

NONPROFIT SUSTAINABILITY

Understanding and Changing Your Business Strategy



Jan Masaoka



Blue Avocado online magazine

- Unconventional, practical, fun
- For community nonprofits
- Finance & strategy, Ask Rita in HR, Board Café, *First Person Nonprofit*, 3-Minute Vacations and more
- Like public TV: free to read, but there are pledge breaks



JEANNE BELL
JAN MASAOKA
STEVE ZIMMERMAN

NONPROFIT SUSTAINABILITY

MATRIX MAP
ANALYSIS

DECISION MAKING

THE SUSTAINABLE NONPROFIT
BUSINESS MODEL

Making Strategic
Decisions FOR
Financial Viability

MATRIX MAP
ANALYSIS

DECISION MAKING

THE SUSTAINABLE NONPROFIT
BUSINESS MODEL



Agenda

- What is a business model? Strategy?
- Impact & finances; mission & money
- Charting and analyzing your current business model
- Strategic imperatives
- A sustainable portfolio/strategy





- Lower cost goods, mid- to upper-middle consumers
- Lots of free parking
- Newsprint inserts in newspapers



- High-priced, higher-income customers
- Downtown and high-income mall locations
- Full-color catalogs mailed to high-income zip codes



All too frequently heard...

Social media

Product sales

Look what THEY' RE doing!
We should do that!

Benefit Concert

Online auction

Yeah!

Walk-a-thon

Fees-for-service



Different strategies, both successful:

\$229 ea (Value \$309.00)
 500 featured apps + 100 TV channels
 Built-in DVD player

56cm
\$549
 Save \$150

68cm
\$309
 Save \$90

Kodak camera bundle \$129
 Total value **\$153.95**

Hard drive bundles
 Total value **\$139.95**
 Total value **\$164**

149 (Value \$199.00)
 Includes: 2 MP camera, 3.2" LCD screen, 100x zoom, 6MP resolution

199.00
 Includes: 10 MP camera, 3" LCD screen, 3.2" LCD screen, 10x zoom, 12MP resolution

It's smart to be frugal

\$229 (Save \$50)
 14-DVD Home Theatre System
 500 featured apps + 100 TV channels

50.00
 Includes: 1.5MP camera, 2" LCD screen, 10x zoom, 2MP resolution

59
 Includes: 2MP camera, 2" LCD screen, 10x zoom, 2MP resolution

89
 Includes: 2MP camera, 2" LCD screen, 10x zoom, 2MP resolution

75 (Save \$24.00)
 Includes: 1.5MP camera, 2" LCD screen, 10x zoom, 2MP resolution

\$649 (Save \$100)
 Includes: 2MP camera, 2" LCD screen, 10x zoom, 2MP resolution


THE FESTIVAL OF FRUGAL

Special offer: Buy 2 or more selected items, save 10% off total value.

THE SECRET KEY IN STORE
 JUNE 23RD TO JULY 5TH

SPECIAL PROMOTION EVENT!
 Buy 2 or more selected items, save 10% off total value.

WILLIAMS-SONOMA



Savoring France
 Enter to win a year's worth of French food. Free shipping on orders over \$100.

A PATRIOT FOR GOOD

SEPT 2008

WILLIAMS-SONOMA

Savoring France

When I took my first extended trip to Paris in 1971, I missed my high off-walling food and restaurant scene and wanted an important lesson. I was inspired by the way the French prepared, served and ate their food with such ease and enjoyment. And Jay Buffel has captured the same atmosphere of French leisure and the convenience of their eatery in his new Savoring France collection. Join Savoring France. Don't you just love the slow food?

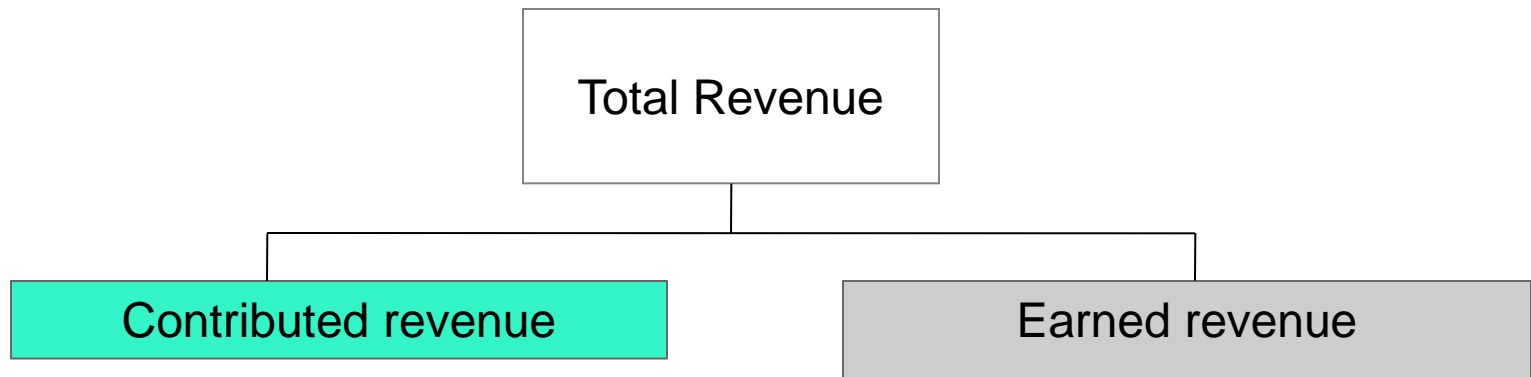
If you enjoy French dining at home, you'll love to enjoy it in France. We invite you to enter to win a Williams-Sonoma Culinary Experience™ to France's highest-rated restaurant, the five-star, Michelin-starred, Le Cheval Blanc, in the heart of Paris, and more. In the accompanying company of leading chefs and Robert Cavallari at La Comtesse in Paris, you'll enjoy a hands-on cooking class with cookbook author Loren Brada, visit to food artisans, markets and restaurant and accommodations in the countryside. To enter, see the back cover for details. Official rules appear on our website. Bonne chance!

Chuck Williams
 Founder, Williams-Sonoma

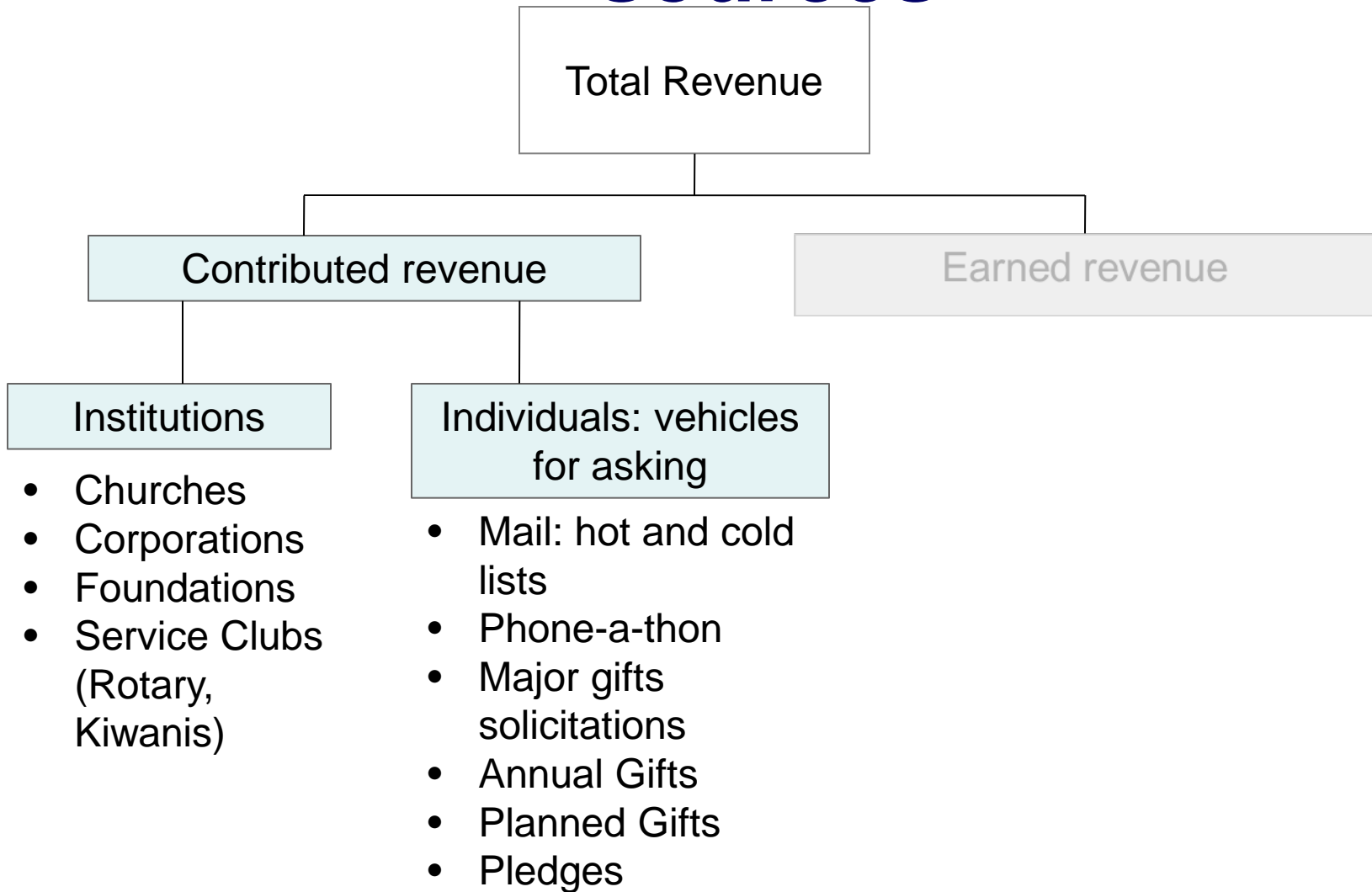
SEPT 2008



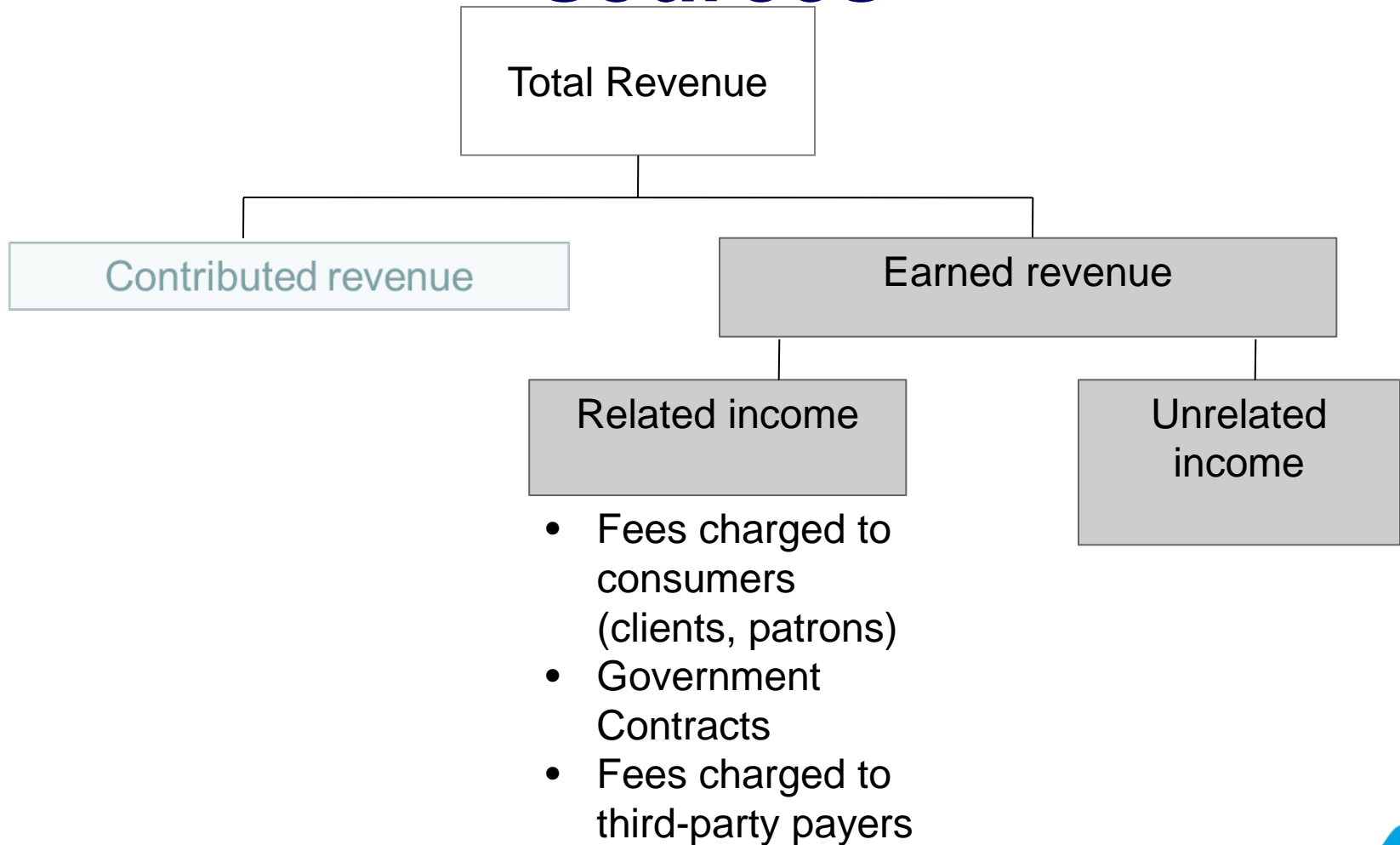
Revenue types & sources



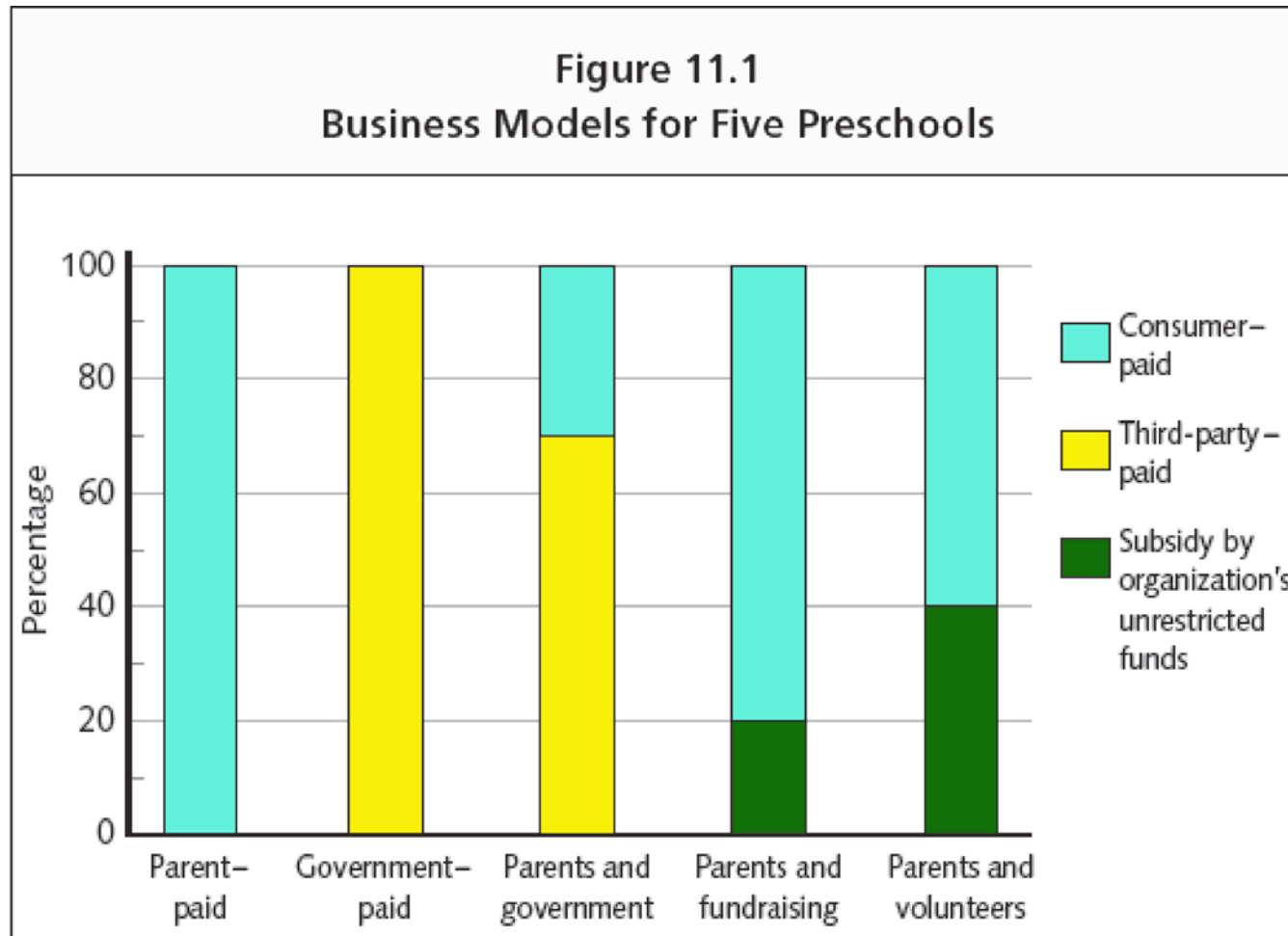
Revenue types & sources



Revenue types & sources



Different business models, same mission:



The Nonprofit Business Model

- Every organization has one, whether you know it or not.
- Explains how a nonprofit generates and allocates revenue to accomplish its mission and remain financially viable.
- Nearly all nonprofits today are hybrids, combining earned income with donations.
- Business models change over time.
- Businesses with the same services can have different business models.



Dual-Bottom Line Strategy

Each activity has two kinds of impact:

- Mission impact (external) and
- Financial impact (internal)

So a strategy for sustainability must be a strategy that combines both kinds of impact.



Nonprofit Business Models

Instead of strategic plans that are different from a fundraising plan or business plan:

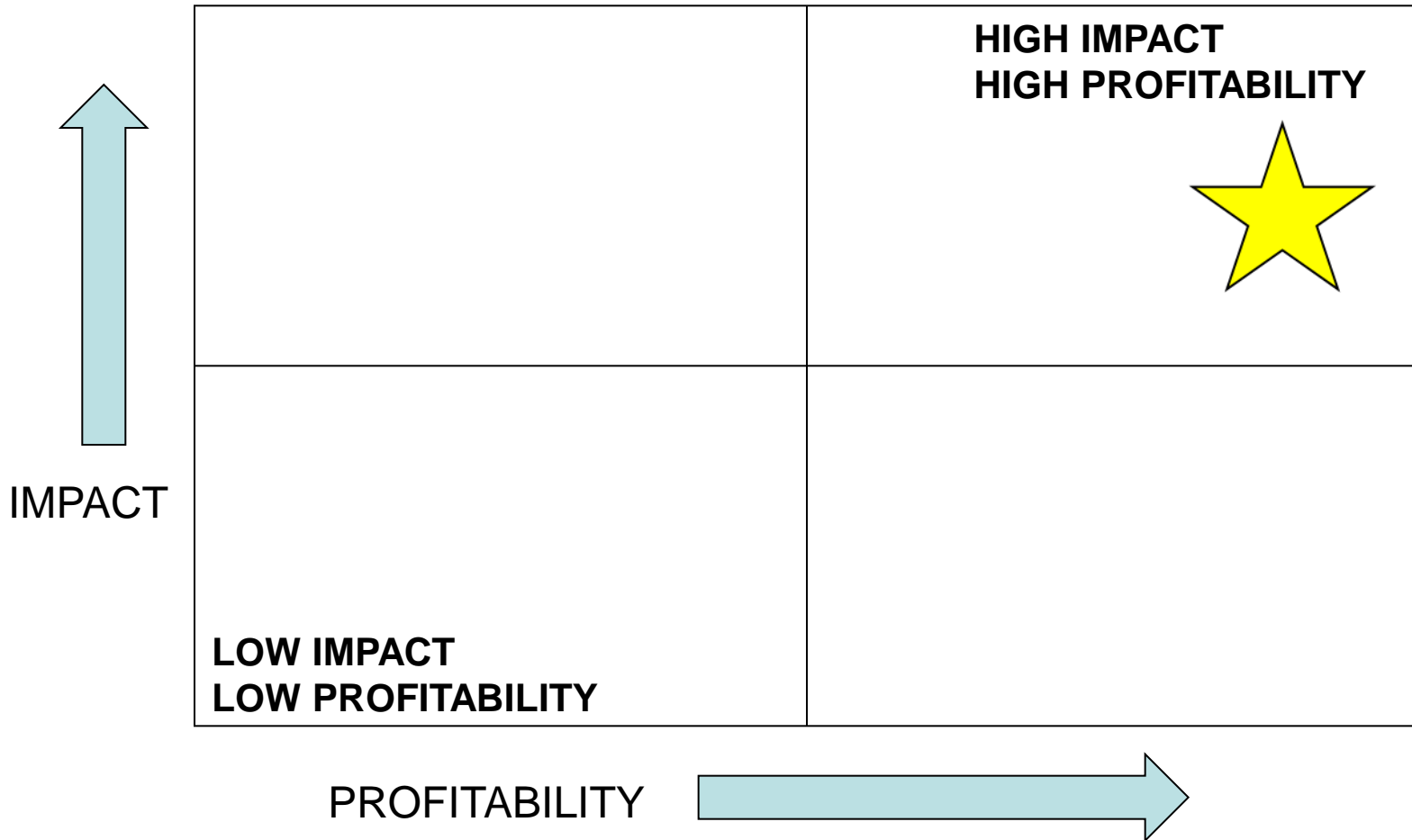
- Must consider financial viability and mission impact *together*

Instead of considering activities individually:

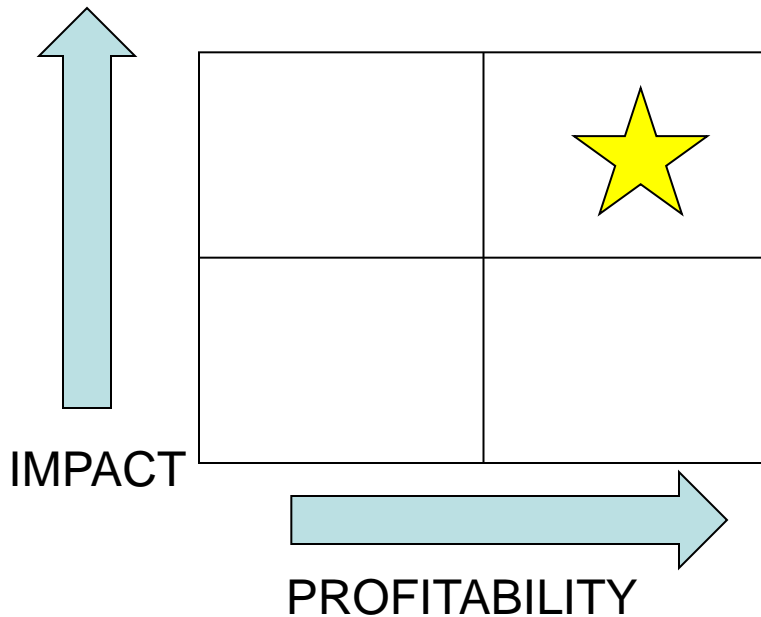
- Are about how activities fit together and leverage each other



Matrix Map



Stars



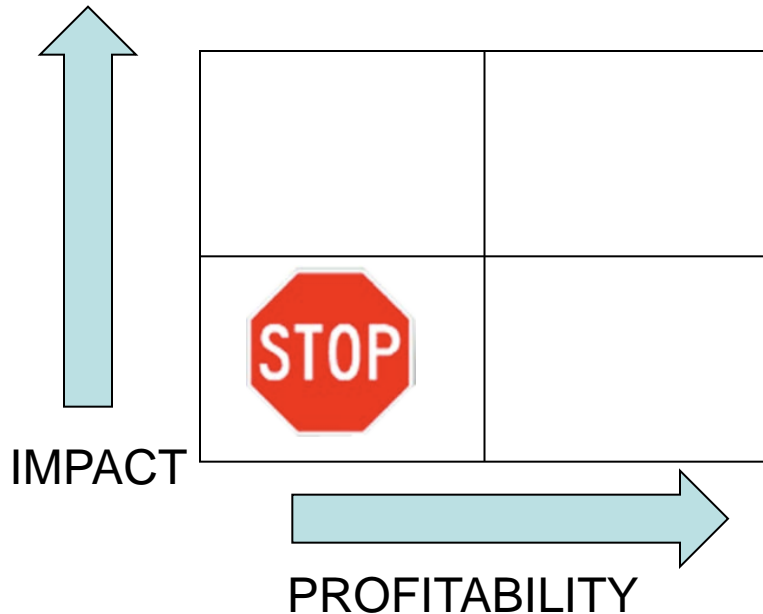
**HIGH IMPACT
HIGH PROFITABILITY**

Examples:

- Important, foundation-funded program
- Fee-for-service program that makes money
- Annual mail donations campaign
- ?



Stop Signs



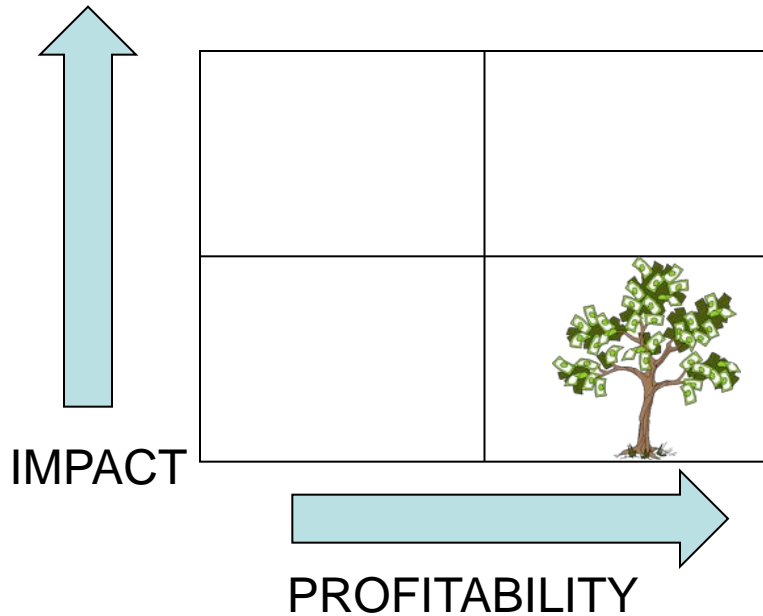
**LOW IMPACT
LOW PROFITABILITY**

Examples:

- Little-used Resource Library
- Program that used to have funding
- Stale fundraising event
- ?



Money Trees



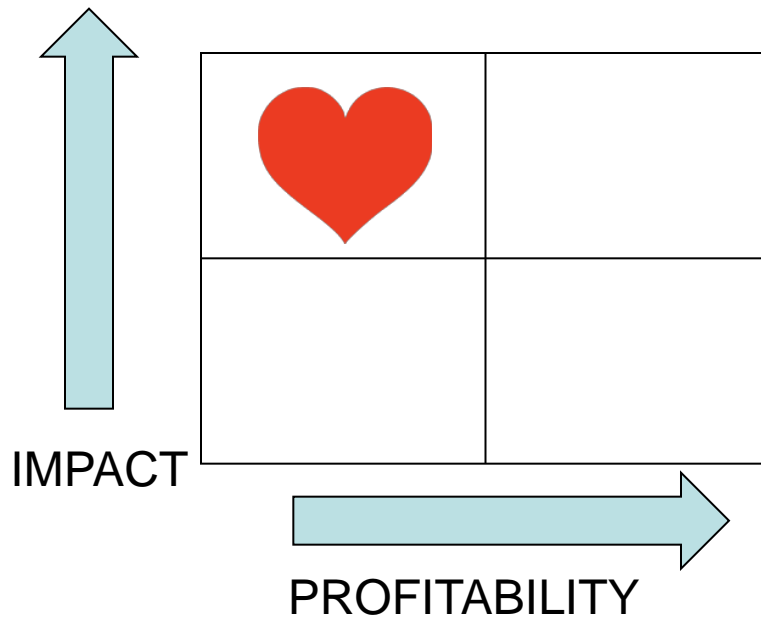
LOW IMPACT (other than money raised)
HIGH PROFITABILITY

Examples:

- Martini parties
- Luncheon
- Raffle tickets
- ?



Hearts



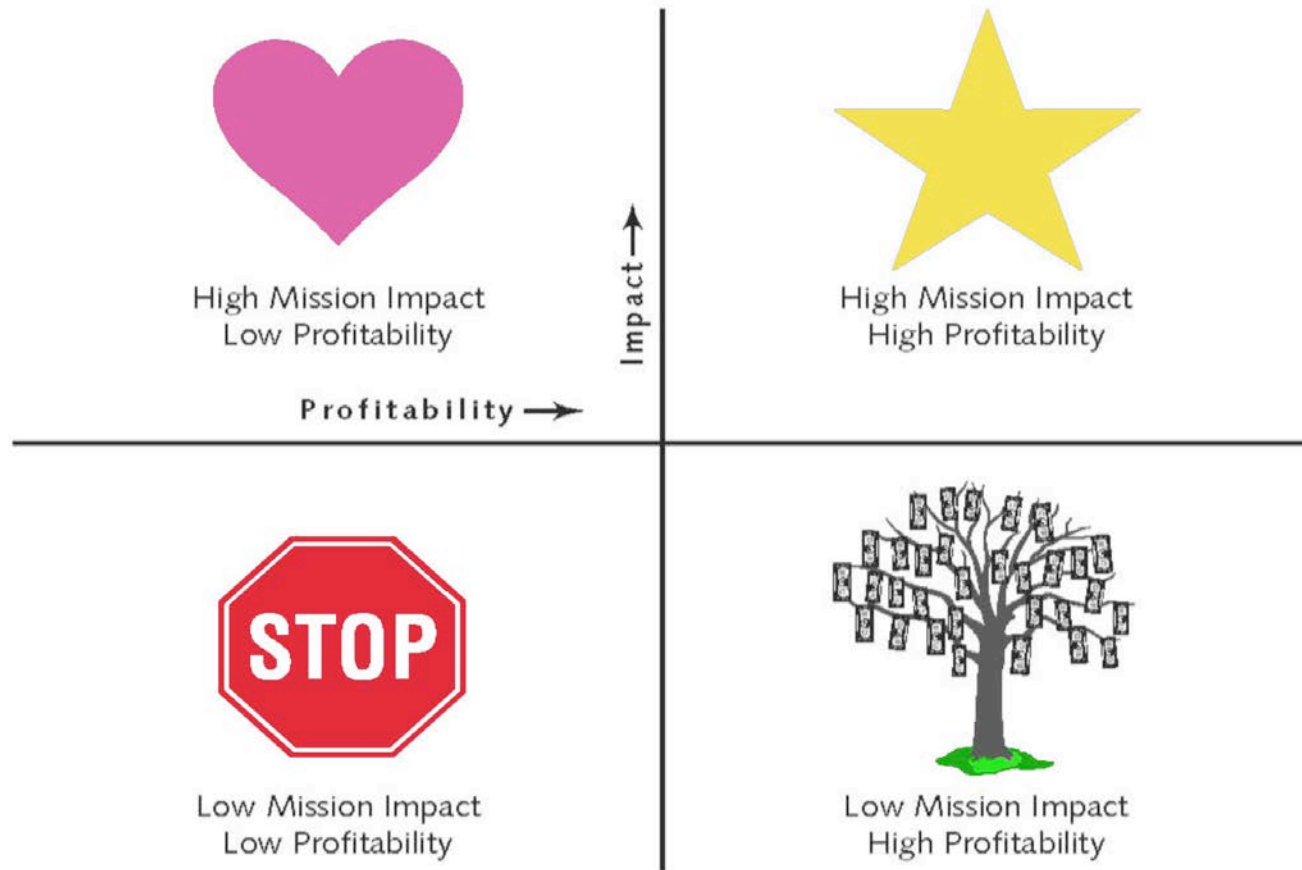
**HIGH IMPACT
LOW PROFITABILITY**

Examples:

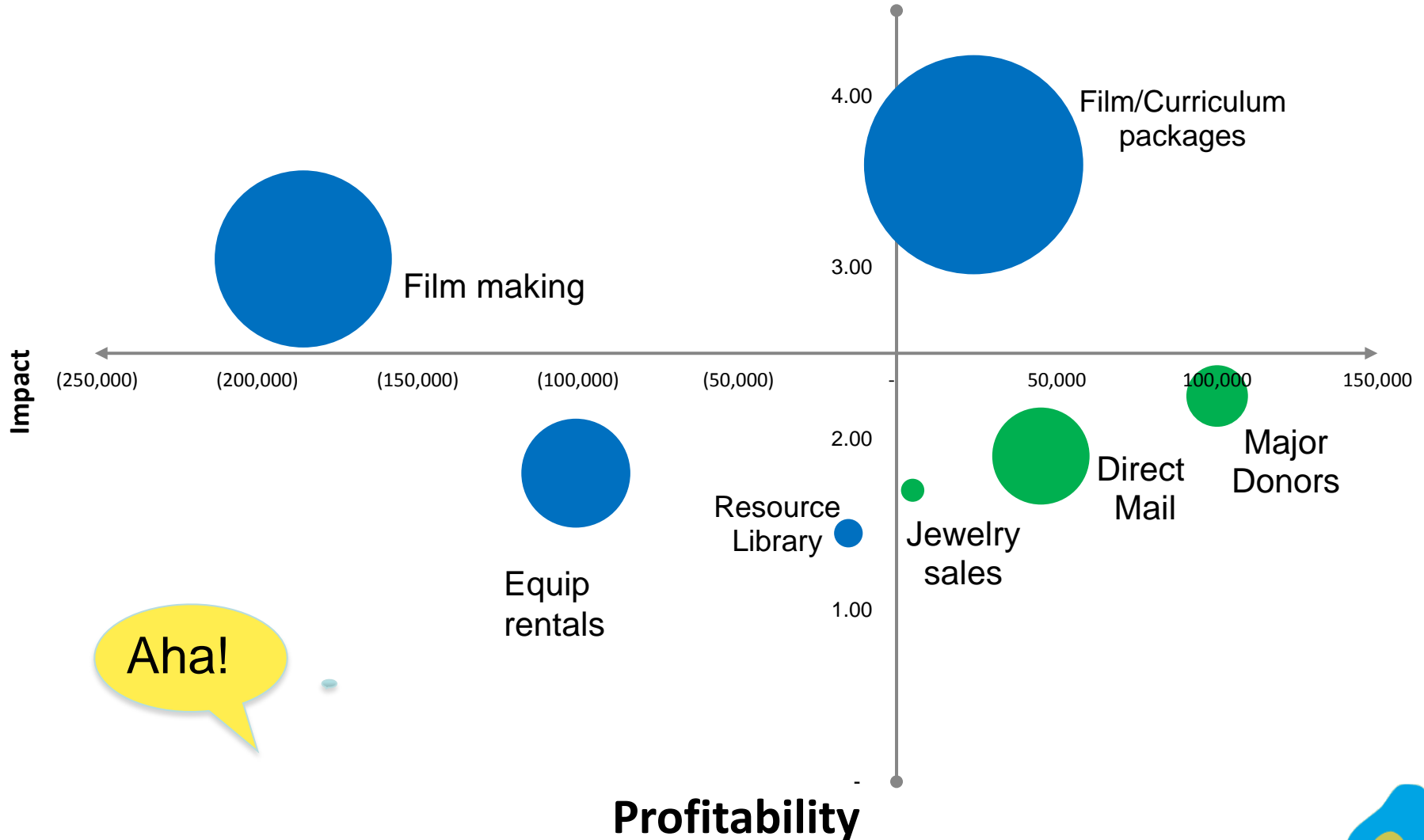
- Advocacy at state level
- Taking children to see parents in prison
- Show of experimental art
- ?



The Matrix Map



A single compelling image



Variables for Excel Sheet

Business line	Profitability	Impact Rating	Expenses
Early childhood	\$5,000	3.1	\$180,000
Facility rental	(\$12,000)	4.0	\$25,000
Citizenship	\$18,000	2.8	\$90,000
Foundations	\$80,000	1.5	\$20,000

Note: Assign restricted revenues to the business lines to which they are restricted. Assign unrestricted revenues to the vehicle that brought them in (in the above case, foundations).



Relative Impact

Examples of criteria:

- Alignment with core mission
- Excellence in execution
- Scale or volume
- Depth
- Filling an important gap
- Community building
- Leverage



Example

Criteria	1. Alignment with Core Mission: How much does the activity align with our core mission?	2. Excellence: To what degree does the activity reflect the best work we do?	3. Fills an Important Gap (FIG): To what extent is this important, and the only one of its kind available to the community?	4. Community & Constituency Building: To what degree does this build the movement in which our organization works?
Environmental Education	4	4	3	2
Restoration & Reforestation	4	3	1	4
Nursery	3	1	1	2
Resource Library	2	1	1	2
Direct Mail	2	2	1	3
Major Donors	2	3	1	3
Annual Event	1	2	1	2
Site Rentals / Birthday Parties	2	2	1	1



Determining Profitability

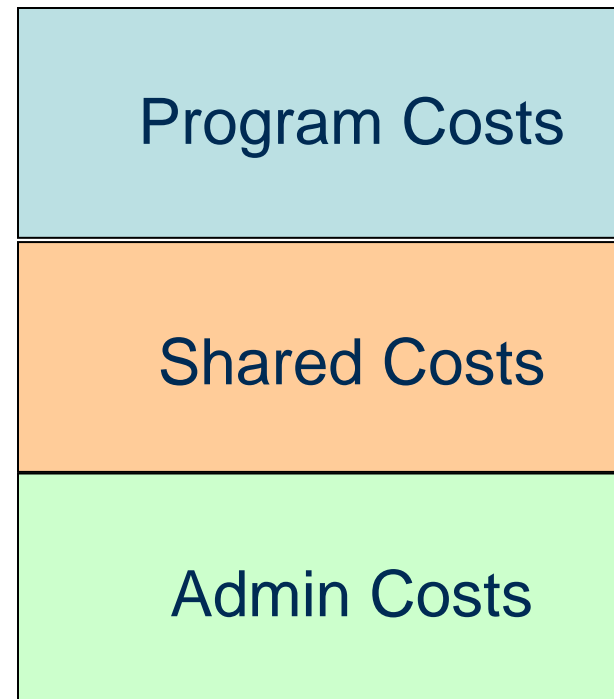
Revenue

- Assign restricted and generated revenues to each business line



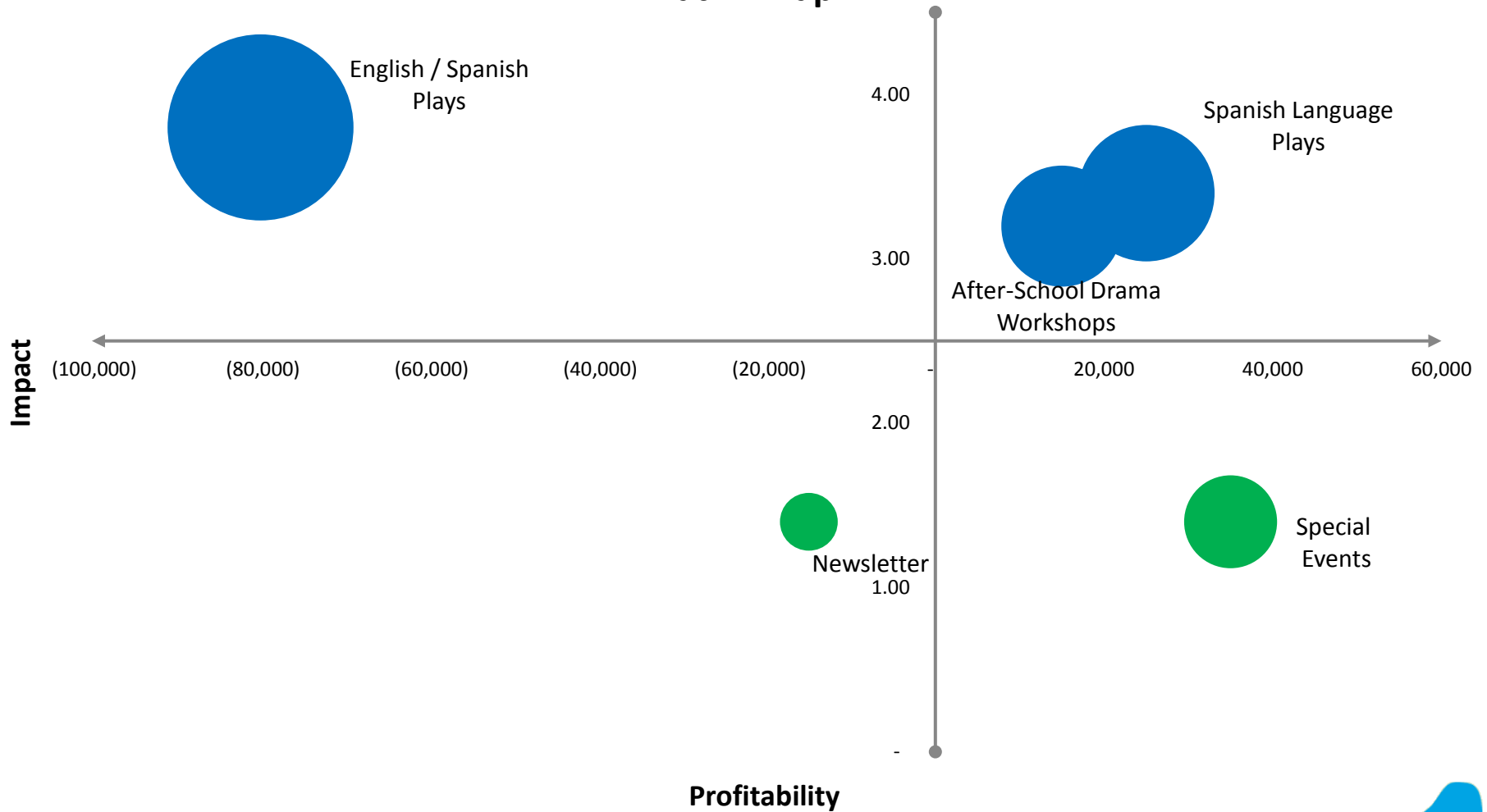
Expenses

- Include full costs:

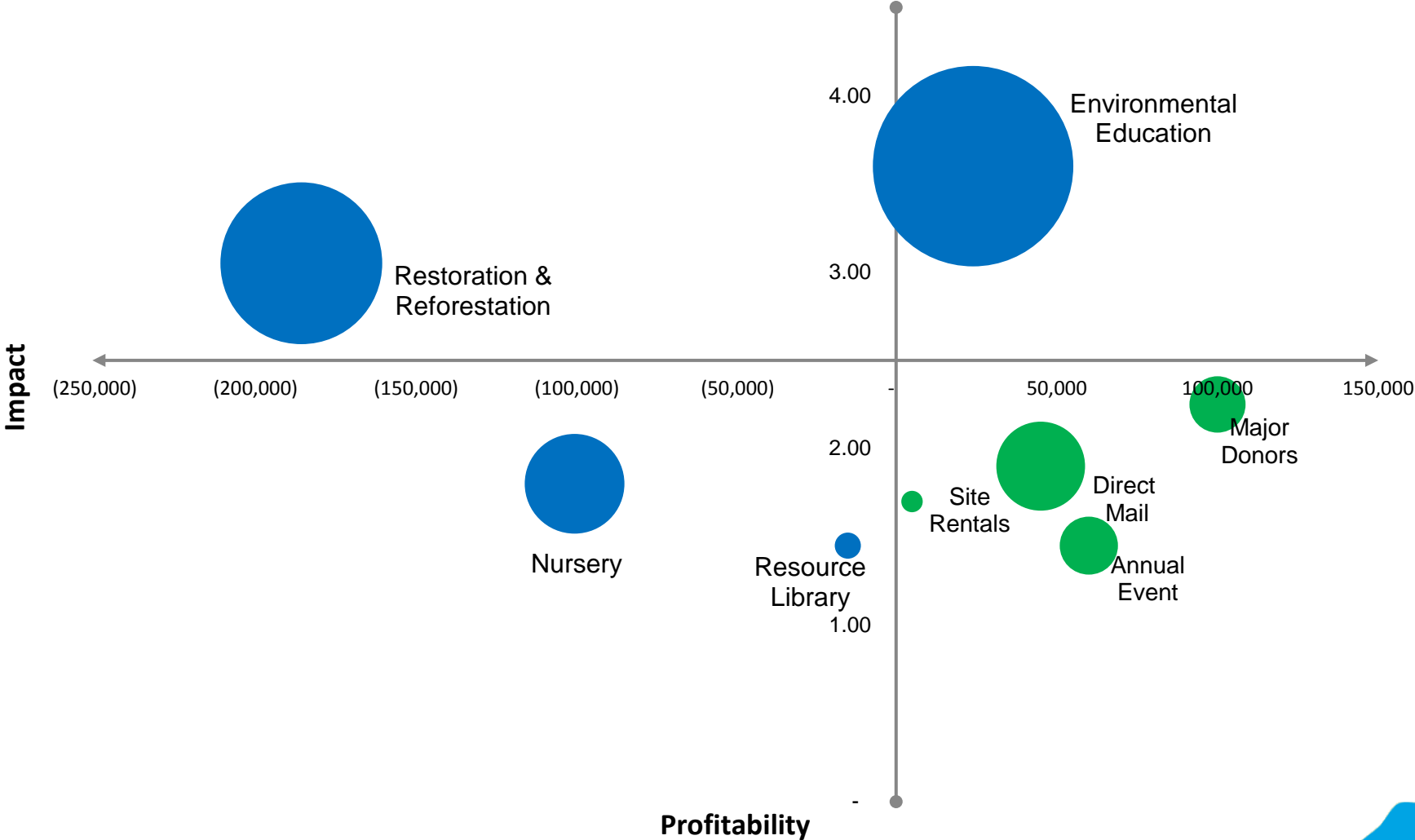


Community Theater

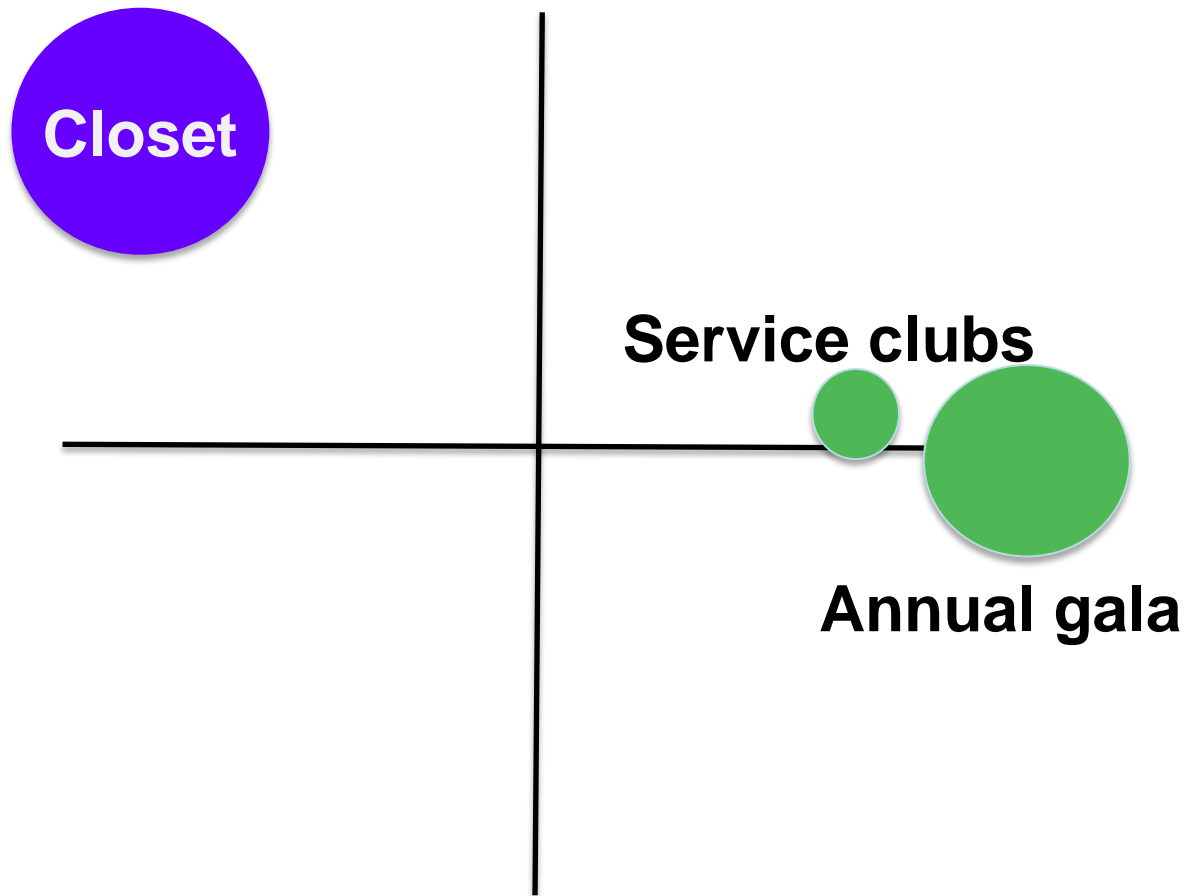
Matrix Map



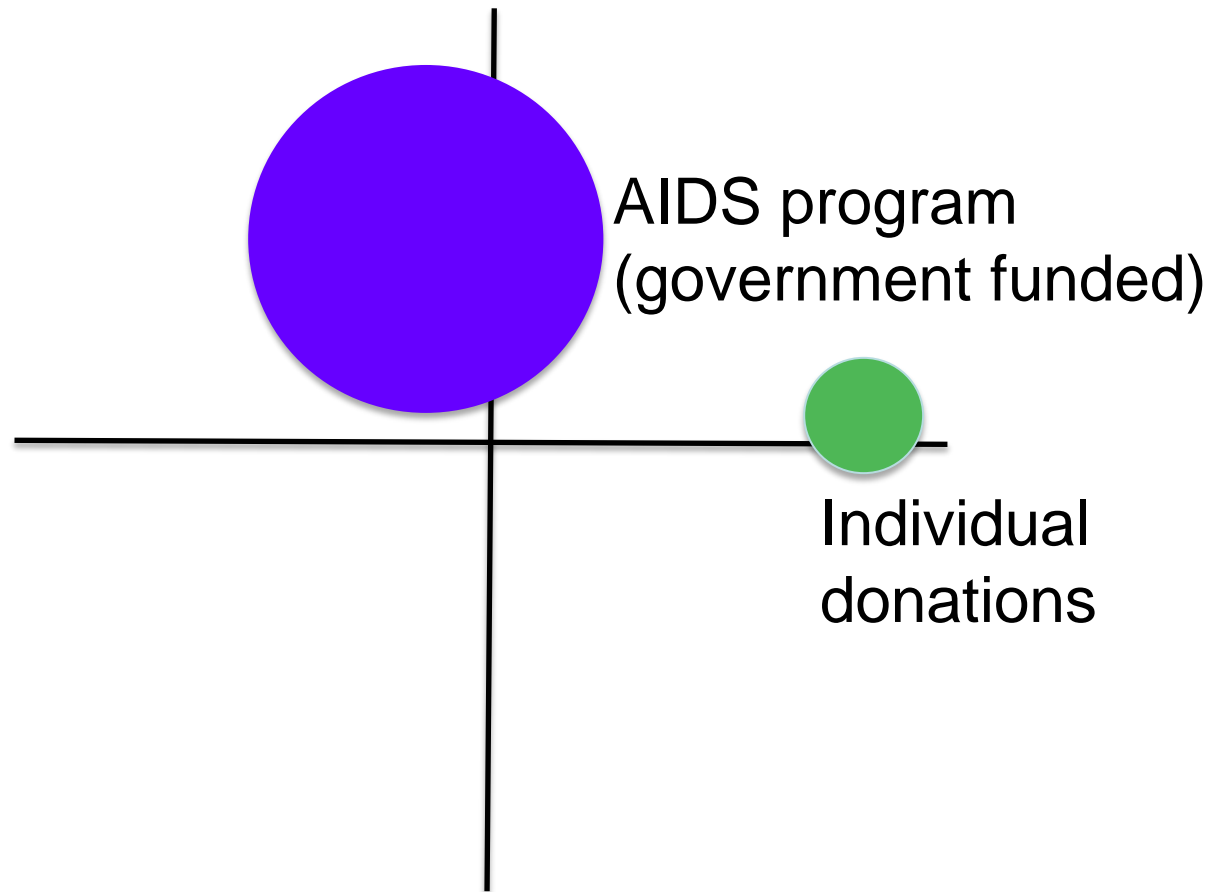
Everest Environmentalists Matrix Map



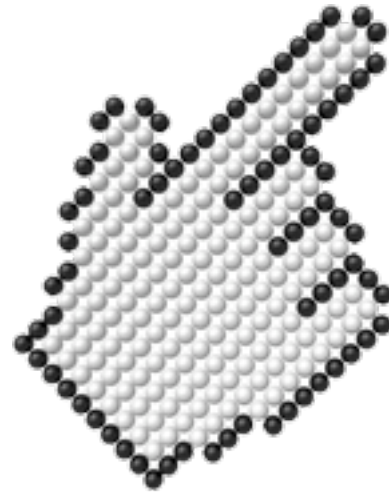
Career Closet Nonprofit



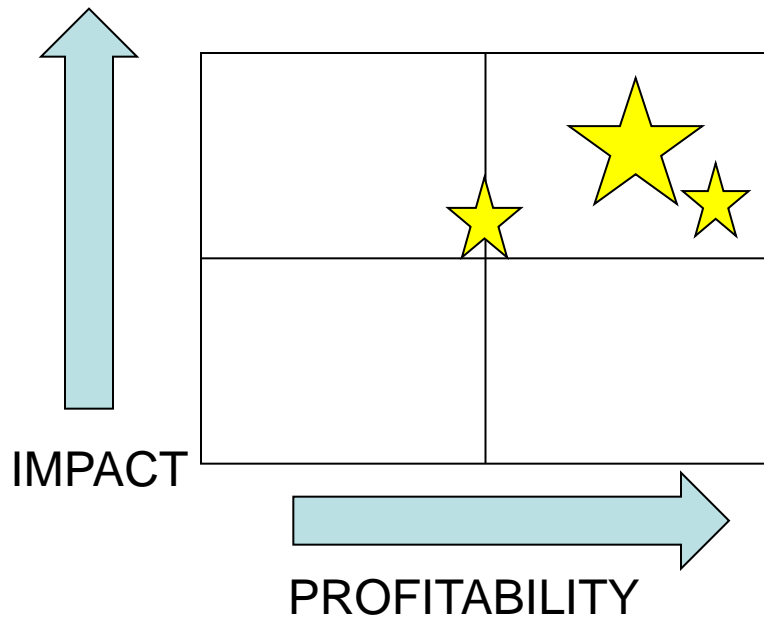
Rural AIDS Nonprofit



The Strategic Imperatives



Strategic Imperatives for Stars



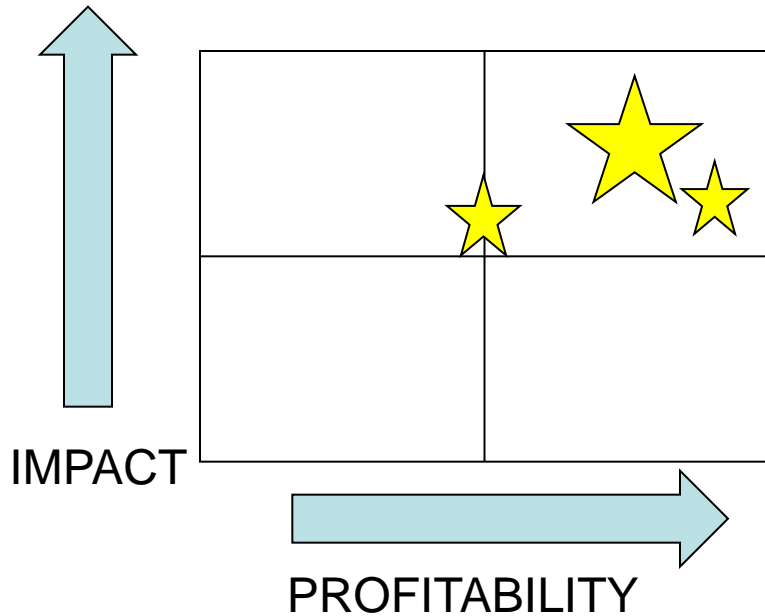
**HIGH IMPACT
HIGH PROFITABILITY**

Instead of

- Taking it for granted . . .
- Not involving board . . .
- Turning your attention to problem areas . . .

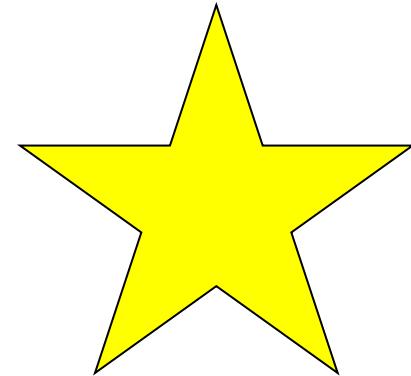
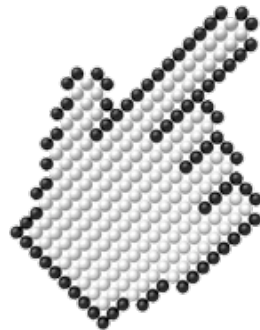


Strategic Imperatives for Stars

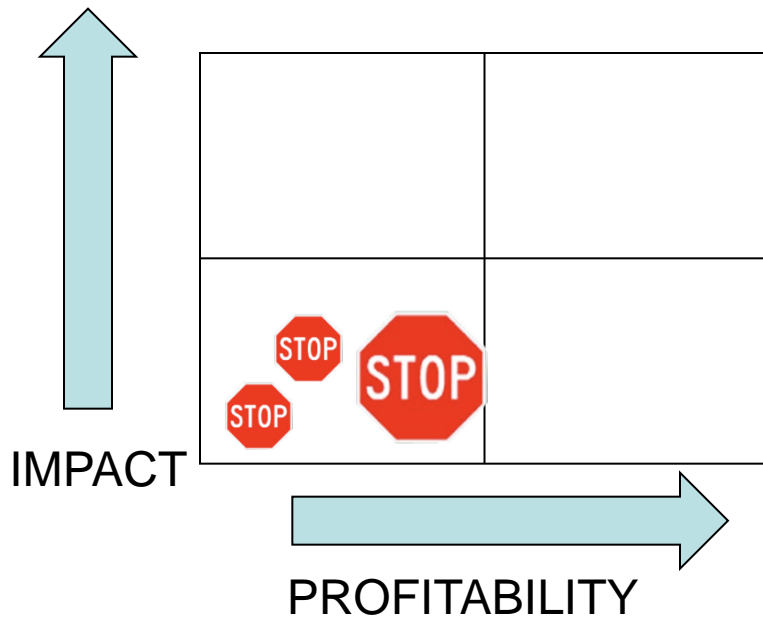


**HIGH IMPACT
HIGH PROFITABILITY**

Pay attention.
Keep it a star.
Make sure the board
is involved.
Invest time and
money.
Grow it.



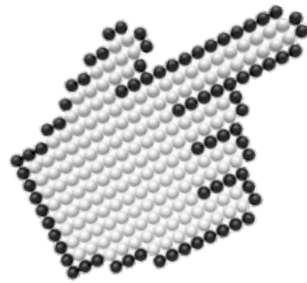
Strategic Imperatives for Stop Signs



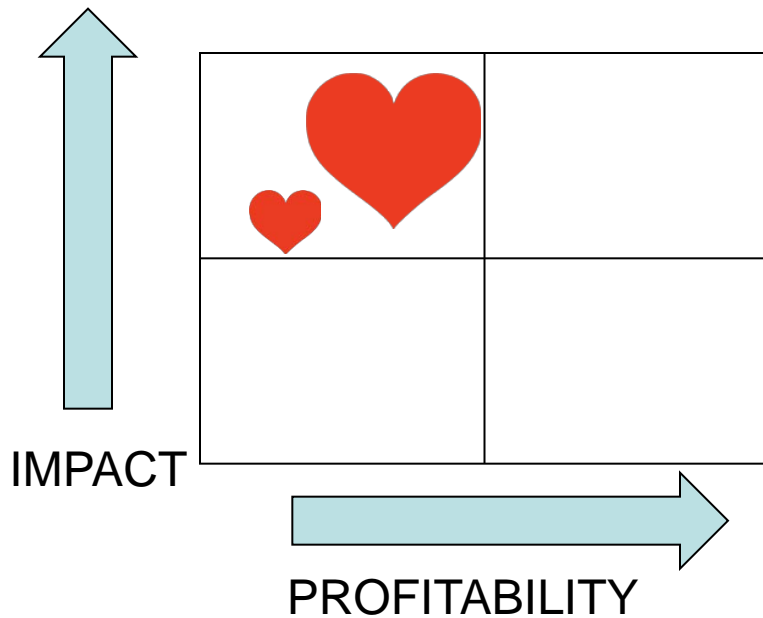
**LOW IMPACT
LOW PROFITABILITY**

Instead of:

- Trying once again to improve it...
- Not thinking about it...
 - ✓ **Spin it off to another organization**
 - ✓ **Close it**



Strategic Imperatives for Hearts

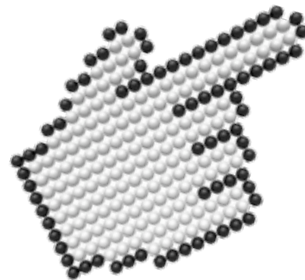


**HIGH IMPACT
LOW PROFITABILITY**

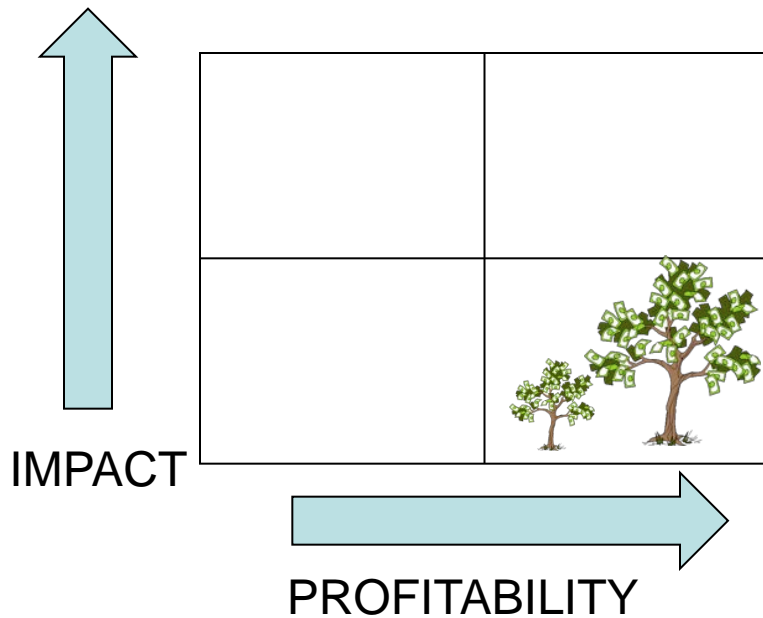
Instead of

- Closing it because it's not breaking even . . .
- Making it a Sacred Cow that can't be criticized . . .

- ✓ **Keep it. Celebrate it.**
- ✓ **Contain the costs.**



... for Money Trees

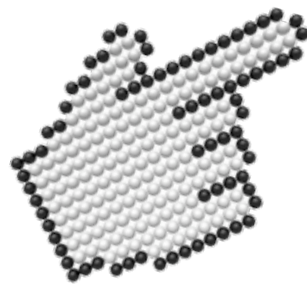


**LOW IMPACT
HIGH PROFITABILITY**

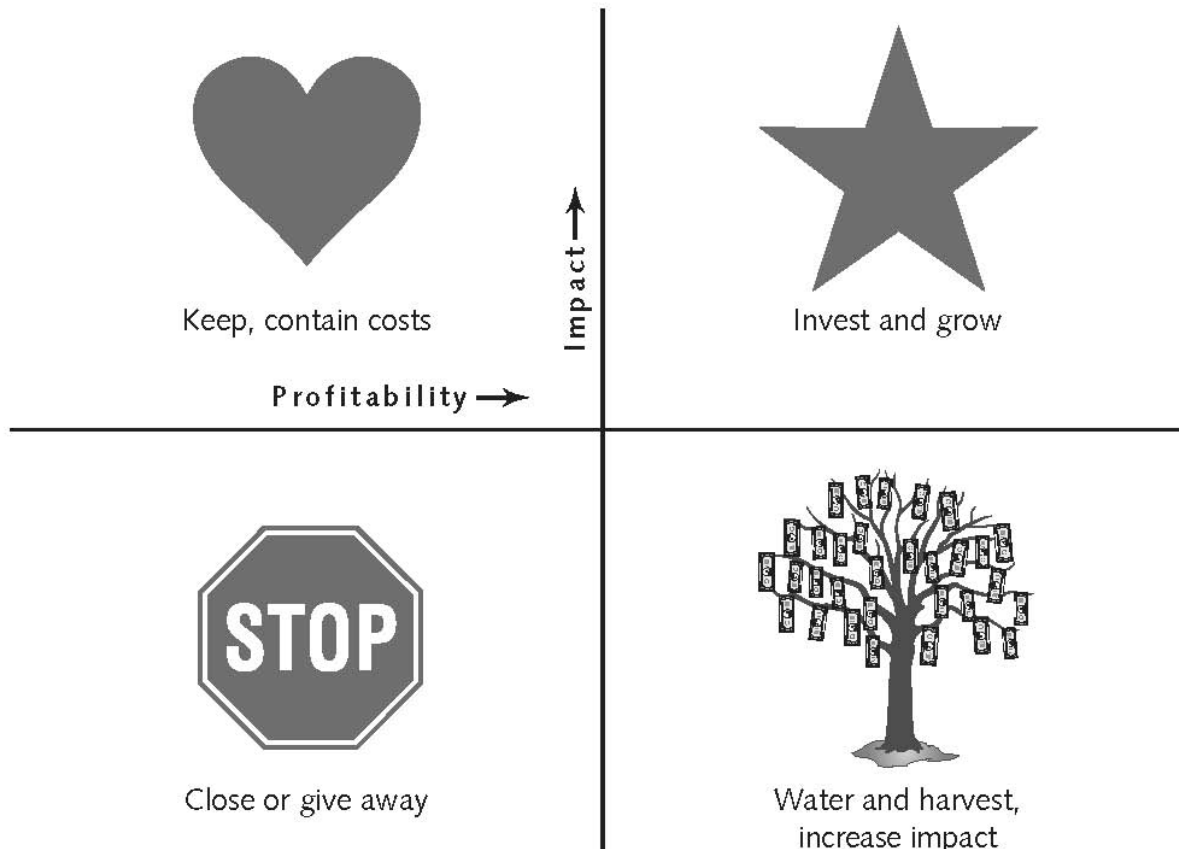
Instead of

- Giving it second class status
- Keeping it separate from programs . . .

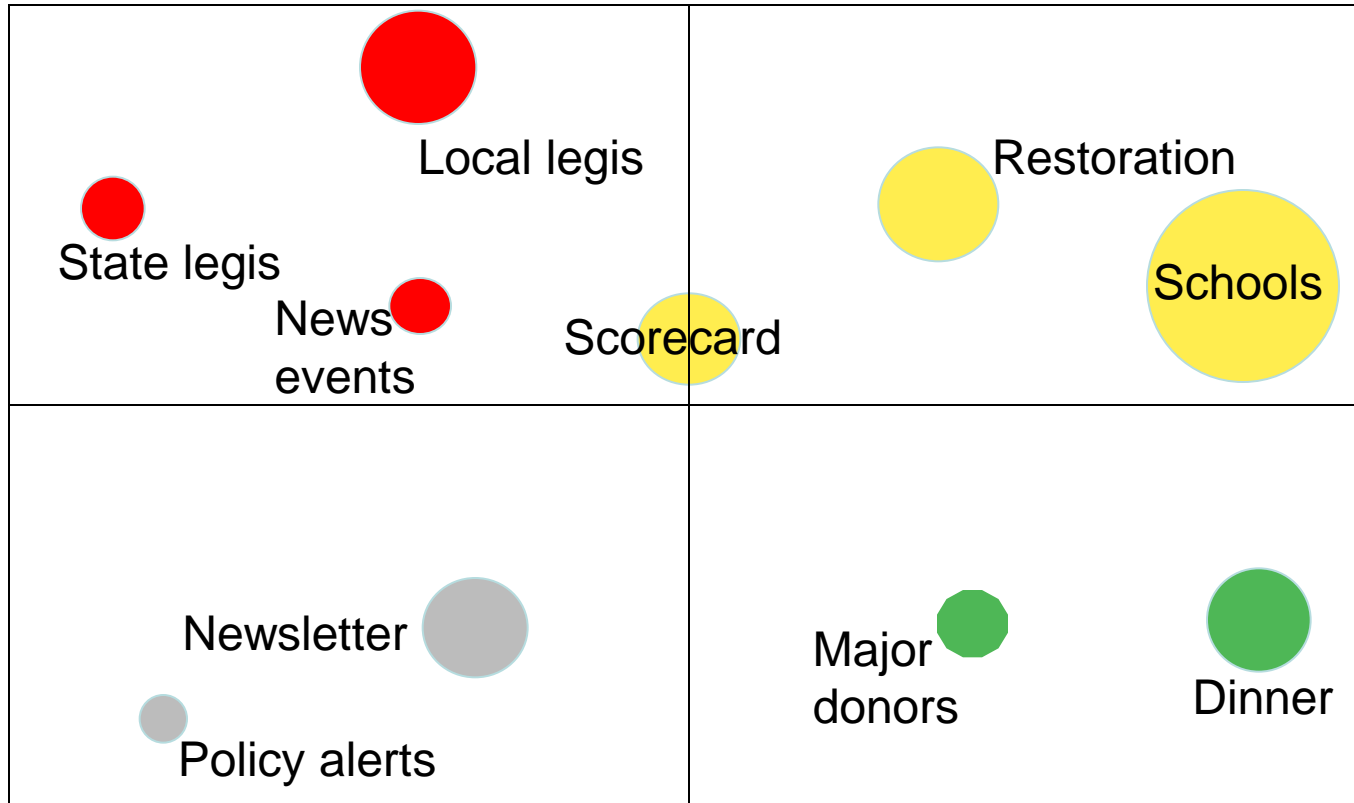
- ✓ **Water the tree.**
- ✓ **Increase impact.**



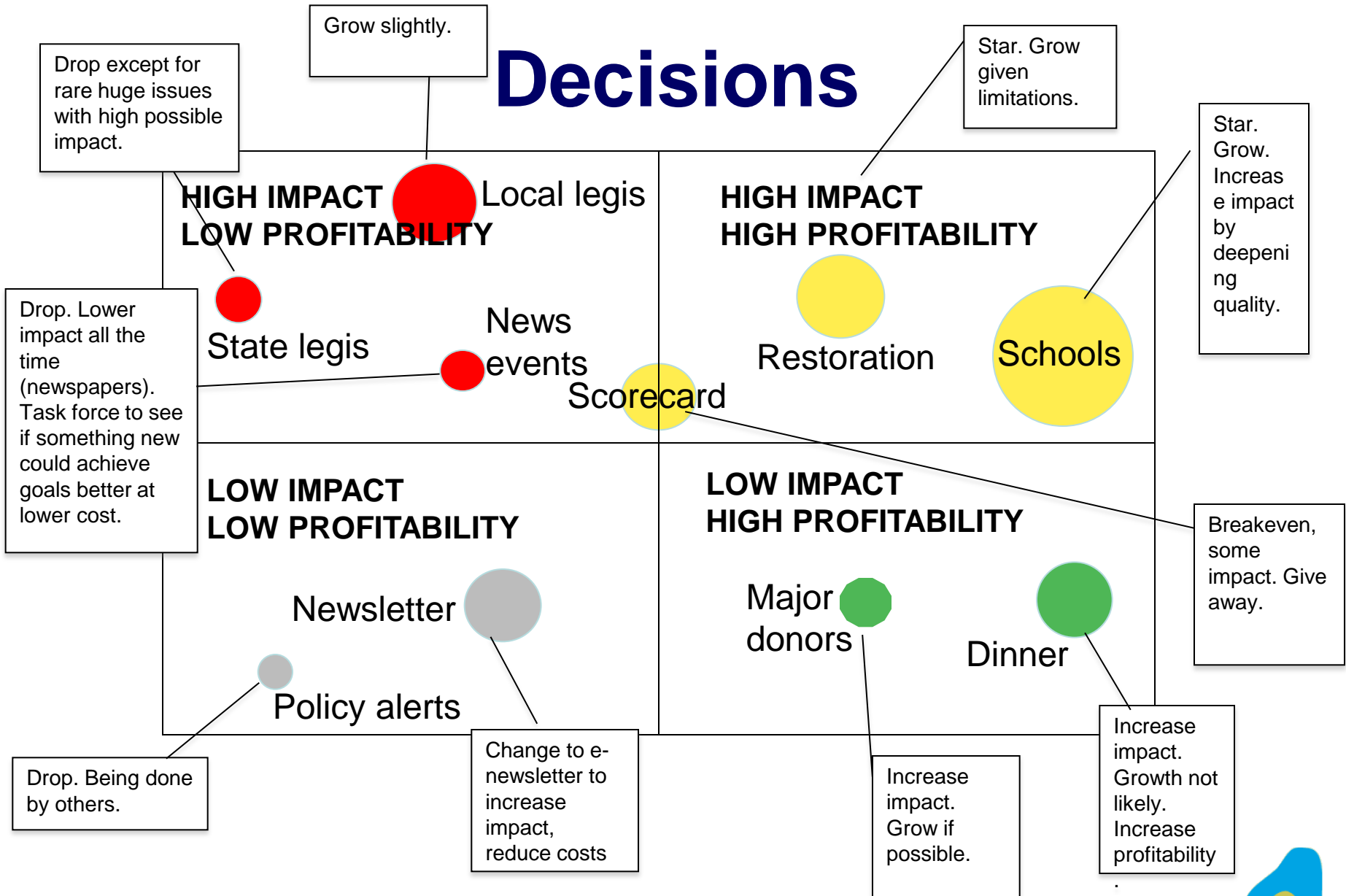
Strategic Imperatives



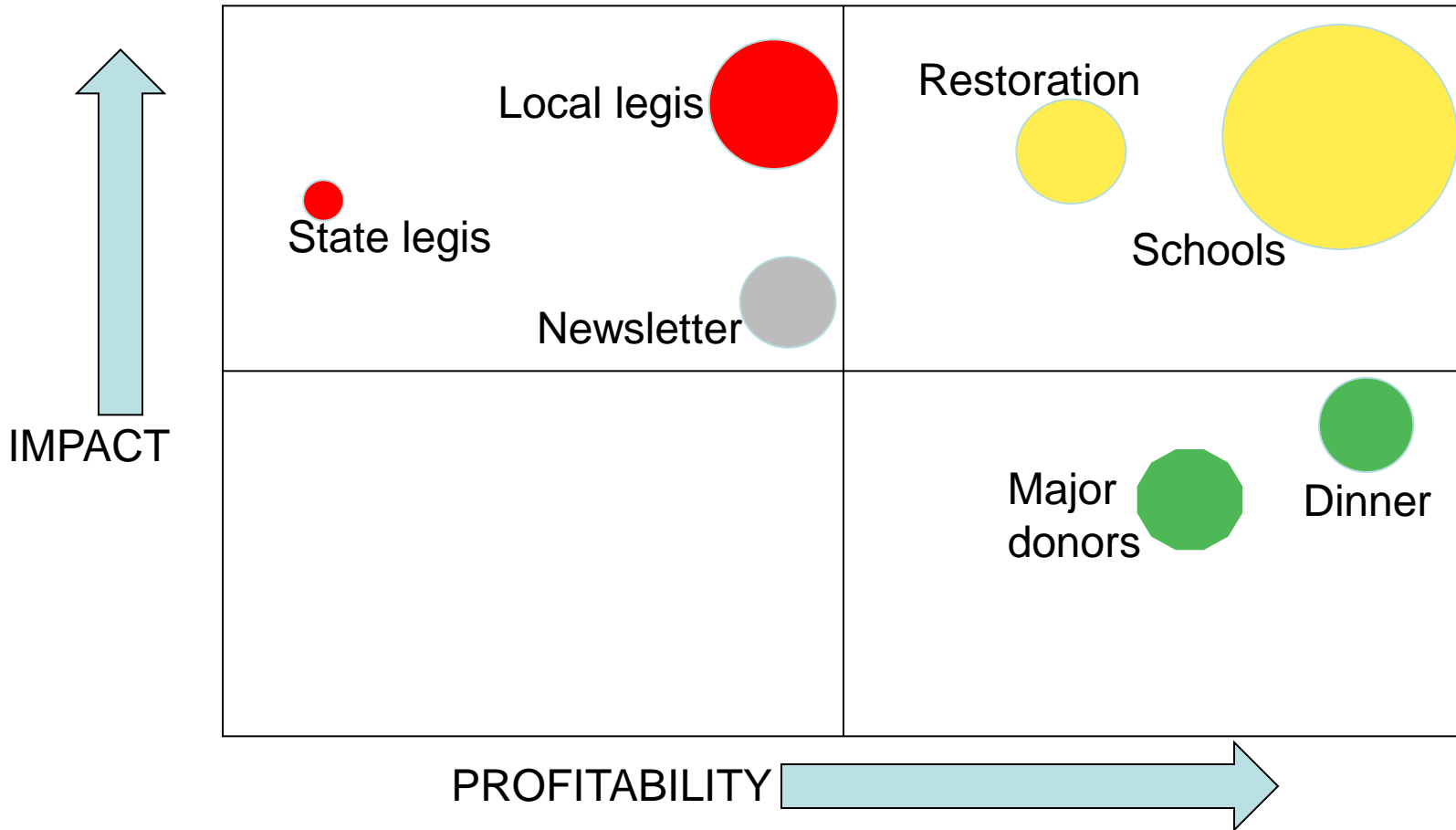
Portfolio: BEFORE



Decisions



Portfolio: AFTER



The Business Model Statement

Mission Statement:

Elm Prairie Preservationists works for the restoration and preservation of our prairies so future generations may benefit from their unvarnished beauty and bountiful natural resources.

Business Model Statement:

We educate children to be stewards of our prairies, supported by government contracts and fees-for-service, and restore prairies with the support of corporations and foundations. When the generosity of individuals makes it possible, we advocate for policies that will protect and preserve our lands.








Looking at special events

Event	Impact	\$	Effort		
Senior lunch	high	low	medium		
Crab feed	medium	medium but growing	high		
New Year's mochi making	low	low	high		
Sake festival	low	high	high		
Golf Tourn.	low	high	low		



Looking at special events

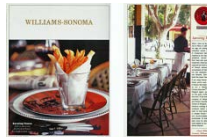
Event	Impact	\$	Effort	Type	Action
Senior lunch	high	low	medium		Keep. Contain costs.
Crab feed	medium	medium but growing	high		Grow. Increase impact.
New Year's mochi making	low	low	high		Give to church that also has one.
Sake festival	low	high	high		Grow. Increase impact
Golf Tourn.	low	high	low		Increase impact. Age changes?



Fast summary

1

Make an impact strategy that's financially viable and right for YOU.



2

Identify activities and analyze them.



3



Challenge yourself with the Strategic Imperatives. If we're not following them, why not?

4

Use the Matrix Map as an ongoing decision-making tool.



Each successful strategy is unique.

For many organizations, the most precious and scarcest resource is the time and attention of its senior leaders:

Be ruthless about investing this valuable resource in the right efforts.

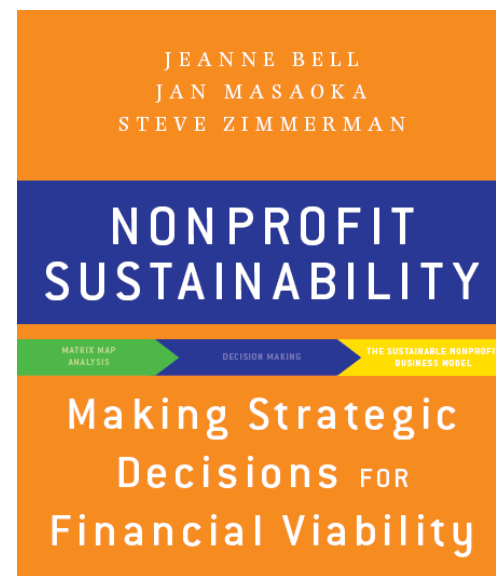




- Nonprofit Finance
- Ask Rita in HR
- Board Café
- Blue Avocado Investigates
- Take a 3-Minute Vacation Right Now

Editor: Jan Masaoka

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