

# Understanding and Evaluating Business Models for Digital Infrastructure Services

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Background

Adding business models and financial sustainability  
to the conversations for evaluating vendors  
associated with digital infrastructure

# Digital Infrastructure

Infrastructures that are specifically associated with research, preservation, and scholarly knowledge production.

1. Infrastructure serves a function.
2. Infrastructure is a socio-technical system rather than a technical product.
3. Infrastructure is dynamic.
4. Infrastructure operates at different scales, both temporally and spatially.
5. Infrastructure is not neutral.<sup>3</sup>

# Example Digital Preservation Service Providers

<b>Service Provider</b>	<b>Type of Org</b>	<b>Sub Type</b>
APTrust	Non-profit	Not-for-profit
Artefactual	For-profit	Private
BePress (RELX group)	For-profit	Publicly traded holding company
Fedora	Non-profit	Not-for-profit
Islandora	Non-profit	Federally incorporated, community-driven soliciting non-profit
LibNova	For-profit	Private, non-equity assistance
Preservica	For-profit	Private, venture series
Samvera	Non-profit	501(c)6, subseries LLC

# Criteria for Review

# Financials

# Comparing For Profit and Non-Profit

## *For Profit*

A for-profit business is a company whose primary goal is to earn income and profit for its founders, leaders and employees. The business shares out any revenue the company makes after paying its expenses and debts to various company stakeholders in a predetermined way.<sup>1</sup>

- Sole Proprietorships
- Partnerships
- Corporations
- S Corporations
- Limited Liability Company (LLC)

## *Non-Profit*

A nonprofit business is an organization whose key focus is to provide a charitable benefit to the community. Rather than take profits and distribute them to stakeholders, any profits earned by the organization are reinvested in it and used to further the organization's mission for the benefit of the community.<sup>1</sup>

- Charitable Organizations
- Churches and Religious Organizations
- Private Foundations
- Political Organizations
- Social Welfare Organizations
- Labor and Agricultural Organizations
- Business Leagues
- Social Clubs
- And so many more<sup>2</sup>



# Financial Health

## *For Profit*

Factors that determine if a company is able to sustain itself over the long term and continue to make a profit. Using financial statement analyses can help you understand the overall health of the company. Things to consider reviewing include:

- Balance sheet
- Income statement
- Cash flow statement
- Financial ratios

## *Non-Profit*

Evaluation of the health of a non-profit should be done to ensure that the non-profit is properly stewarding donor funds and that the community the non-profit supports is finding maximum benefit from funds. This to consider when reviewing health include:

- Funding model
- Cashflow and sustainability
- Expenses and organizational efficiency
- Debt

# Governance

# Boards of Directors/Trustees History



- The Company of Merchants of the Staple and the Company of Merchant Adventurers (late 14th century); first boards and CEO
- Bank of England and chattel slavery (17th century)
- Massachusetts Bay and Virginia Companies (17th century)
- East India Company (joint stock) - (18th century)

# Boards and Responsibilities (including but not limited to)

## For-profit Publicly Held Boards (legally required)

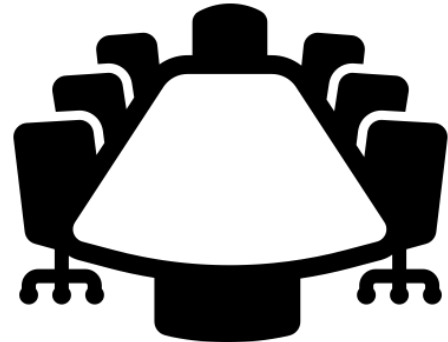
1. **Activities are within shareholders best interest** (usually aligned with growth)
2. Compensation & appointment of CEO
3. Governance, compliance, and broad policies

## For-profit Private and Closely held (optional board)

1. **Activities are within members best interest**
2. Compensation & appointment of CEO
3. Governance, compliance and broad policies

## Non-Profit Boards (legally required)

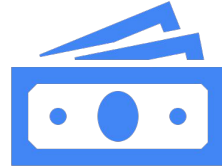
1. **Activities and transactions are, first and foremost, advancing its mission** and over individual board member interests
2. Oversight financial management, budgets, and people (i.e. CEO or equivalent, then delegated)
3. Governance, compliance and broad policies



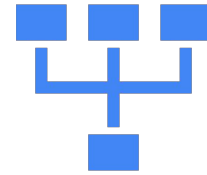
# Board Formation and Evaluation



Membership



Compensation



Authority

# Fiscal Sponsor Organizations



Financial  
Services



Administrative  
Services



Legal Services



Spectrum of Services

# Community or Customer Input

## Advisory Group/Councils (not legally required)

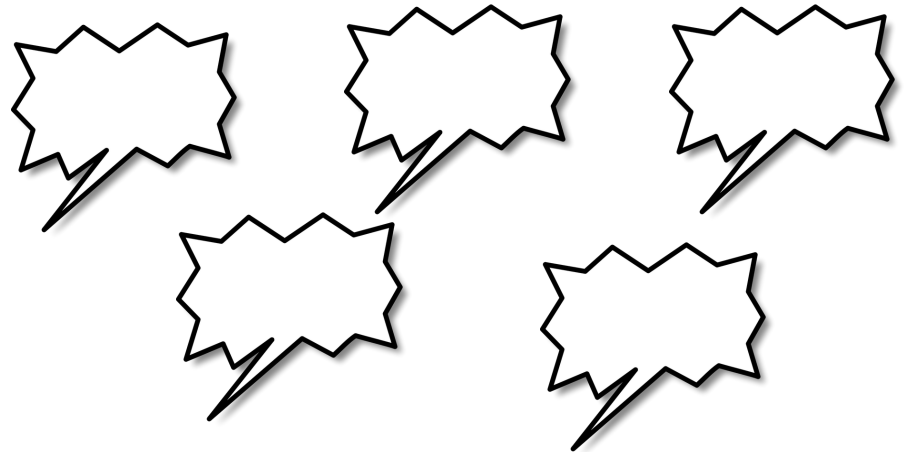
- Specialized expertise
- Sounding board
- Networking
- Mentoring
- Fundraising
- Advocacy
- Program evaluation

## Market Research

- Demand
- ROI

## Stakeholder Outreach

- Audiences
- Mechanisms
- Frequency



# Criteria Review Checklist

S: strong  
 W+: weak but improving  
 W: weak  
 W-: weak but declining  
 U: unknown

	Criteria	S	W+	W	W-	U
1	Board is fully informed of the financial health of the organization.					
2	Financial reports are available to relevant constituencies.					
3	Financial health indicators show that the organization is viable.					
4	Financial reserves are aligned with business goals for growth and sustainability.					
5	Board and CEO have defined and balanced responsibilities.					
6	Processes and rewards/compensation for Board membership are transparent.					
7	If fiscal sponsor, the relationship and spectrum on responsibilities and authority are clear.					
8	Advisory council(s) have defined role and relevant expertise.					
9	Program evaluation and revised goals are communicated with stakeholders and customers.					
10	Stakeholders for defined audiences are engaged.					



# Questions

# Resources

1. [Infrastructure Definition: Preliminary Investigation](#), Invest in Open Infrastructure
2. [The Effectiveness and Durability of Digital Preservation and Curation Systems](#), Ithaka S+R
3. [Nonprofit, Not-for Profit & For-Profit Organizations Explained](#), US Chamber of Commerce
4. [For-Profit vs. Nonprofit: Key Differences Between Organizations](#), Indeed
5. [Other Tax-Exempt Organizations](#), Internal Revenue Service
6. [How to Determine the Financial Health of Your Company](#), Harvard Business School Online
7. [12 Key Metrics to Monitor the Financial Health of Your Nonprofit](#), Sage Intact
8. [Characteristics of Financially Healthy Nonprofits](#), Propel Nonprofits
9. [Financial Health of Nonprofits in Research and Scholarship: What's Working and What Needs Improvement?](#), Invest in Open Infrastructure
10. Gevurtz, F. A. (2004). [The Historical and Political Origins of the Corporate Board of Directors](#). Hofstra Law Review, 33(1), 89-174.
11. [Boards Roles & Responsibilities](#), National Council of Nonprofits
12. Colvin, G. (1992), [Fiscal Sponsorship: Six Ways to do It Right: Synopsis](#), Silk, Adler and Colvin
13. [Sample Fiscal Sponsor Agreement](#), The Colorado Trust
14. [Advisory Councils: Nine Keys to Success](#). (2016) Board Source.