

Set the Story Straight with a Financial Dashboard



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Take yourself back to college math class; perhaps you studied statistics or calculus. You may have been one of the lucky few who aced every exam, but more likely, you had trouble staying awake during lectures. Numbers can be boring, confusing, and overwhelming when you're not a math whiz. Still, nonprofit leaders require financial awareness and diligence to sustain their organizations' missions and operations. While you might prefer to pass finance to the CFO and never crunch numbers again, finance is truly a shared responsibility. Take part in writing and telling your nonprofit's financial story to generate momentum toward fiscal health.

Calculation Cornucopia: Too Much Math is a Bad Thing

Many nonprofits remain in a weak position with regard to fiscal literacy and engagement because they present financial data as a dull, mathematical maze. What are the contextual issues that lead to the sharing of cold calculations rather than a compelling financial story?

- **Lack of fiscal accountability** — When responsibility for financial management and fiscal oversight are left on the doorstep of the CFO or finance department, the members of the staff leadership team may start believing they are off the hook. And worse, board members may become disinterested in fiscal oversight. Statements such as “finance isn't in my job description” or “we've got a finance team, so I don't need to worry about money,” are cause for concern. Lack of shared accountability for financial planning, financial management and fiscal oversight heighten the risk of financial catastrophe.
- **Silos between programs or departments** — Many of our nonprofit clients experience avoidable conflict caused by the fundraising and spending patterns in the organization. Each program covets the money raised or earned from its mission-related work, and programs or departments that generate less than they spend or no resources at all may be viewed as leeches. The lack of a shared vision for spending can lead to unhealthy competition between programs within an organization. Warring operations result in workplace tension, program instability, and selfish budgeting.
- **Poor fiscal oversight by the board** — It's plain and simple: if financial presentations are not engaging, board members may lose interest in providing fiscal oversight. Similarly, if financials are confusing or board members lack finance experience, fiscal stewardship may take a backseat at the board meeting.

Tell a Compelling Financial Story

As you may have heard, ‘dashboard’ is the new buzzword in the nonprofit finance arena. A financial dashboard is a tool for inspiring greater fiscal awareness and enthusiastic participation in fiscal oversight. Awareness and

participation are essential to identify and address short-term and long-term financial challenges. A typical dashboard consists of a set of dials, images or charts that depict various financial results. For example, one chart may illustrate the organization's progress in reaching a specific goal (e.g., a fundraising target for the fiscal year), while a second chart could illustrate Working Capital and Debt to Asset Ratios. Yet another image could illustrate how many months of cash a nonprofit has in reserve. The number of images in the dashboard and what they show is limited by your imagination! While a dashboard can be an effective tool, it must be created thoughtfully and with an audience in mind. Develop your dashboard with these strategies as a backdrop:

Financial Storytelling at its Finest

- **Define the target audience**— Before you select metrics or data to include in a dashboard, it is imperative to understand your audience. A dashboard for the finance committee of the board may be very different from one created for a group of staff members. Consider how a dashboard's purpose may vary depending on the audience. What are you trying to accomplish with your dashboard? Possible goals include, but aren't limited to:
 - Increase general awareness of specific aspects of fiscal health
 - Illustrate potentially mission-threatening trends on the revenue or expense side of the budget
 - Provide context for goal setting
 - Communicate progress and success
 - Provide a common platform for interpreting financial data

No matter the purpose, remember that your audience will not listen to a financial story that isn't entertaining. Brainstorm about your audience's interests and the metrics they care about measuring. And remember to design your dashboard with your audience's financial expertise, or lack thereof, in mind.

- **Customize your dashboard** — There is no formula or perfect template for dashboard design. The best dashboards present information in a manner that suits the culture of the organization. Some dashboards look through a strategic, wide-angle lens while others focus on the operational metrics of a specific program. Dashboards may present real-time data, snapshot data to capture a single moment, or historical data to help forecast future results. Your dashboard may encourage discussion by highlighting results that are inconsistent with projections, or prompt discussion about the validity of various measures of fiscal well-being.
 - **Actionable** — Share metrics that relate to measurable goals. Goal-based metrics are especially important when responsibility for goals has been assigned to specific staff members or teams.
 - **Shared interpretation** — The most powerful metrics have shared meaning among those that use them. Rather than highlighting numbers or ratios that only the CFO comprehends, focus on telling a story that will be readily understood by those with financial backgrounds, as well as those without.
 - **Transparent** — Select metrics whose sources are credible and easy to understand. If the source of the data on a diagram or chart isn't readily apparent, include a footnote to explain where the comparison or information came from.
 - **Compelling** — People love numbers that link back to the mission of a nonprofit. Consider choosing metrics that tie back to specific goals in your strategic plan. Use your fiscal dashboard to remind leaders what big-picture strategies your teams are focused on and report the progress that has been made. Fiscal dashboards can be an important tool in telling your nonprofit's financial story, but they leave much to tell. Consider implementing these practices at your nonprofit to continue developing the story.
- **Discriminate between data**— Data can be illuminating, confusing, helpful or not. An effective dashboard includes information that helps leaders understand the financial status, health and challenges of the organization. Ask yourself which data will promote thoughtful discussion about the fiscal goals and results of the nonprofit. Aim to share metrics with the following qualities:
- **Instill a culture of shared fiscal accountability** — Make it known that although the CFO drives financial management, all staff members share responsibility for pieces of the finance puzzle. Many nonprofits require program directors to develop individual budgets, or allow certain operations to fundraise and spend independently. If this is the case at your nonprofit, require leaders to attend quarterly financial meetings led by the CFO or finance director. Sitting face to face offers an opportunity to develop a shared financial vision and discuss ways to improve budgeting and financial reporting. Encourage staff to view funds as a large pot that sustains the nonprofit as a whole, rather than distinct sums that belong to specific programs.

- **Cut programs that repeatedly bleed funds** — Many of us cannot bring ourselves to make the necessary decision to cut a failing program. Even when a program has hemorrhaged money for years, our heartstrings want to protect it from the guillotine. To practice true financial stewardship, nonprofit leaders must view the organization as a whole, not in parts. One failing program could put undue pressure on or limit the chances for success and growth in other areas. Today's nonprofit leaders must have the courage to recognize when a program's instability becomes unbearable, or when the historical need for that program dissipates.
- **Share your dashboard publicly** — Most fiscal dashboards are internal resources presented to staff and board leaders to measure progress toward goals. A new trend among progressive nonprofits is to share fiscal dashboards with the general public, including donors and the media. Dashboard-sharing has its perils, including the danger of inviting public scrutiny for which you are unprepared, or the risk of sharing information the nonprofit has every right to keep to itself, but the benefits may be greater. Consider the possible benefit of being able to show an example of bringing your promise of transparency to life. Making your fiscal dashboard public could also inspire greater ownership of fiscal goals and outcomes among staff who realize that the whole world may be watching.