

How to Analyze Your Nonprofit's Activities for Strategic Decision Making

Step 1. List Activities. List the activities on which you spend time and money including:

- Fundraising events, appeals, etc.
- Programs
- Membership programs
- Volunteer programs, etc.

Step 2. Identify True Costs. Determine the *true* cost of each, including direct, shared, and administrative costs for each activity – be thorough. When you consider all of the costs, you may be surprised to discover that a program costs much more and/or a fundraiser nets much less than realized. Once you have determined all of the direct, shared, and administrative costs of each activity, add them together to get a full cost.

Step 3. Allocate Revenue. Assign revenue for each program and/or activity; be honest. Sometimes you will allocate revenue to programs that use the funding – e.g. grants, directed, and other restricted revenue. Sometimes you may want to assign revenue to the activities that generate the funds – e.g. donor appeals, events. You choose based on what you are measuring.

Step 4. Determine Impact. Determine the impact of each activity – yes, including fundraisers. *Nonprofit Sustainability* includes criteria for determining impact, including how well each activity aligns with your mission, as well as quantitative and qualitative criteria. You may determine your own as well, but don't make it complicated and use too many. You will apply all of the criteria you choose to all of your activities.

Step 5. Scoring. Create a scoring mechanism to score how well the activity you are measuring meets the criteria. Choose a range of number from high to low. Use any summary evaluation data you have or routinely collect to help determine an accurate score.

Step 6. Compare Results. You may simply list the cost, profit, and impact scores in a chart or *Nonprofit Sustainability* demonstrates the creation of a graph for a visual graphic. Then, compare the results of each activity relative to each other activity.

- You will easily identify which activities have the highest impact and profitability – those that received high impact scores, low costs, and high revenues. These are winners and warrant time, attention, and resources.
- Others will have high impact, but high costs and possibly low revenues. These might be programs and that's ok. As part of your strategic plan, consider ways to maintain impact, lower costs and increase revenues if possible.

- Others may have low impact, even low costs, but high revenues. These are probably fundraisers, and they may well be subsidizing other programs. There are many ways to improve the impact of fundraisers to raise programming awareness, recruit volunteers, and/or leverage additional support.
- Others still, may have both low impact and low profitability (high costs, low revenue). These activities *may* be dragging down your organization by using too many resources and alas, not having much impact. Those resources, less shared and administrative costs, may be better useful in growing or adding another program. Consider eliminating them, partnering with another organization, and/or turning the activity over to another nonprofit. These are difficult decisions, especially for beloved and/or founding programs or signature fundraisers.

Step 7. Make Decisions. Incorporating a thoughtful analysis process of existing activities into your strategic planning is worth the time. Making decisions based on information, not just feelings, emotional connection, or personal favorites allows for meaningful conversations among organizational managers and the board, and tactical planning that will result in more impact on constituents. Decisions made through this process can be justified to stakeholders in a concrete manner and information can be used to measure the potential of new programs and fundraising opportunities presented to you or being considered. Sage can facilitate this process for your organization as a stand-alone endeavor or as part of your strategic planning and we have tools to assist you. We can give an outside objective viewpoint and help you apply this in-depth analysis.