



Why You Need to Be More Entrepreneurial—And How to Get Started

Use these checklists to create an innovative, self-sufficient organization.

BY PETER BRINCKERHOFF

To serve people at the highest level, you must be a social entrepreneur, willing to take risks to serve people better. Social entrepreneurs have these characteristics:

- They are constantly looking for new ways to serve their constituencies and add value to existing services.
- They understand that all resource allocations are really stewardship investments.
- They weigh the social and financial return of each of these investments.
- They always keep mission first, but they know that they also need money; without it, there is no mission output.
- They are willing to take reasonable risk on behalf of the people their organization serves.

Talk through these characteristics with your key staff and board. Focus particularly on two ideas: that expenditures are really investments and that risk is a good thing. It is vital to have widespread acceptance of these two concepts if your organization is to become and remain entrepreneurial.

Figure 1. Social Entrepreneurship Self-Assessment

	Yes	No
Has the organization investigated (or is it currently pursuing) nontraditional business activities to supplement income?	3	0
Does the organization weigh the mission return and the financial return of every investment (and view expenditures as investments)?	3	0
Have the staff and board identified the organization's core competencies?	3	-2
Is the organization constantly looking for ways to match these competencies with the markets' wants?	5	1
Does the organization have a list of criteria for new service ideas?	3	-1
Does the organization have a social entrepreneurship team?	3	0
Are program options or change opportunities free of restriction from facilities or debt you already have?	2	-2
Are the concerns of staff and service recipients acknowledged and addressed when change is initiated?	2	0
Are core values and the mission statement discussed when changes are considered?	2	-3
Have you discussed with board and staff the organizational willingness to take risk?	2	0
Is change initiated as an improvement without criticizing what has been done before?	1	0
Is innovation encouraged and are rewards provided at evaluation time?	2	0
Total of column score Add each column up and put the answer here ➡		
TOTAL SCORE Add total scores from Yes and No columns and put the answer here ➡		

SCORING ANALYSIS: 32-26 Excellent, 25-20 Very Good, 19-12 Adequate
Less than 12—You need to focus more on creating an entrepreneurial organization.



Figure 2. Social Entrepreneurship Readiness Checklist

Area	Readiness Item	Yes	No	Don't Know
Mission	Have the staff and board reviewed the idea of business development in relation to the organization's mission statement?			
	Are revisions or updates of the mission necessary?			
	Have you decided on the mission uses for the business and the mission uses for any profits?			
Risk	Have the board and staff discussed the risk inherent in new business development?			
	Have limits been set on venture capital to put at risk?			
	Do your board and staff view resource allocations as investments rather than expenditures?			
	Do your board and staff understand that the desired outcome for a not-for-profit business is a mix of mission return and financial return?			
Systems	Does the organization have personnel and finance policies that have been revised in the past 24 months?			
	Does the organization have a strategic plan that is current?			
	Does the organization have the information systems, payroll, accounts payable and receivable systems that can accommodate growth?			
	Is the organization's financial accounting software able to track multiple projects and/or businesses?			
Skills	Are all of the following skills available within the staff and governing volunteers: planning, budgeting, pricing, marketing, project management?			
	Are skills and experience available within the industry or area that you have chosen to pursue?			
	Has the management team made the commitment to allow talented and experienced individuals to use their skills to develop the new business?			
	Have you generated a list of your organization's core competencies?			
Space	Is there readily available appropriate physical space to house the business?			
	Is there adequate equipment, wiring, plumbing, ventilation, security, and lighting for the business?			
Finance	Has the organization as a whole been profitable the past three years?			
	Does the organization have at least 90 days of cash or cash equivalents on hand?			
	Does the organization have an excellent relationship with its banker?			
	Does the organization have a line of credit?			
	Does the organization have a current ratio of 1.0 or higher?			
	Does the organization have a debt to net worth of .3 or less?			
	Are you sure your funders won't penalize you for any net income from the business?			
TOTALS Add up the number of Yes, No and Don't Know answers and put the total in the column to the right ➡				

If more than eight answers are "no" or "don't know," go back over the questions, and take the time to improve your score. Your organization must be in good shape before you develop a new, and inevitably risky, venture.



The next step is to develop a business venture to support your mission and create a financially empowered organization. First ask yourself the questions in Figures 1 and 2 to be sure your organization is ready. Then follow these steps:

1. Review your mission statement. Do all staff and board members know what your mission statement is? Do they agree it's the best possible description of what you do and the world you want to live in? The questions in Figure 3 will help you decide if you need to change your mission statement. If so, follow the suggestions in Figure 4.

2. Assess your willingness to take risk. Meet with your board to explore the concept of acceptable risk. Note that risk is the engine of innovation, and innovation is crucial to keeping up with the wants and expectations of your markets. Good stewardship requires you to take reasonable risks in light of your financial condition, your markets, and your organizational culture.

3. Generate business ideas. Gather staff for a brainstorming session. Ask for ideas for a business related to your organization's primary purpose. When you've created a list, develop criteria against which to weigh each idea. For example, you might give priority to businesses that you can start up in less than six months, that require an investment of less than \$10,000, and that have a direct social impact. The combination of criteria will be up to you, but by establishing what is important now, you can weigh all ideas without upsetting people whose ideas aren't followed up.

4. Develop preliminary feasibility studies. Write three to five pages, reviewing each potential business, its market, and what kind of

Figure 3. Mission Statement Self-Assessment		
	Yes	No
Has your mission statement been reviewed by your board and staff within the past two years?	2	-2
Ask five staff at random what the mission statement is. Do all five get reasonably close?	4	-1
Ask four board members what the mission statement is. Do all four get reasonably close?	4	-1
Does staff use the mission statement as an aid to decision-making and management? Are copies on the table at every meeting?	3	-1
Is there a vision statement associated with your mission statement?	2	0
Is the mission statement short—less than 50 words?	4	-2
Does the board refer to the mission statement when considering adding or dropping services? Are copies on the table at every board meeting?	3	-1
Do you celebrate the success of your mission at every staff meeting?	3	-1
Do staff and board consider, and verbalize, that expenditures are really investments in mission?	2	-1
Is your mission statement posted in the organization? Included in marketing materials? Stated in personnel policies?	2	-1
Is the current mission statement on file with the IRS?	3	-3
Is the mission statement used as a criteria in some manner in your personnel evaluations?	3	0
Total of column score Add each column up and put the answer here ➡		
TOTAL SCORE—MISSION STATEMENT Add total scores from Yes and No columns and put the answer here ➡		

SCORING ANALYSIS: 34-27 Excellent, 26-20 Very Good, 19-10 Adequate
Less than 10—Meet with staff and board to create a mission everyone embraces.

services are being provided in this market. Ask, "Can we do this? Do we have (or can we get) the resources to do it?"

5. Develop a final feasibility study. After narrowing your business ideas down to the most feasible one, describe in detail the service you want to provide, how you will provide it, the barriers to success, and how you will overcome those barriers.

6. Define your market. Next, focus on the market for your new

business. Who are those people? Where are they? How many of them are there? Why do they want your service? Be as specific as you can.

7. Define your target market. Target a particular segment of your market for your highest research and customer-service efforts.

8. List the five core wants of the target market. The issue isn't what people *need* but what they *want*. How do you know what they want? Did you ask them, or are



Figure 4. Mission Statement Checklist	
Here are some things you can do to improve your mission statement:	
Review your mission statement at the management level. Ask these questions:	
___	Does the mission use correct, current language?
___	Does the mission describe adequately who we serve? (demographics)
___	Does the mission describe adequately where we work? (geographics)
___	Does the mission show focus?
___	Does the mission excite us?
___	Can we get our mission down to less than 50 words?
___	Do we need a vision associated with our mission?
___	Do we need to write down a statement of values along with our mission?
Ask the staff to discuss not just the mission statement wording, but what it means to them.	
Meet with the board and staff, discuss your findings, and talk about necessary changes.	
Any adopted changes should be sent to the IRS with details of the board meeting, and a listing of the board members who voted for and against the changes.	
The mission statement should be evident everywhere: on the wall, on marketing materials, on the back of staff business cards, on screen savers, on the annual report, on the table at board and staff meetings.	

you making (perhaps dangerous) assumptions?

9. List your core competencies. Do you have the core competencies (things you are really, really good at) to match up with your market's wants? If not, you may need to go back a step and change your target market, or find ways to strengthen or acquire certain competencies.

10. Decide how you will reach your target market. If you're entering a new market, how will you establish a beachhead? What tactics will you use to establish relations with your market? Examples could include trade show presentations, cold calls, referrals, advertising, or some other outreach function.

11. Decide on the mission outcomes of your business. This is a crucial step. Now that you have defined your business, what do you expect the mission outcomes to be? Some specific mission service? Profit to do more direct mission?

12. Review key financials. How much start-up money are you putting at risk? Where will this money come from? What will the initial size of your business be in terms of revenue, units of production, employees, and space? What will your fixed and variable costs be?

13. Develop a business plan. Include a description of your organization, your new business, and the market for your new service. Detail your marketing plan, including an

evaluation of potential pitfalls. Provide a financial plan, including cash flow estimates, projected income and expenses, a balance sheet, and break-even analysis.

14. Implement your business plan. A new business is always a risk, but going through this planning process reduces that risk. Following these steps assures that you will be taking prudent risks on behalf of the people you serve. That's what entrepreneurship is all about. ■

Selected References

Brinckerhoff, Peter, "But Is It Really Feasible?", *Nonprofit World*, Vol. 16, No. 6.

Brinckerhoff, Peter, "How to Write Your Business Plan," *Nonprofit World*, Vol. 17, No. 2.

Brinckerhoff, Peter, *Mission-Based Management, Videotape*.

Brinckerhoff, Peter, "Starting a Business: Too Risky for Your Organization?", *Nonprofit World*, Vol. 16, No. 4.

Muehrcke, Jill, ed., CD-ROM of *Nonprofit World Articles*.

Muehrcke, Jill, ed., *Enterprise, Leadership Series*.

Steckel, Richard, "Developing an Entrepreneurial Vision," *Nonprofit World*, Vol. 11, No. 3.

Wilson, Leslie, "Is It Feasible? The Prime Question in Venture Planning," *Nonprofit World*, Vol. 6, No. 5.

These resources are available from the Society's Resource Center, 608-274-9777, Ext. 221, www.danenet.org/snpo.

Peter Brinckerhoff is president of Corporate Alternatives, inc. (CAI), a firm specializing in nonprofit organizations (2707 West Washington, Suite C, Springfield, IL 62702). He is the author of Mission-Based Management and Mission-Based Management: An Organizational Development Workbook (John Wiley & Sons), from which this article is adapted.

Nonprofit World • Volume 19, Number 6 November/December 2001
Published by the Society for Nonprofit Organizations
6314 Odana Road, Suite 1, Madison, WI 53719 • (608) 274-9777
www.danenet.org/snpo