

CompassPoint

NONPROFIT SERVICES

Nonprofit Sustainability Clinic



CompassPoint Nonprofit Services
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“Today, nonprofit leaders are deeply challenged by an array of complex, changing, urgent pressures that demand faster, smarter decisions than ever before.

Success cannot be driven – or measured – by long-term, detailed plans and whether those plans were carried out as written. Instead, community nonprofits sail in stormy seas where changing conditions mean a new route must be plotted every day.

And on board these tossing ships is precious cargo: the lives of people in our communities, and the spirits and hearts of communities themselves.”

-Nonprofit Sustainability: Making Strategic Decisions for Financial Viability

Sustainability

What do you think are essential aspects of sustainability?

1. _____



2. _____



3. _____



4. _____



5. _____



Sustainability

On a scale of 1 – 4, how would you assess your organization's current sustainability?

1 **Unsustainable**

WHY?

2 **Facing Unsustainable**

WHY?

3 **Facing Sustainable**

WHY?

4 **Sustainable**

WHY?

Sustainability

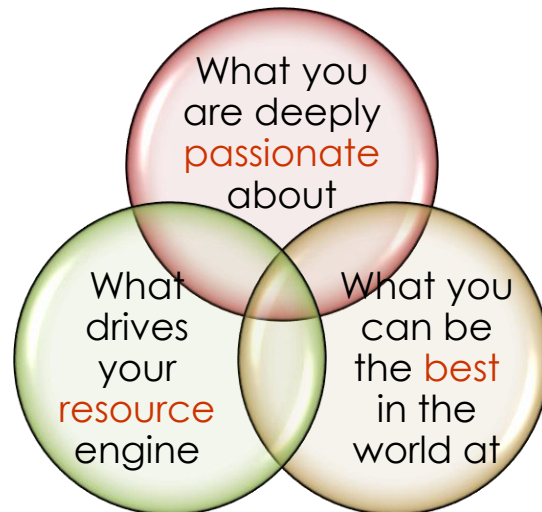
“Sustainability encompasses both ***financial sustainability*** (the ability to generate resources to meet the needs of the present without jeopardizing the future) and ***programmatic sustainability*** (the ability to develop, mature, and cycle out programs to be responsive to constituencies over time).”

-Nonprofit Sustainability: Making Strategic Decisions for Financial Viability

Notes:

-
-
-
-
-
-

Your Unique Value



A Hedgehog Concept is a *simple, crystalline concept that flows from deep understanding about the intersection of the following three circles:*

1. *What you can be best in the world at* (and, equally important, what you *cannot* be the best in the world at). This discerning standard goes far beyond core competence. Just because you possess a core competence doesn't necessarily mean you can be the best in the world at it. Conversely, what you can be best at might not even be something in which you are currently engaged.
2. *What drives your resource engine.* * This includes three components: "time" (how well you attract people willing to contribute their efforts), "money" (sustained cash flow), and "brand" (how well you cultivate the emotional goodwill and mind-share of potential supporters).
3. *What you are deeply passionate about.* The good-to-great companies focused on those activities that ignited their passion. The idea here is not to stimulate passion but to discover what makes you passionate.

-- Jim Collins, Good to Great
(* resource engine from Good to Great for the Social Sectors)

Nonprofit Business Models

Business models in for-profit companies explain how an organization creates, delivers, and captures value, which in turn generates profits. Nonprofits replace the word *value* with *impact* and *profits* with *investment through giving*. The value that nonprofit organizations create is the impact of their work, which will change society, enrich lives, and create better places to live. For a nonprofit organization to succeed, though, it also needs its impact to inspire people to pay or invest in the organization. Investment can happen from those directly benefiting from the nonprofit through a fee-for-service revenue strategy that charges a constituent as a consumer of services, indirectly through a philanthropic contribution where someone else is paying for the nonprofit's services as a third party to be delivered to constituents or a hybrid of the two. Second, investment in the nonprofit sector can take the form of liquid monetary investment in the form of cash or of time or property investment through volunteering and in-kind donations.

-- from *The Sustainability Mindset* by Jeanne Bell and Steve Zimmerman

A nonprofit business model is an organization's chosen set of mission-specific and fund development programs that work together to achieve its intended impact.

- ✓ Every organization's set of activities is unique and represents management's current thinking about how to resolve a social problem
- ✓ Every activity both contributes to intended impact and has a financial result

Business Model Statement

Drafting a business model statement can be a useful way to concisely describe the work of the organization, naming the primary revenue strategies as well as the high-level activities or programs that the organization operates. Well-crafted business model statements also give a sense of the nature of the relationship between the organization and the “customers” who are paying for its work. Words like retail, sell, contract, partner, engage, solicit all indicate differences in the business of the organization – although it may seem subtle, it can hint at different needs for talent, infrastructure, and organizational culture.

EXAMPLE:

CompassPoint Mission Statement:

CompassPoint intensifies the impact of fellow nonprofit leaders, organizations, and networks as we achieve social equity together.

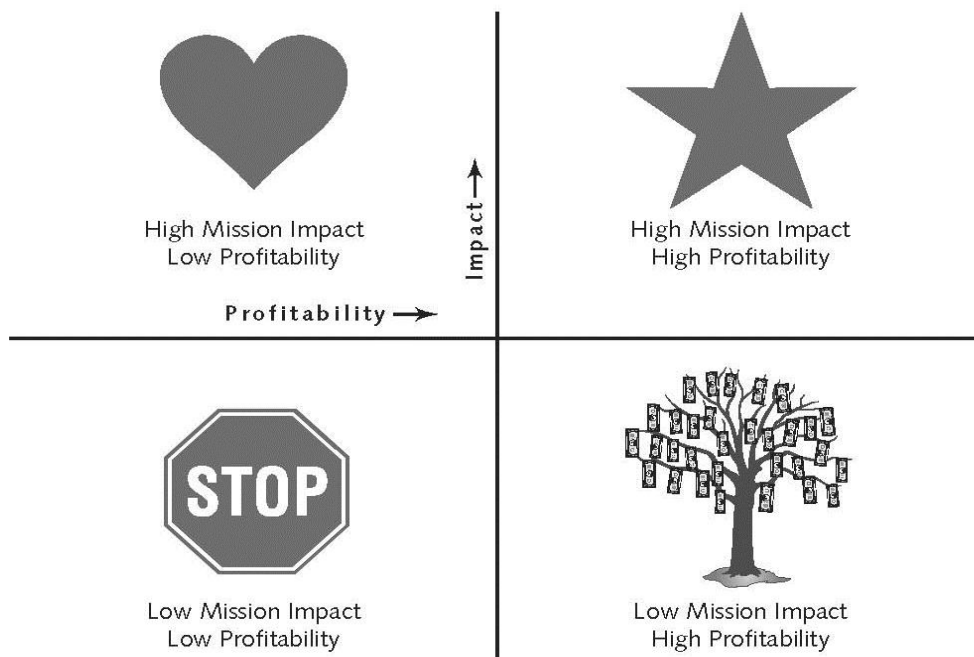
CompassPoint Business Model Statement:

CompassPoint retails training and consulting services directly to nonprofit organizations and partners with foundations to subsidize intensive, cohort leadership development programs.

Draft your organization’s business model statement:

Dual Bottom Line

The figure below provides a framework for thinking about the portfolio of activities in a nonprofit organization and assessing each activity based on both its mission impact and financial return.

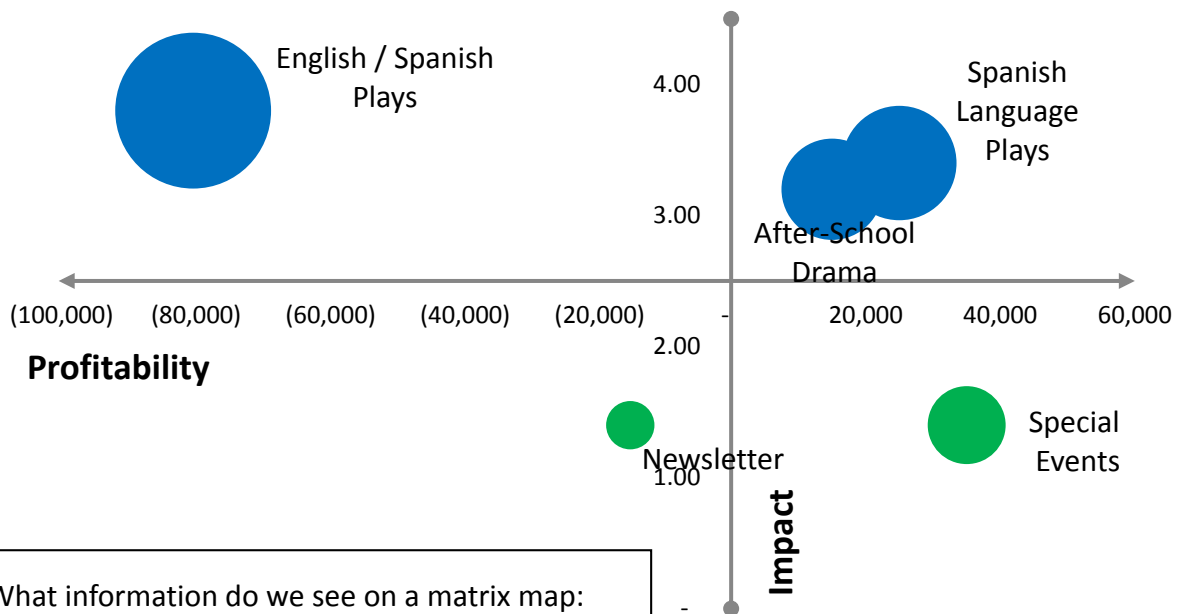


At any given moment, a community nonprofit may have an activity portfolio with activities spread across the four quadrants shown in the figure. Locating activities in these quadrants through a systematic assessment of data – what we call creating a Matrix Map – will suggest a clear set of decisions that leaders need to make in order to foster the business model’s overall strength.

The Matrix Map

The Matrix Map is a tool for applying dual bottom line thinking at your organization. It makes your current business model visible and suggests strategic imperatives to strengthen the model.

SAMPLE: Tempest Theater Matrix Map



What information do we see on a matrix map:

- ✓ What we do (names of bubbles)
- ✓ Mix of mission-specific (blue) and fund development programs (green) (color of bubbles)
- ✓ Where we are investing our resources (size of bubbles)
- ✓ The net financial results of each activity (horizontal axis)
- ✓ Relative mission impact of each activity (vertical axis)

Current Program Portfolio

Name each of your organization's mission-specific and fund development programs.

MISSION-SPECIFIC PROGRAMS	FUND DEVELOPMENT PROGRAMS

Intended Impact Statements

“A statement or series of statements about what the organization is trying to achieve and will hold itself accountable for within some manageable period of time. It identifies both the benefits the organization seeks to provide and the beneficiaries.”

- “Zeroing in on Impact,” Stanford Social Innovation Review (Colby, Stone, Carttar)

Notes:

-
-

Draft your organization’s intended impact statement:

Market Space

Name 3 important collaborative forces.

These might include new or evolving partnerships, policy changes, funding trends, changes in public perception, community needs and/or other factors that are actively supporting or contributing to your intended impact.

Name 3 important competitive forces.

These might include new or evolving partnerships, policy changes, funding trends, changes in public perception, community needs and/or other factors that are actively pushing against or diluting your intended impact.

Profitability

“If surpluses – profits – are essential to building up even modest savings, then it stands to reason that every nonprofit has to have in its portfolio some activities that generate profit. In any case, something has to generate profits, both to subsidize programs that cannot break even and to build cash reserves and working capital. As a result, assessing the financial return – the profitability – of each core business line is essential to analysis and decision making.”

-Nonprofit Sustainability: Making Strategic Decisions for Financial Viability

SAMPLE AGENCY: Domestic Violence Intervention & Prevention Agency

Functional Income and Expenses

As of June 15, 2012

	Program Activities		Supporting Activities		Common Costs	Total 2012-13
	Shelter Services	Support Groups	Admin-istration	Fund-raising		
Contributed support	-	-	-	340,000	-	340,000
Earned revenue	815,009	-	10,000	-	-	825,009
Released from restriction	-	445,000	-	5,000	-	450,000
Total income	815,009	445,000	10,000	345,000	-	1,615,009
Personnel expenses	329,852	214,881	117,365	127,339	179,161	968,598
Non-personnel expenses	291,750	54,300	28,100	19,750	224,113	618,013
Total specific costs	621,602	269,181	145,465	147,089	403,274	1,586,611
% of FTEs	45%	31%	11%	13%	(100%)	-
Allocation of common costs	181,473	125,015	44,360	52,426	(403,274)	-
% of direct costs	57%	28%	(100%)	14%	-	-
Allocation of admin costs	109,139	53,572	(189,825)	27,114	-	-
Total expenses	912,215	447,768	-	226,629	-	1,586,611
Change in net assets	(97,206)	(2,768)	10,000	118,371	-	28,398

Choosing Impact Criteria

Choose two additional impact criteria (in addition to the required 2) and tailor them for your organization.

1 Contribution to Intended Impact (required)

- What is the specific impact that we currently pursue?
- Where are we truly at the leading edge of our work?
- How are we leaning into our competitive advantage?

Notes:

2 Excellence in Execution (required)

- How do we define excellence in the context of our work?
- What does it look like when we are at our best as an organization?

Notes:

Choosing Impact Criteria (CONT.)

3 Scale or Volume

- Is it important to our mission impact to reach a large number of people?
- How do we define scale in our organization?

Notes:

4 Depth

- Is it important to our mission impact to support our constituents in creating enduring change?
- How do we define the lasting change we are intending to make?

Notes:

Choosing Impact Criteria (CONT.)

5 Significant Unmet Need

- Are there programs we do that fill specific and critical gaps in our field or community? If we stopped doing this, would someone else take it up?
- How do we define the specific gap that we're filling and why it is critical to our mission?

Notes:

6 Community Building

- Do we build community around the organization?
- Do we bring a group of people together in a way that they may not otherwise come together?

Notes:

Choosing Impact Criteria (CONT.)

7 Leverage

- Do some of our activities (programmatic or fund development) directly support and contribute to the success of another activity?
- Do some of our activities give us access to strategic partners that are critical to our success?

Notes:

Our Four Impact Criteria:

- 1.
- 2.
- 3.
- 4.

Tailoring Impact Criteria

Tailor your selected impact criteria to reflect language that is specific and meaningful for your organization.

IMPACT CRITERIA	WHAT THIS MEANS FOR OUR ORGANIZATION
Contribution to Intended Impact	
Excellence in Execution	

Assessing Program Impact

To what degree, as its currently executed, does this program

?

CORE PROGRAMS	Rater:	Rater:	Rater:	Rater:	AVERAGE

Rating scale: 1 = not much impact 3 = very strong impact
 2 = some impact 4 = exceptional impact

Process Overview

The rigor and strategic utility of the matrix map process hinges substantially on the design and execution of the impact assessment process. It is important to distinguish between designing the impact assessment process and executing it. Given that this is a subjective process by design – not an evaluation attempting to deploy the scientific method – the potential for board to feel confused, reticent, or even dubious is real. You cannot take too much care in designing the process, including which stakeholders will or won't be involved and communicating your decisions clearly and frequently.

Designing the Process	Executing the Process
<ul style="list-style-type: none"> ✓ Determine who will select impact criteria ✓ Determine who will participate in the assessment ✓ Determine how to conduct the assessment ✓ Communicate your design choices 	<ul style="list-style-type: none"> ✓ Select and tailor impact criteria ✓ Create and share background information ✓ Conduct the assessment ✓ Discuss the results and identify implications

Bold Decision-Making

As you reflect on your analysis today, what are 2-3 decisions that you suspect your organization needs to make for greater sustainability?

What might delaying the decision cost you?

What's the next step in getting to a decision?

Decision #1:

Cost of Delaying the Decision:

Specific Next Step:

Decision #2:

Cost of Delaying the Decision:

Specific Next Step:

Decision #3:

Cost of Delaying the Decision:

Specific Next Step:

Decision-making

Decision-making is an essential component of being a ‘learning organization’ that is strategic in real time, not only during formal planning processes. On a scale of 1 – 4, how would you rate the quality of decision-making at your organization today?

Management is often reticent to act quickly on what it knows for fear of negative staff, board, and/or community reaction.

Not at all 1 2 3 4 Very much

It’s unclear how much strategic autonomy staff has relative to the board of directors.

Not at all 1 2 3 4 Very much

Staff are comfortable with the distinctions between giving input and being responsible for a decision.

Not at all 1 2 3 4 Very much

We talk candidly and comfortably at the staff level about failure and lessons learned.

Not at all 1 2 3 4 Very much