

# THE MANAGER

MANAGEMENT STRATEGIES FOR IMPROVING HEALTH SERVICES

## In This Issue

**Developing Business Plans to Attract Funders Interested in Social Benefits** ..... 2

    Business Planning: A Mindset..... 4

**Understanding Business Planning outside the Business World** ..... 4

**Creating a Business Plan for Social Return** 5

    Section 1: The Story behind the Organization ..... 6

    The Delta Model's Three Strategic Positions ..... 8

    Determining the Scope and Strategic Position of Your Products and Services..... 9

    Section 2: The Breakthrough Idea..... 10

    Ranking the Competitive Position of Breakthrough Products and Services ..... 12

    Section 3: The Market and Marketing Approach..... 15

    Section 4: The Design and Implementation Team and Development Plan ..... 17

    Members of a High-Performing, Innovative Team ..... 18

    Section 5: The Financial Requirements..... 19

    Section 6: Projections of Social Return .... 21

    Monitoring and Evaluating Return on Investment..... 24

**Identifying Opportunities for Improving Business Planning Skills**..... 26

**Using Business Planning as Your Tool for New Initiatives**..... 27

    Working Solutions—Worldwide..... 28

## Case

**“Community Health” Takes Initial Steps to Develop a Business Plan**

## Business Planning to Transform Your Organization

### Editors' Note

TO DIVERSIFY FUNDING SOURCES, health and social service organizations are finding that they can secure funds from nontraditional private sources—companies, professional investors, and individuals—for innovations in their social programs. A well-crafted business plan can often open the door to the foundations and corporate giving programs engaged in philanthropy or social investing.

A business plan can bridge the gap between the world of social mission and the business world. It is a results-oriented format that health and social service managers can use to demonstrate to a socially minded funder the link between their proposed product or service and a social return. Through funded business plans, organizations can gain a competitive edge in the expanding field of organizations seeking funds from new sources. Over time, these organizations can apply businesslike thinking, used to develop such plans, to their operations and even become market innovators in health and social welfare for their region.

THIS ISSUE OF *THE MANAGER* offers health and social service managers the business plan as a way to communicate their needs and competencies to potential funders. To illustrate this way of thinking, the issue walks readers through the format of a persuasive business plan and suggests to managers who want to further their skills how they might assess resources for developing rigorous business plans. ■

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## Developing Business Plans to Attract Funders Interested in Social Benefits

An expanding world of private funders awaits health and social service organizations that use businesslike practices and increase social well-being. Forward-looking corporations around the world embrace corporate social responsibility and make corporate donations to nongovernmental organizations (NGOs). Venture philanthropists invest in innovative organizations that benefit society. Web-based and community organizations offer “marketplaces” where NGOs publicize funding needs and individuals send funds. Foundations organize local philanthropy in regions with great social needs.

Private funding is expanding on a local, regional, and global basis. A new trend called global social investing represents the strategic investment of private philanthropic resources in addressing challenges of poverty, health, the environment, human security, and basic education. Driven by the realization that many problems within one part of the world threaten the health and security of all people, global social investing presents opportunities for private investors to make differences with targeted contributions.

New and existing government donors and foundations are also looking for organizations that can deliver results in shorter time frames. Driven by surges in funding for HIV/AIDS that must be rapidly spent, donors like the Global Fund to Fight AIDS, Tuberculosis and Malaria, the Millennium Challenge Corporation, and the President’s Emergency Plan for AIDS Relief make grants to organizations that demonstrate the ability to swiftly plan and spend funds with demonstrated results, while showing financial accountability.

Results-oriented health and social service organizations that adopt businesslike practices can attract funds from private investors and increasingly demanding donors and foundations. They can learn how to use business plans for new products and services that aim to increase social well-being. Although business plans have long been used to seek investments with financial return, they can also be used to seek funding for a new product or service with a “social return,” in other words, a beneficial social impact. Business plans offer a format and vocabulary that private investors already understand. They also offer a way to organize unsolicited proposals to government agencies and foundations. An organization with a solid business plan can more confidently approach funders it has not approached before.

The process of developing business plans helps an organization think like a dynamic, market-driven enterprise. As part of the process, managers must carry out market research to project demand for their innovation, the potential benefit for the individual client, and the costs of bringing the innovation to specific groups. Over time, this market-focused thinking and action can transform organizational operations and help an organization rapidly respond to changing client needs.

This issue of *The Manager* shows how health and social service managers can develop business plans to attract funding from private sources and donors looking for innovative practices with a social impact. It explains

the sections of a business plan for social return and the steps an organization should take to develop such a plan. While the issue can help managers further their business planning skills, it also suggests how managers can assess additional business planning resources and identify ones that fit their needs.

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the Electronic Products Group, and Stephen Redding, Senior Development Officer in the Development Office of Management Sciences for Health (MSH). The authors have experience in designing and delivering the comprehensive business planning program of MSH's Management and Leadership Program to NGOs in Africa and Latin America. The country examples in the issue come from NGOs that have participated in this program.

## Sources of Social Investment Funds

A few examples from the expanding world of global social investment are listed below. You may be able to identify other sources of social investment in your country or region.

FORUM EMPRESA	Focused on the Americas (Chile, El Salvador, Brazil, and Panama), the Forum nurtures socially responsible organizations through technical and financial support. ( <a href="http://www.empresa.org">www.empresa.org</a> )
GLOBALGIVING	A spin-off of the World Bank's Marketplace, GlobalGiving encourages innovation to fight the poverty that plagues many countries. GlobalGiving is electronically based and offers a business plan format, technical support, and a site to post and browse for business plans. Individuals, groups, or foundations and other organizations can select specific projects to support, and roughly ten percent of each donation is used to cover administrative costs. ( <a href="http://www.globalgiving.com">www.globalgiving.com</a> )
USSPONSORSHIP.COM	At this website, organizations can post project proposals and business plans for potential funders to review. Postings cost \$10.00 a month per business plan. ( <a href="http://www.USSponsorship.com">www.USSponsorship.com</a> )
THE VIRTUAL FOUNDATION	The Virtual Foundation works through a consortium of NGOs in Eastern Europe and Latin America to evaluate community projects addressing issues concerning the environment, health, and sustainable development. The foundation posts approved projects on its web site and, like GlobalGiving, affords individuals, groups, or foundations the opportunity to support these projects. Ten percent of each donation covers administrative costs. ( <a href="http://www.virtualfoundation.org">www.virtualfoundation.org</a> )

The following represent a few of the foundations that are stimulating philanthropy in and for countries around the world:

- Ford Foundation ([www.fordfound.org](http://www.fordfound.org))
- The Rockefeller Foundation ([www.rockfound.org](http://www.rockfound.org))
- Synergos Institute ([www.synergos.org](http://www.synergos.org))
- The William and Flora Hewlett Foundation ([www.hewlett.org](http://www.hewlett.org))
- W.K. Kellogg Foundation ([www.wkkf.org](http://www.wkkf.org))

A business plan merges the needs of clients and the talents and mission of an organization into an innovative idea, packaged as a new product or service. Arriving at this breakthrough idea involves using a businesslike lens to frame questions about your organization and its relationship to its clients and competitors. A business plan is a tool to demonstrate to funders the value of investing in this new idea. Business planning builds on three critical observations:

### MONEY FOLLOWS IDEAS

**Money follows good ideas.** Research and experience show that there is often more money available than there are good ideas for its use. Funders want to support fresh ideas that will make a difference. Too often, however, they are presented with conventional, poorly articulated ideas that fail to convince them that their investment will yield desired results.

### FUNDERS WANT A DIFFERENCE

**Funders want their money to make a difference in people's lives.** Every funder wants to see a return on his or her investment. Those who fund social initiatives want to see that their money has a direct impact on the lives of underserved populations.

### ORGANIZATIONS GENERATE THE IDEAS

**The best ideas are generated by an organization to respond to its clients' needs.** Often ideas proposed by NGOs are partially initiated by donors and other external parties and simply adapted by the organization to obtain funds. In business planning, organizations learn to generate their own ideas based directly on their clients' needs.

## Understanding Business Planning outside the Business World

As a health or social service manager in the public or NGO sector, you may be more familiar with strategic plans, operational plans, and proposals than you are with traditional business plans. If you are going to develop a business plan for social return, how will it differ from these other planning approaches?

**Traditional business plan.** Traditional business plans share many of the same elements as business plans for social return. However, a traditional business plan focuses on the financial return generated from the sale of a new product or service. The return is generally expressed in the form of profits that will benefit the investor or shareholders. A business plan for social return offers some information on financial return, but the payback to the investor is the social return, or beneficial impact on a group's health and welfare as a result of using the new product or service.

**Strategic plan.** A strategic plan defines, in general terms, how an organization will get where it wants to go. Strategic plans state the organization's fundamental goals, identify and prioritize the objectives that contribute to these goals, and describe the strategy the organization will apply to move from its current to its desired situation. When a strategic plan calls for the introduction of a product or service, a business plan should then be developed to pinpoint the potential market and value of this product or service.

**Operational plan.** Operational plans translate the strategies in a strategic plan into activities for implementing the strategies. A funded business plan needs to be incorporated into an organization's annual operational plan. Operational plans rarely extend beyond a year and should be reviewed and adjusted periodically during that year. The activities selected for an operational plan should be feasible within an organization's resource constraints.

**Proposal.** To prepare a proposal for a traditional donor, an organization often drafts a detailed response to a request for proposal (RFP). To be as responsive as possible to the RFP, an organization needs to *adapt* its approach to the scope of work outlined in the RFP. Even when drafting an unsolicited proposal for a donor, an organization usually conforms to a donor’s idea about what is necessary.

With a business plan, an organization generates its own idea to meet client needs, then justifies introducing the innovation into the market to any number of funders. These funders can quickly assess the merit of the idea, based on potential demand and impact. In short, a business plan is based on market data, whereas a proposal responds to a donor’s interests.

## Creating a Business Plan for Social Return

As a health or social service manager in an NGO or public agency, you can create business plans that demonstrate to prospective funders a projected social return on their investment. This means you need to show that your new product or service will positively affect the health or welfare of the population you want to serve. You must also persuade them that your organization has both the management and financial capacity to

use their investment well and bring the idea to market with a specific amount of funding.

Developing a formal business plan is a rigorous process that requires dedicated staff time and financial resources. The time required to complete such a plan depends on availability and access to the necessary information, the number of staff your organization can assign to this task, and the time they can spend gathering information, conducting market research, and discussing the plan with colleagues. A team of full-time, dedicated staff may be able to complete a business plan in four to six weeks, while a part-time team may take three to six months. You can use information you developed for one business plan in subsequent plans. For a strong first plan, you may need additional assistance from self-guided materials, a business planning course, or a consultant.

Your first step in developing a business plan is to generate innovative ideas that would benefit your organization’s strategic vision. Creative solutions to problems are most likely to attract an outside funder. Then you need to secure organizational support for one innovation and for a dedicated team to develop the business plan. You will need a multidisciplinary team of three to six people who can enroll others into the process as needed. To lead this business plan development team, you should identify a captain to oversee completing the plan’s sections and to communicate with the person responsible for the entire endeavor.

Business plans are typically organized in the same way.

### Organization of a Typical Business Plan for Social Return

A business plan for social return generally has six sections.

SECTION 1	The story behind the organization—told in a compelling fashion
SECTION 2	The breakthrough idea—packaged as a new product or service
SECTION 3	The market and marketing approach—indicating potential demand and key marketing messages
SECTION 4	The design and implementation team and development plan—required to bring the new idea to market
SECTION 5	Financial requirements—based on financial standing, estimations of needed funds, and projections of income to be generated
SECTION 6	Projections of social return—using indicators of anticipated improvements

The rest of this issue walks you through the activities your team can undertake to develop the sections of a persuasive business plan.

## Section 1: The Story behind the Organization

Often the most compelling section of a business plan is the story behind the organization: how it started, its purpose and social intent, the characteristics of the founder(s), and the difficulties it has overcome. At the start of your plan, you need to quickly attract the attention of your readers, so they gain a positive image of your organization and want to read more. To capture your organization's story, you can:

- conduct an inquiry into your organization's history;
- describe your organization's current scope of products and services;
- assess your organization's current strategic position;

- identify your staff's distinctive technical, management, and leadership competencies.

**Conduct an inquiry into your organization's history.** To more fully understand your organization's past, you and your team can interview colleagues and clients, summarize their input, and briefly answer:

- When was your organization founded? What were the vision and mission of the founder(s)? Have the vision and mission changed? If so, what is the current vision? What is the current mission?
- What are the key characteristics of the founder(s)?
- What obstacles were faced in setting up your organization? How were they overcome?
- What are some of the important events, outcomes, and areas of impact that have shaped your organization?

The following box shows how one organization described the story of its founding.

### Realizing the Impact of a Single Question: The Founding of CEMSE

In the first section of its business plan, the business plan development team of the Centro de Multiservicios Educativos (CEMSE) wrote a particularly compelling description about how the organization began. The team told how Jesuit priests in Bolivia noticed the huge discrepancy between the educational opportunities in private and public institutions and asked how public school students could access the same resources available to those in private school. This one question started the chain of events that resulted in CEMSE's founding.

#### CHAIN OF EVENTS

The government provided lists of public school students.

CEMSE's directors surveyed households in the area to determine the biggest challenges faced by these students and their families.

The preliminary survey—carried out with sociology students at a local university—revealed nutritional and health deficiencies, so the directors broadened their focus from strictly educational support to health and nutrition services as well.

The priest chosen as the first chief executive looked for an enthusiastic team to initiate services and tapped many sources for funding.

#### MODEL FOR RESOURCE CENTERS

The business plan described how, since CEMSE's founding in 1986, its staff continue to be known for original ideas and service to the community. As the first center for teaching resources in Bolivia, CEMSE has been a model for centers in other cities, and its experience has influenced national planning for educational reform. Foreign donors have studied CEMSE's approach to see what aspects could be adapted to other situations.

**Describe your organization’s current scope of products and services.** To demonstrate the scope of your organization, you should next describe the full array of your organization’s products and services as well as

the market and geographic area they reach. You can use a table like the one on page 9 to list your products and services.

### Definitions for Identifying Organizational Scope

PRODUCT	A product is an item with a defined purpose that responds to a need, and can be packaged, priced, and delivered in different ways. Using a product does not necessarily require assistance from another individual. Examples of products include insecticide-treated nets and condoms.
SERVICE	A service also responds to a need, but always requires assistance from another individual. Examples of services include immunizations, reproductive health counseling, and HIV testing.
MARKET SCOPE	An organization’s market scope represents the range of population groups to whom the organization targets its products or services. Examples of market scope are people of specific age groups, gender, socioeconomic status, and health status.
GEOGRAPHIC SCOPE	The geographic scope describes the area within which the organization’s clients or consumers—users of its products or services—live or work.

#### **Assess your organization’s current strategic position.**

Near the beginning of your plan, you need to indicate to funders the strategic position of your organization. This tells the funders that the product or service they are considering is strategically appropriate for your organization. Most organizations, whether public, private, or nonprofit, establish a *strategic position* early in their existence by determining the strategies they will use to attract clients and out-perform other organizations.

Consider your organization’s current strategic position, but be careful. What you think may be your organization’s strategic position may not be its true position. The Delta Model on the next page can help you more objectively assess your organization’s current position.

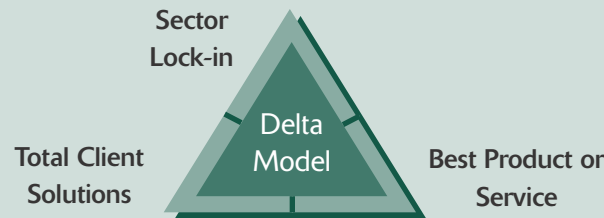
To assess which of the three strategic positions your organization falls into, you can refer back to the table on which you listed your products and services. (Look again at the table on page 9.) Review your products and services and then consider the criteria under each strategic position. For each product or service on your list, ask which criteria it meets.

When you have completed your table, you can identify your organization’s strategic position by totaling the number of Xs in each column. Although your organization may not fit neatly into a single position, your review will suggest one that best represents its strategic position.

*In the example on page 9, the organization appears to have adopted a best product or service position, even though it also bundles and offers support for its family planning products.*

## The Delta Model's Three Strategic Positions

The Delta Model identifies three possible strategic positions for organizations: Best Product or Service, Total Client Solutions, or Sector Lock-In. According to the model, organizations align themselves with one of these positions on one point of the model. In reality, many organizations fall between two points on the triangle.



### BEST PRODUCT OR SERVICE

An organization using this strategy seeks to increase its own value either by affordably pricing its products and services for a large market or by selling high-priced products and services that offer distinctive features desired by specific population groups. The success of such an organization is based on its market share, that is, on capturing an increasing portion of the market. Therefore, it must bring its products or services to market first and have the best packaging and delivery. *For example, an organization is first to offer a wide range of condoms, some at low cost to reach large numbers of clients, and others with special features and packaging that appeal to a group that is willing to pay more.*

### TOTAL CLIENT SOLUTIONS

With this strategy, an organization seeks to increase the value to the client of its goods. It increases the number of related products and services (solutions) offered to each client at a single point of delivery, so that clients can reduce their costs in time and money spent seeking certain products or services. It also bundles, or combines, its products and services with support and follow-up, so that clients do not need to look for these services elsewhere. This type of organization bases its success on client share, that is, on attracting and retaining clients throughout their consumer life cycle. Therefore it learns from them and customizes its products and services from their feedback. *For example, an organization delivers training programs through a training center or through distance learning. It provides discounts to clients who take more than one course, offers credit through a university, and offers childcare and job placement. It surveys its clients to select the range of courses and type of delivery.*

### SECTOR LOCK-IN

An organization with this strategy seeks to monopolize its sector. It locks in, or engages, high-quality partners that complement its products and services, allowing it to extend its line of products and services without investing in development or maintenance. This strategy provides an organization with a competitive advantage, since complementors adapt their products and services to the standards of this organization if this will benefit them. This type of organization measures success by its share of complementary partners. *For example, a Ministry of Health provides limited services but determines the norms for service delivery, including protocols, accreditation, and reimbursement rates for health posts, clinics, and hospitals. The Ministry contracts with a range of organizations to deliver health services and renews their contracts annually, based on performance and compliance.*

Adapted from Hax and Wilde 2001.

## Determining the Scope and Strategic Position of Your Products and Services

### Strategic Position of Products and Services

For each product of service, insert an X in the cells of the criteria that best characterize it.

	Best Product or Service in the Market			Total Client Solution		Sector Lock-in	
	Low Cost <i>Products and services that are offered at lowest price to reach most clients possible</i>	Special Feature <i>Products and services with distinctive features that allow your organization to charge a premium price and that have little competition</i>	First to Market <i>Products and services that your organization was first to bring to the market in your area</i>	Includes Support <i>Products and services that include follow-up or support services from your organization</i>	Bundled <i>Products and services that are combined with another product or service offered by your organization</i>	Outsourced <i>Products and services (or portions) that are outsourced</i>	Unique to Sector <i>Products and services that are unique to the sector in which your organization works (health, microcredit, training, etc.)</i>
<b>Products</b>							
FamHealth oral contraceptives	X			X	X		
Femnin oral contraceptives		X		X	X		
Insecticide-treated nets	X		X				
Oral rehydration salts	X						
<b>Services</b>							
Family planning counseling	X				X		
Voluntary counseling, testing, and referral	X		X				
Consulting: market studies		X	X				
<b>Total number of Xs</b>	10			5			

Identify your staff's distinctive technical, management, and leadership competencies. Your plan needs to showcase the competencies of the people in your organization—the knowledge, attitudes, and skills where they have an advantage over competitors. Consider areas of technical competence (e.g., expertise in specific clinical areas or in designing field surveys). Think about

exemplary management practices (e.g., efficient ways of organizing or monitoring work). Note leadership practices used at all levels (e.g., scanning for opportunities and trends, or mobilizing staff to rapidly address client needs).

The following example describes competencies in one organization's plan.

Esperanza/Bolivia began in 1983 as a dependent office of the US-based Esperança, Inc., but by 1997, it had become a subsidiary with much autonomy and control over its projects and strategies. Its mission is to improve the quality of life for the neediest families through interventions in health, education, environment, and community development, all based on a gender perspective.

### TOTAL CLIENT SOLUTIONS

This broad mission supports an array of products and services intended to offer “Total Client Solutions” to rural and urban poor in Bolivia. Esperanza delivers most of its products and services at a low or no cost to clients and health educators. In many cases, when it provides services to clients, it also trains the clients to carry out the services (e.g., operations research and community organization).

### MANAGEMENT AND LEADERSHIP PRACTICES

In their business plan, Esperanza/Bolivia’s managers highlighted the management and leadership practices they use to sustain an array of solutions to fit clients’ needs. For example, Esperanza/Bolivia supports its decentralized projects with centrally-mandated procedures and systems that create efficiencies in pharmaceutical management, supplies procurement, human resource management, and financial management. In each project, multidisciplinary teams deliver and monitor the appropriate mix of products and services to meet its clients’ needs and the project’s goals. Their leadership practices encourage staff commitment and innovation to sustain project impact.

## Section 2: The Breakthrough Idea

In the second section of your plan, you will introduce the new product or service for which you want funding. To find an idea that breaks through traditional thinking, you:

- generate a number of “breakthrough ideas” for new products or services;
- analyze the competitive advantage of the proposed products or services;
- secure stakeholders’ support for one new product or service;
- develop a sales talk for your selection.

**Generate breakthrough ideas.** To arrive at a single product or service, your team needs to conceive, test, shape, and articulate a host of breakthrough ideas and convert them into new products and services to improve the quality of life of the people your organiza-

tion serves. The ideas should be innovative in your local area, even though they may have been implemented elsewhere in the world. You can use strategic mapping to generate these ideas. Start with a map of the region in which your organization is located and ask:

- What do we know about the population our organization serves?
- What health and welfare needs are not fully met by our organization’s current products and services?
- Given its history, mission, leadership, and competencies, what is our organization obligated to do to meet those needs?

To turn the geographical map into a strategic map, your team needs to write and post notes on it that indicate facts about the health and welfare needs of the population your organization currently serves, and about other segments of the population you do not serve but who are important to achieving your mis-

sion. Then you can compare the inventory of products and services in Section 1 of your plan with the information on the strategic map, to identify gaps between the needs of the population and the products and services your organization now offers. Next you can revisit the organizational competencies you listed in Section 1 and ask what products or services your organization should (and has the capacity to) design and deliver if it is to close these gaps, live up to its mission and vision, and build on its history. In answering this

question, you will begin to shape your ideas into new products and services.

It is important to refer back to your inventory of current products and services to see if any are inadequately funded and less essential to your organization's mission. You can ask whether the staff and resources bound to these products and services might be better assigned to another purpose, and the funds made available for the proposed innovations.

The following box describes the breakthrough idea of one organization.

### Generating a Breakthrough Idea: APROSAR

In Bolivia, newly graduated physicians fulfill their social service commitment by serving the indigenous population in the rural highlands, where the majority of the population consults exclusively with traditional healers.

#### INDIGENOUS TREATMENT MANUAL

In the altiplano city of Oruro, where over 80% of the population visits traditional healers, the Asociación de Promotores de Salud de Area Rural (APROSAR) came up with a breakthrough idea to bridge the divide between traditional and western medicine. APROSAR, a nonprofit organization, proposed a manual that would cross-reference Western and traditional practices and treatments. The manual would help practitioners deliver treatments in a culturally sensitive way, while encouraging patient adherence to treatment.

#### UNIQUE POSITION

As part of a business plan, APROSAR rigorously analyzed possible new products and services that would best meet its clients' needs, and concluded it was uniquely positioned to produce such a manual with low production and distribution costs (it will be distributed by the Ministry of Health). The manual would contribute to APROSAR's mission of preserving the culture of the people it serves while improving their health.

**Analyze the competitive position of your products and services.** Now you need to apply a rigorous selection process to narrow down your breakthrough ideas to two. An environmental scan can help you assess the competitive position of each idea in the marketplace according to four criteria for competitive advantage: client demand, ease of entry into the market, cost of failure, and threat of competition (Porter 1985).

You can use a separate table, like the one on the next page, to rank each product or service for these criteria. In this table, to the right of each criterion, you will find a continuum that ranges from the worst competitive

position where a proposed innovation would be least likely to succeed in the market, to the best competitive position where it would be most likely to succeed.

In the table you develop, you can rank each product or service according to the likelihood of its market success. For each criterion, put an X in the appropriate column. Write the evidence that supports your ranking. Add up the Xs in each column for each of the four criteria to assess the overall strength of the product or service's competitive position.

The terms used in the table are explained after the table.

## Ranking the Competitive Position of Breakthrough Products and Services

### Name of Product or Service: Traditional and Western Medicine Cross-Reference

Criterion		Least Likely to Succeed	Neutral	Most Likely to Succeed		Evidence to Support Ranking
<b>Client Demand</b>						
Potential size of market	Small			X	Large	The rural population is indigenous and attended by traditional healers and new physicians. The potential market includes physicians, traditional healers, and possibly clients.
Availability of substitutes	Many			X	Few	No approach currently exists for cross-referencing this medical information.
Clients' ability to pay	Low		X		High	It is that assumed medical schools or the Ministry of Health would purchase the manuals when priced to sell. The cost may need to be subsidized for healers and clients.
<b>Ease of Entry</b>						
Brand identification or identify	Low			X	High	APROSAR is regionally known as a health care organization that works with the community and traditional healers.
Relationship to existing products or services	Weak			X	Strong	APROSAR offers a range of preventive and curative products and services to indigenous communities, including health education in traditional healing practices.
Access to distribution channels	Restricted			X	Ample	Distribution to the country's medical schools, the Ministry of Health, and clinic staff in their catchment areas is feasible. APROSAR also works in two indigent departments and nearly 200 communities.
Capital requirements	High		X		Low	The main capital requirements are a computer, printer, and copy machine for layout, editing, and reproduction. A publishing house under contract would provide them.
Access to appropriate technology	Restricted		X		High	The manual requires only the technology offered by a publishing house.
<b>Cost of Failure</b>						
Degree of product or service specialization	High		X		Low	The manual requires an illustrator to draw pictures and a person who can translate and write in the local dialect.
Cost of exit	High			X	Low	No major cost would be incurred for exiting early, since APROSAR and the community could use unpublished materials.
Strategic relationships with other organizations	Many	X			Few	Because community expectations would be raised, a significant cost of exit exists.
Emotional barriers to exit	High	X			Low	The cost of exit is significant, since expectations would be raised in the Ministry of Health, the department health office, and among the new physicians.
Legal and social restrictions	High			X	Low	No legal or social restrictions exist.

Threat of Competition						
Number of competitors	Large			X	Small	No competition exists for the product.
Growth of target market	Slow			X	Fast	The target market is growing fast; APROSAR is moving into new rural areas.
Product or service features	Common			X	Unique	The features of this product (i.e., the information about traditional medicine, illustrations, and language) are unique.
Overall Assessment						
Client demand			1	2		Demand is high and growing among health care providers and medical schools. Clients and healers may not purchase the manual at full price.
Ease of entry			2	3		Given APROSAR's extensive experience in health care in Oruro, and more recently in Potosí, staff could fairly easily develop the material and enter the publications market if they can find a good, inexpensive publisher to produce the manual.
Cost of failure		2	1	2		If the manual were started but not produced, disappointment among the projected distributors and users of the manual would be large. Their relationships are crucial to APROSAR.
Threat of competition				3		APROSAR has no competition in this area. Its staff are well-known for health care in the departments they serve. Their unique knowledge of the local customs, language, and health practices qualifies them to develop and deliver this product.

Adapted from APROSAR Business Plan 2002.

## Explanations of Terms for Ranking Your Breakthrough Products and Services

POTENTIAL SIZE OF MARKET	When an organization introduces a new product or service, it is more likely to create client demand when the segment of the market for which the new product or service is intended is large and growing.
AVAILABILITY OF SUBSTITUTES	When an organization introduces a new product or service, it is more likely to create client demand when a limited number of products and/or services exist that serve the same purpose.
CLIENTS' ABILITY TO PAY	When an organization introduces a new product or service for which a fee will be charged, it is more likely to create client demand when its price will not strain the budgets of most potential clients.
BRAND IDENTIFICATION OR IDENTITY	The client's ability to associate the organization's name with quality products and services. When an organization has "brand identity," the client will often seek out that organization first. It is also easier for that organization to introduce a new product or service into the new sector or market.
RELATIONSHIP TO EXISTING PRODUCTS	The relationship of an organization's new product(s) or service(s) to those the organization already has on the market. If they are complementary or interdependent, it will be easier to introduce the new product or service into the new sector or market.
ACCESS TO DISTRIBUTION CHANNELS	This is important if the organization is planning on entering a new sector or market that requires the distribution of new products and services. If the distribution channels are in place for the delivery of current products and services, it will be easier to introduce the new product or service into the new sector or market.

## Explanations of Terms for Ranking Your Breakthrough Products and Services (cont.)

CAPITAL REQUIREMENTS	The financial investments an organization must make in order to offer new products and services in a new sector or to a new market. If capital requirements are low, it is easier to enter the sector or market.
ACCESS TO APPROPRIATE TECHNOLOGY	Technology is often vital in designing and delivering new products and services. An organization with access to the technology required for successful entry can more easily enter the market.
DEGREE OF SPECIALIZATION	If the organization has invested many resources in developing a highly specialized product or service, the cost of failure will be significant.
COST OF EXIT	It is important for an organization to calculate the cost of discontinuing a new product or service or of leaving a new sector. If this cost is high, the cost of failure will be significant.
STRATEGIC RELATIONSHIPS WITH ORGANIZATIONS	Sometimes the introduction of a new product or service is done through establishing strategic relationships with other organizations that can assist with design, delivery, marketing, distribution, etc. If by discontinuing these strategic relationships, the organization will lose potential future partners or have to pay costs for unfulfilled contracts, the cost of failure is significant.
EMOTIONAL BARRIERS	If the users of an organization's new product(s) or service(s) have to overcome emotional barriers in order to comfortably and continuously use the product or service, and if the organization has to discontinue the product or service, the users may no longer trust the organization and may not accept its products or services in the future. Examples might be adolescent reproductive health services or male sterilization services.
LEGAL AND SOCIAL RESTRICTIONS	If the new product(s) or service(s) introduced by an organization has to comply with government and social restrictions to be successfully introduced, the cost of failure may be significant due to the up-front investment the organization may have made to comply with these restrictions.
NUMBER OF COMPETITORS	When an organization introduces a new product or service, its competitive position is best when there are only a small number of competitors who offer similar products or services. Otherwise, the organization may contribute to the saturation of the market.
GROWTH OF TARGET MARKET	When an organization introduces a new product or service, its chances for successfully competing in the marketplace increase when the market is growing rapidly or has been identified as underserved.
PRODUCT OR SERVICE FEATURES	When an organization introduces a new product, its chances for successfully competing in the marketplace are higher when the product has features that are geared specifically to client needs.

**Secure stakeholder support for one new product or service.** It is now time to convene your organization's stakeholders, including board members and representatives from its management committee, to help you choose the single best breakthrough idea. You can make a strong argument in support of the two or three products or services that you consider most promising, using the following information:

- findings from the strategic mapping exercise (Section 2);

- the analysis of the current product and service scope (Sections 1 and 2);
- the results of the competitive position analysis (Section 2).

After presenting your arguments, you can lead the stakeholders in discussing all the options to determine the single new product or service to develop and introduce. Describe this product or service in your business plan with a clear justification for selecting it.

**Develop a sales talk for your selection.** To write a statement justifying a particular product or service in your plan, first develop a sales talk—a short, informative statement that crystallizes your organization’s intent

to introduce the innovation and that you can use in communicating with a potential funder. You can then incorporate elements of this talk into the business plan as part of your justification.

## Formulating a Sales Talk

Imagine you have just entered an elevator on the ground floor of a major hotel in the capital city, where you have been invited to attend a reception for donors and philanthropists. Standing next to you is a millionaire or chairperson of a wealthy foundation. You are both going to the reception on the top floor. You introduce yourself, and he asks you what work you do. You realize you have about three minutes to share with this individual:

- what your organization hopes to accomplish in society—its mission or the reason it exists;
- what new product or service your organization needs to develop and introduce to accomplish its mission more effectively;
- how your organization is uniquely qualified to deliver this new product or service.

## Section 3: The Market and Marketing Approach

Your plan must demonstrate to the prospective funder that the selected product or service meets the needs of the population your organization serves, and that your organization can effectively promote the innovation to this population. To develop this section, you and your team should:

- research the market;
- establish marketing goals;
- develop strategies and a marketing plan.

**Research the market.** By researching different groups in the population, your team can gauge whether your new product or service can capture part of the market and how it might be modified to gain broader use. Then you can summarize the results of the research in your business plan. You can use this information as a baseline against which you can later measure social returns. Based on your market research, your plan should indicate:

- the potential market for the new product or service;
- specific benefits the target market will expect from the product or service;
- adjustments that should be made to the prototype or sample of the product or service before its introduc-

tion into the market, in order to meet the needs of the target population;

- a reasonable price for the product or service;
- the place from which the product or service will be delivered;
- the quantity of the product or service needed to meet potential market demand;
- techniques to motivate people to use the product or service.

Conducting a local market study involves steps similar to those in a small-scale survey. For more information about designing and conducting a small-scale survey, please refer to *The Manager*, volume 7, number 1, 1998, “Conducting Local Rapid Assessments in Districts and Communities.”

**Establish marketing goals.** After completing your research, you need to establish goals for your marketing program. This will convince potential funders or investors that your organization is intent on promoting the new product or service to a specific group in the population, and that you will measure progress toward your goals within a given time.

Your marketing goals should include action and image goals. Action goals identify specific, measurable results in creating demand for a new product or service by a current or new group of clients.

Image goals identify how an organization wants to be seen as a result of its innovation. Image goals often concentrate on helping an organization become widely

known, and recognized for a change in products and services.

## Sample Marketing Goals

ACTION GOALS	<p>Over the next year, our organization will provide insecticide-treated nets to 85% of parents of newborns in X, Y, and Z communities.</p> <p>Over the next year, our organization will increase the demand for voluntary counseling and testing (VCT) services within our five health centers by 15%.</p>
IMAGE GOALS	<p>Over the next two years, our organization will become known as the organization that provides the best counseling and referral for HIV-infected pregnant women.</p> <p>Over the next two years, we will achieve a transformation in the public perception of our organization from a family planning provider to a full-service primary health care provider.</p>

**Develop strategies and a marketing plan.** Once you have stated your goals, you need to define strategies and a plan for promoting your new product or service. Based on your research, you can develop marketing strategies that cover price, place of delivery, production, and promotional methods. These strategies will ensure that the new product or service is accessible, affordable, and responsive to the needs of the population group.

You can then identify promotional techniques and messages that, within your organization's resources, will best motivate the population group to use the new

product or service and help to achieve your marketing goals. You can specify low-cost techniques to offer basic information and highlight key features of the new product or service.

The marketing plan should describe the activities your organization needs to undertake to achieve its marketing goals and the costs for staff time, supplies, and promotional materials. For additional information on marketing services and plans, please refer to *The Manager*, volume 8, number 2, 1999, "Marketing Your Organization's Services."

## Creating and Continuing to Create Customers: PCI/Bolivia

"Creating and continuing to create customers" is the goal that Project Concern International (PCI) proposed for a new service, the Youth Environmental Movement.

YOUTH ENVIRONMENTAL MOVEMENT	The movement is designed to improve the sanitary and environmental conditions of the residents of El Alto, an impoverished city in Bolivia. The purpose of the movement is to mobilize community residents to take responsibility for cleaning up their garbage-infested surroundings and to start caring for their environment.
CENSUS AND MARKET DATA	The PCI/Bolivia business plan development team combined 2001 census data with market research to determine their marketing approach. They discovered that the environmental deterioration in El Alto stemmed from lack of community knowledge about environmental sanitation, an inadequate infrastructure, and environmental contamination from factories in residential zones. There, 71% of the population had no access to a sewage system, 34% lacked potable water, and 80% lacked trash removal. They also found that the inhabitants wanted to begin a tradition of respect for the environment

## GOALS AND STEPS

and community service that they would transmit to subsequent generations. The shape of the movement and its public service messages came from the market research.

PCI determined that the movement's success would be demonstrated by a collective community conscience that, once generated, would propel the community to act, and by small, new enterprises, which jobless people develop to process garbage into marketable products. Its final legacy would be a new generation of community leaders who can mobilize others through powerful public service messages that address community concerns. To reach these goals, PCI/Bolivia identified the following steps:

- In the first four months, the Youth Environmental Movement will recruit and train approximately 20 youth leaders.
- The movement will hold regular meetings at a local school to inform community members about the purpose of the movement.
- As a result of these meetings, the community members will draft a joint action plan with members of the movement to clean up their environment. Community members will implement the plan and track progress.
- Members of the movement will enroll the municipal government of El Alto in the movement through a formal agreement that indicates government support and in-kind contributions for the effort.

The organization also established two image goals:

- PCI/Bolivia will be recognized as the only organization that works with youth groups in El Alto to change the way the community members practice public sanitation.
- PCI/Bolivia will be known for their approach in obtaining active participation from municipal authorities, including the mayor, in their community development work.

## Section 4: The Design and Implementation Team and Development Plan

Your business plan now needs to specify the team and activities that will bring your new product or service from the blackboard to the market according to a detailed schedule.

To complete this section, you need to:

- select a balanced design and implementation team;
- identify the product or service development activities;
- chart the schedule for implementing the development activities.

**Select a balanced design and implementation team.** The potential funder will want to know about the team that will design and introduce the new product or service. This team should reflect a balance between creative thinking and practical implementation. First you should consider the roles needed to develop and introduce or launch the new product or service into the market. Then you should identify individuals who can

best fill these roles. The following table illustrates the roles, characteristics, and functions often displayed by high-performing, innovative teams. While the people you think of may represent a blend of characteristics and of roles, what is important is that all five roles are covered on your team. Note that some of its members will probably be on the business plan development team as well.

Members of a High-Performing, Innovative Team		
Roles	Characteristics	Functions
<b>Idea generator</b>	Technical expert with original ideas and conceptual thinking	You can count on this person to solve problems, generate breakthrough ideas, and test the feasibility of these ideas.
<b>Entrepreneur</b>	Energetic risk-taker with a wide range of interests and experience in bringing ideas to reality	This person puts into action what others propose, sells the new product or service idea to others in the organization, and secures resources.
<b>Manager</b>	Decision-maker who leads others to get things done through the organizational structure, processes, and procedures.	This person inspires team motivation in planning and organizing the design, development, and launch of the product or service. This person will see that the process moves along efficiently while meeting administrative requirements and organizational needs.
<b>Gatekeeper</b>	Networker who is well-informed about what is happening in the field, among competitors, and among funders.	You can count on this person to gather intelligence and relay important news to others.
<b>Coach</b>	The senior voice of experience offering objectivity during the development of new ideas	This person provides access to the organization's power base to secure what the team needs from other parts of the organization and to foster organizational confidence in the innovation. This person offers guidance while helping team members develop their skills and talents.

Adapted from Roberts 2000, pp. 4–5.

**Identify the product or service development activities.** It helps to start planning with the launch of your new product or service in mind. Visualize the day it will be introduced to the public. Where does the launch take place? Who is there, and what is happening? Then identify the activities needed to reach and carry out the launch. These will include:

- designing the sample or prototype of your new product or service;

- testing the prototype to be sure it will meet the needs of the target population group;
- packaging the new product or service;
- promoting its sale or use, according to the marketing plan developed for Section 3;
- managing all aspects of the launch event.

Think through and list the detailed steps involved in these and other activities leading to the launch.

Then for each step, list the team members who can best carry it out and their capabilities. Include their *curricula vitae* in an annex to your business plan.

**Chart the schedule for implementing the development activities.** In the annex with the *curricula vitae*, you should include a scope of work for each team member indicating expected deliverables, activities, and dates. This will demonstrate that activities will be completed and help in forecasting costs and staff needs. Include a timeline that plots activities, deliverables, staff, and deadlines for each development and launch step.

## Section 5: The Financial Requirements

Your plan now shifts to presenting financial information that will demonstrate to a potential funder that your organization is financially healthy and a good credit risk. You also need to budget funds for launching the new product or service, and to project changes in the financial condition of your organization once the innovation has been introduced.

To complete this section, you and your team need to:

- prepare a balance sheet;
- prepare an income statement;
- generate a cash flow statement;
- draft budgets.

The sample spreadsheet on page 20 illustrates a balance sheet, income statement, and statement of cash flows.

**Prepare a balance sheet.** The balance sheet informs potential funders what your organization owns (assets), what it owes (liabilities), and what it is worth at any given point in time (equity). To prepare a balance sheet, you list all the assets in the top half and all the liabilities and equity in the bottom half. The top and

bottom always balance; that is, they add up to the same amount based on the formula:  $\text{assets} = \text{liabilities} + \text{equity}$ .

**Prepare an income statement.** The income statement shows your organization's net value (income after expenses) over a specific time period—usually one year. To prepare an income statement, you record all the revenue your organization earned from goods and services and, below the revenue, all the expenses it incurred for operations during the same time period. When you subtract expenses from revenue, you find what (in the nonprofit or public sector) is called the net value (income after expenses) or fund balance.

The income statement in your plan lets investors know your organization is fiscally healthy and can hold its net value in reserve, so you can sustain current services, survive periods of low cash flow, and reinvest money for important new activities and projects.

**Generate a cash flow statement.** Having a fund balance does not mean your organization has cash available for new activities. If many of your assets are tied up in capital equipment and property, or if you generate insufficient revenue to meet operating costs, your organization may still not meet short-term expenses and could run out of cash.

To generate a cash flow statement, you identify the sources and uses of your organization's cash (operations, investments, and/or financing activities). Reviewing this statement monthly or quarterly to compare actual cash flows against past and projected cash flows helps to ensure that your organization does not run out of cash.

As with the balance sheet and income statement, you need to include in your business plan only the statement for the most recent period. To highlight your anticipated financial return from the innovation, however, you also need to include cash flow projections (not shown).

# Sample Balance Sheet, Income Statement, and Cash Flow Statement

The sample illustrates the financial health of a fictional NGO, Better Health International.

Balance sheet

Income statement

Cash flow statement

Better Health International			Better Health International			Better Health International		
Balance Sheet			Income Statement			Statement of Cash Flows		
2002			2002			2002		
Each			Each			Each		
In Local Currency			In Local Currency			In Local Currency		
5.00			5.00			5.00		
In US Dollars			In US Dollars			In US Dollars		
<b>Assets</b>			<b>Revenue</b>			<b>Cash In</b>		
<b>Current Assets</b>			<b>Clinic-based services</b>			<b>Operating Activities</b>		
Cash (Bank Accounts)	912,759	\$ 162,552	4,600,000	\$ 920,000	Cash Received From Billings	5,305,180	\$ 1,021,236	
Accounts Receivable	89,201	17,840	506,180	101,236	Accounts Receivable	89,201	17,840	
Inventory	256,186	51,237	New Product or Service	-	<b>Total Cash From Operating Activities:</b>	<b>5,195,381</b>	<b>1,039,076</b>	
<b>Total Current Assets</b>	<b>1,158,146</b>	<b>231,629</b>	<b>Total Revenue</b>	<b>5,106,180</b>	<b>1,021,236</b>	<b>Financing Activities</b>		
<b>Fixed Assets</b>			<b>Direct Costs</b>			<b>Credit Line</b>		
Other Fixed Assets	340,601	68,120	<b>Direct Labor</b>	750,000	150,000	<b>Other</b>		
Equipment	1536,313	307,263	<b>Other Direct Costs</b>	1,536,313	307,263	<b>Total Cash From Financing Activities:</b>		
(Less accumulated depreciation)	(309,099)	(61,820)	<b>Total Direct Costs</b>	<b>2,286,313</b>	<b>457,263</b>	<b>Investment Activities</b>		
<b>Total Equipment</b>	<b>1,227,814</b>	<b>245,443</b>	<b>Gross Operating Margin</b>	<b>2,819,867</b>	<b>563,973</b>	<b>Grants / External Funding</b>		
<b>Total Fixed Assets</b>	<b>1,588,415</b>	<b>313,633</b>	<b>Indirect Costs</b>			<b>Unprogrammed Funding</b>		
<b>Total Assets</b>	<b>2,726,561</b>	<b>\$ 545,262</b>	<b>Indirect Labor</b>	725,000	145,000	<b>Sale of Used Equipment</b>		
<b>Liabilities</b>			<b>Administrative</b>			<b>Total Cash From Investing Activities</b>		
<b>Current Liabilities</b>			<b>Corporate</b>			<b>Total Cash In</b>		
Accounts Payable	408,398	\$ 81,679	<b>Depreciation</b>			<b>Cash Out</b>		
Credit Line	-	-	<b>Facilities</b>			<b>Operating Activities</b>		
Current Portion Long-Term Debt	57,815	11,563	<b>Marketing and Selling</b>			<b>Direct Labor</b>		
<b>Total Current Liabilities</b>	<b>466,813</b>	<b>93,242</b>	<b>Other Indirect Costs</b>			<b>Indirect Labor</b>		
<b>Long-Term Liabilities</b>			<b>Total Indirect Costs</b>			<b>Accounts Payable</b>		
Long-Term Debt	169,079	33,816	<b>Net Operating Margin</b>			<b>Inventory</b>		
<b>Total Long-Term Liabilities</b>	<b>169,079</b>	<b>33,816</b>	<b>Grants / External Funding</b>			<b>Total Cash Out for Operating Activities:</b>		
<b>Total Liabilities</b>	<b>635,892</b>	<b>127,178</b>	<b>Unallowable Expenses</b>			<b>Direct Labor</b>		
<b>Equity</b>			<b>Total Revenue in Excess / (Deficit) of Expenses</b>			<b>Indirect Labor</b>		
Fixed Balance	2,090,669	418,134	<b>772,427</b>			<b>Accounts Payable</b>		
<b>Total Equity</b>	<b>2,090,669</b>	<b>418,134</b>				<b>Inventory</b>		
<b>Total Liabilities &amp; Equity</b>	<b>2,726,561</b>	<b>545,312</b>				<b>Total Cash Out for Financing Activities:</b>		
<b>NOTES:</b>			<b>NOTES:</b>			<b>Investment Activities</b>		
						<b>Equipment</b>		
						<b>Total Cash Out for Investing Activities:</b>		
						<b>Total Cash Out</b>		
						<b>Beginning Cash Balance</b>		
						<b>Ending Cash Balance - Operating Funds</b>		

**Draft budgets.** Your next step is to prepare two budgets: one for costs related to your organization's *current operations*, and the other for costs of *launching* your innovation. Complete, accurate budgets will help your organization assess the viability of launching

and delivering the innovation, and will indicate to a potential funder how much capital your organization can absorb, given its current budget. Finally, reliable budgets will help your organization allocate available resources effectively and monitor costs.

## Section 6: Projections of Social Return

This section of the plan needs to show that the innovation will measurably improve people’s lives and that your organization will also benefit financially. Your projections of social return must be realistic. To complete this section of the business plan, you will:

- define indicators for social return;
- define indicators for financial return;
- draft a sound evaluation plan.

**Define indicators for social return.** An indicator is a condition, capability, or quantity that can be observed or measured and that offers evidence of a general condition. The social return indicators you choose should answer the question, “What will show that the new product or service is making a difference in the lives of the population it seeks to serve?” Different types of indicators measure the phases of introducing an innovation:

- **Input.** Input indicators describe financial, technological, and human resources invested in a product, service, or program. Examples are staff time, supplies, or funds.
- **Process.** Process indicators describe activities carried out to achieve the desired results or objectives of a product or service; they show what is done and

how well. An example is a series of training sessions presented to transfer skills.

- **Output.** Output indicators describe the results achieved immediately after introducing the innovation. These results are usually observed and quantifiable. The number of people who completed a training course is one example.
- **Outcome.** Outcome indicators describe changes in behavior among members of the population group served. These are generally observed a few months after the innovation’s introduction. Examples include the number of households using insecticide-treated nets to prevent malaria or the number of clients requesting VCT.
- **Impact.** Impact indicators measure changes in the health or socioeconomic status of the population group served and generally occur several years after the new idea is implemented. Examples include changes in fertility rates or mortality among specific population groups. Since many factors affect long-term changes, the innovation’s introduction can contribute significantly to, but never receive full credit for, impact.

The example on page 22 illustrates the indicators one organization proposed for introducing a new package of services.

### Identifying Indicators for Social Return

If the new product or service is designed to improve...

Use social indicators that demonstrate...

Health behaviors or the health status of the population group served

- increased knowledge of selected health issues
- changes in health beliefs or attitudes
- changes in health practices

The population group’s access to health or social products and services

- increased availability of the products and services
- increased use of the products and services
- decreased costs for the user to access the products and services

The quality of health or social products and services offered to the population group

- increased demand for the products or services offered
- increased client satisfaction with the products or services offered
- closer adherence to commonly accepted standards of quality in providing these products or services

## Developing Indicators of Social Return for an Underserved Market: CIES

In Bolivia, as in many other countries, most reproductive health policies and programs focus on women of reproductive age. Because men are excluded, they are less aware of how their behaviors and attitudes affect couples' decisions about sexual and reproductive health. This contributes to HIV/AIDS prevalence in men, as well as their elevated rates of sexually transmitted infections.

The Centro de Investigación, Educación y Servicios (CIES), an NGO in Bolivia with 15 years of experience in improving the health of women, adolescents, and children, started a campaign to sensitize men to their health needs. This campaign was insufficient, so CIES crafted a business plan that proposed a new package of services for men in four health centers, delivered by doctors and educators with expertise in gender and reproductive rights. To measure social return from this package, CIES selected the following indicators:

INPUT INDICATORS	<ul style="list-style-type: none"><li>■ Four urologists and four male reproductive health educators employed</li><li>■ Equipment specific to the clinical reproductive health needs of men procured</li></ul>
PROCESS INDICATORS	<ul style="list-style-type: none"><li>■ 100% of CIES' clinical staff trained to prevent, diagnose, and treat male reproductive health conditions</li></ul>
OUTPUT INDICATORS	<ul style="list-style-type: none"><li>■ A 10% increase in the number of men seeking reproductive health services at CIES' clinics</li><li>■ A 5% increase in the number of male vasectomies performed at CIES' clinics</li><li>■ A 10% increase in detections of prostate cancer in men visiting CIES' clinics</li></ul>
OUTCOME INDICATORS	<ul style="list-style-type: none"><li>■ 80% of the male patients receiving reproductive health services at CIES' clinics expressing satisfaction with the quality of services</li></ul>
IMPACT INDICATORS	<ul style="list-style-type: none"><li>■ Increased knowledge of contraceptives among Bolivia's male population</li><li>■ Increased use of contraceptives by Bolivian men</li><li>■ Reduction in male reproductive health conditions, including prostate cancer and reproductive tract infections among Bolivian men</li></ul>

**Define indicators for financial return.** Funders do not expect to receive a financial return from a business plan for social return. If your organization expects profits from the sale of the new product or service, funders will hope to see that your organization plans to reinvest these to make organizational improvements. If your organization does not expect profits, you may still want to track the rate at which future sales will

contribute to recovering the costs of development and marketing. Indicators related to financial return should answer the question, "What proportion of developing and marketing costs has been covered through the sales of the new product or service?" The following box lists useful indicators for financial return and ways to calculate them.

## Understanding Indicators of Financial Return

Financial Indicator	What It Means
<b>Net cost of sales</b> (cost of sales/net sales)	<ul style="list-style-type: none"><li>■ Cost of sales shows the costs of the inputs required to sell the new product or service (staff time, as well as direct costs of design, development, packaging, and promotion).</li><li>■ Net sales show the income generated by the sale of the new product or service.</li><li>■ Dividing the cost of sales by net sales indicates that it will cost X amount to achieve one unit of sales for the product or service.</li></ul>
<b>Break-even point</b>	<ul style="list-style-type: none"><li>■ This is the point at which revenue from sales equals the amount of investment, meaning that the new product or service covers the costs of its development and marketing.</li></ul>
<b>Percent growth in income</b> ([net sales in the year of launch/ net sales in the previous year] x 100)	<ul style="list-style-type: none"><li>■ This percentage indicates the extent to which the new product or service can generate income for the organization.</li><li>■ It reflects the profit (revenue minus expenses) from selling the new product or service between two time periods after its introduction.</li></ul>
<b>Proportion of total income due to sales of product or service</b> (income from new product or service/total income from all products and services offered)	<ul style="list-style-type: none"><li>■ This proportion helps you compare the income generated by selling the new product or service to all the income-generating activities undertaken by the organization.</li></ul>

**Draft a sound evaluation plan.** After selecting indicators of social and financial return, you need to draft a plan demonstrating that your organization will monitor and evaluate the innovation's effects. You can use a timeline like the sample on the next page to schedule when you will assess the indicators of return. To complete the chart:

- provide a current figure for each indicator of social return for the target population, if such a figure is available. This serves as the baseline;

- provide a projected figure for each indicator. This serves as the objective;
- identify the activities and staff for monitoring changes in the indicators;
- mark the months in which monitoring activities will occur;
- follow the same steps for financial return, if you have decided to monitor this.

**Monitoring and Evaluating Return on Investment**

Name of Product or Service: Delivery of a Package of Male Reproductive Health Services

Indicator	Indicator Status		Monitoring and Evaluation Activities	Month											
	Current	Projected		J	F	M	A	M	J	J	A	S	O	N	D
<b>Social Return</b>															
<b>Monitoring and evaluation activities</b>															
Health status															
Increase in the availability of men's reproductive health care and counseling	No care and counseling available	4 urologists hired 4 male reproductive health educators hired	<b>Activities:</b> <ul style="list-style-type: none"> <li>recruit and contract urologists</li> <li>recruit and contract male reproductive health educators</li> <li>train new staff in male reproductive health counseling</li> <li>conduct client satisfaction surveys with exiting male reproductive health clients</li> </ul> <b>Staff Assigned:</b> Director of Human Resources, Director of Health Education, Medical Director	(3)	II										
				(4)	II					(4)	II				
										(4)	II				
										(3)	II		(3)	II	
<b>Monitoring and evaluation activities</b>															
Access															
Annual increase in the utilization of male reproductive health services	3,140 consultations for male reproductive health services	5,564 consultations, a 10% increase for male reproductive health services	<b>Activities:</b> <ul style="list-style-type: none"> <li>revise the information system to include data for the new services</li> <li>train clinic staff to input new service statistics</li> <li>review and consolidate utilization data on a semi-annual basis</li> </ul> <b>Staff Assigned:</b> Director of Health Information Systems, Statistician, Clinical Operations Manager	(2)	II										
					(4)					(4)	II		(4)	II	
										(4)	II		(4)	II	
<b>Monitoring and evaluation activities</b>															
Quality															
Acceptable level of service quality reached			<b>Activities:</b> <ul style="list-style-type: none"> <li>complete health care standards, policies, and client rights for men</li> <li>conduct quality surveys</li> </ul> <b>Staff Assigned:</b> Program & Evaluation Manager, Regional Managers, Technical Administrative Directors	(2)	II										
										(2)	II		(2)	II	

( ) = Week in which the start date falls [e.g., (1), (2), (3), or (4)]  
 II = End of the activity or deadline for the deliverable

## Financial Return

Costs		Monitoring and evaluation activities																				
Decrease in the total annual costs for the new package of services	US\$68,000      US\$48,000	<p><b>Activities:</b></p> <ul style="list-style-type: none"> <li>■ compute the package of services, focusing on direct and indirect unit costs</li> <li>■ create a financial monitoring system that monitors direct and indirect unit costs for the new package</li> <li>■ consolidate data and produce quarterly cost reports</li> </ul> <p><b>Staff Assigned:</b> Chief Financial Officer, Clinic Administrators, Medical Director's Staff</p>	(3)		■																	
Cost recovery		<p><b>Monitoring and evaluation activities</b></p> <p><b>Activities:</b></p> <ul style="list-style-type: none"> <li>■ verify income from male reproductive health visits and</li> <li>■ determine the unit cost of the visits</li> <li>■ verify the prices of the providers of the services</li> </ul> <p><b>Staff Assigned:</b> Financial Manager, Cost Review Unit</p>				(4) ■																
Income growth		<p><b>Monitoring and evaluation activities</b></p> <p><b>Activities:</b></p> <ul style="list-style-type: none"> <li>■ verify income and compare to income in previous months, after:                             <ul style="list-style-type: none"> <li>- marketing the services</li> <li>- prostate cancer campaigns</li> <li>- community education activities</li> </ul> </li> </ul> <p><b>Staff Assigned:</b> Financial Manager, Accounting Team, Health Educators, Clinic Staff, Administrator, Technical Administrative Director</p>				(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	
Monthly increase in income																						

Adapted from CIES Business Plan 2002.

## Identifying Opportunities for Improving Business Planning Skills

To attract funds from private investors and nontraditional donors, you and your colleagues may wish to enhance your capacity to draft compelling business plans by building on your existing skills and the material in this publication. A number of business planning programs can help you further develop business plans.

To decide on a program, first identify the criteria that are most important to you, such as who is offering the program, their method of delivering the program, their curriculum, cost, and intended audience.

*For example, if you need to minimize the time spent away from your workplace, then a program delivered through blended learning may be essential. Blended learning combines e-learning (learning on the computer and coaching through e-mail) with classroom training. You may also want to weigh the curriculum's compre-*

*hensiveness, rigor, whether it is oriented toward an audience from your region, and if it is offered in your language.*

Also consider the learning approach. Does a program emphasize theory, or practical experience in writing a plan? How much guidance will the facilitator provide before, during, and after the program? Will the facilitator help you secure funding for your plan?

Once you have selected criteria, survey potential programs and sources of self-guided material using the World Wide Web, a library, or advice from colleagues. You can develop a table like the following one to organize your survey findings. Insert the names of five to ten programs that interest you and list your criteria. Look for a program that best meets your criteria.

The box on page 27 describes a few, varied resources out of the many that you can find on the Web.

**Sample Table for Comparing Business Learning Programs**

Name of Program or Resource	Criteria						
	Blended learning	Social return	Comprehensive curriculum	Coaching	Low cost	Funding assistance	Audience
Business school	X	X	X			X	X
Business school		X			X	X	X
Company manual			X				
Consulting organization	X	X	X	X	X	X	X
School of public health		X	X	X			X
Web site		X		X	X	X	

## Examples of Resources for Learning How to Develop a Business Plan

DELOITTE & TOUCHE	Deloitte & Touche publishes <i>Writing an Effective Business Plan</i> , a guide for putting together a successful business plan. While it gives the reader a lot of information, it focuses mainly on financial return.  Web site: <a href="http://www.deloitte.com">www.deloitte.com</a>
GLOBAL GIVING	Global Giving offers guidance in business planning through partner organizations. It lists the criteria each plan should meet. It posts the plans it accepts on its Web site; anyone who accesses the site can view them and make donations online.  Web site: <a href="http://www.Globalgiving.com">www.Globalgiving.com</a>
THE HARVARD SCHOOL OF PUBLIC HEALTH	This school of public health offers a two-week business planning course covering comprehensive business planning material. The cost for each participant is \$3800. At the end of the course, participants have the tools and resources they need to create a business plan.  Web site: <a href="http://www.hsph.harvard.edu">www.hsph.harvard.edu</a>
MANAGEMENT SCIENCES FOR HEALTH	MSH's business planning program offers a blended learning experience, which allows clients more time to create business plans in their own offices while absorbing a complex curriculum. Because of the virtual nature of blended learning, the program is accessible to clients around the world, and includes continuous coaching throughout the program.  Web site: <a href="http://www.msh.org/projects/mandl/">www.msh.org/projects/mandl/</a> and click on "What We Do"/"Scaleable, Replicable Programs"
YALE SCHOOL OF MANAGEMENT	This school of management conducts an annual competition in which nonprofit organizations submit business plans. After reviewing the plans, a committee selects 20 to advance to a second round, where the teams receive one-on-one consulting in business planning. The subsequent plans are evaluated based on set criteria. The four grand prize winners each receive \$100,000 and consulting services to launch their innovation, while the four runners up each receive \$25,000 and technical assistance.  Web site: <a href="http://mba.yale.edu">mba.yale.edu</a>

### Using Business Planning as Your Tool for New Initiatives

Once you and your team have built your business planning skills and developed an innovative business plan for social return, you are ready to approach potential funding sources: foundations, corporate giving programs, and other sources committed to strategic investment in addressing health and social challenges. After securing funding for your business plan, you will need to integrate its activities into your organization's operational plans to be sure that you deliver the proposed product or service.

For maximum benefit, you can adopt business planning as your primary tool for shaping your line of products and services. Your organization can regularly evaluate all its products and services in light of its strategic position and social mission, while constantly watching for new opportunities to meet changing client needs. As you repeat the business planning process and generate funds for innovations, you will gradually transform your organization into a creative, market-driven enterprise with a strong social mission. The following examples illustrate how some NGOs are transforming their operations and services as a result of acquiring business planning skills.

## INTEGRATING ENTREPRENEURIAL THINKING INTO SERVICES AND OPERATIONS

Organizations have applied the breakthrough thinking that goes with business planning to rethink and expand their services.

**Bolivia.** The Program of Coordination for Integral Health [Programa de Coordinación en Salud Integral] (PROCOSI) realized that business plans could help many NGOs strengthen their capacities, so they added business planning to their line of consulting services.

PROCOSI is a network of 36 Bolivian and international NGOs implementing health projects in over 250 Bolivian municipalities and benefiting primarily rural, indigenous, and poor communities. Many of its projects have contributed to the improved health of the population, for example by helping increase vaccination in children and providing reproductive health services to women. Having traditionally relied on funding from international donors, the PROCOSI executive management team decided they could help the network's members diversify their funding sources, reduce their financial risk, and better respond to their clients' needs if the team encouraged the members to develop business planning skills.

Most of PROCOSI's management team and seven of the member organizations initially learned business planning skills through MSH's Business Planning Program. To offer business planning to other organizations, PROCOSI also undertook training to become a partner of this program, with the ability to deliver the program in their region.

As PROCOSI is delivering its new service to NGOs in other Latin American countries, its member NGOs are securing new funds. Several members of the network who participated in the program have adopted the business planning methodology as their standard tool for new initiatives. Since completing their first plans in 2002, they have reapplied the methodology and created a second round of business plans to:

- negotiate with their board for resources to match partial funding from a donor;
- make a case for procuring furniture and equipment for several clinics;
- secure funding through an Internet request and from donors they had not previously approached;
- attract funding from a major funding agency for a new nutrition program;
- secure funding for dental services;
- evaluate the strategic position and value of all their projects.

**Ghana.** A Ghanaian NGO, GSMF International, formerly the Ghana Social Marketing Foundation, has also added business planning to their consulting services. GSMF's mission is to empower families and individuals to achieve an improved quality of life through behavior change techniques. Its strategy is to help organizations develop sustainable health programs by expanding the private-sector market for maternal and child health products and contraceptives.

When senior staff from GSMF first considered business planning in 2002, they recognized the process could help build GSMF's institutional capacity in new business development, improve their management practices, and benefit other NGOs that serve health and social needs. Like PROCOSI, they also participated in MSH's Business Planning Program and became a partner of the program for West Africa.

One GSMF staff member commented that the business planning program *"strengthened our belief that anything is doable. You just need to put your mind to it. This mindset has 'spread out' from the [business planning] team to others in GSMF, and it will spread further as we deliver it to client organizations."*

## Reviewers' Corner

*A forum for discussing concepts and techniques presented in this issue*

### On the opportunities that new investors offer...

*A reviewer emphasizes, "The point of business planning is that there are new organizations out there that look for innovation, creativity, and good, solid business sense. They offer opportunities to other organizations to break with the old patterns of responding to agendas set by other organizations."*

### On understanding a potential investor's values...

*A reviewer warns, "The corporations you may want to approach will have their own agendas. Sometimes these will not mesh with the social mission of your organization."*

### On assessing the strategic fit of all products and services...

*A reviewer notes, "It would seem that based on an analysis of strategic position, the organization would identify what products and services are dispensable and must go, in order to push the breakthrough idea ahead. This is an imperative, not a casual, analysis."*

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# Checklist for Business Planning to Transform Your Organization

- Review your organization's current scope of products and services and assess your organization's strategic position in the marketplace within the context of its organizational mission.
- Create a strategic map of the health and welfare needs of the population. Compare your organization's products and services with these needs to identify gaps in what your organization offers.
- Identify several breakthrough ideas that would help to fill these gaps, contribute to your organization's strategic position, and fit its competencies. Determine which ideas might interest foundations, private investors, or donors who seek innovations.
- Gain the support of your organization for one innovation and organize a team to develop a business plan with a social return.
- Evaluate opportunities for further training in business planning; select one that meets the skill level and available time of your business plan development team.
- Develop a persuasive business plan for a new product or service that includes:
  - the story behind your organization;
  - a breakthrough idea;
  - a description of the market that the new product or service will serve and your marketing approach;
  - the identification of your design and implementation team and your development plan;
  - financial requirements for developing and introducing the product or service;
  - projections of social return that a potential funder could anticipate.
- Approach foundations, private investors, or donors who might be interested in your business plan. Revise your plan as needed.
- Once your plan is funded, integrate activities for designing and launching the new product or service into your organization's operational plan.
- Institutionalize business planning in your organization for breakthrough products or services that can transform your organization over time.

## THE MANAGER

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