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# Proposing a business model framework for nonprofit organizations

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### *Abstract*

*This study addresses the literature on the use of for-profit developed management practices and tools by nonprofit organizations (NPOs), especially focusing on business models. In this study a conceptual NPO business model framework is designed and tested with eight nonprofit case studies for its utility. Based on the case studies a NPO business model framework with separate programmatic and operational sections connected via the organization's value proposition was developed. We discern the following business model components: value proposition, key partners, key activities, key resources, relationships, program delivery methods, ultimate beneficiaries, channels, customer/donor segments, income, expenditure and impact. The results further show that a business model framework for nonprofit organizations is useful as a descriptive, communication, analytical and visual tool. Given the paucity of studies on this subject, this study expands the knowledge on nonprofit business models by providing a literature review on business models in relation to NPOs, assessing existing business model frameworks and proposing a business model framework specifically for NPOs.*

Keywords: Business model, Business model framework, NPOs, Business model components

JEL Classification: L31, L33, M10



## 1. Introduction

Nielsen et al. (2019) identifies a research gap into nonprofit business models, however, a literature review shows that several academic studies that focus on nonprofit organizations (NPO) mention business models in their papers (Foster et al. 2009; Knutsen, 2013; Laurett and Ferreira, 2018). Yet, as the business model concept and tools are developed for for-profit organizations one must question whether nonprofit organizations (NPOs) should or can use business-like approaches.

One way to understand an organization, for example an NPO, is through the use of a business model (Osterwalder, 2004). A business model framework is a visualization of the organization's business model (Keane et al. 2018; Osterwalder and Pigneur, 2010). Arend (2013) states that business models are theoretically limited because they are too profit-focused and claims that business model research should be extended to nontraditional business contexts,

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such as nonprofits. This study addresses these research gap by describing a nonprofit business model. Consequently, the research questions that this study seeks to answer are:

*1) How can a nonprofit business model be described and what are the features?*

*2) What can the nonprofit business model be used for?*

This study is in line with the research trends identified by Marberg et al., (2019) of nonprofits to become more business-like and give more attention towards strategy and management. Kaplan (2012) mentions that the business model of NPOs is implicit and assumed rather than explicit and openly discussed. Hence, the practical relevance is to provide NPO managers an understanding of the NPO business model and its use and relevance for nonprofit organizations.

This study is built up in the following way. We discuss the use of for-profit developed management tools by NPOs and then address the potential usability of business model and business models for NPOs. This is followed by the description of the methods. Based on the literature review a conceptual NPO business model framework is built which is tested and further developed using eight case studies. In the results section we present a nonprofit business model framework using definitions aligned with the nonprofit sector and the functions of the NPO business model framework. We end the article with discussion, conclusions, recommendations for future research and the relevance of these results for practitioners.

## 2. Literature Review

### 2.1 The use of for-profit developed management tools by NPOs

Several studies notice a rising level of academic interest in studying the strategies of NPOs, which are adopting management practices and tools (Laurett and Ferreira, 2018; Maier et al., 2016; Suykens et al. 2019). Since the 1980s, NPOs have undergone remarkable changes that have made them organizationally closer to for-profit organizations (Marberg et al. 2019). Different reasons are given for NPOs increasingly adopting management practices and tools, such as: the changing external environment for NPOs, the growing demands from donors (Weerawardena et al. 2010), the need to adopt the New Public Management principles (Baines et al. 2012), the inadequacy of the value-based self-sustaining mechanism (Knutsen, 2013) or contributing to the NPOs financial stability and strengthening organizational legitimacy (Suykens et al., 2019). Hence, many business tools adapted and implemented by NPOs are intended to improve their economic and social performance (Petitgand, 2018).

On the one hand, management and organization studies promote the adoption of business-like approaches (Maier et al., 2016) and the use of for-profit business tools in NPOs (Kaplan, 2001) by mentioning that a management tool can have positive effects (Melnik et al. 2013). On the other hand, some are critical of this trend (Petitgand, 2018) because of the risks involved as result of limiting employees and beneficiaries from having a say in shaping the organization (Baines, 2010; Baines et al. 2011), mission drift, loss of idealism (Maier et al., 2016), power imbalance (Petitgand, 2018), erosion of workplace democracy (Baines, 2010; Baines et al., 2011), and change of NPO manager's goals (Eikenberry, 2009). Knutsen (2013) identifies three assumptions behind existing nonprofit theories: 1) NPOs can be understood by borrowing theories about private or public organizations; 2) NPOs are distinct from private and public organizations; and 3) NPOs are becoming similar to private and public organizations and exhibit both nonprofit and business- or government-like characteristics.

Laurett and Ferreira (2018) find that these for-profit developed management practices or tools need to be subject to re-evaluation prior to their application. Or at least adapted to NPO terminology (Hvenmark, 2013) and adjusted to the characteristics of NPO's origins and

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capacity (Hwang and Powell, 2009; Suykens et al., 2019). Differences include: recognition that NPOs are more complex compared to their for-profit counterpart (Anheier, 2000), as, for example, the relationship between income generation and client is largely uncoupled (Weerawardena et al., 2010) and because they address a more complex and challenging multi-stakeholder environment and strategic process (Weerawardena et al., 2010). Also, a substantial difference is that the value produced by NPOs lies in the achievement of social value rather than in economic benefit (Moore, 2000).

### 2.2 **Nonprofit Business Models**

At a general level, a business model is a description of an organization and how that organization functions in achieving its goals such as social good, growth, profitability (Massa et al. 2017). The business model tells the story of how the organization works (Magretta, 2002) and is a simplified representation of the components of an organization and the interaction between these components (Geissdoerfer et al. 2017). Research on business models has increased since 1995 (Zott et al. 2011). Yet, a common definition is missing (Massa et al., 2017). The present study uses the definition from Osterwalder and Pigneur (2010, p. 14): 'A business model describes how an organization creates, delivers, and captures value'. This definition is widely used and allows for the inclusion of broader organizational models.

Business models can be useful to the designers and managers of organizations as they strategize, plan, and adjust. A business model highlights the importance of thinking of an organization as a system rather than a collection of parts (Fjeldstad and Snow, 2018). A business model supports different analysis: it captures how an organization creates, delivers and captures values by giving a description or visualization of the different aspects of the organization (Keane et al., 2018; Osterwalder, 2004) and highlights the interrelations between the different business model components (Dohrmann et al. 2015). A business model helps to link the organization's strategy to its activities, or to the execution of its' strategy. The business model can help in thinking strategically about the details of how the organization works (Richardson, 2008). Other functions of the business model, found in the literature, are: improving the understanding of the organization (Osterwalder, 2004), acting as a management instrument (Osterwalder, 2004) or a blueprint (Demil and Lecocq, 2010), supporting transformation (Demil and Lecocq, 2010), improving communication (Shafer et al. 2005), describing the organization (Baden-Fuller and Morgan, 2010), analyzing and categorizing (Dohrmann et al., 2015) and providing a general description of how the organization creates and captures value (Baden-Fuller and Morgan, 2010). In addition, Seelos (2010) highlights that the business model concept can support external evaluation of an NPO's potential and can support NPOs in their discussions with donors on the most productive use of their donations.

The business model created by Osterwalder (2004), called the business model canvas (BMC) is a widely used tool (Spieth et al. 2014). The main focus of the tool is profit generation (Upward and Jones, 2016) or in other words, 'profit first' (Joyce and Paquin, 2016). As identified by Nielsen et al. (2019) Osterwalder's BMC provides a shared language to describe, visualize and assess an organization's business model, bringing together the different components for a complete understanding of the business model.

There are several reasons why business models should be adapted for usability and applicability to NPOs. First, there is the difference in organizational models between for-profit and nonprofit organizations. Second, the complexity of NPOs (Anheier, 2000) due to multiple income streams and multiple stakeholders. Smith et al. (2010) mention that complex business models are designed to address the tensions of paradoxical strategies, referring to organizations that need to have multiple strategies, which seem contradictory yet linked for the long-term survival of the organization. Third, the issue of funding. NPO's need long-term strategies to achieve their mission, but only have short-term project funding. Larsen and Brockington (2018) highlight conservation NPOs as being dynamic social entities because of their evolving practices and need to be flexible and responsive to funding and shifting dynamics. This leads us to the fourth point, the changing environment. When the environment is continuously changing, as is the case for NPOs, business models require constant vigilance (Euchner and Ganguly, 2014). Other research showed that the application of the business model in the nonprofit sector leads to misunderstandings and rejection due to the use of terms applied in the for-profit sector (Hvenmark, 2013; de Langen, 2018).

Osterwalder & Pigneur (2010) show two variations of their business model canvas suitable for 'beyond-profit' organizations (those with a social mission). The first variation is the triple-bottom-line business model that can be used for social businesses due to the addition of 'social and economic costs' and 'benefits' components. The second variation is the third-party funded business model which can be used in cases where recipients of products or services do not pay for them, the payment being from a third party such as donor or a public sector institution/agency. It does need to be noted that the definitions of the individual business model canvas components of the two variations are the same definitions as for Osterwalder & Pigneur's original BMC. A group of researchers have used, with mixed results, the BMC without any alterations. Dohrmann et al. (2015) analyzed the monetization of social value creation of social business's business models and showed that different types of social business models generate different sources of income. Their analysis did not include all the components of an organization's business model, as it missed the value creation. Brehmer et al. (2018) used the canvas as one of the tools in their sustainable business model research; their experience was that the canvas in its original form was not useful as it does not represent well the network environment of an organization. Hence, Blank (2016) adopted the terminology of the business model components when developing the mission model, a business model for mission-focused organizations. The issue of NPOs with multiple income streams when there are different target groups is also highlighted by Dohrmann et al. (2015). Nonprofits need to distinguish the different strategies to serve their 'programmatic' customers (beneficiaries) and their financial 'customers' (donors), where the value creation and the value capturing are two different processes (Weerawardena et al., 2010). NPOs have been identified as possessing a unique class of business models with distinct properties (Brehmer, et al. 2018), which led the researchers to question the applicability of Osterwalder and Pigneur's BMC (2010) for NPOs.

## 3. Methods

This study is of an exploratory nature given the few studies on nonprofit business models (Nielsen et al., 2019). As described above, the literature review on nonprofit business models does not provide a fully described and tested model. We chose to conduct a qualitative case study approach (Eisenhardt and Graebner, 2007; Saunders et al. 2016) which is the most suitable research method for this study. The research was conducted in three stages: in 2013–2014 (first and second stage) and continued in 2017– 2019 (June) (third stage). The third stage was performed in order to gather additional data using different methods. These new data were also used to validate the first-stage data by applying triangulation methodology. These stages are summarized described below. Each stage of the study was completed before starting the next stage. Insights from each stage, for example the outcome of the interviews with the nonprofit experts, fed into the case study preparations. For the second and third stages of the study an interview protocol was designed to ensure that all the required and relevant data were collected during the interview process and to increase the reliability of the study (Eisenhardt, 1989).

### 3.1 First Stage

In this stage a literature study (see paragraph 2) was done. Osterwalder and Pigneur (2010)'s business model (OP-BMC from here) was adapted to the nonprofit environment. This adapted NPOs business model framework served as the conceptual model for the second stage of the research.

### 3.2 Second Stage

We interviewed four nonprofit experts. They were selected as they had different backgrounds and were professionals specialized in the nonprofit sector. One expert was an organizational development consultant; two were environment and development consultants; and the last was advisor at a large NPO working on an organizational change project. The average duration per interview was about 1 hour. The interviews were intended to a) test the conceptual business model framework and its definitions; b) test clarity of the interview questions; and c) increase the researcher's understanding regarding the use of a business model framework and practicalities related to NPOs. The purpose of this stage was to improve the validity of the conceptual model and the study.

### 3.3 Third Stage

We collected and analyzed relevant documents of each of the organizations, such as annual reports, strategy documents and reviewed the organizations' websites. Following the outcome of the interviews with the nonprofit experts, we tested the conceptual model with eight case studies (table 1). This is in accordance with the range of four to ten case studies for the development of theory from case studies (Eisenhardt, 1989; Yin, 2009). In order to access the richest possible data, the case studies were selected on the basis of similarities and differences. We used theoretical or purposeful sampling technique to find exemplars of polar types (Eisenhardt, 1989) to test the applicability of the nonprofit business model framework for NPOs that were in different fields and of different sizes (Patton, 1990). The similarities were: they were international organizations having an international programmatic focus and operating multiple country offices; they were the International Secretariat or Head Office of the organization. Differences between the case studies were in terms of different goals and different characteristics, such as annual income and number of employees, and different experiences of for-profit developed management tools. The case studies were two philanthropic foundations (case studies A and B, table 1), both with one income stream. Foundations primarily engage in grant-making to NPOs for specific purposes (Anheier, 2010). The test was repeated with six NPOs with multiple income streams (case studies C to H, table 1). Of the eight case studies seven have their International Secretariat or Head Office in Switzerland and one in France. All the case study organizations work globally. Six case studies (case studies C, D, E, F, G and H) have a mix of income streams, such as governments, foundations, private individual donors, memberships, sales. In addition, five of the case studies (case studies A, B, C, D and G) have ample usage experience of for-profit developed management tools and of business-like or management jargon. Case studies E, F and H also have familiarity with this, but not as extensively as the other five case studies.

The case study research involved semi-structured interviews, participant observations and document reviews. The multiple methods of data collection enabled triangulation of the reference material (Yin, 2009) to increase understanding of the organizations' business model and increase validity. With case studies A to G, in-depth interviews were conducted with key decision-makers of the organizations, because they possess the most comprehensive knowledge of the organization, its strategy and management practices (Weerawardena et al., 2010). On average, each interview varied from one to one and half hour. Notes were taken during the interview. After each interview, the researchers used participant validation to ensure that the

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researchers had a correct understanding of the case study interviews and the developed business model framework. With the exception of case study E, which was conducted via Skype, all the interviews were conducted face-to-face in the organization's office. Organization H chose to use the NPO business model framework during a strategy workshop. One researcher was a participant observer and attended this workshop. Field notes were taken during the workshop with detailed notes of the session in which the participants used the NPO business model framework. These notes were shared with all the participants. In addition to the interviews, the conceptual model of the NPO business model framework was tested with all the case studies by describing and visualizing the organization's business model based on documentary material available in the public domain. Separately the interviewees of case studies A, B, C, D, F and G completed the conceptual model, while one of the researchers observed and took notes of the process and noted the reactions of the interviewees. Data analysis took place by combining the flow of activities and processes as defined by Miles et al. (2014) and Yin (2009).

**Table 1: Example of a table format using the "Figure/Table Caption" format style**

| Case | Organizational form | Purpose | Annual grants (Foundations) or income (NPO) | Roles |
|---|---|---|---|---|
| A | Foundation | Nature conservation | USD 50 – 100 million | Director General |
| B | Foundation | Address issues of global, social and environmental concern | USD 200 – 500 million | Director |
| C | NPO | Humanitarian | USD 500 million – 1 billion | Director |
| D | NPO | Humanitarian | Above USD 1 billion | Manager |
| E | NPO | Nature conservation | USD 1 – 5 million | President |
| F | NPO | Environment/Development | Less than USD 1 million | Board member |
| G | NPO | Nature conservation | USD 500 million– 1 billion | Director (2) |
| H | NPO | Peace organization | USD 1 -5 million | Treasurer, Director, Manager (2), Technical staff (2) |

## 4. Results

### 4.1 Results of the development of the nonprofit business model framework conceptual model

In the following section we describe the individual business model components of the OP-BMC providing a description of each business model component and using literature review to align with the nonprofit environment. Following the literature review, figure 1 shows the conceptual model derived from OP-BMC.

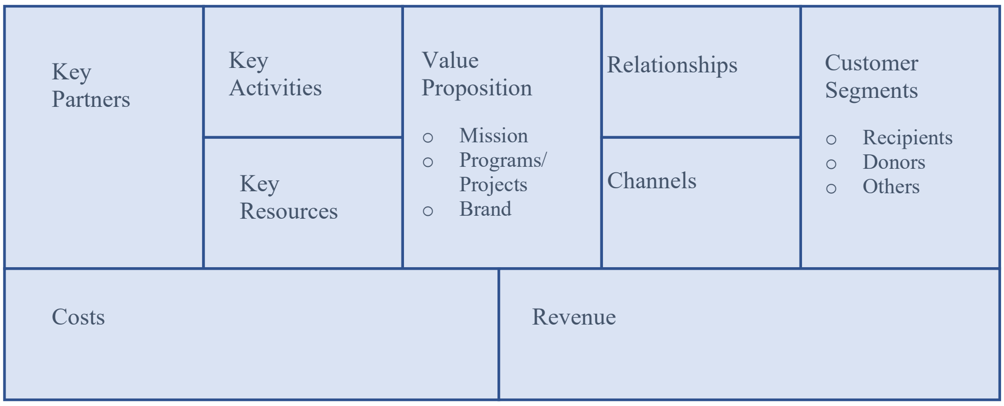


**Figure 1. Conceptual business model framework for nonprofit organizations derived from OP-BMC**

The components *key resources* and *key activities* describe the business model's value creation component. Resources describe the essential elements needed for the business to prosper. Resources allow the organization to create and offer a value proposition, reach markets, maintain relationships and earn revenue; these resources can be physical, financial, intellectual or human (Osterwalder and Pigneur, 2010). Collins (2005) indicates that for nonprofits, human assets can be obtained for free or below market rates. Some researchers, such as Demil and Lecocq (2010), Hedman and Kalling (2003) and Osterwalder and Pigneur (2010), identify resource as a specific key business model component, while others consider this to be part of the assets required to support the organization's value chain (Chesbrough, 2010) or part of the organization's competences (Michelini and Fiorentino, 2012). The activities are the most important components for making the business model work. Some studies include this component as part of the organization's value chain (Chesbrough, 2010; Michelini and Fiorentino, 2012; Yunus et al. 2010), while other studies claim that they are activities that an organization must perform to create its value (Osterwalder and Pigneur, 2010). Lambell et al. (2008) highlight the merit of analyzing the value-creating activities of nonprofits.

The *value proposition* is the heart of the organization and represents the organization's core products/services that create value for the 'customer'. For a nonprofit business model, an organization's mission should also be reflected in the value proposition component (Michelini and Fiorentino, 2012; Osterwalder and Pigneur, 2010; Shafer et al., 2005), as a nonprofit's mission is the key driver at the heart of its operation (Sharp and Brock, 2012), as Drucker (1990) emphasizes, it starts with the nonprofit's organizational mission. Collins (2005) relates the organization's performance to the results and level of efficiency with which the organization can achieve its mission. For nonprofits, there is a need to separate the value propositions for their beneficiaries and their donors (Week, 2010). Donors mostly provide funds for a specific purpose rather than for the organization's overall mission per se (Miller, 2003). Finally, the value proposition for a nonprofit should include the organization's brand (Osterwalder and Pigneur, 2010). The nonprofit's brand is of great importance to the organization as it cultivates emotional goodwill among potential supporters (Collins, 2005). The product and services to which the NPO's funds are devoted are often called 'program activities' (Baguley, 2009). Based on the above, the value proposition component is defined as the organization's mission, its programs or bundle of products and services—that create value for its customers, stakeholders and partners—and its brand.

It is essential to clearly define the target group or the *customer* (Drucker, 1990) of the organization for the design of the business model. Nonprofits can have two different sets of customers: beneficiaries/recipients/end users or donors and other stakeholders (Week, 2010; Weerawardena et al., 2010). One problem with the nonprofit business model is that the value-creation incentives can become misaligned, with the donor becoming the main 'customer', while the beneficiaries become mere recipients due to a stronger incentive for donor value creation than for recipient value creation (Osterwalder and Pigneur, 2010). Therefore, the organization must adopt different approaches aimed at the different groups. One option is to develop a value proposition framework for each beneficiary or customer (Blank, 2016). Separating the customers into two groups allows the organization to display the different segments and to identify their customer(s) and/or stakeholders. The customer segment represents the different stakeholders (recipients, donors and others) the organization aims to reach (Osterwalder and Pigneur, 2010; Yunus et al., 2010).

The *economic features* indicate *the revenue and costs* components of the business model. The following definitions are used: revenue, as represented by income streams, including donations, merchandise/sales, investments or other income available for the organization's work; and cost, representing the total costs that the organization incurred or will incur to implement its activities. NPOs are concerned with balancing their economic needs with their sources of financing to sustain their operations (Dahan et al. 2010). The revenue component can have different meanings for NPOs and could be considered broadly; for example, the

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revenue component can also represent the mission achievement or impact (Blank, 2016). However, in the conceptual model we keep an economic focus on the revenue and costs components.

The meaning of the term *key partners* has evolved over time. Earlier studies use the term ‘suppliers’, while more recent studies refer to ‘partners’ or the ‘value network’. The ‘partners’ component describes the network of suppliers and partners that are a part of an organization’s value network (Teegen, 2003; Yunus et al., 2010). Partners can also be seen as a network of agreements with other organizations (Michelini and Fiorentino, 2012). In this study, a broad definition is used to capture partnerships: a network of cooperative agreements with other people or organizations (including governments) required to efficiently offer and distribute value.

*Relationships* are important for NPOs to achieve their missions (Baguley, 2009; Yunus et al., 2010). This business model component represents the types of relationships the organization has established or wants to establish with each customer segment, partner or other stakeholders.

The *channel* concerns how an organization communicates with and reaches its customer segments. For example, the delivery of a product or service can occur via partner organizations or local governments. The channel component, in this study, refers to the communication, distribution and sales channels the organization uses to interact with its customer segments and partners.

The main difference between the conceptual model (figure 1) and the OP-BMC, are the adaptation of the definitions of the business model components to fit with the nonprofit sector terminology. This adaptation is important for the acceptance of the business model framework by nonprofit organizations.

**4.2 The Nonprofit organization (NPO) business model framework**

In this section we present the results of the case studies, the subsequent NPO business model framework and compare this to the conceptual model, as well as, the findings on the identified usages of the NPO business model framework by the case studies.

All the case studies confirmed the need to further adapt the language and definitions of the conceptual business model framework, as these were too profit focused and poorly adapted to the nonprofit sector. This includes changes to several business model components. An example of the language, definition and business model components change is the replacement of the ‘revenue’ business model component with ‘income’ and including the word ‘grant’ in the definition. Table 2 shows the proposed definitions based on this research.

A major point from all case studies, is that the nine components conceptual business model framework in its current format is not usable for NPOs with multiple income streams due to the complexity of NPOs. As one interviewee stated (nonprofit expert) ‘*with only these nine components one cannot show the complexity of NPOs. This is designed for for-profit which are quite straightforward. For NPOs this is not the case, they are so much more complex’.* This is because the strategies, partners, stakeholders and activities will be different for the ultimate beneficiaries of NPOs from donors and/or customers. This aligns with the findings of Anheier (2000) and Smith et al. (2010). This led to the creation of two-layers, the programmatic and operational, for the NPO business model framework. All the case studies stated that this provides greater clarity, hence, making the framework more useful. Related to this, after adjustment of the terminology, the case studies acknowledged the suitability of the conceptual model for Foundations or NPOs principally with a single income source.

There were mixed responses for the inclusion of 'vision' and 'impact' as business model components in the NPO business model framework. Therefore, we have added 'vision' as a flexible component in the framework (see figure 2 and table 2). This flexibility does not negatively impact the usability of the framework. Some deem vision to be different from an organization's mission, while for others it is the same. A vision statement describes the organization's overall purpose (Baguley, 2009). Though not all of the case study organizations have a vision statement, some suggest that its inclusion adds value to the model. In contrast, all the organizations did have a mission, which they saw as the heart of the organization. The definition of 'vision' is adapted from the interviews and is as follows: 'Outlines what the organization wants to be. It can be emotive and is a source of inspiration (see table 2). The impact business model component is also a flexible component. In this case, impact refers to the higher-level outcome of the program (Department for International Development, 2011). This should not negatively influence the ability of the business model framework to be used for comparisons for several reasons: the impact is not the defining component that determines or highlights the differences between NPOs. Most of the case study NPOs found it difficult to define their impact at the highest organizational level due to difficulty of attributing the efforts of a single organization in the global impact picture (Rey-Garcia et al. 2017; Stephenson and Reidhead, 2014). This component may be more suitable for individual offices, departments or programs, as at the highest organizational level the organization's vision or mission already defines the organization's desired outcome.

**Table 2. Definitions of the terms used in the NPO business model framework.**

| *Key Definitions/* | |
|---|---|
| Vision | Outlines what the organization wants to be. It can be emotive and is a source of inspiration. |
| Mission | Defines an organization's fundamental purpose and succinctly describes why it exists and what it does to achieve its vision. |
| Key Partners | The network of cooperative agreements with other people or organizations, including governments, necessary to efficiently offer and distribute the organization's programs and achieve its mission. |
| Key Activities | The main actions that an organization must perform to create its value proposition. |
| Key Resources | The physical, financial, intellectual or human assets required to make the business model work. |
| Value Proposition | The organization's mission, main programs and brand. |
| Relationships | The type of relationships the organization has established or wants to establish with each key beneficiary or donor segment. |
| Program Delivery Methods | The method the organization uses to achieve its mission or develop program activities for its beneficiaries. |
| Ultimate Beneficiaries | The target group that the organization principally aims to reach and serve to achieve its vision/mission. |
| Channels | The communication, distribution and sales methods used by the organization to connect with its customer/donor segments. |
| Customer/ Donor Segments | The different groups of customers and/or donor segments that the organization targets for its fundraising activities. In this component, the customers tend to relate more to the organization's merchandising section, and the donors tend to relate to its fundraising section. |
| Income | The income or funding streams, which could include donations, grants, merchandise/sales, investments or other income streams available for the organization to work on its value proposition. |
| Expenditure | The total expenses the organization incurred or will incur to implement the agreed activities. |
| Impact | The higher-level outcome of the project/program. |

The case studies mentioned that an organization's brand is important for nonprofits for different reasons. Five of the case studies (case studies A, C, D, F, and G) even mentioned that the brand is '*absolutely vital*' for NPOs and hence needs to be shown in the NPO business model framework. The foundation case studies identified the brand as being important to access governments and other influential players, and for receiving high quality funding proposals.

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For NPOs with multiple income streams, the brand is important to gain access to influential players and governments, and for fundraising utilizing brand profile and public recognition. Therefore, the organization's logo appears in the value proposition component. The value proposition and the mission are at the heart of the organization, as they describe what the organization wants to achieve and explains why people may want to work for the NPO, which, Berlan (2017) refers to as personal mission conceptions. The value proposition and mission also indicate what people and donors are funding. As the value proposition is at the heart of the organization—both programmatically and on the fundraising/marketing and finance side of the organization—it is the connecting device between the two layers of the business model framework.

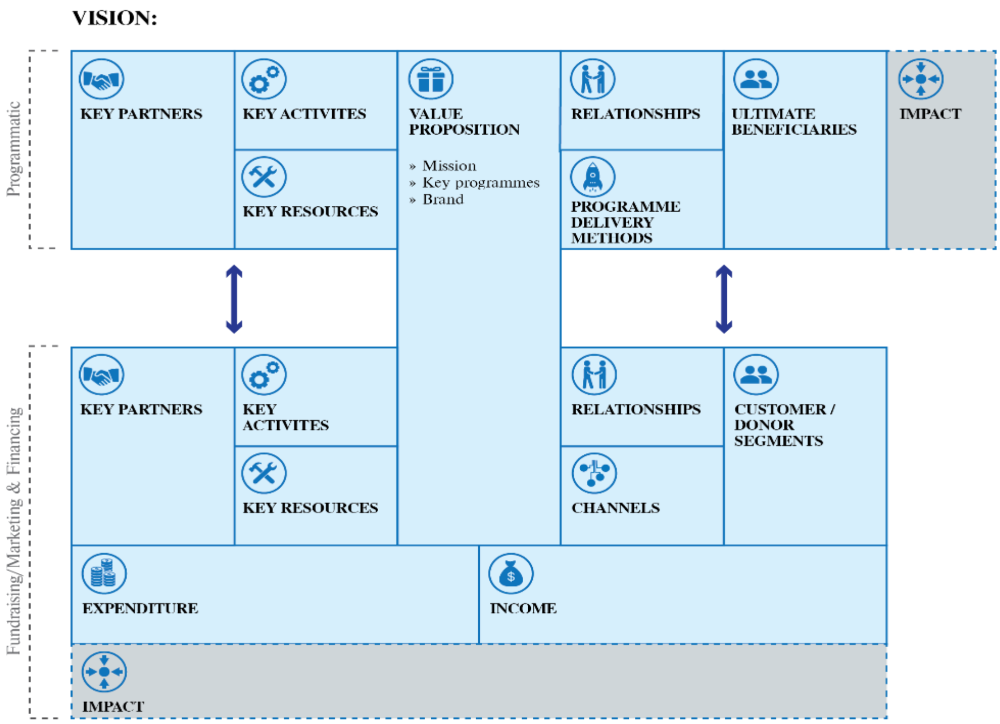


**Figure 2. NPO Business model framework for NPOs with multiple income streams**

Two case studies mentioned that governance was a missing component in the conceptual model as they believe governance is a distinguishing factor between different NPOs and between a NPO and other kind of organizations (public or for-profit). As one interviewee stated (case study F); '*governance distinguishes between ourselves and between us and them'*. For the interviewee 'them' meant for-profit organizations.

Based on the results from the case studies, the testing of the conceptual nonprofit business model framework resulted in the creation of a NPO business model framework. Table 2 provides the definitions of the components of the nonprofit business model framework and figure 2 shows the framework.

When comparing the conceptual model (figure 1) with the NPO business model framework presented in figure 2, one notices two major differences. First, the name of the business model framework components and its definitions. In the conceptual model, they were largely based on OP-BMC and hence more profit focused. Even the OP-BMC's third party funded variation, which should have been more applicable for NPOs have the same definitions as the original BMC. The components and definitions presented in table 2 are in line and recognizable to the nonprofit sector. The second difference is the change from a one-layer to a two-layer business model framework, in which the programmatic activities of the NPO are separated from the operational and fundraising activities of the organization.

Finally, for the potential usages of the NPO business model framework the interviewees from all case studies state that the framework is a useful tool that can serve a variety of different functions, such as for describing, understanding, communicating, analyzing, managing, comparing, visualizing and fundraising. One case study (D) focused on the use of the NPO business model framework as a tool for interaction with donors. When the participants of case study H (table 1) used the NPO business model framework during their strategizing workshop, the visualisation, analytical and descriptive functions of the framework were specifically applied. An employee of organization H (technical staff) spelled it out like this; '*Now I can see and understand how my day-to-day work fits within the bigger organization and how it contributes to the organization's mission'*. This was the reason for the two case studies (F and G) mentioning that visualization of its NPO in the NPO business model framework '*would be good to share as part of the induction program of new employees' and 'as a briefing for new staff members'*. The most cited usages of the NPO business model framework, by the case studies, were describing, communicating, analyzing and visualizing.

## 5. Discussion

This study investigates the research question '*How can a nonprofit business model be described and what are the features?'*. To be able to describe a nonprofit business model and its features, we developed a business model framework for NPOs. This framework visualizes an NPO's business model and shows its features via its business model components.

As stated by Smith et al. (2010) and others, the complexity of NPOs requires a more explicit treatment of different income streams and stakeholders, in which the short and long run perspectives may differ. The proposed NPO business model framework differentiates between receiving stakeholders and paying stakeholders; separating the operational and fundraising activities of the organization. Although this solves part of the paradoxical strategic problems, it does not address the tension between short- and long-term perspectives. Organizations with short term funding should design some kind of roll-over financial strategy which is beyond the purpose of the business model framework. Of course, other different kinds of NPOs have

The research also showed that the original business model representations use a for-profit jargon, which is not recognizable for the stakeholders within the organizations. Osterwalder (2004) sees strategic communication as one of important functions of the BMC, Berlan (2017) labels this personal mission conception. De Langen (2018) shows that the framework is also useful in describing and communicating business models in Open Education. It is, however, important that the developed business model framework is understood both by the management and the employed of the NPOs. Again, further research should analyze the differences between different NPOs.

Other issues are not yet addressed by the NPO business model framework are the problem of more programmatic demands, leading to conflicting business models. External changes will result in changing goals of donors, which will influence the business model framework (Euchner and Ganguly, 2014). How a change traject can be supported by a business model framework is yet a subject of study. Another topic is the role of the government. For most NGOs, the government is both a donor, as a partner. This potential tension should be addressed in an advanced framework.

The treatment of governance in the business model framework in the nonprofit sector is an also an issue, as it is unclear how governance should be reflected. Page and Spira (2016) note that not much has been written on the connection between business models and governance. The results from the case studies highlight that governance is one of the aspects that differentiates for-profit organizations from nonprofits. Bull & Ridley-Duff (2019, 619) state that there is "support for integrating ethical decision-making into social enterprise (SE) governance systems [..] there is a void in the SE literature on the connection between its alleged hybridity and resulting business ethics. Adding governance as a contingency variable in future business models allows for the exploration and characterization of similarities and differences between organizational business models.

A limitation of this study is the restriction in the kind of NPOs, ignoring nationally focused NPOs or NPOs heavily reliant on government funding. Another limitation is that the case study NPOs are only based in two countries (France and Switzerland), although they have a global reach, and operate on all continents. Recommendations for future research would be to expand the geographical scope and also investigate other forms of NPOs.

## 6. Conclusion

This study confirms that a two-layer business model framework for nonprofit organizations is useful as a descriptive, communication, analytical and visual tool. These are much the same functions mentioned in the literature for for-profit organizations. One function described in the literature review specially focused on using business model framework for the NPOs interaction with donors. The results from the research show that this was only mentioned once.

The presented study provides a NPO business model framework with a set of definitions suitable for the nonprofit sector. This result is practically relevant, as it provides a tested tool that can be used by practitioners. This study has shown that practitioners value the visualization, descriptive, communication and analytical aspects of the framework.

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