

The Business Plan

PLANNING TEMPLATE GUIDE: THE NONPROFIT PLAN

Introduction

Purpose and background

This document is a guide to the use of a provisional framework for planning for small to medium-sized nonprofits like your own that want to make a bigger difference by making more strategic use of their resources. The framework takes the form of a number of questions that a nonprofit can answer in different degrees of detail, depending on its capacity and inclination. This guide is designed to offer some general guidance on planning and the processes of planning and provide assistance in answering the questions in the framework. In the case of some questions, this assistance will involve explanations of how to use certain tools that have been provided as worksheets.

As you plan your planning and work through the process, therefore, you will be working with these three elements at the same time:

- the Planning Template, containing the provisional framework;
- the Tool Worksheets, and
- this Planning Template Guide.

For planning fanatics, there is also available a summary and brief explanation of all the planning tools that we have been able to identify. Most, but not all, relate to what is called strategic planning (see below, however, on the matter of definitions of planning.)

The framework is provisional because we are piloting its use as one of the main elements of the nonprofit business planning protocol that is the planned outcome of a project of the Center for Nonprofit Excellence, funded by The WK Kellogg Foundation. We are hoping to work with you in a way that will both enable you to benefit from the framework and some of the thinking behind it, while at the same time allowing CNE, and its partner in this work, the National Center on Nonprofit Enterprise (NCNE,) to develop these materials further so that they can be of maximum use to any nonprofit that is interested in using them.

The materials have been developed principally by NCNE, advised by a group made up of Presidents/EDs/CEOs of nonprofits, large and small, consultants, and academics who specialize in nonprofit management.

The Project's approach to Planning

We have adopted a number of assumptions about the meaning, purposes and occasions for planning. We had not necessarily expected to have to spell these out as we started the project. However, it became clear from vigorous discussions in the Advisory Group that different people, seeing planning from different perspectives, had sometimes widely varying views about planning. Our basic assumptions are the following. Testing these assumptions is part of this piloting phase of this project.

- *Planning is structured decision-making about the allocation of resources in order to achieve the maximum "mission impact."* Such decisions can be made at a very high level: for example, a mental health organization can decide that for the foreseeable future it will concentrate all its efforts only on those with mental health problems that arise from substance abuse; or at the everyday level: the same organization will have to make decisions about how many staff will be on a particular shift, whether to complement those staff with volunteers, and how long the shift will be. Such decisions are also about time as well as space (forgive the Star Trek reference :) a nonprofit can decide to do something right now or in two years time.
- *Whatever the level, however, the aim should always be to enhance the nonprofit's impact.* This is true despite the reality that there is a number of other reasons that sometimes force nonprofits to plan: pressure from members, clients, regulators or funders can oblige a nonprofit to produce a plan.
- *You don't have to do formal planning.* A nonprofit can make a reasonable judgment that they are securing the optimum level of support and using it well and conclude that the effort involved in planning is not worth the improvement that might result. There are also some circumstances in which structured, data driven planning is the wrong thing to do: in an emergency situation for example, a nonprofit will have to act on faith without adequate data.
- *Planning in itself requires time and resources.*
- *Ideally therefore, nonprofits should undertake formal planning only when there is a real possibility of significant benefit.* The occasions when this is likely to be the case are when a nonprofit wants or needs to make decisions about:
 - whether to set up or close a nonprofit;
 - whether to set up or close a program or venture;
 - making investments in current activities to achieve significant improvements in outcomes and impact;
 - expanding a program or the organization;
 - responding to rapid and/or significant growth.
- *For many nonprofits, there is no meaningful difference between strategic and business planning.* We were surprised to find that members of the Advisory Group for this project

had different and very strongly held views on what business planning is. For some, it is the process through which a nonprofit's substantive long-term impact and the means by which this will be achieved are explained and defined. Many would call this a strategic plan, but this version of a business plan includes very specific details including, for example, definitions of new posts to be created, and line-by-line budgets. Others defined a business plan as specifically and only a plan for a for-profit business within a nonprofit. Others again said it could be either this kind of plan or the plan for year one of a three or five-year strategic plan, but that there is a clear distinction between high level, long-term strategic planning and lower level, nuts and bolts business planning. We want to test a view that for the vast majority of nonprofits, there are two types of plan that are helpful and efficient:

- a three-year plan that both defines high-level priorities and allocates resources in detail; we would call this the nonprofit's plan.
 - Individual plans for any program, division, department or initiative that is substantive or complicated enough to justify extra planning effort. We would call these program plans, departmental or divisional plans, venture plans, fundraising plans etc.
- *The plan is as important as the planning.* The facts that a written plan begins to be out of date as soon as it is finished, and that many plans end up on shelves has led some to emphasize the importance of the process in preference to the plan itself. The assumptions of this project are that the discipline required to write down the research, analysis and decisions involved in the process is very important, that the document is the basis for effective communication inside and outside the nonprofit, and that, obviously, the plan cannot be used for one of its main purposes, as a roadmap, unless it is written down.
- *There really are significant benefits.* Planning should eliminate wastage of energy, ideas and money and provide a greater focus on effectiveness; planning can increase the responsiveness of a nonprofit to rapid change in the external environment and help a nonprofit cope with the fact that they are subject to market forces (whether they like or know it or not); it can expand the number of tools available to a nonprofit that help it manage more effectively; planning can help break down "silos" in the organization and to forge a deeper and wider understanding within the nonprofit about what it is trying to do and why.

Developing the Template

Planning can be complex and challenging. Nonprofits have relatively little spare capacity in time and money for extensive planning processes. The project aims therefore to develop an approach that offers sufficient guidance to help a nonprofit deal with the complexity, but do so in a way that is accessible. We also aim to offer this guidance from a uniquely nonprofit perspective, as well as "translating" commercially-based models when this is appropriate.

To achieve this, we have attempted to capture planning in five questions. Each of these requires answers to a number of other questions. All the questions have been posed in ways designed to allow answers that do not require sophisticated knowledge of strategic or business planning tools, only essential knowledge about the causes of the problem the nonprofit is trying to address, a nonprofit's programs and how they work, and basic financial and management knowledge - in

other words, the knowledge that most board members, Executive Directors and other senior managers are likely to have already.

This does not mean that working through this template is easy. This manual attempts to provide guidance on how to answer the questions. Where we think it helpful, we suggest and explain briefly how to use a small number of selected planning tools. In some cases, we refer participants in the project to the worksheets that they can experiment with or make use of as they build their plan. We have tried to avoid step-by-step or "handholding," including a standard plan format, because one of the aims of the project is to see if this type of questions-based approach can elicit the knowledge that lies within the nonprofit and enable its people to build a plan that has all the right elements for their nonprofit and is specifically theirs.

The Guide

The five questions:

- 1. Why do we want to make a difference?**
- 2. What do we and others do to make a difference now?**
- 3. What difference would we like to make?**
- 4. What difference will we make?**
- 5. What will we do to make the differences happen?**

This guide explores the logic behind each question in its main text below. There are some general points to make too:

- The questions represent an attempt to find the minimum number of overarching questions possible. We want to see if this makes sense to people participating in the project.
- We chose the word "difference" as an ordinary, non-jargon, word. We want to see whether this is preferable to planning language that includes words like "impact" and "outcomes"
- We want to see if people are comfortable using this language in very different circumstances: we believe that the phrase "make a difference" can be usefully applied to making sure a small group of homeless people attached to a particular church community are kept warm and well fed, to systemic change across the state of Ohio in how HIV/AIDS is addressed, and to everything in between.

The Planning Process

Each nonprofit involved in this project will need to decide whom to involve in the process, and how. This will vary significantly depending on the size and nature of each nonprofit and in particular on who the main decision-makers and opinion formers are. However, there should be two main considerations, the quality of the plan and its effective implementation.

The quality of the plan requires:

- A mix of people involved: those with specific expertise in the critical aspects of the nonprofit work, those with a wider view of the context in which the nonprofit works,

people who can provide an external perspective, dissenting voices, and optimists and pessimists.

- Dedicated time and resources for planning, especially for research and number crunching, dialogue and debate.
- An individual directly and clearly responsible for the planning process who has genuine authority (i.e. can tell people who do not normally report to her/him what to do,) and commands resources.
- Visible support from the leadership of the nonprofit.
- The right amount of time spent on research and in particular analysis and debate within the nonprofit: the leadership of the organization needs to set and stick to a clear deadline for making decisions about the plan, based on their own view of the appropriate balance between participation and navel gazing, and action.

Effective implementation requires that:

- Key opinion formers and decision-makers are involved and/or informed enough so that they are not surprised by the results of the planning.
- Staff and volunteers who will be responsible for the delivery of the plan are informed and/or involved enough to make sure that the plan's objectives are genuinely deliverable and that they are committed to deliver its main objectives.
- The planning process is integrated with the decision-making mechanisms and timetables of the nonprofit and therefore that all formal decisions are reached appropriately after genuine exploration and debate.

These conditions can be met by a whole range of approaches, from an executive assistant to the Executive Director who writes the plan, consulting and communicating with all the appropriate interested parties, to a full-blown planning committee or steering group. What is important is that it is clear exactly what the planning mechanisms are, who is responsible for what and what will happen when.

Using the guide

The guide weaves comments and advice into the format of the planning template for the whole organization, providing explanation where we think that will be useful. This explanation is *in italics*. In relation to some questions, we refer users to the worksheets that provide tools that can be explored to help provide answers.

Planning Questions

1. Why do we want to make a difference?

However much money and other resources that a nonprofit may be able to raise and however economically it uses them, if it devotes those resources to programs that don't make the biggest difference possible, then they are being applied inefficiently - they are not being put to their best use. Nonprofits develop their best interventions on the basis of a clear understanding both of the problems or opportunities they face, some or all of which they seek to address, and how this can be done. They are able to describe who exactly it is that is affected, and how and why; what changes they wish to see in their behavior, state of mind or body and so on; and what types of intervention or action it is that will make that difference.

Answers to **this** question and its sub-questions are not just about the nonprofit's own beneficiaries, customers or users; they cover the nonprofit's field as a whole. Many of the problems in which a nonprofit is working and especially their causes may be well beyond the nonprofit's control. However context is important as a point of reference for the nonprofit as it considers what changes it should make, and the full picture may provide insights or ideas for new services or partnerships.

Data are important here. Statements about needs, causes and interventions should if at all possible be supported with statistical data (for example on numbers of people that fall into a particular group in a particular geographical area,) with research conclusions and with benchmark data.

Nonprofits with a thoroughgoing organizational or strategic plan already in place may find they can work through this particular question quickly.

a) What is the problem or opportunity we want to address?

We have included the words "opportunity" and "potential" partly to allow an emphasis on the positive, but also to make sure we encompass areas where "needs" and "problems" are not the right terms, like the arts.

- Who or what is affected, and in what way?
- What is the need or potential? How will this be affected by any projected changes or trends?

b) What are the causes of the problem, or what creates the potential?

c) What changes do we want to see - how would people or situations be different?

d) What kinds of intervention and activity bring these changes about, and how?

2. What do we and others do to make a difference now?

The purpose of answering this question is to describe the nonprofit's work and that of the other organizations active in the field and in particular the differences this work makes. This question is about programs only (not for example fundraising.) By "programs" we mean any kind of intervention be that technical assistance, advocacy, public education or services.

Process is especially important here. Good answers to all these questions will come from seeking the views of those with different perspectives. The front line worker or campaigner or trainer may have a very different view of how or why are given program works from that of a senior manager. This can apply whether or not the data on the results of the program are themselves unambiguous. Depending on the nature of the organization or service, service users' or clients' opinions can also be very important.

Questions 2 (a) and (b) are designed to allow the nonprofit to be very precise about whom they and others serve and what they do. For example, answers to 2 (a) (i) need to describe in detail the different types of people served or problem tackled. Many nonprofits describe the people they serve in general terms, for example, people who are homeless, when in fact under this heading they support people with distinctly different challenges. Clarifying these differences may suggest better ways of allocating resources. The three questions about programs and the differences they make require clear and sometimes detailed descriptions of programs, how they actually work - what physically happens and what it is about them that improves users' lives or the environment, as well as quantified and good anecdotal evidence of those improvements. The level of detail needs to be sufficient to enable people doing the planning to see what if anything might be changed to improve the effects of the programs.

In answering the question, "How do they make a difference?" the concept of a "logic chain" (sometimes also described as a "theory of change" or "outcome sequence" - our apologies for the jargon,) can be helpful. An example is provided in Appendix 1. It is taken from "Key Steps in Outcome Management" from the Urban Institute.2003.

The answers to questions (i) to (iv) will inform the debate around Question 5. The purpose of question 2 (a)(v) is to identify those attributes, behaviors and practices that make a particularly powerful difference, that embody the nonprofits most effective use of resources. Again, it is important to go into enough detail to learn and explore sufficient aspects of the program/activity to understand what exactly it is that makes such a significant difference. These aspects will include physical assets, the general environment provided, knowledge, skills and techniques, the nature of relationships and the ways all of these are combined in the process of the service or program. These will obviously vary considerably nonprofit by nonprofit.

Worksheet (1) can help with answering this question.

Question 2 (b) requires answers to the same questions about other organizations in the same field. How many of these "compete," are collaborators or potential collaborators, or are simply other players, will vary by field and location. The extent to which a nonprofit can get sufficient information to answer these questions in detail will also vary, depending on the nature of the work, the history of the nonprofit's relationship with other organizations and the

amount of time and resource it has for planning. The point is to use this process as a discipline to secure as much detailed information as possible. This will enable proper assessment of what still needs to be done in terms of addressing the problem or tapping potential, will throw up opportunities to improve the nonprofit's own programs, and will suggest opportunities for collaboration, or how to deal with an organization if it is a head-on competitor.

Worksheet (1) can be adapted to help with answering this question.

Question 2 (c) makes the assumption that the nonprofit and other organizations are not very close to solving the problem or fulfilling the potential that they seek to address. The aim of the question is to enable the nonprofit to compare and contrast the analysis it undertook in answering question one with its own and other organizations' positions in the field. It is important to distinguish in this analysis between causes that are clearly beyond the control of the nonprofit and those that might be addressed by action on the part of the organization, on its own or in collaboration with others. The answers provide some useful background for question three.

- a) What do we do currently in order to bring about the changes we want to see?
 - i. Whom or what do we serve?
 - ii. What are our programs?
 - iii. How do they make a difference?
 - iv. What are the differences they make?
 - v. What are we particularly good at, and why?

- b) What do other organizations do in order to bring about these changes?
 - i. Whom or what do they serve?
 - ii. What are their programs?
 - iii. How do they make a difference?
 - iv. What differences do they make?
 - v. What are they particularly good at, and why?

- c) Why do the combined efforts of all organizations not solve the problem?

3. What difference would we like to make?

This question enables and encourages the nonprofit to express and describe changes they believe they can and want to achieve. Although many planning processes in effect require an organization to start from scratch in considering what innovations that it might make, this approach aims to tap its knowledge of the field and the ideas for changes or new services that most nonprofits usually have. Question 4 then leads the nonprofit to assess each of these ideas one by one thoroughly to see if they are viable.

The answers to this question therefore require that assumptions be made: although the idea here is not to be overambitious (for example, to bring about world peace,) the aim is to enable the nonprofit to capture changes that it has thought about making or wishes or believe must be made, but has felt constrained from taking forward so far.

The language we have used here might suggest that we're talking only about major new programs or even new organizations. The questions are however meant to allow modest adjustments as well. A mental health organization might want to introduce volunteer mentors to a program currently run by clinicians; a soup kitchen might want to change the quality of its premises, or a theatre to improve the quality of its productions. Anything that produces a substantive improvement in a significant number of the people with whom it works, or the environment or policies it seeks to change should be part of this planning process.

So the answers to question (a) here can range from the current tenants of a housing/community development group, or people who attend a counseling service, to a whole new target group like rural people with a meth problem in the case of a substance abuse program or organization. Answers to question (b) can range from a change in the control of the tenants over the management of their housing, a marked improvement in self-esteem for those receiving counseling, to the improved health of the meth-affected people.

What is crucial in answering both these questions is to be as accurate as possible about who exactly will be served and the nature and scale of the differences the nonprofit seeks to bring about. The information captured by these answers will be important in making decisions about what to do when you are answering question 4.

Answers to question (c) can then correspondingly include a wide range of types of change in the nonprofit: modest improvements to current programs that have substantive effects; major restructuring of the organization; closure of programs; new programs, campaigns or services for current or new target groups or issues; collaboration with other organizations.

- a) Which people have needs that are unmet, or in which area is there potential?
- b) What specific differences do we believe we can bring about in these people or these areas, assuming we can secure the resources to do so?
- c) What specific things can we do to make these differences happen,
 - i. How would we improve our current programs?
 - ii. Which of our current programs would we close or transfer to another organization?
 - iii. Which new people would we attempt to reach?
 - iv. What new programs would we introduce?
 - v. What could other organizations do in the same ways?
 - vi. How would we help them to do this?

4. What difference will we make?

This question lies at the heart of the planning process. It enables the nonprofit take the ideas it has identified in answering questions three and, in the context of its view of the field as a whole and its own and others' activity in that field (questions 1 and 2):

- to assess how practical and feasible its proposed changes are;
- to make decisions about which of these changes make enough of a difference and are manageable and sustainable enough to take forward;

- to define what the nonprofit believes it will achieve in each selected new development (the goals for the change) and how it will do this (the objectives for the change).

Analysis

This section of the question takes the simplest approach possible: what does each change proposed involved physically; what extra resources do we need and/or how do we reallocate reconfigured current resources; what support can be secured to pay for/provide any additional resources required? We then apply a kind of reality test by asking what will get in the way of making these changes, and what will act as a force in the nonprofit's favor. The depth and extent of analysis can vary according to the scale complexity of the idea proposed, and the capacity of the nonprofit to undertake the analysis and the research required to underpin this.

Question 4 (a)

The requirement is to capture the "nuts and bolts" of change, for example the number of extra staff required, new computers needed, changes required in the use of parts of buildings, essential new accounting packages, or the training needed to help people work differently. These details will form the basis of the \$ costs that the nonprofit will consider in 4 (b) and operational details that can help in the action planning required by question 5.

They will also allow the nonprofit to identify "transaction costs," the sometimes difficult-to-quantify changes like how much time will be lost to operations because people are absorbed in managing changes or developing new relationships. It is important both to describe what any disruption will look like - for example, time away training, more staff meetings or the absence of the President/CEO securing new funds; and to quantify this in terms of something concrete, for example, days of time lost.

In thinking about the "nuts and bolts" of new developments, some ways of thinking may help a nonprofit to make changes efficiently and economically.

Economies of scope

These occur when a nonprofit is able to make use of physical assets or people for which it already pays or has paid. This is particularly efficient in the case of buildings or other physical assets that are not fully utilized. If used with caution, this way of thinking can also be a useful approach to the deployment of people. It is not desirable simply to add responsibilities to already busy staff or volunteers. Extra work should mean extra personnel cost. However, staff who are familiar with the nonprofit and the kind of work that is envisaged in any change may be more cost-effective in working within, or overseeing, the change, in contrast to a newer, less experienced person, who might be more easily absorbed within an area that will not undergo change. One cautionary note here: the aim is not to find a use for an underutilized asset, but to make a change in the nonprofit's work that will make a difference that will happen to cost less because the nonprofit can make use of such a redundancy.

Thinking at the margin

The process of capturing the nuts and bolts of change offers the opportunity to ensure that resources are combined and applied in the most cost effective way possible.

In the case of an extension to a program for example, the nonprofit will likely have the option to use higher or lower paid staff or volunteers, or all of these. Each will have a different impact on the results of the program and carry different costs: higher paid staff will produce bigger differences because of their skills and experience, but cost more; lower paid staff and volunteers cost less but may make less of a difference and require more supervision. Thinking at the margin provides a way of exploring which combination of these resources will produce the most additional mission difference for the lowest cost.

This approach requires that the nonprofit can measure program results in some reasonably objective way. For example, a mental health organization might think in terms of a unit of output like "life skills development per day." The nonprofit also needs to be able to allocate costs to the same unit in the form of the costs of the people, materials, premises and other resources required. The nonprofit can then step-by-step add an extra unit of each resource available and/or combinations of these resources, and assess the change in program effects and costs that result from each of these additions of inputs and combinations of inputs.

For example, the difference made by adding one day's work a high paid member of staff can be compared with adding one third of a day's work of this staff member, complemented by half a day each on the part of a volunteer and the lower paid member of staff.

A similar approach can be taken to the addition of physical assets. A nonprofit can for example assess the relative effects of an additional new computer compared with adding a new software program to its current computers.

A much fuller explanation of how to combine resources efficiently is an Appendix 2.

- a) What would we need to do in order to make these changes [of the kind suggested in 3 (c) (i) – (vi)?]
 - i. What new skills and knowledge would we need to develop, and/or what new people (volunteers or staff) would we have to recruit?
 - ii. What changes or additions would we need to make to our physical assets?
 - iii. What changes or additions would we have to make to our systems and processes?
 - iv. What new relationships would we need to create?
 - v. What other changes would we need to make, e.g. in structure, procedures?
 - vi. How would we want people to behave and work differently?
- b) What would these changes cost?

In answering 4(a), the nonprofit will develop a detailed picture of changes it is considering in order to make a bigger difference in its work. One key purpose of doing this is to establish clearly what the costs of the changes are.

The main types of costs are:

- Capital costs - what is needed to start the change or new activity;

- Operating costs. These will vary according to the nature of the program and the nonprofit but will include: staff salaries and benefits, materials to be used in the service or activity, property rental, depreciation on equipment and physical plant that is specifically required for the change; promotional costs - media and materials.
- Indirect or overhead costs. Again, these will vary according to the policy of the nonprofit, but will include the costs of support departments and the board and CEO.
- Transactional costs. These are often overlooked. Changes in activities often involve, for example, senior management having to spend a disproportionate amount of time in handling change internally and developing new relationships externally. There may also be disruption caused by the need, for example, to train staff and volunteers.

It is critical that the nonprofit makes decisions about which changes to introduce only on the basis of extra or incremental (marginal) costs. These will include the cost of new capital where that is specifically incurred because of the change, increases in operating costs that are specifically caused by the change, and the transactional costs as defined here. Unless new administrative, managerial or board changes are incurred specifically and only as a result of the change, indirect or overhead costs are irrelevant in deciding whether or not a program adjustment or new initiative should proceed.

The costs therefore in dollars that should be entered in **Worksheet (3)** (that is designed to bring together the different elements that will inform a decision,) only include these incremental costs. The worksheet allows for a separate description of transactional costs. The problem in characterizing these costs is that although it may be possible to capture them by putting a money value on, for example, the proportion of a chief executive's time that is spent on managing changes, in many cases the most the nonprofit can do is note the fact of disruption and judge whether it is likely to be insignificant or substantial.

- c) What resources - revenues and contributions in kind – are available that would allow us to make these changes and sustain them and the whole organization?

In answering question 4 (c) the nonprofit will have painted a relatively detailed and accurate picture of the resources it needs. The next step is to work out for each of the changes proposed whether the resources are available to cover these costs. In some cases, particularly small adjustments to programs, it may be that the redirection of a current revenue stream is adequate. Boards of trustees may even be willing to devote reserves to a new aspect of a program or a new program for a limited period of time. In most cases however, we are assuming that new resources have to be found. This may provide the opportunity for a review of the nonprofit's income strategy.

If there is an obvious source of revenue available - for example, a foundation with a particular interest in the program in question, then extensive research or analysis is probably a waste of time. When however it is difficult to see where the extra resources required will be coming from, some sort of coherent approach is required.

This is particularly important given the range of types of support that in principle are available to nonprofits: individual contributions, foundation grants, government grants and contracts, fees-for-service, commercial ventures, volunteers, gifts in kind, barter and collaboration, membership dues, investment income and debt.

This framework for organization planning recommends that a nonprofit explore possibilities for income based on the various kinds of benefits that different individuals and groups can derive from the activity:

- Private benefits: people or organizations who receive direct benefits can pay a fee.
- Public Benefits: activities that justify tax dollars can be funded by contracts and grants.

- Group benefits:
 - ✓ Those who have a personal interest in the welfare of the person receiving a service are likely to be willing to pay a fee or donation.
 - ✓ Those people who get personal non-financial rewards from supporting people who receive the service are likely to be willing to make a donation.
 - ✓ Those in private institutions with a mandate that the nonprofit helps them deliver will be willing to consider a grant.
 - ✓ Those in public institutions with a mandate that the nonprofit helps them deliver will be willing to consider a contract or grant.
- Those who receive an economic benefit as a result of the service – a donation or charge.

Taking the example of organizations that provide guide dogs for blind people, funding for most of these takes the following forms:

- bequests, donations and fees from members of the families of people who use guide dogs - people with a personal interest in the welfare of the blind person;
- donations from people who feel good about supporting people who are blind and are impressed by the attractiveness and intelligence of the guide dogs;
- payments from the marketing budgets of corporations who wish to identify themselves with the guide dog brand;
- contracts with local authorities that have a mandate to provide for the mobility of people with disabilities (although this is a small proportion of most guide dogs organizations' overall budgets;)
- contributions from the dog owners as direct beneficiaries of the service - they provide accommodation and food for their dogs;
- volunteer contributions in the form of individuals who offer to care for and walk the young guide dogs during their period of training – they get the satisfaction of knowing they are helping, but particularly the enjoyment of looking after puppies.

These nonprofits receive little by way of grants - this seems to be because guide dogs are used by only a very small proportion of people who are blind and this number does not seem to have been great enough to justify the creation of a foundation with a similar mission; for similar reasons, none of these organizations seem able to attract money from people who benefit economically in some way from the provision of the guide dogs service. This can be contrasted with organizations supporting older people with independent transportation to whom businesses in a local community are willing to provide financial support, knowing that because of the transportation service, elders are more likely to continue as paying customers rather than being confined to their homes.

This approach to income strategy can be pursued by exploring answers to a further series of questions:

- Who benefits from the changes your nonprofit plans:

- ✓ Consumers,
 - ✓ Family and friends,
 - ✓ Interest groups,
 - ✓ Segments of the general public,
 - ✓ Volunteer groups
 - ✓ Foundations and Corporations
 - ✓ Govt. Agencies?
- What are these benefits worth to those who receive them? What can consumers, donors, government agencies, institutional partners or volunteers be asked to pay or contribute in return for them? Market research will be necessary if the nonprofit is to answer this question in detail.
 - What overall nominal income mix would result from the combination of these prospective payments and contributions?

This "income mix" then needs to be adjusted for any interactions that might occur between different sources of revenue. It is well documented, for example, that government funds tend to "crowd out" donations. If therefore the nonprofit identifies a new source that is likely to be willing to consider paying for or supporting a new service or program change, the nonprofit needs to assess whether this would affect funding of other programs or of its core costs.

The potential annual value of each source of income or other form of support finally needs to be offset by the direct costs of raising or securing the resource, and some account needs to be taken of the difficult to quantify "transaction costs." For example, a nonprofit that is used to private contributions only will find it has to acquire new skill sets and invest considerable time if it is to secure a government contract. It will also need to dedicate time and perhaps money to learning new reporting and accounting systems. These changes incur direct costs (for example a new accounting package,) but also disrupt people's previous schedules.

Worksheet (2) provides a simple framework for thinking through decisions about income and other resources to cover the costs of proposed new programs or activities.

d) What will help or hinder us in making these changes?

So far the nonprofit has assessed what is involved in making the changes it proposes purely in themselves, without reference to other factors in the organization that may help or hinder the successful introduction of a new program, activity or campaign. The purpose of this question is to ensure that the nonprofit considers obstacles to its achieving this successful introduction but also to identify internal strengths and favorable forces in the external environment that may make the change easier to introduce operationally, less disruptive of the nonprofit other operations and less risky. The answers to this question therefore inform the answers to questions 4(e) and (f).

External factors that might become opportunities or threats for the nonprofit as it seeks to make more of a difference will include other pressures on people or

situation that the nonprofit seeks to address, for example, in the case of substance abusers, drug pushers, and in the case of the environment, polluting companies; policy changes, for example as the result of a change of the party in power after an election; other organizations active in the field, for example competing technical assistance providers; specific local changes, for example in zoning rules that affects the community development activity.

Internal factors include what the organization is particularly good at - these have been explored under question 2 and in **Worksheet (1)**; operational weaknesses in systems procedures and structures; difficulties in relationships or morale; cultural resistance to what is seen as excessive or inappropriate change.

Decision making--In answering this question the nonprofit is deciding whether or not to go ahead with the changes it has been considering.

4 (e) (i) is the most important of the sub-questions here. It requires the nonprofit to compare the quality and quantity of differences that will be made as a result of each of their new interventions or changes in a program or activity. A nonprofit that is able to put a credible monetary value on the impact of its programs could in principle create an investment case very similar to those used by for-profit organizations - a project appraisal. For most nonprofits, the aim will be to explore the idea of the greatest mission impact for the lowest additional cost and the greatest amount of extra revenue or other form of support. The answer to this question will be informed by the answers to others within the framework: information about the changes that create the biggest additional difference can be derived from the nonprofit's answers to questions 3 (b) and (c). This underlines the need to be very precise in the answers to those questions about the changes that the nonprofit wishes to bring about in the lives or situations that it seeks to address. Information about the costs of the changes being considered will come from answers to question 4 (b); and estimates of possible additional resources coming into the organization have been explored in answering question 4 (c) and in **Worksheet (2)**.

The questions that follow concern a nonprofit's major strengths, the practicability of the changes being considered, the compatibility of each of the changes with the core values of the nonprofit, and the different levels of risk posed by each change. In one sense these questions duplicate question 4 (e) (i). Strictly speaking, the answers to most of these questions will inform that analysis: if a proposed change plays to an organization's strengths, it is likely it will make a significant difference; if the change is easy to introduce operationally or is relatively low risk, the overall costs are likely to be lower; if a proposed adjustment is not in conflict with the core values of the nonprofit, then there is less likely to be disruption than otherwise. However, these have proved to be useful reality checks, so our approach keeps them as separate criteria for making decisions.

Worksheet (3) provides a framework that nonprofits can use to explore the answers to these questions and the decisions about which changes to take forward.

- e) Which of the changes in our programs that we would like to make, should we make?
 - i. Which change or combination of changes:

- creates the most additional difference;
- creates the lowest additional cost;
- and attracts the greatest amount of additional resources?
- ii. Which most enable us to use what we are really good at and/or a physical asset to exploit a major opportunity in the environment?
- iii. Which are the most practicable
 - are easy to introduce operationally?
 - are least likely to be disruptive?
- iv. Which most reflect the core values of the nonprofit?
- v. What are the risks do we face, both in making these changes, and to the organization generally: what might go wrong internally? what external threats might affect us? what will do to reduce or eliminate these effects?

This stage in the process of working through this planning template marks the point at which the nonprofit has made decisions about which developments in programs or new initiatives it will pursue. The nonprofit can now confirm what specific changes in people or situations it will achieve over what period of time - its new goals (f), and what specific changes this will entail in the organization - its new objectives (g). These objectives should take the form of what some people call "metrics," for example, levels of funds raised, number of people supported in program, new level of skill achieved etc. This section of the template prompts the nonprofit to confirm and refine these goals and objectives, change by change, and in each aspect of the organization.

Goals and Objectives can be captured in **Worksheet (4)**

- f) As a result of the decisions to make these changes, what are our new goals for (e.g.) the next three years in terms of people/situations we want to affect and the changes we want to see in them?
- g) What are our objectives in terms of the changes we will make in order to achieve these goals, in the main areas of the organization?
 - Programs
 - Securing Resources
 - Developing and Recruiting People
 - Systems and Processes
 - Structure and Procedures
 - How People Behave and Work
 - External relationships with other organizations in same field and people and organizations with a critical interest.

5. What will we do to make the differences happen?

The questions conclude with the action piece. This question requires the nonprofit to allocate management resources to the achievement of the objectives and goals that it has identified in the answers to question 4. The key principles to apply are to:

- Maintain a clear distinction between the steps to be taken, and the objectives to be achieved through taking those steps. A functioning new staffing structure for a soup kitchen is not the same as an improvement in the experience of the people who use it.
- Therefore allocate some resources and management responsibility to collecting data that will allow the nonprofit to know that it is achieving these objectives. (Question 5 (c))
- Be specific enough about the steps to be taken under each of the categories here to allow the board and/or management to see clearly whether progress is being made.
- Be very clear about who is responsible for what. The answers to questions 3 and 4 have required thinking in detail about the changes to be made, but these need translating into tasks for individuals and teams.

Worksheet (4) is designed to provide a basis for the development of clear goals, objectives and steps.

Question (d) requires a budget for the new revenues and expenditures associated with the changes. There may be issues to resolve here in relation to the structure of the nonprofit's budgets and financial statements. A modification to a program would reasonably be incorporated in the program's overall budget, but some means needs to be established of monitoring whether the modification achieves the difference planned and costs what it is supposed to cost. Given the differences in approaches to budgets, we have not provided a worksheet to cover this.

- a) What are the critical steps that we need to take in order to achieve these goals over the period of the plan in the following areas:
 - Programs
 - Securing Resources
 - Developing and Recruiting People
 - Systems and Processes
 - Structure and Procedures
 - How People Behave and Work
 - External relationships with other organizations in same field and people and organizations with a critical interest.
- b) Who is responsible in the organization for each of these critical steps?
- c) How will we know we are succeeding in each of these areas?
- d) What resources will we raise and spend in each of these areas during each year of the plan?