

COVID-19 NGO Recovery

McKinsey
& Company



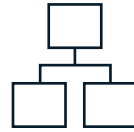
COVID-19 has significantly affected the NGO landscape necessitating quick and effective adaptation



Changed ecosystem

COVID-19 has significantly altered the non-profit ecosystem, and priorities of funders and institutions are changing.

Organizations are forced to evolve their approaches to work, especially by increasing the weight of online components



Financial crisis

The economic crisis resulting from COVID-19 is leading to more cutbacks.

There has been a steep decrease in “sales revenues” as well as private donors holding back on pledges and gifts.



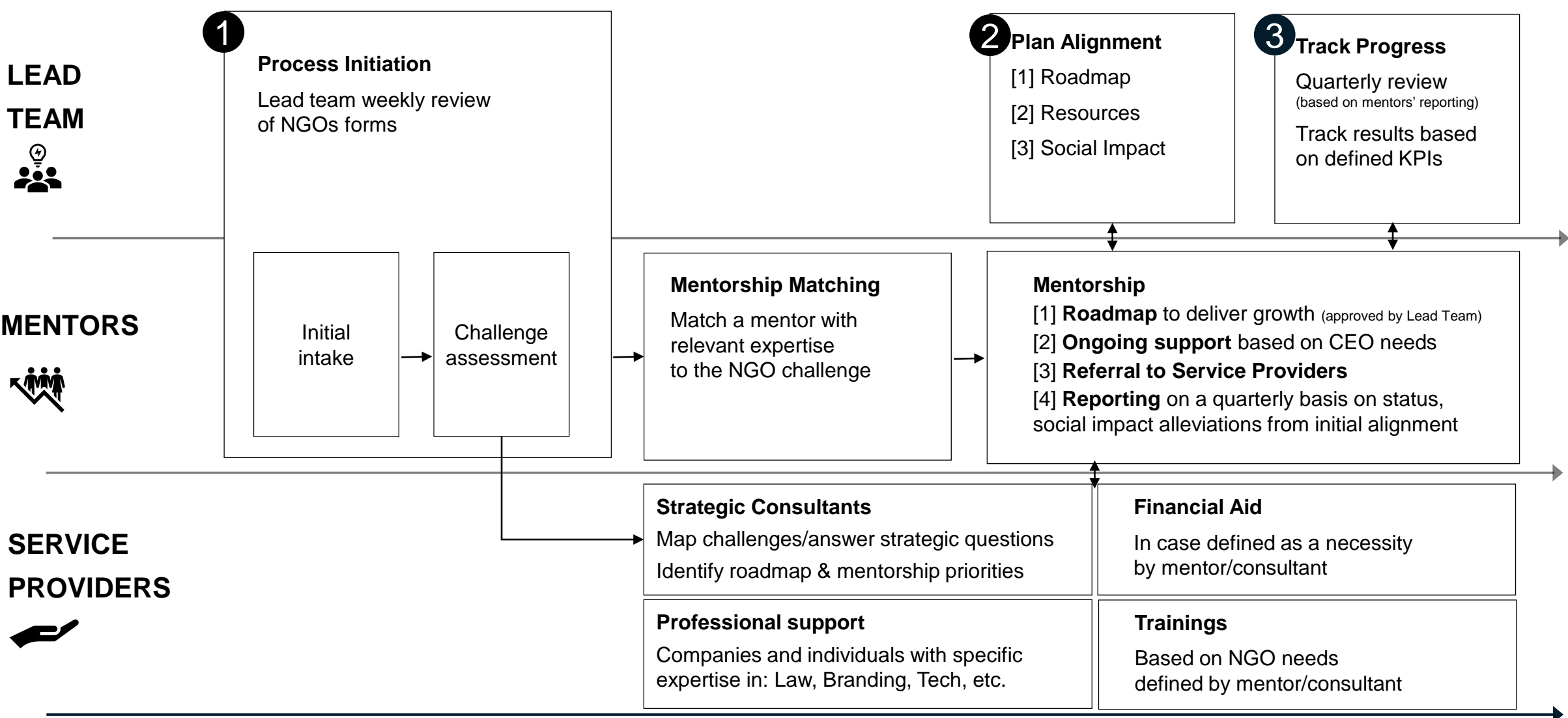
Organizational challenges

Relevancy of some organizations has been put in question, and there are challenges in “reigniting” impactful contributions to pre-crisis levels.

There is a need for new operating and leadership models.

NGOs must adapt quickly to this new reality.

NGOs facing the current crisis, and adapting to the new reality



Right now, NGOs should focus on their organization & mission, financial roadmap, and cashflow



Organization & mission

Take care of the NGO and its employees; work from home possibilities, benefits, contractors, sick pay, internal IT, etc.

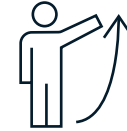
Understand needs of recipients of services in new context, evaluate what new emergency services might be required.



Financial roadmap

Understand the organization's finances; main challenges, and how much of budget is restricted.

Assess need for re-financing; options for short term including loans, lines of credit, grants, etc. Loans should be viewed as a way to make up for short-term revenue losses but not appropriate in all situations.



Improving cashflow

Determine what revenues can be counted on in the near future, and whether they can be accelerated or are likely to be interrupted.

Develop cost cutting options; go through the budget line-by-line and review what is required.

Review what new initiatives can be frozen; assess what obligations can be renegotiated (e.g., a temporary rent discount).

Identify areas to achieve government support.

Build an integrated cost/revenue model that focuses on cash flow to avoid running out of cash.

Later on, NGOs will need to work on re-stabilization by adapting offerings and restructuring



Adapt offerings

Assess the cost-revenue profile of each service in the new context to understand which services are “profitable” and which might need to be rescoped.

Develop a clear view of core services which could form the basis of a resized organization.



Restructure the organization

Review operating model to deliver the core with a smaller footprint, assess outsourcing, and partnering opportunities.

Identify key personnel truly critical to the future of the organization, and make sure they know you will do the utmost to retain them.

Optimize supply chain to account for COVID-19, fill any gaps, and negotiate better terms.

Communicate regularly with staff, recipients, and funders.

In parallel, NGOs should sustain and improve their relationships with funders

Stay close to funders

Show you care; reach out to see how donors are doing.

Enlist your top executives to communicate with donors. Donors want to hear a president or CEO perspective on the crisis, as well as their plans for moving forward.

Highlight your non-profit's expertise.

Show them how their contributions support efforts relevant to the COVID-19 crisis.

Adjust fundraising

Be strategic; **show how the crisis is an opportunity** to rethink objectives and the delivery model, while remaining faithful to the overall mission and vision.

Manage challenges around planned fundraising events; consider conducting them in a virtual format or offer to donate the ticket amount rather than reimbursing.

“The only way to get through to them is to focus on the relationship, and listen first. For those who want to help, we need to be near, dear and clear. Bring them in rather than leave them out, be more inclusive than ever. And be clear about what is truly needed now.”

– Ron Schiller

Preliminary analysis stage: highlight the main challenges and identify the resources needed

Focus on what has changed due to COVID-19.

Limit the discussion to how the organization has been affected by COVID-19.



Highlight 2-3 main challenges/opportunities

Synthesize the core challenges the organization faces due to COVID-19 that we can help with, and highlight any potential opportunities.



Identify needed resources

Identify the resources the organization will need to face challenges: financial aid, consult on legal, fundraising, PR, marketing.

Example

An NGO that works in the education ecosystem, and before COVID-19 relied heavily on revenue from school activities.

The education system has been closed and will not go back to normal in the near future, restricting this revenue stream.

The organization needs to either adjust their offering to make it relevant during this time, or identify new opportunities.

The organization will also likely need to significantly reduce expenses in the short term.

Mentorship with strategy on building focus.

Financial consultation; reducing existing expenses, and creating a cash flow model to ensure solvency.

Strategy and Outcomes

Leaders & mentors assess challenges and define strategic need

Strategic Stages	Outcome Required	Time Frame (estimated)	
Roadmap ahead	<ul style="list-style-type: none">• Analysis of current challenges• Assessment of opportunities & challenges• Recommendation for needed resources	1 week	~3 hours
Reshaping business model and financial plan	<ul style="list-style-type: none">• Definition of new business model• Support NGO in financial plan reflection• Roadmap to deliver the plan	Up to 2 weeks	~10 hours
Adjustments of business model	<ul style="list-style-type: none">• Definition of key changes needed in business model• Roadmap to make the adjustments	1.5 weeks	~5 hours