



201
KEY
ISSUES

NONPROFIT BUSINESS PLAN

There are many types of planning techniques a nonprofit can use to try to become financially stable. More popular in the corporate sector, business plans are an often-overlooked practice for nonprofits. Organizational business plans are quite rare but they make good business sense when crafted to test or start a new program, service or a business venture.

What is a business plan?

It is probably easier to first define what a business plan is not. It is not the organization's strategic plan, operational plan, budget, marketing plan, or a case statement. A business plan is a comprehensive financial document created for a specific project — for instance, a potential new service — that presents a justification for the proposed project by introducing its economic impact for the organization. Naturally, a business plan includes elements of the organization's other plans.

How does a business plan differ from a strategic plan? A strategic plan has a broad focus that sets the overall direction for a nonprofit and defines the mission-related goals and strategies the nonprofit is going to achieve over a period of time. A business plan has a narrower and more specific focus and it analyzes the financial viability of the proposed project.

How does a nonprofit business plan differ from a for-profit business plan?

For the most part it doesn't. The terminology may differ, such as funder for investor, but the basic approach and concept are the same. It is important to remember that a nonprofit is a business and should use lessons from the for-profit sector to its advantage.

Why should a nonprofit have a business plan?

Creating a business plan is a smart business practice. A business plan helps to clarify whether the proposed project makes sense before risking financial and/or people resources. A business plan can serve many functions — from providing a comprehensive outline on implementing a new service to utilizing the plan to obtain funding for a social enterprise.

Elements of a business plan

Business plans tend to be structured in format. Each element contributes essential information helping to create a roadmap for the project. Key components include an executive summary, descriptions of the organization and the proposed project, a market analysis, financials, an operations plan, and appendices.

The executive summary is a one-to-two page plan overview that answers the questions of who, what, where, why, and how. It highlights the vital points in the business plan. It should leave the reader with a clear understanding of the project's purpose and future potential.

The organization description provides information on the past, present, and future activities of the nonprofit and how each is in line with the mission. The project description gives background and current information on the stated endeavor, including justification for the need, what will be accomplished, a reference to possible competing services within the organization, and a projected outlook for the future. When appropriate, the description also shows how the project relates to the mission.

The market analysis places the project within a comprehensive exterior context and discusses outside competition, a pricing structure, and a process for targeting and attracting clients and customers. This marketing plan starts to lay the foundation for the financial infrastructure.

The financials provide a detailed, multi-year analysis of revenues, expenses, and projected cash flows. This data must be based on well-researched and solid information; otherwise it leaves the project on a weak financial foundation without realistic support. The typical financial plan is for three years with assumptions for future performance.

The operations plan describes the inner workings of the program. It provides a detailed outline of the daily activities, staffing, and general procedures.

The appendices include additional or back-up information referred to in the business plan. Typical attachments include resumes of key staff, an organizational chart,

market research results, a list of funding sources, and past applicable financial statements.

Creating the business plan

Creation of business plans is part of the management's responsibilities. Staff creates and presents the proposed business plan to the board when the board needs to participate in the final decision making. The board might have requested to see a plan in order to go ahead with the concept and to have solid backup data to justify the project. In young organizations that have little or no staff, the board or a task force may be responsible for creating the plan. After approval the board naturally ensures that the plan gets implemented. Specific financial indicators may prove helpful with this task.

BoardSource © 2013. Text may not be reproduced without written permission from BoardSource. For more information, call 1-877-892-6273 or e-mail learningcenter@boardsource.org.