REAL SUSTAINABILITY FOR VIRTUAL PROJECTS:

A Guide to Self-financing for Non-profit Websites

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INTRODUCTION AND PURPOSE OF THIS MANUAL

The question of financial sustainability is a perennial one in the nonprofit sector; it is a topic that is continually addressed in grant proposals and discussed at board meetings. Few organizations, however, have actually addressed concrete strategies for reaching financial sustainability, though most agree that it remains an issue. This manual is designed to assist leaders of nonprofit public policy organizations in developing a strategic plan for financial sustainability, particularly focusing upon the planning stages of self-financing or social enterprise and the use of the Internet as a revenue generation tool.

This manual is based on NESsT's experience working with **politika.lv** during 2003 and is sponsored by the Information Program of the Open Society Institute. The public policy website politika.lv (policy.lv) was founded by the Soros Foundation—Latvia in the summer of 2001. Since the beginning of 2003 the website has been a part of the Centre for Public Policy PROVIDUS. The website is nongovernmental, nonpartisan, and nonprofit, presently financed through grants by the Soros Foundation—Latvia, the Information Program of the Open Society Institute (Budapest), the US Embassy in Riga, the Social Integration Foundation of Latvia, the European Parliament, the UNDP as well as self-financing activities. The aim of politika.lv is to improve the quality of policy decisions in Latvia by making available a broad array of policy resources and providing an environment for public debate.

NESsT has worked closely with politika.lv to help them assess their situation and has drawn on that experience and NESsT's experiences working with other Internet-based civil society organizations (CSOs)[1] and CSOs throughout Central Europe and Latin America since 1997 to develop this manual.

This manual focuses on the organizational readiness and initial assessment, or pre-feasibility study phases of social enterprise development processes for public policy organizations interested in pursuing a self-financing strategy. In Section I, we introduce you to three case studies, offer a list of different possible web-based ventures, and discuss some of the key positives and challenges that each one implies. In Section II, we explore some of the organizational

[1] NESsT uses the term "civil society organizations" (CSOs) in reference to the wide diversity of not-for-profit, non-state organizations as well as community-based associations and groups that fall outside the sphere of the government and business sectors.

readiness issues typical to CSOs considering self-financing and the process of idea selection. In Section III, we provide an introduction to the process of analyzing these ideas, offer a preliminary feasibility (pre-feasibility) study template, and mention key issues to be considered for web-based ventures. The manual traces politika.lv´s use of NESsT tools and methodology as it moves through these initial phases. Additional examples of organizations that have undergone this process are also given to illustrate other relevant experiences and key lessons learned. Blank worksheets and instructions are included to help your organization walk through this first and critical stage of the planning process. Certain sections and worksheets in this manual have been adapted from NESsT´s handbook *Get Ready, Get Set: Starting Down the Road to Self-Financing* (Santiago, Chile: NESsT, 2001).

Section I

MAKE A PROFIT? WHO, ME?

The first question that many CSOs ask (and particularly CSOs in policy and web-based programs) is whether it is even possible for a nonprofit to generate its own income. Nonprofit organizations often perceive that the term "nonprofit" implies that it is against the law to make profits. However, in almost all countries it is legal for organizations to generate their own revenues—the key is in the destination of profits. Resources generated through entrepreneurial activities generally must be reinvested in the organization to further its mission. Throughout this manual we will examine strategies that organizations have used for income generation to further their missions and the financial sustainability of their organizations. Each organization must define its own strategy; the aim of this manual is to stimulate thought and share lessons learned by other organizations as well as to introduce readers to the NESsT process for selecting and analyzing venture ideas.

What Is Self-Financing? Terminology

There are numerous terms currently in use to describe the commercial or economic activities of CSOs (e.g., nonprofit enterprise, social enterprise, social purpose business, earned income, income-generating activity). NESsT uses the term "self-financing" to refer to strategies used by CSOs to generate some of their own resources to further their missions. Types of self-financing activities include both mission-related and non-mission-related ventures.

Membership dues: fees that CSOs charge their members in exchange for certain services and products. In many cases members pay this fee partly in exchange for these services and partly in support of the organization's mission-related work. Hence, in some ways, membership dues resemble an individual donation. They are probably the least time-consuming strategy but also, in most cases, the least lucrative.

Sale of services: fees charged by CSOs in exchange for a service of some kind. In many cases, the fees charged are subsidized by private or public grants, since it is difficult for CSOs' clients to pay the full costs of these services. In other cases, pricing structures are such that clients who pay higher prices subsidize the costs of offering the same service to clients who pay lower prices (cross-subsidy). In these cases, the organization's target population would pay lower fees or no fees. Sale of services is often structured in the form of contracts; this strategy, therefore, like receipt of grants, is not always guaranteed in the long run. Sale of services is probably the most time-consuming strategy but may also be the most lucrative.

Product sales: sales of products that are made by CSOs or their clients. Typically, CSOs produce publications, T-shirts, or other mission-related products and sell them to their clients or constituencies. In other cases, non-mission-related products are produced by clients as part of an employment generation strategy. The costs of making products are difficult to recover, if one includes the cost of labor, and therefore this strategy is often subsidized by grants.

Use of "soft" assets: CSOs can generate income by using their soft or intangible assets, such as offering their name endorsement on a product or service or the use of their intellectual property in exchange for a royalty payment or a one-time user fee. The use of soft assets can take many forms, including licensing agreements, patents, and copyrights. This strategy can be lucrative, but it must be handled carefully by the CSO so as not to threaten its reputation or image. CSOs should use legal counsel to structure these agreements appropriately.

Use of "hard" assets: CSOs can also generate income by renting out their hard or tangible assets, such as real estate or underutilized equipment. The use of hard assets can provide a steady stream of ongoing revenues for a CSO while at the same time the hard assets appreciate in value for the long term. Like use of soft assets, however, use of hard assets does pose some risks if users are negligent or cause damage. CSOs must be prepared to maintain assets (which can be built into the price), and again, they should obtain legal assistance to develop the agreements.

Investment dividends: CSOs can earn investment dividends by saving or investing their funds. This strategy can take many forms. Some CSOs invest program funds not currently in use on a short-term basis and reinvest interest and dividends. Others establish a reserve fund for emergencies or cash flow problems, also through a reinvestment scheme. Still others establish longer-term endowments, using or reinvesting interest and dividends. Although most CSOs earn some income through investment, most do not have endowments for long-term sustainability purposes.

From *Get Ready, Get Set: Starting Down the Road to Self-Financing* (Santiago, Chile: NESsT, 2001).

It is important to note that not all of these strategies are necessarily linked to the organization's mission. In some cases, they are one step removed from the original mission; for example, an organization may begin to offer one of its existing products or services to a new type of client or a new product or service to an existing client. There are also situations in which the organization decides to offer a totally new product or service to a totally new client. The farther the organization moves from its original mission, the riskier the riskier the strategy can be to its mission if the organization does not have the appropriate organizational capacity and structure.

Case Examples

The following case studies illustrate examples of three organizations that have used the web, or are exploring ways to use the web, to generate revenue for their organization as well as accomplish mission goals. Politika.lv, TOL, and Tamizdat are all at different stages of developing web-based enterprises using NESsT´s social enterprise development methodology. They will be referred to throughout the text as illustrative examples.

politika.lv
sabiedriskās politikas portāls

Politika.lv. Revenue-Generating Strategy: Fee for Service to New Customers

The mission of politika.lv is to contribute to the improvement of the quality of policy decisions by promoting decision-making on the basis of policy analysis and to further the participation of informed individuals in the policy process.

The politika.lv vision for the next three years:

- To become a significant, high-quality resource base for making policy decisions and for serious political content debate in Latvia within the framework of specific topics. In the short term, these topics include the policy process as a whole, social integration, the rule of law and corruption, human rights, civil society, education and employment, and European integration.
- To create an environment for high-quality, critical discussions of the policy process, including discussions on policy analysis papers and other documents.
- To create a database in Latvian and English compiling information on Latvia's policy analysis experts.
- To develop the English version of the website as a virtual place where foreign policy institutes and think tanks could search for cooperation partners in Latvia and where Latvia's policy analysts and organizations could provide information about themselves.
- To promote the influence of civil society in all stages of the policy process.
- To develop high-quality interactive debates by using the interactive advantages of the Internet.

Source: www.politika.lv

Transitions Online. Revenue-Generating Strategy: Offer Existing Product or Service to Existing and New Customers

Transitions Online (TOL) is a media development organization that trains journalists from the post-Communist region while providing high-quality, independent news and analysis. TOL operates a mission-related venture, offering paid subscriptions to quality coverage of Eastern and Central Europe and the former Soviet Union, delivered in an easily accessible style aimed at both experts and those looking for general news. The product is delivered electronically via the TOL website, email, and various syndication partners. The ultimate goal is that the self-generated income will provide gap financing, lessening the organization's dependence on grants and avoiding the resulting cash-flow crises. The venture's emphasis on increased revenue also ties into a side mission of TOL: serving as a model for other public service media and nonprofit organizations intent on generating income through the Internet.

Source: www.tol.cz

Tamizdat. Revenue-Generating Strategy: Offer Existing Product or Service to New Customers

Tamizdat is a nonprofit organization that is committed to promoting independent progressive culture throughout Central and Eastern Europe. Tamizdat was founded in 1998 on the belief that the local communities surrounding noncommercial culture are crucial social hubs that unite artists, entrepreneurs, and audiences. They are places where people—young people especially—build relationships beyond their local communities, and in so doing can evaluate received ideas about culture, ethnicity, politics, and society. By providing local communities with tools and information, and by fostering the free exchange of information and ideas between these communities, Tamizdat promotes the growth, efficacy, and sustainability of open society throughout the former Communist bloc.

Tamizdat RPM is a Prague-based international music distributor that specializes in high-quality independent music from Eastern and Central Europe. Tamizdat RPM is an independent initiative launched by Tamizdat to directly address the systemic industry and market problems Central and Eastern European musicians face in trying to reach international audiences. The Tamizdat RPM catalogue is primarily made up of CDs produced by Central and Eastern European musicians and released by independent Central and Eastern European labels. In addition to CDs, the catalogue also contains a limited number of books and vinyl recordings. Tamizdat RPM's distribution work divides into two divisions. The Wholesale operation offers Tamizdat´s catalogue to a wide variety of regional distributors, shops, mail order and on-line operations. The Retail operation sells the organization's catalogue directly to consumers through an e-commerce website.

In addition to the website catalogue, Tamizdat has recently opened a physical shop in Prague for direct retail sales to customers.

Mission: Tamizdat RPM was created for three purposes:
- To increase the exposure of Central and Eastern European musicians
- To help generate revenue for Central and Eastern European musicians and the developing independent industries that support them
- To help generate operating revenues to support Tamizdat's other mission-related activities.

Objective: Tamizdat RPM has three equally important primary goals:
- To operate in a self-supporting, sustainable fashion
- To maximize revenues through the sales of mission-related product
- To strategically and financially support Tamizdat's broader mission

Source: www.tamizdat.org

What Are Some Common Strategies or Approaches Used by Web-Based Organizations?

After the dot-com bubble burst, many CSOs despaired of being able to generate revenues from the web. While the downfall of many web-based businesses did highlight the risks involved with web-based ventures, many businesses continue to successfully base their business model on web-based sales. In addition, many of the businesses that failed did so because they had unrealistic or nonexistent business plans or because they were based on venture capital investments demanding sky high returns and went belly-up when they were unable to produce those returns. CSOs often base their ventures on grant funding or bare-bones budgets that do not have the same capital demands, and this may help them to be more successful. As with any business, the key is to choose a venture carefully, based on your strengths and the needs of the market, and to develop a realistic and strategic plan before starting.

The following section outlines some common self-financing strategies that web-based organizations have used and highlights common positive and negative experiences with each approach. These examples are meant to share experiences and stimulate thought rather than to serve as the final authoritative word.

1. Subscription to content, syndication of articles

This approach is commonly used by organizations that are based on content—news or other sorts of information gathering, analysis, and definition. In general, these organizations initially provide information for free, and over time develop a revenue-generating strategy based on subscriptions, sale of articles, and syndication of articles. Subscriptions provide access to further content on the website or email news digests. When articles are syndicated, larger news sources or international media reprint articles and pay the organization a fee. Some sites also charge readers for access to individual articles.

⇨ **Positives:**
- This approach builds on existing information and expertise.
- Current resources and staff can often be used.
- This strategy can result in increased readership and profile, which can increase mission impact.

⇨ **Challenges:**
- The target market may have limited purchasing power. It is important to ensure that the readers of your articles and content have the potential to pay for it. One way to address this is a graduated fee system in which different market segments pay different subscription rates, based on their relationship to the mission and their ability to pay.
- There is the potential for mission conflict. Both staff and current readers may resist a more businesslike approach.
- While there is increasing opportunity in this market, competition is also increasing. The amount of free content on the web is overwhelming, and websites have to offer something truly different and high-quality to be perceived as worth paying for.

2. Sale of information in articles, CD-ROMs, and databases

This is a similar strategy to the one outlined above, but instead of selling news and articles, the product that is being sold is information. In many ways it is a repackaging of the information offered through the website, making it more user-friendly or attractive to potential clients. Products can include CD-ROMs containing data compiled on an annual basis; analysis of data; or databases of sector information.

➪ **Positives:**
– This strategy shares the positives described for strategy one.
– In addition, the sale of information can help the CSO access new clients and impact policy by providing accurate, hard-to-find data and analysis.
– Some organizations have found that this information is valued more when it is priced higher, thus increasing both profitability and impact.

➪ **Challenges:**
– The use of some data, particularly databases of reader contact information, may be restricted.
– Significant time and effort may be required to repackage information into a marketable format.
– To be successful, this approach often requires reaching out to a new client base with different needs.

3. Transforming a free service into a paid service

Some organizations have organically developed services over the years that began as free services for their clients. At a certain point they are able to start charging fees for these services. This strategy works when an organization first develops a loyal readership/user base that has learned to value the service and is willing to pay to continue receiving it. For example, the Alliance for Conflict Transformation (www.conflicttransformation.org/forum-intro.asp) started as a free service advertising job opportunities in Central and Eastern Europe. Over time, the Alliance recognized that this service was in great demand and started to charge a fee for access to the online jobs service. TOL began as a primarily grant-funded organization that has transformed its service over time to a more subscription-based service. TOL has addressed some of the challenges by offering free subscriptions to Central and Eastern Europe–based readers and charging market rates to readers from the United States, Western Europe, and institutions that value this service and are able to pay.

➪ **Positives:**
– The service being sold is one that the organization has already been offering and can most likely continue to offer with existing staff, skills, and resources.
– This can be a way to not only generate revenue but also to increase efficiency, as users will truly value the service and take it seriously.

➪ **Challenges:**
– Charging for a formerly free service may cause resentment among current customers and may cause some attrition. If the strategy is carefully planned and communicated, the negative impact should be reducible. Mitigation strategies include offering lower prices to current customers and low-income customers and clearly explaining the reasons for beginning to charge.

4. Advertising

Advertising—in particular, the use of banners or the sale of subscriber lists to companies—is one of the strategies that first comes to mind when considering revenue generation from the web. This strategy is generally successful when websites are able to provide concrete data on the number of readers, click-through rates, and other demographic information on the customer base reached through the particular website. Advertising on the Internet is a growing phenomenon, and while not reaching the levels of success expected from the dot-com boom, revenues from online advertising have grown steadily. "Contextual advertising," which provides click-through opportunities on other pages and pays for each click, is a revenue-generating option that is becoming more and more common.

This approach can be a successful way for some organizations to generate additional revenue. In general, however, the sustainability of the site is not ensured by advertising, as there are multiple challenges. The potential revenue from ads must be weighed against the potential costs.

One of the keys to success in using advertising is having access to a large market. Advertisers will want to know the size and demographics of the audience that they will be able to reach by advertising on your website. One of the advantages that most CSO websites have is that they are targeting a niche market that advertisers may find hard to reach otherwise. One of the disadvantages is that these niche markets are often quite small and often have low purchasing power. For advertisers to find your website attractive, they will have to see the potential to significantly increase their revenues. Unfortunately, most CSO websites do not offer access to a large market. However, for those websites that do, advertising can be a good way to generate untied revenues. It is important to identify companies that share your target market and prepare your pitch carefully, with concrete facts and figures about the advantages of advertising on your website. Another key to success is the ability to report results. You may also have to provide advertisers with ongoing reports about click-through rates and readership levels.

⇨ **Positives:**
- Adding banners to your site is a low-cost strategy and can potentially be profitable because of the high margins.
- It can also increase your standing in the corporate sector, as you are seen to have a valuable service to provide.

⇨ **Challenges:**
- One of the biggest challenges is finding advertisers that would be attracted to the limited scope and size of the readership of most CSO portals, developing attractive bids for those advertisers, and developing the capacity to provide the market information they expect.
- Readers may react negatively to ads on the website, finding them distracting. Particularly on CSO websites, which are dedicated to serious content, the presence of ads can cause resentment among readers, especially if the ads are not carefully designed.
- In addition to the annoyance factor, there may be more serious issues of conflict with the mission or editorial content. For public policy or journalism sites it is crucial that the reputation of objectivity be kept, and certain advertisers may wish to exert editorial control. Even if this is not the case, there may be a perception among readers that advertising is skewing the reporting. Advertising policies and design and content guidelines can help to mitigate this potential drawback.

There are many examples of sites that generate revenue from advertising without raising issues of mission conflict. For example, TOL (see case below for more information) often advertises conferences or events in the region. This type of advertising is not seen as a conflict of interest and is targeted directly at the customer base represented by TOL's readership. Although this is an important source of revenue, it is not enough to sustain the site and rather serves as a complementary strategy to TOL's main venture—subscription sales and syndication of content.

5. Sale of products

This strategy is based on selling products (e.g., CDs, books, and clothing) on the web, commonly by means of credit card payments. The sale of products is fairly easy to understand, yet it can be difficult to implement. It requires the organization to do market research, to have a good product, to have a strategy for quality control and distribution, and to ensure that the website is effectively marketed to the target market. Some CSOs, such as Tamizdat (see case below), base their revenue-generating venture on this strategy, while others, such as TOL, use it as a way to bring in some additional revenue but primarily as a complement to and additional service of their website. Tamizdat has found that product mix and findability are key to success. Often, offering a wider selection of products can help to increase sales.

⇨ **Positives:**
- This is a fairly straightforward business strategy, using the website rather than a physical store as the point of sale.
- It can be very profitable.

⇨ **Challenges:**

– Limited demand. It can be difficult to gauge market size on the web. Often the perception is that the market is the entire world of Internet users. However, it is important to understand which of them would actually purchase your product and how to reach them. There are millions of web users and many of them make purchases via the web, but often demand is lower than initially hoped. It is important to have a unique product that stands out, a clearly defined target market, and a strategy for reaching the target customer.
– High competition on the web, which can be daunting. Competition comes from both other websites and physical stores, and sites that do not have a clear understanding of their market can suffer.
– Quality control and perception. There is still some hesitancy about making purchases on the web, and customers will have to be assured that their purchase is safe and quality is assured.
– Logistical challenges of fulfilling orders. Organizations using this strategy must understand any applicable import/export regulations, must be able to handle distribution, and must manage stock and inventory carefully. Managing this type of business often requires a different skill set from that found within many CSOs.

6. Use of expertise

Many organizations develop a set of skills or an area of expertise in addition to the core mission work that they do. This expertise may be in the area of the organization's mission (public policy) or may have been developed in related fields as part of the support work the organization has done. It often includes such skills and experience as training, web design, other technical services, languages, technology planning, and computer maintenance. Some organizations find that the most appropriate self-financing strategy can be non-Internet-based, using their skills to generate fees for services through consulting or training. CSOs may act as consultants to other organizations on technology planning, website development for a range of customers, translation, etc.

⇨ **Positives:**

– This strategy builds on skills and experience that already exist within the organization and reduces dependence on web-based applications.
– It can help organizations access new markets or work with new customer segments.
– Fee-for-service ventures are often lucrative and professionally satisfying and have relatively low start-up costs.

⇨ **Challenges:**

– Competition. One of the key challenges with this strategy is competition. Often the expertise and skills developed are in industries that are fully developed and where the competition is steep, such as in website design. Organizations engaging in this strategy have to find something that makes them unique in order to be competitive.
– New and unfamiliar markets. While accessing new target markets can be positive, it also requires organizations to enter into sectors of the market they may not be familiar with, thereby increasing risk.
– Potential for mission drift. If the skills and expertise needed for the self-financing venture are the same as those needed for the mission-oriented programs, there is the potential for conflict or overload.

7. Internet cafes

A common self-financing venture idea for organizations, both web-based and not, is to start an Internet cafe. These ideas range from full-scale cafes with multiple computers to the installation of a few computers in an existing cafe to providing Internet access only (namely without cafe service).

⇨ **Positives:**
- This is a recognized business model with plenty of case examples.
- An Internet cafe can provide a space for meetings and community, technology for the CSO, and the chance to promote the CSO's activities to a new user base (primary target markets include students and tourists).

⇨ **Challenges:**
- Internet cafes thrive ina particular environment in which there are enough people aware of and savvy about the Internet to want access, but their disposable income is not high enough for them to own a personal computer. Often there is only a short interval in which a given neighborhood meets these criteria. If the market environment is right for an Internet cafe, there is often very high competition among nearby for-profit cafes.
- It is an easily saturated market, as the financial success of an Internet cafe is dependent on the computers' being used a maximum amount of the time. Increased competition leads to a lower percentage of usage time, greatly increasing risk of failure.
- The start-up capital required can be more significant than in other ventures.

This is a venture that requires careful planning and market research. Internet cafes have proven financially successful in many places, but there is a high rate of failure among start-ups. It is important to consider the potential market, competition, and the future of the market, as well as whether there are added benefits or services that could help to insulate your organization from risk.

8. Providing email and website hosting

Related to the strategies above that build on existing skills and expertise, some organizations choose to use their hard assets for revenue generation. Many CSOs have large servers that were donated for their own programming and have the idea of providing email and/or website hosting to other CSOs.

⇨ **Positives:**
- This is good use of an asset that an organization already has, requiring little start-up investment for equipment.
- Many Internet-based organizations also have an in-depth understanding of the unique needs of nonprofits. Some are able to leverage this to a market opportunity and generate revenues.

⇨ **Challenges:**
- Competition. One of the primary challenges, particularly in providing email services, is the amount of competition in this field from for-profit companies. Many offer very low prices (and discounts for nonprofits) for high-quality service. It can be difficult to find space in this highly crowded market.
- Quality. In addition to the high number of competitors, the quality of the service provided by the competition is usually very high. It can be prohibitively expensive for a CSO to provide web services of the same quality as those of the mass providers.
- Cost. While start-up costs and equipment costs may be low, the ongoing maintenance and staff requirements can be higher than expected, making this a less attractive venture.

Website hosting is an idea that has been brought up several times. If there is a clear niche, website hosting could be a way for organizations to raise revenue, but again, there must be some way to differentiate the organization's offering from those of the mass servers and to ensure that the organization has the capacity to troubleshoot and manage this complex venture.

Section II

ORGANIZATIONAL READINESS

In this section of the manual, you will be introduced to a series of steps that are important to consider before launching a self-financing venture. As you move through these steps, you will be asked to apply them to your organizational situation by completing various exercises. We suggest that you put together a "self-financing committee" consisting of key stakeholders in your organization who will complete these exercises as a group. We have also included case examples from politika.lv, TOL, and Tamizdat describing how they went through this process, the challenges they confronted, and the strategies they used to resolve them.

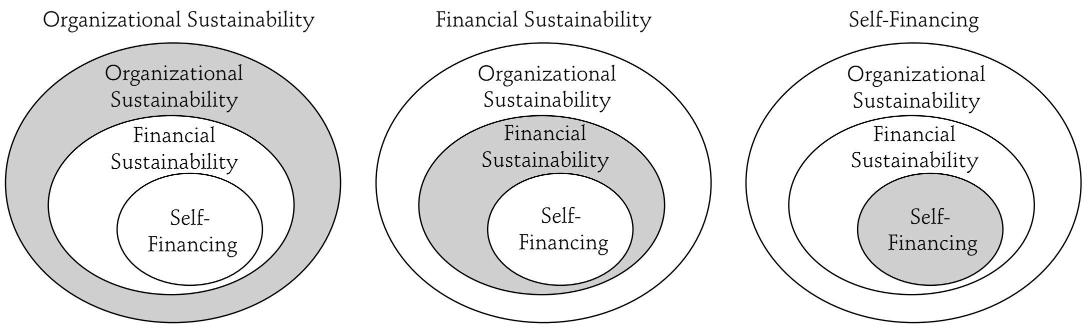
Many of the organizational readiness worksheets in this section are taken from *Get Ready, Get Set: Starting Down the Road to Self-Financing* (Santiago, Chile: NESsT, 2001). They have been adapted to the realities of policy organizations that are using web-based ventures.

When to Self-Finance?

An organization considering a self-financing strategy should consider its own stage of development. Before embarking on the venture, it is important to understand how a self-financing strategy fits within an overall organizational and financial sustainability strategy.

Social enterprises can help organizations increase their social impact. However, their social impact will *decrease* if the nonprofit is not healthy and/or the self-financing enterprise does not match the needs of the organization. If the organization is not currently sustainable, the focus on the self-financing enterprise can further dilute its impact. If the enterprise does not fit with the current mission and culture of the organization, it can also limit the overall impact of the organization.

Organizational Sustainability



Organizational sustainability is not strictly a financial consideration. Financial sustainability is but one of several factors contributing to an organizations overall sustainability. Likewise, self-financing is but one factor contributing to the overall financial sustainability of an organization.

Financial sustainability is but one of several factors one of several factors contributing to an contributing to an Organizations overall sustainability.

Self-financing is but one of several strategies that nonprofits can use to generate income and diversify their financing mix.

From *Get Ready, Get Set: Starting Down the Road to Self-Financing* (Santiago, Chile: NESsT, 2001).

Strategic planning

It is crucial that all fundraising and self-financing activities be done and planned for as part of an overall strategic vision for the organization and that the goals are in line with your organization's overall strategic plan. In addition to having an overall vision and a strategy for accomplishing that vision, your organization should develop a sustainability plan, which addresses concrete issues such as financial sustainability, human resources, and other organizational issues. Each organization will encounter different issues when developing this plan. The more aware you are of the positive and negative impacts that self-financing could have on your organization, and how it fits into the larger vision, the more likely you are to develop an appropriate strategy.

Financial planning

Self-financing is one strategy among several to ensure financial sustainability. Each organization will have different goals based on its external environment and internal needs. It is critical that each organization have a vision of an ideal funding mix, however, and that it be a diverse and realistic mix of sources as well as types of financing. Remember that there is no free money—all grant funds require that you spend time applying and reporting, and different grants often have different conditions.

politika.lv
sabiedriskās politikas portāls

Politika.lv: Funding—Past, Present, and Future

Politika.lv has been primarily financed by Soros Foundation–Latvia, the Local Government and Public Service Reform Initiative, and the Information Program of the Open Society Institute–Budapest. The Soros Foundation is now looking to greatly reduce its support and aims for politika.lv to be financially independent within 2 years. Currently, politika.lv is highly dependent on Soros Foundation funding, and the organization will therefore have to greatly diversify for the foundation's withdrawal not to impact it significantly. Politika.lv is currently applying for support from government and municipal sources and other international donors and is exploring self-financing alternatives.

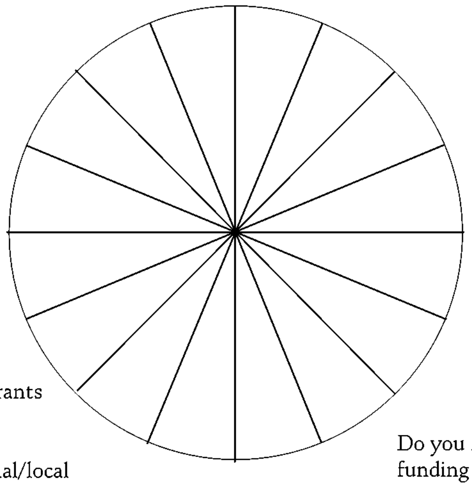
Politika.lv's goals are to diversify funding to the following target percentages:

– In-kind, 10%
– Private-sector (corporate, individual, foundation), 25%
– Self-financing, 15%
– Public support, 50% (government, EU, UN)

To get a clear idea of what your financial situation is like, complete the following exercise. In the first chart, draw your current financial status. In the second, draw the status you would like your organization to have. How will you move from chart one to chart two?

Directions: create a pie chart of your current financing mix.
If possible, use a different color for each source of financing listed in the keys below.

How does your financing mix look now?
(sources as percentages of 100)



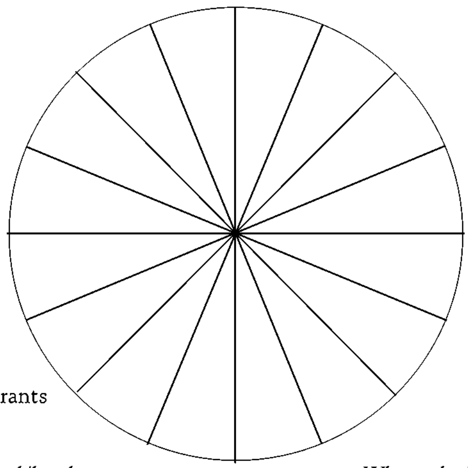
- ☐ Self-Financing
- ☐ Individual donations
- ☐ Private Foundations grants
- ☐ Corporate grants
- ☐ In-kind support
- ☐ Public support (national/local government/state grants or contracts)

Do you feel that have a "diverse" funding mix? do you feel dependent on any source(s) or type(s) of financing?

What percentage of your current self-financing revenues are untied (revenues available after costs are covered)? What percentage would you like it to be in five years?

Directions: create a pie chart of how you would like your financing mix to look in five years.
If possible, use a different color for each source of financing listed in the keys below.

How would you like your financing mix to look five years from now?
(sources as percentages of 100)



- ☐ Self-Financing
- ☐ Individual donations
- ☐ Private Foundations grants
- ☐ Corporate grants
- ☐ In-kind support
- ☐ Public support (national/local government/state grants or contracts)

What role does self-financing play your future financing plan? Explain.

From *Get Ready, Get Set: Starting Down the Road to Self-Financing* (Santiago, Chile: NESsT, 2001).

In this manual we will be exploring ways to generate self-financing revenues through the web, but it is also important to consider ways that the web can enhance your fundraising strategy. Some organizations have accomplished this by means of an online donations capability, recognition of donors on the website, and the organization's increased profile as a result of its web presence.

Benefits and limitations of self-financing

Once an organization has looked at the overall sustainability picture and determined that self-financing is a priority for the future, several key questions must still be asked. No matter how committed an organization is to the concept of self-financing, it must be ready to implement a self-financing strategy. Timing is important, and the following set of exercises will help you to determine if you are ready to implement a self-financing strategy and where some of the main areas of concern are. Organizations that are in financial crisis or need immediate short-term solutions to pressing problems may need to pursue alternate strategies and then return to self-financing when the situation has stabilized.

Unlike businesses that are concerned with one bottom line, that of profit, mission-related organizations must concern themselves with a double bottom line—that of profit and mission. As a result, they must balance multiple financial and non-financial dimensions of self-financing and must carefully weigh the costs and benefits of each.

An in-depth study conducted by NESsT and its partners of 20 CSOs in Central Europe (*Profits for Nonprofits: An Assessment of the Challenges in NGO Self-Financing*) revealed that there are many challenges to self-financing and that organizations must be prepared to deal with both the tangible and intangible effects of self-financing. Following is a list of the benefits and limitations of self-financing that were found after careful study of these groups. Read and discuss this list carefully with key stakeholders.

Benefits of Self-Financing	**Limitations of Self-Financing**
1. Increased income	1. Not appropriate for all CSOs
2. Diversified revenue base—less dependence on and vulnerability to changes in funding sources	2. Making a profit is not easy, otherwise everyone would be doing it
3. Greater flexibility	3. Not for CSOs in a financial crisis
4. Improved organizational planning, management, and efficiency	4. Not a way to get quick money
5. Improved financial discipline and oversight	5. Not risk free (business activities are vulnerable to economic conditions, market fluctuations, etc.; may place the CSO's external reputation and internal organizational capacity at risk)
6. Positive impression on donors	6. Not a replacement for donor funds
7. Strengthened board	7. There is no formula for success
8. Increased visibility for organization	8. Can cause internal organizational cultural dilemmas
9. Increased self-confidence	9. Can cause conflicts with mission

From *Get Ready, Get Set: Starting Down the Road to Self-Financing* (Santiago, Chile: NESsT, 2001).

Based on this summary of benefits and limitations, we begin to see that there are indeed "right" and "wrong" reasons for undertaking self-financing. In keeping with what has already been said, organizations should not see self-financing enterprises as a quick fix and should be fully aware of the risks involved.

Self-Financing's Impact on Organizational Mission and Core Values

When CSOs enter into entrepreneurial or market activities, they must consider the impact that this will have on their mission. At times the demands of the venture may be at odds with the mission and values of an organization, and this is a risk that must be carefully weighed. All types of fundraising have the potential to move organizations away from their mission (such organizations are referred to as "donor driven"). Here we will explore the impact of self-financing on mission and values, but mission compatibility is an important consideration in all types of financing.

Some organizations have even found that self-financing allows them to stay more true to their mission, as they are able to generate revenues for hard-to-fund projects or are able to be more independent and in control of their activities through the venture itself.

The following chart illustrates the spectrum of self-financing activities in terms of mission-relatedness. There is no right or wrong place on the spectrum, but in general the further away from the mission the higher the risk to the organization. The primary risks are risk of moving away from the mission and risk of moving into unfamiliar markets.

SPECTRUM OF CSO SELF-FINANCING ACTIVITIES, FROM MISSION-RELATED (LEFT OF CHART) TO LESS MISSION-RELATED (RIGHT OF CHART)

Program Activities	**Existing Product/Service Existing Customers**	**New Product/Service Existing Customers**	**Existing Product/Service New Customers**	**New Product/Service New Customers**
Services specified in the CSO charter, bylaws, mission	Earned income directly from the CSO's program activities	New products/services offered to existing constituents	Extension of mission-related activities to new paying clients	New product/service to new paying customers (unrelated/ancillary business activities)
Example:	**Example:**	**Example:**	**Example:**	**Example:**
Public policy CSO researches policy issues, writes papers, and maintains a website	Public policy CSO starts to charge for its publications and subscription to newsletter	Public policy CSO sells related publications	Public policy CSO sells its database to company	Public policy CSO uses research and writing skills to write reports for businesses

From *Get Ready, Get Set: Starting Down the Road to Self-Financing* (Santiago, Chile: NESsT, 2001).

Key issues faced by policy portals and by CSOs using the web

– If disseminating information is at the core of an organization's mission, then charging for this information may seem contradictory to the mission and may cause friction with stakeholders.

– The need to be independent on content may hamper ability to get advertising revenue (companies taking out ads may want editorial control).

– Many web-based businesses thrive because of volume (either they can sell many products at low cost or they can offer advertisers access to a large number of people). CSO-based websites may have difficulties reaching these volume levels because they are often targeting a niche market with low purchasing power. This limits the ability to build a business on mass purchases from the target market and also limits attractiveness to advertisers who focus on traffic volume.

TOL, Balancing the Double Bottom Line of Mission and Market

A major challenge for TOL as an organization is to find the right balance that allows it to increase revenue via commercial operations while staying faithful to its mission of fulfilling various social tasks, such as journalism training. Finding the right balance is also the biggest challenge of this specific venture: the need to dedicate more resources internally and become more aggressive externally while staying true to the nonprofit-oriented mission and the reputable TOL brand. The brand is based on certain values—such as a focus on topics not seen as commercially profitable—that could be harmed from an overexposure to commercial activities. As TOL turns more visibly "commercial," at least some minimal backlash can be expected among readers who view TOL as a strictly defined nonprofit organization. Some readers may also be under the mistaken impression that TOL is a securely funded organization; these readers may not understand the need to diversify sources of income.

TOL, however, has found that if the balance is right and the implementation gentle, the potential for backlash from readers will be minimized. There is no question that TOL needs to make more money of its own, and as the online media market matures, more and more end users are becoming accustomed to the paid-content model. The largest amount of potential revenue would most likely be in advertising, which remains a trickier proposition because of weak current demand, the need to offer a larger audience in concentrated geographic and/or demographic markets, and TOL's concern regarding aggressive advertising on its websites. As the TOL website's look develops and changes over time, advertising options will improve, not necessarily because of changes in the size or type of banners offered but rather through more consistent placement and increased visibility driven by design features.

TOL is trying to find a middle-of-the-road approach palatable to both readers and advertisers, while trying it to make it as clear as possible to readers that generating revenue is a must for TOL to continue to offer the quality of content they are accustomed to receiving.

The type of coverage TOL produces will not change or become more "commercial" even if the revenue-generating strategies prove successful. Financial success would only mean that TOL's coverage would continue in the same vein, but with more resources allocated to it. "The danger in quality slippage and compromising lies in not being able to make money from our own product and having to become increasingly dependent on very few—and sometimes diminishing—sources of revenue (be they grants or other type of sponsorships). Through increased communication and representation, we hope to get this message across to all those interested in factual, local, and equidistant coverage of the regions we cover. Financial success would also allow for more and better media and journalism training programs in the regions we cover, many of which are far from being functional democracies with a free and independent press." Eugen Babau-Iladi, Deputy Director, TOL

Your strategic plan should already clearly define the mission and values of your organization. In this exercise, consider some of the potential implications that self-financing could have for your organization's mission and core values. Refer to the case sample on the following page for guidance.

Your Organization's Mission:

Core Values: List the core values of your organization.	**Potential Implications: Would self-financing potentially threaten or enhance this value?**	**Preventive Strategy: What strategy can be used to prevent this core value from being threatened?**

Discussion questions:

1. Which of the core values are you absolutely NOT willing to compromise?
2. If the preventive strategies you listed were in place, would you feel confident that your mission and values would be adequately protected from being compromised?

From *Get Ready, Get Set: Starting Down the Road to Self-Financing* (Santiago, Chile: NESsT, 2001).

Politika.lv's Mission:
To improve the quality of public policy in Latvia by making available policy resources, providing an environment for critical debate, and strengthening the public policy community

Core Values: List the core values of your organization.	**Potential Implications: Would self-financing potentially threaten or enhance this value?**	**Preventive Strategy: What strategy can be used to prevent this core value from being threatened?**
Editorial independence, quality brand	Both	Clear editorial principles, careful selection of methods, clear division between income-generating activities and mission activities
Unique expertise	Enhance	

Defining goals and a rationale for your self-financing venture

To ensure that your venture meets your goals, it is crucial to clearly identify what those goals are. It is important to define goals at the outset so that as the venture develops you can refer back and assess whether the venture is actually meeting your goals. Otherwise it is easy to slide and modify your goals along the way, rather then remaining true to your larger, overall vision. The following exercise will help you to define your goals.

Work with your committee of key stakeholders to list your organizational goals for self-financing. At this point, define general goals that are not tied to a specific strategy or venture. These goals can then be evaluated against various self-financing strategies that the organization might decide to consider, and they will prove helpful in coming to a final decision. Try to define measurable goals that are both ambitious and realistic.

Goals for Self-Financing	**Priority**	**Rationale**
Mission goals		
Financial goals		

From *Get Ready, Get Set: Starting Down the Road to Self-Financing* (Santiago, Chile: NESsT, 2001).

Now prioritize your goals (1=high; 2=medium; 3=low). Remember, you might not be able to attain all of your goals simultaneously and you might have to compromise some in the short run.

After defining your top high-priority goals, write a convincing rationale for each, describing how/why self-financing will help you to achieve each goal and how it will contribute to the overall strategy of your organization.

Politika.lv's Goals for Self-Financing	Priority	Rationale
Mission goals 1. Independence 2. More client-oriented product 3. Improved product 4. Staff motivation		
Financial goals 1. Contribute to sustainability of website 5% to15% (within the total financing mix, other sources of which include private-sector funding [individual, corporate, private], in-kind or cost-recovery financing, and public-sector funding [government, international organizations' grants]) 2. Generate untied revenues 3. Launch a self-financing strategy that will generate 20% of our organizational budget in three years in order to diversify our funding base, decreasing our dependence on grant funding; generate flexible income that can be allocated to cover operational expenses and other funding needs; and further our mission and programs		Politika.lv is highly dependent on donor funds, which keeps us dependent on project funding and limits our ability to develop as an organization. Self-financing will provide us with some flexibility to grow and develop as an organization and ensure our long-term sustainability.

What are realistic financial goals for self-financing?

Many of us would like to see our organizations become completely self-sustainable. However, for most organizations that is not a realistic goal, and the most sustainable path is to design a strategic financing plan that relies on a diverse base of financial sources. Self-financing can be a key part of ensuring sustainability, but it is crucial that expectations be realistic and achievable.

For many of the organizations that NESsT works with, self-financing revenues are important in providing gap financing, covering operational or overhead costs, building reserves, and funding start-up or special projects that cannot be financed through grants. There is no right or wrong goal for the percentage of the overall budget that should be self-financed—it depends on the organization. More mission-related ventures can often be subsidized by grants and therefore may have a lower goal of cost recovery as opposed to profits that will be assigned to the rest of the organization.

A common goal is for self-financing to account for 15% to 25% of the overall organizational revenues, with some organizations aiming for a higher amount of 40% to 60%. It is rare to find organizations with higher percentages of self-financing, although there are some examples. Other organizations aim to recover costs on a certain program; they generally have a goal of recovering 45% to 60% of the program budget. Other organizations aim to generate enough excess revenue to cover operational costs.

Many organizations begin with modest goals of 5% to 10% of the overall budget from self-financing. This may seem low, but it can be a crucial way to cover costs not covered by other sources or to improve the quality of services. As you develop your self-financing financial goals, consider the following questions:

– What is the gap your organization needs to fill to be sustainable? (Consider the amount and type of resources and how sustainable are the current resources that you have.)
– How reasonable is it that this gap could be filled through self-financing? Should you also consider other types of fundraising?
– How long will it take you to accomplish your goal?

Defining a Self-Financing Venture

Once an organization has determined that it is ready to embark on a self-financing strategy and has defined the goals of self-financing, what kind of venture should it pursue? The following exercises will help you narrow down ideas and choose the most appropriate or likely ventures. It is important to examine all possibilities realistically and not to let enthusiasm carry you away.

Developing criteria for choosing a self-financing venture

Just as it developed and prioritized both financial and non-financial goals for self-financing, the CSO should now develop a set of financial and non-financial criteria for evaluating different possible self-financing ventures. The criteria will be closely tied to the specifics of the organization, its mission, its current financial situation, its organizational capacity, and its staff competencies and passions. An organization will need to make sure that the possible venture meets most of the criteria in order to avoid mission incompatibility and organizational cultural difficulties as well as overall inability to carry out the potential venture.

In the following table, list the criteria for your organization.

Primary Criteria for Selecting an Enterprise
1.
2.
3.
4.
5.
6.
7.
8.

From *Get Ready, Get Set: Starting Down the Road to Self-Financing* (Santiago, Chile: NESsT, 2001).

Politika.lv's Primary Criteria for Selecting an Enterprise
1. Must not conflict with editorial policy
2. Must be accomplished with existing staff
3. Must not significantly impact ability to carry out mission activities
4. Must not undermine mission
5. Must contribute to budget of mission (if non-mission-related, must provide significant contribution to budget)
6. Must be weighed against other opportunities

Assessing your core competencies as a staff

Core competencies are the things that your organization can do well—the defining set of knowledge and skills that sets you apart from other organizations. Knowing your core competencies as a staff is important both for generating possible ideas and for narrowing them down to one or two feasible options. An assessment of core competencies will tell you what your staff knows, what it is able to do, and what it loves to do. With this in mind, your organization will be in a better position to choose a self-financing venture that meets your goals and criteria.

In the following table list the core competencies of your organization and staff. Don't be shy!

Our staff has particular knowledge/experience in the following:	**Our staff has particular skills in the following:**	**Our staff has particular interest/passion for the following:**

From *Get Ready, Get Set: Starting Down the Road to Self-Financing* (Santiago, Chile: NESsT, 2001).

Politika.lv's Core Competencies		
Our staff has particular knowledge/experience in the following:	**Our staff has particular skills in the following:**	**Our staff has particular interest/passion for the following:**
Access to expertise through a wide network of contacts	Research and analysis, data "mining"	
Latvian public policy	Writing	
Nonprofit management	Identifying new angles and ways of addressing problems	
Print and online publication production	Presentation	
Event planning	Content management/architecture	
Public relations	Translation	
Legal and regulatory systems		
Research		
Project evaluation		
Languages		

Developing an inventory of existing and new self-financing possibilities

Even if you already have an idea that you are interested in pursuing, it is valuable to go through this exercise to explore the range of possibilities. You may be surprised at what it reveals. Let your creativity come through! Refer to the case studies and experiences of other CSOs referred to in Section I for more ideas.

Past, Current, and Potential Enterprise Ideas	**Customers/Clients**
1. What kind of products does or could our organization sell?	
2. What kind of services does or could our organization offer for fees?	
3. What “hard assets” (property, equipment, etc.) does our organization have that we currently use or could use to earn income?	
4. What “soft assets” (copyrights, patents, licensing rights, etc.) does our organization have that we currently use or could use to earn income?	
5. What investments does our organization currently have or could have to generate income (both long- and short-term)?	

From *Get Ready, Get Set: Starting Down the Road to Self-Financing* (Santiago, Chile: NESsT, 2001).

Politika.lv’s Past, Current, and Potential Enterprise Ideas	**Customers/Clients**
1. What kind of products does or could our organization sell? – Books – Policy studies* – CDs (for those without access to Internet and libraries) – Logo items (cups, T-Shirts, hats) – Articles (newspapers, magazines, etc.)* – Database – Content	
2. What kind of services does or could our organization offer for fees? – Subscriptions – Web services (content management, email hosting, website hosting) – Banner advertising* – Project writing – Marketing research (banks, businesses, Western companies) – English version – Event management – Consultancy* – Obtaining copyrights of articles for resale – Licensing of policy studies – Inclusion of website resources in the commercial database LURSOFT (a Latvian company)	

Now that you have brainstormed, use the following chart to categorize your ideas. Does the chart suggest any additional ideas? By seeing where your ideas fall in the spectrum from mission-related to non-mission-related you can start to assess risk and evaluate the appropriate strategy for your organization.

EXISTING PRODUCT/SERVICE EXISTING CUSTOMERS (Enter ideas for generating income from products or services you already provide to your constituents) 1	**NEW PRODUCT/SERVICE** EXISTING CUSTOMERS (Enter ideas for generating income by creating products/services to offer your current clients/constituents) 2
EXISTING PRODUCT/SERVICE NEW CUSTOMERS (Enter ideas of how to extend your current products/services to new customert 3	**NEW PRODUCT/SERVICE** NEW CUSTOMERS (Enter ideas of how to create new products/services for new customers) 4

What patterns do you see? Are there similarities among the ideas within each box? Theoretically, those that are in Box 1 are closest to your mission and therefore less risky, and those in Box 4 are farthers from your mission and thus potentially more risky. we don't mind to discourage to discourage you from pursuing any ideas in Box 4, but only to make you aware that you might be entering new twrritory where you have less experience.

From *Get Ready, Get Set: Starting Down the Road to Self-Financing* (Santiago, Chile: NESsT, 2001).

Narrowing your self-financing ideas

Now that you have explored the range of potential ideas, which ones are the most feasible or have the best potential for your organization? These next exercises help you to narrow your ideas down to the top three.

1. Assess your inventory of ideas against your staff core competencies. Try to involve a representative team of your staff in this exercise, as well as some members of your board and other stakeholders. Use a scale of –2 to +2 to assess each idea. Add up your totals and select the three ideas with the highest scores.

Staff Core Competencies	**Idea 1**	**Idea 2**	**Idea 3**	**Idea 4**	**Idea 5**	**Idea 6**
1.						
2.						
3.						
4.						
5.						
6.						
7.						
8.						
Total score						

From *Get Ready, Get Set: Starting Down the Road to Self-Financing* (Santiago, Chile: NESsT, 2001).

2. Assess your inventory of ideas against your organizational criteria. Try to involve a representative team of your staff in this exercise, as well as some members of your board and other stakeholders. Use a scale of –2 to +2 to assess each idea. Add up your totals and select the three ideas with the highest scores.

Enterprise Criteria	**Idea 1**	**Idea 2**	**Idea 3**	**Idea 4**	**Idea 5**	**Idea 6**
1.						
2.						
3.						
4.						
5.						
6.						
7.						
8.						
Total score						

From *Get Ready, Get Set: Starting Down the Road to Self-Financing* (Santiago, Chile: NESsT, 2001).

Now compare the results from these two exercises. What three ideas received the highest scores? Are you surprised by the results? Often organizations find new and unexpected results from these exercises.

Of course, identifying three top ideas is one of the first key steps, but will these ideas work? Are they viable? The next stage of this manual shows how to take these promising and exciting ideas through an initial analysis, determining whether they really do have the potential they seem to at this point. You have three top ideas now and a whole list of others, so don't be afraid to say that an idea is not a good one. If a venture will not meet your goals, now is the time to find out, before you invest too much time and resources.

Section III

CONDUCTING PRELIMINARY FEASIBILITY STUDIES ON THREE IDEAS

Before any organization begins a business venture, it must perform detailed research and analysis of the idea. In this section is a preliminary feasibility (pre-feasibility) study template developed by NESsT specifically for CSOs.[2] This manual is designed to assist organizations to develop the study independently. However, NESsT often works closely with CSOs, guiding them as they work through the various steps and exercises. In this capacity, NESsT often provides organizations with options that they have not considered or to challenge them to be as objective as possible in gathering and analyzing key data.

The purpose of a pre-feasibility study is to identify problem areas and rule out options that are clearly not viable before investing too much time in research and development. Therefore, at this point your research should aim for a general market overview and assessment, both in terms of the enterprise's target market and with respect to the overall industry the business is involved in. This research should cover the main issues of what the venture will offer, the market it would form part of, and its competition. The pre-feasibility study should also focus on operational and managerial issues, do some basic financial analysis, and identify potential problem areas. If the venture passes the pre-feasibility stage, these issues will be explored in much greater depth, first in the full feasibility study and then eventually in the business plan. These three processes (the initial steps in the Business Development Process) build upon each other by exploring each issue in greater depth without duplicating what's already known.

Conducting a preliminary feasibility study on each idea generated is perhaps the single most important stage of launching a self-financing venture. After working on this study, the CSO will be able to make an educated decision on whether it makes sense to develop a full feasibility and business plan for a particular venture or whether the idea just does not make organizational or business sense.

In order for the pre-feasibility study to be useful, the information has to be as precise as possible. You don't want to invest too much time or resources at this stage, however. Dedicate only a few days (perhaps 5 to 10) to each venture, as you will be performing this study for several ventures and you need to give momentum to this job (enough work for a 5- to 10-page document on each venture). This will also help you to abandon ideas that don't work at an early stage—you won't feel obliged to continue with an idea just because you've spent so much time and effort on it. However, if the potential mission benefit for the organization is huge but the risk is also high, you may want to dedicate more time and effort than you normally would at this stage.

Also, make sure that you agree with decision makers in your organization on what criteria will be used in deciding to pursue or drop an idea once the pre-feasibility study has been completed. How do you plan to reach this decision? Will there be a formal meeting? Who will participate? Avoid surprises and make sure that everyone involved has the same expectations in terms of the depth of analysis this stage requires. Remember, the pre-feasibility study is the first of three steps (before the full feasibility study and the business plan). The next two steps will be much more detailed, building on what has been done in the pre-feasibility study. So this step must be thorough, but not overly detailed.

The same group of people should participate throughout this process, but we suggest that one member be assigned leadership. It can be very helpful to use MBA students or other qualified volunteers to assist with pre-feasibility studies. A team approach will increase understanding and ownership of the idea and will result in a more objective analysis.

[2] The pre-feasibility study template is adapted from *Get Ready, Get Set: Starting Down the Road to Self-Financing* (Santiago, Chile: NESsT, 2001).

As you begin to conduct research during this stage, you will have an excellent opportunity to meet people you may not have come into contact with before—people who in the future might prove to be very useful (e.g., potential advisors; donors; customers; donors of office space; contacts for a steering committee; pro bono legal, tax, marketing, sales, communication, graphic design, and promotion advisers). Most people are willing to participate, collaborate, and act as consultants if they are seriously and professionally approached, and even more so if the venture ultimately has a social objective. You may also receive excellent additional ideas for your proposed venture or other possible ventures.

Enterprise Pre-Feasibility Analysis

Complete the following pre-feasibility study. Please answer each question as thoroughly as possible. If a question is not applicable to your venture, you may skip it.

1. Description of products or services

Describe in detail the product or service being considered. Include a technical description, the form of delivery, and other distinguishing characteristics.

politika.lv
sabiedriskās politikas portāls

Politika.lv: Description of Products or Services

In general terms, politika.lv aims to sell its practical experience and knowledge about using the Internet (e.g., developing and managing a website) to influence policy-making and meet other nonprofit goals. This consulting service will be primarily targeted to Latvian government agencies and to CSOs throughout Central and Eastern Europe and the newly independent states of the former Soviet Union.

Areas of consultancy include different stages of launching and managing interactive projects:

– *Elaboration of needs assessment,* concentrating on the needs of the organization that can be effectively implemented by using interactive tools and the Internet. Completion of this phase, which is very important before making financial commitments and launching interactive projects, is often overlooked by potential clients. It mostly involves asking the right questions and focusing on the desirable outcomes for the client, with a view of "what is it we want to achieve" instead of or prior to "what do we want to build on the web." Consequently it will also include asking the questions "Is the Internet really the best tool to achieve particular goals?" "Which interactive options should we choose?" and "What will it take to maintain and update the chosen options?"

– Assistance with *terms of reference for the technical implementation* for the purposes of announcing a tender and drafting specification documents. Customers (be they profit or nonprofit, public or private organizations) are inevitably presented with many choices by software and design developers. The choices made will affect the results and finances of the project, but the customers in most cases lack the knowledge to make the choices. The added value of this part lies in indirectly assisting the client with relations with the software and web designers so as to ensure that the client's goals are indeed addressed in the most cost-effective and fair manner.

– *Content management* and *pre-launch process,* including advice on different formats, organization and presentation of data, testing processes, realistic time schedules, and integrated promotion activities.

– *Day-to-day management,* including choosing outsourcing versus in-house for different tasks, planning for future staff and financial implications, cooperation with mission and non-mission-related partners, and managing on-line discussions.

The format of the service will be (1) *one to many* (seminars, training, presentations, speeches, lectures) and (2) *one-to-one* (consultations and training for one client or one specific project). The one-to-many format is suitable for more general topics, such as introduction to the use of the Internet and the impact of the Internet and other interactive tools on policy making or the nonprofit sector. The one-to-many format would also serve as a marketing tool by attracting individual clients who will want to purchase consultancy services for their specific needs.

2. Initial market research: Do people want my product or service?

– Define your target customer as specifically as possible. (Answers such as "Everyone" are not acceptable!) Where are most of your target customers? What kind of professions do they have? Income? Gender? Other defining characteristics?

– Is the market growing? Shrinking? Is it large enough to support this business? The online industry is volatile. There are conflicting theories about trends, but clearly, while the bubble has burst, there are still opportunities. Most organizations have found that use of the Internet is rising. Internet penetration is steadily growing. How do these larger trends affect your proposed venture?

– How large a market (area, number of customers) could this venture serve?

It can be overwhelming to try to define the size of the market for your product on the web, since it seems so vast. However, there are ways to narrow it down.

– As a first step, try to look at some of the major search engines for competitors. Does anyone have the same venture as yours or one that is closely related?
– If you have an existing site, use your Internet provider for information about your current customers or users. This will help you get a profile.
– Look at similar sites for ideas.
– The more specific your target market, the easier it will be to measure.

Be creative when doing research. People generally enjoy sharing their wisdom, so cultivate relationships and ask questions. Human contact is very important; don't rely only on secondary data for your research (you can encourage either personal or telephone contacts). At the pre-feasibility stage secondary research can be limited. These questions can be answered briefly here and elaborated later in the feasibility study stage. Here the concepts are simply introduced to raise any red flags or issues that clearly make the venture unattractive.

– Are there particular market niches that this venture could/should develop? A market niche is a subset of the overall market with special needs or desires. How is the market segmented? Some businesses serve the majority population, while others serve smaller segments, often charging more for these specialty services.

Target market: Expatriates and Slavophiles

Tamizdat (www.tamizdat.org) serves expatriate Eastern Europeans and interested Westerners who are looking for hard-to-find Eastern European alternative music. The overall music industry serves many segments of the population, but Tamizdat is particularly focused on people who have access to the web, are comfortable purchasing on line, and are interested in Eastern European music.

– Are there many competitors providing the same product or service to the same market? Are they increasing or decreasing in number? How are they priced?

– Competition always exists, even if no business is currently providing exactly the same product or service you are considering. So you should be careful, and also consider any other products or services that could substitute or replace yours.

– Particularly in web-based ventures, competition is often of the substitute nature.

– How do competitors' sizes and available resources compare to those of your proposed venture? One advantage nonprofit web-based businesses may have is that they often don't have the start-up costs associated with other e-businesses. Much of the equipment and infrastructure may already be in place.

– What do your customers want? It is easy to assume that customers want what you have to offer because you are so dedicated to your venture. But what are they really looking for? Ask them.

– How do customers want to receive the product or service? Where? When?

– One way to generate revenues is to link to existing providers and get a percentage of sales—for example, Amazon will pay a percentage of sales made through a reference on your site. This is not a very profitable strategy, but it can make customers happy.

– How much are customers willing to pay for the product or service? How have you set the initial price for your product or service? What is the price per unit? (See discussion below of break-even for further guidance.)

– How do you plan to promote or advertise your product or service?

tamizdat

Attention! Attention! Hello?

Tamizdat uses content to draw customers to its online catalogue. This requires resources, but it can be the most effective way to sell products. Newsgroups, web rings, links, media publicity, and "viral" promotion (see, e.g., http://www.wilsonweb.com/wmt5/viral-principles.htm), as well as links on other websites, are other effective ways to increase sales.

Tamizdat's experience with printed and other media was a limited success because such media were expensive and not narrowly targeted.

"Concurrent with our launch at the end of 1999, Tamizdat RPM embarked on a very costly project to include sampler CDs in 5000 copies of the November issue of the UK music magazine *The Wire*. The magazine's target market is arguably as similar to ours as could be hoped from any music magazine, so we reasoned that there would be no better way to announce our existence than through such a visible statement of purpose. While the compilation still generates comment and recollection from musicians, critics, and even the occasional customer, the effort generated no more than 10 traceable sales. Ouch."—*Matt Covey, Manager, Tamizdat*

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Politika.lv ideas for low-cost marketing efforts:
– The website (both Latvian and English versions) and newsletter
– Participation in events as speakers or participants

– What are the main factors needed to be successful in this kind of business? They will be different for each venture. For many web-based businesses, findability (literally the ability to be found on the web) is a key challenge. It is a huge world out there and your customers exist, but do they know you exist? Below you will find some suggestions for increasing findability.

– Are there any regulations, restrictions, or requirements that are specific to this type of business?

It is important to have an initial understanding of the big picture and of trends and their potential impact on the enterprise. You also need to be aware of your first reactions toward the idea of forming part of this industry.

The first step toward finding the answers to the questions above is to rely on your own knowledge and experience. Put down the information you have and highlight the areas that require further exploration. Again, at this stage it is okay to have a broad answer, but still you should answer all of the questions. Additional sources of information are listed below.

Data Sources	**Data Collection**
• Primary sources – Customers – Competitors – Other local businesses that aren't competitors – Similar businesses in other regions (noncompetitors) – Complementary businesses – Industry experts • Secondary sources – The Internet – Industry publications – General publications (newspapers, magazines) – Government statistics – Studies done by market research firms	• Data can be collected from primary sources by means of – Interviews – Surveys – Observation • Secondary sources of information are typically available – At libraries– On the Internet – At universities – At bookstores – At government offices

3. Operations and management

– What are the organization's primary strengths and weaknesses in terms of this venture?
– Are there production methods, special equipment or facilities, or technical requirements associated with this business?
– What staff (operational and management) is needed for this venture, in terms of numbers and skills? Many organizations use volunteer labor. While this is a great way to lower initial costs, is it sustainable?
– Is there a sufficient pool of available people who have the necessary management skills and experience? (Will recruiting appropriate management be difficult?)
– Are there special liability issues associated with this business?

Particular issues to consider for web-based CSOs:
– If you will be selling internationally, you will have to consider currency risk, as well as import and export regulations.
– Piracy is a hot topic on the web these days. If you will be selling information or web-based products or services, how will you protect against piracy? Does this have the potential to affect your sales?

Nonprofits in most countries are able to operate self-financing activities; however, be sure to discuss with a lawyer the situation in your country and any limitations there may be. Also be sure to research appropriate tax laws, particularly those related to value-added tax (VAT).

Tamizdat: A Successful Operation

tamizdat

While many on-line retailers struggle with high fulfillment costs, dodgy customer service, and troubled supply lines, Tamizdat RPM has succeeded in creating a system that is efficient, highly cost-effective, customer-friendly, and reliable.

Tamizdat researches products for its new catalogues but does not manufacture its own products. Products for sale are either purchased from manufacturers in advance or sold on commission. Suppliers are paid either in advance or quarterly for sales made in that quarter. Currently, Tamizdat has over 100 suppliers. The Prague product manager handles all sales and promotions. The website was created and is maintained by an international team of colleagues who donate their services. Customer service and database management are handled by a New York office manager.

Typical operations challenges for CSOs
– The CSO is unable to acquire the property or equipment needed to run the enterprise. The CSO cannot attract staff with the appropriate skills to run the enterprise.
– The CSO cannot or will not pay a salary high enough to attract qualified staff.
– There are very few people available with the skills needed.
– The CSO does not do specific enough research on its operations and is overwhelmed by the actual needs of the business.
Typical operations issues for portals
– Credit card payments. To sell products on your site, it is important to have the capacity to accept online credit card payments, but this can be very difficult. Obtaining an American merchant account is a challenge for many international organizations. Often they can't get an account or there are high fees. It is common to use Pay Pal, Kagi or banks, but there have been complaints about all of these.
– Being unfindable on the web. What are the key things to consider in findability? It is crucial to understand and use search engines to increase your findability. Some factors to consider are:
– Actual structure of the website. When building your site, it is important to look at the index page naming of files and images; this is what search engines look for. While it is very time-consuming to list all keywords in the index, this can pay off. As well, be sure that any catalogs or databases you include in your site are searchable.
– Metatags. "Search engines rely on a system of 'metatags,' programmed into a website, to recognize what the site is about and to subsequently file it properly for users to find. Sophisticated websites use an elaborate system of metatags to help search engines identify and categorize site content. Talk to your web designer about inserting appropriate metatags [and updating them as technology changes]." *—Matt Covey, Tamizdat*

Use search engines to your advantage. If you're trying to reach a broad audience, the "Adwords" system of Google, for example, can be very cost-effective, reasonably easy to set up, and very effective.

Some links that may be helpful for operations and design:
www.linkpopularity.com/
www.searchengines.com/alttags.html
www.pay-per-click-promotion.net/meta-tags2.html

Words of Wisdom from Tamizdat

In general, I would suggest *not* overinvesting in your site initially. A simple html site built on freeware served our purposes for almost four years. The functional difference between a site built by a savvy friend and one built by a professional company may not be much, and most definitely is not worth paying market rates for . . . not until you've worked out whether the project is viable, and exactly what your needs are. Ninety-nine percent of the techies in the world will tell you that a simple budget site is worse than worthless, and that you get what you pay for. I have to say, I think they're wrong, in most cases. Sure, a high-tech site will do more, and ultimately it could save you enough staff time to make it worthwhile. But the up-front investment is far too high for a small nonprofit that may not know exactly what it needs.

Example: When we first were designing our site, we got an estimate from a company about how much the site would cost. In 1997, they said that it would soon be impossible to run a site where credit cards were processed "by hand," and that automated processing was unavoidable. Unfortunately, building that into the site was going to cost an extra $1500 set-up and another $3000 a year in bank fees. We said no, we think we can handle it, and six years on, as we are finally totally overhauling the site and rebuilding it professionally, we are still very glad to be processing credit cards "by hand." Techies can be your friends, but they can also have trouble being realistic about your needs… especially if it's in their financial best interest (surprise!).

As well, if you use volunteers, you have to understand that they are often getting out of it the opportunity to innovate and experiment—which may not be what you are looking for! Sometimes it is worth it to pay for a simple and straightforward system.

Obviously, your best guide for functionality is other (probably commercial) sites. In our case, for example, looking at everything from Amazon to Clamazon was crucial for designing the functionality of our site. The great thing about Google is that it provides invaluable market research that a small nonprofit could never actually afford to commission.

Lastly, when setting up a site, take some time to discuss with your designer ways to make sure you can pull good information out of your site statistics. Even the simplest service provider offers software that can help you monitor your site use, but often the builders of the site need to activate those functions. It takes very little effort and can provide you with a huge amount of information.

—Matt Covey, Manager

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Politika.lv. Operations Review: Do We Have What It Takes?

Organization's strengths

– Experience and skills in key areas related to this consultancy venture, i.e.

– Development and management of innovative interactive projects with tangible, publicly available results (website)

– Public relations, presentation skills

– Nonprofit sector expertise, both nationally and in Central and Eastern Europe (developing democracies)

– Knowledge of languages, including English and Russian

– Secure financial and institutional base

– Existing/identified network of potential clients with possibilities to acquire some initial references

– Management and organizational support

– Have PPE (plant, property, equipment)

Necessary equipment

Existing: Internet access, laptop, multimedia projector, seminar/meeting premises, photocopying machine, secretarial staff support, infrastructure

To be acquired: folders and other specially made stationery/printed materials, a "dedicated" laptop

Necessary equipment to have on-site when working abroad: multimedia projector or overhead projector, photocopying facilities

Staff (operational and management) needs

Reallocation of current staff time for consultancy away from the day-to-day operations of the website

Management—strategic guidance, contacts, approval

To begin with, the necessary human resource capacity is already in-house; i.e. existing staff people need to receive additional training.

With these questions and issues in mind, answer the following questions:

	What do you need?	**What do you already have (existing core competency or resource)?**	**How will you get the rest?**	**What more do you need to know about this issue?**	**How will you get further information?**
Plant, property, and equipment					
Staff and management					

From *Get Ready, Get Set: Starting Down the Road to Self-Financing* (Santiago, Chile: NESsT, 2001).

4. Financial plan

There are several financial statements to consider in the planning process, but at this point we will focus on break-even analysis and start-up costs. Both of these analyses should provide you with enough information to determine whether the venture is likely to meet your goals and seems realistic. If not, this is the time to stop. If it still looks viable, financials will be examined in greater detail at a later stage.

What are the start-up costs for the venture?

The basic question to be addressed here is how much money do you need to even get this business started? Usually you can estimate these costs fairly accurately if you research well enough. Make sure to count all costs you will incur until the day you open your doors. Start-up costs include such items as hardware and software, website development (not maintenance, but initial design), staff time, and deposits on rent.

The following exercise will help you to identify which costs you may incur in starting up your venture. Add any items that are missing, and when you have completed your research, form a complete start-up budget.

Type of Cost	**Specific Cost**	**X**	**Source for Cost Information**
Facilities	First rent/purchase		
	Deposits (security, water, utility. Other hookups)		
	Improvements or refurbishing/fixtures		
	Other		
Equipment	Vehicles		
	Production machines/equipment		
	Computer/software		
	Furniture		
	Telephones		
	Other		
Materials/ Supplies	Starting inventory (or raw materials/work in progress)		
	Production units		
	Office and packing supplies		
	Promotional materials (brochures, displays, etc.)		
	Training supplies		
	Other		
Professional Services and Fees	Legal (tax, etc.)		
	Management/marketing production consultants		
	Accounting		
	Insurance		
	Design/graphic arts		
	Promotion and advertising		
	Livenses/permits/registration		
	Membership or association fees		
Pre-operations Training	Technical assistance or training consultants		
	Tuition or fees (workshops, seminars, classes, etc.)		
	Per diem and costs associated with training (room rental)		
	Other		

Type of Cost	Specific Cost	X	Source for Cost Information
Cash (first 30 days)	For salaries (first month)		
	Reserves – operating expenses		
	Reserves – unanticipated costs		
	Other		
Losses incurred	Cash to cover losses on the projected income		
	Total Start up Costs		

How will you cover these costs? Financial projections will help you determine whether you will be able to cover start-up costs from the venture's income, but it is likely that it will take some time before this is possible. What are other ways that your start-up costs can be covered? Many organizations raise or borrow money to cover start-up costs by means of grants, loans, or reserve capital. Does it seem likely that you will be able to raise the necessary capital?

Break-even analysis

The object of a break-even analysis is to understand how much of your product or service you need to sell in order to cover your fixed and variable costs within a particular time period. In other words, how much money needs to come in to exactly match the outflow of money. This information will allow you to see the average investment needed to cover costs until the venture reaches the break-even point and to judge whether the level of sales you will need to reach is realistic.

A break-even analysis is the first step in determining whether or not a venture is financially feasible. Most new businesses take at least two or three years to break even. Once you have this information you need to go back to your organization's strategic plan and determine whether or not the organization will be able to support the venture until it becomes sustainable. This is a common make-or-break point in the process.

This analysis is only meaningful if it is completed in conjunction with your market research so that you can be realistic about the prices you can charge and the number you can sell.

Your break-even point can be calculated using a simple formula:

$$\frac{\text{Fixed cost for the desired period}}{\text{Price per unit} - \text{Variable cost per unit}}$$

To determine the break-even point, follow these steps:

1. Define a unit of your good or service (e.g., one subscription, one book, one training day).

This enables you to have a consistent basis for comparison throughout the analysis and should reflect the way you think about your product

2. Set your price. This is commonly one of the most difficult steps, and that is because it is not an exact science. There are several different ways to go about selecting an appropriate price, but you will always need to monitor the market and your customer's reaction.

Here are three ways to calculate prices:

a. Estimate price per unit based on your market research. Set your price to reach your target market share, or to meet or keep out the competition.

"My major competitor is _____, and they sell this product for $_______. Can I meet this price? What will happen if I don't?"

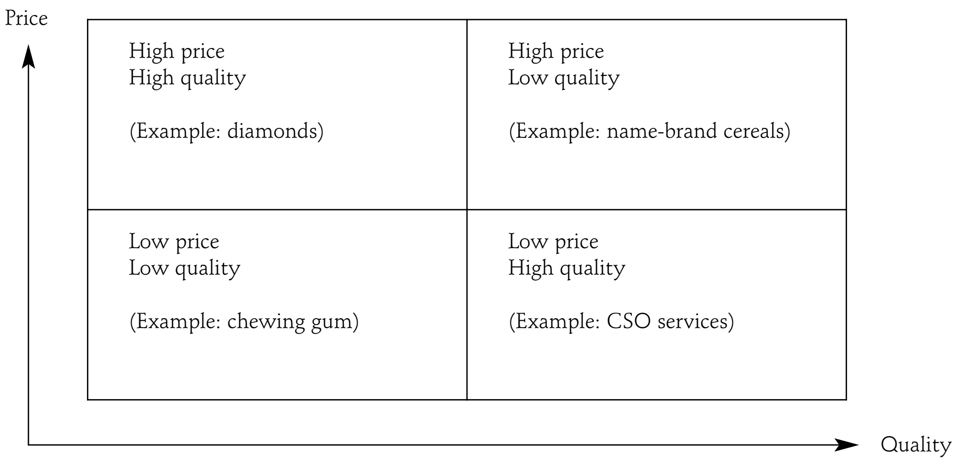
"My target customer is willing to pay $___? Is this enough?
How does this price affect my target customer's perception of my product or service?" (i.e. Will it be perceived as a luxury good or a bargain?)

b. Set a target level for profitability.

"I want to make $_______profit per month/year/etc. In order to make $______ profit, I must price my goods/services at $_____."

"I want to make a profit that is ______% of the total sales I generate [based on industry standards and your position relative to your competition]."

c. Use a price/quality matrix. In the graph below, price is on the *x* axis and quality is on the *y* axis. Each quadrant represents a pricing strategy.



From *Get Ready, Get Set: Starting Down the Road to Self-Financing* (Santiago, Chile: NESsT, 2001).

Successful businesses operate in almost all quadrants, with the low price/high quality quadrant being the least attractive of them all. Unfortunately, that is where most CSOs position their product or service.

In general, high price/high quality is an attractive quadrant for CSOs. Low price/low quality requires large volumes in order to reach profitability, high price/low quality requires either unethical standards or a name-brand cachet that can be difficult to achieve, and it is very difficult to make a profit in the low price/high quality quadrant.

Another important point is that customers often perceive your product differently based on the price you charge. Higher prices may actually increase sales, as people will perceive your product to be more valuable. It is useful to know whether this might apply to your product.

What is the most appropriate way for you to set your price?

____

What information will you need to set your price this way?

What price will you charge initially? ______________________

Some issues to consider regarding pricing:
– Should you offer a sliding scale for mission-oriented clients?
– Would small changes in packaging or presentation allow you to increase your price?
– Will a higher price improve your customer's perception of your quality?

3. Analyze your costs. With detailed research, you should be able to estimate costs fairly accurately. You will have to choose a period of time (usually monthly or yearly) over which you will calculate costs.

Estimate monthly or yearly costs using the following steps:

a. Calculate fixed costs. Fixed costs are costs that the business incurs on a regular basis that do not depend on the level of sales (e.g., rent, utilities, equipment, salaries).

b. Calculate variable costs per unit. Variable costs are directly linked to the number of products or services provided (e.g., the cost of materials, direct labor costs of employees involved in product or service production, delivery costs). For many web-based services, such as subscriptions, the variable costs are minimal. Make sure to include only the costs that are directly traceable to each additional sale.

(In those cases where your unit is part of a larger whole, such as one book from an entire printing, you should calculate variable costs for the whole printing and then divide the total by the number of books printed to determine variable cost per unit. In those cases in which your unit is unique and is not part of a whole, estimate the variable costs per unit directly. For example, holding a workshop will have only one variable cost per unit, as no other workshop will use the exact same materials or take the exact same amount of time to produce.)

Use the following chart to identify your fixed and variable costs.

	Expense	Fixed	Variable
1	Cost of Goods Sold (COGS)		
2	Personnel Costs		
3	Rent/utlities		
4	Telephone		
5	Postage		
6	Printing		
7	Office supplies		
8	Insurance		
9	Advertising		
10	Other		
11	Other		
12	Other		
	Total		

From *Get Ready, Get Set: Starting Down the Road to Self-Financing* (Santiago, Chile: NESsT, 2001).

You are now ready to calculate your break-even point.

Insert from the exercises above:

Price per unit: ________
Fixed costs per time period: ________
Variable costs per unit: _________

$$\text{Break-even number of units} = \frac{\text{Fixed cost for the desired period}}{\text{Price per unit} - \text{Variable cost per unit}}$$

From *Get Ready, Get Set: Starting Down the Road to Self-Financing* (Santiago, Chile: NESsT, 2001).

Now that you have your break-even number, what does it tell you?

How many units do you have to sell in order to cover your costs? Does this seem a realistic scenario? It is also important to recalculate with different assumptions—what happens if fixed costs go up unexpectedly, or you are not able to charge the price you hope for? How sensitive is your business?

Are costs (production, labor, other) prohibitively high? Is it reasonable to consider covering these costs? Are there unusual overhead costs such as equipment, salaries, or property?

Other financial questions to consider:
– Do your current resources support your financial plans?
– What are the tax implications of running this venture?
– Are there any additional costs incurred due to the fact that this venture is being run by a non-profit? Are there "social costs" such as the employment of clients, use of environmentally friendly materials that are more expensive, or need for subsidies to low-income customers?

5. Mission impact

– Is this venture mission-related?
– How will this venture impact your mission and programs?
– Are there any organizational culture issues that running this business would raise (e.g., staff resistance to charging clients, payroll discrepancies between social and business staff, general staff distrust of business and profit)?

Since many portals have been established with a loyal readership used to receiving free content, there is a potential for backlash either at the sight of ad banners or at subscription charges. This backlash can often be addressed by effective communication, or if not, it may be a sign that this is not the way to generate revenue for your site. It is important to understand your core clients so as not to alienate them. If you do decide to charge for subscriptions, you might offer preferential rates to mission clientele.

6. Risk analysis and management

– What are the organizational resources (time, staff, facilities etc.) required by this venture? Often ventures that are dependent on content require the same staff as mission-related activities. Will launching the venture impose additional burdens on these staff or take them away from core mission activities?
– What are the opportunity costs of the self-financing venture? (This would be the costs of doing the venture instead of something else. How could you otherwise use the resources your self-financing venture will need? What opportunities are you giving up in order to pursue this venture?)

> Tamizdat example: "RPM is highly labor-intensive for key staff. Because our time and energy is so heavily invested in this project, we are less able to commit time to developing other projects."

– Are there any unusual risks associated with this business?

> Tamizdat example: "The most significant risk is that it is a significant commitment. If we determine that it's a bad idea, we will have wasted an incredible amount of time, energy, and money."

– Is your board supportive of this business?
– If the venture fails, what are the implications for your organization's finances, morale, and reputation?

> Tamizdat example: "Failure is a relative term. There are several ways this project could be scaled down, if we determine that it cannot grow to the levels we have projected. The most simple way would be to gradually scale down operations and transfer all day-to-day responsibilities to the European catalogue and product manager. By removing the job of the marketing and PR director, and by removing the cost of rent from the budget, nearly half the monthly budget would be cut. The implications of this would be that the project would continue, albeit in a scaled-down format. Financially, it would be much easier to sustain. Our reputation would be diminished, but still credible, and as for staff morale... I think [we] could handle it just fine!"

7. Summary

Does this venture still seem feasible? Does it appear likely that it will meet the financial and mission goals you identified earlier? Is it a good fit for your organization? Would you recommend putting more organizational resources into developing this venture? Explain.

– Before proceeding with the self-financing venture you decide on, list potential problem areas—weaknesses in your organization or in the venture itself that could limit your success in starting or maintaining it.

> Tamizdat example:
> "1. Cash flow: It is not clear that the revenues will be sufficient to cover the costs.
> 2. Planning: We are not experienced enough in business planning to have confidence in our projections."

– List the strengths of your organization that will be particularly helpful in this venture.

> Politika.lv summary:
> "The general conclusion is that a consultancy venture at this stage does appear feasible, provided the results of a more detailed market research are favorable to confirm/extend some of the assumptions and trends described in this study. It certainly appears feasible enough to invest more resources in getting additional information, on the basis of which to make the decision whether to go ahead with the venture."

At this point, the CSO should bring the decision makers together to discuss the results of the pre-feasibility study and honestly evaluate the feasibility of the venture. Often something will come up in the initial analysis that shows this venture will not meet your needs or is not viable. If so, there is no need to invest further resources in the venture. Go back to your list of potential ventures and choose another.

If, however, it still appears likely that the venture will meet your needs, the next steps are to take the study to a deeper level and finalize a feasibility study and eventually a business plan. These two stages take the same areas that were examined in the pre-feasibility study and analyze them in greater depth. It may be tempting to skip steps in the process, but time invested now is time saved later on and can help your organization avoid costly mistakes.

For further information on business planning, social enterprise development, or self-financing, contact NESsT at www.nesst.org.

About NESsT (www.nesst.org)

The Nonprofit Enterprise and Self-sustainability Team (NESsT) is an international organization that works to strengthen the financial independence of civil society organizations (CSOs)[3] devoted to systemic social change. NESsT believes that through self-financing[4] some CSOs can advance their missions and increase their long-term sustainability by generating their own, untied, resources to supplement support from external donors.

NESsT fulfills its mission through three distinct but interrelated lines of work: NESsT Furthering the Field, the NESsT Venture Fund, and NESsT Consulting. NESsT currently operates out of its regional offices in Santiago, Chile, and Budapest, Hungary, and a representational office located in San Francisco.

NESsT University

NESsT University promotes innovation, accountability, and leadership in the field of social enterprise through several programs: 1) the Social Enterprise Ethics Initiative (SEE INIT); 2) the NESsT Entrepreneurs-in-Residence (NESsTERs) program; 3) the Social Enterprise Workshop (SEW) Series; 4) the International Venture Philanthropy Forum; 5) the NESsT Social Enterprise Exchange Program (ISEE); 6) the NESsT Social Enterprise Curriculum; 7) the NESsT Publications Series; and 8) the International Venture Philanthropist Award.

NESsT Venture Fund

The NESsT Venture Fund (NVF) is the only philanthropic investment fund focused on emerging democracies. Launched in 2000, the Fund provides multi-year, tailored financial and technical support to social enterprises in Central Europe and Latin America. The NVF supports a portfolio of social enterprises at various stages of enterprise development, helping them to start up or expand. The NVF does this by providing rigorous enterprise development support, providing direct financial and capacity-building assistance, and leveraging other community resources to help incubate and mentor the social enterprises.

NESsT Consulting

NESsT offers a series of services adapted to the needs of its wide array of clients, among them CSOs, international organizations, foundations, and government agencies. NESsT is able to provide training and consultation on self-financing–related topics such as enterprise development or analysis in a range of delivery formats depending on the needs of the client, from workshops and one-on-one consultations to presentations and written reports.

About PROVIDUS

The Centre for Public Policy PROVIDUS is an independent policy institute working in the areas of rule of law and anti-corruption policy, good governance, criminal justice and education policy. PROVIDUS is continuing the work in these areas that was begun in 1992 by the Soros Foundation – Latvia. PROVIDUS also provides an institutional home to the public policy website www.politika.lv / www.policy.lv. PROVIDUS is a non-governmental, not-for-profit, non-partisan organization.

The public policy website politika.lv, on-line since July 2001, is the first and largest on-line public policy resource in Latvia, publishing policy studies, in-depth opinion articles and other relevant resources on such policy areas as the policy process, the rule of law/corruption, civil society, foreign affairs and European issues, human rights, social integration, education and information society. The website has a special section titled "the policy community" which offers information on public policy experts, institutions, sponsorship opportunities and hosts interactive debates. In addition to its regular topics, politika.lv has implemented two special projects: a European Special, undertaken prior to the EU referendum (in 2003), and an Elections Special, undertaken prior to the parliamentary elections in Latvia (2002).

PROVIDUS and politika.lv experts are available for consultancy services in the areas of good governance, education policy, criminal justice reform, including probation services and prison reform, political party finance monitoring and reform, anti-corruption policy, e-democracy and the use of on-and-off-line tools to achieve policy change.

[3] NESsT uses the term civil society organization (CSO) to refer to the wide diversity of not-for-profit, non-state organizations as well as community-based associations and groups which fall outside the sphere of the government and business sectors.

[4] NESsT uses the term "self-financing" to refer to the diverse strategies used by CSOs to generate their own resources including: fees for services, product sales; use of "soft" assets (e.g., licensing agreements, patents, copyrights); use of "hard" assets (e.g. rental of equipment or real estate); investment dividends.