



# DESIGNING YOUR ENGINE

## BUSINESS MODELS THAT POWER MISSION

THE BONNERSPHAR CONSULTING QUARTERLY  
Spring 2014

### Strategic Vision + Business Model x Leadership Capacity = Mission Impact

The [Nonprofit Finance Funds annual survey](#) released last month found that **41% of the nonprofits surveyed reported long-term financial sustainability as their greatest challenge.** And **47% said they planned to engage in long-term strategic or financial planning in the coming year.**

The survey also found that in the next 12 months:

- 31% will change the main ways in which they raise and spend money.
- 26% will pursue an earned income venture.
- 20% will seek funding other than grants & contracts, such as loans or other investments.
- In the past 12 months 49% collaborated with another organization to improve or increase services.
- In the past 12 months 48% invested money or time in professional development.

In this issue Kate begins a series of articles with an explanation of what a Business Model is (and isn't) and describes the key indicators of a healthy Business Model. We recognize that the best designed Business Model, like the highest quality tools and schematics, in the wrong hands, will be wasted energy and produce poor results. Highly focused and strong leadership from both Senior Staff and the Board are required to create and execute the Business Model, change mindsets and long-held behaviors, and hold the organization accountable to results. Leslie begins to address the Leadership and Cultural Change aspects of implementing a new Business Models in her article below.

**We invite you to join us for our first public workshop, "Designing Your Engine: Business Models that Power Mission."**

This session has limited seating and will be held on June 26 at the brand new East End Cooperative Ministry Building. See our invite to the below [to register](#).

*Kate and Leslie*

**JUNE 26,**  
**8:30-10:30**

# **DESIGNING YOUR ENGINE**

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## **BUSINESS MODELS THAT POWER MISSION**

**VENUE: East End  
Cooperative Ministry  
6140 Station St. Pittsburgh, 15206**

Join us for breakfast and hear from our Panel of Nonprofit leaders on what they learned while adapting their own Business Models:

- Fred Massey, CEO of FamilyLinks
- Michelle McMurray, CEO, MHA Allegheny County and soon to join The Pittsburgh Foundation
- A Foundation Leader will discuss working with Grantees to adapt their Business Models.

## **Do You Have a Business Model that Works?**

Let's start with: What is a business model? In the nonprofit sector a successful Business Model results in delivering high-quality programs and services that meet mission. For many of the nonprofits we work with, their business model is at the core of the issues they need to address in order to remain financially stable to carry out their mission. A few examples:

- A large human service organization relies primarily on government fees-for-service. Funding at the state level is staying flat, but the cost of service delivery rises each year. Although the organization can cover its costs now, within three years that won't be possible if conditions (funding levels?) don't change.
- A grassroots advocacy nonprofit consistently runs a deficit each year. Although able to cover costs using some historical cash reserves, it is clear that it cannot survive in the long-term without doing something significantly different.
- A small start-up environmental nonprofit gets a large multi-year grant from a single foundation to build its programs and infrastructure. Although the mission is highly current and relevant, there is no guarantee that after the initial grant period the foundation will continue to fund at the same level and no replacement funding streams have been identified.

Sound familiar? These examples illustrate that a nonprofit's business model encompasses its financial picture - money in, money out, and what assets are needed to ensure financial stability and consistent mission delivery. However, a common misconception is that a business model is solely about dollars and cents, and can be easily read on financial reports. Rather, the business model is the design for how an organization creates and delivers value to its clients/community in a sustainable way. [READ THE REST OF THE ARTICLE](#)

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## **DRIVERS BEWARE: 4 Barriers to Business Model Success**

In Kate's article above she identifies how the organization's Business Model is core to achieving desired Mission Impact, ensuring Financial Sustainability and reaching a Vision. And she defines the Business Model as the way your organization operates to fulfill your mission, the "how" in

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service to the "what and why". But the right Business Model alone won't guarantee success. In our work we have identified and encountered these 4 barriers to creating and/or implementing an effective Business Model.

**1. Leadership Dysfunction Impacts Development and Implementation of Business Models:** If your organization is a car, and your Business Model is its (fuel efficient) engine, then the Staff and Board Leadership are the drivers. If you have a bad or simply untrained driver then the best-designed, most fuel efficient car in the world will not get you where you are going. In the wrong hands the car can be driven over a cliff.

In fact without strong leadership chances of developing and agreeing on an effective Business Model shrink considerably. Thus we pose that Strategic Vision + BUSINESS MODEL x Leadership Capacity = Mission Impact and a Stronger Nonprofit.

Leadership can also impact a Business Model when there is a transition either in the CEO or a significant percent of the Board. New Leaders often come in and want to rebuild the engine to make it their own or they simply don't know how to work the existing Business Model and abandon it in favor of something they do understand. Of course, if your current Business Model is not working [READ THE ARTICLE](#)

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