

## MISSION *and* PROFIT

By John Durel

Most nonprofit organizations have little trouble in coming up with new ideas for programs or services. The needs of their constituents are so great, and their own desire to create and serve is so strong, that the staff and volunteers can always think of more to do.

**The challenge is not to come up with *new* ideas, but to choose the *best* ideas. How do you determine what is best for your organization?**

The first answer, of course, relates to the mission. To what degree does the proposed program or service help the organization achieve its mission? For many organizations this is not a particularly useful question, since their missions are broad and general: just about anything could be justified under the mission. In support of the long-term mission, you should have specific near-term goals, targeting particular constituencies and needs. The question then becomes: To what degree does the proposed activity help to achieve the goals?

A second consideration in determining the best new ideas relates to resources. Do you have the resources necessary to develop and deliver the program or service? Will the activity generate revenue – contributed by donors or sponsors, or through sales or fees – sufficient to cover all costs? Even better, will it generate a profit that could be used to cover other necessary functions or activities?

Many nonprofits get caught in the trap of thinking of an activity as either mission-driven or profit-driven. A social service organization has a golf tournament (profit-driven) in order to raise funds to support client services. A museum rents its facility to local businesses and corporations (profit-driven), to help cover general operating expenses. Alternatively, a healthcare organization offers educational programs to low-income families (mission-driven), even though the programs are not fully funded. Such activities often engender debate and conflict within the organization. Some people complain about the amount of time and resources that go into activities that are not mission-related. Others criticize programs that lose money and waste precious resources.

This is the “tyranny of OR,” a phrase coined by Jerry Porras and Jim Collins in *Built To Last*, a study of very successful visionary companies. The most successful companies – and nonprofit organizations – reject the tyranny of OR, and embrace the “genius of AND.” That is, instead of choosing activities that are either mission-driven or profit-driven, they develop programs and services that are both.

**THE BEST NEW IDEAS ARE THOSE THAT ARE BOTH MISSION-DRIVEN – AND – PROFIT-DRIVEN.**

The following process should be used to assess existing programs and services, as well as ideas for new activities. This will help you identify the activities that enhance both mission and profit. Those that contribute little to either should be dropped. Those that are strong in one dimension, but not the other, should be strengthened accordingly. And those that contribute significantly to both should grow.

### Step 1.

Gather a group of people who are responsible for a set of programs/services/functions/activities. This might be the senior management team to consider the entire organization, or members of a particular department or unit to consider that unit’s activities. Have the group make a comprehensive list of existing and proposed activities.

## MISSION *and* PROFIT

### Step 2.

Determine the revenue and expenses associated with each activity.

For revenue, include:

- Fees
- Support from grants, donations and sponsors.
- Associated sales of products
- Essential in-kind support. (Include only items that were absolutely necessary; estimate the monetary value.)

For expenses, consider:

- Direct cost of supplies, equipment and material.
- Direct cost of services provided by vendors.
- Indirect costs and overhead (utilities, support staff, etc.)
- Cost of staff and volunteer time.

You can choose to be highly detailed and accurate with these measurements, gathering extensive data. This will slow the process down, but help you in the analysis stage to avoid arguments about the worth of programs.

Alternatively, you can ask the group to rate activities according to the following scale, taking into consideration the revenue and expense items listed above. Remember to think in terms of net profit or loss, not gross.

The activity loses a lot of money: minus 2

The activity loses some money: minus 1

The activity breaks even: zero

The activity makes some money: plus 1

The activity makes a lot of money: plus 2

### Step 3.

To assess the degree to which activities contribute to the mission, multiply the total number of activities on the list by five. Thus, if you have 20 activities, then you would have a total of 100. Think of these as points that can be distributed among all of the activities, giving more points to those that contribute the most to the mission and goals, and less to those that do less. Thus, some activities might receive only 1 or 2 points while others receive 10 or more. Distribute the total number of points (5 times the number of activities on the list) among all of the activities.

### Step 4.

Create a large graph using a flip chart or newsprint paper, and hang it on the wall.

The left-hand (vertical) dimension of the chart measures profitability, from low to high. (Actual dollar amounts, or from -2 to +2, if you used the simple method.)

The bottom (horizontal) dimension measures mission points, from zero to the highest number of points given to any single activity.

## MISSION *and* PROFIT

### Step 5.

Assign a letter to each activity (A,B,C,...), and plot each activity on the graph, according to its profitability score and mission score.

### Step 6.

Draw a diagonal line from the vertical axis to the horizontal axis, so that approximately 25% of the activities fall to the left and below this line.

Draw a second diagonal line so that approximately 25% of the activities fall to the right and above.

You have now divided the activities into three clusters, which you can label:

**Low:** those to the lower left of the graph. Relative to the other activities, these contribute little to the mission and are not profitable.

**Mid:** those in the middle of the graph. Relative to the other activities, these either contribute moderately to both mission and profit, or they contribute highly to one and a little to the other.

**High:** those to the upper right of the graph. Relative to the other activities, these contribute significantly to both mission AND profit.

### Step 7.

Discuss each cluster of activities, and make choices regarding what you will drop, what you will continue, and what you will add as you seek to enhance both your mission and your resources.

For the **Low** cluster, ask why you are continuing to do these activities. Determine to stop doing them.

For the **Mid** cluster, ask how you can improve an activity so that it moves into the High cluster.

For the **High** cluster, ask how you can expand an activity, to capitalize on its mission relevance and profitability.

### Example of a Mission-Profit Chart

