

Business Planning for Mission Advancement

(60 minute webinar for UCP affiliates)

Following are brief notes on some of the major topics covered.



To understand the difference between strategic planning and business planning, we must first define strategy.

What is Strategy?

A coordinated set of actions designed to create and sustain a competitive advantage in achieving a nonprofit's mission.

The emphasis in this definition is on three points.

1. Strategy is about coordination. Strategy is how an organization aligns all its activities to move uniformly in a future-looking direction.
2. *Competitive advantage* is about using and leveraging the organization's most important strengths.
3. Finally – or perhaps firstly – strategy must serve the mission. It must encompass the best possible means to achieve your mission.

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Strategic Planning

Strategic planning is, at its best, the process of **considering** and **making** strategic decisions.

Strategic planning is the most common approach to strategy formation.

Strategic planning is defined here as the effort to determine strategy – and historically it includes planning as well, which is to say, development of action steps to put the strategy into motion.

Organizations also form strategy in “real time” – this is a big focus of ours, and the topic of one of our [earlier books](#).

Business Planning

Business planning is the process of determining the **parameters of an economically** and **operationally** successful undertaking.

Business planning goes further than strategic planning in understanding the details of an endeavor.

You don't *always* need business planning. Typically, you need business planning when you are launching something new, large, or high risk. You need business planning to develop and test the *operational* details and to figure out the *financial* implications – including how much it will cost.

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Strategic v. Business Planning

Strategic Planning	Business Planning
<ul style="list-style-type: none">• Develop organizational responses to opportunities and challenges• Determine a means to increase mission impact• Articulate a strategy• Define a program model• Confirm the need for a business model change	<ul style="list-style-type: none">• Test the economic logic and operational feasibility of a proposed response• Test the assumptions that prove the change is feasible• Test and elaborate on the core elements of the strategy• Show how the model will be viable• Describe the how and why of success

Some distinctions are shown here.



Another way to think about the difference is to think about timing.

The white line in this image represents the march of time. The blue line represents the ebb and flow of your strategy. As you can see, you may need to develop, adjust, or refine your strategy at any time. The green areas are the times when you may want to formalize a process to review or change your strategy. The red arrow is a point in time where you are considering a significant change and you choose to develop a business plan to develop the initiative in detail and test its feasibility.

When to Consider Business Planning

- Significant change to business model
- Launch of program, partnership, or entity
- Growth strategy
- Need information for go/no-go decision
- Need to show that venture is compelling, viable, worthy of support
- Need details to plan for implementation

Examples:

- Significant change to business model... you transition from being primarily government funded to a combination of earned revenue and individual donors
- Launch of a program, partnership, or entity... a social enterprise or development of a program jointly operated with another organization
- Growth strategy... you are looking at significant expansion, programmatically, geographically, or to new customer groups
- Need information for go/no-go decision... your board needs more detail before approving the program, partnership, entity, or growth strategy
- Need to show that the venture is compelling, viable, worthy of support... a business plan is often shared with funders or potential funders
- Need details to plan for implementation... a business plan can provide guidance for staff in the early stages of implementation

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At its core, business planning is a combination of four activities.

...**designing** and launching an effective process.

...**assessing** your current business model

...**researching** and considering your market

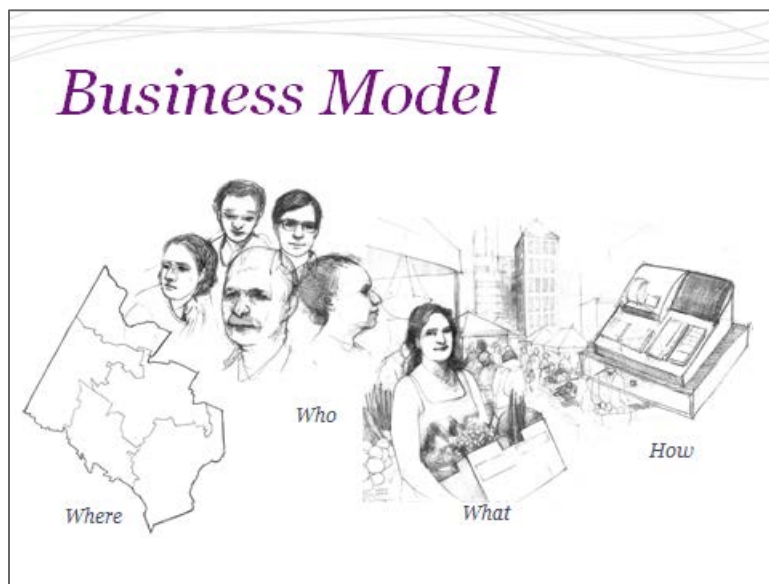
...**evaluating** options and assumptions and **elaborating** on your chosen strategy

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Understanding your current business model is critical in any planning process – strategic planning or business planning.



An organization's business model is the Interplay of its scope with its economic logic.

- Where you work – geographic scope
- Who you serve – customer scope
- What you do – programmatic scope
- How you pay for it – economic logic

An organization's business model is at the core of its sustainability.

Do you have an economic logic that supports a "scope" – programmatic, geographic, and customer/client – that will effectively advance your mission over time?

Over time is important: business models must evolve. The environment in which we work is constantly changing, and what works today will not be what works tomorrow.

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Whenever you consider a new venture – program, partnership, enterprise – you need to understand where you are *now* – your current business model. Your future business model may be very different, but *current business model* is your starting point. You need to know what you can build on, or build from – and what you need to work on, or change to be successful going forward.

How do you assess your business model? Overall, you're asking: Is my business model working? And by extension – is my organization viable, and sustainable?

You answer those questions by doing three things.

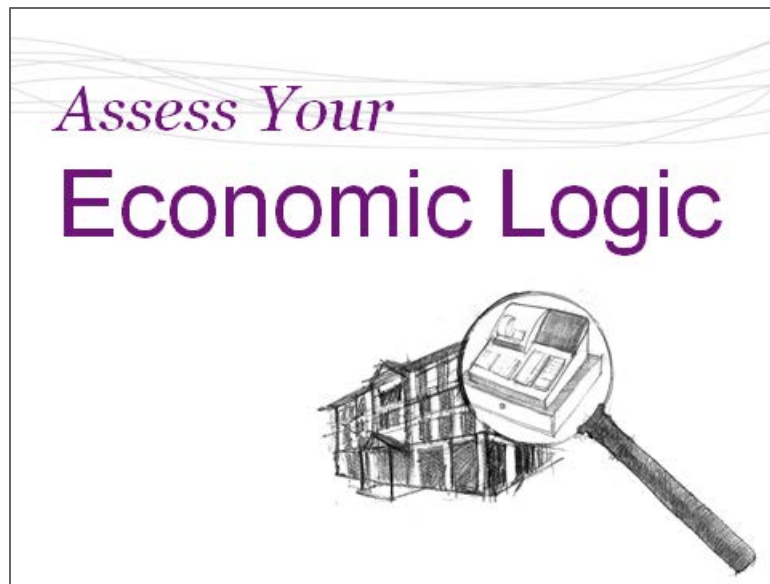


What is your current profile?

In addition to describing what you *do*, it can be helpful to think about what you do *not* do, and why, as well as what is at the core of each element of your scope. For example, you may serve several audiences/constituencies – is one more critical than the others? Are you serving some as a means of reaching others?

After you are clear on what your current profile *is*, ask:

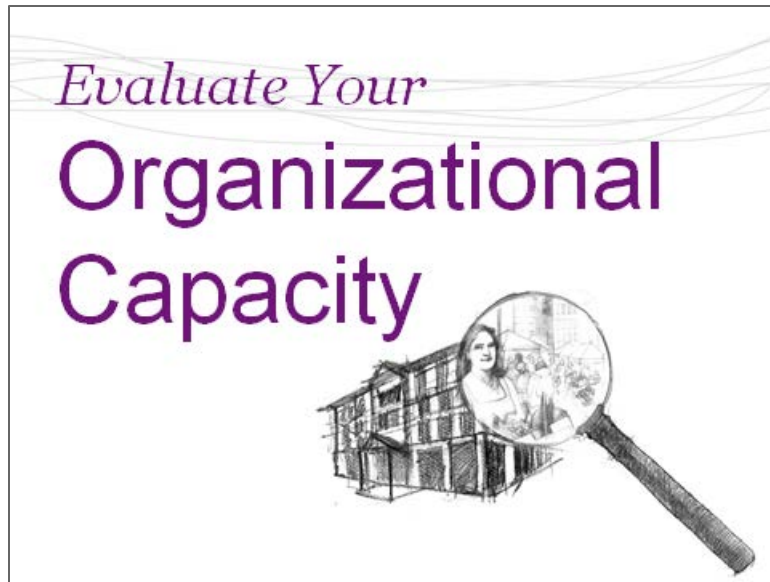
- What are the strengths of your current profile? What strengths set you apart (competitive advantage)?
- What are the shortcomings in your current profile?
- If you could make one change, what would it be? Geography? Customer? Program? Why? How would that make you stronger, more sustainable?



Questions to consider:

- Where does your revenue come from? (government contracts, customer fees, individual donors, foundations) How reliable are your revenue sources?
- How are you doing financially overall? Are you consistently running surpluses? Deficits? What kind of assets do you have? Debt? Liquidity? Reserves?
- How well is each program doing financially – what is your program-by-program analysis; which programs do you subsidize with unrestricted revenue, and which are fully funded? (It's OK to subsidize, but must be intentional). If you haven't taken the time to focus on cost allocation, this is the time.
- Where are we struggling? Where might we be at risk?
- How will we acknowledge, leverage, and/or address these strengths and risk factors in the business planning process?

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Questions to consider:

- What is working well? Where are we strong?
- What is not working well? Where are we struggling?
- How will we acknowledge, leverage, and/or address these strengths and challenges in the business planning process?

Consider:

Programs/Services Provided	Funding/Fund Development
Staffing/Workforce	Marketing and Communications
Leadership	Reputation and Brand Recognition
Governance	Organizational Culture
Financial Management	Influence
Contracts/Contract Management/Compliance	Facilities
Cultural Competency	Purchasing
Information Technology	Partnerships
Human Resources	Mission-related Impact

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Selection and execution of any strategy should be informed by an understanding of the market.



What trends or changes in the environment are likely to impact your organization as it moves forward, both in general and with respect to the particular venture you are considering?

Identifying and analyzing such trends can help you better identify future opportunities and challenges, how they may affect your organization or the venture you are considering, and what you will do in reaction to, or—better yet—in anticipation of, each.

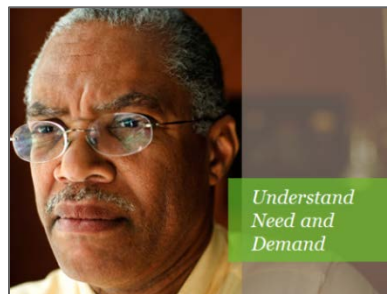


Who are – or would be – your chief competitors? What do they do, and how? Where are they strong? How do you compare? Remember, thinking of others in your field as competitors is just a way to make your own organization more effective. We know that competitors are often partners, and that's good. But if you understand that you are all competing for limited resources and if you understand their strengths, you will be more effective at fulfilling your own mission.

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You can best do that by understand and leveraging your competitive advantage. Competitive advantage is the strength that sets you apart from others, or your distinguishing ability to produce social value using a unique strength – something that makes your work “different and better”



You must also understand the need and demand for your product or service. This is critical, particularly if you are planning any kind of growth or expansion over time. Is there truly a need for what you offer in the geographies, or demographic groups, that you are looking to target? Is the demand there – will individuals or organizations pay for your services, or support your work financially?

This is how you start to figure out things like rates and pricing. You have to take both need and demand into account.

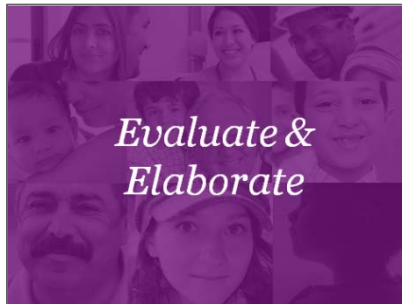
How do you gather this type of information? Both the method and the amount of detail needed will depend on your situation. Generally you want a combination of secondary and primary research.

Secondary research draws on data and materials that already exist and have already been gathered, analyzed, or made public for another purpose. Some may be internal to your organization, e.g. demographic information on your current clients/customers/ audience or the results of client satisfaction surveys. Other sources might include existing market studies, census data, competitor websites, or trade publications.

Primary research techniques include interviews, focus groups, direct observation, and surveys.

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Generally, it is most economical to do secondary research first and then use primary research to build on and contextualize what you learn and go deeper around what's most relevant.



The next step is to determine if this really *is* a viable business model, and what it would take to make sure it was successful – financially *and* from a mission perspective.



How would you implement this?

How will this thing – program, partnership, organization – be managed and governed?

Do you have the right people on board now? If not, how will you get them?

What will be the key collaborative relationships? How will we form & manage those?

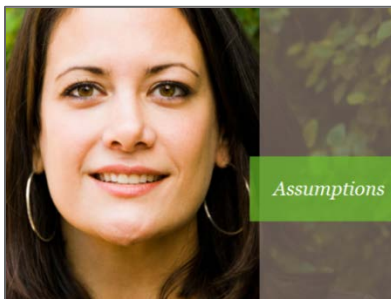
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For actual program operations, as well as “back office” areas, think through a series of questions:

- What is your vision for the future?
- What kind of staffing will be required?
- What are the structural implications?
- What are the highest-priority implementation tasks?
- What are the most important timeline considerations?
- What are the major costs associated with what you are describing?



What are the financial implications? E.g. pricing, costs, revenues, path and time to sustainability.



For both operations and finances, you need to be very explicit about identifying and testing assumptions, particularly about key drivers.

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Goals

Identify and **test** important assumptions, including assumptions about key economic drivers

Economic drivers: those variables that most influence the scale and financial sustainability of an undertaking

Demonstrate that the financial elements of the venture's success are well understood by the team spearheading the effort

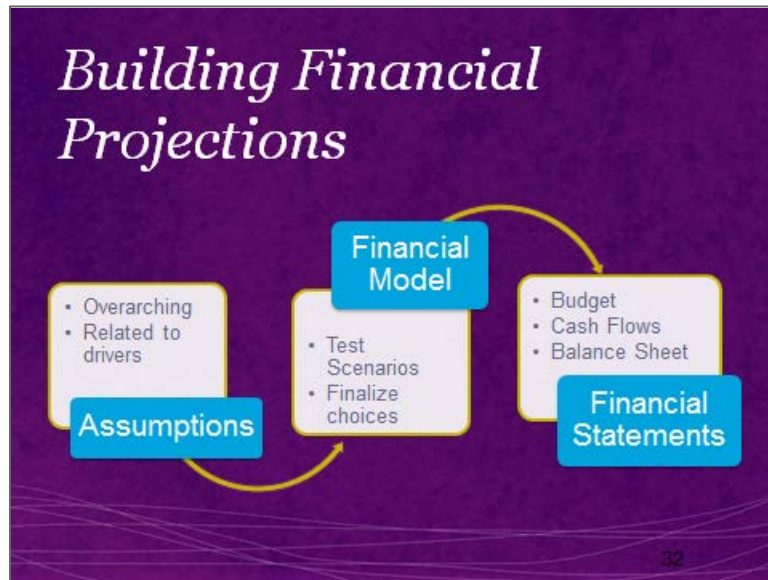
Overarching assumptions describe “big-picture” expectations about the financial viability of a particular venture. Other assumptions are tied to the specific variables that most influence the scale and sustainability of the venture, the key financial drivers.

Economic drivers are those variables that most influence the scale and financial sustainability of an undertaking.

You need to test these assumptions. Why are they believable? Your “evidence” could be from internal experience or external fact checking

The other reason to focus on high-quality financial projections is to demonstrate that the financial elements of the venture's success are well-understood by the team spearheading the effort. If a business plan has an external audience, this is one of the things that audience will be looking for.

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You then bring all of this together into a set of financial projections that demonstrate the parameters of the initiative (“high” and “low”). This is financial modeling to drive decision-making.



As you’re doing this, always be thinking about potential risk factors. *Why might this great model not work?*

Some examples, taken from actual business plans:

- Demand doesn’t always meet expectations
- timelines can slip
- key staff may leave
- new government regulations can have a dramatic effect on the economics of an industry
- Inability to be sufficiently nimble and entrepreneurial
- Insufficient attention to internal communication during the transition

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- Anticipated savings through joint purchasing (e.g., of hard goods, benefits, and professional services) may not materialize to the extent hoped for, particularly in the first two years
- If early fundraising efforts are less successful than hoped for...
- If roll-out is too slow...
- If potential stakeholders in a region where ___ chooses to expand are reluctant to become involved with a national organization...

Essentially, you must ask yourself:

- What could go “not as planned”?
- How can you minimize the risk that that will happen?
- How will you “catch it early” if it does?
- What will you do”

Throughout this stage, you are elaborating on your idea - going deeper, and laying it out. At first your elaboration is purely functional – you need enough detail to make decisions. As you proceed, you add more detail.



Typical Contents

- Executive Summary
- Mission, Vision, and Desired Impact
- The Program, Organization, or Initiative
- The Market
- Management and Operations
- Key Collaborative Relationships / Partnership Model
- Marketing Strategy
- Financial Projections and Fund Development
- Evaluation and Measurement of Impact
- Risks and Risk Mitigation
- Appendices

Every business plan is different. That said, a *typical* business plan might include the sections shown above.

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The Planning Team

- Many to consult, small group to lead
- ED/CEO
- Top financial manager
- Other senior / specialized staff
- Board members, other managers / staff
- Representatives from each partner
- Future leader

The first step is to create a planning team. This group shepherds the process, and ensures that it is an *effective* process.

Things to consider when forming a planning team:

- Roles (e.g., project manager, financial advisor, program expertise – soft roles, too, like skeptic)
- Skills and Experience
- Availability
- Number – few enough that you can remain flexible through the process and reach agreement among this group. You can always test ideas with many more people as part of the process

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Six Questions

1. What is the focus of the plan?
2. What is the strategic intent of the initiative?
3. What questions need to be answered?
4. What information will be needed?
5. Who is the audience for the plan?
6. Who will approve final decisions and document?



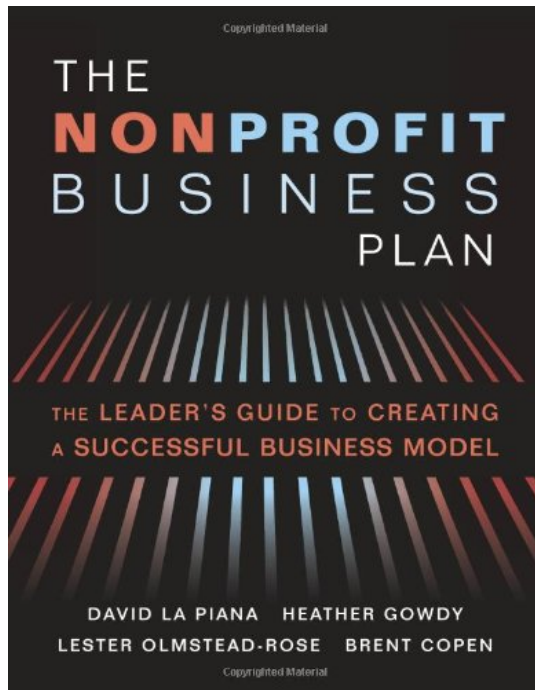
One more tip you may want to consider: early in the process, engage the Planning Team in thinking about Table of Contents for the business plan.

It may seem premature, but the initial table of contents is not carved in stone, and sketching out at the beginning what the final document will include will help the team agree on the destination.

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The Nonprofit Business Plan:

The Leader's Guide to Creating a Successful Business Model



This book helps your organization understand what a business plan is and when you need one, outlining a practical approach to creating a successful, sustainable business model.

Although nonprofits often use the terms “strategic planning” and “business planning” interchangeably, a good business plan goes beyond the traditional strategic plan, testing the economic logic and operational feasibility of the proposed strategy and detailing how and why it will succeed.

The Nonprofit Business Plan includes worksheets and discussion guides, a detailed case study demonstrating how a nonprofit can move through the process in a way that creates value for internal and external stakeholders alike, and a sample financial model based on the case study.

Available in print and e-book from [Amazon](https://www.amazon.com) and in print from [Barnes and Noble](https://www.barnesandnoble.com). Also on [iTunes](https://www.apple.com/itunes).

Read more online at: <http://www.lapiana.org/insights-for-the-sector/insights/business-planning/nonprofit-business-plan-book.aspx>