



# Who Will Find This Book Useful, and How?

chapter  
ONE

**T**his book is about sustaining financial health and mission impact over time. 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 by 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.

For nonprofits, financial sustainability and programmatic sustainability cannot be separated. It's not enough to have a high-impact program if there's no effective strategy for sustaining the organization financially. And neither is it enough to be financially stable: we build our organizations for *impact*, not for financial stability.

Yet surprisingly, in the nonprofit sector financial information and information about mission impact are seldom discussed in an integrated way. Instead, financial reports and analysis rarely include data about what impacts have been driven by a particular financial activity. Moreover, program evaluations and progress reports are discussed out of context with funding streams, profitability, and financial sustainability.

This book's key premise is that financial and impact information can and must be brought together in an integrated, fused discussion of strategy. On that premise, in Part Two of this book we introduce a tested tool—the Matrix Map—as well as a perspective on and orientation to leadership and decision making. The following illustration shows how the Matrix Map leads to better decisions that in turn lead to a sustainable nonprofit organization.

### Getting to Nonprofit Sustainability



## HOW THIS BOOK IS ORGANIZED

This book is designed around the understanding and regular adjustment of a nonprofit's business model, both of which are essential to sustained impact. We offer a number of practical concepts and tools for understanding the component parts of a business model and determining the optimal adjustments for improved mission and money results. These concepts and tools—put to use as part of a strategic planning process, in between strategic plans, or even in place of strategic planning—will help leaders make decisions that hold mission and money front and center in an integrated way.

The book is divided into five parts, described in the sections that follow.

### Part One. Introduction to Key Concepts

Part One contains two chapters. In Chapter One, which you are now reading, we orient you to how the book is structured and discuss how different audiences will find the book useful. In Chapter Two, we define and discuss new ways to understand business models, sustainability, and financial viability in a nonprofit context. We also introduce the three fictitious nonprofit organizations that will serve as case studies throughout the book.

## **Part Two. Mapping Your Business Model: The Matrix Map**

In the four chapters that make up Part Two, we identify and group programs and revenue lines, and then use the Matrix Map to analyze them for relative mission impact and for relative financial impact on the organization. The result is the expression of the organization's business model as a single, comprehensive, and compelling visual image.

## **Part Three. Making Choices to Adjust the Business Model**

Once we have the mapped, de facto business model in view, the next steps, discussed in the three chapters contained in Part Three, are analyzing the individual parts *and* the whole and making strategic choices for program and fundraising activities. Part of doing so involves developing alternatives that may not have surfaced immediately.

## **Part Four. The Business Logic of Nonprofit Income Types**

In the two chapters that comprise Part Four, we take a deeper look at the most common types of nonprofit income. This analysis is helpful to organizations considering new income strategies. It also illustrates the wide variations in how income is structured—and, as a result, it shows how different types of income need to be managed to different benchmarks.

## **Part Five. Ongoing Decision Making and Leadership**

The two chapters in Part Five explore how success with a business model involves more than having a plan, and more than monitoring with that plan in mind. Success also requires attention to three areas for which we provide a perspective: an emphasis on execution, an orientation toward continuous decision making, and a differently understood role for leadership.

## **WHO WILL FIND THIS BOOK USEFUL, AND HOW?**

Because of this book's focus on strategy and decision making, many nonprofit executive directors (CEOs) and other organizational leaders will find its concepts helpful in their demanding roles. Management teams will also find the book useful in both conceptual and practical ways as together they confront significant organizational decisions.

Nonprofit boards are also an important audience for this book. Too often board members know quite a bit about all the parts of the organization—its six programs and its two special events, let's say—but don't have a good way to understand the organization as whole. This book will enable them literally to see the organization's program and financial strategies in an easy-to-grasp visual image. And, after really grasping the comprehensive business strategy, they can act in more informed, strategic partnership with their executives.

Although we touch on process steps, this book is not organized around process guidelines, such as "Form a cross-department committee." Each organization evolves intentionally and unintentionally along its own path, and we leave it to each reader to develop an appropriate process for his or her organization.

We do, however, suggest different levels of intensity with which to engage these concepts. In some cases, a group can develop a quick Matrix Map (see Part Two) for a series of activities in less than an hour. In other cases, quantitative tools and analysis can be brought into play over a period of weeks or months. We'll suggest different ways to use these concepts, but our focus is on the concepts, ideas, and tools rather than on prescriptive process steps. Exhibit 1.1 offers notes to readers serving in a variety of nonprofit roles.

Let's get going.

### **Exhibit 1.1. Notes to Different Types of Readers**

#### **NOTE TO THE EXECUTIVE DIRECTOR/CEO**

One area of tension for the person at the head of a nonprofit organization is a gap between a sense of where the organization needs to go and an inability to get the organization to move fast and intelligently. There are highly developed processes and frameworks for planning that are designed for consensus building, but an effective leader needs processes and frameworks for making faster decisions and for challenging the board and management team to look at bolder and more urgent questions than those often raised in a more leisurely planning process.

As an executive, you are likely to have many ideas for what the organization should be thinking about, but you may be uncertain about how to bring those discussions to the various circles within the organization. Part Five, on decision making and leadership, provides some ways for you to think about the role of the executive in leading decisions, ways that may be different from those you have read about before. In particular, Part Five focuses on understanding the processes by which business analyses, business plans, and strategic decisions are created and carried out.

### **NOTE TO MANAGEMENT TEAM MEMBERS OTHER THAN THE EXECUTIVE DIRECTOR/CEO**

Management team members often like the phrase “Plan the work, then work the plan.” In this light, they sometimes view their executive directors with both admiration and annoyance. On the one hand, the executive director has great ideas. On the other hand, she always seems to be starting new projects while disregarding what’s already in the work plan. Or an executive director is great at “the vision thing,” but he doesn’t understand what it would take to implement a new program.

An underlying question for some management team members is often “How effective is the X program anyway?” As long as a program has enough funding, few management teams seriously question whether it should continue. But even when management team members do have opinions about the relative importance and impact of a program, they seldom have the venue or the circumstances in which such issues can be explored authentically.

Every organization makes decisions differently, and so every organization will use the Matrix Map differently (see Part Two). Nevertheless, we believe that management teams will find the Matrix Map especially useful as a way to raise deeper questions about strategy and impact, questions that often fail to get onto agendas that are already crowded with staffing issues, budget cuts, and program coordination. We also hope that you will find Part Five useful in your role as a program

*(Continued)*

director, an administrative director, or a leader serving in another management position. Decision making and leadership have an even greater presence *within* an organization's departments than at the top of the organization.

### **NOTE TO BOARD MEMBERS**

One of the difficulties—and one of the pleasures—of serving on a nonprofit's board is being involved in a field that is new to you. Your day job may be in banking, but your board may oversee an organization devoted to autism. You may work in corporate human resources, but your organization is involved in wetlands restoration. Just as a clinical nurse practitioner may not know much about business models for advertising firms, board members may be newcomers to the business models of various conservation strategies.

Lack of experience with nonprofit income models can make it particularly difficult to participate fully in discussions about possible new ventures. If, for instance, a consultant or the executive director proposes a substantial investment in developing a mail donation campaign, it's hard for a person without knowledge of such campaigns to make an informed judgment about whether the investment is worthwhile.

This entire book will be useful to board members, but Chapter Ten, on nonprofit income models, may be especially helpful to board members and others who want to know the basic business logic behind such nonprofit vehicles as direct mail, major gifts, planned giving, and fees for service.

In addition, because this book bridges the gap between finance and mission, it will also help bridge the gap between nonprofit executives, who often intuitively and implicitly bring mission and money together in their minds, and boards, which function best when discussions explicitly bring concerns to the surface. One or two board members may find themselves constantly bringing up concerns related to the organization's financial sustainability, only to be seen by others as giving insufficient weight to mission-related goals. The frustration on

both sides of this dynamic can be turned into positive energy through the use of the Matrix Map (see Part Two).

### **NOTE TO FUNDERS AND CONSULTANTS**

Like nonprofit executives, funders and consultants also struggle with the need for plans that unify mission and goals on the one hand with financial realities and sustainability on the other. In particular, consultants with backgrounds in finance often tend to overemphasize conventional financial projections, whereas too many consultants in the area of strategic planning focus on consensus-building processes but lack the financial skills to bring financial perspectives productively into play.

You can use the Matrix Map (see Part Two) as a tool for strategic planning, and you can also use it to look more closely at sustainability in the context of a completed strategic plan. The Matrix Map incorporates financial information in a way that makes it easy to use even when board members, the executive, and consultants don't have backgrounds in finance.

A common role for funders and consultants is to give nonprofit grantees and clients guidance in developing plans for sustainability. It is our hope that the perspective presented in this book will be helpful to you in your own work, and in your role as a trusted advisor to nonprofits.

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## **SUMMARY**

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Each chapter in this book concludes with a brief summary of the chapter's main points. In the case of this chapter, the main point is that nonprofit organizations, in order to be financially and programmatically sustainable, must combine their financial and programmatic dimensions in an integrated strategy. This book, written for leaders of nonprofit organizations, introduces an orientation to that integration as well as practical tools for its accomplishment.

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