Nonprofit Lean Organization Model

Mike Campbell, Director of North Florida Outreach
What To Expect

• Let’s agree on definition

• The POVS model

• Nonprofit Lean Organization Model

• Your Turn!
Definition non·prof·it

- A corporation or an association that conducts business for the benefit of the general public without shareholders and without a profit motive.

- Nonprofits are also called not-for-profit corporations. Nonprofit corporations are created according to state law. Like for-profit corporations, nonprofit corporations must file a statement of corporate purpose with the Secretary of State and pay a fee, create articles of incorporation, conduct regular meetings, and fulfill other obligations to achieve and maintain corporate status.
Nonprofit Essence?

- P = Problem Identification
- O = Opportunity Recognition
- V = Venture Creation
- S = Sustaining the Venture
This also the Essence of an Entrepreneur!

- P = Problem Identification
- O = Opportunity Recognition
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Nonprofit Lean Operations Model

Key Resources (6)
- What assets required to achieve success?

Key Activities (5)
- What are the key actions that are needed to be taken to create value proposition?

Value Proposition (1)
- Mission
- Key Programs
- Brand

Relationships (4)
- What relationship do you want to create?

Beneficiaries of Services (2)
- Who/what does your organization want to serve?

Key Partners (7)
- What alliances are needed for success?

Key Resources (6A)
- What assets required to get funds?

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Program Delivery (3)
- What method used to deliver mission or programs to beneficiaries?

Expenditures (8)
- What expenses will/have incur to implement model?

Customer/Donor Segments (2A)
- Who are the main targets to gain funds that match value proposition?

Organizations Impact

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Lean Organization Model Origin

• The Business Model Canvas (Lean Business Model) was initially proposed by Alexander Osterwalder.

• The Lean Organization Model is a spinoff of the canvas which was result of research of nonprofits out of New Zealand.

  **Difference:**

  • Business = Customer Segments
  • Nonprofits = Beneficiaries of Services **AND** Donors (customers)
Lean Organization Model

- **The What (Mission)**
  - The *value proposition* of what is offered to the market;

- **The Who (Key Stakeholders)**
  - The *Beneficiaries of Services* that are addressed by the value proposition;
  - The *Donors/beneficiaries of services* that want to fund the value proposition
  - The *communication and distribution channels* to reach beneficiaries and donors to offer/expose them to the value proposition;
  - The *relationships* established with clients;

- **The How (Core Competencies)**
  - The *key resources* needed to make the organization model possible;
  - The *key activities* necessary to implement the organization model;
  - The *key partners* and their motivations to participate in the organization model;

- **The Fuel (Lifeblood)**
  - The *revenue streams* generated by the organization model (constituting the revenue model);
  - The *cost structure* resulting from the organization model.
  - What your organization does for beneficiaries of services is usually different than what you do to attract and retain donors.
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### Expenditures (8)
- What expenses will/have incur to implement model?

### Revenues (9)
- What are the income/revenue streams?

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**Organization/Project Name:**

- **Programs**
- **Fundraising**

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**Organizations Impact**

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Value Proposition

• What is the problem (not a symptom)?
  ✓ “3 whys”
    ❖ Why is it a problem?
    ❖ Why does the situation exist that allows the problem to occur?
    ❖ Why does that situation lead to the original problem?
**Value Proposition**

- **Mission**: Defines the fundamental purpose of an organization, succinctly describing why it exists and what it does to achieve its vision. For example, the charity working with the poor can have a mission statement as "providing jobs for the homeless and unemployed."

- **Vision**: Outlines what the organization wants to be. It can be emotive and is a source of inspiration. For example, a charity working with the poor might have a vision statement which reads "A World without Poverty."
What is a Mission?

• A mission is our reason for existence
• It defines us and all that are with us
• It captures what is important to us
Sample Missions

- Celebrating Animals, Confronting Cruelty. It defines us and all that are with us.
  ✓ The Humane Society

- “We build great ships. At a profit if we can, at a loss if we must, but we build great ships.”
  ✓ Newport New Shipbuilding Company
What is a Vision?

“Vision without action is merely a dream. Action without vision just passes time. Vision with action can change the world.”

• Joel Barker

“By the end of the decade we will put a man on the moon...”

• John F. Kennedy, 1962
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### Key Resources (6A)

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- Key Partners (7A)
- What alliances are needed to get funds?

### Key Activities (5A)

- What are the key actions that need to be taken to get funds?

### Relationships (4A)

- How are you going to keep donors?
  - Mission
- Key Programs
- Brand

### Customer/Donor Segments (2A)

- Who are the main targets to gain funds that match value proposition?

### Expenditures (8)

What expenses will/have incur to implement model?

### Revenues (9)

What are the income/revenue streams?

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Programs: Beneficiaries of Services

• Who is the target group who the organization principally aims to reach and serve to achieve its mission/vision?

• Does your value proposition match their needs?
  ✓ Mass Market (no distinction between beneficiaries of services)?
  ✓ Segmented/Niche (poor, blind, youth)?
  ✓ Multi-sided (any youths & poor men)?
Programs: Channels

- How will your beneficiaries of services find out about your value proposition?
  - Advertising?
  - Word of mouth?
- How will you deliver your solution to your beneficiaries of services?
  - Onsite?
  - Collaborating with another organization?
Programs: Relationships

- How will you attract and retain beneficiaries of services? Do you need to retain them?
  - Acquisition?
  - Retention?
  - Increase number of assisted?
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Organizations Impact

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Programs: Key Resources

• What do you need to make the organization model possible?
  ✓ Physical assets?
  ✓ Intellectual assets
  ✓ Human capital (valuable, rare, inimitable)?
  ✓ Financial capital (cash, lines of credit, loan, grants, donors)?
Programs: Key Activities

- What are the most important things you must do to make the organization model work?
  - Design Programs?
  - Logistics?
  - Continuous process/service improvement?
Programs: Key Partners

- Which external organizations are critical to the success of your organization model?
  - Suppliers, Property owner
  - Strategic alliances (risk diffusion)
  - Government entities?
Questions on program side?

So what do you need to do to pay for it?
# Nonprofit Lean Operations Model

## Key Resources (6)
- **What assets required to achieve success?**
- **Key Partners (7)**
- **What alliances are needed for success?**

## Key Activities (5)
- **What are the key actions that are needed to create value proposition?**
- **Key Activities (5A)**
- **What alliances are needed to get funds?**

## Key Partners (7A)
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## Value Proposition (1)
- **Mission**
- **Key Programs**
- **Brand**

## Relationships (4)
- **What relationship do you want to create?**
- **Program Delivery (3)**
- **What method used to deliver mission or programs to beneficiaries?**

## Relationships (4A)
- **How are you going to keep donors?**
- **Channels (3A)**
- **What methods used to contact customer/donor segments?**

## Customer/Donor Segments (2A)
- **Who are the main targets to gain funds that match value proposition?**

## Beneficiaries of Services (2)
- **Who/what does your organization want to serve?**

## Expenditures (8)
- **What expenses will/have incur to implement model?**

## Revenues (9)
- **What are the income/revenue streams?**

## Organizations Impact

*Created by J. Sanderse and presented by The Jim Moran Institute for Global Entrepreneurship*
Fundraising: Donors are customers

• What groups of customers/donor segments which the organization needs to gain funds?

• Does your value proposition match their needs?
  ✓ Mass Market (no distinction between donors)?
  ✓ Segmented/Niche (hits them directly)?
  ✓ Multi-sided (knows someone effected)?
Fundraising: Channels

• How will your customer/donor segments find out about your value proposition?
  ✓ Advertising?
  ✓ Word of mouth?
  ✓ Events?
Fundraising: Relationships

• How will you retain customer/donor segments?
  ✓ Get them involved?
  ✓ Mailings?
  ✓ Online?
  ✓ Direct contact?
Nonprofit Lean Operations Model

Organizations Impact

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Fundraising: Key Resources

• What do you need to reach out and retain customers/donor segments?

✓ Physical assets?
✓ Intellectual assets?
✓ Human capital?
Programs: Key Activities

• What are the most important things you must do to make the organization model work?
  ✓ Design Programs?
  ✓ Logistics?
  ✓ Continuous process/service improvement?
Fundraising: Key Partners

- Which external organizations are critical to the securing customer/donor segments and acquiring funds?
  - Circles of influences?
  - Strategic alliances?
  - Government entities?
Questions on fundraising side?

So what are the cost and revenue models for programming and fundraising?
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**Organizations Impact**

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Finances

- **Expenditures?**
  - Fixed vs. Variable?
  - Facility, Equipment, Utilities, Labor, Marketing

- **Revenues?**
  - Contracts? Donations? Grants?
Expenditure Structure

What are all the costs associated with operating the organization model?

- Fixed costs (volume independent)?
- Variable costs (proportionate to volume)?
- Economies of scale (greater return on fixed costs)?
- Economies of scope (multiple services)?
Revenue Streams

• The cash flow generated by the organization model. Will it be transaction revenue (one-time) or recurring revenue (on-going)?

✓ Grants?
✓ Donations?
✓ Contracts?
✓ Out of the box sales?
✓ Usage fee (based on consumption)?
✓ Subscription fee?
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Beneficiaries of Services (2)

Customer/Donor Segments (2A)

Program Delivery (3)

Channels (3A)

Who are the main targets to gain funds that match value proposition?

What methods used to contact customer/donor segments?

How are you going to keep donors?

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Implementation Strategy

- Modeling assists in organization development - Targeting
- Model potential beneficiaries of services and donors
- Use to inform us as to what employees hire
- Modeling can turn into action
- Model can be used for organization planning
Lean Organization Model

Real life Examples:

- New Services – Expanding Services
- Employee – Adding Senior Staff
- Banking – Line of Credit
Questions?

Now – Your Turn
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