

A complementary Board Development resource from:

www.AllAboutBoards.com
Affordable Resources for Nonprofit Boards

Exploring Alternative Revenue Sources and Business Opportunities

Presentation Outline

- What's All the Excitement?
 - It's Good to Make a "Profit"
 - Looking for Ideas
 - Narrowing The Possibilities
 - Screening
 - Feasibility Studies
 - The Business Plan
 - Getting Started
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Why all the Excitement?

- Though nonprofits have been developing business for years (think Goodwill stores, YMCA fitness centers, and sheltered workshops), the idea that any nonprofit can start a business is still a new and exciting concept.
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Reasons to be Excited

- ❑ Board members often come from business backgrounds and understand business better than your program work.
 - ❑ Board members will often take the lead
 - ❑ Every organization needs more unrestricted funding
 - ❑ A successful business can grow your reputation
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Reasons for Caution

- ❑ Business often requires a different mindset and employee culture
 - ❑ Few businesses created by nonprofits make a meaningful profit.
 - ❑ Some donors and funders may perceive that you don't need their money, even if your business is not profitable.
 - ❑ It is easy for the staff and board to get so distracted that your primary programs and clients or patrons suffer.
 - ❑ Donors and funders are generally averse to nonprofits taking risks with the money they donate.
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Profit is Not a Four-Letter Word

- ❑ Revenues $>$ Expenses = Future
 - ❑ You have to bring in more money than you spend.
 - ❑ You have two ways to build your operating margin - increase revenues or decrease expenses - but you can't downsize to greatness
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Being Customer Driven

The marketing starts out with the customer, his/her demographics, realities, needs, values. It does not ask, "What do we want to sell?" It asks, "What does the customer want to buy?"

- Peter Drucker

Opportunities to Produce Revenue

- Services
 - Products
 - Knowledge/Expertise
 - Name & Reputation
 - Physical Facilities & Assets
 - Access to Members/Stakeholders
 - Sale of Assets
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Opportunities to Produce Revenue

- Membership Dues
 - Certification
 - Group Purchasing
 - Affinity Cards / Products
 - Conferences / Seminars
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Building on Your Resources

- Physical
 - Financial
 - Technological
 - Human
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- What do you have to leverage in each of these resource areas?
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Building on Your Relationships

- Businesses
 - Individuals
 - Universities/Schools
 - Government
 - Other NFP's
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- With whom does your organization have close ties?
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Defining Core Competencies!

- Able to Command Attention or a Premium Price
 - Provide Equal Service at Lowest Cost
 - Peers Consistently Seek Your Expertise
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Opportunity Matrix

Services and Products

Existing

New

Existing

More Current Services
to
Current Customers

New Services
to
Current Customers

Customers

New

Current Services
to
New Customers

New Services
to
New Customers

Who is a Social Entrepreneur?

“Someone who takes the time and energy to observe and respond to market forces without losing sight of the mission.”

- Jerr Boschee

(The National Center for Social Entrepreneurs)

Social Entrepreneurship

- ❑ Expand what you do best
 - ❑ Stop doing what you are not doing well
 - ❑ Change the organizational culture
 - ❑ Be willing to accept risk and learn from failure
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Benefits of Successful Social Entrepreneurship

- Sharper Organizational Focus
 - Expanded Impact on the People you Serve
 - Increased Financial Stability
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Unrelated Business Income

Defined as:

- Trade or Business
- Not Substantially Related
- Regularly Carried on

Generally excludes:

- Investment Income (unless debt-financed)
 - Royalties
 - Rents
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Reviewing Your Current Programs & Services

- How much revenue does it generate?
 - What does it cost - including related overhead?
 - How closely does it tie to your mission?
 - If you weren't already providing this program, would you start it now?
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“The toughest thing that a not-for-profit organization has to do is to kill a program.”

-Peter Drucker

Choosing the Right Opportunity

Ideas!

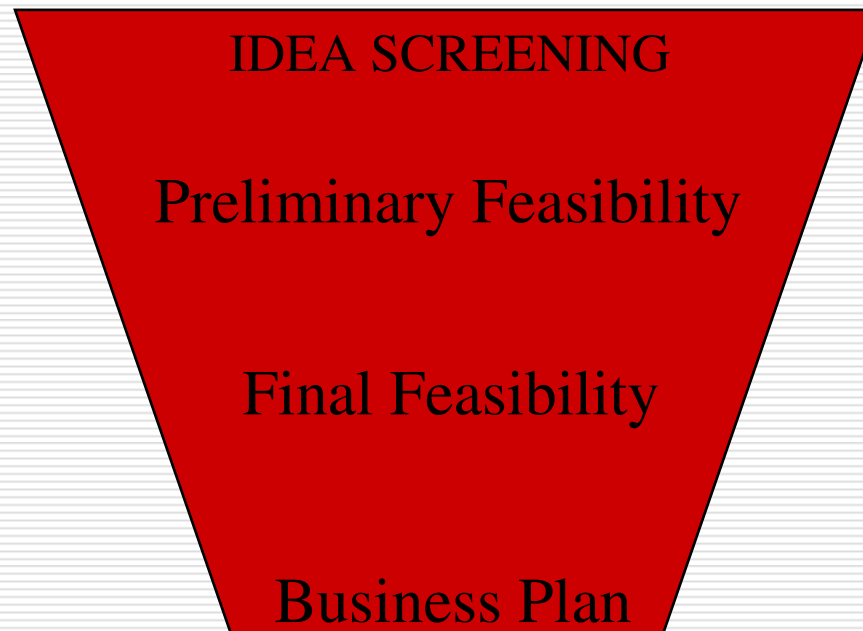
Ideas! Ideas!

Ideas!

Ideas!

Ideas!

Ideas!



Implementation

Keys to the Evaluation Process

- Clear Criteria for Selection
 - Early Stage Review
 - Retaining Perspective
 - Acknowledging Possibility of Failure
 - Gaining Ownership from Implementers
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Evaluating Opportunities

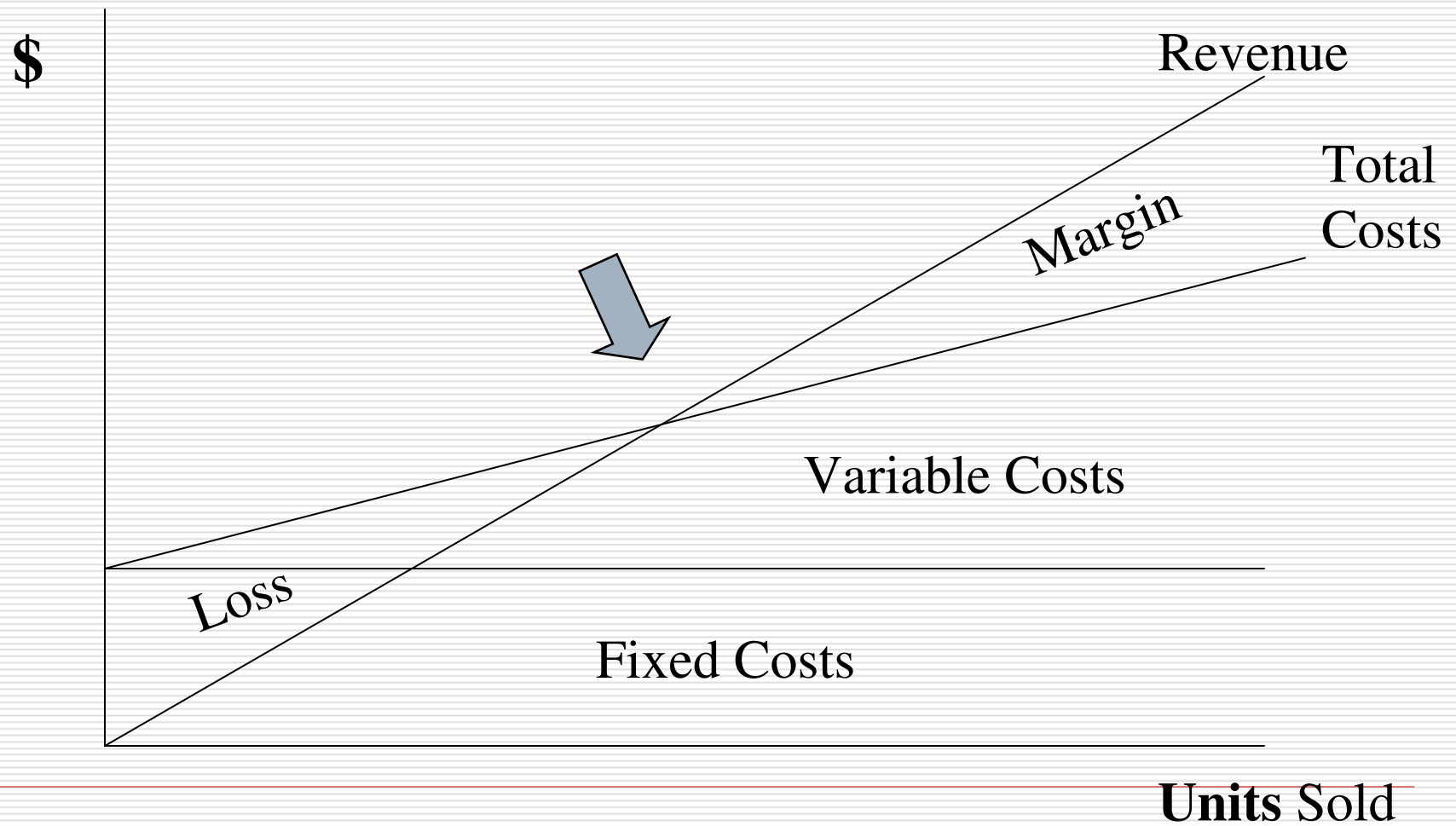
- Economic Feasibility
 - Consistency with Mission
 - Organizational Readiness
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Evaluating Economic Feasibility

There are three essential components to a viable program venture:

- 1 Demand for the Service and Ability to Reach the Market
 - 2 Capability to Provide the Service/Product
 - 3 Customer / Funder who will Pay More than the Cost of Providing the Service/Product
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Break Even Analysis



Assemble A Summary Overview

- Type of Business/Program
 - Vision of the Business, in Operation
 - Relationship To or Consistency With Mission
 - Use of Existing Assets, Staff, Skills
 - Anticipated Keys to Success
 - Comments
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Examples of Initial Criteria

- Impact on Organization/Customer's Image?
- Are We Building on a Core Competency?
- Would a "Profit" be Possible? Likely?
- Could We Start Within X Months?
- Would There Be Impacts on the Local For-Profit Business Community?
- Is it On-going, in a Growing Market?

Preliminary Feasibility Report

- Define the Product or Service
- Briefly Assess the Market and Demand
- Consistency with Mission
- Industry Information
 - Trade Associations and Publications
 - Potential Competitors
 - Trends and Issues
 - Preliminary Financial Information, If Available

Examples of Criteria for Preliminary Feasibility Study

- Can it be Profitable Within Two Years?
 - Is All Expertise In-house or Available?
 - Review Impact on Image and Mission
 - Is it Compatible With Other Plans?
 - Does Potential Gain Justify Potential Risk?
 - Has a Market Been Clearly Identified?
 - Is it a Long-Term Opportunity?
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Final Feasibility Report

- Specifically Define The Business
- Outline the Industry
- Identify Capital, Staffing, Support Needs
- Outline Markets, Market Demand, and Pricing
- Define Assumptions of Market & Business
- Pro forma Financials

Examples of Criteria for Final Feasibility Study

- Has a Strong Need Been Verified?
 - Can We Reach the Market?
 - Can We Provide a Competitive Service/Product?
 - Can We Make Money? Cover Costs?
 - What Would Be the Impact of Failure?
 - Is it Viable for At Least Five Years?
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Business Plan

- Final Feasibility Report Plus:
 - Products or Services, In Detail
 - Production, Purchasing, Facility Plans
 - Marketing Plan
 - Operations/Staffing Plan
 - Equipment and Material Lists
 - Milestones for Three Year Startup
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Where do you start?

Follow the Basics of Strategic Planning:

- Where are we now?
 - Where are we going?
 - How will we get there?
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Short, Inexpensive Board Education Booklets:

- Welcome to the Board
- Finance for Every Board Member
- Fund Raising for Every Board Member
- Planning for Every Board Member

On-line Board Self-Assessment – Confidential/Inexpensive
PowerPoint™ trainings for booklets above