

PERSPECTIVES ON BUILDING FUNDING MODELS TO SUPPORT ORGANIZATIONAL SCALE

Over the past seven years, the Bridgespan Group has done strategic planning work with over 100 nonprofit organizations across a range of domains. The majority of these organizations have aspired to increase the size of their operations in order to increase their impact. Not surprisingly, securing the needed funds has been one of the major challenges to success. From our work with these organizations and from related research projects, we have developed several points of view that we look forward to discussing:

- Increasing organizational scale only increases impact if the programs being expanded have impact and that such impact can be sustained at an increased size.
- Much of the conventional wisdom about funding can be misleading – diversification is not always good; government funding is not disappearing; mergers and acquisitions can be viable nonprofit tools; and earned-income ventures rarely succeed if they are not part of a nonprofit’s mission-related activities.
- The larger the amount of money that a nonprofit aspires to raise, the more strategic it must be, and the more informative data and benchmarking become (i.e. there are many ways to raise \$1M per year and very few ways to raise \$50M).
- Opportunities to develop “sustainable funding” models that support scale do exist but are not available to all nonprofits and are not equally distributed across domains and causes.
- Options for funding models will vary based on the mission and beneficiaries of the nonprofit – different types of funders have preexisting areas of interest or concern that are hard to change (i.e., there are a limited set of “natural matches”).
- A sustainable model is one that has a high percent of ongoing funds from reliable sources supporting the core work, as contrasted with one-time support or support that is restricted to peripheral activities.
- Core ongoing funding (i.e., revenue) must be thought of distinctly from time-limited grant support (i.e., investment) for an organization to build a coherent funding model.
- Nonprofits must build robust organizations and capabilities and may sometimes need to refine their programs in order to implement a funding model. It is hard for nonprofits to execute on multiple models simultaneously.
- Understanding the current and potential funding models of nonprofits is just as important to the impact of philanthropists as it is to that of the nonprofits themselves.

To learn more about The Bridgespan Group’s related research, read “Should Nonprofits Seek Profits?” by William Foster and Jeff Bradach (*Harvard Business Review*, 2005); “How Nonprofits Get Really Big,” by William Foster (*Stanford Social Innovation Review*, 2007); “In Search of Sustainable Funding,” by William Foster (*Nonprofit Quarterly*, 2007); and “Money to Grow On,” by William Foster (*Stanford Social Innovation Review*, 2008).

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William Foster, a Partner at The Bridgespan Group, joined the Boston office in 2002. He leads Bridgespan's work with many nonprofits and national networks in planning major expansions, reorganizations, and merger strategies. William helps funders develop effective approaches to grant making, and identify high-potential grantees. He has also partnered with funders and nonprofits to develop plans needed for large-scale growth capital campaigns. William guides much of the firm's research on issues related to nonprofit finance and capital, publishing and speaking worldwide.

Prior to joining Bridgespan, William worked at Bain & Company. His MBA is from Stanford University's Graduate School of Business, where he was an Arjay Miller Scholar.