

Corporate Performance Management Helps Non-Profits Reach Their Social Purpose Goals

Strategies for prioritizing charitable initiatives

When managing a not-for-profit (NFP) organization, the goal is to serve a specific social purpose rather than to increase shareholder value. This makes effective performance management for NFPs just as important as in the for-profit world. NFPs with limited resources must spend every dollar to the greatest effect but without the right business

intelligence system, resources might be wasted or spent ineffectually on poorly prioritized initiatives.

There are several ways a good Corporate Performance Management (CPM) system enables NFPs to achieve their social purpose by using their resources more effectively.



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Easing the Pain, Cost of Budgeting

First, and probably universally in the NFP sector, is the budgeting process. To justify or even qualify for funding from different levels of government or charitable foundations, NFPs must get approval on detailed budgets. Preparing these budgets, even for relatively small organizations, is a time-consuming and error-prone activity that eats up weeks or months of time that management and finance staff could put to better use. It's not uncommon for finance teams to be all consumed by the budgeting process, forced to work long overtime hours for weeks on end.

Staff spend countless hours in back-and-forth efforts with department heads collecting the data to populate massive spreadsheets. Typically, these spreadsheets have dozens of linked workbooks. A flaw in one spreadsheet can contaminate calculations throughout. A crash of a different file can grind the entire budgeting process to a halt.

By comparison, NFPs that have implemented automated performance management systems report that one finance person can manage the budget in a fraction of the time a spreadsheet-based system used to take an entire team to do. The data is stable, and everyone can view a consistent, uniform budget without worrying about version control or introducing errors.

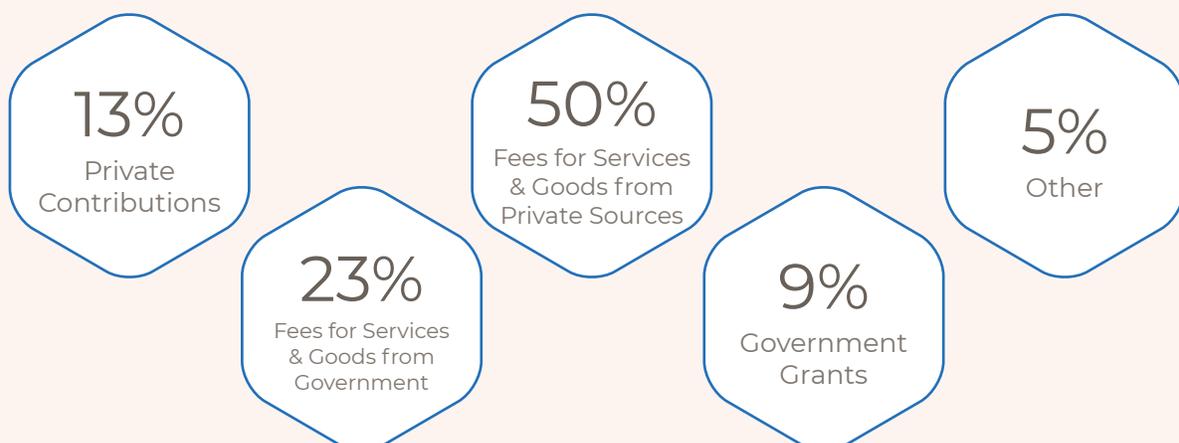
Operational Insights Enable Better Use of Resources

With the greater efficiency, accessibility, reliability, and accuracy of data in a performance management system, leaders can spend more time finding insights and prioritizing initiatives that meet the organization's mission. While NFPs aren't driven by a profit imperative, they are motivated to use resources in the most effective way possible.

For example, having the time and ability to find insights in operating data can enable an NFP to choose and prioritize programming. One program might cost more per recipient than the NFP gets in funding to deliver the program. That would mean the more successful the organization is in delivering the program – the more people it serves – and the deeper into the red it goes.

Conversely, another program may cost less to deliver than it is funded for, leaving the NFP with additional resources to apply elsewhere. Knowing the difference between net positive and net negative programs will also help the organization decide where to invest resources in pursuit of funding.

Non profit Revenue



Managing Assets

Just because an organization is a not-for-profit doesn't mean it can't collect and manage multiple streams of data. For example, an organization managing affordable housing units might use Salesforce software to manage complex regulatory and ownership structures. Public-private partnerships require precise tracking of assets, expenditures, return on assets, etc., all while adhering to multiple levels of government regulations. NFPs must comply with state and federal guidelines that include detailed restrictions on how, when, and where money can be brought into an organization, and how it can be used. It becomes even more complex when the organization operates in more than one country.

Doing all this in giant, inter-connected spreadsheets is a nightmare of complexity and risk. The process can tie-up asset managers in painstaking paperwork spirals, taking them away from managing the assets that are at the foundation of the organization's social purpose.



Implementation

Because CPM offers such a variety of performance enhancements to traditionally resource-constrained NFPs, it is important that implementation is aligned with the organization's abilities. NFP managers who have gone through the process advise a realistic approach.



“Crawl, walk, run,” said one, “it’s easy to get excited about defining every possible scenario and building lots of financial and forecasting models but that could be too much to bite off. You need to get your base structure in place, get that working and add from there. Be realistic.”

With a functional, realistic approach, adopting a proper Corporate Performance Management system reduces risk, increases efficiency, frees up resources and ultimately enables the NFP to work more effectively toward its social purpose.

About Prophix

Your business is evolving. And the way you plan and report on your business should evolve too. Prophix helps mid-market companies achieve their goals more successfully with innovative, cloud-based Corporate Performance Management (CPM) software. With Prophix, finance leaders improve profitability and minimize risk by automating budgeting, forecasting and reporting and puts the focus back on what matters most – uncovering business opportunities. Prophix supports your future with AI innovation that flexes to meet your strategic realities, today and tomorrow. Over 1,500 global companies rely on Prophix to transform the way they work.

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