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| **MARCUS COETZEE**  **TOOL FOR MAPPING THE BUSINESS MODEL OF YOUR NON-PROFIT ORGANIZATION OR SOCIAL ENTERPRISE** |

## 

## Introduction

A business model is the unique recipe that an organization uses to earn income and serve its customers and beneficiaries (or participants in the case of a non-profit organization or social enterprise). A business model typically describes what an organization is offering its customers and beneficiaries, as well as its inputs, processes and method of earning income and profits.

Business models design is about configuring the building blocks of an organization so that it is feasible (can work) and viable (can sustain itself).

It is not uncommon for entrepreneurs to play around with different configurations for their organizations until such time as they find one that works. In my experience, this process typically takes around a year.

Business model design is similar to playing with a LEGO set and trying to combine the different size, shape and colour LEGO blocks until they fit together in the design you want.

Business models are a component of strategy. Business models describe how the ‘LEGO blocks’ of the organization will fit together, whereas strategy describes how the organization will move forward to achieve its goals. There is some overlap between the two.

There are a variety of tools out there to help entrepreneurs to conceptualize their business models, including: The Business Model Canvas; The Social Business Model Canvas; The Lean Canvas; The Mission Model Canvas and the Flow Canvas. These are valid tools and they work well in certain circumstances.

However, when unpacking complex and multi-dimensional business models, I prefer to adopt a relationship-orientated approach where I examine all the different parties that are involved in an organization and how they will work together. Only then do I dive into its inner technical workings such as its activities, financial model and legal structures.

Below is a tool that closely resembles the types of questions that I ask social businesses and non-profit organizations when I start to unpack their complex business models - an activity that normally occurs during the startup phase. I hope this tool will assist you to interrogate your own business models.

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## 1. Vision and Mission

**1.1. What is the name of your organization?**

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**1.2. What is the vision of your organization?** This is an explicit and clear statement of a desired future state for an organization’s beneficiaries or cause. It should ideally be stated from the perspective of key customers, beneficiaries or society at large.

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**1.3. What is the mission of your organization?** This is an explicit and clear statement of how an organization will work to achieve its vision – the state it aims to achieve in the world. It should clearly describe what an organization does and how it is different from others. A mission statement should position the organization in its sector.

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## 2. Impact Model

**2.1. Who or what are the primary beneficiaries of your organization’s charitable or philanthropic mission, and how are they segmented?** This is the person, organization, community or cause that may participate in and benefits from the work of your organization. It is also possible that your organization has no direct human or animal beneficiaries, and it is working to advocate for a cause such as green energy or clean oceans, in which case this is what must be described in this text box.

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**2.2. How do you identify and reach out to your beneficiaries?** It is not always easy to identify the people that your organization wishes to serve and to gain their cooperation.

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**2.3. What are the key activities of your organization that achieve the bulk of its impact?**

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**2.4. What is the social, economic and environmental impact that these activities achieve over the short and long term?** These are the positive, measurable and meaningful changes that the organization will create in the world as a direct result of its work. Some changes occur immediately (e.g. increased knowledge as a result of a training program) while others take a while to occur (e.g. reduced recidivism by juvenile offenders.)

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## 3. Customers

**3.1. Does your organization have customers?** This is the person or entity that pays for an organization's goods or services either for themselves or on behalf of someone else.

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| Yes | Continue |
| No | Skip to section 4 |

**3.2. Who are the customers that buy goods and/or services from your organization, and how are these customers segmented?**

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**3.3. What goods and services does your organization offer these customers so that it can earn revenue as a result?**

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**3.4. How does your organization market itself to these customers and persuade them to buy its products?**

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## 4. Donors

**4.1. Does your organization have donors?** A donor is a person or organization that gives donations or grants to an organization or project for altruistic reasons. Donors may include businesses, government departments, foundations, non-profit organizations and individuals.

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| Yes | Continue |
| No | Skip to section 5 |

**4.2. Who are the donors that provide grants and donations and how are they segmented?** Grants tend to come with strict funding contracts whereas organizations have much more discretion over how they spend donations.

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**4.3. How does your organization reach and engage with these donors?** Note that the competition for funding tends to be quite fierce. There are potentially tens of thousands of nonprofit organizations that are trying to fundraise from the same set of donors.

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## 5. Investors

**5.1. Does your organization have investors?** An investor is the person or organization that lends money to an organization or buys equity in a business.

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| Yes | Continue |
| No | Skip to section 6 |

**5.2. Who are the investors that provide your organization with loans and/or buy equity, and what exactly do they receive in return for their investment?** Investors will typically want a financial return on their investment though impact investors may only want a marginal return.

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## 6. Suppliers

**6.1. Does your organization have key suppliers?** These are the organizations that provide inputs that are critical to its operations. It excludes employees, donors etc. and generic suppliers like accountants and website designers.

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| Yes | Continue |
| No | Skip to section 7 |

**6.2. Who are the key suppliersthat supply your organization and what essential inputs do they provide?**

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## 7. Implementation Partners

**7.1. Does your organization have implementation partners?** These are organizations that are integral to the production or delivery of the goods or services to beneficiaries, and these are likely to fail without the support of these partners.

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| Yes | Continue |
| No | Skip to section 8 |

**7.2. Who are the key implementation partners and what is the role of each of them?**

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## 8. Financial sustainability

**8.1. Does your organization accumulate some financial reserves, and if so, then how does it achieve this and how is it utilizing these funds?** Organizations typically build these reserves by making a profit on selling goods or services, or through their investments, or through putting aside some of the donations they received.

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**8.2. Where does the bulk of your organization’s income (e.g. grants, donations, revenue, dividends) come from?** Try and list the source of each income stream, the form it will take, and the % of total income that it constitutes.

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**8.3. What are your organization’s biggest expenses?** Most organizations will find that a few categories of expenses make up the bulk of their expenses.

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## 9. Legal structures

**9.1. What legal entity or entities does your organization require to make its business model work, and how do they relate to each other?** A legal structure is the legal form or combination of legal forms and other legal arrangements that an organization has chosen. For example, a social enterprise with a hybrid model has chosen a legal structure involving a combination of legal forms.

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