



Understanding & Strengthening The Nonprofit Business Model

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February 22, 2013



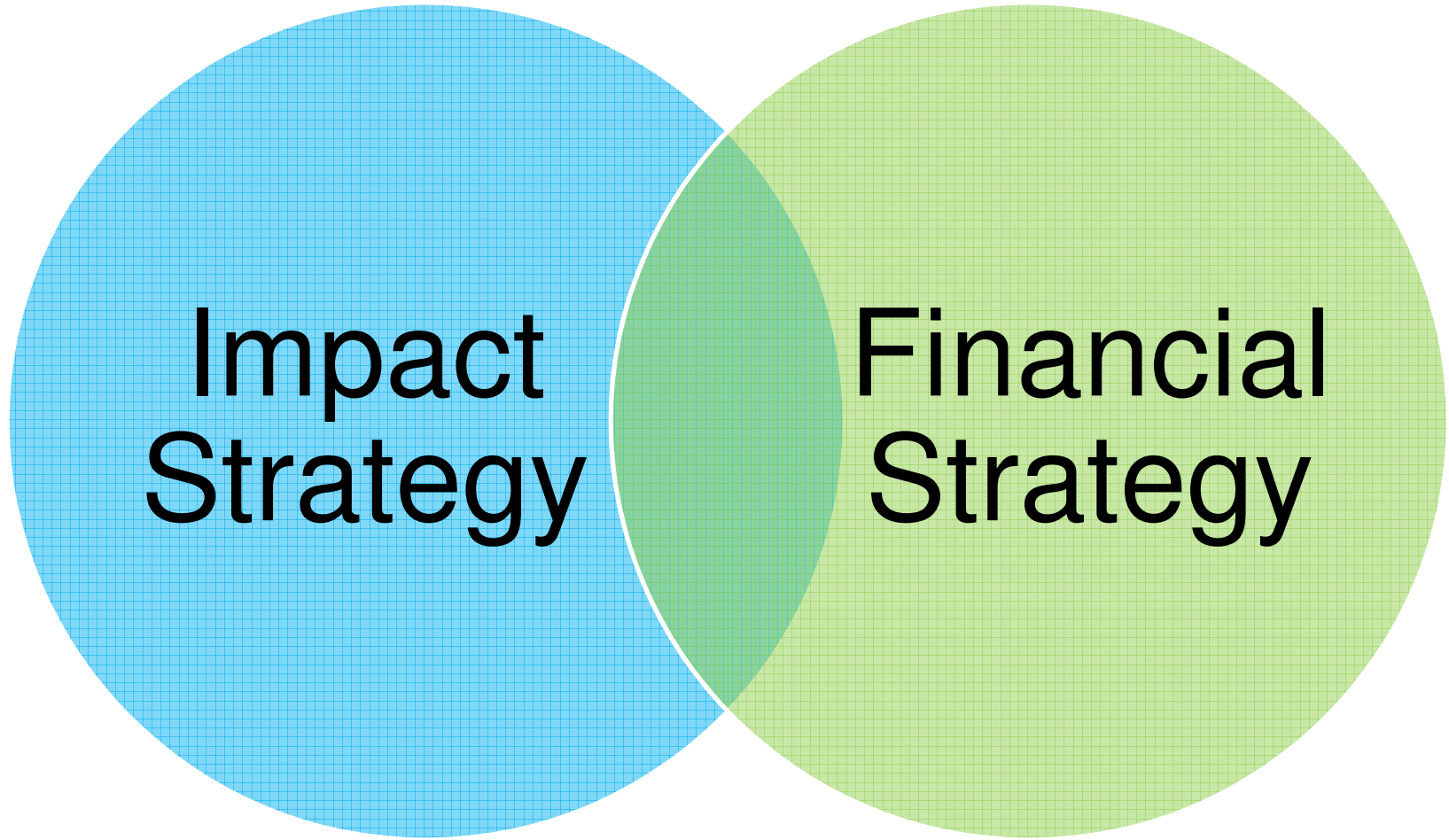
Revenue: \$388,000 per year

41% from 1 Foundation

Financial Strategy

Nonprofits have dual bottom-line business models.

Impact Strategy



Defining Sustainability

“Sustainability encompasses both ***financial sustainability*** (the ability to generate resources to meet the needs of the present without jeopardizing the future) and ***programmatic sustainability*** (the ability to develop, mature and cycle out programs to be responsive to constituents over time.)”

- [Nonprofit Sustainability: Making Strategic Decisions for Financial Viability](#)

VISUALIZING YOUR BUSINESS MODEL



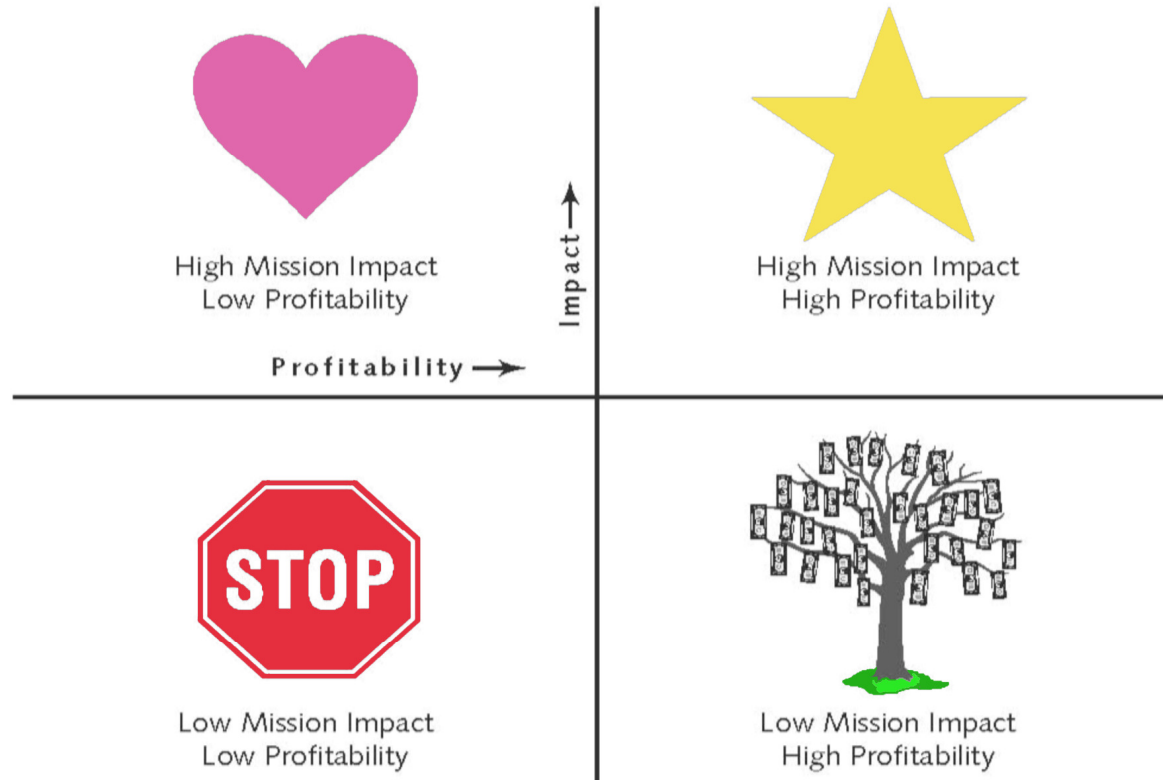
Water Quality Monitoring

Advocacy

Training

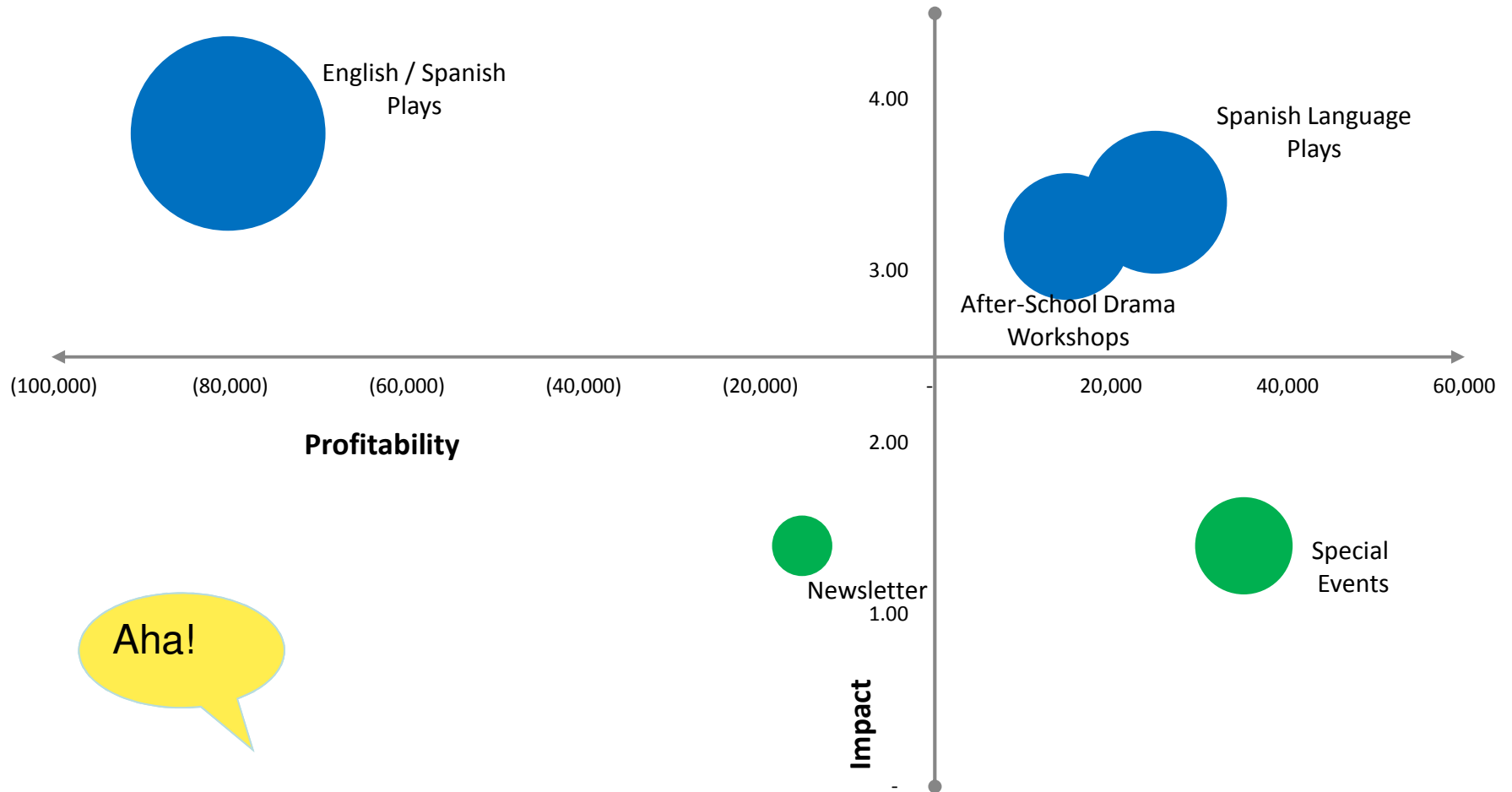
Community Engagement

The Matrix Map



A single compelling image

Matrix Map



Aha!

1. Identify Business Lines
2. Assess Mission Impact
3. Determine Profitability



Identify Business Lines

Programmatic

- Water Quality Monitoring
- Training and Education
- Community Engagement
- Advocacy

Fundraising

- General Operating Support
- Membership
- Events

Relative Impact

Examples of criteria

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



Relative Impact

Business Lines	Alignment with Mission	Filling an important gap	Community & Constituent building	Excellence in Execution	Average
Water quality monitoring	4.00	4.00	2.00	3.00	3.25
Training & education	3.00	4.00	4.00	2.00	3.25
Community engagement & action	4.00	3.00	4.00	4.00	3.75
Advocacy	3.00	3.00	1.00	2.00	2.25
General Operating Support	2.00	1.00	1.00	2.00	1.50
Membership	2.00	1.00	4.00	3.00	2.50
Special events	3.00	1.00	4.00	3.00	2.75

Determining Profitability

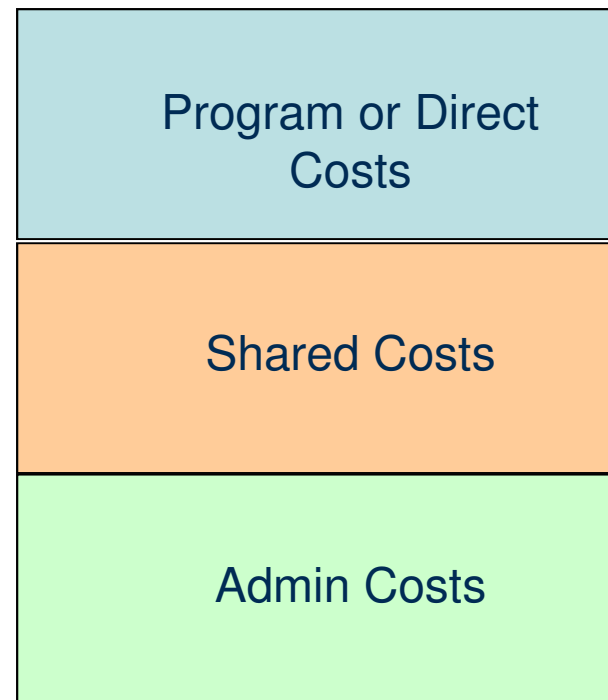
Revenue

- Assign restricted and generated revenues to each business line



Expenses

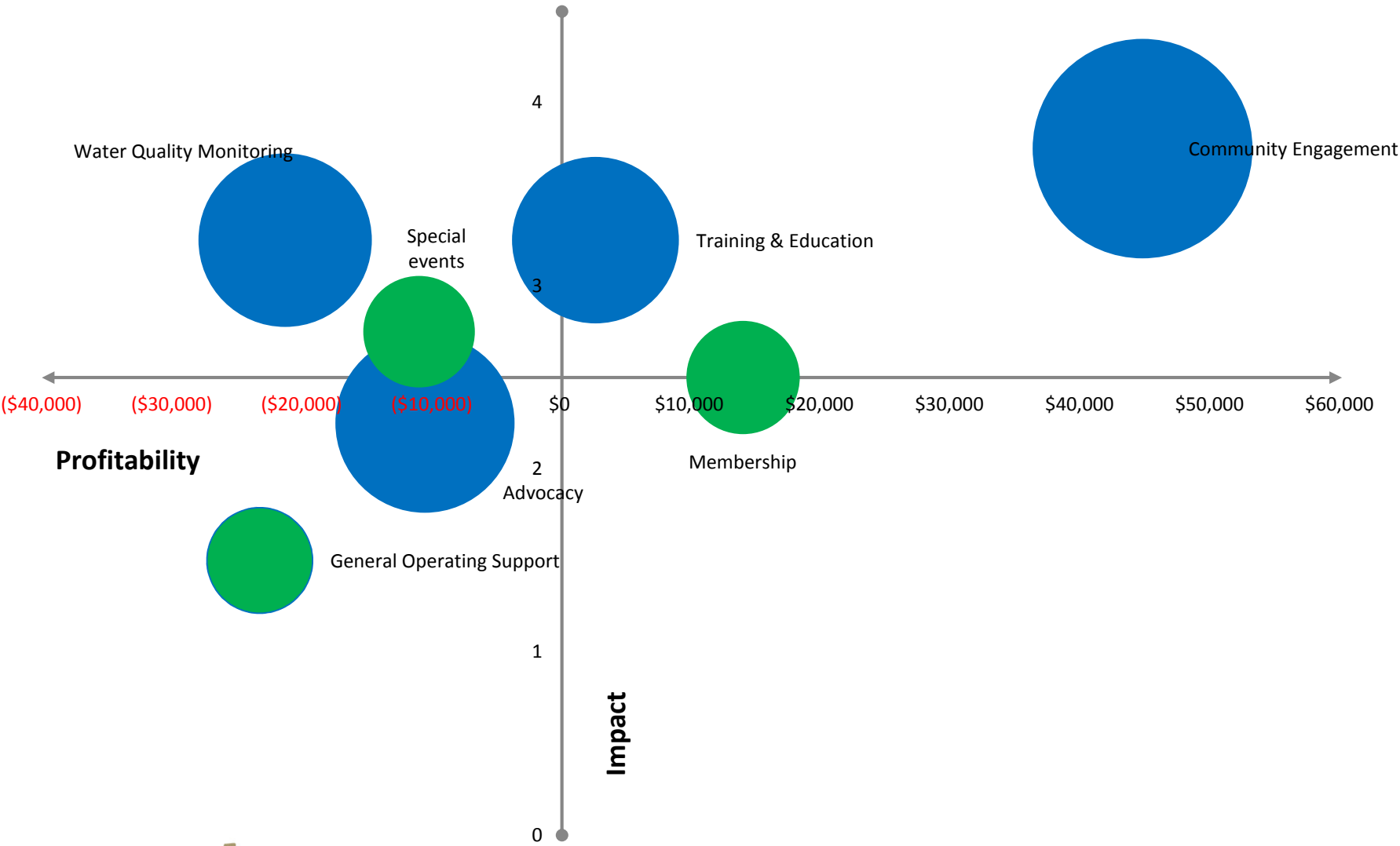
- Include full costs:



Determining Profitability

	Programs				Fundraising					
	Water Quality Monitoring	Training & Education	Community Engagement	Advocacy	General Operating Support	Membership	Events	Admin.	Shared	Total
Total Income	41,488	60,590	145,258	56,474	-	40,750	15,000	29,147		388,706
Expenses										
Personnel Expenses	46,823	30,295	45,335	44,438	17,808	16,047	16,644	35,211	-	252,600
Operating Expenses	-	15,350	32,600	8,550	100	4,600	3,300	18,150	29,100	111,750
Total Expenses	46,823	45,645	77,935	52,988	17,908	20,647	19,944	53,361	29,100	364,350
Shared Allocation %	21%	11%	24%	12%	6%	7%	7%	11%	-100%	
Shared Allocation	6,187	3,334	7,007	3,588	1,709	1,992	1,992	3,291	(29,100)	-
Direct & Shared Expenses	53,010.23	48,978.77	84,941.52	56,575.90	19,617.26	22,638.73	21,935.60	56,651.99	-	364,350
Administration Allocation %	17%	16%	28%	18%	6%	7%	7%	-100%		
Administration Allocation	9,760	9,018	15,639	10,417	3,612	4,168	4,039	(56,652)		
Fully Allocated Expenses	62,770	57,997	100,581	66,992	23,229	26,807	25,974	-	-	364,350
Net Income / Subsidy	(21,282)	2,593	44,677	(10,519)	(23,229)	13,943	(10,974)	29,147	-	24,356

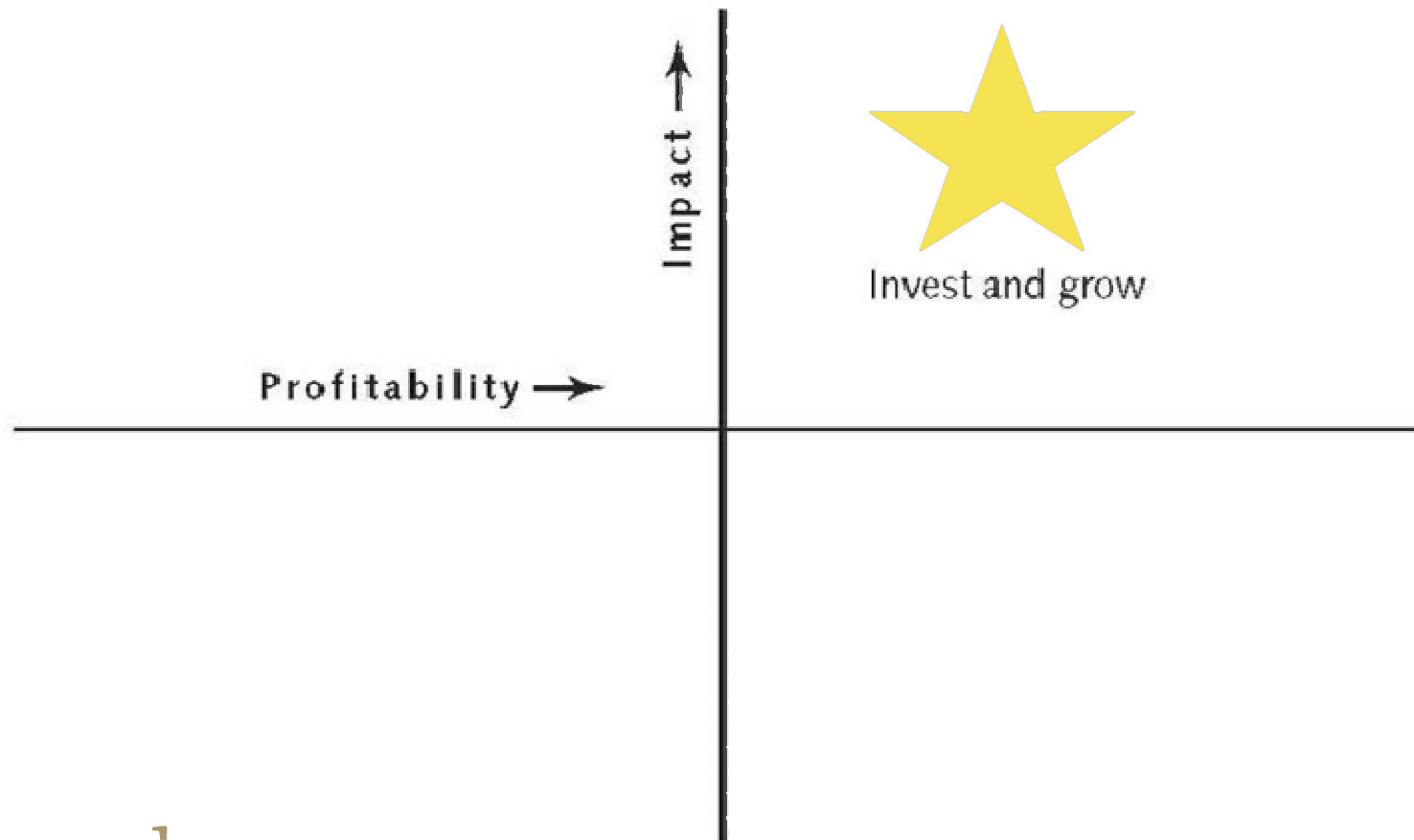
Matrix Map



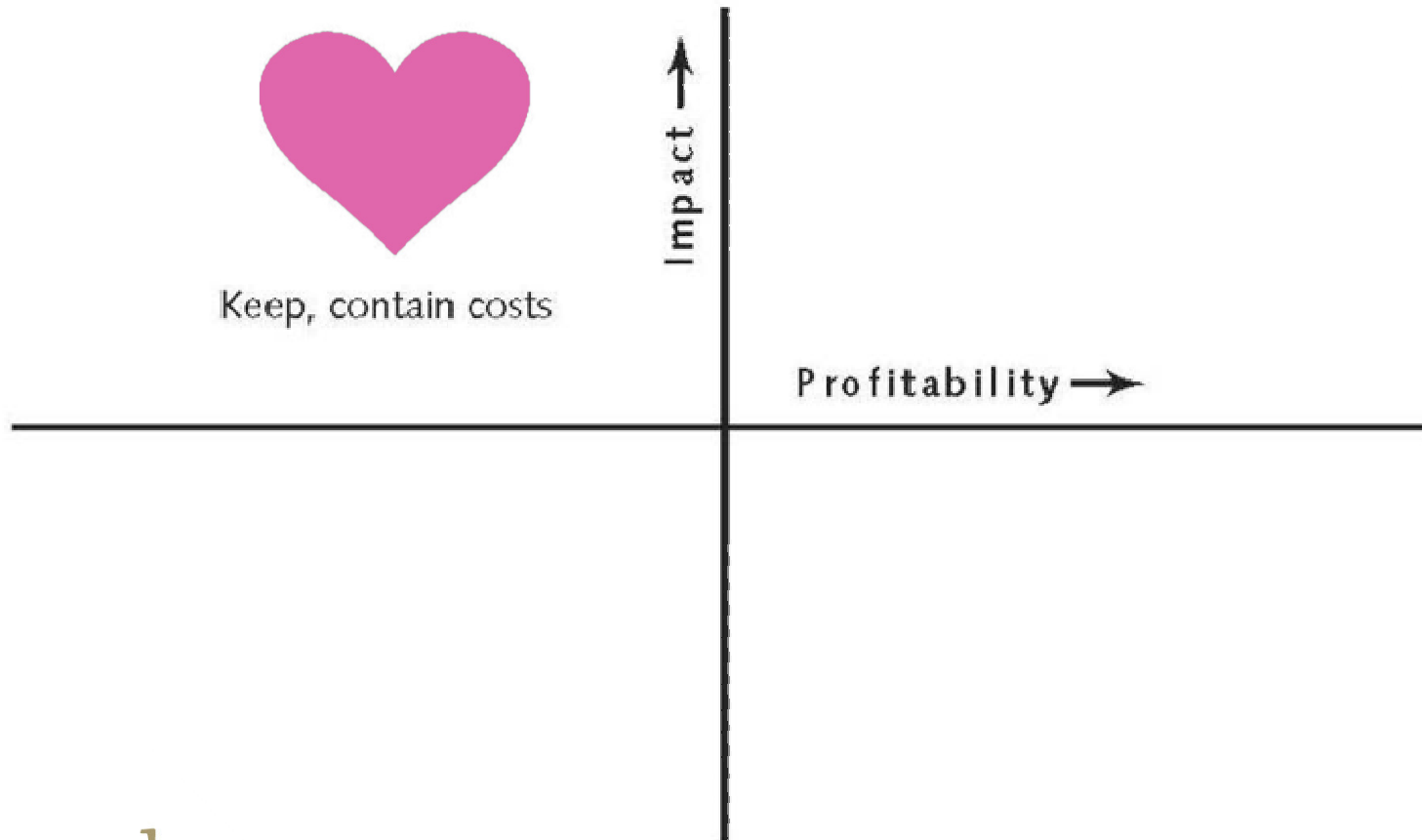


The Strategic Imperatives

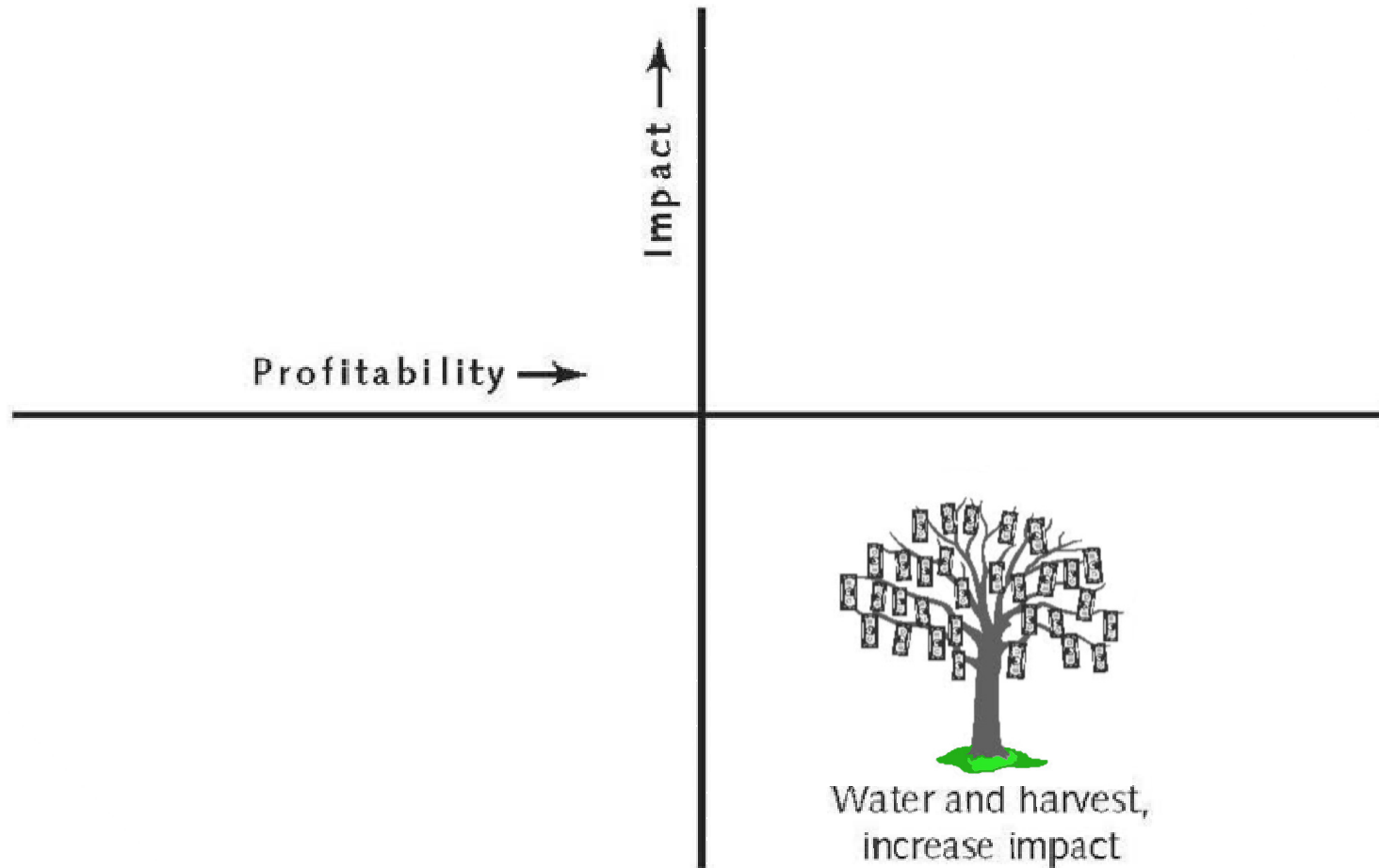
Strategic Imperatives



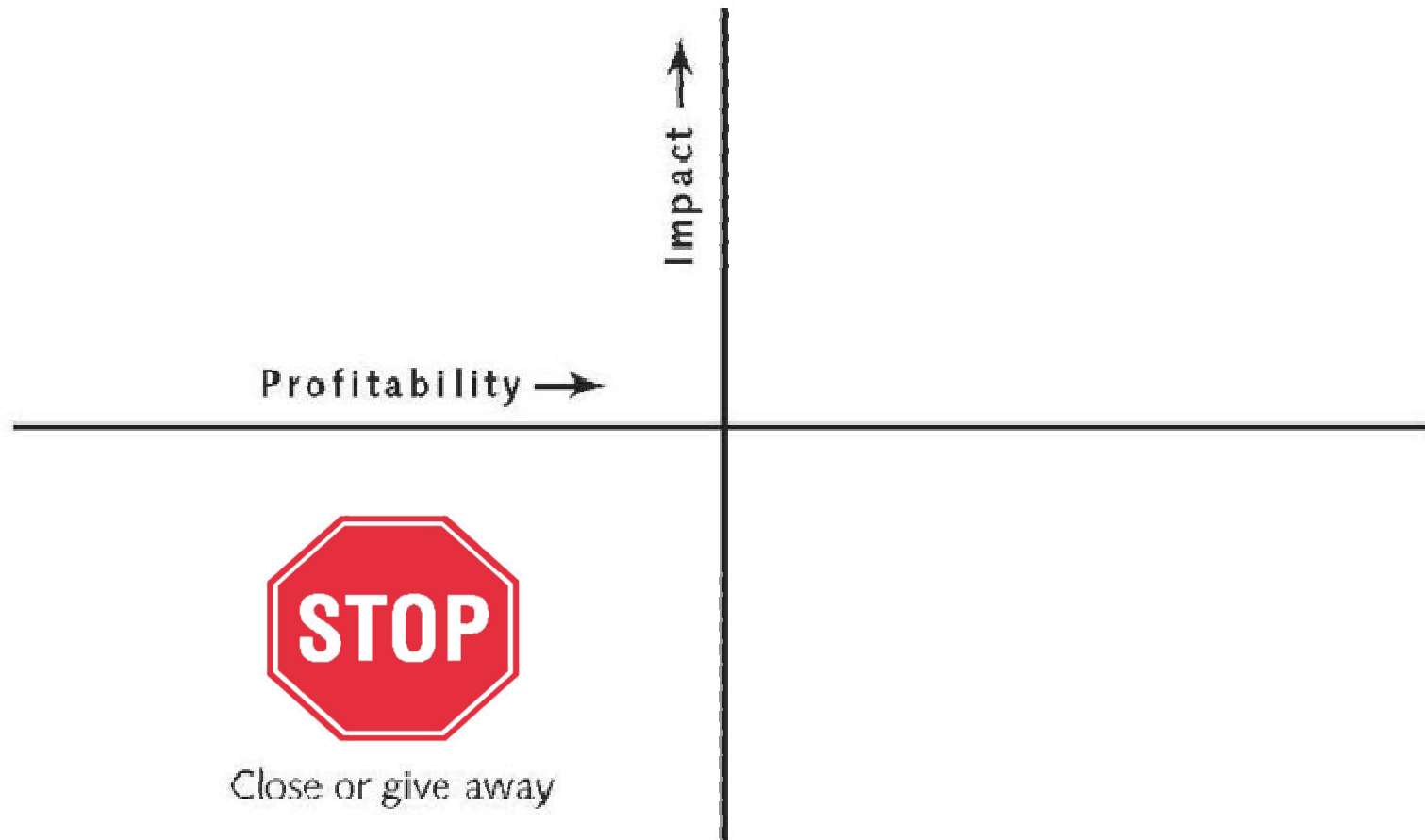
Strategic Imperatives



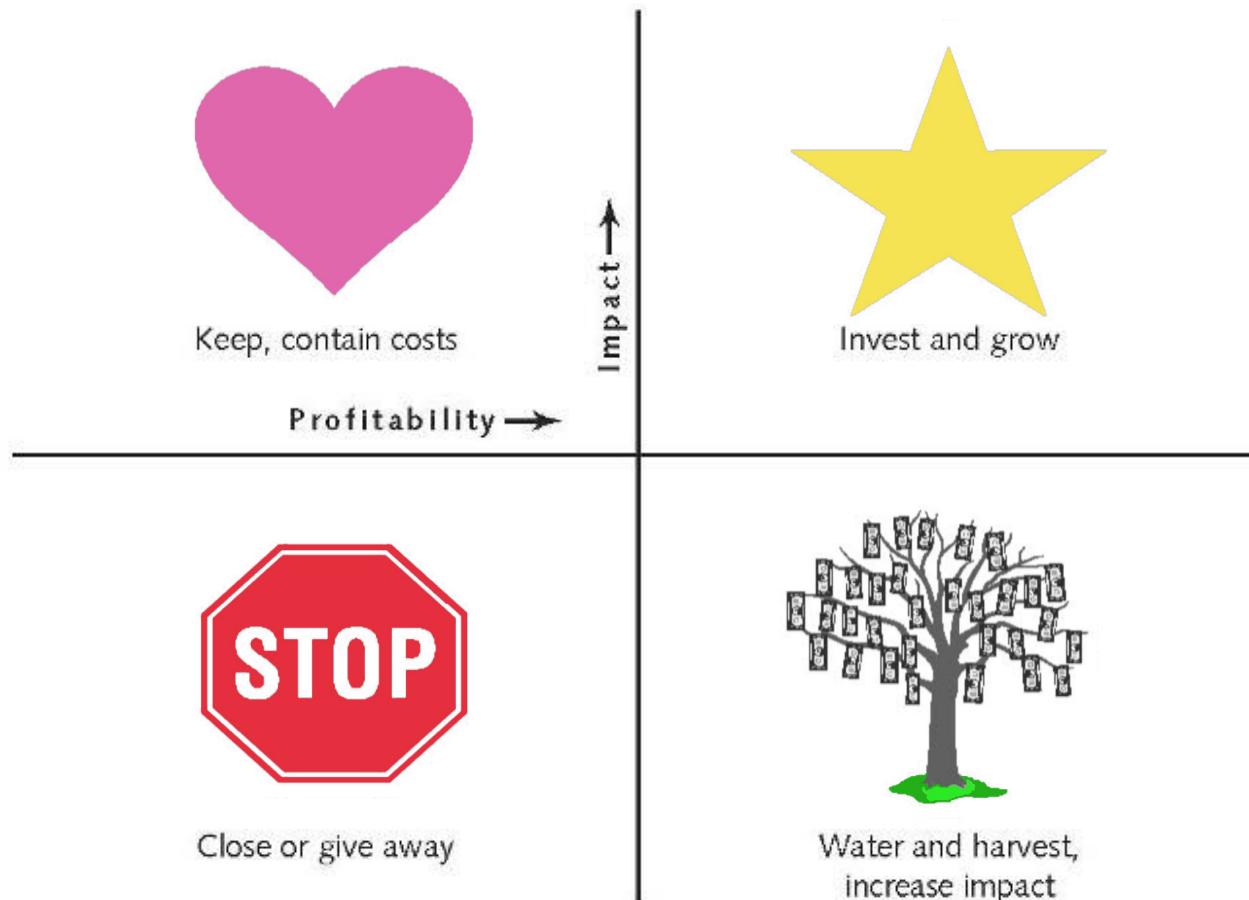
Strategic Imperatives



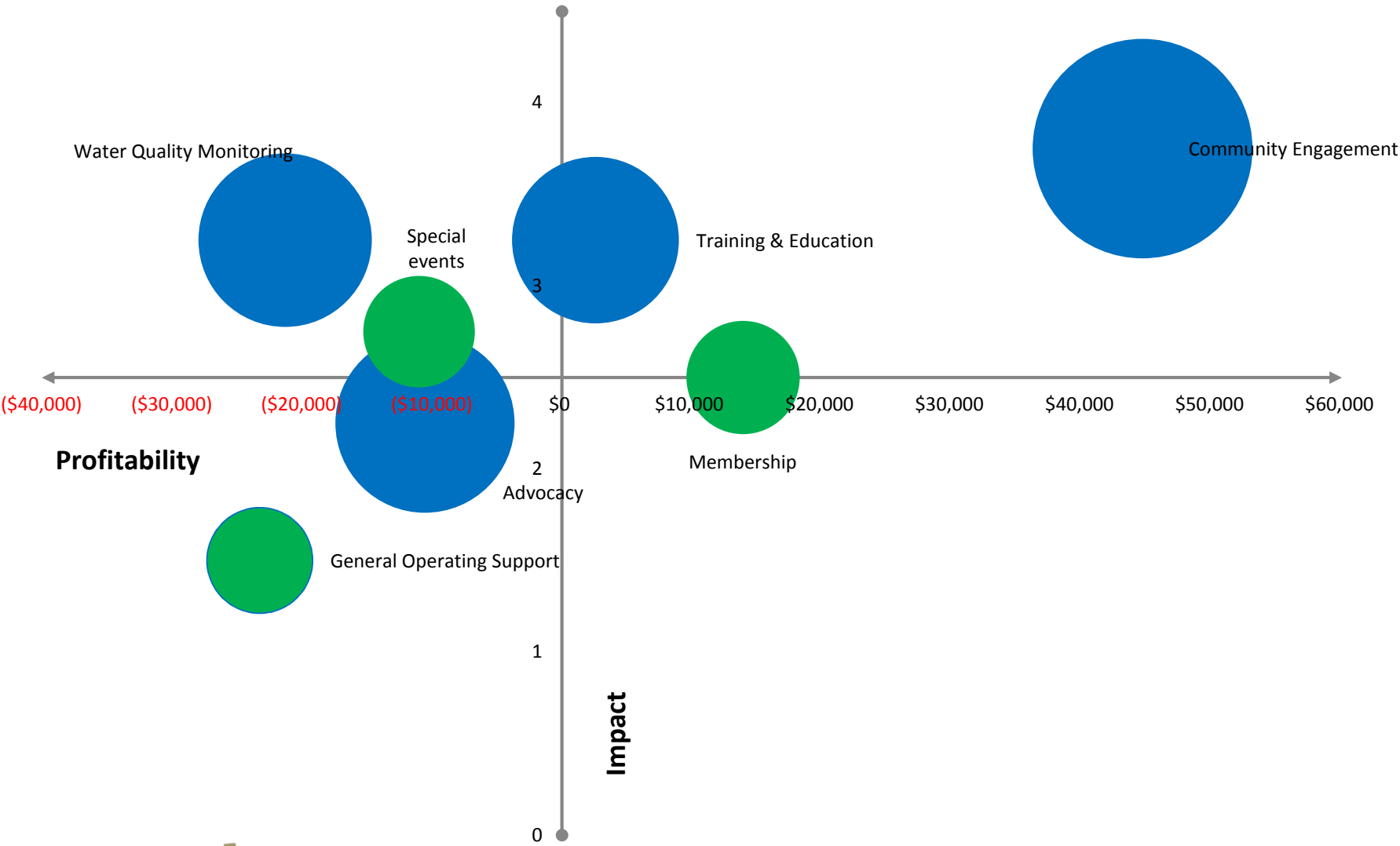
Strategic Imperatives



Strategic Imperatives



Matrix Map



**What is the right
business model?**



WILLIAMS-SONOMA

All too frequently heard . . .

Social media

Product sales

Benefit Concert

Online auction

Yeah!

Fees-for-service

Walk-a-thon

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

Different strategies . . . both successful:

It's smart to be frugal

Kodak camera bundle \$129
Total value \$153.95

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

56cm \$549
Save \$150

66cm \$309
Save \$90

139

149

199ea

129

229

59

189

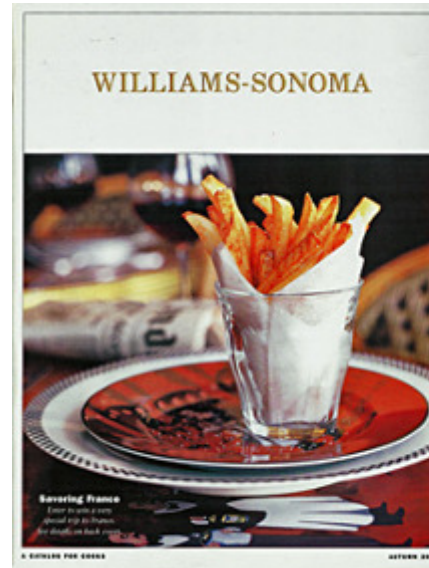
175

649

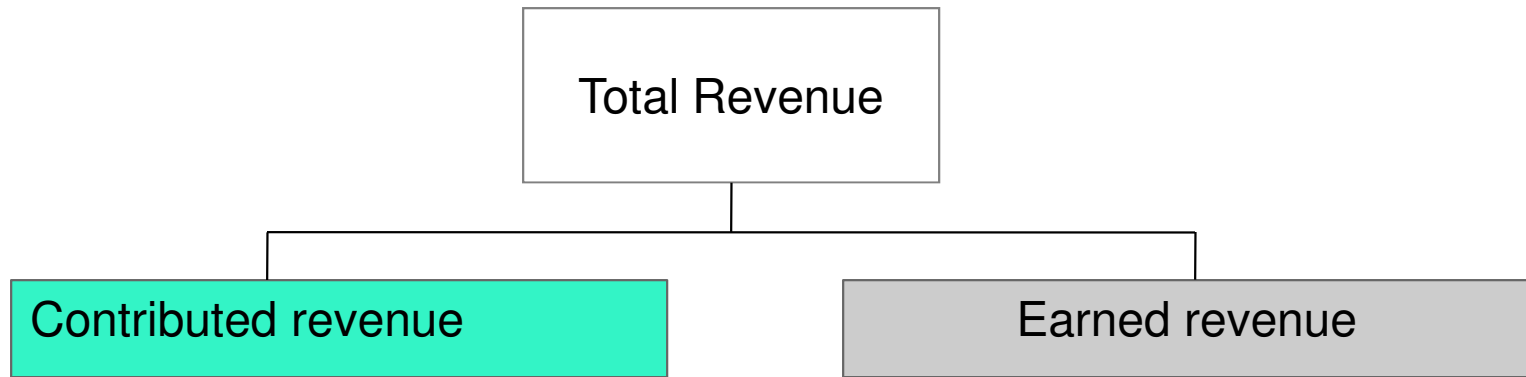
99.95

9.95

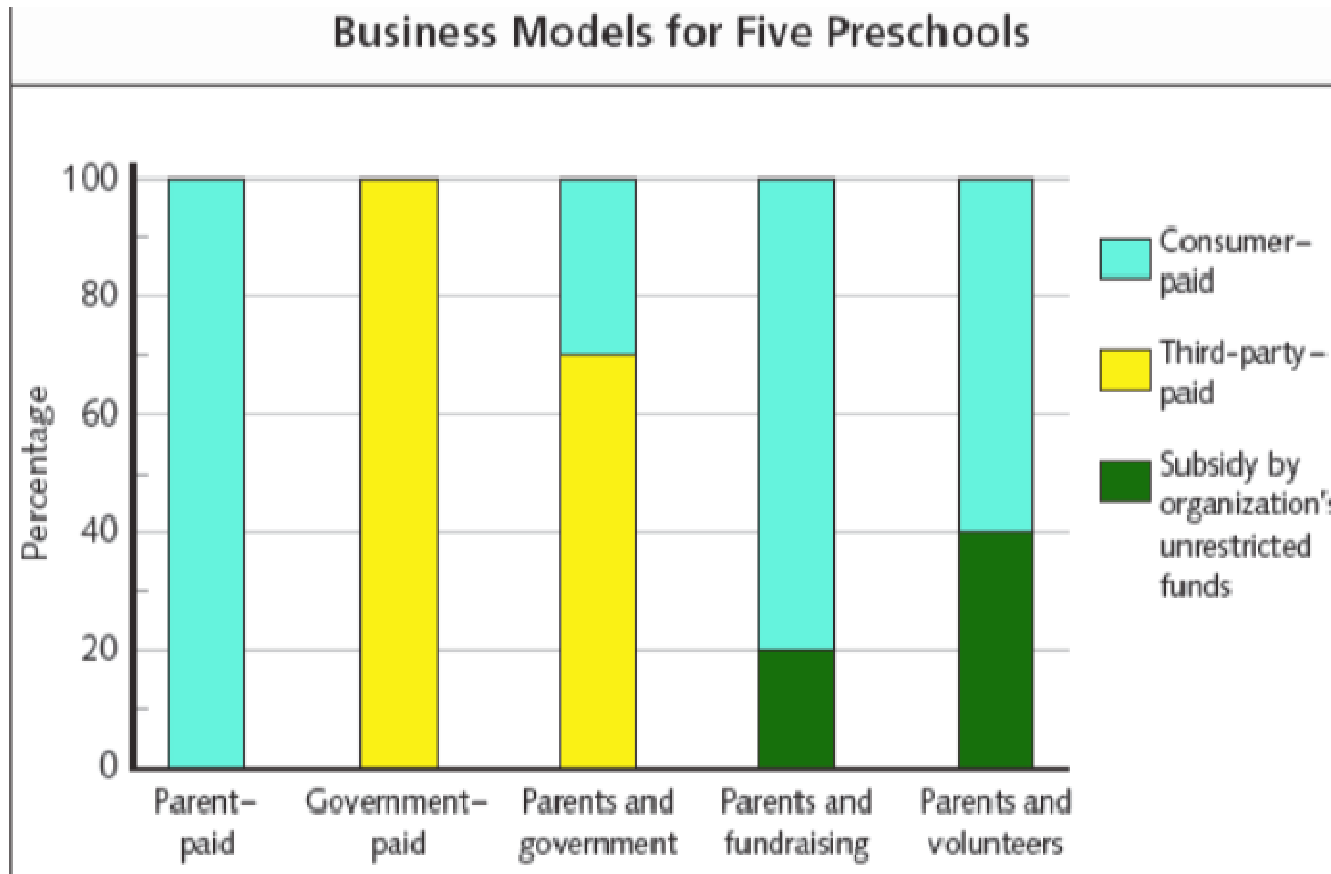
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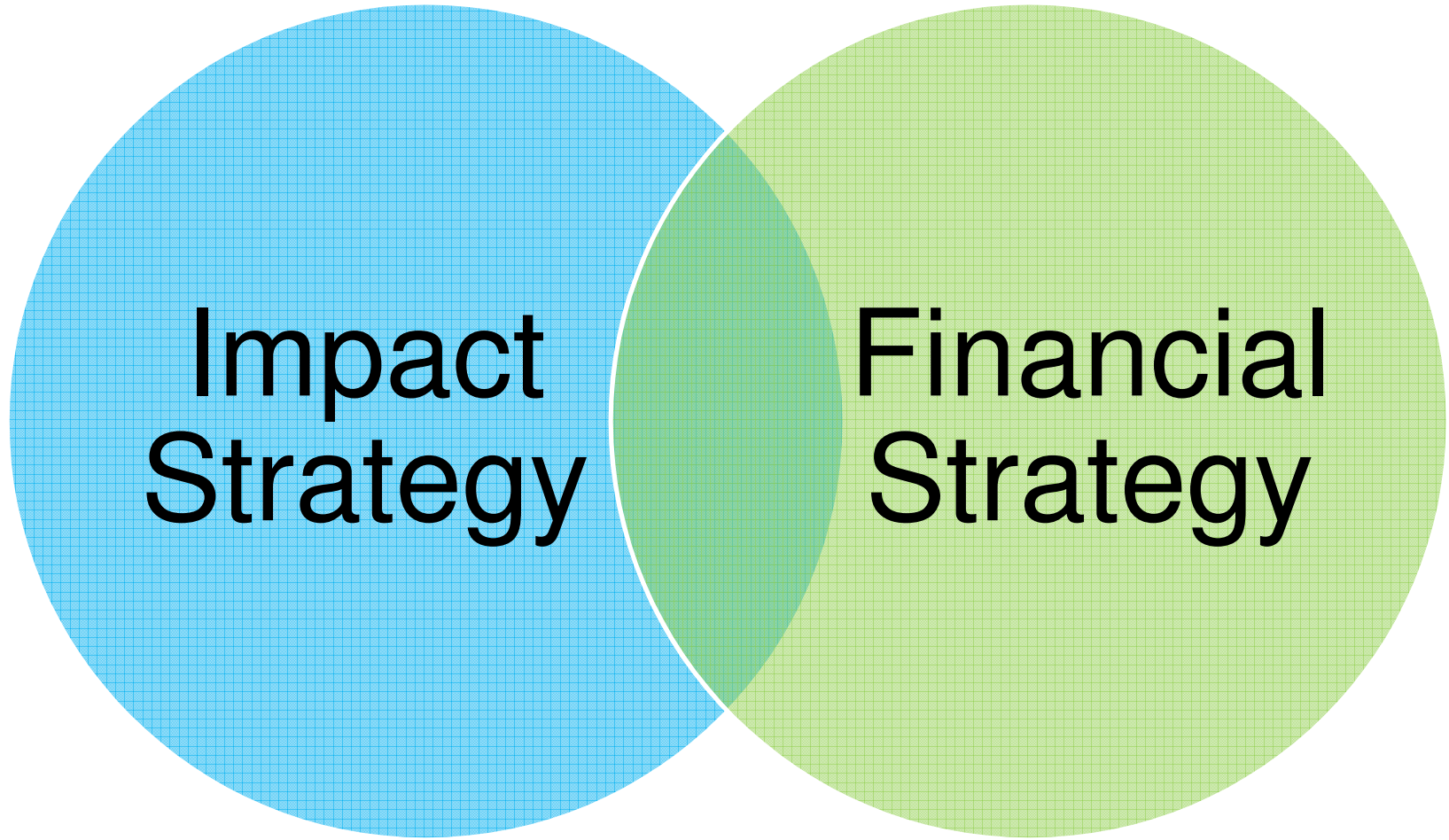
Revenue types & sources

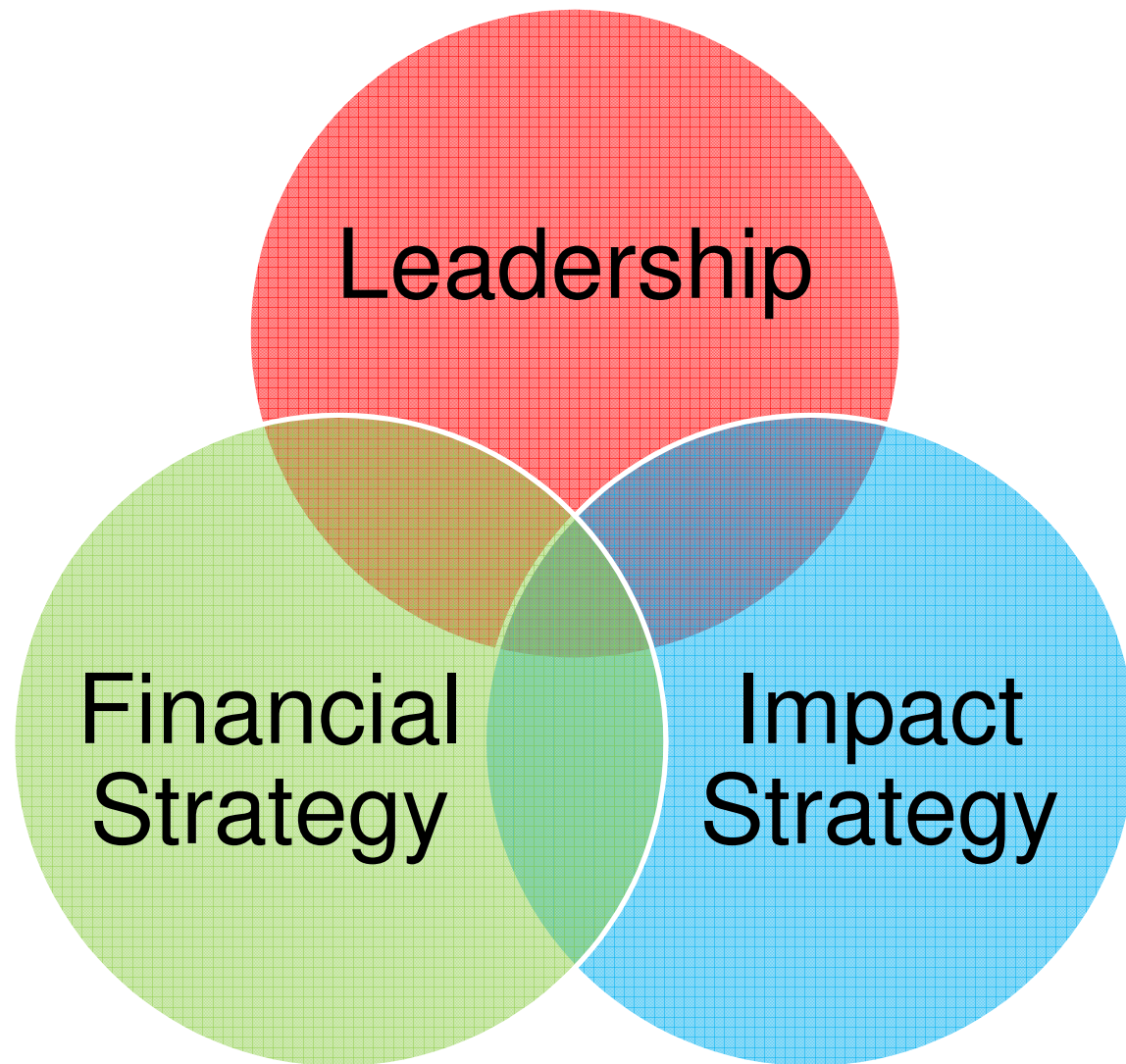


Different strategies, same mission:



So how do we choose?





Context

“Adaptive organizations make good decisions in and out of formal planning processesmostly *out.*”

-Jeanne Bell, CompassPoint

Sustainability . . .

is not a destination



is an orientation






Sustainability involves ongoing decision making about your business model.





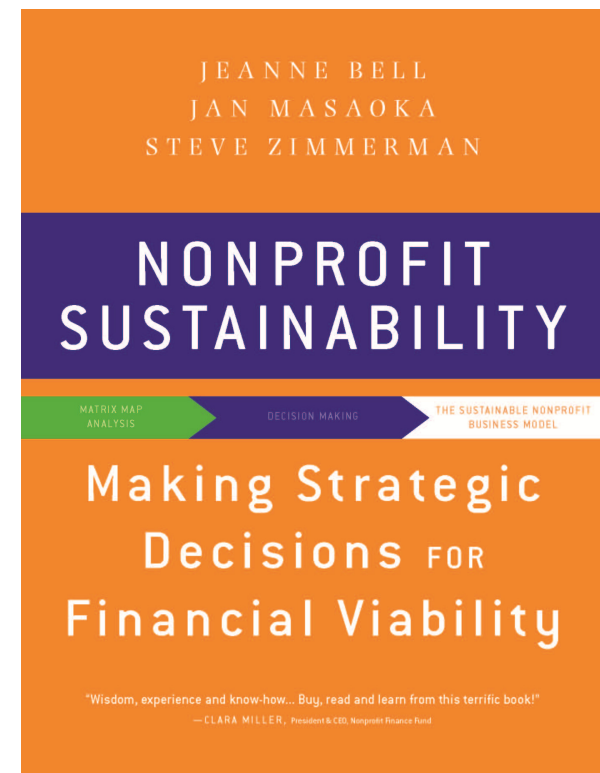
“Chief Second Guesser.”

Fast Summary

<p>1 Make an impact strategy that's financially 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>

Resources Available

- Blue Avocado & CompassPoint Articles
 - www.blueavocado.org
 - www.compasspoint.org
- Book
 - Amazon





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