a personal component
 - Virtual Happy Hours
 - Employee Recognition Events
 - May seemed forced at times but it works
 - In-person meetings are important too



Tips for Successful Remote Management and Leadership

- ▶ Everyone needs to unplug
 - Zoom-Free Fridays
 - Quarterly Reset Days
 - Encourage use of Paid-Time-Off



Planning for Disruption

“Disruption isn’t about what happens to you, it’s about how you respond to what happens to you”

-Jay Samit



Planning for Disruption

The next disruption is Inevitable

The pandemic took us by surprise and...

Not-for-profit leaders must assume there will be another disruption and...

While it can't be specifically identified, the next disruption will be a surprise too



Effectively Planning for Disruption: Summary

In a disruptive environment organizations must:

- ▶ Plan, make decisions and change direction continuously and do so at greater speeds
- ▶ Compile and analyze more data than ever to derive more accurate results and insights
- ▶ Model all of the complexities of the organization and connect those plans in order to behave as one
- ▶ Create plans that ebb and flow with dynamic conditions while still carrying out mission
- ▶ Ensure staff collaborate across functions in real time



Seven Thoughts on Effectively Planning for Disruption

Thought 1: Clear, honest and effective communication

- ▶ Communication to all stakeholders is essential
- ▶ Recognize all decisions can't be made public
- ▶ Acknowledge unknowns
- ▶ Take ownership of missteps



Seven Thoughts on Effectively Planning for Disruption

Thought 2: Act Decisively

- ▶ Decisions need to be made rapidly and with conviction
- ▶ Identify crisis management teams



Seven Thoughts on Effectively Planning for Disruption

Thought 3: Reward collaboration over competition

- ▶ Encourage transparency
- ▶ Ensure the sharing of information and discourages information hoarding
- ▶ Foster employee empowerment
- ▶ Be open to feedback



Seven Thoughts on Effectively Planning for Disruption

Thought 4: Create a single source of truth and effectively use technology

- ▶ One central source of information that can be updated in real time across the organization instead of disparate spreadsheets
- ▶ Access to accurate and up to date information
 - In crisis mode, no one has the time to debate the integrity of data
- ▶ Allows for information to flow horizontally and vertically
- ▶ Reduces the latency between analysis, decision and direction change
- ▶ Automation is also key



Seven Thoughts on Effectively Planning for Disruption

Thought 5: Redefine strategy

- ▶ Strategic planning remains important as it is still critical that organizational priorities are set, resources are allocated and all constituents are working toward common goals
- ▶ Traditional approaches like SWOT analysis or five-year plans that assume external/internal factors remain relatively constant and are based on historical trends may not be effective
- ▶ Strategic planning needs to be flexible and reflect the uncertainty of the times (it must be speculative and adaptive)

Seven Thoughts on Effectively Planning for Disruption

Thought 5: Redefine strategy (continued)

► Scenario planning is a valuable tool

- Not about predicting what will happen but how to creatively react to a variety of contingency plans
- It assumes a core strategic emphasis surrounded by a number of strategic options
- Avoids knee jerk reactions and making arbitrary budget cuts
- Identifies opportunities and can be utilized to prioritize investments
- Examine each revenue stream to consider possible outcomes (likely, moderate, worst case)
- Monitor financial covenants
- Downside/Upsize



Seven Thoughts on Effectively Planning for Disruption

Thought 6: Take advantage of momentum for change

- ▶ Assess what worked and what didn't
- ▶ Don't take too long to do a post-mortem
- ▶ In fact, start this process during the onset of any crisis



Seven Thoughts on Effectively Planning for Disruption

Thought 7: Sound yet agile foundation and infrastructure provides stability in uncertain times

- ▶ Contingency plan
- ▶ Policies and procedures provide structure
- ▶ Sound internal controls
- ▶ Ensure all core functions have been cross trained and processes are documented
- ▶ Identify manual processes
 - Automate when possible
- ▶ Recruiting and retention
- ▶ Remote working

Change Management

**“If you always do what you
always did, you will always
get what you always got”**

-Albert Einstein



Change Management

- ▶ Change Management Defined: a methodology used to help organizations successfully implement a substantial transformation or set of changes
- ▶ Change Management Model Defined: Frameworks which provide an in-depth approach to achieving the transformation change objectives and foster adoption and acceptance of the new desired state

**According to Harvard
Business Review 70% of
change management
projects are unsuccessful**



Why Are Change Management Initiatives Unsuccessful?

- ▶ Not a “One and Done”
 - Requires anchoring changes into the corporate culture
- ▶ Improperly defined objectives
 - Change du jour
- ▶ Lack of effective communication
- ▶ Failure to build a substantial coalition



Why Are Change Management Initiatives Unsuccessful?

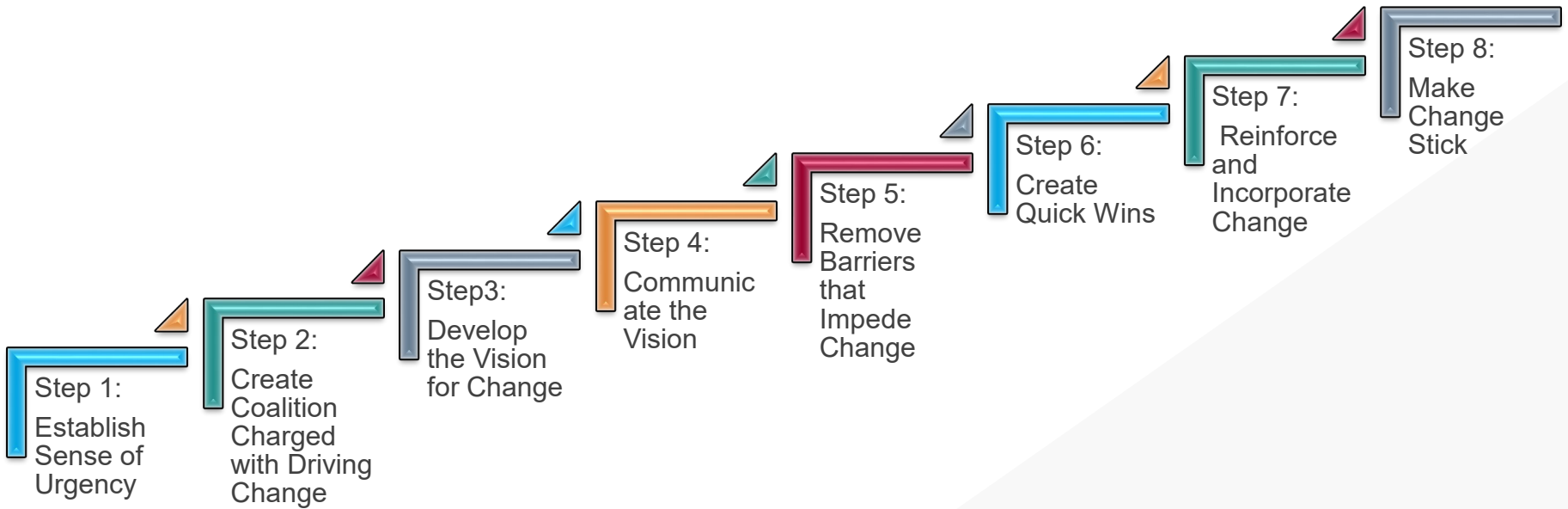
- ▶ Failure to obtain buy-in
 - If your staff are not onboard change will be extremely challenging
- ▶ Staff are adverse to change
 - Studies show people either don't like to leave their comfort zone or do so only occasionally
 - Impacts how staff do their jobs
 - Employees are busy with their day-to-day jobs
 - Lack of staff confidence
 - “Here we go again”
 - Change fatigue



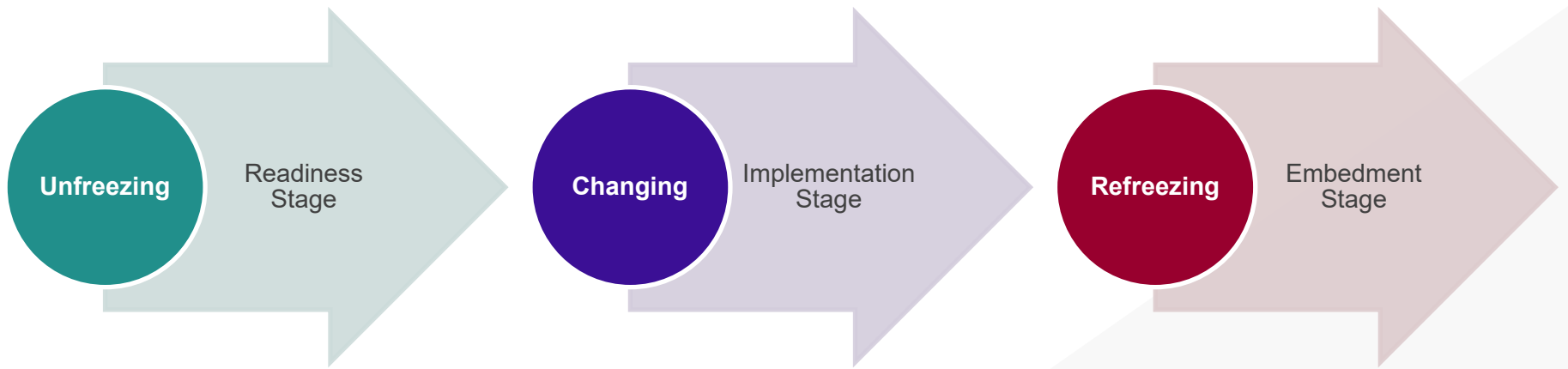
Why Are Change Management Initiatives Unsuccessful?

- ▶ Unsuccessful execution of change initiatives
 - Poor project management
 - Lack of planning
 - Loss of momentum
 - Declaring victory too soon

Kotters 8 Step Change Model



Lewin's Three Stage Change Model



Tips for Successful Change Management

- ▶ Communication! Communication! Communication!
 - Convey a sound “Why”
 - People embrace change if they know why even if they disagree with it
 - Why the change is important to the future success of the organization
 - Paint the desired state vividly
 - Describe how employee roles may be impacted
 - Say what will not change
 - State established time frames
 - Explain where employees can find and access important organizational updates
 - Value feedback in earnest
 - Use multiple channels of communication



Tips for Successful Change Management


- ▶ Respect the past
- ▶ Link transformation to realistic goals and rewards
- ▶ Create mechanisms to track progress and success
- ▶ Leaders must model behavior
- ▶ Reward staff that support change
- ▶ Hire staff that embrace change and have new perspectives
- ▶ Identify and address resistance



Tips for Successful Change Management

- ▶ Retain outside help when needed
- ▶ Learn from the successes
- ▶ Learn from the failures
- ▶ Establish interim milestones and celebrate the small wins
- ▶ Assess, adjust and adapt the change management to evolving needs
- ▶ Don't give up

Questions?




BDO is the brand name for BDO USA, LLP, a U.S. professional services firm providing assurance, tax, and advisory services to a wide range of publicly traded and privately held companies. For more than 100 years, BDO has provided quality service through the active involvement of experienced and committed professionals. The firm serves clients through more than 65 offices and over 700 independent alliance firm locations nationwide.

As an independent Member Firm of BDO International Limited, BDO serves multi-national clients through a global network of more than 88,000 people working out of more than 1,600 offices across 167 countries and territories.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms.

www.bdo.com



Material discussed is meant to provide general information and should not be acted on without professional advice tailored to your needs.

© 2021 BDO USA, LLP. All rights reserved. www.bdo.com

