

Dalberg

Future-proofing your portfolio

A quick guide to scenario planning for foundations

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Presenters



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- 25 years' experience in 30+ countries working with foundations, government, companies and nonprofits
 - Background in risk management and financial services with Citibank, Bank of Ireland, FDIC, Visa and others
 - Worked with Bill & Melinda Gates Foundation, Rockefeller, Hilton, Firelight, Barbara Bush, Thrive, Nike, and other Foundations on strategic planning and forecasting
 - Originally from PA and DE, has lived in NC, DC, and overseas, now based in Oakland, CA
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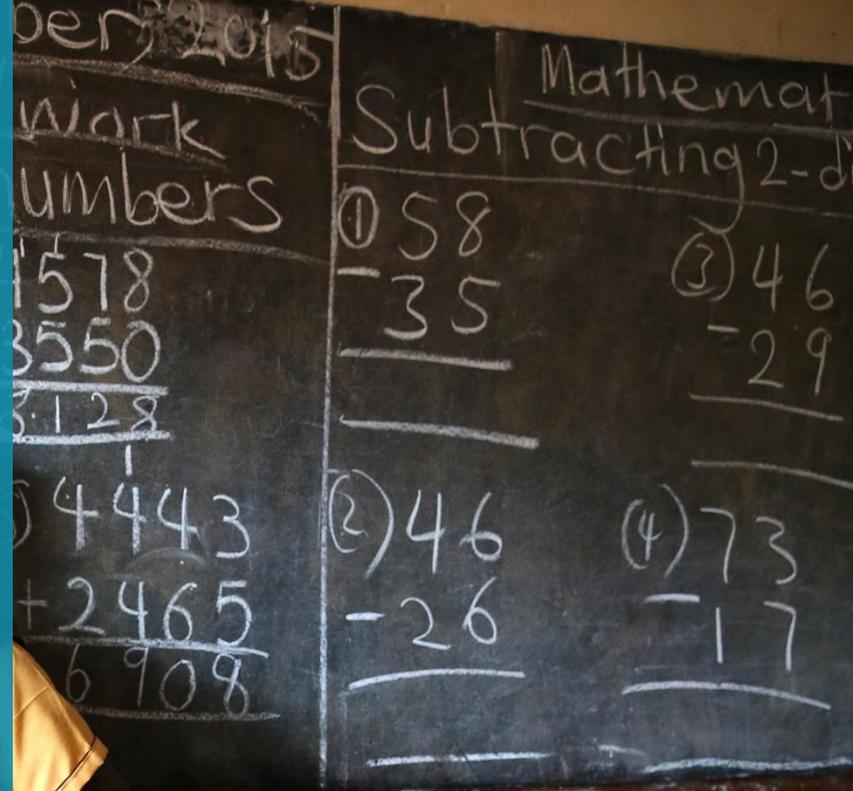
Laura Herman

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- Over 20 years of social sector consulting across sectors
- Leader in Global Health and Corporate practices, with expertise in gender equity
- Worked with private foundations including the Bill & Melinda Gates Foundation, Rockefeller, Ford, Surdna, Porticus, LEGO and others globally
- Originally from Boston, has lived in Chicago, San Francisco, New York and Singapore, now based in CT

Agenda

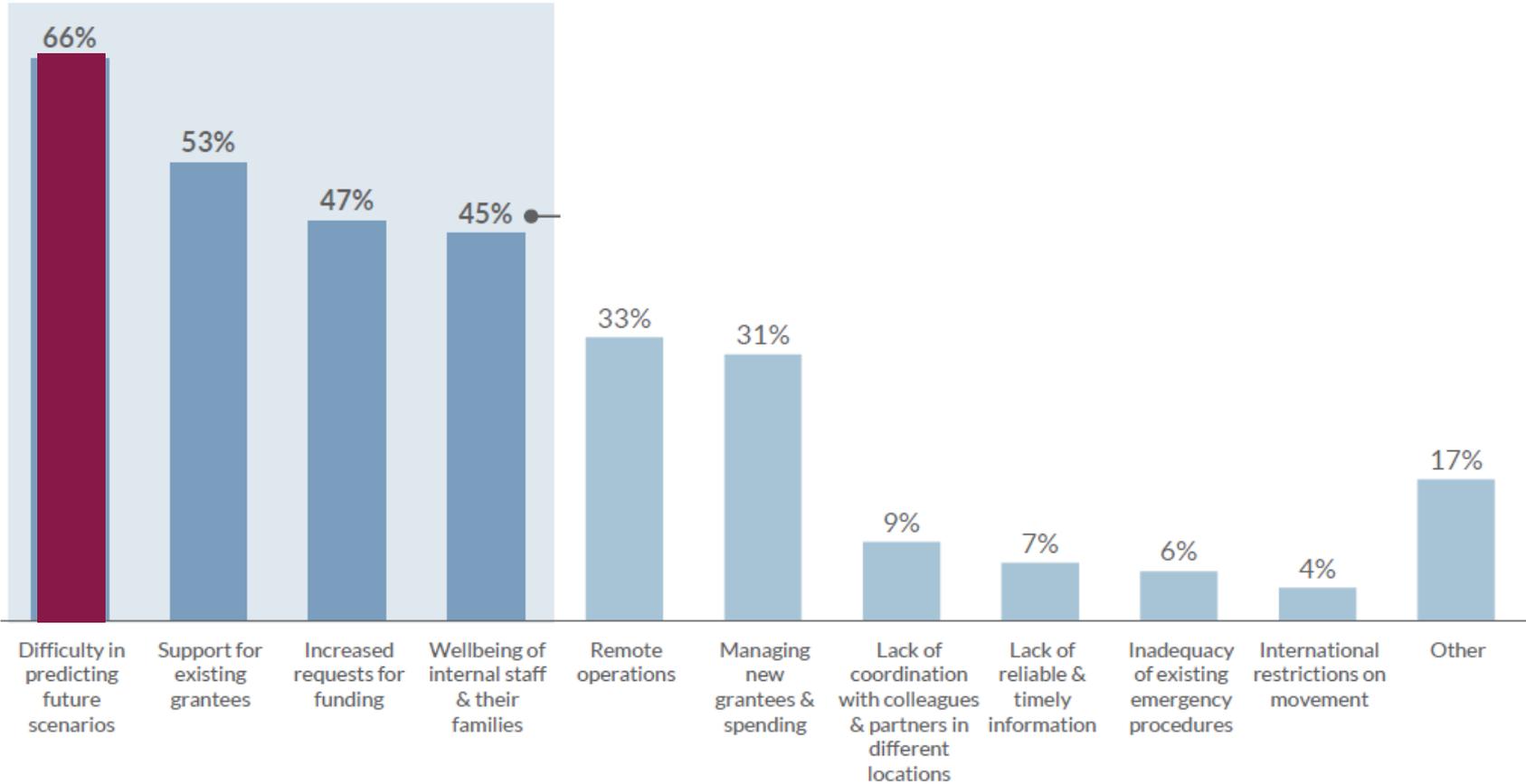
- ❖ Why are we talking about Scenario Planning?
- ❖ Scenario Planning Process + Discussion
- ❖ Q&A



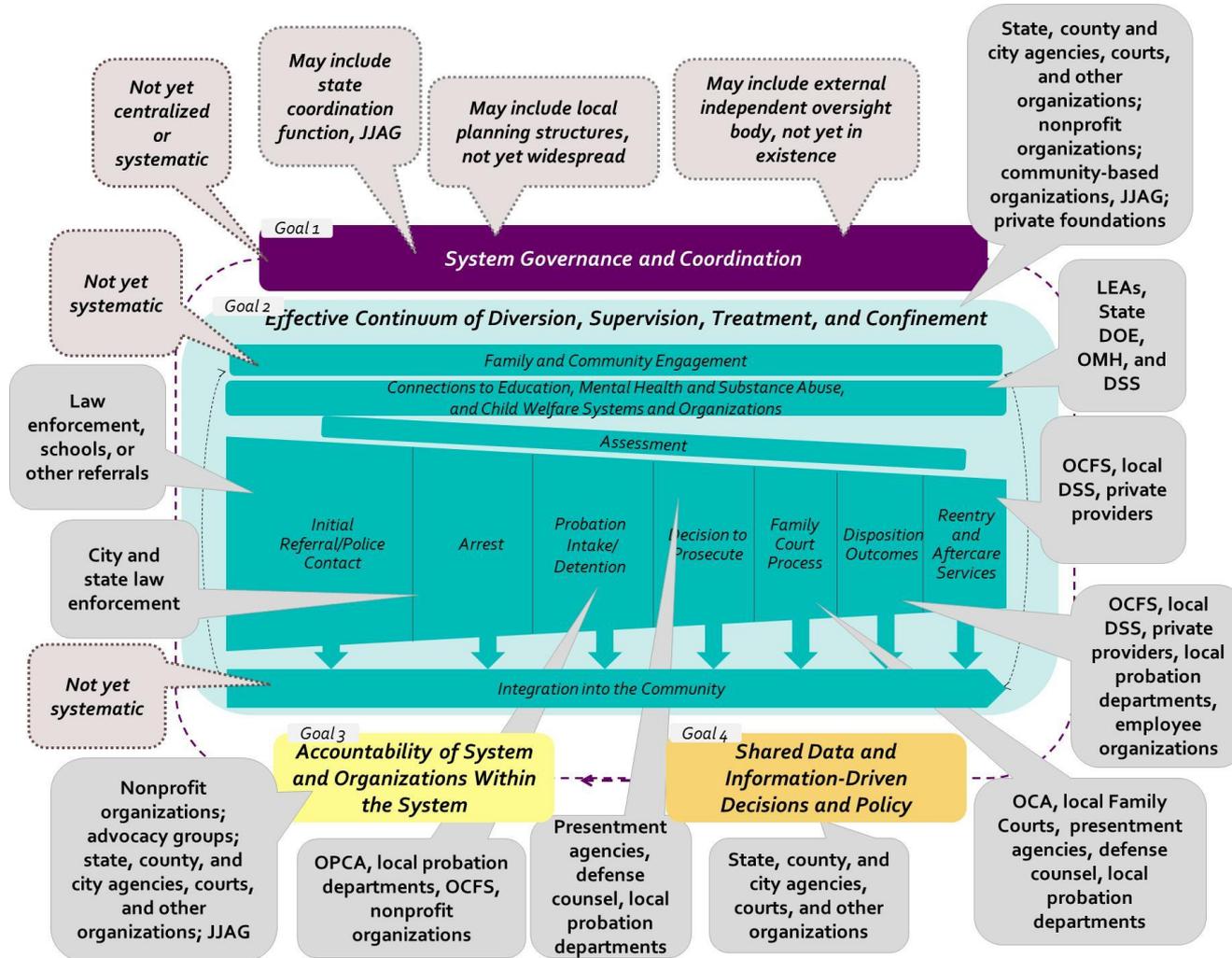
Difficulty predicting future scenarios was foundations' most-cited 'pain point' in a recent survey

What are the biggest operational pain points for your foundation right now?

Percentage of foundations reporting, (n=206)



Funders supporting systems change have additional levels of complexity to account for





What aspects of your program/organization are you most concerned about?

What external trends are you most uncertain about?



Scenario planning is a useful tool for foundations for several reasons, but faces some limitations

Goals of scenario planning

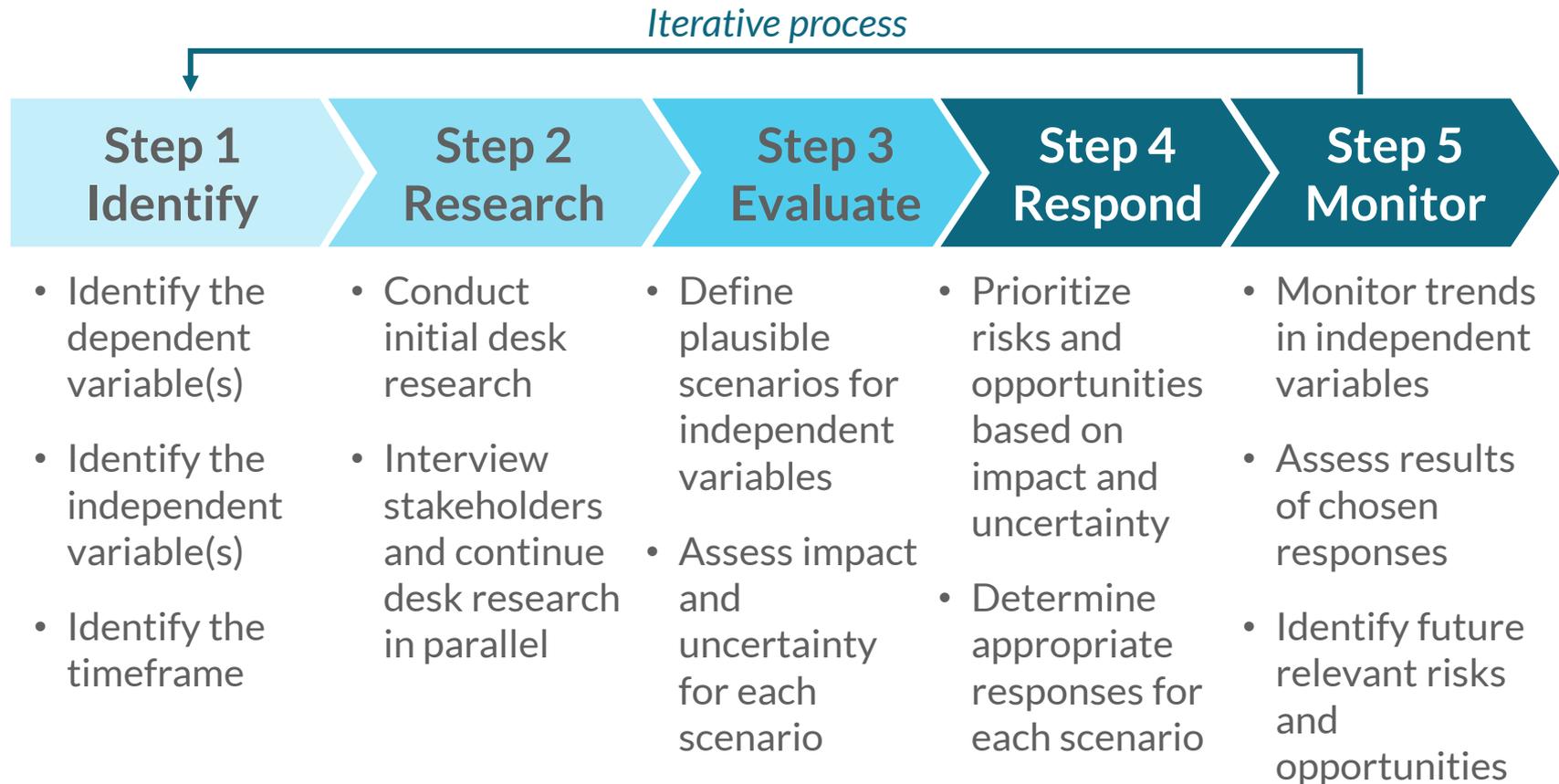
- **Spot risks and opportunities** for mission achievement in advance
- **Determine “what matters”** and assess likelihood of important changes taking place
- **Probe sensitivities and opportunities** among potential partners and within the portfolio, and build resilience

Limitations of scenario planning

- **Complexity:** Multiple factors that influence future events are interrelated so prediction is hard
- **Uncertainty: Unknown unknowns** are difficult to predict, which include “black swan” events (unexpected events with major impacts, e.g. COVID)
- **Irrationality:** Inherent unpredictability and irrationality of human behavior cannot be easily modeled

Despite the limitations of scenario planning, it remains a useful approach to managing uncertainty and building resilience

A five-step process can help foundations “future proof” their portfolios and protect/enhance impact



Step 1: Identify | Determine variables of interest and their key drivers

1 Identify the dependent variable(s)

Looking into the future, what are you concerned about? This will most likely be rooted in your mission and the needs of your partners and beneficiaries, e.g., the breadth and depth of your impact, the financial sustainability of your investments, the survival of your grantees, etc.)

2 Identify the independent variable(s)

What are the key drivers of change for each of your dependent variables? These will most likely be external factors, e.g., job markets, economic outlook, policy changes, etc.

3 Identify the timeframe

Are you planning for scenarios in the short, medium, or long term? In general, scenario planning may be most useful when applied to a more immediate timeframe (e.g., <5 years)

***Scenario planning is more accurate when it is inclusive:
Actively engage grantees and other key partners***

Step 1: Identify | The TEMPLES framework can help in identifying independent variables

Independent variables can be broadly classified into seven categories. Within each category, determine relevant trends relative to the identified timeframe and their implications on your dependent variables.



Technology



Economy



Market



Politics



Law



Environment



Society



The Kitchen Program (TKP)

- 20-year old job training program in the SF Bay Area, offers free baking programs
- 2,000+ individuals served, 80%+ job placement and job retention rates
- Annual budget less than \$1 million, funded by private grants and donations
- Participants include immigrants/refugees (~50%), formerly incarcerated, people with learning challenges, and people experiencing homelessness, among others

Step 1: Identify | Example

A Bay Area-based donor organization

- Mission is to alleviate poverty, supports WFD and job training programs
- Has funded TKP for several years, along with other similar programs
- TKP's enrollment has been erratic over the past few years – the donor wants to understand future scenarios and their impact

Dependent variable: Demand for TKP's services

Independent variables:

-  Local unemployment rate
-  Relative availability and attractiveness of local jobs in the food industry
-  Immigration policy and trends
-  Availability of other job training and job placement programs
-  Incarceration and release policies

Other (internal) factors:

-  Recruiting process
-  Quality of the program
-  Location
-  Time required to complete the program

Step 2: Research | Inform the development of scenarios through desk research and interviews

Desk research

Illustrative sources:

- Grantees' internal records
- Articles and reports produced by benchmark organizations
- Government databases and statistics (e.g. DoL, DoEd)
- Sector-specific news sites
- Popular press
- Scientific, academic, or economic journals
- Third-party analyst reports (e.g., from think tanks or consultancies)

Stakeholder interviews

Illustrative stakeholders:

- Community members, program participants, others in 'target' population segments
- Foundation leadership and staff
- Current grantees
- Non-grantee organizations within same/similar programmatic area
- Other service providers supporting the same end clients
- Sector/industry experts
- Academic researchers

Set a deadline for completing research to avoid 'paralysis by analysis'

Step 2: Research | Example

Desk research was complemented with interviews and focus groups



ANALYSIS OF TKP ENROLLMENT DATA

- Key performance metrics and recruitment information
- Composition and completion rate of each cohort over past five years
- Average wages and post-TKP job retention rates over time



INTERVIEWS

- Grantee staff and management
- Local economic analysts
- Peer job-training organizations
- Immigration advocates, etc...



DESK RESEARCH

- Local government reports about labor market statistics and trends by sector
- Peer organizations documents, web sites and articles to map current programs and impact
- Academic articles about WFD

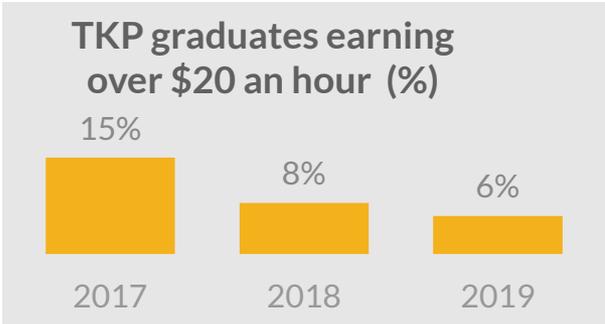
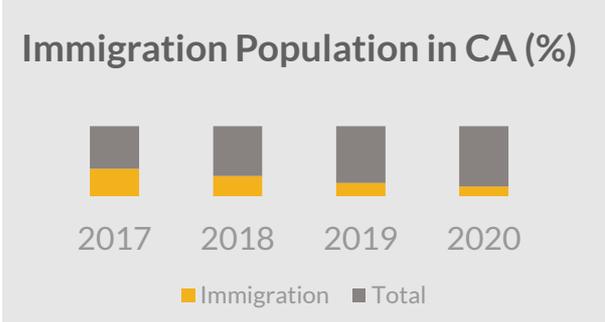


FOCUS GROUPS

- Current and past students
- Individuals who applied to the program but were not selected
- Individuals who would be ideal candidates but have not applied or are not aware of TKP

Step 2: Research | Example

Illustrative



Key findings

- Unemployment had been low relatively stable for several years
- Due to the political context, local influx of immigrants had decreased significantly
- The commercial food industry was growing. However, the baking and kitchen industry offers low wages at the entry level relative to other industries, with challenging hours

Step 3: Evaluate | Define and evaluate scenarios in a two-step process

For each independent variable...

1. Define a brief scenario* statement based on the best, middle, and worst-case scenarios (e.g. “the unemployment rate doubles within the next 3 yrs”)
2. Assess the likely impact of the scenario on the dependent variable and the level of uncertainty inherent in the scenarios / independent variables

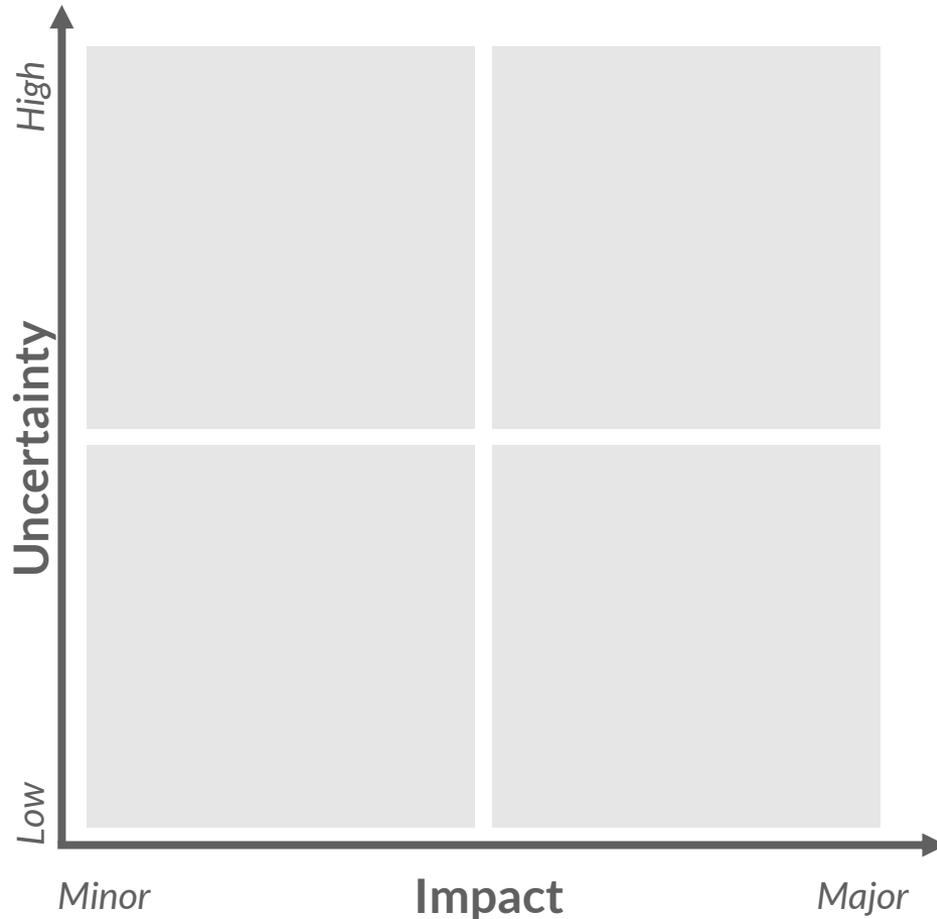


Important considerations

1. Consider **correlations** (both positive and inverse) among independent variables when considering impact and uncertainty – e.g. high unemployment might mean lower wages, mitigating demand for training
2. Consulting with grantee staff and end-clients can help confirm the assessment of impact and uncertainty

*The concept of “Scenarios” in this process are understood as the plausible situations that can happen on a specific independent variable

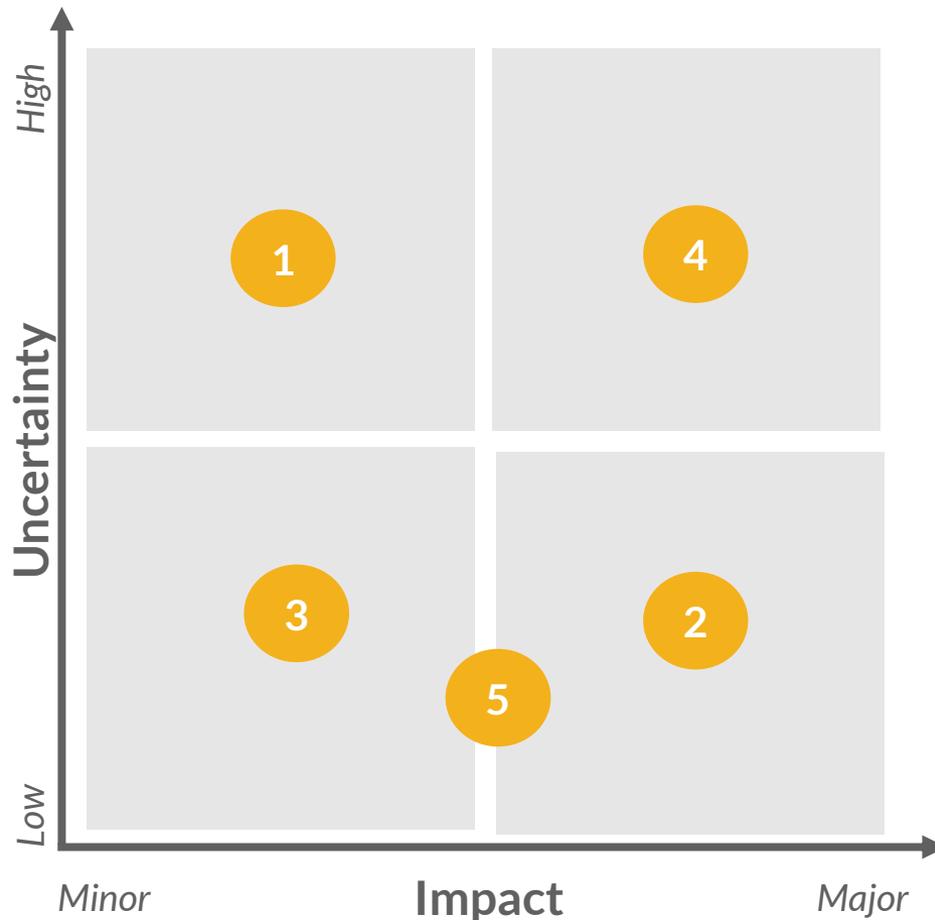
Step 3: Evaluate | Scenarios can be organized into an uncertainty-impact matrix



Uncertainty

- **Low:** There is a reasonable certainty how the variable will play out or continue in the future (e.g., population)
- **High:** There is no clear idea how the variable might go in the future (e.g., government legislation)

Step 3: Evaluate | Example Scenario Matrix



- 1 Local unemployment:** The unemployment rate will remain stable (~4%), which will impact the demand for WFD programs
- 2 Landscape of job training programs:** The number and reach of comparable programs will continue to grow, some focusing on higher-wage, more attractive sectors (e.g. IT, construction, healthcare)
- 3 Incarceration and release policies:** CA government grants early release to a large number of incarcerated individuals with roots in the Bay Area
- 4 Immigration trends:** Restrictions on immigration and undocumented workers continues after the election
- 5 Availability and attractiveness of local jobs in the food industry:** It is expected that the commercial food industry will grow, but low wages at the entry-level will remain

Discussion | Guidance for breakout groups



Consider the following questions:

1. What is **1 key dependent variable** and what are **1-3 key independent variables** for your program area?
2. What is the likely **impact** on your dependent variable of significant changes in the independent variables (i.e. scenarios)?
3. How **uncertain** is each scenario?

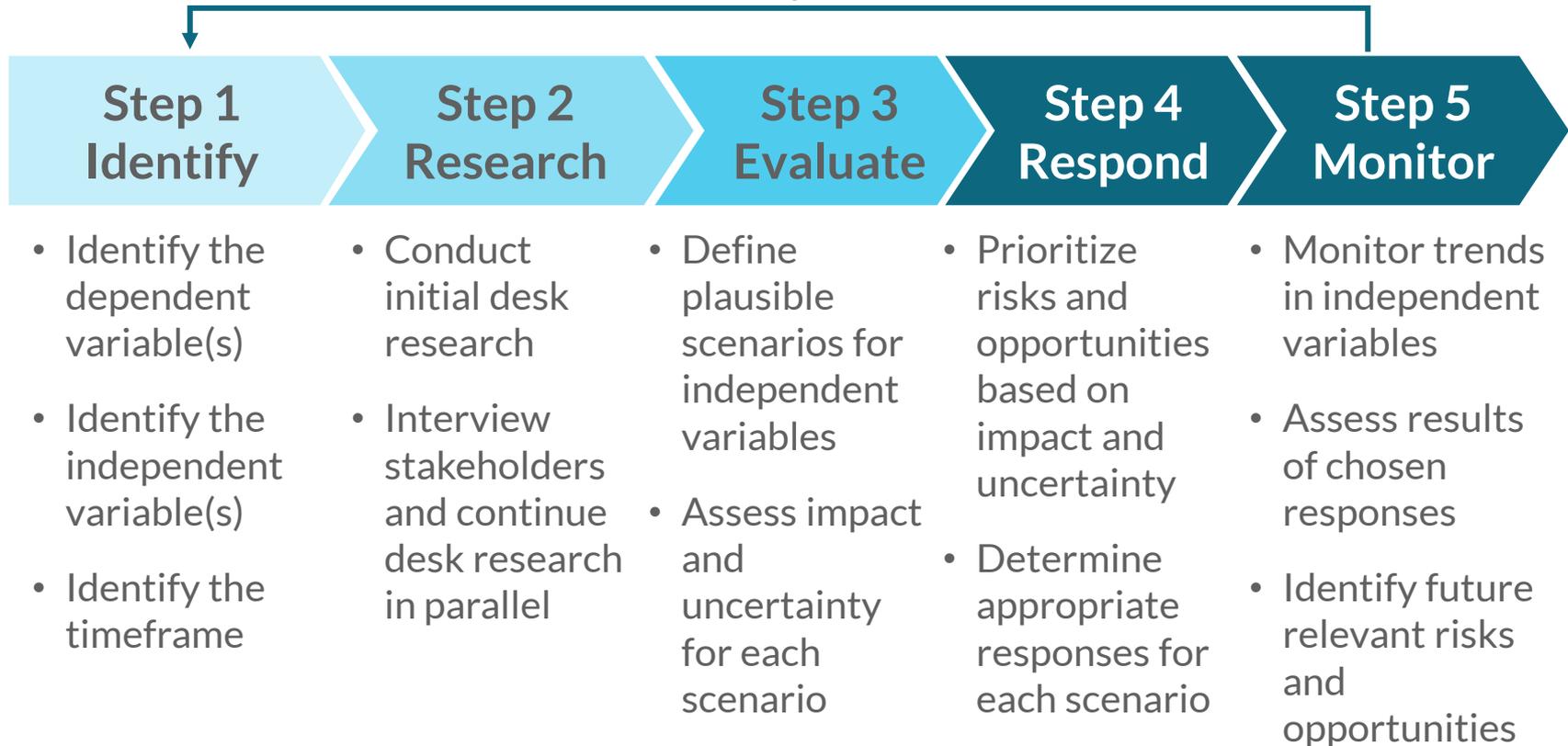
Discussion | Breakout group debrief



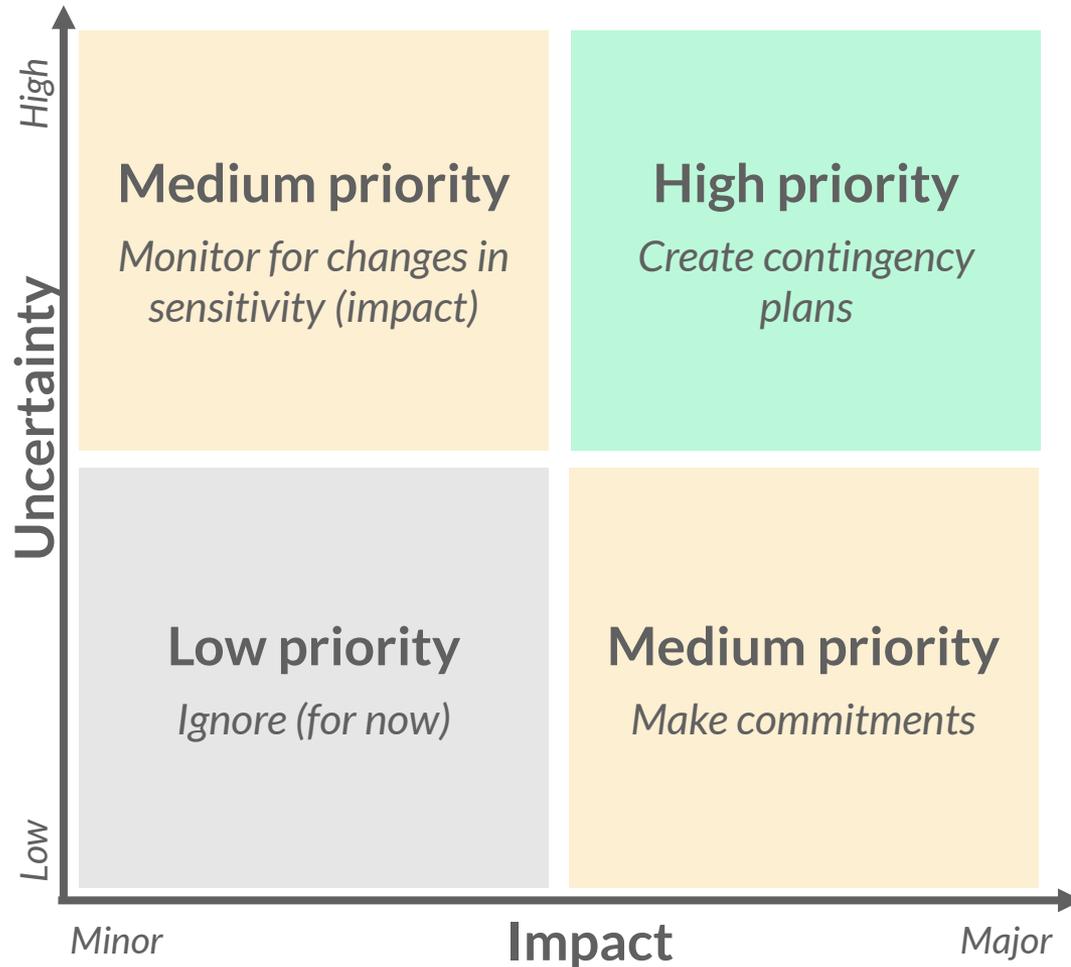
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Reminder

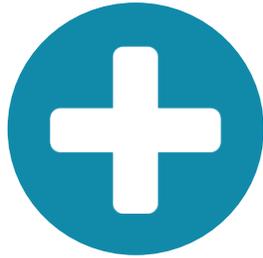
Iterative process



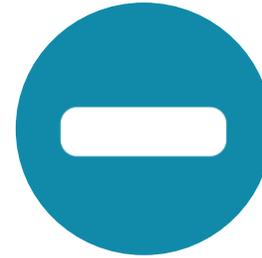
Step 4: Respond | Scenarios with high uncertainty and high impact should be prioritized



Step 4: Respond | The type of action taken is dependent on the desirability of the scenario



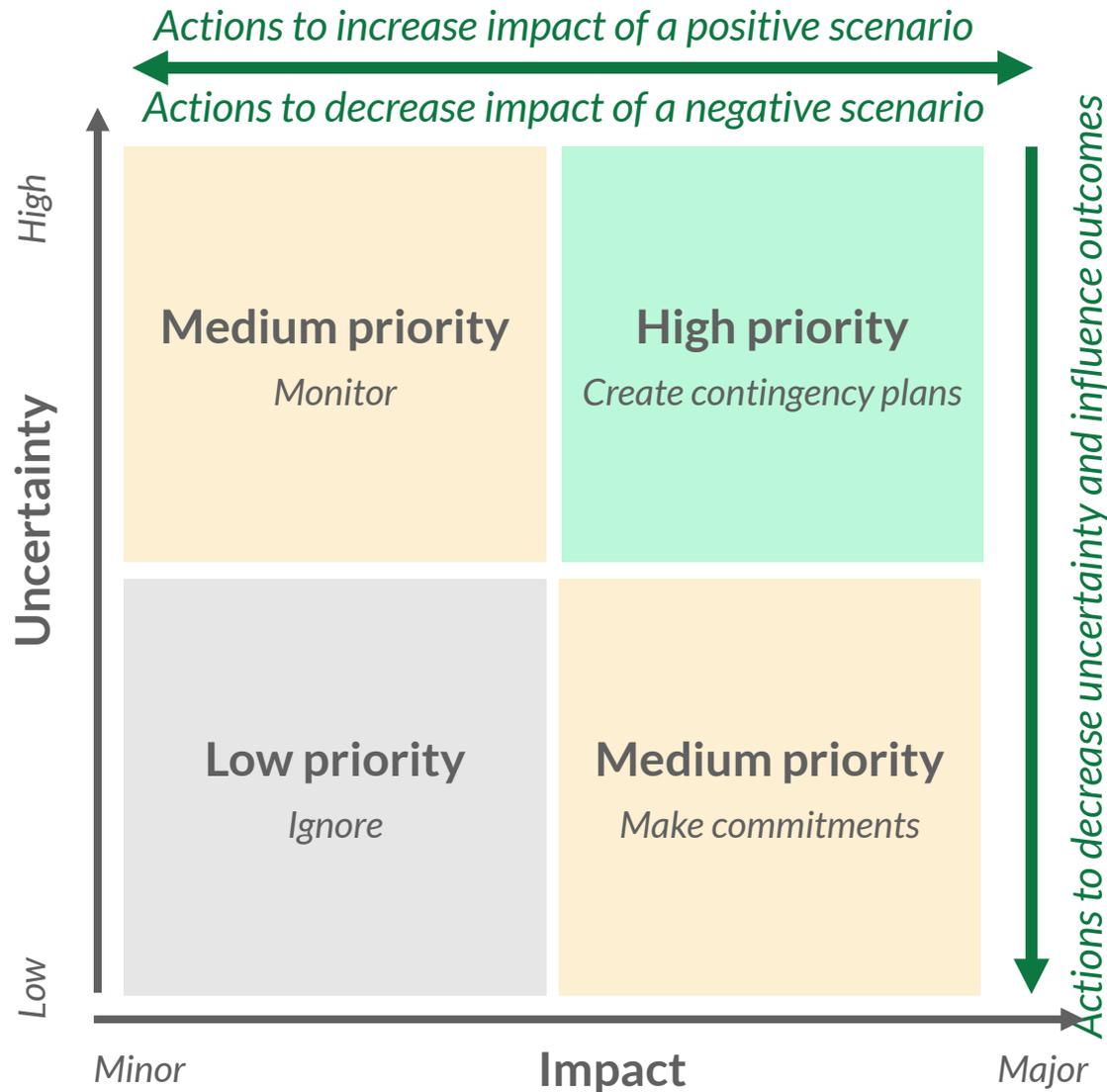
If the scenario is considered an **opportunity**, the goal of the response is to strengthen the portfolio and maximize potential for impact



If the scenario is considered a **risk**, the goal of the response is to protect the portfolio and minimize potential for unfavorable outcomes

Future scenarios often combine opportunity and risk

Step 4: Respond | There are 3 types of actions that can help future-proof a program or portfolio



Step 4: Respond | Foundations can consider multiple ways to respond to uncertainty about the future



Increase or decrease impact

Potential actions include:

- Allocating discretionary/contingency funds to the opportunity/risk
- Supporting grantees in adopting new approaches or platforms
- Diversifying portfolio of programs/grants to “hedge bets”
- Building staff capacity and expertise around the risk/opportunity
- Conducting pilot tests or demonstration projects, if feasible



Reduce uncertainty or influence outcomes

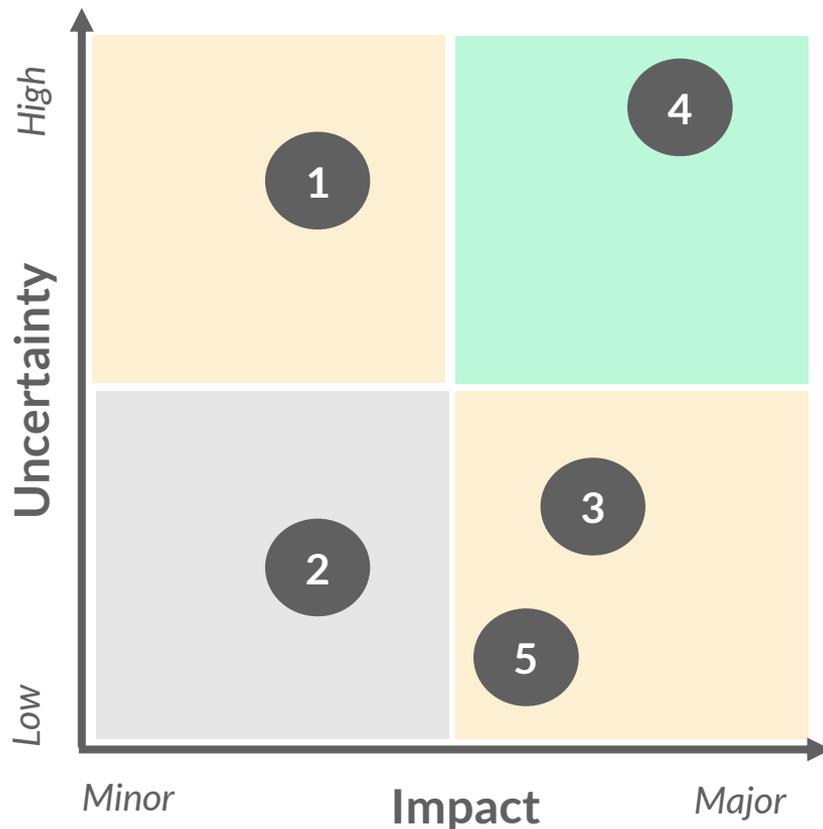
Potential actions include:

- Lobbying, public awareness, advocacy
- Collaboration with like-minded partners, and creating and sharing knowledge around the uncertainty
- Shifting resources to address systemic issues / root causes as well as symptoms or results

In some cases, an active response might not be feasible, so the only option is to accept the risk or forego the opportunity

Step 4: Respond | Example

Multiple actions were identified for the CA-based donor organization based on the scenarios



Program level actions:

- Focus on formerly incarcerated rather than immigrants
- Expand range of training to include broader range of skills for higher potential kitchen jobs

Foundation level actions :

- Form partnerships with other organizations to provide complementary services
- Expand grant-making to include broader selection of job training programs

Step 5: Monitor | This step reflects on the scenario planning process before returning to the first step

The last step draws upon the information gathered from all previous steps. Critical questions to consider include:

1. Did the identified independent variable(s) have the **expected level of impact** on the dependent variable(s)?
2. Did the most likely scenario align with **what occurred**?
3. To what extent were **opportunities/risks effectively addressed** by the response? What might have been done differently?
4. Looking into the future, which **opportunities/risks are no longer relevant** and which **may be forthcoming**?

Successful scenario planning is contingent on four key requirements

- 1 Scenarios must be based around **particular concerns or issues** of your organization and be framed within a specific time period
- 2 **Key stakeholders and decision-makers must be engaged** throughout the process, including grantees, partners, and end-clients
- 3 **Dedicated time and resources are needed** to conduct thoughtful research and analysis and develop and refine the scenarios
- 4 The process requires **questioning assumptions and exploring alternatives** with honesty, transparency and open minds

Scenarios are not predictions, they are plausible futures that might happen: Understanding them can help “future proof” your portfolio and safeguard your impact

Q&A and contact information



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Thank you!