

5 For Profit Business Practices Your Nonprofit Should Adopt

The Importance of Treating Your Nonprofit Like a Business

How ROI, Customer Service, and Profit Can Help Your Charity

By [Marc Koenig, Nonprofit Hub](#)

While it might not look like it to those inside nonprofit organizations, at the end of the day, your nonprofit organization is a business.

That statement might make you a little uneasy. If you're a lifetime member of the nonprofit sector or switched over after experiencing the corporate lifestyle, you might even be a little bit appalled.

Whether you're [starting a nonprofit](#) or you're thinking through the way yours runs, it's important to understand this for two reasons:

1. Often, it pays to think like a business. If you think of nonprofits as exceptions to the rules that allow businesses to succeed, realizing your vision becomes harder.
2. If you don't realize that most nonprofits' autopilot tendency is to behave like a business, you won't know when it's important to reject the big business worldview.

The Definition of a Business: Creating Value

No business can exist (for long) if it fails to create value for others, and convinces its customers that the business can make their lives better and more meaningful.

Both businesses and nonprofits *exist to solve problems and create value*.

Picture the last time you spend money on something. It could be your Netflix subscription, a fancy meal, your insurance bill or even glossy prints of your child. A business created all of these things, and you purchased them because they add value to your life.

Donating to a nonprofit works in the exact same way.

The biggest difference is just the form the value provided takes. Instead of products and services, donors buy the more complex feeling of making a difference. In many ways, this makes fundraising an even tougher gig than traditional sales. It's much harder to point at "mission success" than "number of widgets shipped."

5 Things All (Successful) Businesses Have – and Great Nonprofits Share

So nonprofits are more like businesses than not. What does a successful business look like?

I'd make up a list of characteristics, but [Josh Kaufman's Personal MBA definition](#) is so good, I'll just reference it instead. Kaufman states "a business is a repeatable process that:

1. Creates and delivers something of value...
2. That other people need or want...
3. At a price they're willing to pay...
4. In a way that satisfies the customer's needs and expectations...
5. So that the business brings in enough profit for it to be worthwhile for the owners to continue operation."

If you break down each of the factors above, it will change the way you look at running your nonprofit organization.

1. **Create and Deliver Something of Value**

The [American Red Cross](#) distributes aid to those in need. [Habitat for Humanity](#) builds homes. [MilkWorks](#), a nonprofit in my hometown, provides educational sessions on breastfeeding.

For your nonprofit to be sustainable, *find a need or a problem and work to solve it.*

This is the first law of startups and new businesses. Yet many nonprofits either neglect to identify a problem that needs to be solved, or identify one that's a poor match for their available resources. Either way, you're in trouble.

Avoid thinking too narrowly about how to provide value. One of our strongest desires is the desire for meaning. Donating may add value to your life for a variety of reasons: because giving is a social signal; maybe it bolsters the donor's self-conception; or donors feel connected to something that matters. All of these deliver some kind of value.

Questions to consider:

- Have I first identified a problem or need?
- Do our programs make other people's lives richer?
- Does the way we communicate make our donors feel valued?

2. **Something that Other People Need or Want**

It's not enough to create something that's valuable *if no one needs or wants it.*

Too many businesses create dud products that no one actually ends up paying for. Don't let the same thing happen to your nonprofit.

When you're designing a program, who is it for? Who will be happy to pay for it?

Just because it's important to you doesn't mean it will be to the rest of the world.

Involve key donors in your nonprofit decisions by consulting with them and figuring out what they're passionate about. Send a survey to your constituents. Create the smallest viable prototype of your event or program to test if it works before devoting all your resources to it.

No matter how excited you are by an idea, the market always wins. For big business and nonprofits both.

3. **At a Price People Are Willing to Pay**

One of the best lessons I've learned from entrepreneur Seth Godin: If someone is willing to pay \$4 for a latte, that latte is actually worth \$5 to that person.

We buy something because we think it's a deal. If getting a latte right now is worth \$5 of joy to me, I am thrilled to pay \$4 for it. If your business gets back \$2 for every dollar you put into advertising, you'll spend to infinity, because it will always be worth it.

People only give \$100 dollars to your charity if giving it is worth more than \$100. If the donor believes that money given to someone else can create \$1000 dollars of impact and you will only create \$500, you will (rightly) lose that donation.

Show donors their money creates more value with you than it would if it were given elsewhere, lingered in their bank account or was spent on a delicious latte.

"\$35 dollars to remove a child's cataracts and change their life." Put that in front of someone who believes that *they* can transform a child's life forever and that doing so is more valuable than being able to drink seven lattes, and you've got a donation. That donor is willing to pay because of the incredible return on investment he or she receives.

Can you create that much value? Can you make the money a donor gives you an amazing deal for the impact you create?

4. **Satisfy the Customer's Needs and Expectations**

Creating amazing value for your donors in a way they value is just your promise. Step four is keeping your promise.

Fundraising researcher [Adrian Sargeant notes that customer satisfaction](#) isn't about never having problems. In fact, resolving a complaint well makes customers *more* satisfied than those who have no complaints!

This reveals a profound truth: *Satisfaction is measured by how well you stack up to the expectations your donors have.*

If you promise great things and then deliver amazing things, your donors will be highly satisfied. The corollary: if you promise amazing things and deliver mere greatness, they will be disappointed.

Once you've set the expectations, you need to deliver (or preferably, overdeliver) on them, and then communicate that.

Make the real experience of being involved with your nonprofit consistent with the promises of your nonprofit makes. Then, deliver beyond that expectation.

5. **Bring in Enough Profit to Make it Worth Continuing**

The most misleading thing about the label "nonprofit" is the way it minimizes the importance of making money.

Just like a for-profit, if you don't have any resources, you have a hard time achieving anything. You can't pay employees (so they leave), you can't create good programs (so you stop creating value and solving problems) and you won't be able to fundraise effectively (further limiting your resources).

In the digital world, cutting costs is more viable than ever. You can be a truly lean operation. Use Google Docs for project management. Use Skype to work remotely and save on facilities. Use online tools to collect donations. Blog and email to save on direct mail.

But, eventually, there is a limit to being frugal: you can only cut so many costs, *but there is no limit to raising more money.*

Nonprofit and for-profits both need profit. What's different is the definition of "enough" profit.

If you don't make enough profit that you can continue creating value and living up to your mission, operating cheaply doesn't solve anything.

This is the [difference between being a cheap nonprofit and a frugal nonprofit](#). Instead of only cutting costs, a frugal nonprofit spends extravagantly on the things that will improve its organization long term.

Value your fundraisers. Create an expectation of contribution and evangelism among your board. Measure the value of a new event or fundraising initiative in terms of the return it brings. Invest in a good website, marketing and giving your staff the tools they need to succeed.

The "Business" of Changing Lives

Your nonprofit is (in most ways) a business. That doesn't mean embracing a factory-mindset or the relentless pursuit of profit.

But it does mean creating something of value. It means changing lives and creating impact. And it means investing enough in yourself that your organization can continue to make the world a better, more astonishing place to live.

[Marc Koenig](#) is a digital marketer and nonprofit storyteller. He's Senior Editor at Nonprofit Hub, a website dedicated to helping nonprofits do remarkable work.