

Let's Get Entrepreneurial



By Melanie Lockwood Herman

Executive Director

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Are nonprofits “entrepreneurial”? Or is the term only applicable to for-profits? The website Dictionary.com offers the following definition of an entrepreneur: “a person who organizes and manages any enterprise, especially a business, usually with considerable initiative and risk.”

Effective nonprofit leaders demonstrate initiative and embrace risk-taking when they launch programs to address unmet community needs or when they take on societal problems that state and local governments can't afford to tackle. Nonprofit entrepreneurs come to the rescue to provide critical services and resources when it isn't possible to do so AND generate a profit for shareholders.

Most would agree that both “initiative” and “risk-taking” are key to success in an increasingly competitive, fast-paced and high-tech nonprofit sector. But what tools and resources are available to ensure that awareness of both upside and downside risk undergirds the commitment to being entrepreneurial?

The Board

The mission of a nonprofit starts and ends with the Board. Board members are the trusted custodians of the nonprofit's mission and purpose. But board members aren't like the “cars” that transport riders on a roller coaster circuit—connected together in a “train” and always in sync. Boards sometimes move in unpredictable patterns and a multitude of events and circumstances can lead to a breakdown in governance. In a healthy organization, the board will be alert to warning signs, spot red flags before the train goes off the rails, and respond accordingly. In an unhealthy organization, the board is more likely to overlook warning signs of an approaching disaster and may be eager to assign (rather than accept) blame once the damage is done. Some of the questions that can help a board guide entrepreneurial activity include:

- **What big risks should we take to advance our mission?**
- **What is our comfort level with highly uncertain events/outcomes?**
- **What do we have to win... or lose?** How do potential upside gains measure against potential downside losses?
- **What existing policies are applicable to our deliberations?**
- **What do we know about the changing environment that informs our deliberations?** What more do we need to know before we take action?
- **How will we measure “success”?**
- **Do our governance structure and organizational chart truly reflect the mission, needs and focus of the organization?** In the board's view, are paid and volunteer personnel deployed effectively to support our programs? What impact will a new venture have on our ability to live up to existing commitments?

The Staff

Nonprofit staff leaders range from those who see their roles as limited to “implementing board policy” to executives who see themselves as innovators and partners (with the board) in mission fulfillment. Savvy executives recognize the potential glory associated with big risks that pay off, as well as the potentially severe penalty that may be due if the implementation of a “big idea” results in financial loss or reputation damage. Some of the questions that can help staff guide entrepreneurial activity include:

- **Do we have the staff talents and skills essential to undertake the new venture?**
- **Have we identified potential barriers or roadblocks that may occur during the implementation of the new venture?** What strategies will we use to overcome or work around those barriers?
- **Do we have a flexible plan for implementation that will support and enable necessary mid-course corrections?**
- **How will we keep the board apprised and live up to our commitment to share both good and bad results, successes and tough lessons?**
- **What results or benchmarks will let us know that it is time to slow down, regroup or pull the plug on the new venture?** How do we ensure that we don’t make the mistake of “throwing good money after bad”?

The word “entrepreneurial” has a nice ring to it. The word is used as a compliment when describing a business or nonprofit leader. Tapping your entrepreneurial spirit is likely to be a very good thing in an era of unprecedented uncertainty and fierce competition for scarce resources. Considering upside and downside risk along the way will help you promote experimentation, learn from success as well as failure, and better detect the warning signs that will enable timely mid-course corrections sensitive to stakeholder concerns.