
Frequently asked questions

1. We don't have any discretionary funds to invest in change. What can we do? Changing the culture of your organization will cost you time, money and psychic energy, and if you begin the process with a "cost" mentality you will probably wind up frustrated and upset. The truth is, you will not be able to recoup your expenditures in a year or even two or three years . . . but over time the financial and social returns could be substantial. The best approach is therefore to adopt an "investment" mentality and stop trying to recover your expenditures immediately. And if you're still asking yourself where the time, dollars and energy will come from, remember this: If you're genuinely entrepreneurial, you *will* find the resources you need . . . and if you're not, you won't. That may sound blunt, but the truth is that one of the hallmarks of an entrepreneur . . . or of an entrepreneurial organization . . . is the ability to find the resources that are needed. It's almost a *sine qua non* of entrepreneurship.

2. Many of our Board and staff members are fundamentally opposed to making money. They think we should serve everybody who comes to us for help and that we should never charge them for our services. How do I respond? Maintaining a balance between mission and money is not easy: Temptations abound. But there is nothing inherently evil about making money. It's a means to an end, not the end itself. As a Fortune 100 CEO once said, "earning money is no more the purpose of a business than breathing is the purpose of life . . . but they are both *necessary!*" Emphasize to your Board and staff members that the money you make through earned income will enable you to do more mission -- that it will be plowed back into the organization, not pocketed by individuals. And help them understand that you are still committed to serving those who cannot pay . . . but that many recent studies have shown that most people *prefer* to pay something for the services they receive (even if it's only a dollar or two) because it lends dignity to the process.

3. What about unrelated income? If we have too much, won't we lose our nonprofit status? Yes, you might. But so long as you develop products and services that are directly tied to your mission, you won't have any problems in this regard. In any event, you need to be extra careful if you're thinking about starting an unrelated business activity, because nonprofits attempting to do so are hit with a double whammy: Not only are they trying to start a business (which is usually something quite new to them), but they are also trying to do it in an arena they know nothing about. It's usually better to stick to your core programs and core competencies -- and, if you do, you need not fear losing your tax status.

4. What if we make a lot of money? Won't we have to pay taxes? Possibly. But what's so awful about that? You should have such problems. Anyway, it will be years before any startup business venture incurs tax liabilities . . . and if you should reach the point where you are that profitable, wouldn't it be a nice dilemma to have?

5. Many of my Board and staff members are uncomfortable looking at our peers in other nonprofits as competitors. How can we resist doing so? Short answer: You can't. Competition is here to stay, since it works well for not only the funders but also the recipients of direct services. There is no doubt that the transition from non-threatening peer to competitor is a tough one, and it is one that thousands of not-for-profit executives are wrestling with right now, but it is an essential change to make if you are going to continue to be around and capable of doing more mission. But here's the good news: Strategic alliances are an attractive route to earned income. Competitors can also collaborate, whether it be on joint ventures, joint marketing campaigns, supplier/distributor relationships, licensing fees, brokering arrangements, or any number of other types of partnerships. Take another look at that "competitor" to see how you can develop a win-win scenario.

6. How do I tell a good earned income idea from a bad one? Only by asking a series of key questions: What are the critical success factors for this type of business? What environmental forces will have an impact? Who are the most dangerous competitors -- and how do we compare with them? Is the market for this product or service growing, remaining flat or declining? What's our break-even point? How much market share can we capture, and when? Only by *thoroughly* investigating your idea can you tell if it's a good one or not.

7. Taking risks is just not a part of our culture. How can I convince our Board and staff that we need to do so? There are few bodies more risk averse than a nonprofit Board of Directors . . . and to a certain extent, that is as it should be, because one of the responsibilities of a nonprofit board is to be a responsible steward of the organization's resources. But it's a myth that entrepreneurs enjoy taking risks. They don't. What makes them entrepreneurs, however, is that they will take *reasonable* risks. They realize that in today's environment, if you are not willing to take risks, you are really not in the game . . . and you may not be around to be part of the conversation five or ten years from now. Unfortunately, most people in the nonprofit sector hold a different view: They believe they should not start a new program or make a significant change in an existing program until they are *certain* that what they are attempting will succeed. And they fail to recognize that *not* taking a risk may be the biggest risk of all.

8. Isn't this a zero sum game? Won't our traditional funders desert us if we become too successful at earning revenue? Most of the evidence thus far indicates just the obvious. Funders are like everyone else: They like to bet on winners. If your organization can demonstrate increased capacity, efficiency and effectiveness, funders will flock to your doorway.

9. Some of our Board and staff members have a false sense of security. They believe things will get better -- or at least that they won't get worse. How can I convince them otherwise? You're not alone . . . but the pressures impinging on nonprofits are becoming increasingly hard to ignore, whether it be diminishing resources, escalating costs, increasing numbers of people in need, heightened competition for available dollars, and so on. Share some of the data about these pressures with your Board and staff members, and make the point that ignoring them will not only harm your organization but will also *damage the people you are intending to serve*. As a leading nonprofit executive put it a few years ago: "Far-thinking nonprofit leaders are today coming to realize that profit-making expertise is a legitimate and necessary way of sustaining a nonprofit organization in the execution of its fundamental service role . . . today's nonprofits leaders owe it to their constituencies to survive and to continue to serve . . . (but) they cannot continue to rely on charity . . ."

10. We have so much on our plate, so many competing priorities. How can we start something new when we're already so busy? Do you believe that changing your culture in order to become more entrepreneurial is essential? If you do, there will not be any competing priorities . . . changing your culture will be the most important thing you do, and you will find ways to cope with all of the other demands on your time and energy. By the way, the fact that you are "already so busy" does not necessarily mean you should be . . . it may actually mean that you are a prime candidate for "organized abandonment" and that entrepreneurship is even more essential for you than it might be for many other nonprofits.

11. We don't have any of the marketing, finance and other skills necessary to adopt entrepreneurial strategies. Where can we find them? Ask for help from your local small business and financial communities. Turn to proven entrepreneurs as your mentors, people who have already built small businesses from the ground up. Not only will they bring you the type of assistance you need, they will also provide an invaluable reality check to keep you from making too many mistakes along the way. One of the secrets of successful entrepreneurship is learning from the mistakes of others (after all, you can't possibly live long enough to make them all yourself!).