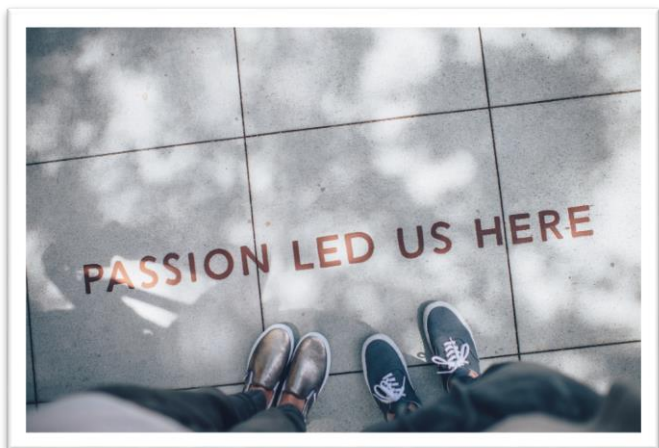


The Importance of Treating Your Nonprofit Like a Business



This is an article I read years ago when I first started my nonprofit, which is still relevant for today by Marc Koenig.

Nonprofits are more like businesses than you may think. Here are 5 characteristics *for-profits* and *nonprofits* have in common, summed up by author *Josh Kaufman's Personal MBA definition*. If you break down each of the factors, it will change the way you look at running your nonprofit organization.

1. They Both Create and Deliver Something of Value

In order for your nonprofit to be sustainable, find a need or a problem and work to solve it.

This is the first law of startups and new businesses. Yet many nonprofits either neglect to identify a problem that needs to be solved, or identify one that's a poor match for their available resources. Either way, you're in trouble.

Avoid thinking too narrowly about how to provide value. One of the strongest desires is the desire for meaning. *Questions to consider:*

Have I first identified a problem or need? Do our programs make other people's lives better? Does the way we communicate make our donors feel valued?

2. They Both Offer Something That Other People Need or Want

It's not enough to create something that's valuable if no one needs or wants it.

Too many businesses create useless products that no one actually ends up paying for. Don't let the same thing happen to your nonprofit.

When you're designing a program, who is it for? Who will be happy to pay for it?

Just because it's important to you doesn't mean it will be to the rest of the world.

Involve key donors in your nonprofit decisions by consulting with them and figuring out what they're passionate about. Send a survey to your constituents. Create the smallest viable prototype of your event or program to test if it works before devoting all your resources to it.

Not matter how excited you are by an idea, the market always wins for both big businesses and nonprofits.

3. They Both Offer A Price People Are Willing To Pay

People only give \$100 dollars to your charity if giving is worth more than \$100. If the donor believes that money given to someone else can create \$1,000 dollars of impact and you only create \$500, you will (rightly) lose that donation.

Show donors their money creates more value with you than it would if it were given elsewhere or lingered in their bank account.

Can you create value? Can you make the money a donor gives you an amazing deal for the impact you create?

4. They Both Satisfy and Exceed the Customer's Needs and Expectations

Create amazing value for your donors in a way that value is just your promise. In other words, keep your promise.

If you promise great things and then deliver amazing things, your donors will be highly satisfied. The result: if you promise amazing things and deliver mere greatness, they will be disappointed.

Once you've set the expectations, you need to deliver (or preferably, overdeliver) on them, and then communicate that.

Make the real experience of being involved with your nonprofit consistent with the promises of your nonprofit makes. Then, deliver that expectation!

5. They Both Must Bring in Enough Profit to Make it Worth Continuing

The most misleading thing about the label "*nonprofit*" is the way to minimize the importance of making money.

Just like a for-profit, if you don't have any resources, you have a hard time achieving anything. You can't pay employees (so they leave), you can't create good programs (so you stop creating value and solving problems) and you won't be able to fundraise effectively (further limiting your resources).

Nonprofits and for-profits both need profits. What's different is the definition of "enough" profit.

If you don't make enough profit that you can continue creating value and living up to your mission, operating cheaply doesn't solve anything.

This is the difference between being a cheap nonprofit and a frugal nonprofit. Instead of only cutting costs, a frugal nonprofit spends extravagantly on the things that will improve its organization long term.

Value your fundraisers. Create an expectation of contribution and evangelism among your board. Measure the value of a new event or fundraising initiative in terms of the return it brings. Invest in a good website, marketing and giving your staff the tools they need to succeed.