

The Model:

Mission

Money

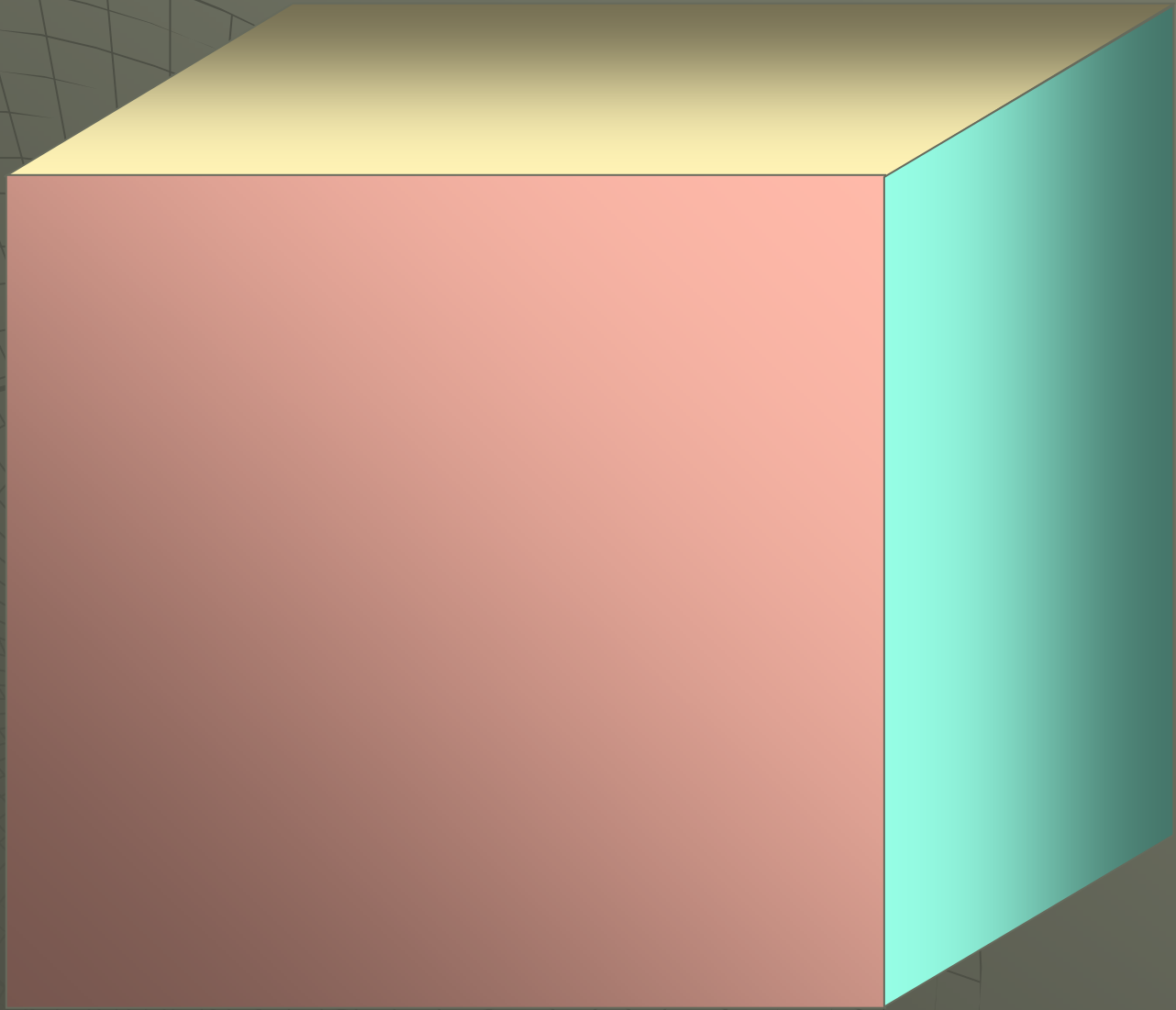
Merit

**Managing the
Nonprofit Portfolio:
A multi-dimensional
framework for
decision-making**

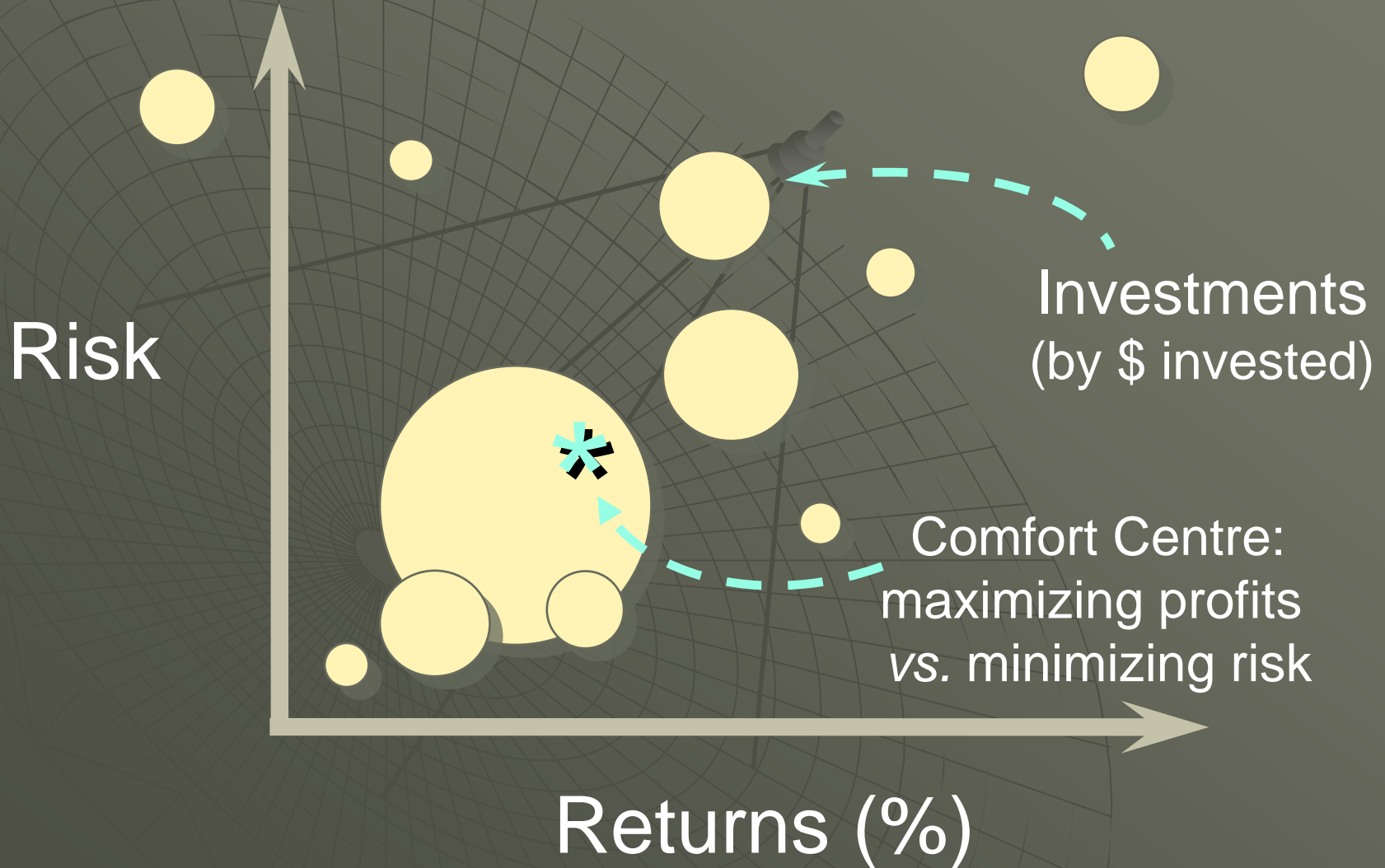
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Vancouver, Canada
kersti.krug@ubc.ca

NCNE CONFERENCE
Arlington, VA
September 27, 2007

The Cubic Portfolio: Tracking its Development



The Early Years: Investment portfolios in the for-profit sector

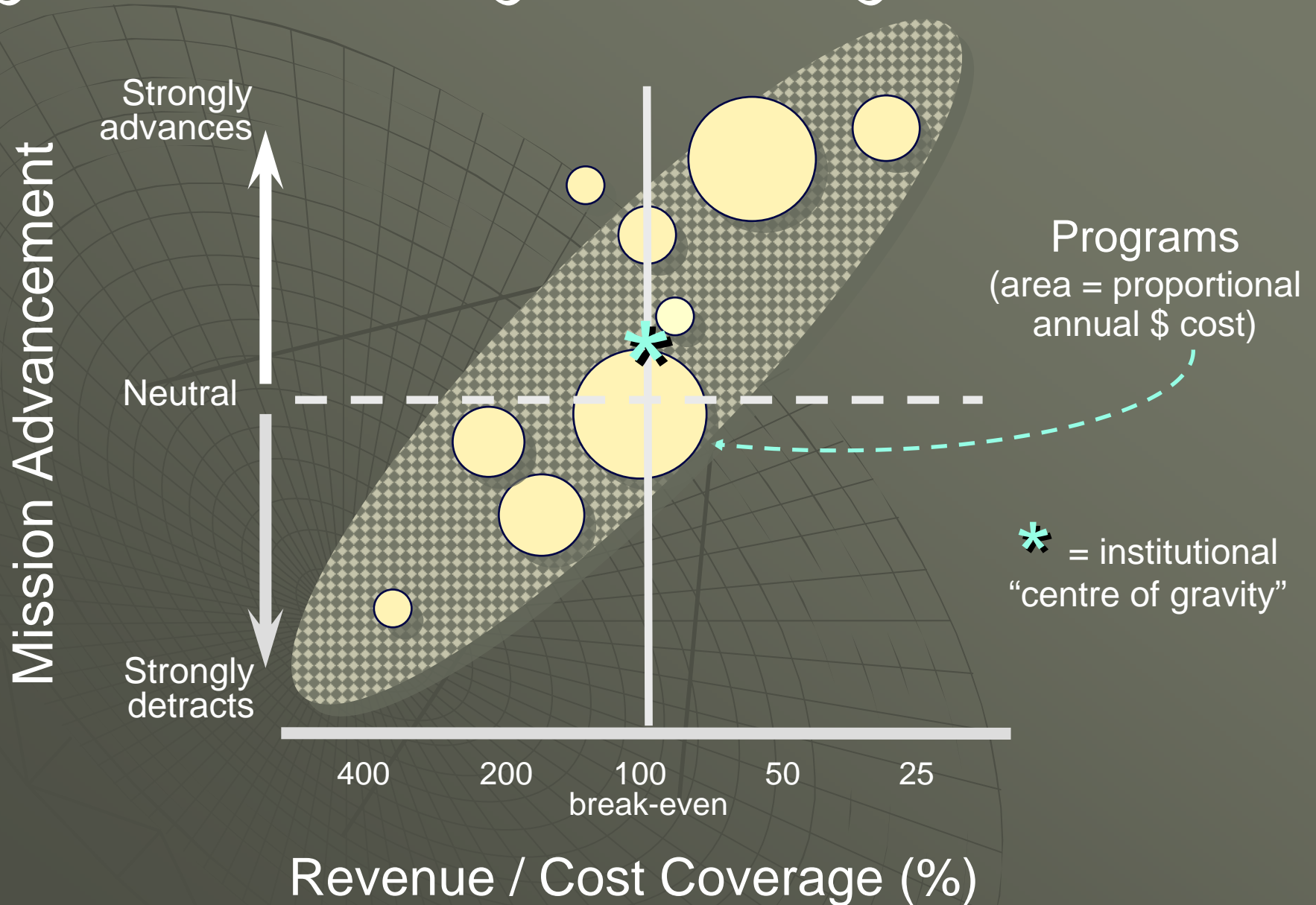


Transition to Nonprofit Marketing

Christopher H Lovelock
& Charles B. Weinberg

1980 *Public and Nonprofit Marketing,*
New York, John Wiley & Sons.

e.g., "Portfolio Analysis for a Large Museum"

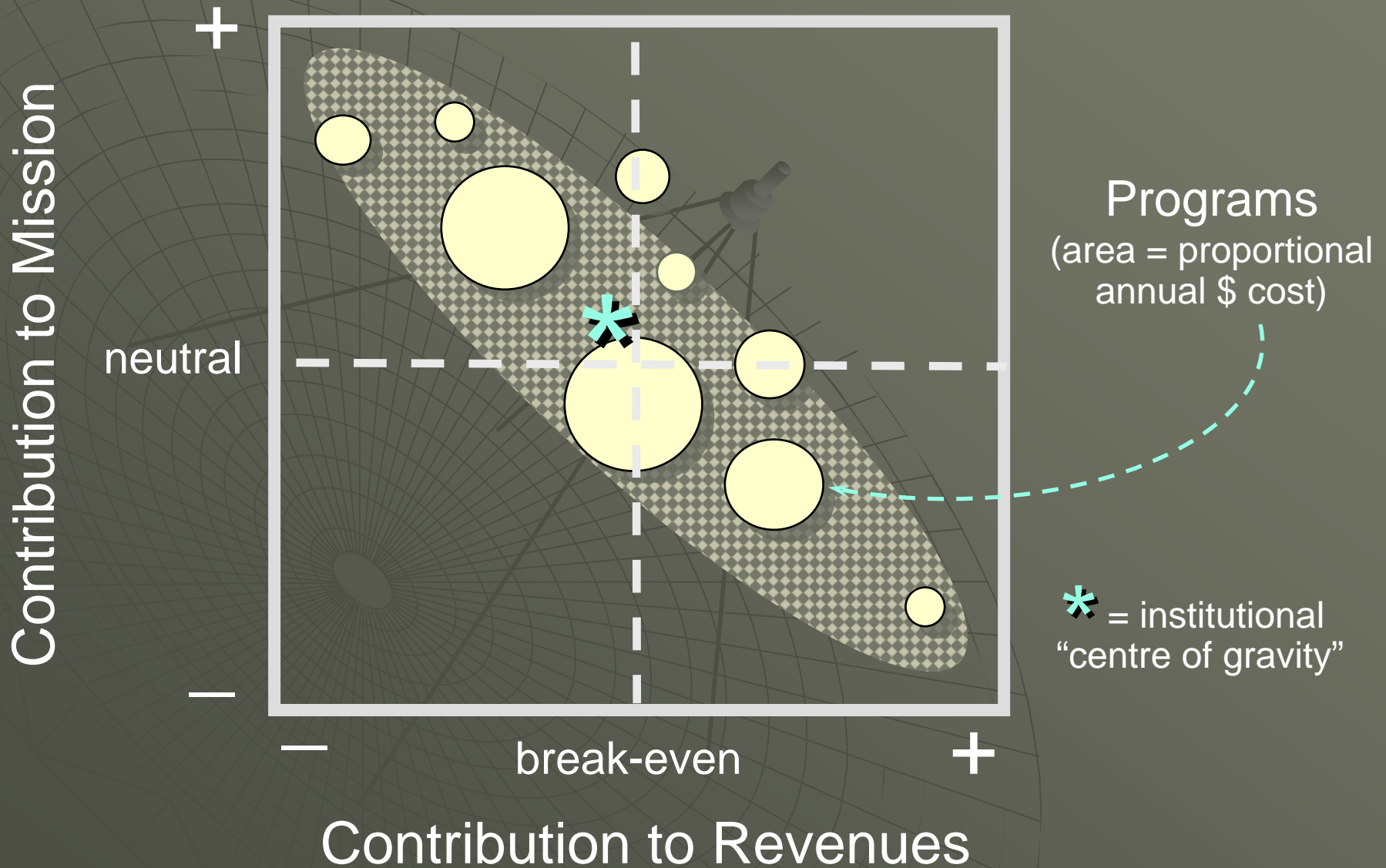


Transition to Museums

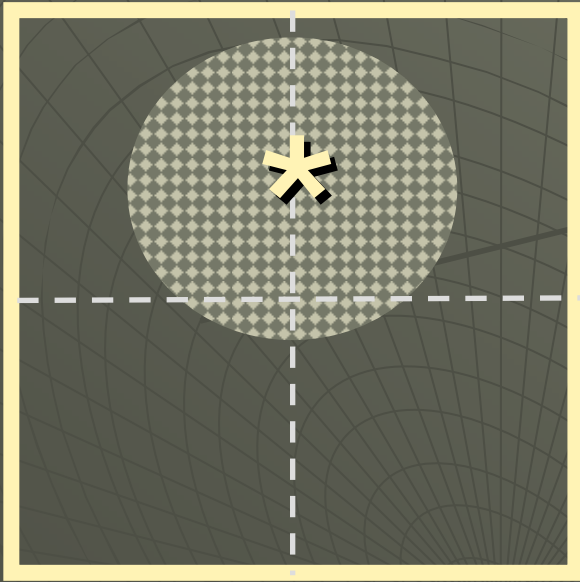
Kersti Krug

1992 “Profit or Prostitution:
Portfolio Analysis for
Museum Marketing,”
MPR News (ICOM Bulletin),
Vol. 2, No. 2, pp. 213-216.

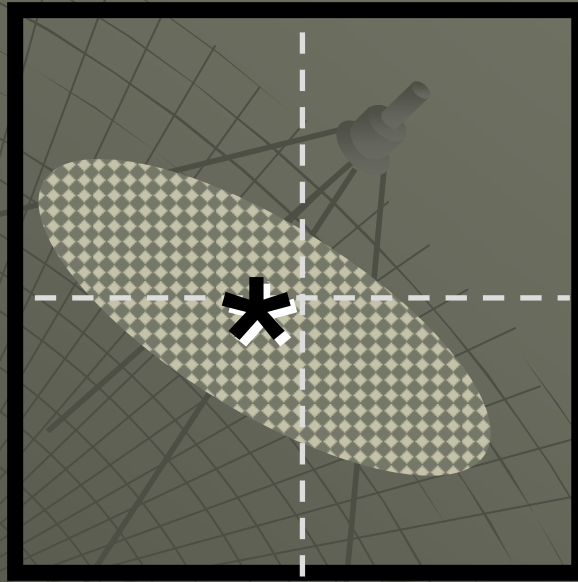
e.g., Canadian Museum Portfolios



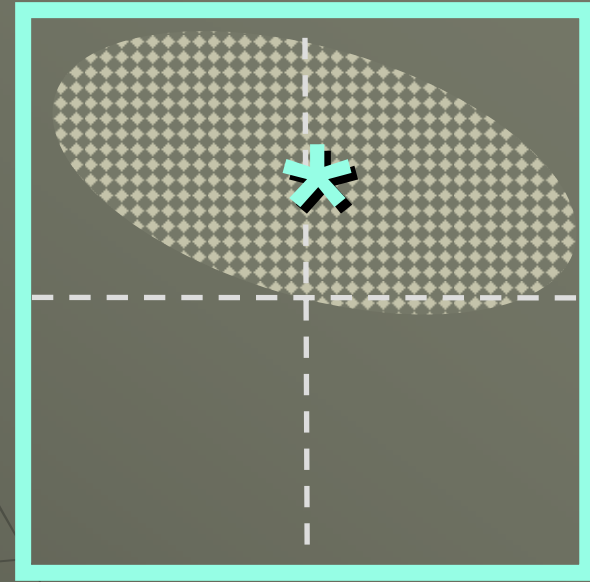
A History of Hypothetical Museum Portfolios



Those Golden
Years



The Dirty
Eighties



Strategic
Futures

Transition to the Multi-Dimensional Model

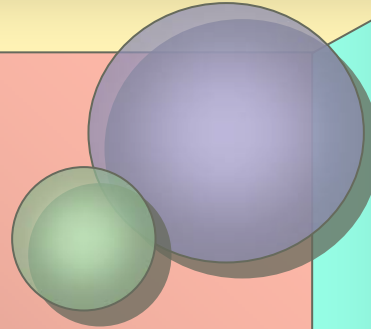
Kersti Krug and
Charles B. Weinberg

2004 "Mission, Money, and Merit:
Strategic Decision Making
by Nonprofit Managers,"
*Nonprofit Management and
Leadership*, Vol. 14, No. 3,
pp. 325-342.

From 2 to 3 Dimensions

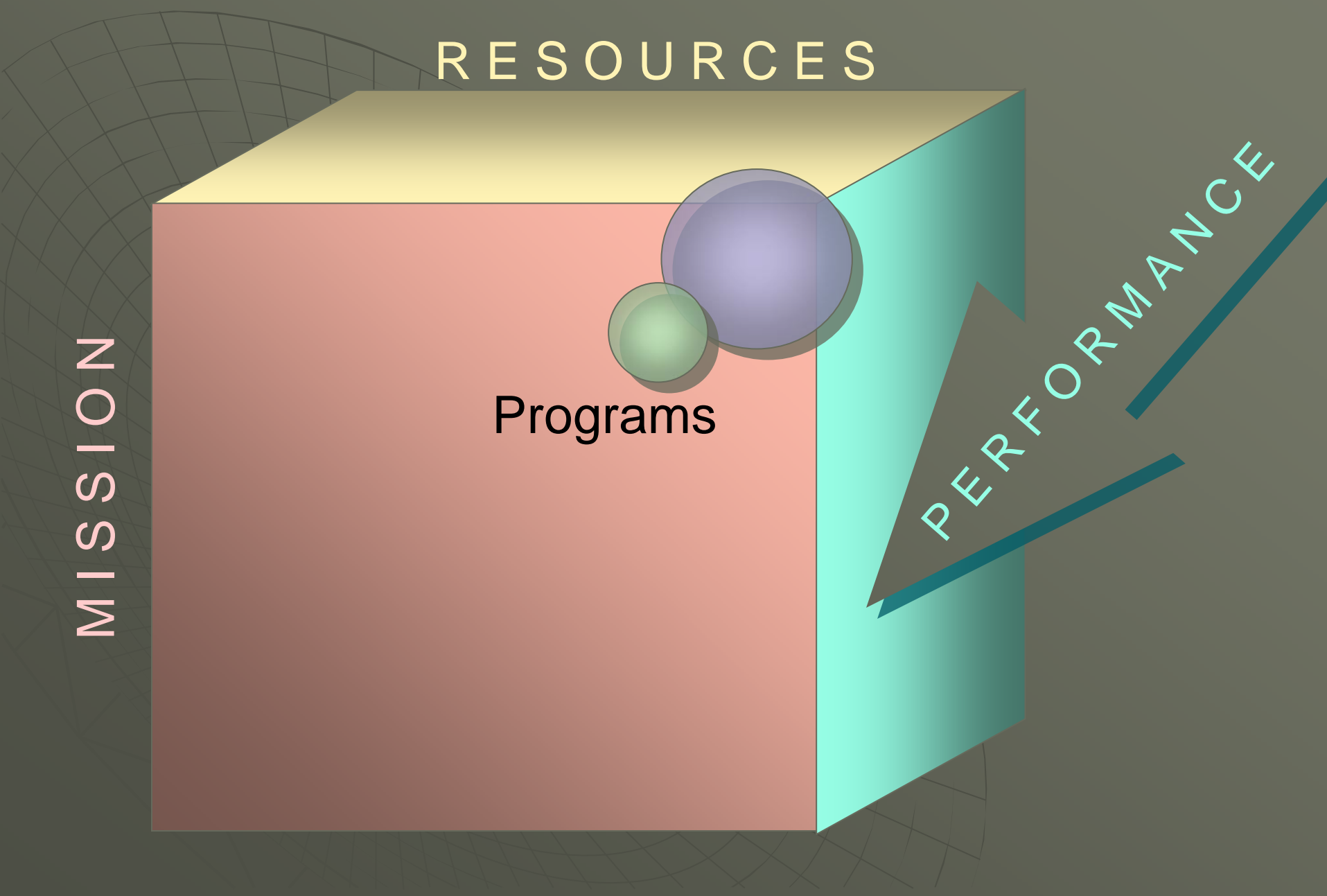
RESOURCES

MISSION



Programs

PERFORMANCE



Asking the Underlying Questions

MISSION: Are we doing
the right things?

RESOURCES: Are we doing things
right economically?

PERFORMANCE: Are we doing things
right qualitatively?

The Point of Which Is?

To ask better questions about our programs

- What programs are in our portfolio?
- How does each program advance our mission?
- How much does each program cost? How much does each bring in?
- How good are we at performing each program?
- On what program(s) should we focus attention?
- What should we cut? What should we add? What should we change?
- What do we as individuals know, and how can we contribute toward decision-making?

The New Cube

MONEY

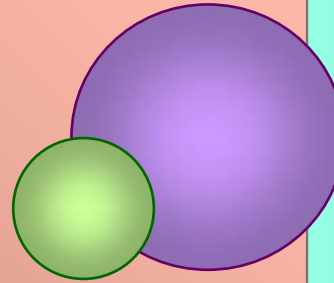
Are we doing things right economically?

MISSION

Are we doing the right things ?

Programs

What specific things are we doing? How much does each program cost? How does each one contribute to our fundamental criteria for success and sustainability?



Are we doing things right qualitatively?

MERIT

Programs: The Building Blocks

e.g., for a hypothetical medium or large museum

Size of circle denotes total cost of program or activity

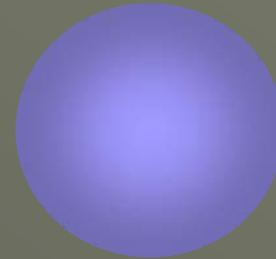


Calculating Program Cost

e.g.,



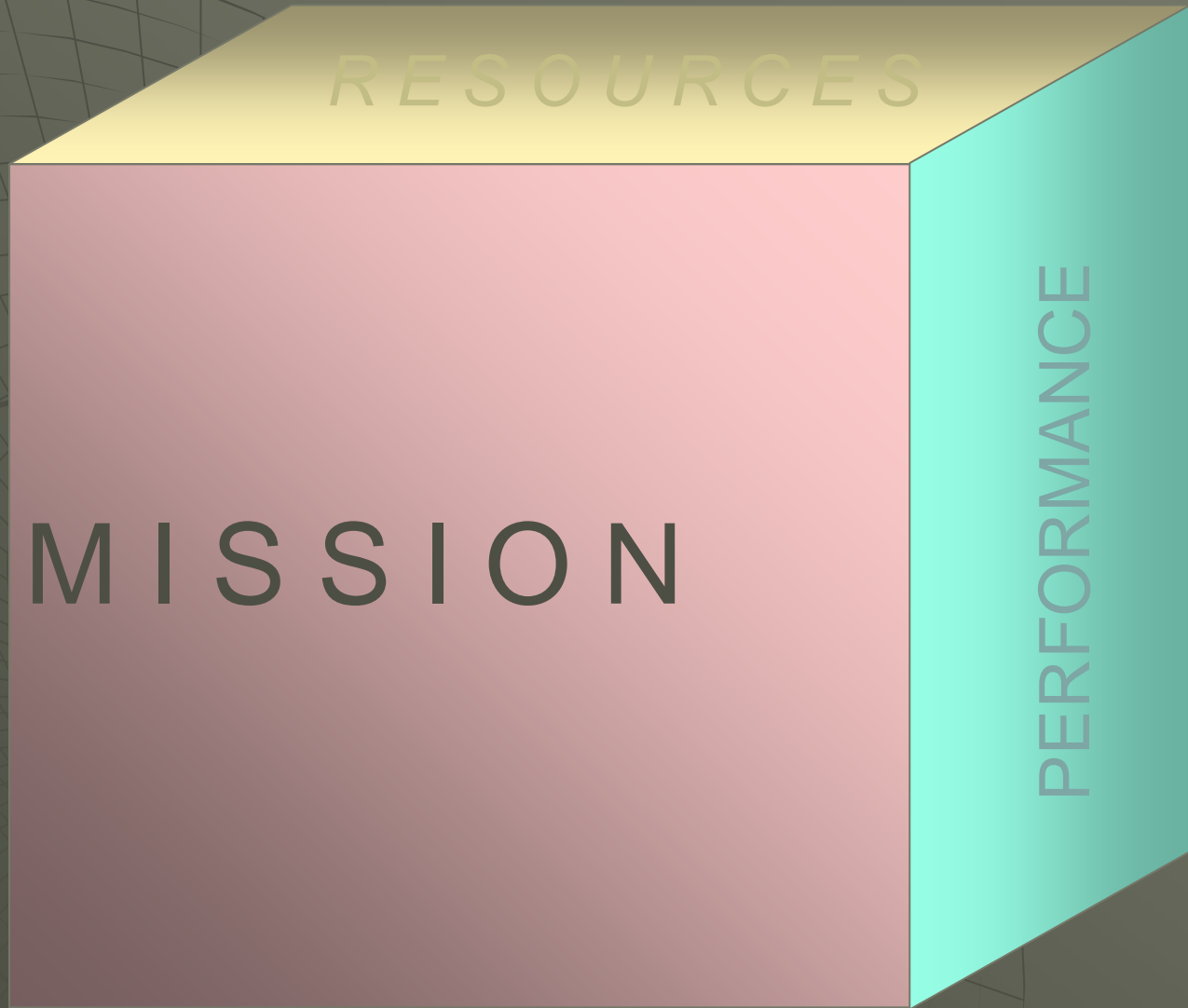
Administration



Special exhibitions

| | | |
|-----------|-----------------------|-----------|
| \$ 80,000 | Staff Salaries | \$ 80,000 |
| 5,000 | Contracts | 40,000 |
| - | Advertising | 30,000 |
| 1,000 | Materials / Supplies | 20,000 |
| - | Security | 4,000 |
| 4,000 | Other | 6,000 |
| <hr/> | | <hr/> |
| \$ 90,000 | TOTAL COST OF PROGRAM | \$180,000 |

The First Side of the Cube



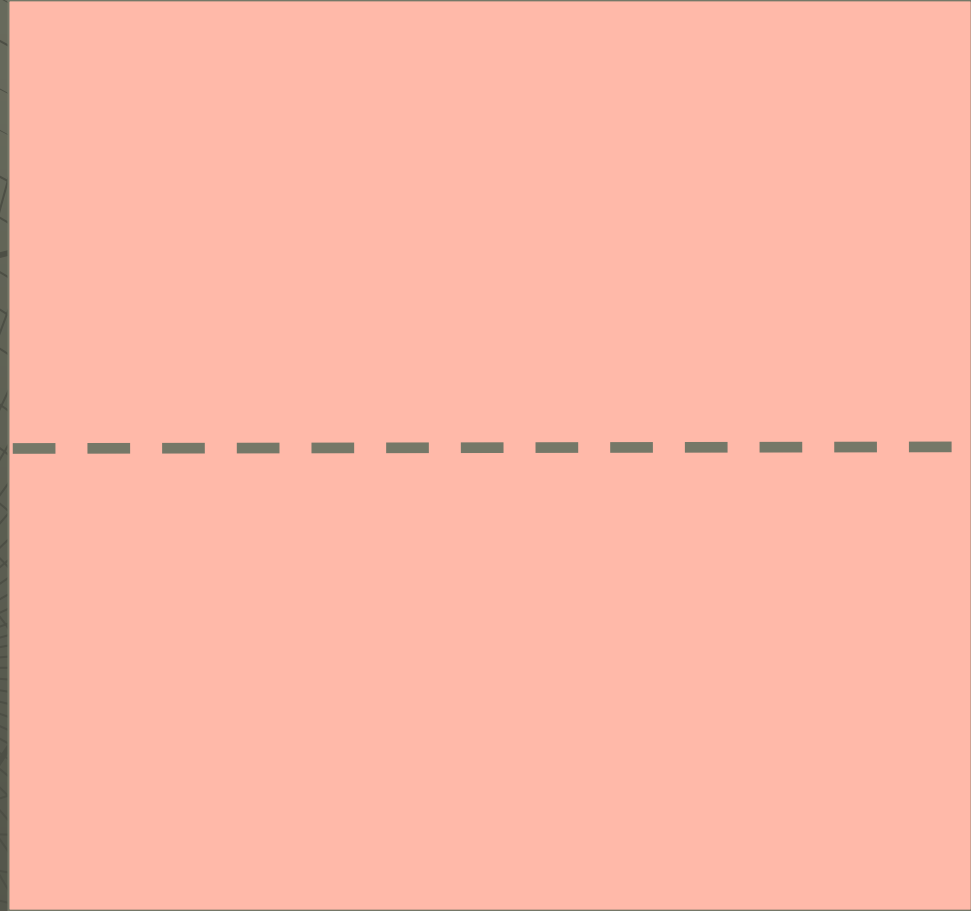
Dimension 1: Organizational Mission

CONTRIBUTION TO MISSION

Positive

Neutral

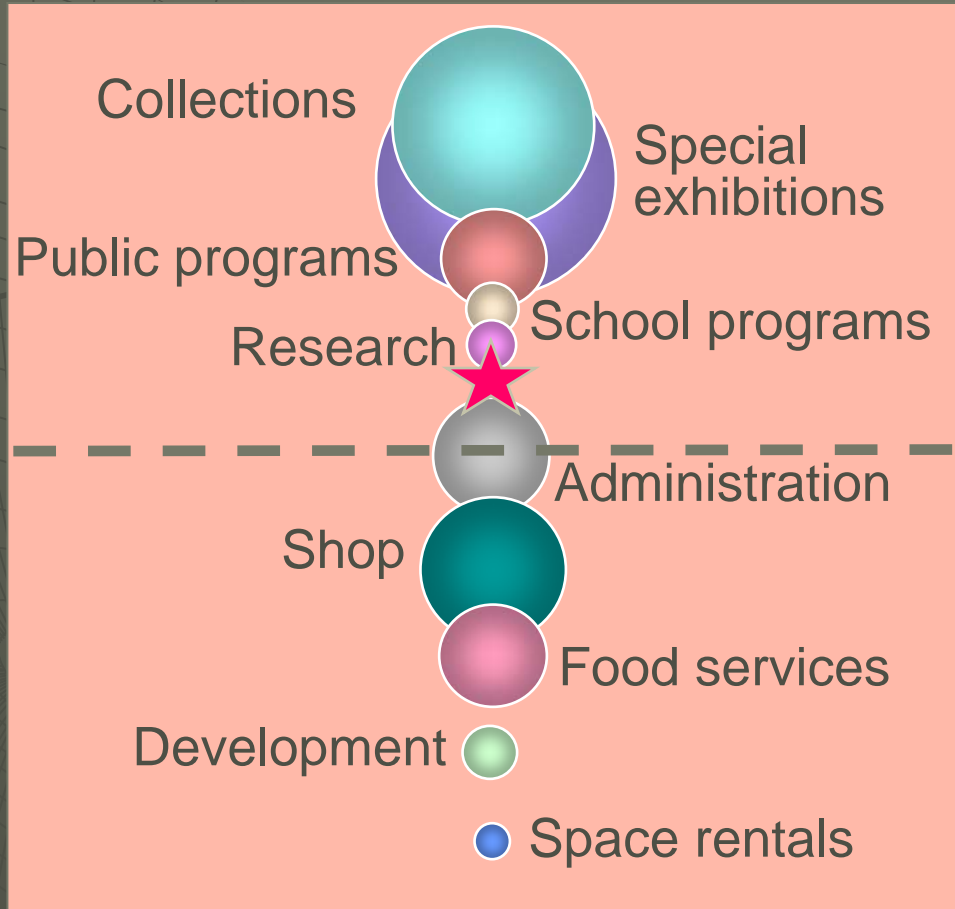
Negative



Plotting Programs on the Mission Axis

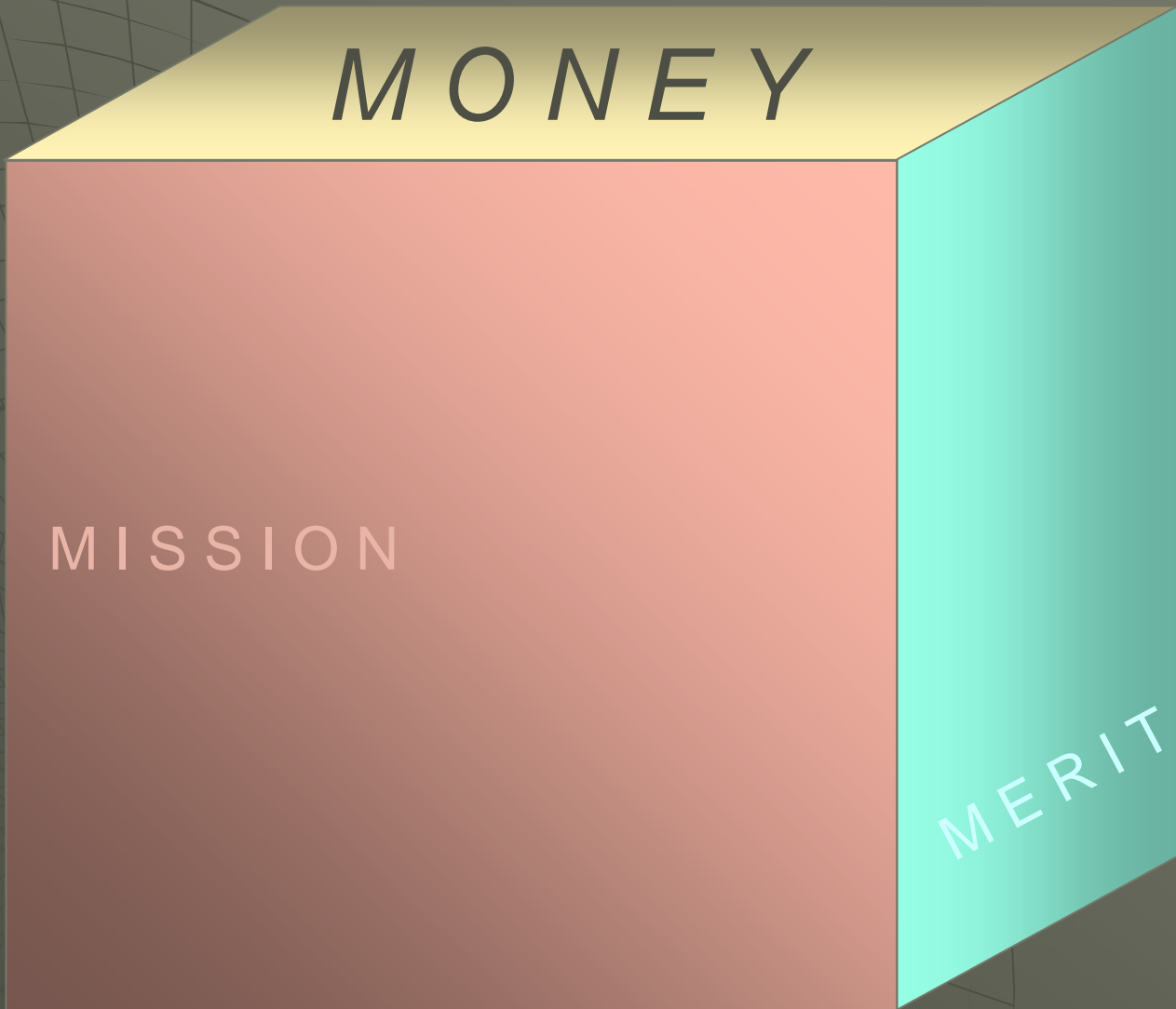
CONTRIBUTION TO MISSION

Positive

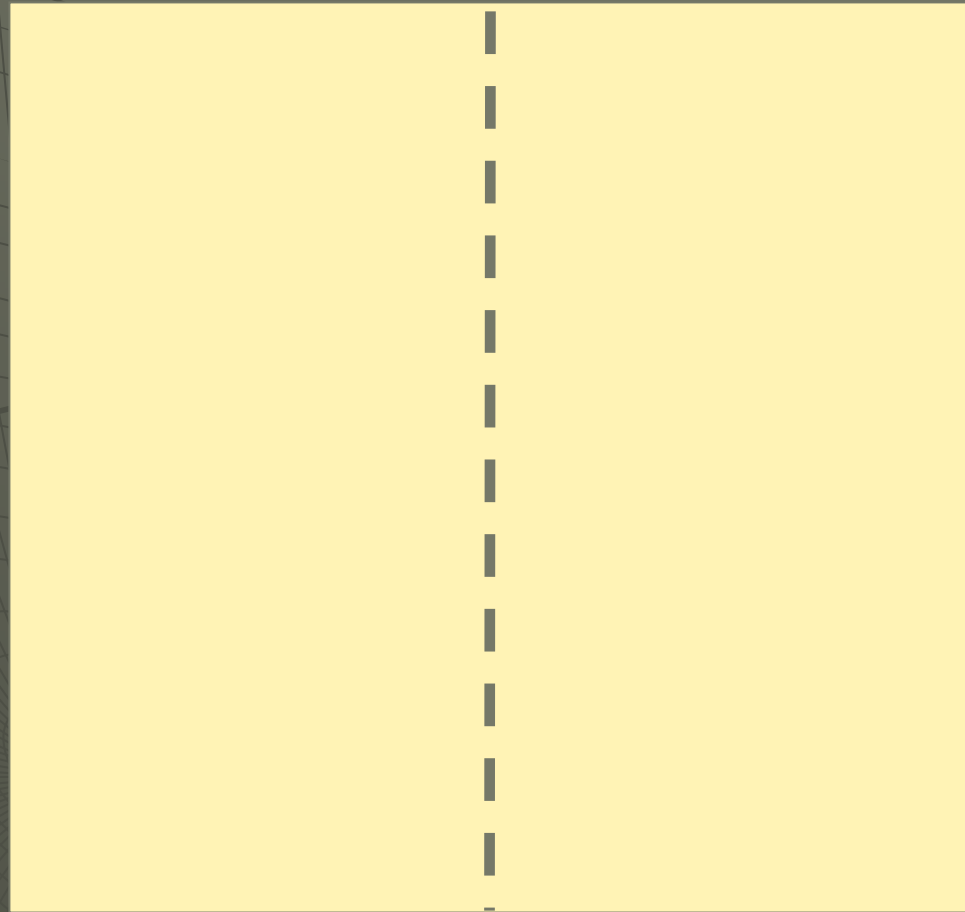


★ Denotes
CENTRE
OF GRAVITY for
the contribution of
programs to the
museum's
mission

The Second Side of the Cube



Dimension 2: Money



Deficit

Break-even

Surplus

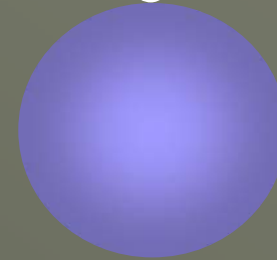
REVENUE / COST COVERAGE

Calculating Revenue / Cost Coverage



Administration

e.g.,



Special exhibitions

\$ 80,000
5,000
-
1,000
-
4,000

\$ 90,000

\$ -
-
-

\$ 0

(\$ 90,000)

COSTS

Staff salaries
Contracts
Advertising
Materials / Supplies
Security
Other

Total Costs

REVENUES

Government grants
Gate receipts
Sponsorships

Total Revenues

\$ 80,000
40,000
30,000
20,000
4,000
6,000

\$180,000

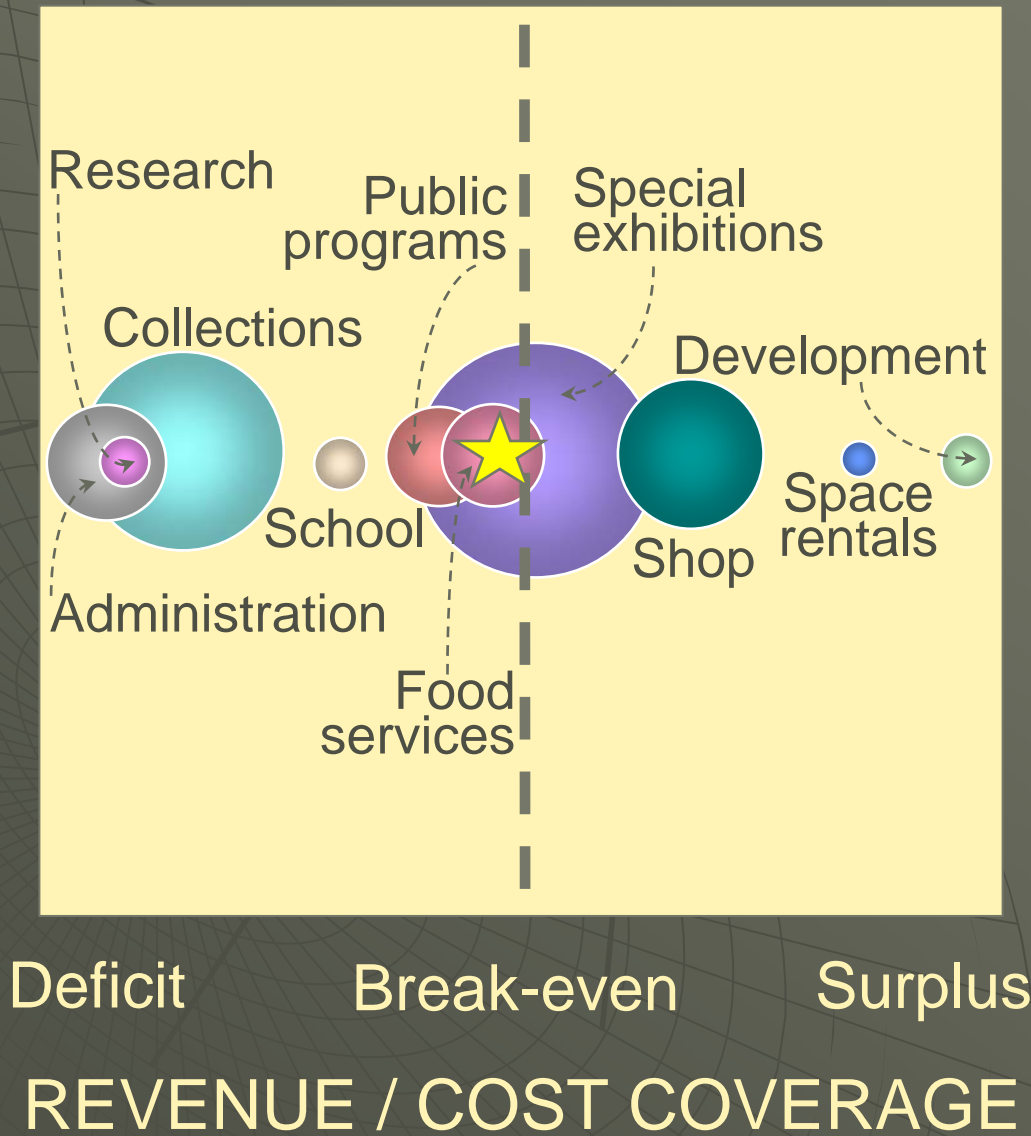
\$ 90,000
30,000
70,000

\$190,000

REVENUE / COST COVERAGE

\$ 10,000

Plotting Programs on the Money Axis



★ Denotes
CENTRE
OF GRAVITY
for contribution of
programs to the
museum's
"bottom line"

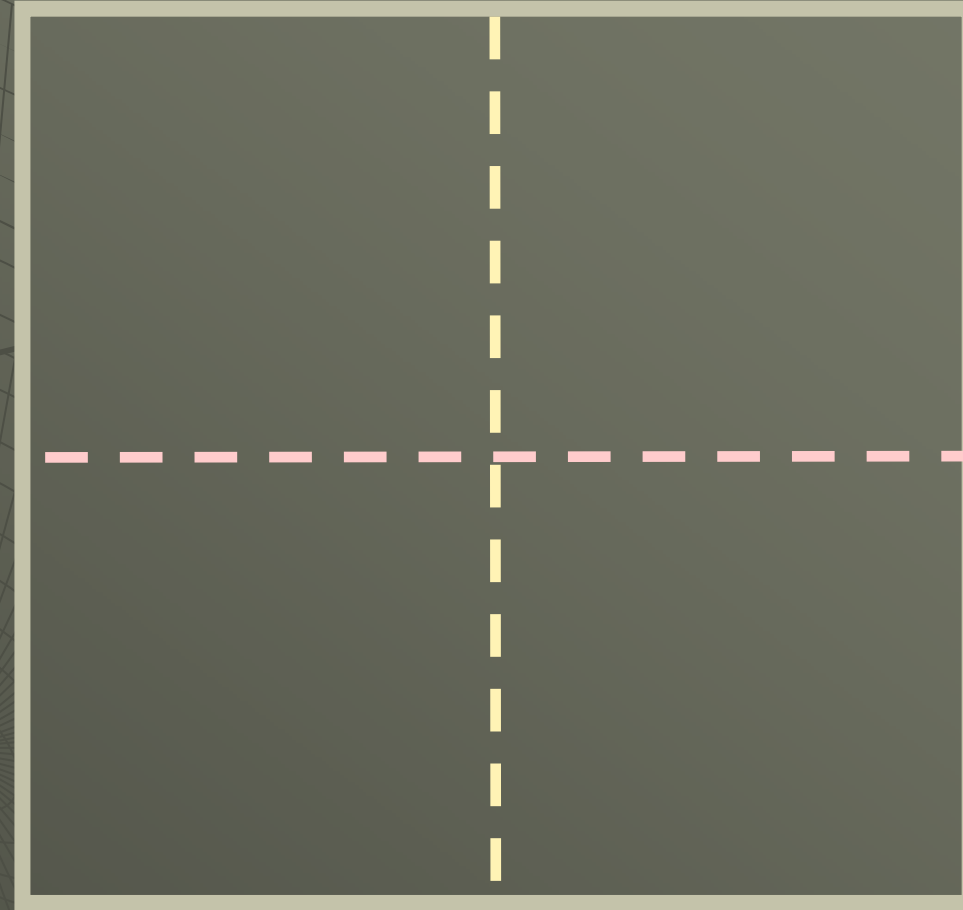
The Mission / Money Matrix

CONTRIBUTION TO MISSION

Positive

Neutral

Negative



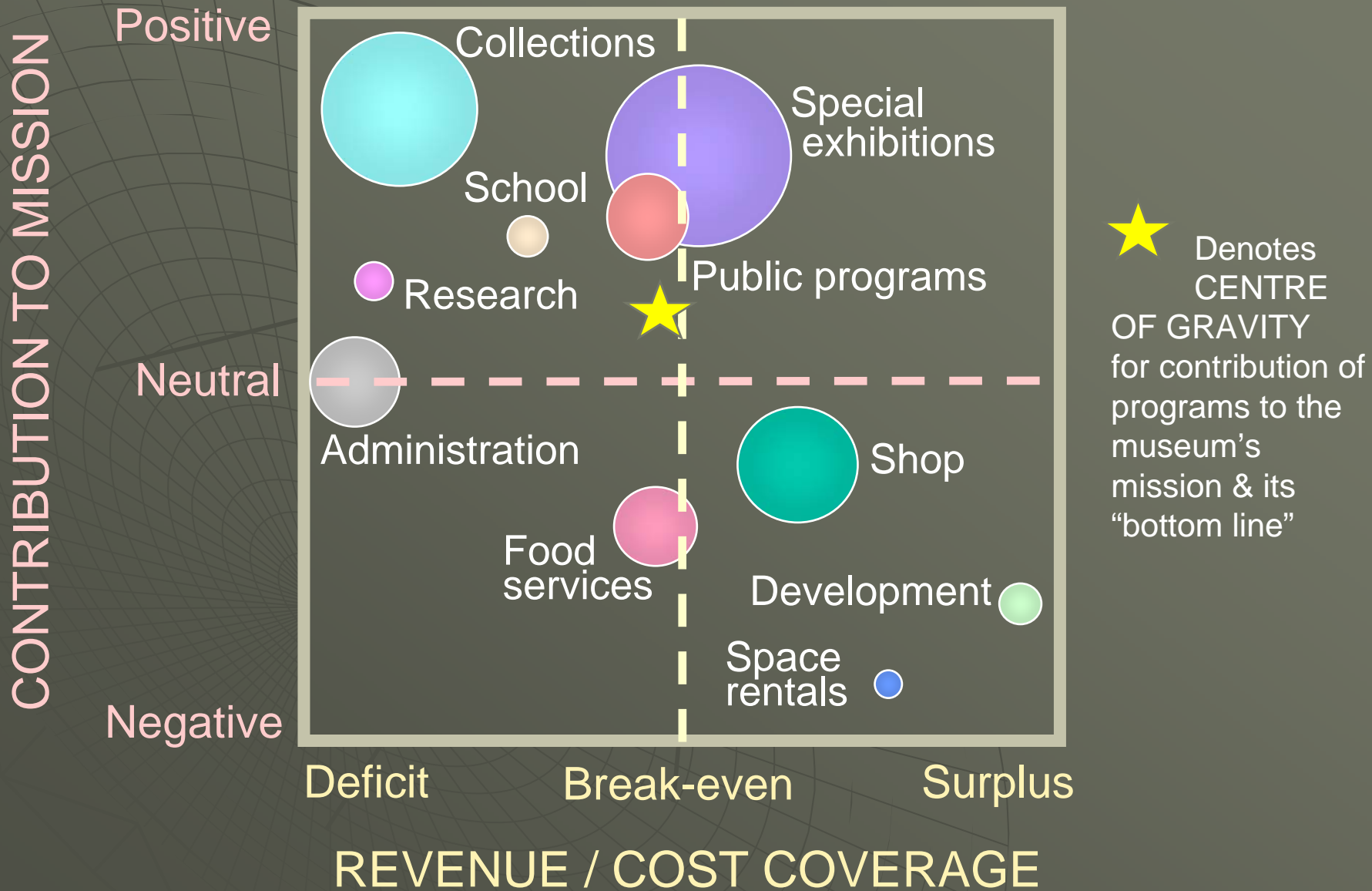
Deficit

Break-even

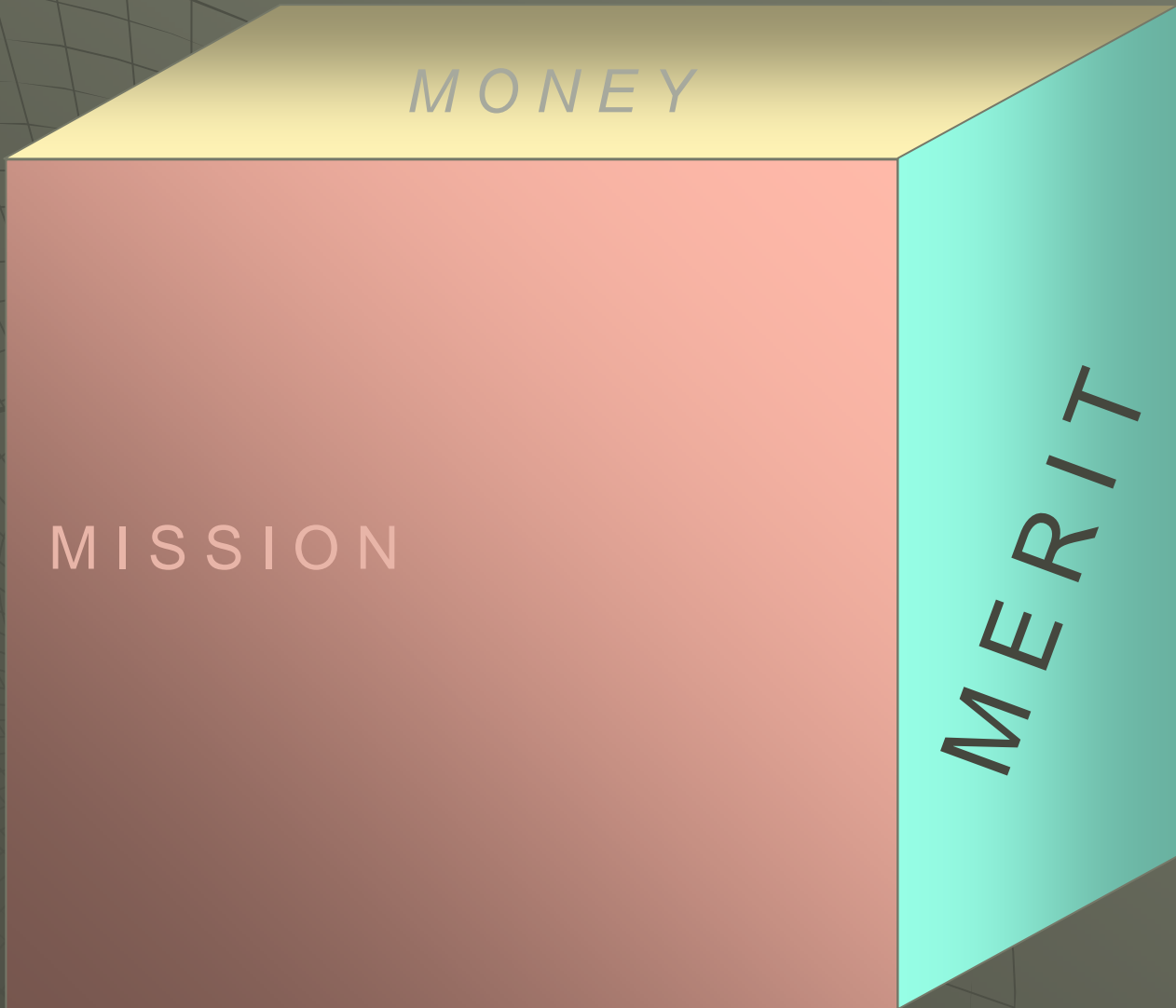
Surplus

REVENUE / COST COVERAGE

Plotting Programs on Mission-Money Axes



The Third Side of the Cube



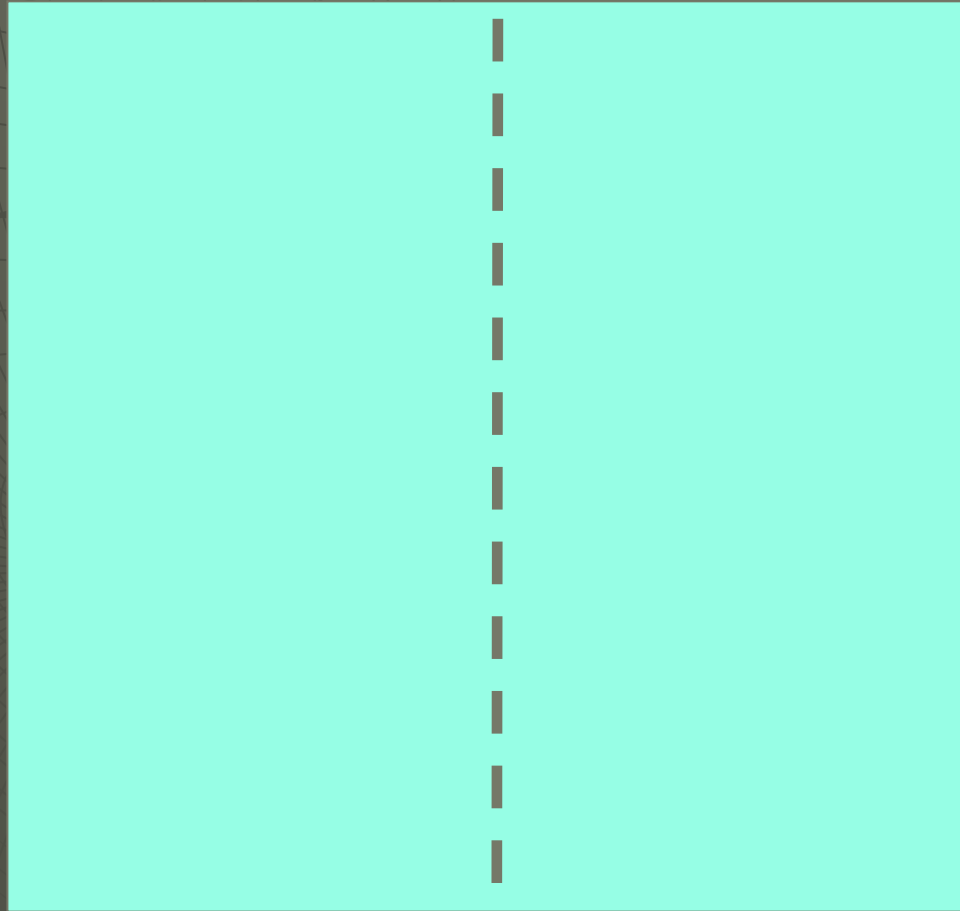
Dimension 3: Merit

PERFORMANCE

Poor

Satisfactory

Outstanding



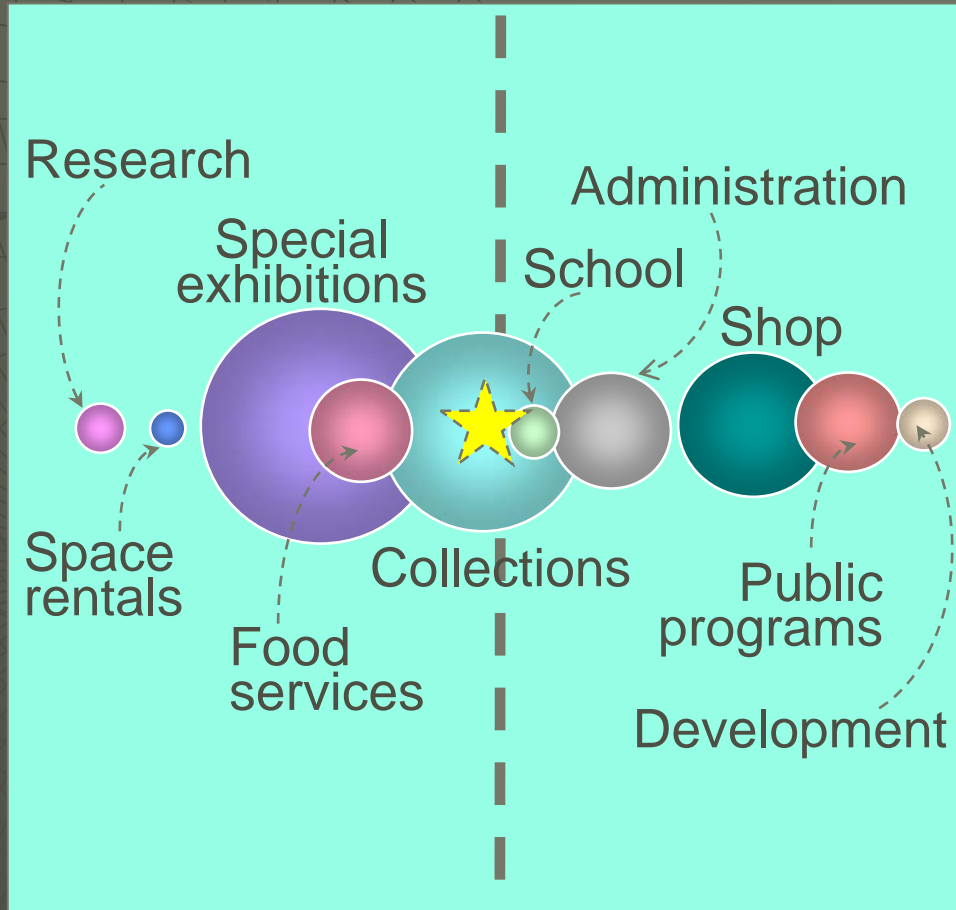
Plotting Programs on the Merit Axis

PERFORMANCE

Poor

Satisfactory

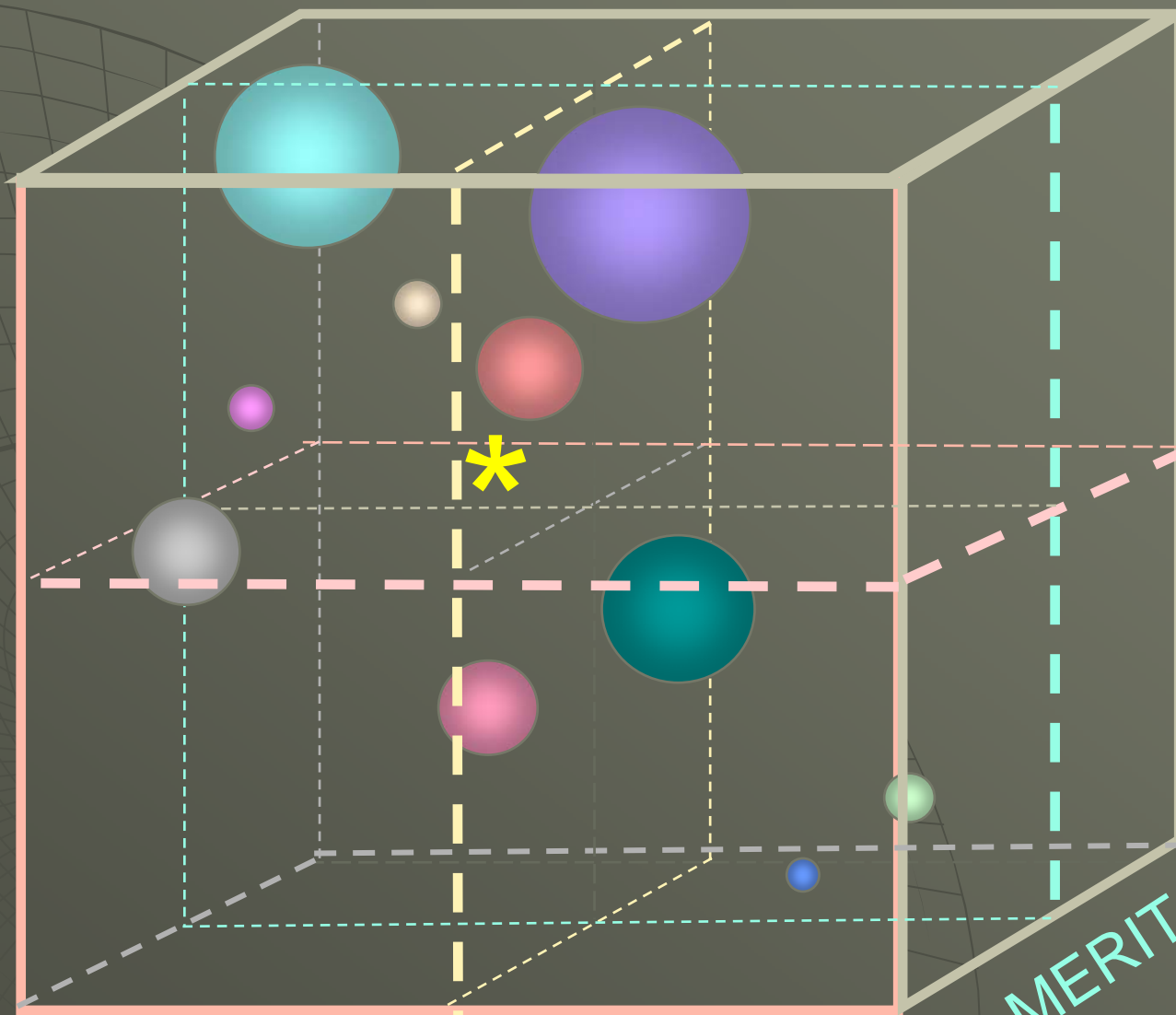
Outstanding



★ Denotes
CENTRE
OF GRAVITY for
contribution of
program quality
toward
institutional
reputation and
effectiveness

The Transparent Cube

MISSION CONTRIBUTION



MONEY (COST COVERAGE)

MERIT

Asking New Questions

Yesterday

Today

Tomorrow

MISSION

Did we do the right things in the past?

Are we doing the right things now?

Could we do better things in the future?

MONEY

How have we used resources before?

How are we using current resources?

How must we use future resources?

MERIT

Did we do things well in the past?

Are we doing things better now?

Could we do things even better in future?

PROGRAMS

What programs did or did not contribute to mission before?

How are programs contributing to our mission now?

How can programs better contribute to mission in future?

What have programs cost and brought in in the past?

What progress is each making to lower costs or increase revenues?

What else is possible in cutting costs or raising revenues?

How have previous changes worked out?

On what changes should we focus now?

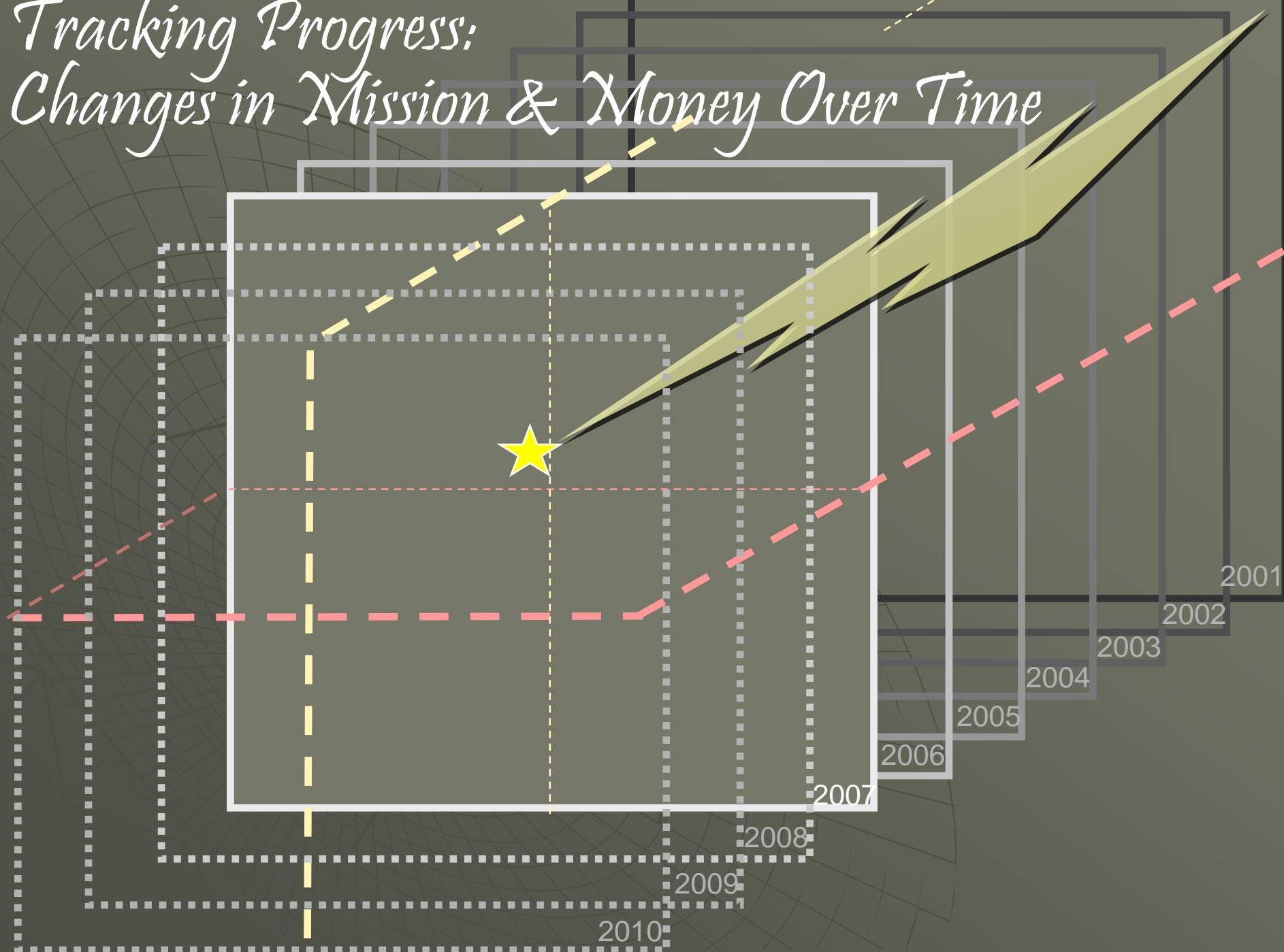
What changes must we make in future?

What dimensions have been important in the past?

What dimensions are important today?

How can we balance all three dimensions in future?

Tracking Progress: Changes in Mission & Money Over Time



Rolling Up Data and Opinion

- **Qualitative Information**

Mission

Performance

Applying indirect costs / revenues / overhead

- **Quantitative Information**

Accounting for direct costs and revenues

Performance

- **Participation**

Rolling up from below / drawing in from outside / pushing down from the top / or ...

- **Analysis**

Actual / historical / comparative

- **Supportive Technology**

Essential Measures: Program Cost

Total direct and indirect costs* (in \$000):



* Cost accounting methods are not only quantitative, but include qualitative judgment to apply common costs, revenues, or overheads to each program.

First Dimension Measure: Mission

CONTRIBUTION TO MISSION

Positive

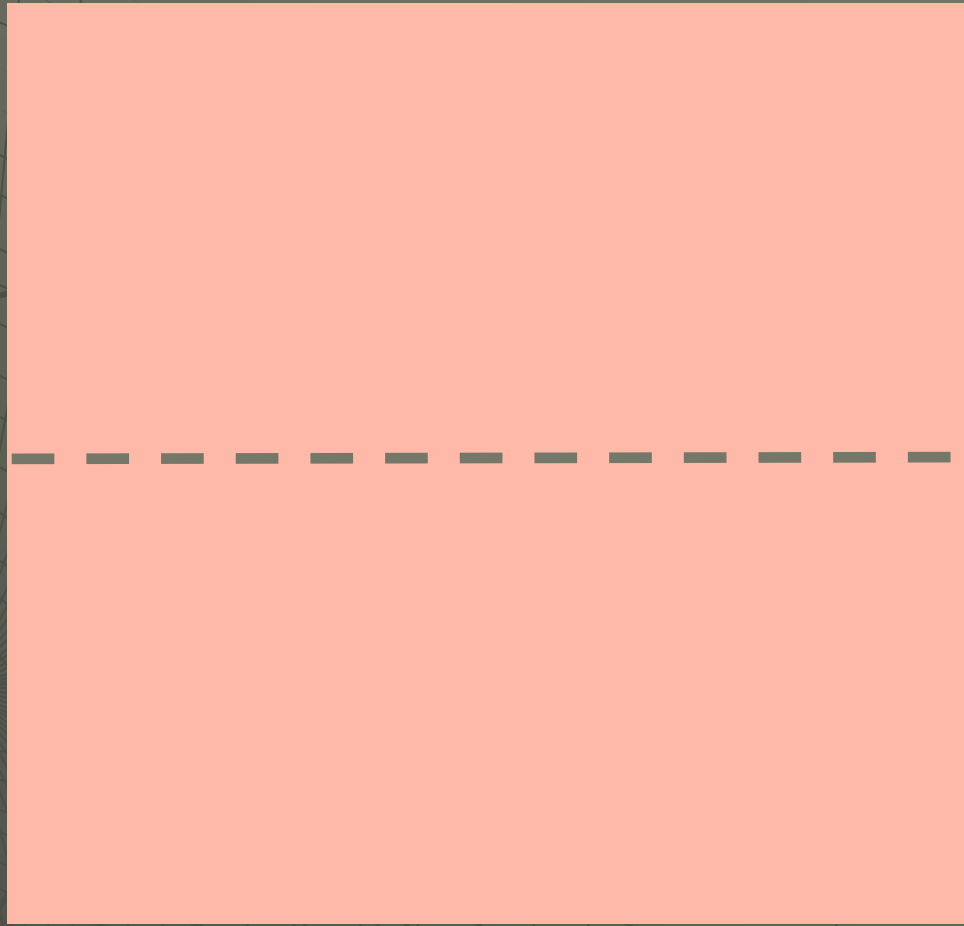
+ 5

Neutral

0

Negative

- 5

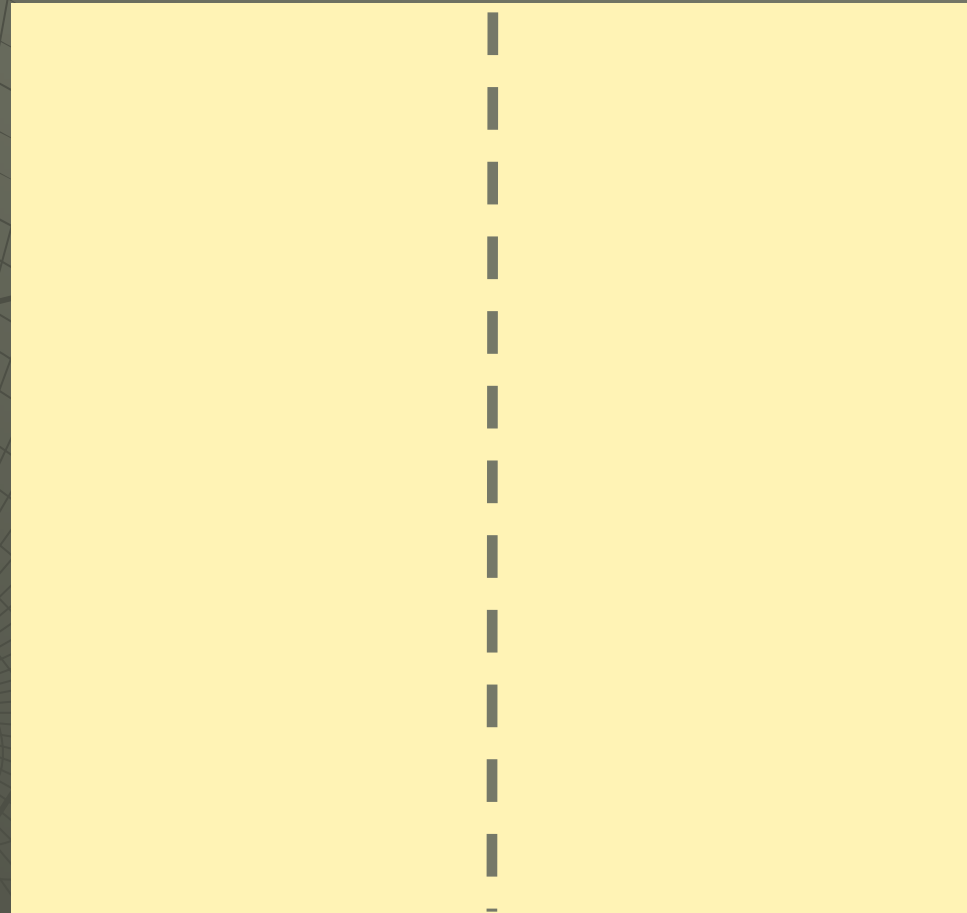


Second Dimension Measure: Money

0%

100%

>200%



* Qualitative cost accounting judgments can be included with quantitative measures when applying common revenues (e.g., general admissions, general operating grants, etc.) to each program.

Deficit

Break-even

Surplus

COST COVERAGE

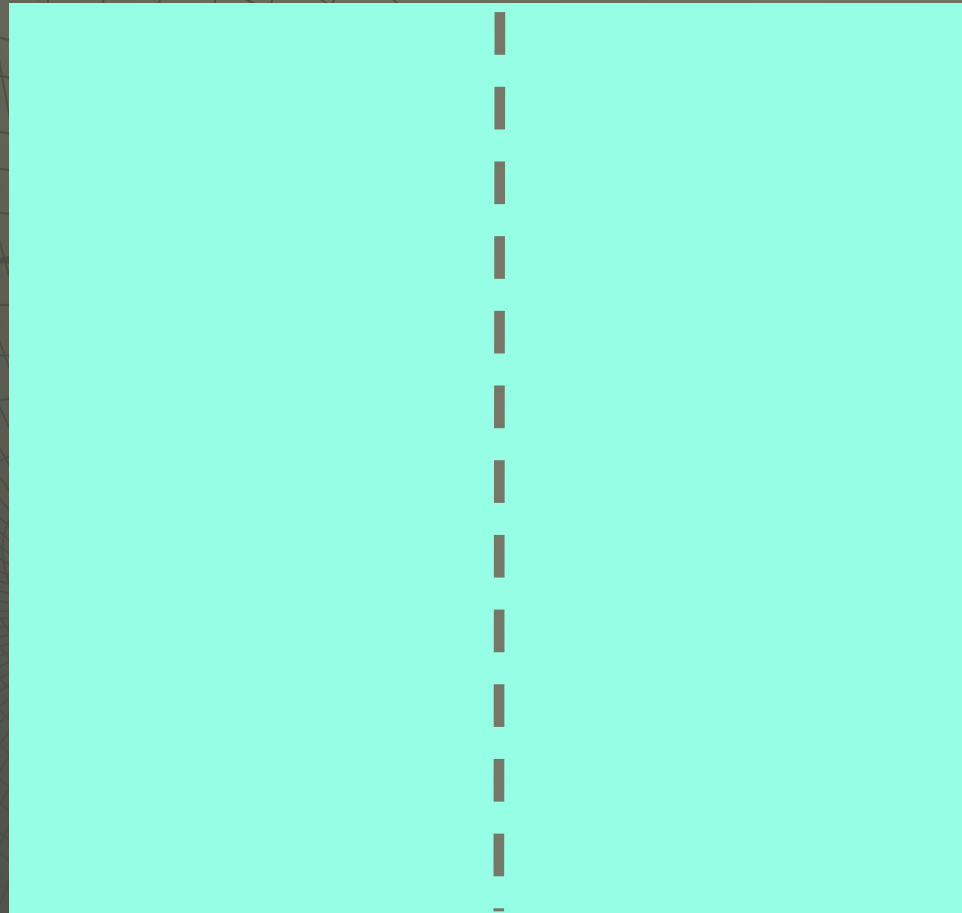
Third Dimension Measure: Merit

PERFORMANCE

Poor

Satisfactory

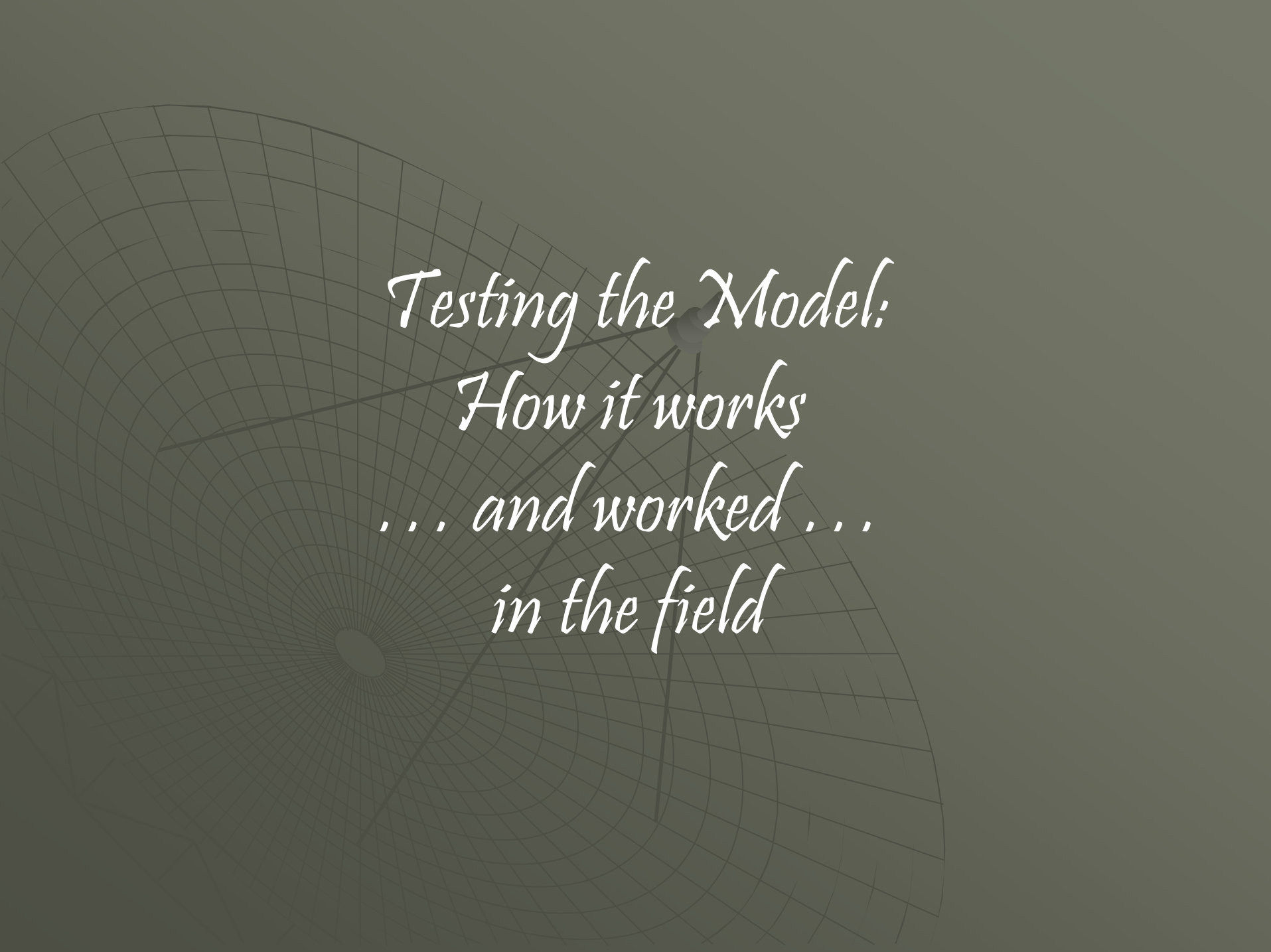
Outstanding



0

5

10



*Testing the Model:
How it works
... and worked ...
in the field*