



Revenue Diversification Strategy



MuseOps Example: Blindspot Worksheet

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Context

Current Situation

- A children's music education organization with a \$300,000 budget and 3 person staff relies on its annual fundraising auction to generate 75% of its annual operating income. The current year's auction generated half of its expected amount – causing a serious cash flow crisis.
- The executive director has tried to persuade the board to diversify the organization's revenue streams. The board believes that the auction is evergreen and refuses to hire a development coordinator or a grant coordinator.
- Now the organization faces closure if it cannot revise its revenue strategy and generate cash in the short-term.



Context

Objectives and Approach

- The board and organization staff must articulate and acknowledge the shortcomings with the current revenue strategy.
- A new strategy that addresses and overcomes those shortcomings is needed.
- A Blindspot Worksheet identifies the assumptions, excuses, flaws, and inaccuracies that are limiting and inhibiting the organization.
- If the board and staff can agree that the issues uncovered in the Blindspot Worksheet are problematic, they have an opportunity to revive the organization.



Data Review

- Documents
 - Auction results over the past ten years
 - Benchmarking data
 - Research into different revenue generation options
- Interviews
 - Consultant to facilitate the discussion and conduct frank, confidential interviews
 - Staff at peer organizations



Blindspot: Need to change revenue model

Blindspot Category	Explanation
Invalid Assumption	Our staff is too small to manage multiple revenue initiatives.
Winner's Curse	We can rely on our annual auction to fund our institution.
Escalating Commitment	We need to obtain more valuable auction items.
Constrained Perspective	Our staff and board lack the knowledge to successfully apply for grants.
Overconfidence	The annual auction will always generate 75% of our operating budget.
Information Filtering	Our donors are only interested in participating in the auction.
Educated Incapacity	Our organization was founded before other similar local organizations, and we retain a core of original board members. Therefore, we have great institutional knowledge and nothing to learn from colleagues.



Paths Forward

- After reviewing the Blindspot Worksheet, the board must decide:
 - To proceed as per usual and hope for the best,
 - To shrink its programs and eliminate staff to match the current financial constraints, or
 - To fundamentally alter its approach to revenue generation and commit resources to that new strategy
- The long term viability of the organization is at stake. Profound changes to the revenue generation strategy are required to maintain the current programs.
 - If the current board cannot meet that challenge, new board members are needed.
 - Other options include:
 - Merging with a peer
 - Closing the organization