It's All About the Business Model

Thoughts on Strategic Planning for Folklore Organizations

by Barry M. Cohen

Profit is not the enemy. Whoever decided that tax-exempt organizations (after all, 501(c)3 is a section of the U.S. Tax Code) should be referred to as "non-profit" or "not-for-profit" ought to be drawn and quartered. The fact is folklore organizations, like all others***, need for revenues to exceed expenditures—to make a profit—to build cash reserves, to create investment capital, to stay in business***.

Understanding the organization's business model—how it generates and uses money—is not only the first step to profitability, but also the ***fulcrum of effective strategic planning.*** Strategic planning sets priorities that guide the acquisition of resources and allocation of those resources to deliver the organizational mission and build a sustainable financial position.

Business model represents the core aspects of an organization:

- **mission/purpose**
- **culture/values**
- **customers/competitive market**
- **financial structure**
- **programs/products**
- **organizational structures**
- **pricing, distribution, and marketing/sales strategies**
- **facilities/technology infrastructure**
- **policies, procedures, protocols, and practices**

For folklore organizations and museums and historic sites that incorporate the interpretation and presentation of folklife in their missions, business models can be very simple or very complex, depending, in large measure, on how many lines of business are pursued. Yes, whether they know it or not, ***most folklore organizations and organizations that present folklife operate more than one line of business.***

Organizational Activity	Type of Business	Examples
Educational and/or cultural programs	"Edutainment"	Old Sturbridge Village; Strong National Museum of Play
Gift shop; online store	Retail sales	Colonial Williamsburg; Henry Ford Museum
Rent space to outside individuals or groups	Real estate management	Belle Meade Plantation; Museum of International Folk Art
Café, bar, restaurant, etc., open to the public	Hospitality	Center for Southern Folklore; Shaker Village of Pleasant Hill
Annual festival	Event planning and management	New Orleans Jazz & Heritage Festival & Foundation; Western Folklife Center
Performing arts series	Concert organization and promotion	Texas Folklife; Ozark Folk Center

Each line of business has its own economic profile, with different:

- customers
- competitors
- revenue mix
- operating expense base
- staffing requirements
- cost drivers
- operating rhythm

The "Vision Thing" is Important

Mission and values are enduring beacons that keep organizations on course. But it is vision—aspiration—that creates excitement and can capture imagination, interest, and investment. That makes crafting the vision an essential element of effective strategic planning.

Organizations often spend a great deal of time agonizing over "vision statements," rather than articulating the desired future state. The key to vision development is being able to describe—in concrete terms—how the organization will interpret and present folklife; what the organization wants to look like physically, programmatically, and financially; who the constituents and stakeholders will be; and who the competitors will be. Armed with this picture of the desired destination, the organization can construct a roadmap for getting there.

Market Positioning Benefits from Distinction and Distinctiveness

Market positioning—sustaining competitive advantage—is a second important element of effective strategic planning. Whether folklore organizations embrace the fact or not, they are businesses (albeit tax-exempt ones) competing for visibility, customers, donors, and volunteers. It is not sufficient to have a noble mission. There are a seemingly unlimited number of organizations with noble missions, worthy of support—folklore organizations among them.

Therefore, developing distinction and distinctiveness becomes necessary. Distinction refers to accomplishments that build regard for or confer prestige on the organization. Distinctiveness refers to unique characteristics or programs that differentiate the organization from its competitors. Both are important, and strategies for their development should emerge from the strategic planning process.

Earned Income is the Often-Forgotten Stepchild

For many folklore organizations and organizations that interpret folklife, government grants and individual or foundation philanthropy fuel the enterprise. In good economic times, the engine runs relatively smoothly; but in troubled times, like now, grants and philanthropy shrink and organizations struggle to survive.

Earned income from mission-related activities—be it from ticket sales, workshop registrations, merchandise sales, services, sponsorships—is often underdeveloped in the organizational economy. And while earned income can also suffer in tough economic times, having a three-legged revenue stool is better than trying to balance on revenue stilts. So a third essential element of strategic planning is to pursue a workable equilibrium among the three principal revenue streams—government grants, philanthropy, and earned income—in selecting strategies to pursue organizational priorities.

Planning is Meaningless without Execution and Evaluation

Non-profit organizations that do a good job of planning recognize the job has only begun when the strategic plan is approved by the governing board. Poor execution is the frequent spoiler of good organizational intentions.

Successful execution actually begins during the planning process, with defining metrics (indicators of performance) and benchmarks that will be used to evaluate organizational—and individual—performance. It also requires definitive lines of accountability for strategy implementation—making it clear who is responsible for what. Further, successful execution depends on creating a realistic timetable for strategy implementation, evaluation, and refinement.

10 Keys to Effective Strategic Planning

1. Ensure leadership from the tops—ongoing, visible support from the Board and CEO
2. Obtain the appropriate level of stakeholder input and participation to build ownership in both the process and the outcomes
3. Ensure that strategic vision is mission-appropriate and that priorities and strategies are vision-driven
4. Pay attention to the resource implications—financial and human—of proposed priorities and strategies
5. Calibrate expectations according to the organization's ability to execute, determined by staff capacity and financial resources
6. Produce line-of-business implementation plans connected directly to organizational strategic priorities
7. Balance the allocation of resources between those activities that promise a solid return on investment and those that, while not profitable, are essential to mission delivery
8. Set milestones and celebrate when they are reached
9. Include metrics to evaluate strategies and measure results
10. Embrace planning and plan revision as a continuous process of discussion, decisions, actions, and evaluation