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!
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 a Entrepreneur!

- P = Problem Identification
- O = Opportunity Recognition
- V = Venture Creation
- S = Sustaining the Venture
### Nonprofit Lean Operations Model

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**Programs**

**Fundraising**

**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 incurred to implement model?
- **Revenues (9)**: What are the income/revenue streams?
- **Organizations Impact**: How do you want to create and maintain relationships?
- **Channels (3A)**: What methods are used to contact customer/donor segments?
- **Beneficiaries (2)**: Who are the main targets to gain funds that match value proposition?

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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
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

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

**Organization/Project Name:**

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

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

**Key Resources (6A)**
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**Key Partners (7A)**
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**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?

**Expenditures (8)**
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**Organizations Impact**

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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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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?
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?
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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?
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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### Fundraising

- **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?
- **Program Delivery (3)**: What methods used to deliver mission or programs to beneficiaries?
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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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*Organizations Impact*

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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
• Real life Examples:
  ✓ New Services – Expanding Services
  ✓ Employee – Adding Senior Staff
  ✓ Banking – Line of Credit
Questions?

Now – Your Turn
## 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 Activities (5A)
- What are the key actions that need to be taken to get funds?

### Key Partners (7A)
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### Key Resources (6A)
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**Programs**

**Fundraising**

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**Organizations Impact**

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