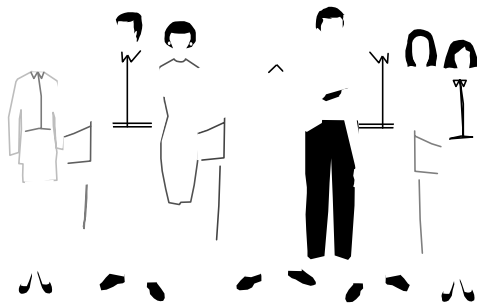




Taking Stock of Your Business Development Assets

The second in a series of self-paced workbooks
for nonprofit entrepreneurs

by Andrew Horsnell



Prepared by: _____

Date: _____



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TAKING STOCK OF YOUR BUSINESS DEVELOPMENT ASSETS

This workbook is designed to help you take stock of all the various assets and resources you have to develop earned income¹. It is the second in a series of workbooks designed to help you determine if and how you should pursue earned-income development. The other workbooks include:

- Workbook 1: Exploring the Climate for Earned Income, and
- Workbook 3: Identifying Your Earned-income Opportunities,

You may not realize it yet, but you possess a wide variety of resources that can be applied to the earned-income development. Things such as...

<u>Assets</u>	<u>Page</u>	<u>Assets</u>	<u>Page</u>
▪ Your core competencies	2	▪ Your production capacity	10
▪ Your people	5	▪ Your products and services	11
▪ Your office and facilities	6	▪ Your best customers	15
▪ Your vehicles, equipment, and materials	7	▪ Your planning capability	17
▪ Your reputation and brands	8	▪ Your financial resources	18
▪ Your key relationships with outside people and organizations	9		

Individually and taken together, these assets can help you with your business development in two fundamental ways:

1. They can support and provide resources for earned-income opportunities, and
2. They can actually be the source of the opportunity.

In the next several pages, you will be challenged to think of your organizational assets in these ways; to see them for the opportunity that they represent. If you need more space than the worksheets provide, feel free to use extra pages to complete your answers.

If you have any questions or suggestions, please email me at andy@authenticityconsulting.com and I will be happy to do what I can.

~ Andrew (Andy) Horsnell

¹ In this workbook, we define earned income as money received (either from the user or a third party) in return for the provision of specific services or products. It includes (but is not limited to) user fees, contract revenues, product sales; it does not include donations and grants.

YOUR ORGANIZATIONAL CORE COMPETENCIES

Background

If you asked your clients what you do really well, what would they say?

The food pantries that a food bank serves might say: "They always have a good variety of nutritious food items on hand, help us determine what we need, and have our orders ready to go when we arrive to pick them up."

If you looked at all of your programs, products, and services, what underlying, enabling capabilities would *you* identify?

The staff of a food bank might say, "Collecting the local food industry's excess inventory, warehousing it efficiently and with minimal waste, educating clients about good nutrition and food management, and providing excellent order turnaround."

The answer to these questions, as evidenced by the above examples, would give you two different yet complementary insights into your core competencies.

Definition and guidelines

Core competencies are those underlying, programmatic capabilities enable you to provide quality products and services to your clients.



Four guidelines for identifying core competencies include²:

1. They generally support the delivery and production of a variety of and products (thereby giving access to a variety of markets),
2. They always make a significant contribution to your clients' perception of your services and products (i.e. they impact something that your client cares about),
3. They are often difficult for your competition to imitate (because they are generally developed with a significant investment of time and resources), and
4. They tend to be relatively stable over time (i.e. you've likely had them for a while, and will continue to have them in the future).

So what?

What do core competencies have to do with earned-income development? Core competencies serve two fundamental purposes:

1. They are an excellent source of ideas for new services and products.
The core competencies that are the foundation of your current products and services can provide the basis for a myriad of new ideas, some of which might have earned-income potential. In Workbook Three, you'll see how you can use your core competencies to identify new product and service ideas.
2. They help you assess the likely viability of your product and service ideas.
They represent what you're really good at, what your clients value, and what your competition would likely have trouble imitating. In Workbook Three, you'll see how you can use your core competencies to assess your opportunities.

² Derived from: "The Core Competence of the Corporation," C.K. Prahalad and Gary Hamel. The Harvard Business Review, May-June 1990.

DEFINING YOUR CORE COMPETENCIES

Do you know what your organizational core competencies are? If so, write them down on the following worksheet. If not, then please continue.

Instructions

Use the following worksheet to:

1. List all of your individual products and services.
2. Identify the key features or benefits of each product and service that your clients really value.
3. Identify any other important benefits that might not be associated with a formal program or service.
4. Look for common themes. These will point to your core competencies.
5. Write down your draft list of core competencies.


Suggested approaches

You could try the following exercise by yourself, but you really should have direct client input. Your clients are in a much better position to identify those capabilities that have a fundamental impact on the services and products you provide. They are, after all, the people who actually use and benefit from your products and services.

One good way to get the kind of input you need is meet with six to 10 of your clients and define your competencies as a focus group. Another good approach would be to survey your clients - either in person, or by phone, fax, or email - then work with a team of your staff to define your competencies. (For free information about doing this kind of research, see www.managementhelp.org/research/research.htm). Even if you define your core competencies on your own, you can still make sure you get your clients' final confirmation.



DEFINING YOUR CORE COMPETENCIES

1. Your products & services	2. Key features or benefits of each product and service that your clients really value	4. Common themes
		
3. Any other important features or benefits of your products and services:		

5. Our core competencies are:

YOUR PEOPLE

Background

Your staff play a vital role in determining what kinds of earned-income activities you can undertake, as well as the scale of those activities. This worksheet is intended to help you gather your thoughts regarding:

- How you are currently engaging your staff in earned-income activities;
 - How your earned-income staffing could change, given the right opportunity; and
 - Then, comment briefly on any conclusions you might have regarding the potential impact your staffing may have on your earned-income development.
-

1. How many staff FTE's (full-time equivalents) do you currently have? _____ FTE's

2. How many FTE's have you have assigned to earned-income activities? _____ FTE's

Comments:

3. How many additional FTE's could you assign to a high-potential earned-income activity (i.e. an activity that could make a significant contribution to both your finances and your mission)?
_____ FTE's

Comments:

4. What conclusions can you draw about the availability of staff to do the work of identifying, developing, and implementing new earned-income activities?

YOUR OFFICE AND FACILITIES

Background

One earned-income asset that often gets overlooked is organizational space. So, in this worksheet, you will collect your thoughts about:

- How you are currently using your space for earned-income activities,
 - How your earned-income space could change, given the right opportunity, and
 - Any conclusions you might have regarding the potential impact of office and facilities on your earned-income development.
-

1. In your offices and facilities, how many square feet of space to you currently have?

_____ ft²

Comments:

2. How many square feet of space are you currently using for earned-income activities?

_____ ft²

Comments:

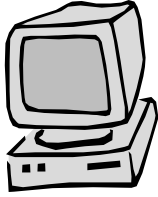
3. How many additional square feet of space could you assign to a high-potential earned-income activity (i.e. an activity that could make a significant contribution to both your finances and your mission)?

_____ ft²

Comments:

4. What conclusions can you draw about your facility's ability to support the growth of your earned-income activities?

HOW WELL EQUIPPED ARE YOU FOR BUSINESS DEVELOPMENT?



Background & instructions

Along with your staff and facilities, your vehicles, equipment and materials can be both a resource for existing opportunities as well as a source of new opportunities. Take a few minutes to list out all those major items - vehicles, supplies, computers, tools, etc. - that are now or could be used in the creation of earned income.

For each item, indicate the following:

- The quantity you own or to which you have access;
- Its key capacities (i.e. if it's a van, how big a van is it?);
- How it is now, or could be, used in the creation of earned income; and
- In how many years it will have to be replaced.



Item	Quantity	Capacities & capabilities	Remaining useful life (years)



YOUR REPUTATION

Background

A reputation for leadership and recognizable brands can be very useful assets for an organization. They can open doors to new opportunities - to launch new programs, products, and services - and maintain existing ones. Best of all, once established (within your community), they're yours; your competition will find it extremely hard - even illegal - to duplicate.

Instructions

In the worksheet below, please take a few minutes to think about the reputation and brands your organization possesses, within each identified geographic community. Then, comment briefly on any conclusions you might have regarding the potential impact of your reputation on your earned-income development.

	We are known as leaders in...	We have the following widely-known brands, logos, products, etc.	We are especially well-known by the following groups of people.
In our town/city...			
In our county...			
In our state...			
In our region...			
Nationally...			
Internationally...			

What conclusions can you draw about your reputation's impact on your business development?

WHO CAN HELP YOU WITH YOUR BUSINESS DEVELOPMENT?

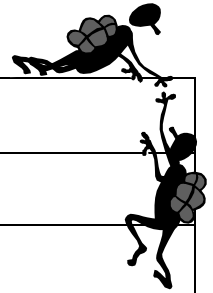
Background

Contrary to popular thought, most successful entrepreneurs are not loners. Just the opposite; they are collaborators who - while valuing their strengths - recognize their limitations and build lasting relationships with others who can help. As you're probably already aware, you can't do everything well, and you might not have all the resources you need to develop your earned income. Well, time to be an entrepreneur - a social entrepreneur - and start identifying and building your earned-income relationships!

Instructions

Please take a few minutes to list all people and organizations with whom you have a good working relationship. Next, identify all the ways they might be able to help you develop your earned income, by selecting the appropriate categories (refer to the key below), and writing in your brief comments.

"Help" categories: M=Marketing your products or services P=Producing your products or services
L/R=Assisting with Legal or Regulatory issues \$=Financial assistance O=Other kind of help



Person or Organization	How they can help (circle all that apply)	Comments
	M P L/R \$ O	
	M P L/R \$ O	
	M P L/R \$ O	
	M P L/R \$ O	
	M P L/R \$ O	
	M P L/R \$ O	
	M P L/R \$ O	
	M P L/R \$ O	
	M P L/R \$ O	
	M P L/R \$ O	

What conclusions can you draw about the role of your business relationships in supporting the growth of your earned-income activities?

YOUR CAPACITY FOR GROWTH

Background

When you're thinking about growing your earned income, a good starting point is an analysis of your productive capacity. Areas where you have additional, or slack, capacity can more easily support new customer opportunities than areas where you're working at or beyond your capacity. This worksheet will help you get a better sense of both your current and potential capacity.

Instructions (the numbered instructions correspond to the numbered items below)

1. List each product or service you currently offer. Do not limit yourself just to those items from which you are currently generating earned income; list them all.
2. Identify the unit of production for each product and service.
3. Identify your current production level for each product and service. Use whatever timeframe is appropriate for you (e.g. daily, weekly, monthly, or annual production).
4. For each product and service, estimate how much you could increase your current production levels with your current staff, equipment, and facilities.
5. Write in the total available production for each item, by adding together your current production and your potential increase in production.

1. Product or service that is or could be sold for a fee	2. Unit of production (e.g. billable hour, piece, etc.)	3. Current production level (in units)	4. Additional production capacity (units)	5. Total available production capacity (units)

ANALYZING THE PROFITABILITY OF YOUR PRODUCTS AND SERVICES



Background

Not every program or service you offer is going to be profitable. You probably have one or more programs that are critical to your mission, but will never make a profit. That's okay. You're offering those services to serve your community, not make money. However, the purpose of this workbook is to help you identify and develop those products and services that DO have the potential to make money. So...

One of the most important places to start when you're developing your earned income is the profitability - or earned financial contribution - of your current products and services. The power of understanding the profitability of your products and services is that it can quickly help you identify where to focus your earned-income development efforts.

"Must Know" Definitions

Sales Sales is money earned from fees, contracts, etc. It does not include grants or donations.

Direct Costs Direct costs exist only because of the existence of a product, and would disappear if the product itself disappeared. Direct costs can always be obviously and physically traced to a specific product or service. They can be either variable or fixed in nature (see below). In the short term, direct costs are the only costs that should be used to determine the financial contribution of a specific product or service. (For long-term decision-making, both direct and a fair allocation of indirect costs should be used.)

Contribution (also known as Surplus or Profit) A product's earned financial contribution is the money left over from the sale of a product after you have paid its direct costs (see "Direct Costs" above).

"Good to Know" Definitions

Indirect (Common) costs Common costs are fixed costs (see "Fixed costs" below) that would exist regardless of whether a particular product or service existed. While a common cost - the salary of program manager who oversees all of the products and services - cannot be obviously and physically traced to a specific product or service, it can be traced to a group of products or services. Examples of common costs include the lease on a shared delivery vehicle, and a brochure featuring several products and services.

Variable Costs Variable costs are direct costs that vary in direct proportion to changes in the level of product or service activity. An example of a variable cost would be the fee you pay to contract staff every time they render a service to your clients. The more times they render the service, the higher the fee. All variable costs are, by definition, direct costs.

Fixed Costs Fixed costs are costs that remain constant, regardless of the level of product or service activity. Such costs can be either direct or indirect (common). One example of a direct fixed cost would be the salaries paid to full-time staff, whose sole function is to produce or market a specific product. As long as the product exists, their salaries will remain stable, regardless of production levels. Another example of a direct fixed cost would be the cost for an advertisement for a specific service. The ad is placed because of the service, but the fee will remain stable regardless of the number of clients that ad generates.

Net Earned Income Net earned income is the total contributions of all products and services, minus their combined common costs. Where there is only one product or service, that item's net contribution would be the net earned income. Where your income is unrelated to your mission, this is the figure with which the IRS is interested, as they will use it to calculate potential taxes.

ASSESSING THE PROFITABILITY OF YOUR PRODUCTS & SERVICES

Instructions:

1. While you can complete this worksheet on your own, it is suggested that you sit down with your staff bookkeeper or accountant (if you have one), and work through it with them. If you do not have a staff bookkeeper or accountant, you may want to call upon the services of a CPA or your board treasurer.
2. Select one simple product or service for which you are charging a fee, to do your initial analysis. A simple product would be one that doesn't share any costs with other products, and has a few, easily identifiable direct costs.
3. Write in the most recent year's sales for your chosen product or service in row a.
4. Write in the names and amounts for the direct costs for your chosen product or service. "Payroll, materials, and marketing" have been written in just to get you started; you'll want to write in any other kinds of direct costs that relate to your products and services. Add up all your direct costs and put the total in row b.
5. To calculate your chosen product's contribution, subtract its total direct costs from its sales. Put this number in row c.
6. Divide your chosen product or services contribution by its sales, and write the figure in row d. (Calculating your contribution as a percentage of sales will allow a fair comparison of your different products and services' profitability.)
7. Present your analysis to one of your advisors, or a member of your management team for input. Make adjustments as necessary.
8. Complete the same analysis for your remaining products and services. Photocopy this page if necessary.

Your earned-income products and services...

Annual financial figures...	Product A	Product B	Product C	Product D	Product E	Totals
a. Sales	\$	\$	\$	\$	\$	\$
Less direct costs:						
Payroll						
Materials						
Marketing						
b. Total direct costs						
c. Contribution	\$	\$	\$	\$	\$	\$
d. Contribution as a % of sales						

IDENTIFYING YOUR BEST CUSTOMERS

Background

Not all customers are created equal. Generally, a minority of customers account for a majority of sales and profit. This important minority are your “A” customers. They offer the best mix of sales, profitability, and alignment with your mission and capabilities. They drive your current business and – if you work with them – can help drive your future business growth. The power of this kind of analysis is that it can help you determine where to focus your limited time and resources.

Instructions (numbered instructions correspond to numbered columns on the worksheet)

1. In column “1”, write in the name of each organization that currently purchases your products or services. Then, still in column 1, write in the name of each group of individual customers (e.g. young families, senior citizens, etc.). Please list only those customers or customer groups who actually pay you for your products or services.
2. Rank your current customers according to the amount they currently purchase from you (i.e. the customer or customer group that buys the most from you would be ranked “1”, the second largest “2”, etc.)
3. Rank your current customers according to their potential for sales growth.
4. Rank your customers according to the profitability of the products and services they purchase (i.e. the customer who buys the most profitable products would be ranked “1”). It’s highly recommended that you first complete the “Assessing the Profitability of Your Products and Services” worksheet first before attempting this ranking.
5. Rank your customers according to their fit with your organization’s vision and mission.
6. Rank your customers according to their fit with your organization’s core competencies and capabilities.
7. Calculate the “Raw score” for each customer by totaling their rankings. For example, if a customer were ranked 1st, 2nd, 1st, 3rd, and 4th, then their raw score would be 1+2+1+3+4 = 11. Remember: the lower the raw score, the better the customer.
8. Using your customers’ “raw scores” and your own good judgement, assign each customer an overall rank.

8. Overall rank	1. Our organizational customers and individual customer groups	Specific rankings, according to...					7. Raw score
		2. Current sales	3. Potential for sales growth	4. Current profitability	5. Fit with mission	6. Fit with capabilities	

JUST HOW MUCH ARE YOU WILLING TO INVEST IN RESEARCHING YOUR EARNED-INCOME OPPORTUNITIES?

Background

When it comes to researching your earned-income opportunities, your most valuable asset is the time and active participation of your staff and board members, of the people who are actually going to make any new opportunities happen. Without it, your development efforts will be at a severe disadvantage. Participation is one good measure of commitment to the proposed development effort, and a great predictor of its future success.



Likewise, proper financing of your earned-income research efforts is essential. That said, "proper" financing does not have to mean huge a sum of money, especially if you're willing to do a lot of the work yourself.

Please take some time to confer with your staff and board members, to get a realistic estimate of the investment of time and money your organization is willing and able to make in your earned-income development.

	How many people?	For how many hours?	For how long?
Staff project leaders		_____ per: week / month Comments:	_____ weeks / months / years
Staff project team members		_____ per: week / month Comments:	_____ weeks / months / years
Board members		_____ per: week / month Comments:	_____ weeks / months / years
Other people		_____ per: week / month Comments:	_____ weeks / months / years

Money:

We are willing and able to invest the following to research our earned-income opportunities...

Lump sum \$_____ and/or...

\$_____ per week / month for _____ weeks / months.

HOW MUCH CAN YOU INVEST IN YOUR EARNED-INCOME OPPORTUNITIES?

Background

Suppose that you've done your research, and found a great new opportunity, one that will contribute financially and support your mission. How much are you willing and able to invest in developing it? The answer to this question will help define both whether and how you will proceed.



Instructions

Please take some time to outline both the financial resources you currently have or have access to. Then, identify how much of these total resources you would be willing and able to commit to developing a high-potential, relatively low-risk earned-income opportunity.

	Current total	Amount that you would be willing and able to invest in a high-potential earned-income opportunity
Cash	\$	\$
Short-term investments		
Endowment		
Available line of credit		
Available bank financing		
Available foundation funding		
Other funds to which you have access		
Totals	\$	\$

In Summary...

There. You've inventoried all your business development assets. If you're like most who've gone through this process, you're happily surprised at the resources you already have to develop your earned income. These resources will support the development of your current products and services, and provide ideas for entirely new business development opportunities as well. Just as importantly, you also likely now have advance notice of the weaknesses and challenges you'll need to address. Take a few minutes now to reflect on and summarize the work you've completed.

Our Key Strengths	Resulting Opportunities
Our Key Weaknesses	Resulting Threats / Limitations