

NONPROFIT SUSTAINABILITY

Understanding and Changing Your Business Strategy



Jan Masaoka



Blue Avocado

- Unconventional, practical, fun
- For community nonprofits
- Finance & strategy, Ask Rita in HR, Board Café, *First Person Nonprofit*, 3-Minute Vacations, more
- Every 3 weeks
- 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



Two models



WILLIAMS-SONOMA



All too frequently heard

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

Yeah!



All too frequently heard

Social media

Product sales

Benefit Concert

Online auction

Yeah!

Walk-a-thon

Fees-for-service

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



Different strategies, both successful:

It's smart to be frugal

56cm \$549 Save \$150

56cm \$309 Save \$90

Kodak camera bundle \$129 Total value \$153.95

Hard drive bundles \$139ea Total value \$164

\$229

\$129

\$99

\$149

\$199

\$75

\$649

\$9.95

THE FESTIVAL OF FRUGAL

MIT THE SECRET KEY IN STORE JUNE 27TH TO JULY 6TH

WILLIAMS-SONOMA

Savoring France

Enter to win a copy of the new book, Savoring France, by Chuck Williams. For details see book cover.

A RESTAURANT FOR GARDEN

ANTHONY JAMES

Savoring France

When I took my first extended trip to France in 2002, I wanted the high old cooking heat and customer service and setting in a restaurant kitchen. I was inspired by the way the French prepared, served and ate their food with such care and enjoyment. And Guy Buffat has captured the spirit, atmosphere of French cuisine and the camaraderie of their eaters in this new cookbook collection, Savoring France. Can't you just taste the wine?!

If you enjoy French cooking at home, you'll love to enjoy it in France. We invite you to come to win a Williams-Sonoma Culinary Experience™ to France's highest region, renowned for its fine wine, truffles, seafood and more. In the investigative company of Savoring France and Robert Couffignou at La Courbe en Périgord, you'll enjoy a hands-on cooking class with cookbook author Guy Buffat, visit to local artisans, explore to visit French markets and accommodations in the countryside. To win, see the book cover for details, while they last at our online store. Bonne chance!

Chuck Williams
Founder, Williams-Sonoma



Different strategies, both successful:



It's smart to be frugal

56cm \$549 Save \$150

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Kodak camera bundle \$129 Total value \$153.95

Hard drive bundles \$139ea Total value \$164

56cm \$229

50% \$59

50% \$89

75¢

\$649

50% \$9.95

THE FESTIVAL OF FRUGAL

MEET THE SECRET KEY IN STORE JUNE 27TH TO JULY 6TH

WILLIAMS-SONOMA

Savoring France
 Enter to win a copy of *Savoring France* for \$9.95.

A \$20.00 VALUE FOR \$9.95

ARTHUR ZUCK

Savoring France

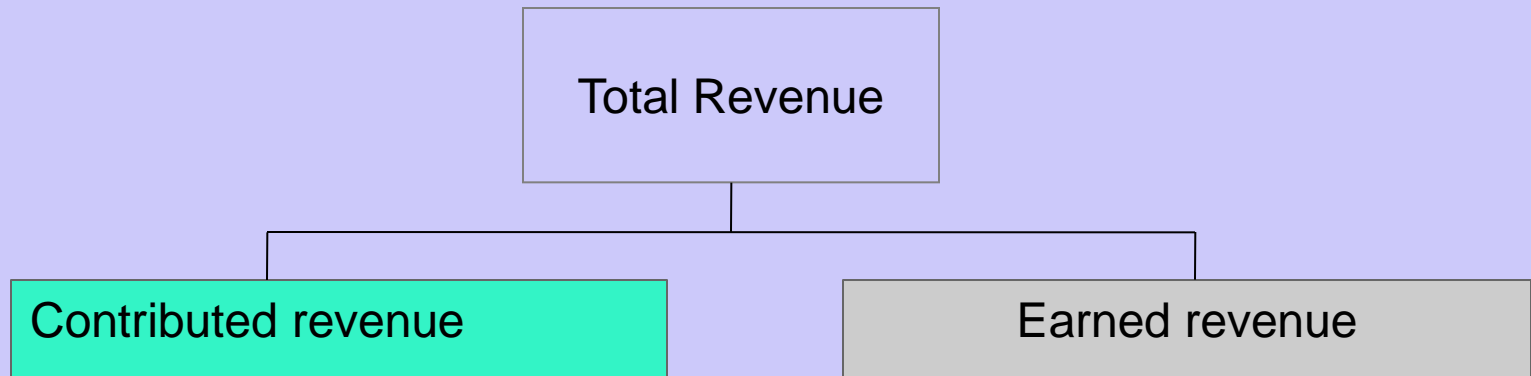
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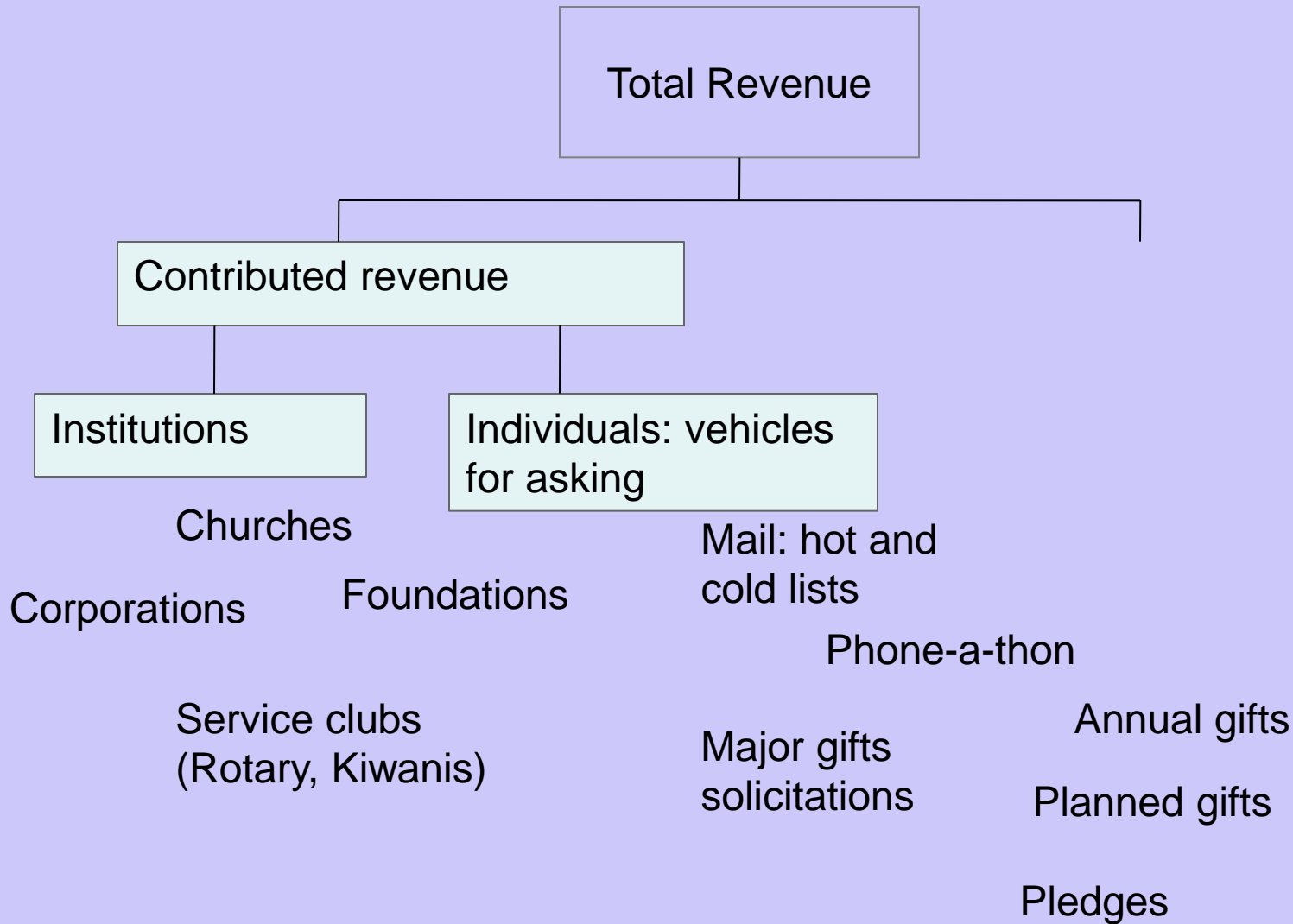
Chuck Williams
 President, Williams-Sonoma



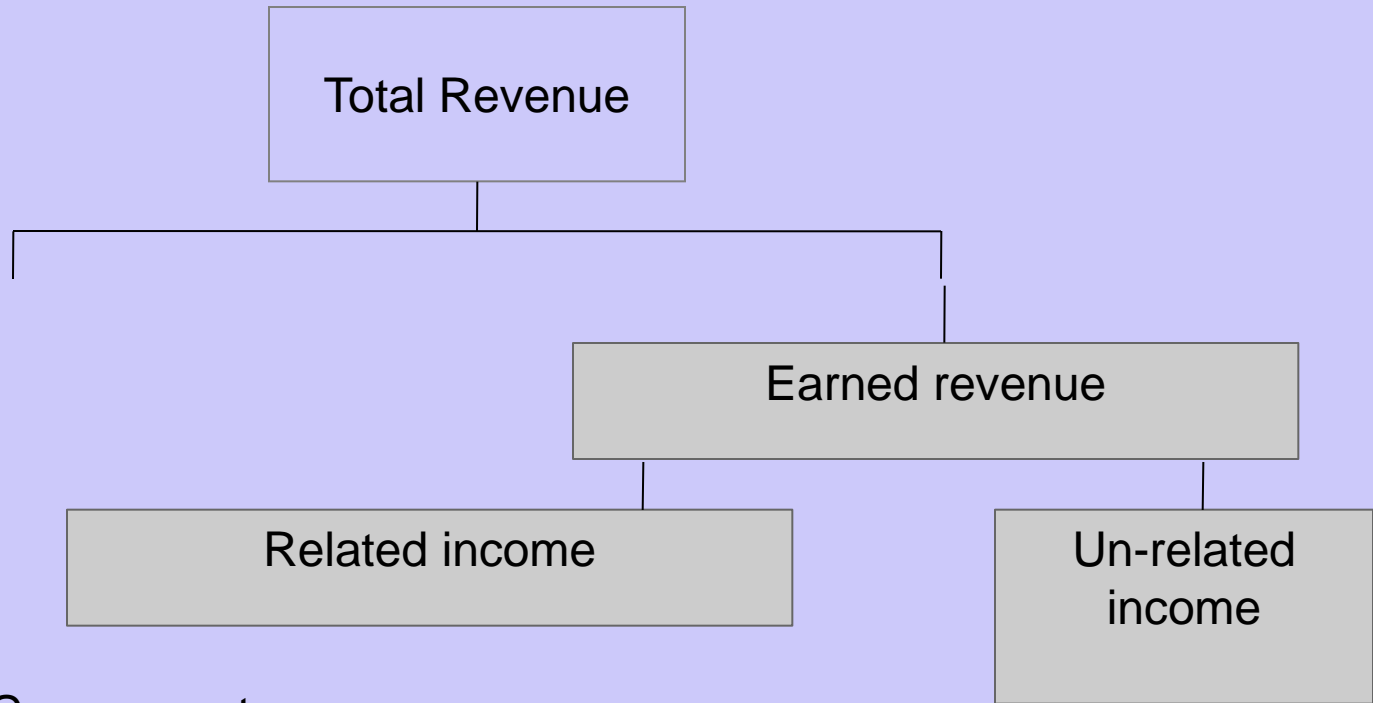
Revenue types & sources



Revenue types & sources



Revenue types & sources



Government
contracts

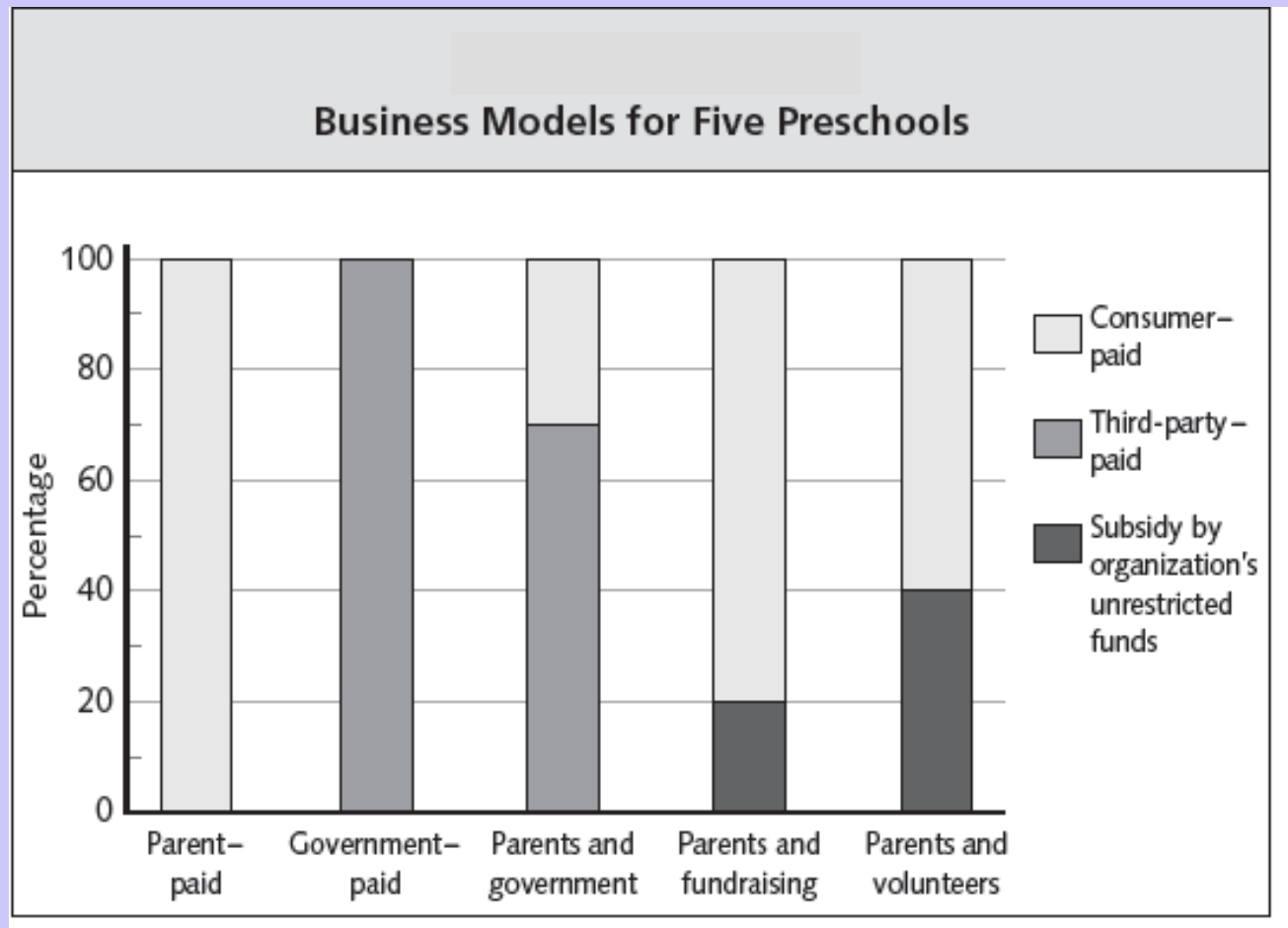
Fees charged
to third-party
payers

Fees charged to
consumers
(clients, patrons)

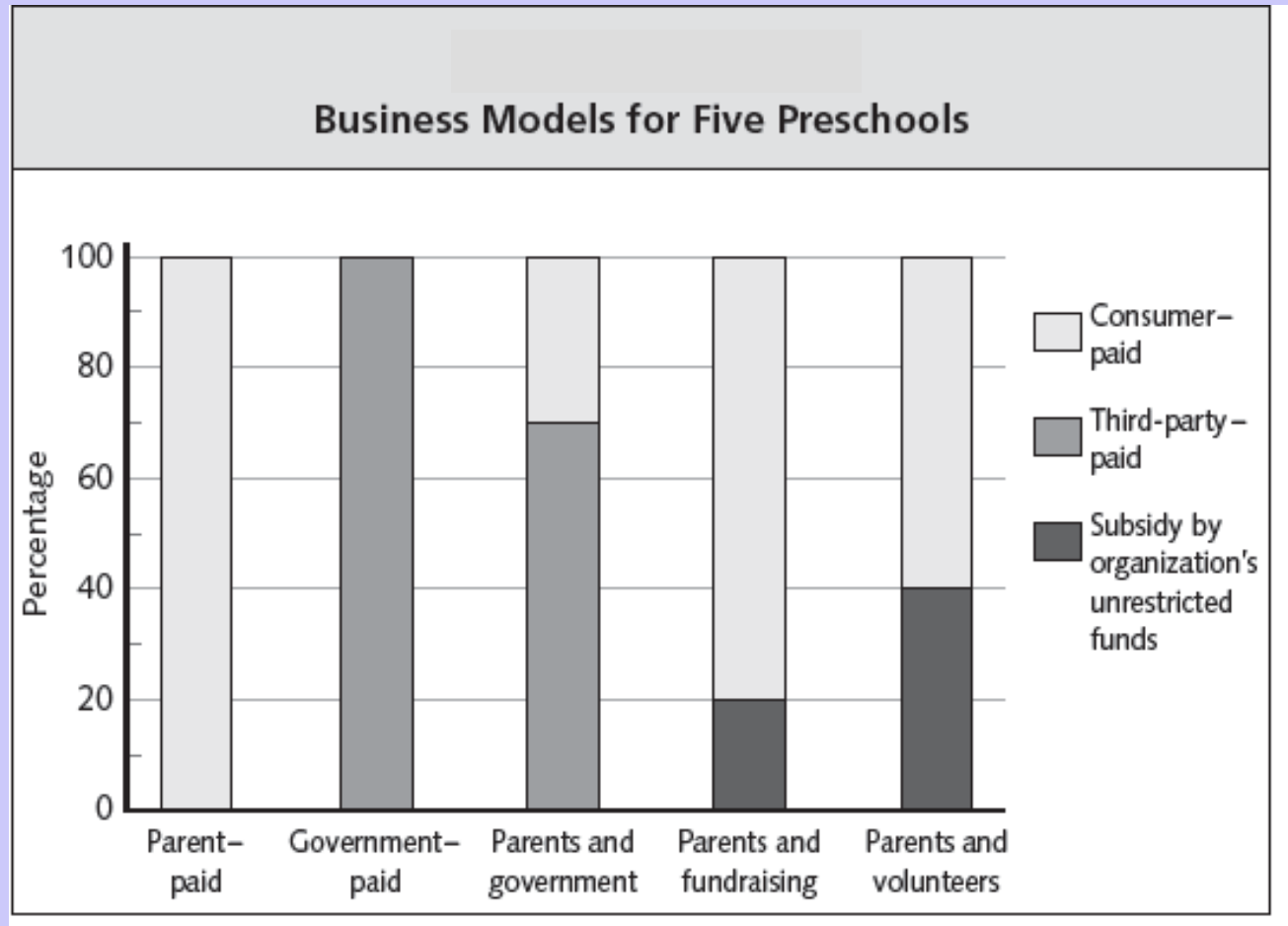
Fees charged to
consumers
(clients, patrons)



Different strategies, same mission:



Different strategies, same mission:



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*



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



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

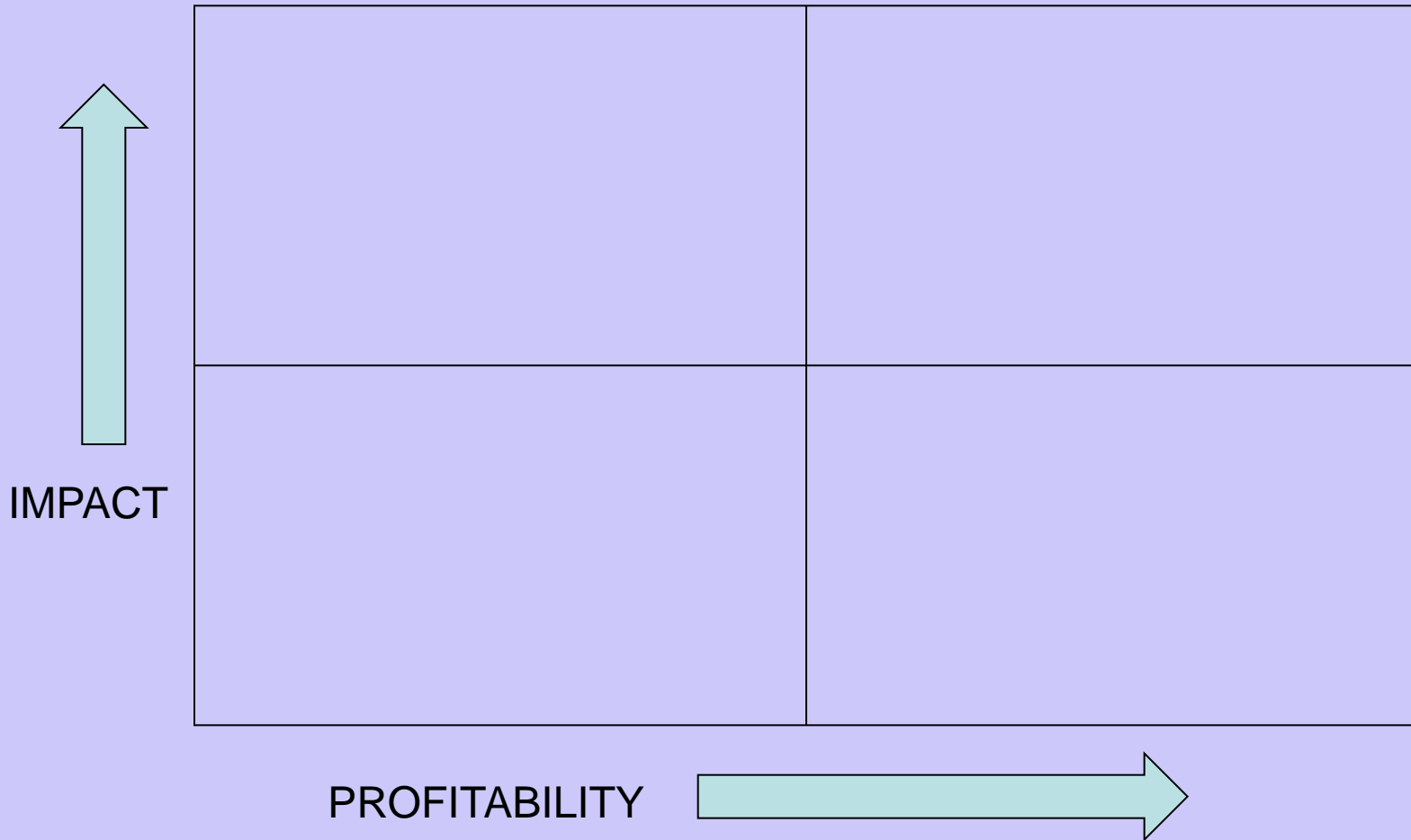
Each activity has two kinds of impact:

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

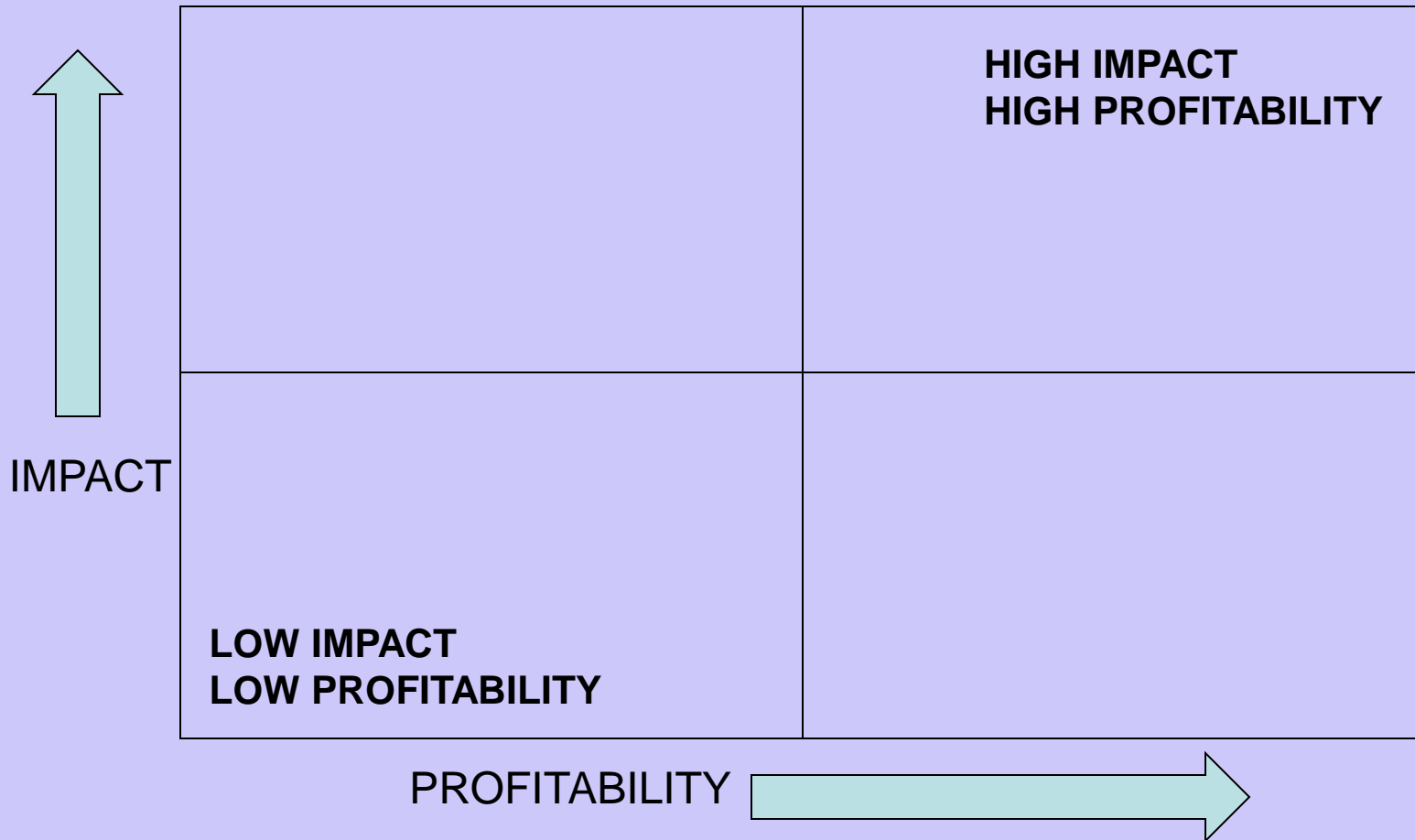
So a strategy for sustainability must be a strategy that combines both kinds of impact.



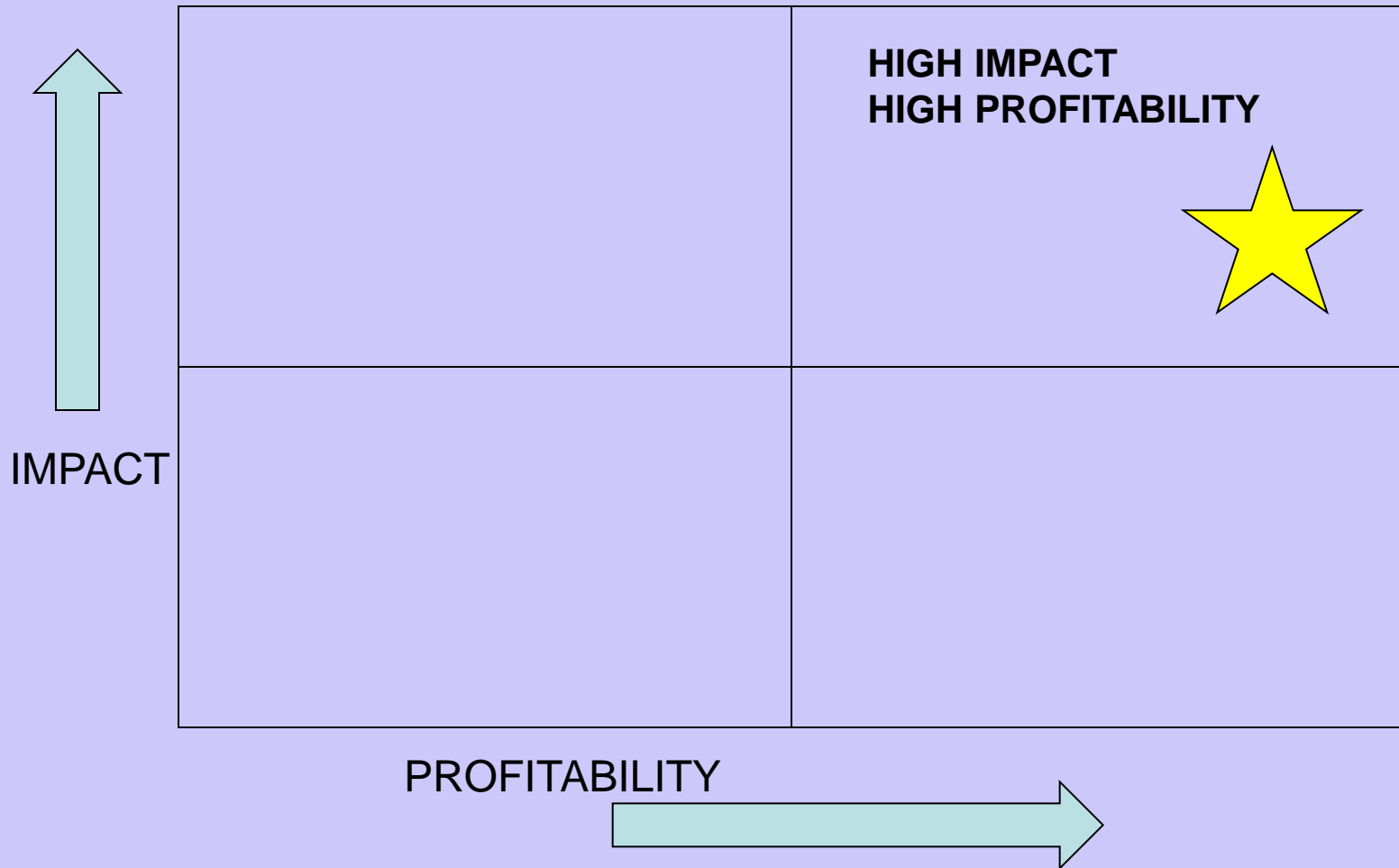
Matrix Map



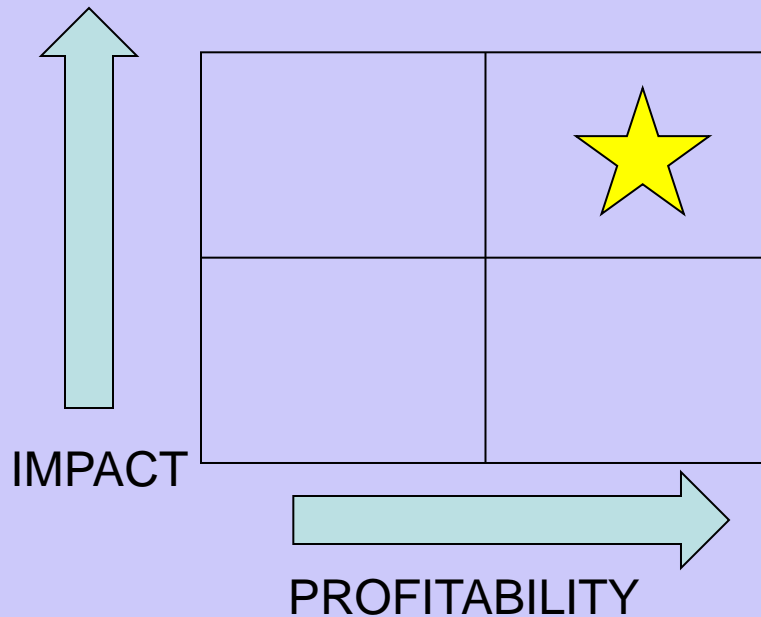
Matrix Map



Matrix Map



Stars



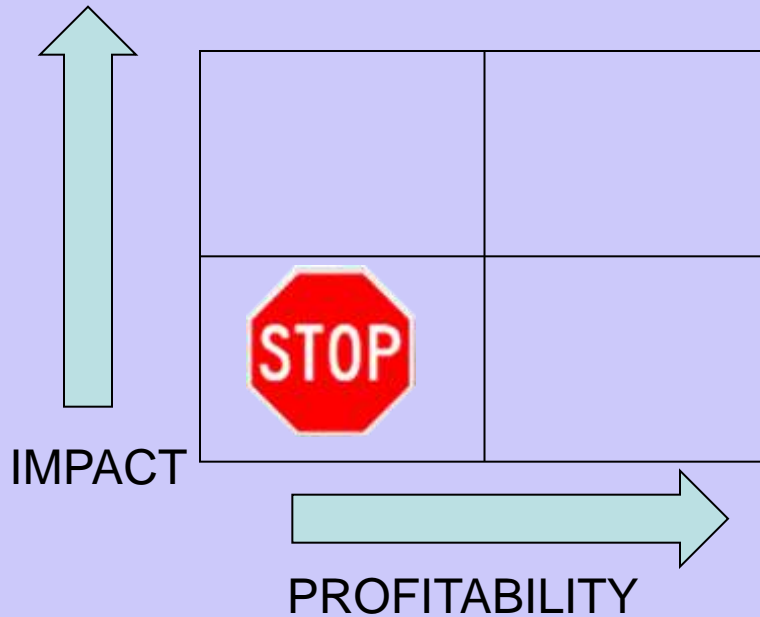
**HIGH IMPACT
HIGH PROFITABILITY**

Examples:

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



Stop Signs



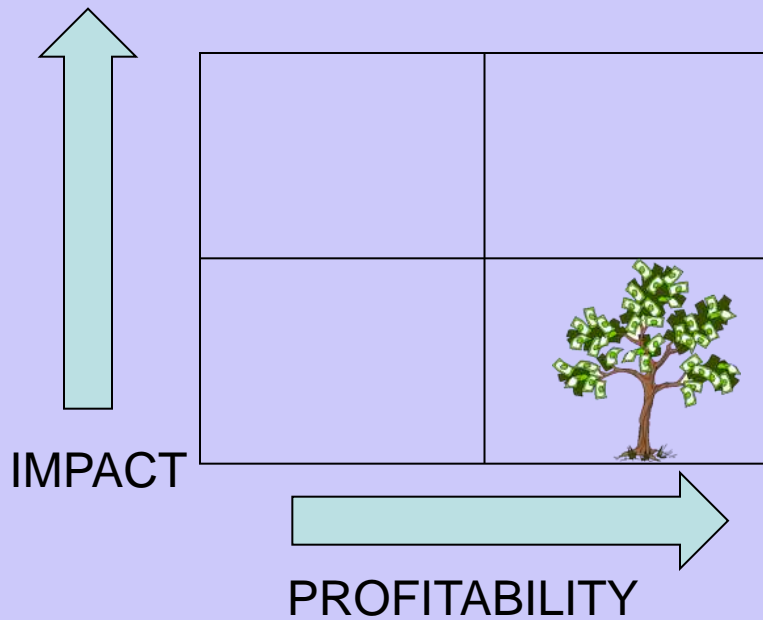
**LOW IMPACT
LOW PROFITABILITY**

Examples:

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



Money Trees



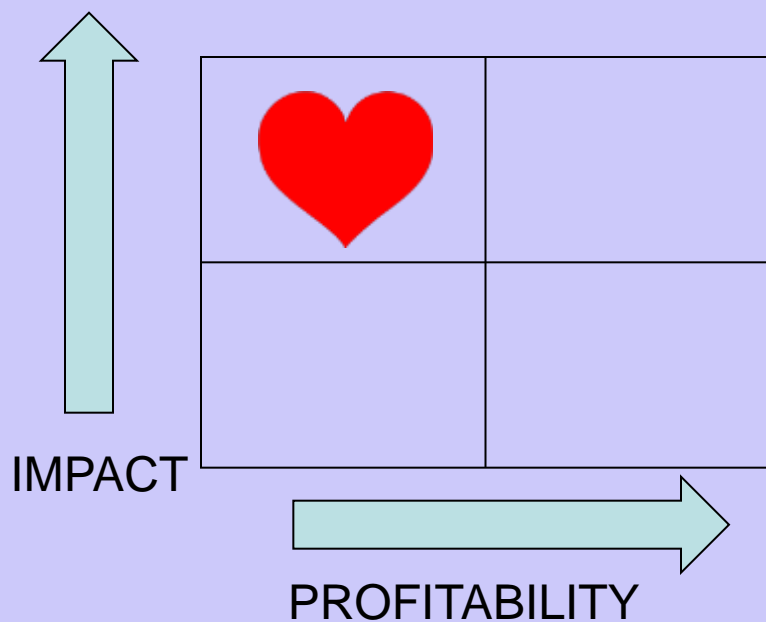
**LOW IMPACT (other than money raised)
HIGH PROFITABILITY**

Examples:

- Martini parties
- Luncheon
- Raffle tickets
- ?



Hearts



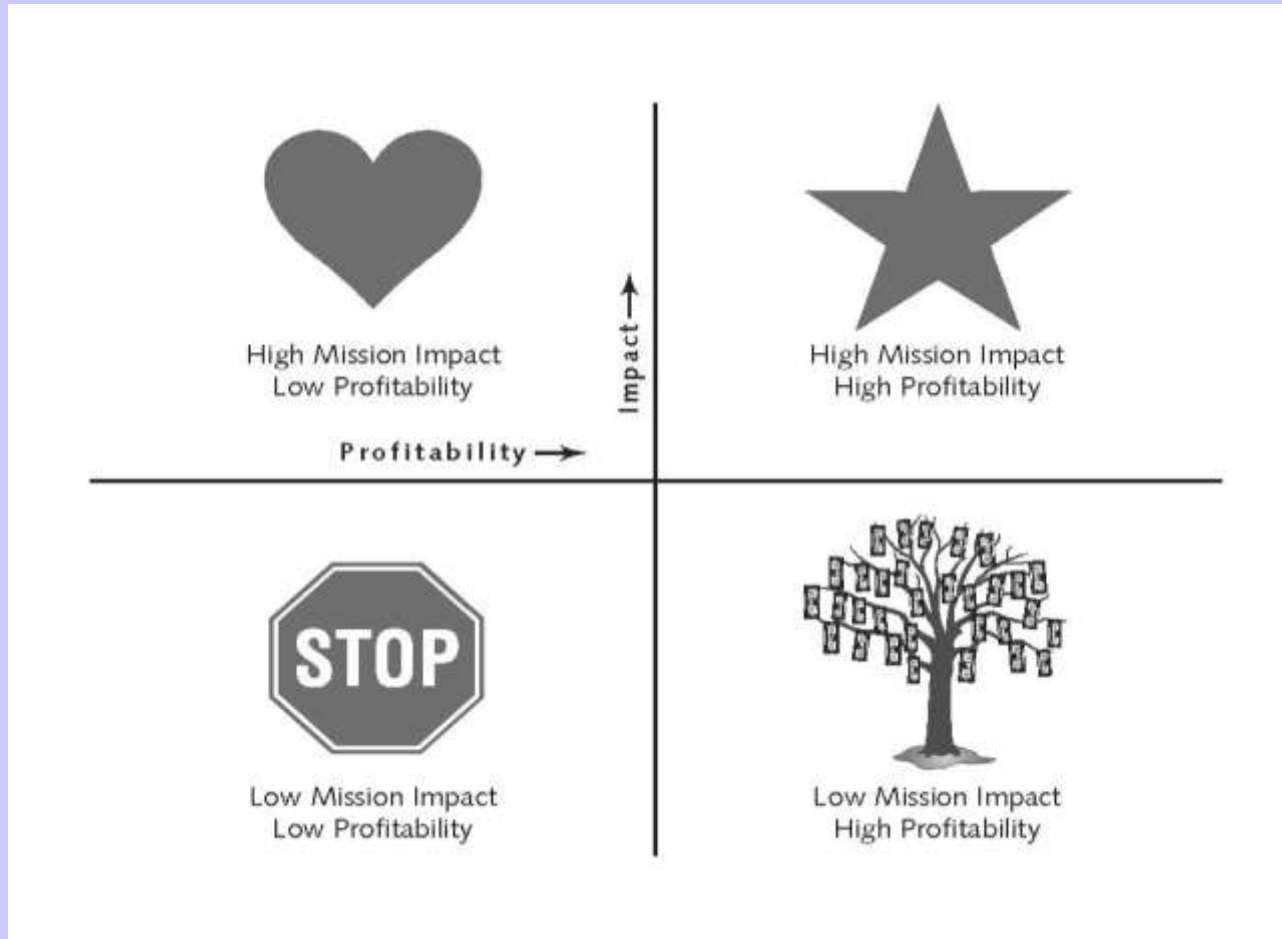
HIGH IMPACT
LOW PROFITABILITY

Examples:

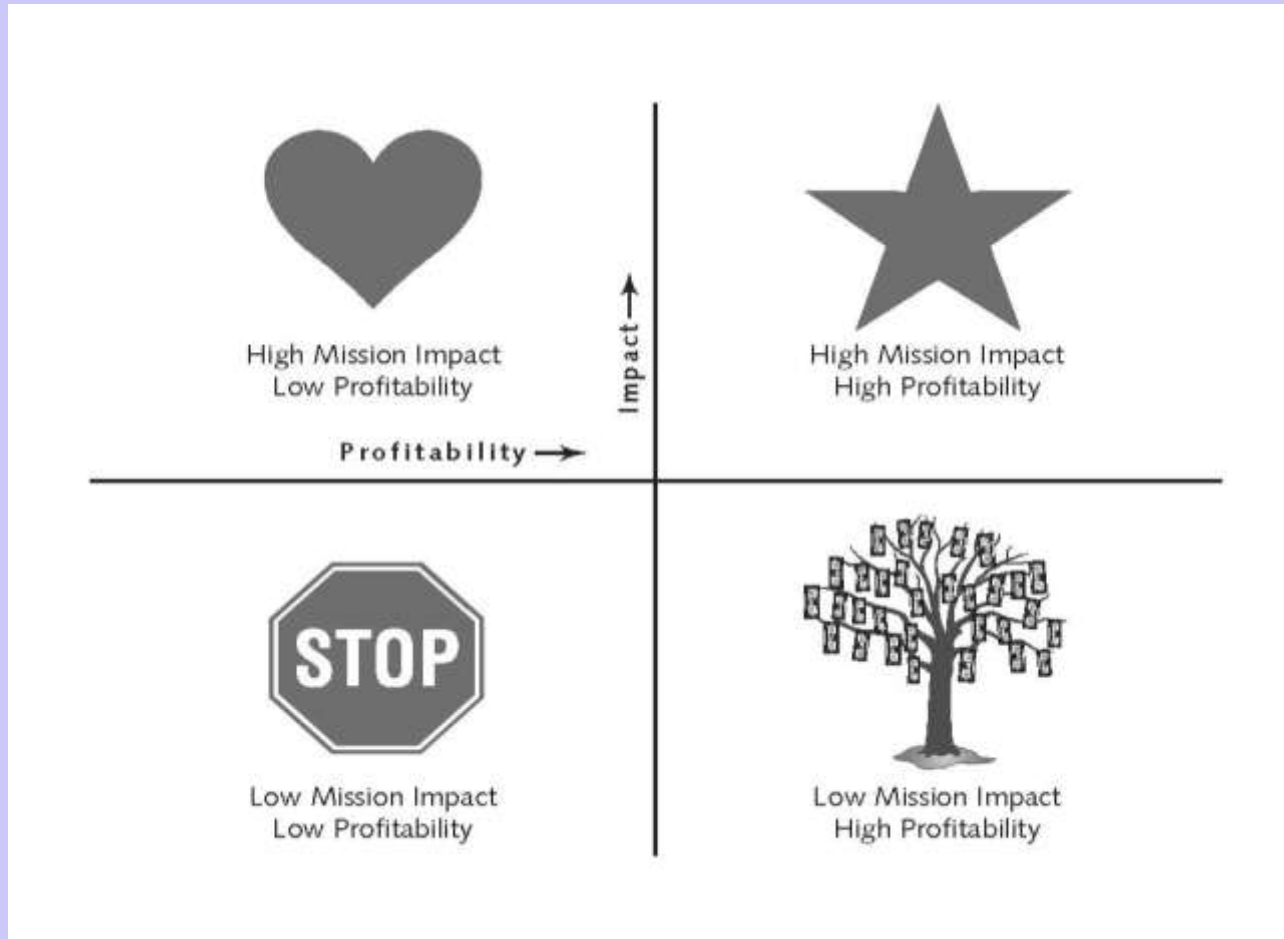
- Advocacy at state level
- Taking children to see parents in prison
- Show of experimental art
- ?



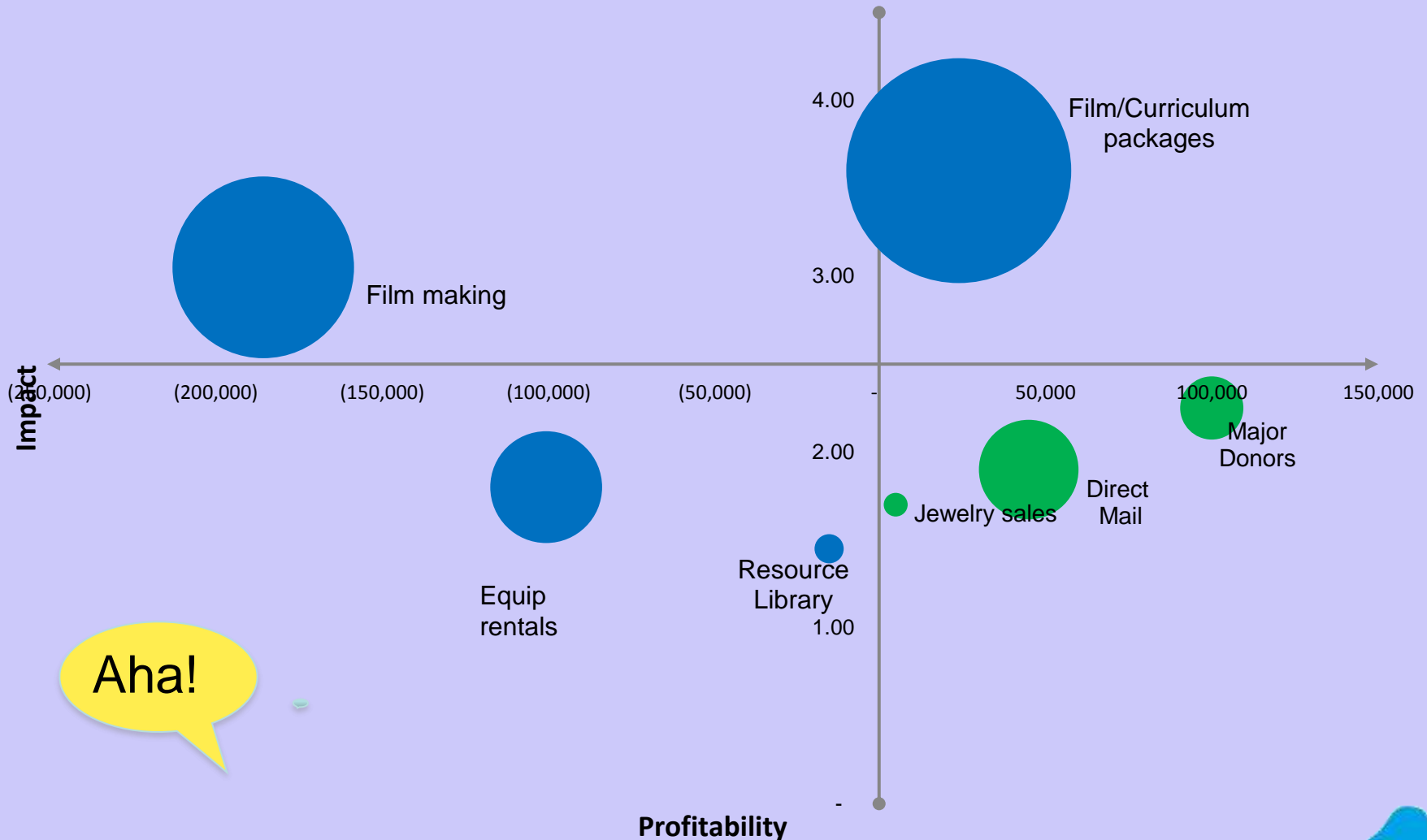
The Matrix Map



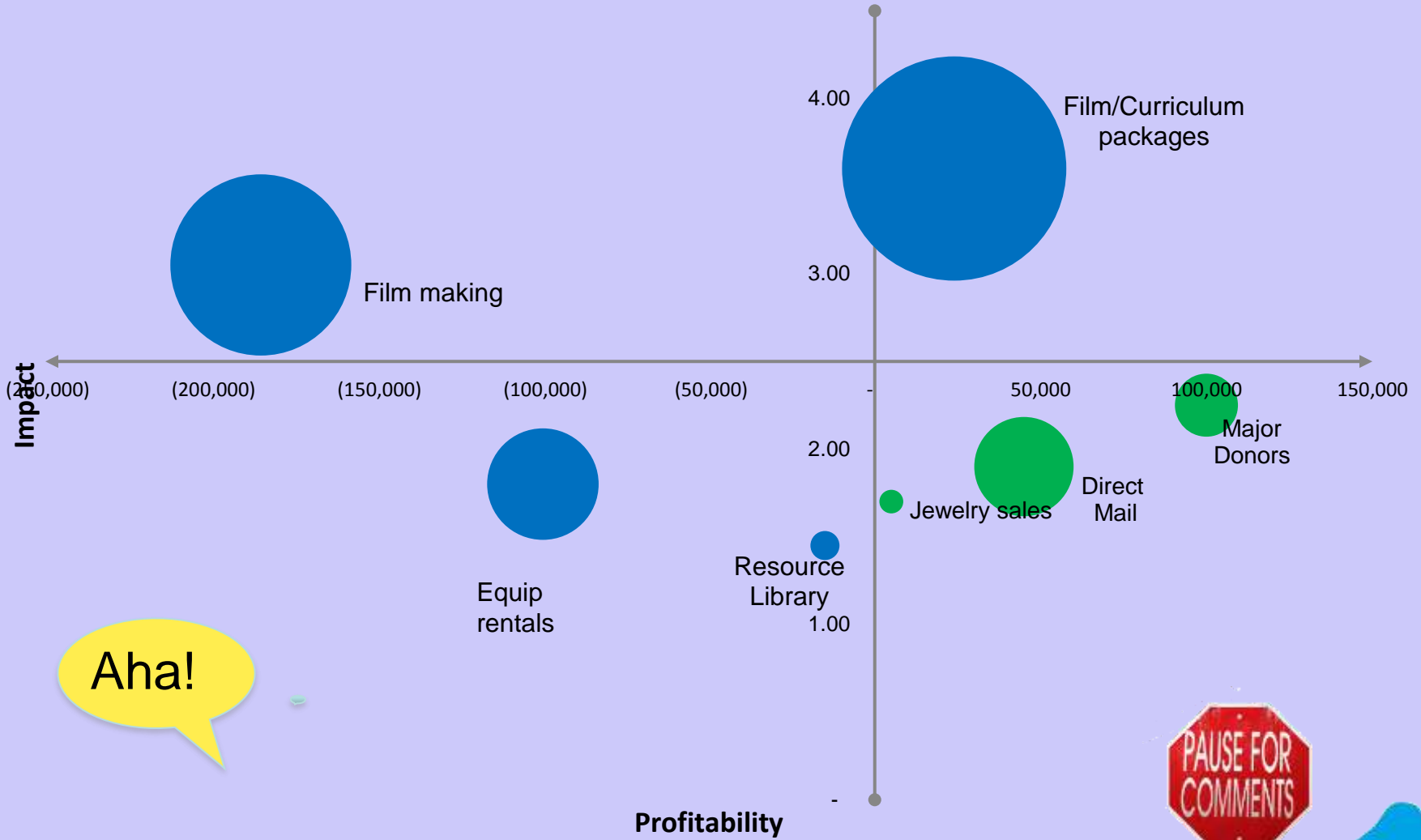
The Matrix Map



A single compelling image



A single compelling image



Aha!



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

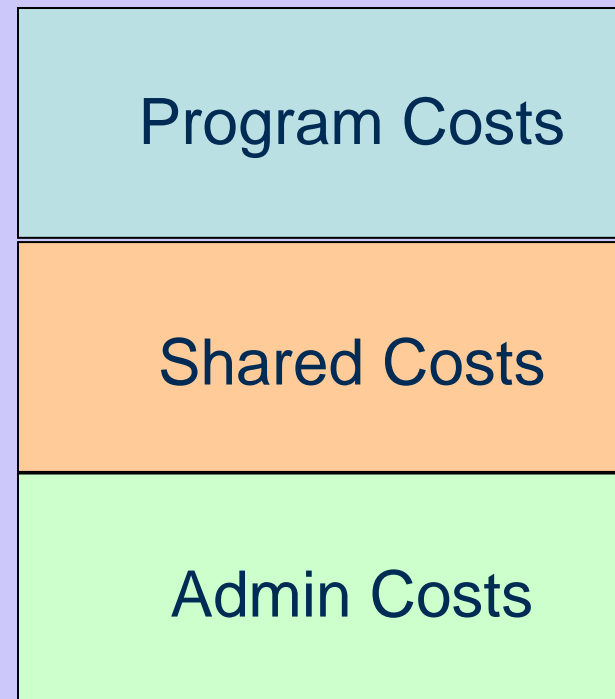
Revenue

- Assign restricted and generated revenues to each business line

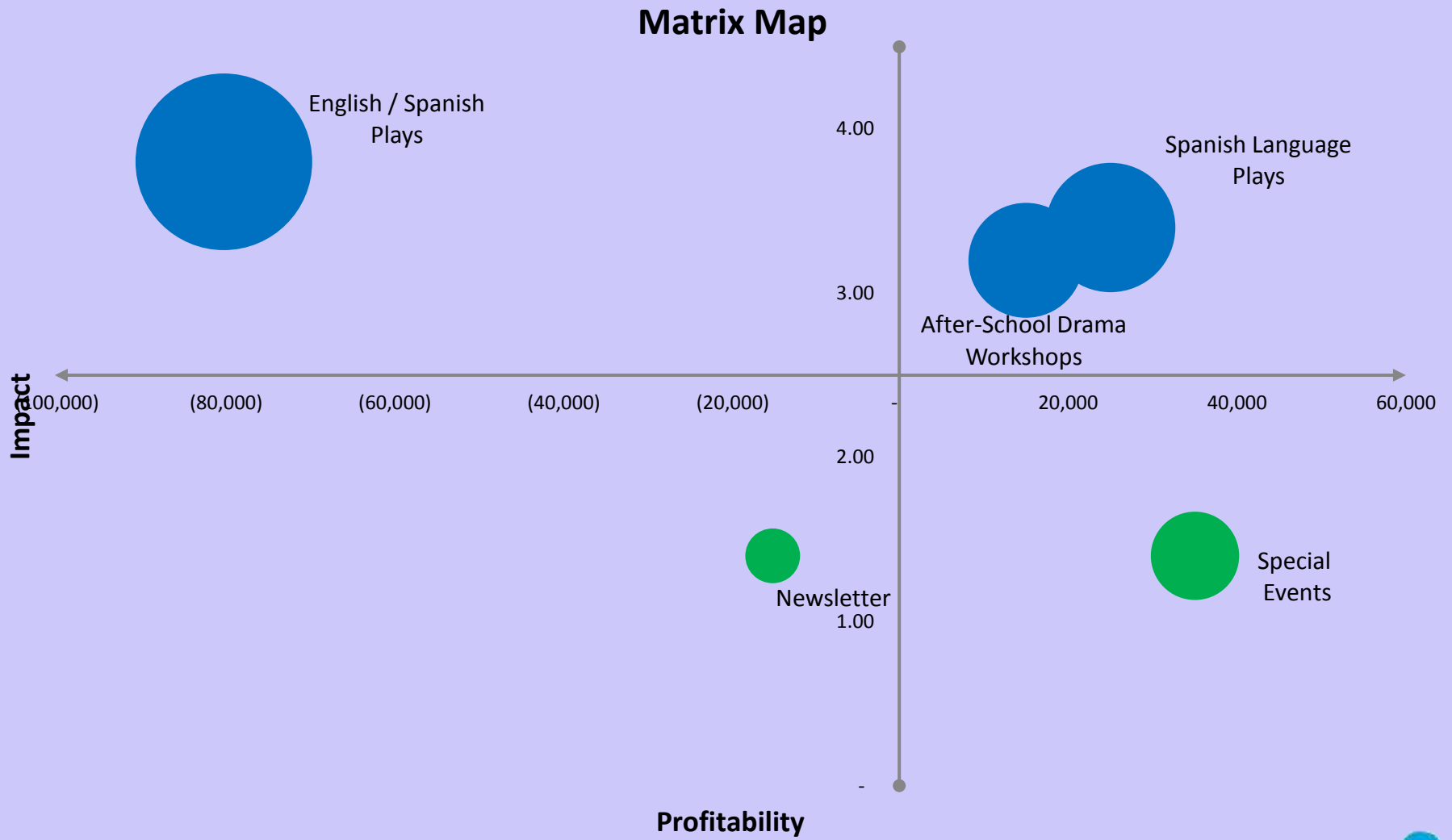


Expenses

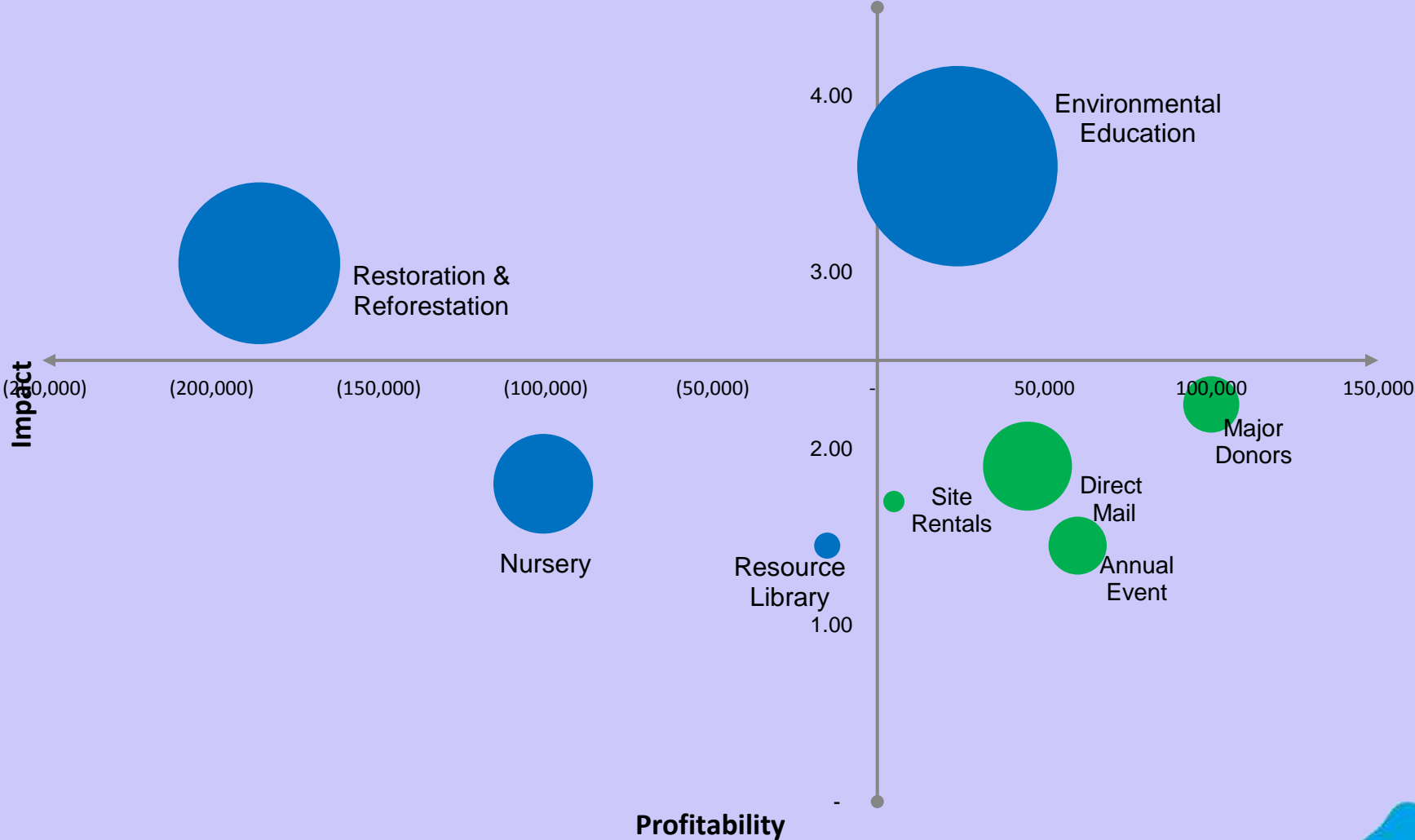
- Include full costs:



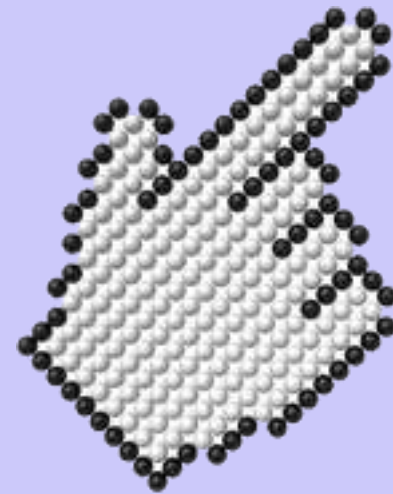
Community Theater



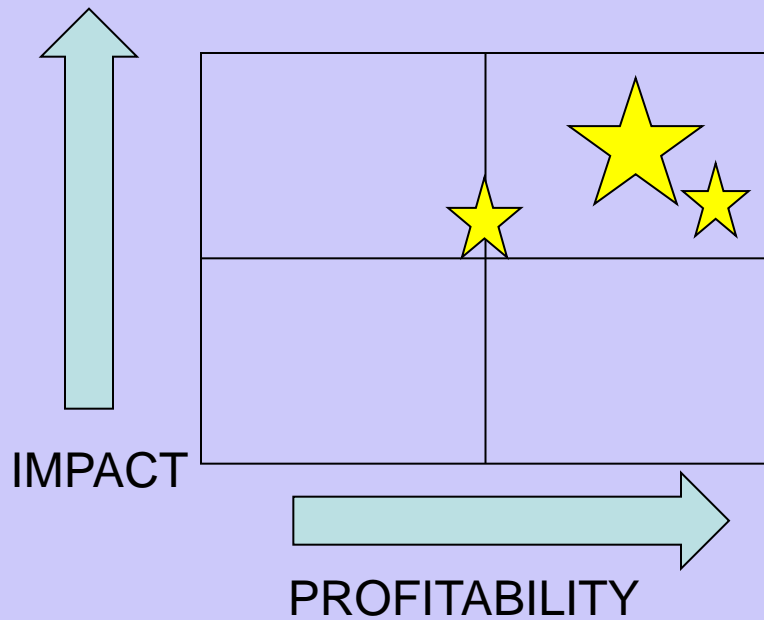
Everest Environmentalists Matrix Map



The Strategic Imperatives



Strategic imperatives for Stars



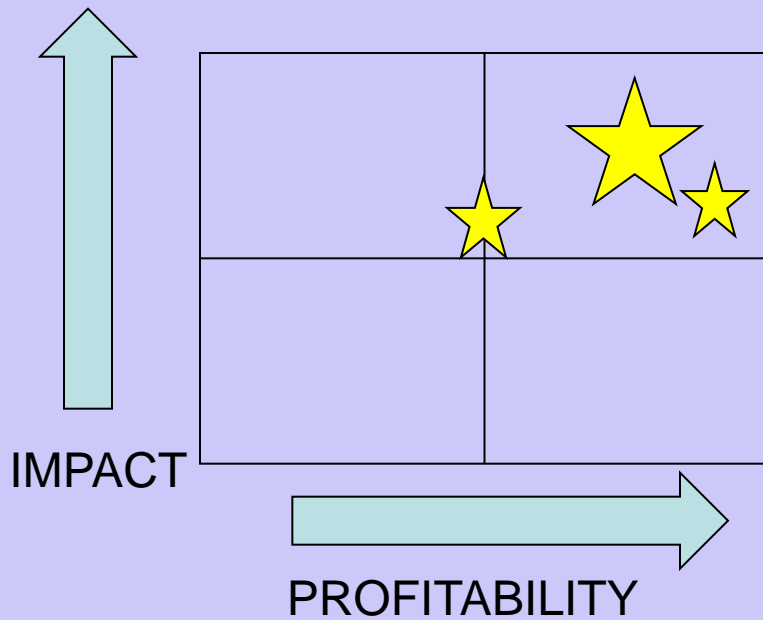
**HIGH IMPACT
HIGH PROFITABILITY**

Instead of

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

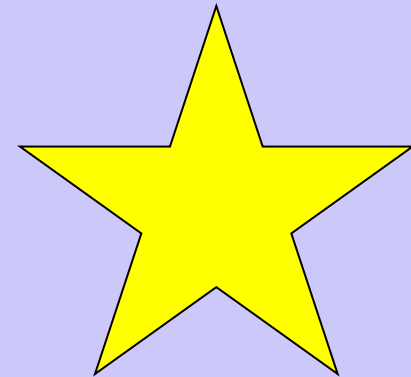
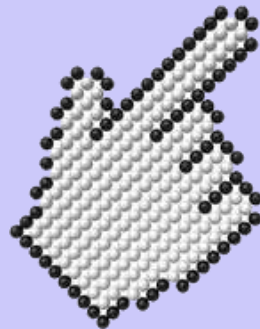


Strategic imperatives for Stars

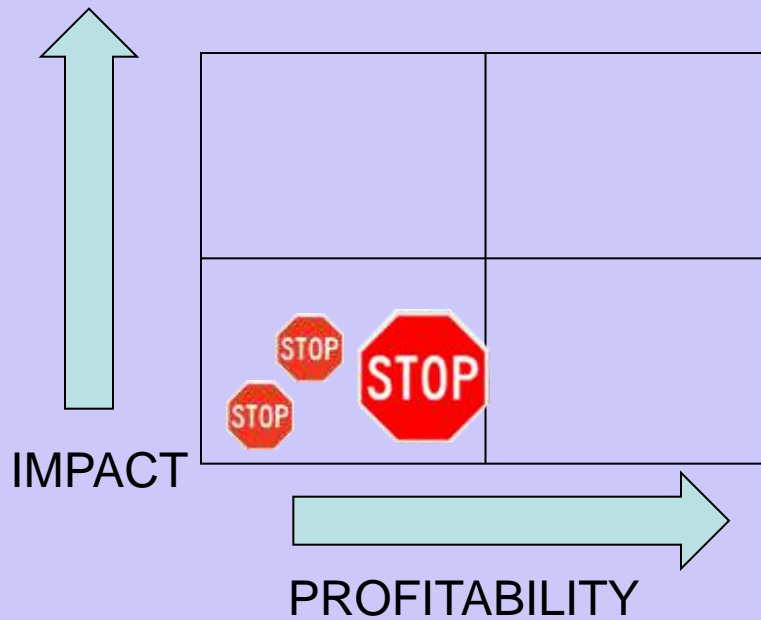


**HIGH IMPACT
HIGH PROFITABILITY**

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



Strategic imperatives for Stop Signs



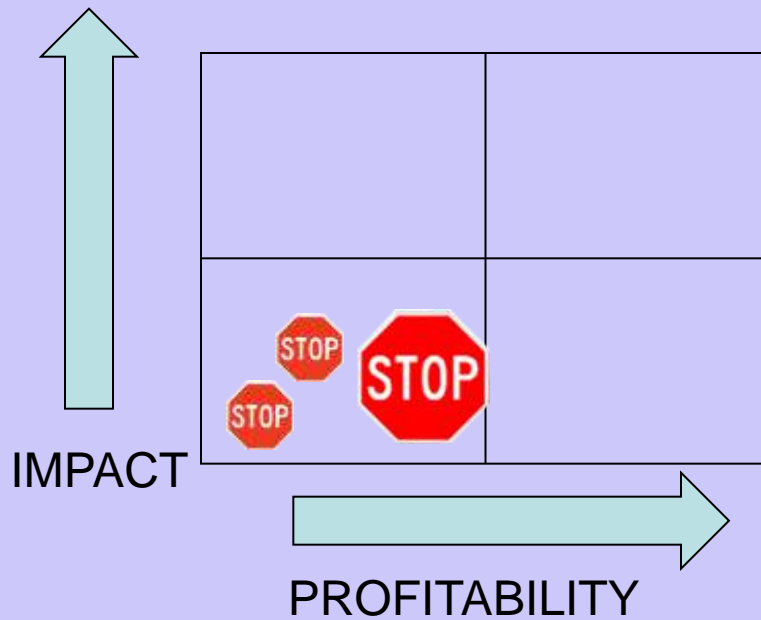
**LOW IMPACT
LOW PROFITABILITY**

Instead of

- Trying once again to improve it . . .
- Not thinking about it . . .



Strategic imperatives for Stop Signs

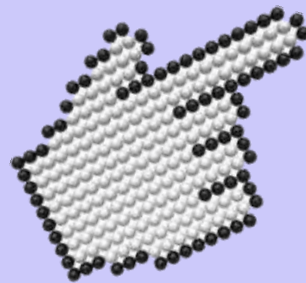


**LOW IMPACT
LOW PROFITABILITY**

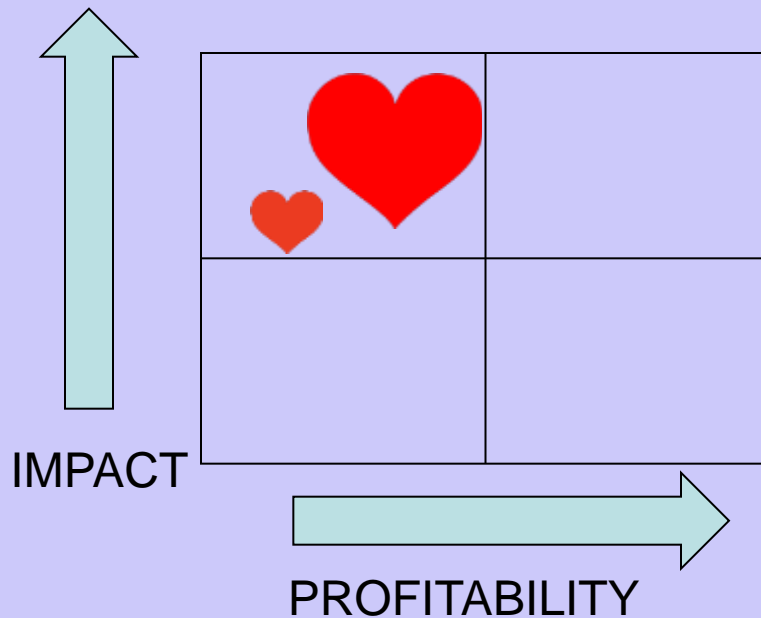
Instead of

- Trying once again to improve it . . .
- Not thinking about it . . .

- **Spin it off to another organization**
- **Close it**



Strategic imperatives for Hearts



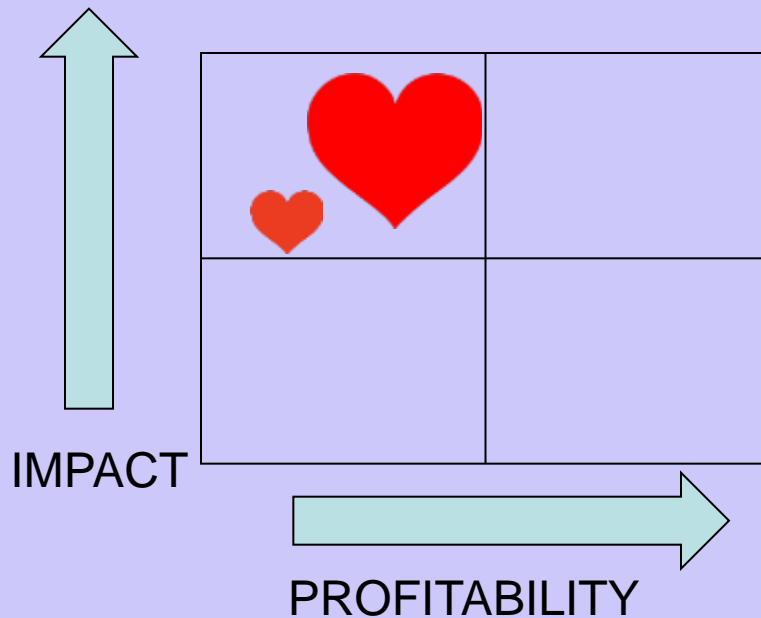
**HIGH IMPACT
LOW PROFITABILITY**

Instead of

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



Strategic imperatives for Hearts

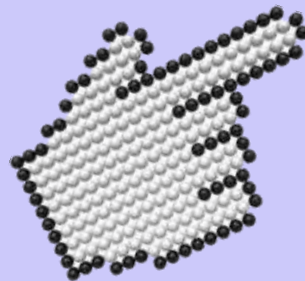


**HIGH IMPACT
LOW PROFITABILITY**

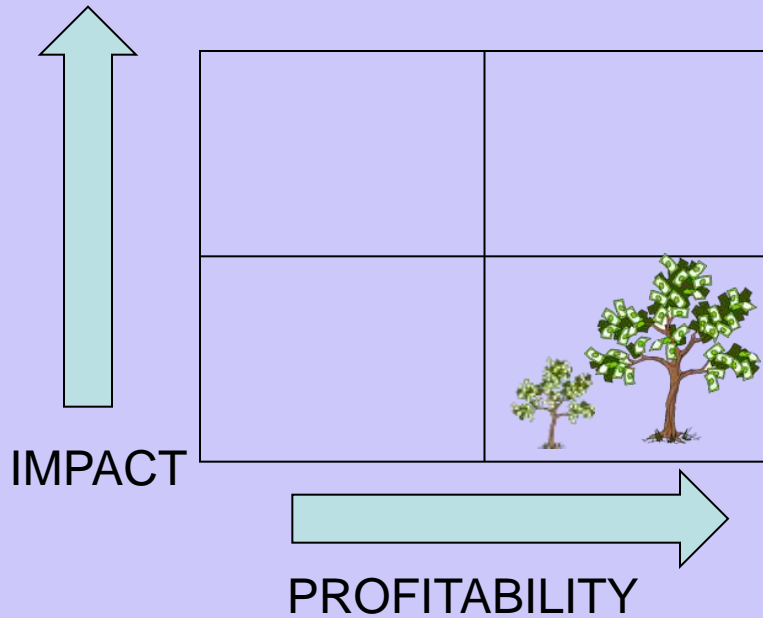
Instead of

- 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



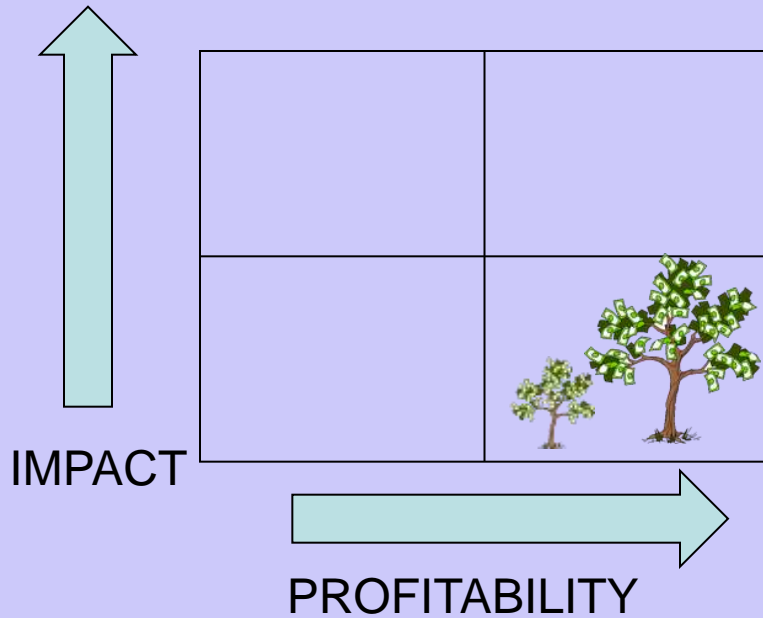
**LOW IMPACT
HIGH PROFITABILITY**

Instead of

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



... for Money Trees

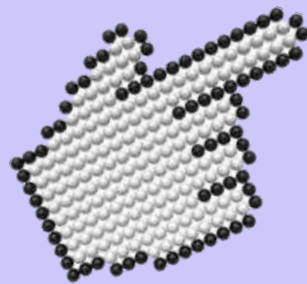


**LOW IMPACT
HIGH PROFITABILITY**

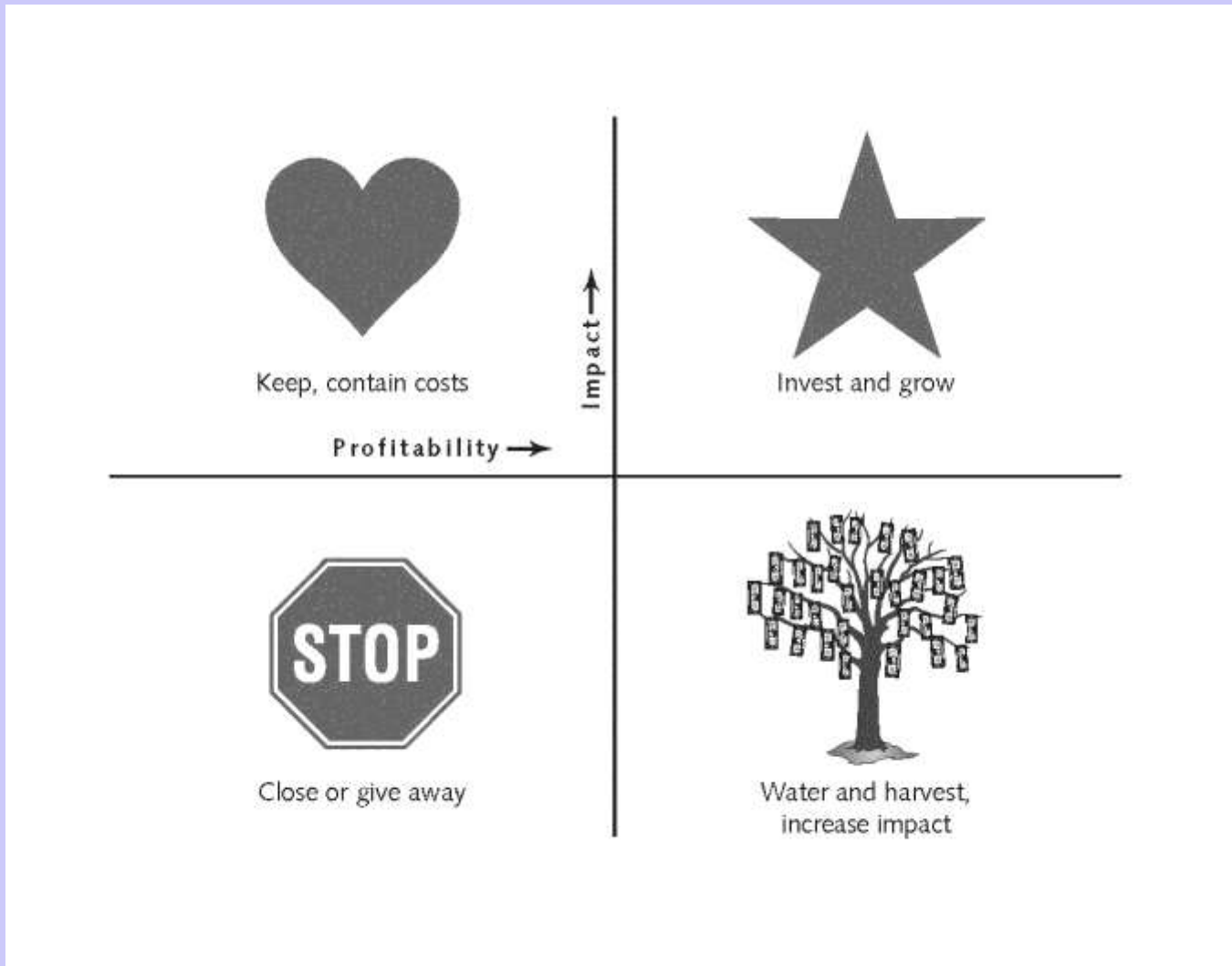
Instead of

- Giving it second class status
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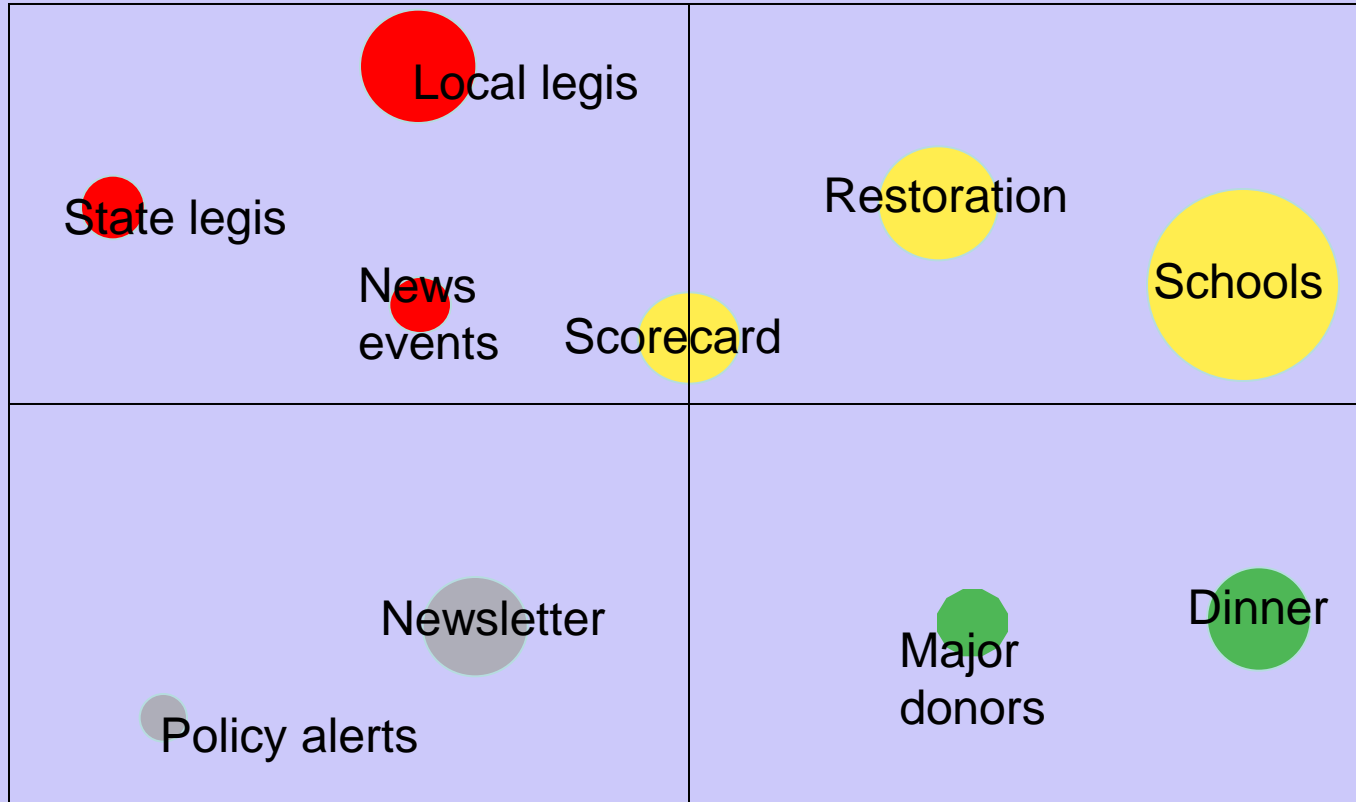
- **Water the tree.**
- **Increase impact.**



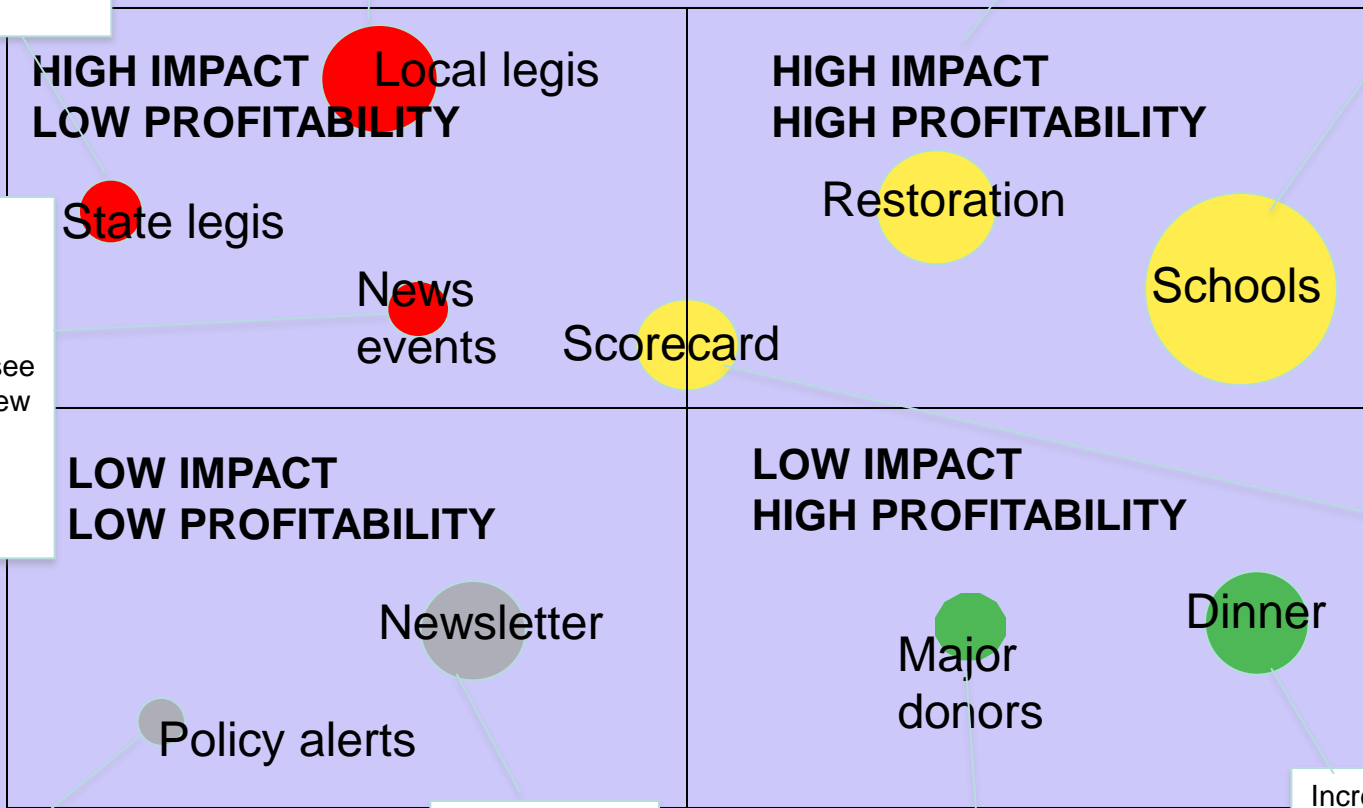
Strategic Imperatives



Portfolio: BEFORE



decisions



Drop except for rare huge issues with high possible impact.

Grow slightly.

Star. Grow given limitations.

Star. Grow. Increase impact by deepening quality.

Drop. Lower impact all the time (newspapers). Task force to see if something new could achieve goals better at lower cost.

Breakeven, some impact. Give away.

Drop. Being done by others.

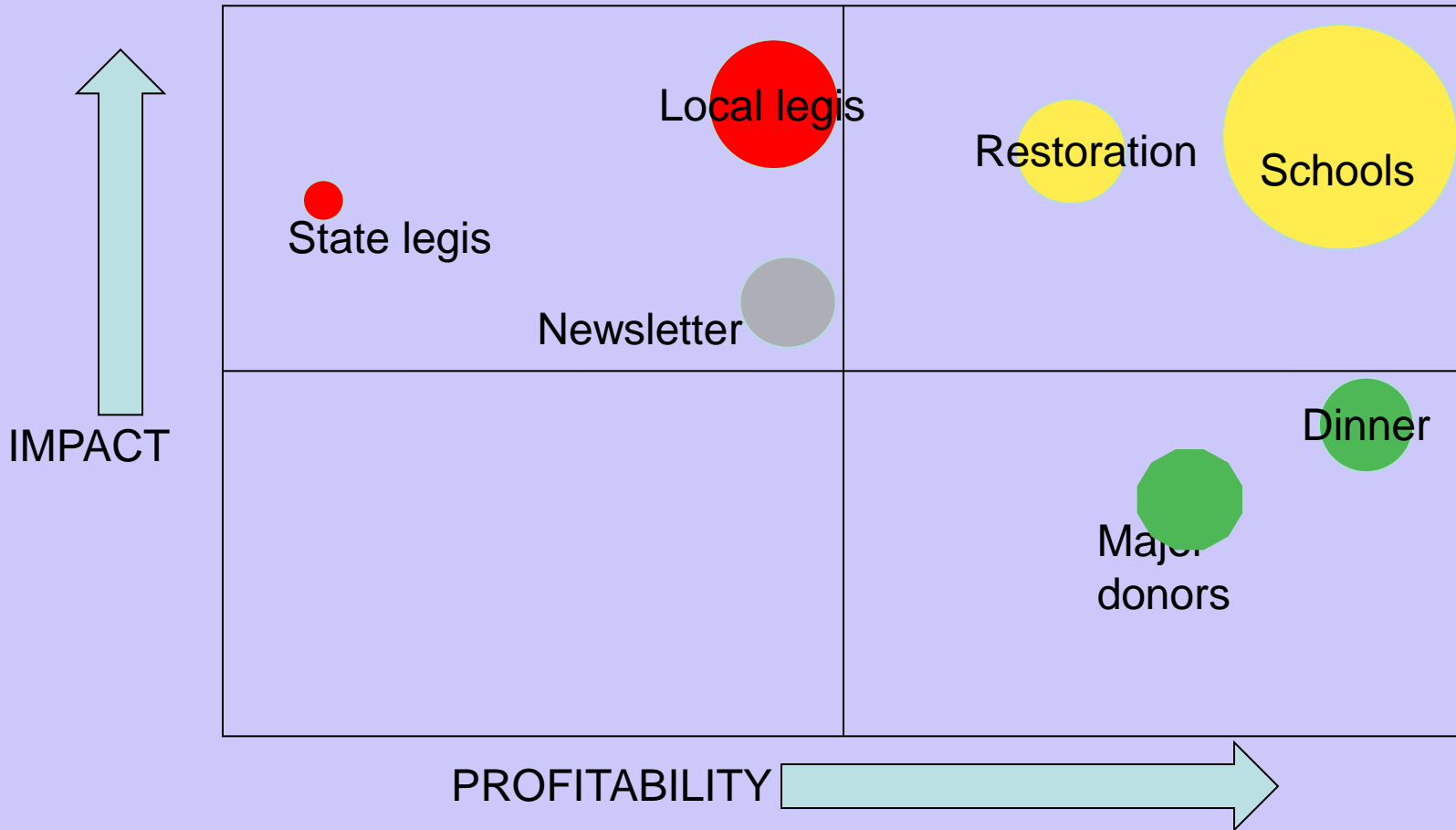
Change to e-newsletter to increase impact, reduce costs

Increase impact. Grow if possible.

Increase impact. Growth not likely. Increase profitability



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 of 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

<p>1 Make an impact strategy that's finally viable, and right for YOU.</p>  	<p>2 Identify activities, and analyze them.</p>    
<p>3</p>	<p>4</p>



Fast summary

<p>1 Make an impact strategy that's finally viable, and right for YOU.</p> 	<p>2 Identify activities, and analyze them.</p> 
<p>3 Challenge yourself with the Strategic Imperatives. If we're not following them, why not?</p> 	<p>4</p>



Fast summary

<p>1 Make an impact strategy that's finally viable, and right for YOU.</p> 	<p>2 Identify activities, and analyze them.</p> 
<p>3 Challenge yourself with the Strategic Imperatives. If we're not following them, why not?</p> 	<p>4 Use the Matrix Map as an ongoing decision-making tool.</p>



Each successful strategy is unique.

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

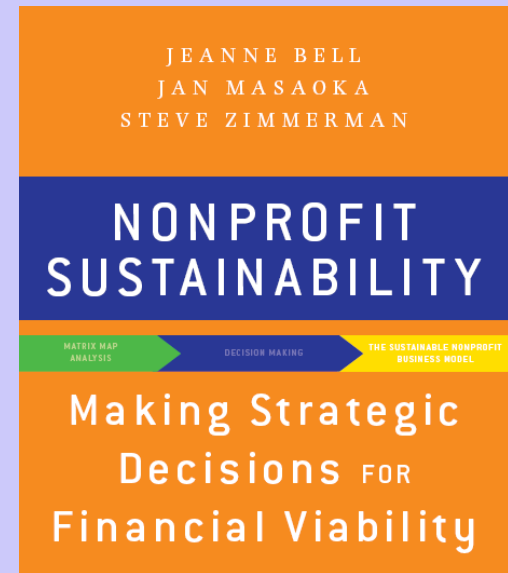
Be ruthless about investing this valuable resource in the right efforts.





New issue every 3 weeks

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



Nonprofit Sustainability
josseybass.com
amazon.com

