



Business Model Innovation – *Call to Action for Community Foundations*

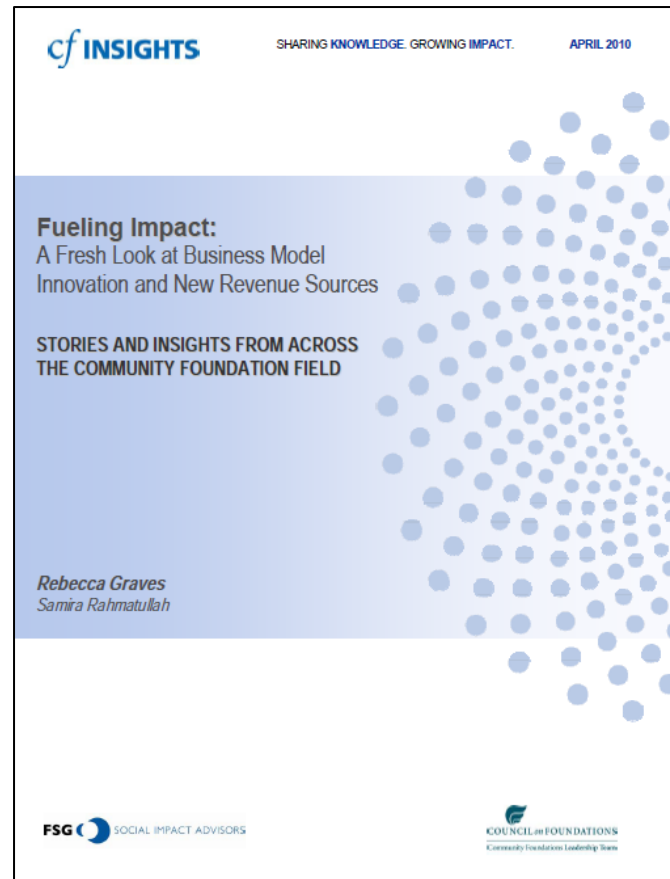
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the IDEA BEHIND
cf **INSIGHTS** IS SIMPLE

What if **EACH** community foundation
could know what **ALL** community
foundations collectively know?

BUSINESS MODEL INNOVATION RESOURCE



AGENDA

I. Call to Action

Why is “Business Model Innovation” important?

II. The Journey

How should my community foundation think about it?

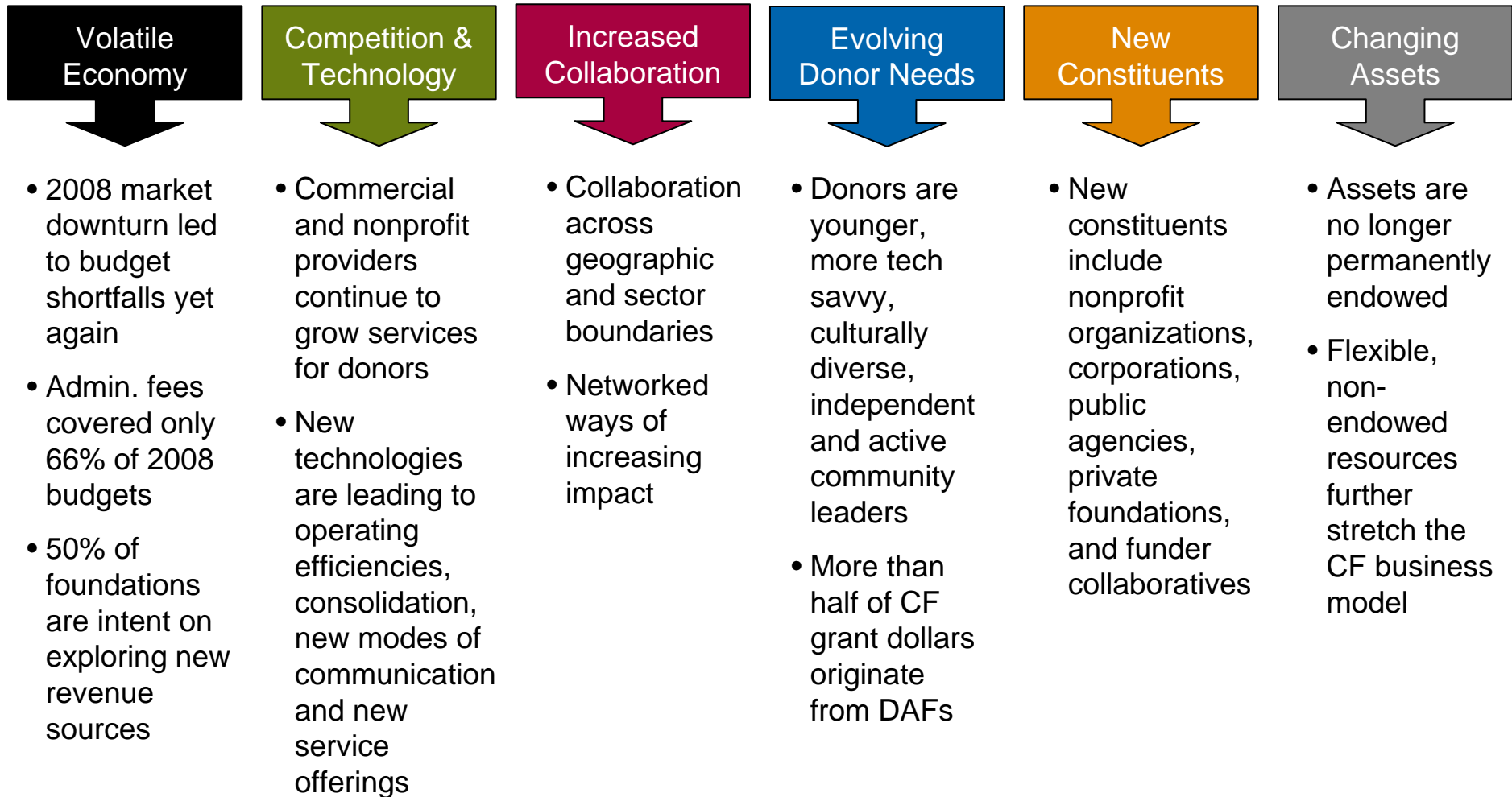
“The market is changing and community foundations need to understand the premise of what they’re doing now, what their value proposition will be in the future and how they’ll change.”

KELVIN TAKETA

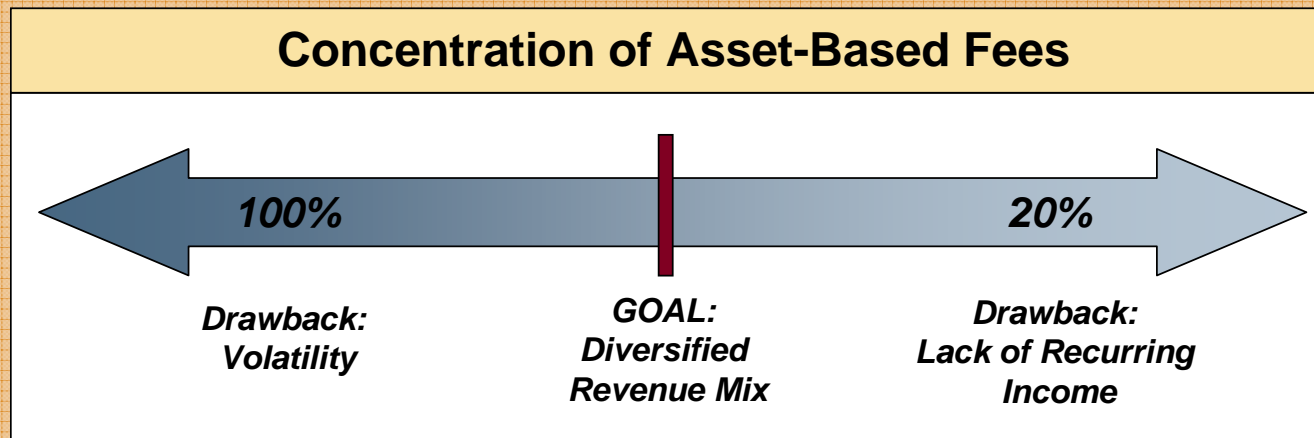
CEO

Hawaii Community Foundation

THE NEED FOR CHANGE: WHY IS IT IMPORTANT TO INNOVATE?



A CHANGING PHILANTHROPIC LANDSCAPE, NEW OPPORTUNITIES FOR LEADERSHIP AND IMPACT, AND A GLOBAL ECONOMIC CRISIS, SPEAK TO AN URGENT NEED FOR CHANGE.



In observing the spectrum of revenue choices made by individual foundations, it is helpful to consider the following questions:

- How do revenue sources align with the different ways community foundations create, deliver, and capture value?
- How are community foundations diversifying in ways that simultaneously support differentiation and sustainability? How can we learn from this innovation to plan for a stronger future?

DIFFERENTIATION AND SUSTAINABILITY ARE THE TWO MUTUALLY REINFORCING PRINCIPLES BEHIND A STRONG BUSINESS MODEL



Differentiation

Offering a distinct value proposition tailored to constituents' needs, community context, and unique strengths of the foundation

Sustainability

Enabling the foundation to achieve its mission today (through current income), while enhancing its ability to do so in the future (through future growth)

ONE MAJOR ELEMENT OF DIFFERENTIATION IS DEVELOPING REVENUE SOURCES THAT SERVE THE NEEDS OF DIVERSE CONSTITUENTS

Fundholders

- Administrative fees structured based on contributions or grants
- Staff time billed directly to funds
- Gifts directed to pooled funds that charge distinct support fees

Nonprofits

- Grants or fees for capacity building services to nonprofit organizations
- Standard or custom fiscal sponsorship fees

Broader Community

- Fees or proceeds from Mission Investments
- Private foundation funding for special initiatives
- Leadership funds
- Membership fees

Organizations That Require Philanthropic Services

Custom fees for:

- Philanthropic advising for private foundations, corporations and individuals
- Administrative services for private foundations, funder collaboratives, corporations, community foundations, or nonprofit projects
- Back office and investment management collaborations



Center for Personal and Family Philanthropy Designed to meet the unique needs of individuals and families in the Carolinas

Center for Nonprofits Established to support the management and administrative needs of area nonprofit organizations

Center for Corporate Philanthropy Tailored to meet the charitable initiatives of Carolina businesses

LEADERSHIP FUNDS ARE A GREAT EXAMPLE OF A SUSTAINABLE REVENUE SOURCE

- ❖ Contributions → Current income
- ❖ Engaging community leaders & supporting leadership work → Building visibility and strengthening relationships → Future growth



Serving new constituents:

- Designed to attract funds from civic leaders, corporations, the Foundation's own donors, and local private foundations.
- Has brought many new individual donors into the Foundation's network, not only as members of the CLF, but as donors to the Foundation.

Increasing reach and accessibility:

- Focused on attracting small, recurring gifts from a large base of people.
- 66% of its contributors in 2009 were repeat contributors, and their average gift was \$3,667.



Serving new constituents:

- Accepts contributions exclusively from individuals, with the objective of diversifying the Foundation's donor base beyond its historic focus on corporate and high net worth individual relationships.
- To truly engage individuals in addressing community issues, the Center requires a 3 year commitment from its members.

Increasing reach and accessibility:

- The objective of the Center is to engage a broad base of people and give everyone an equal voice on community issues.
- The starting contribution for the Center is only \$250, and the maximum contribution the Center will accept is \$10,000.

EVERY FOUNDATION'S PATH TO BUILDING A STRONG BUSINESS MODEL WILL BE DIFFERENT DEPENDING ON ITS UNIQUE CIRCUMSTANCES



- Inherited the fee-for-service model, which set the Foundation's trajectory for growth.
- Scale and automation are other factors that allow the Foundation to cost-effectively manage large fee-for-service contracts with the government and for scholarships
- Due to its size, the Foundation plays a central role in convening stakeholders and developing the philanthropic landscape, outside of building its own assets
- Charges based on cost and does not believe in subsidizing products



- Community leaders helped shape the business model and growth trajectory, providing funds for PRIs and Community Impact Funds, which support both differentiation and sustainability
- Community Impact Funds allow donor funds to be pooled, leveraged and invested in key community issues
- Community Impact Funds allow the Foundation to direct where funds are invested
- Not afraid to "make the ask" when it comes to fees

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FOCUS YOUR JOURNEY and LEVERAGE EXISTING RESOURCES



Explore Innovative Ideas



Understand Your Unique Business Model



Plan for the Future



EXPLORE INNOVATIVE IDEAS – WITH AN EMPHASIS ON LEARNING FROM YOUR PEERS AND CONSTITUENTS IN YOUR COMMUNITY

**Start with
“Fueling Impact” to
Generate Ideas**

- Read and discuss concepts, examples of diversified revenue sources, case studies

**Connect with Peer
Community
Foundations**

- Share ideas at association and other network meetings

**Connect with
Constituents**

- Learn more about current and emerging needs



ANALYZE YOUR UNIQUE BUSINESS MODEL

Analyze Resource Allocation and Sources of Revenue through Activity Based Costing Analysis

- Define your products and services
- Apply the CF Activity Based Costing model, designed to understand the costs and revenues associated with each community foundation product or service
- Compare results to peers who have also used CF Insights' resources

The methodology and set of tools were developed by FSG in 2003 and made available for free to community foundations through the support of the Community Foundations Leadership Team



PLAN FOR THE FUTURE – RESEARCH MARKET OPPORTUNITIES AND NEW REVENUE SOURCES TO TEST

Connect with Constituents

- Get more specific with constituents about how they perceive the CF's greatest value – today and in the future

Identify New Revenue Sources

- Screen ideas for fit with criteria: generate current income, support future growth, and fit constituents' needs, the community context, and your unique strengths

Determine New Ideas to Test

- Identify factors to change going forward
- Define a set of new revenue ideas and possible operating efficiencies to test



PLAN FOR THE FUTURE – CHOOSE THE APPROPRIATE TOOL TO TEST IMPLICATIONS OF DIFFERENT OPTIONS

Use the
Economic
Scenario
Planning Model
("Stress Test")

OR

Use the
Interactive
Strategy Model

Description	Purpose	Time Period
A simplified strategic forecasting model which reduces the number of "change factors" to focus on a few fundamental external variables influenced by the economic environment	Provide foundations the ability to model the potential integrated impact of specific strategic, market and operational changes	Future 5 years
A strategic forecasting model which forecasts product and foundation level costs, revenues and assets based on a wide range of user-selected strategic, market and operational changes	Provide foundations the ability to model the potential integrated impact of specific strategic, market and operational changes – including detailed fee structures, and impact on variable costs and product profitability as the CF grows	Future 10 years

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SPECIAL THANKS:



COUNCIL *on* FOUNDATIONS

Community Foundations Leadership Team

The CFLT's "Brutal Truths" working group