ENTREPRENEURIAL *spirit*

Turn Your Stakeholders into Risk-takers

. . . ***before*** you start a business venture!

PART OF A SERIES ABOUT ENTREPRENEURIAL SUCCESS

BY JERR BOSCHEE

> *"We need to be prepared to eat our mistakes, and most nonprofits are not real good at that ."*
>
> –Rick Walker

First came the motel. Then the bookstores…the ice cream store…the function hall…

But before them all came the committee.

"We were heading into uncharted territory," says Rick Walker, president and founder of Road to Responsibility (RTR), remembering how his nonprofit organization started its first for-profit business. "So we formed a New Ventures Committee."

The committee consisted of "board members, staff members, the people we served, and their family members. We brought everybody together and talked about doing something that was very, very different from what any of us were used to doing in our job placement program or in our old sheltered workshop model."

The Move to Business Ventures

The committee smoothed the way for RTR, located in Marshfield, Massachusetts, to move from job-placement and sheltered-workshop programs into a network of small businesses. Today, RTR operates three bookstores, two motels, an ice cream shop, and a function hall. In every case, the goals are to be self-sufficient and to generate employment opportunities. Walker calls it "real jobs for real people with real needs": The businesses employ people who are developmentally disabled (and in some cases people who are mentally ill, autistic, or physically disabled). Not incidentally, the businesses are also intended to educate the public about the potential of individuals with disabilities.

Collectively, RTR's businesses are known as Ocean Village Ventures, and they generated $553,309 in sales during FY00, with a net profit of $24,249. Walker plans to open one or two additional businesses each year for the next five years.

Managing Risk

"A lot of people say we have too many businesses," says Walker, "but the issue for me is risk management. Collectively, the impact of our businesses is large—but each business is small, so the failure of one wouldn't be critical to the agency as a whole. The point is…we need to be prepared to eat our mistakes, and most nonprofits are not real good at that.

"For example, each of our little businesses is generating some revenue and creating some jobs, but if the ice cream store continues losing money because we're not able to solve our location problem, I'll kill it. We can't afford those kinds of losses. Or if the whole bookstore business goes completely kaflooey and starts doing terribly, I'm not going to let it imperil the agency as a whole. Or somebody could build a giant Motel 6 down the street and be better prepared to respond to the market than we are with our motel. We don't have pockets deep enough to compete in a situation like that, so it means we'd fold our cards and go off in a new direction."

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It’s also the way Walker helps keep his board and staff comfortable with entrepreneurship. “We all know how tough dollars are in the nonprofit world,” he says, “so how can we justify losing money in one of our businesses and then tell staff members they aren’t allowed to lose money in their programs?”

Walker believes the New Ventures Committee “instilled a sense of risk-taking across the organization” and set the tone that’s made it possible for an entire network of businesses to emerge.

Creating a Mission Statement

Once they were accustomed to the idea of risk, the next step for the committee members was to create a mission statement to guide their pursuit of new ventures. Then, Walker says, “we circulated a mailing to everybody we knew that essentially said, ‘This is what we want to do… you got any ideas?’ ”

Although the mailing didn’t generate any immediate suggestions, says Walker, “it did something else that’s been critical to our success.” The mailing made it clear to everyone that RTR was planning to move into entrepreneurial ventures. “To me,” he says, “it was *much* more important to establish going in that we were planning to do something than to define what that something was going to be.”

Walker had seen other nonprofits flounder when they took a different approach, and he believes the committee and its mission statement helped RTR avoid at least three common pitfalls: tunnel vision, a tug-of-war among staff members, and a disconnect between the staff and the board.

“Too many nonprofits,” he says, “spend too much time frozen on one particular idea. They say, ‘We want to do a coffee shop’—and meanwhile three or four great opportunities float by the window. So instead of starting out with a specific idea, we told our stakeholders what we wanted to do and asked them for help. That approach helped us get everybody on the same page and helped them understand we were doing something new and different—so when it actually happened it was much less shocking and dislocating than you might expect.”

Forming the committee and creating an entrepreneurial mission statement also solved a problem that has plagued many other nonprofits starting new businesses. “I’ve seen a great deal of internal friction between traditional program people and the people starting business ventures,” Walker says. “But we spent a lot of energy on internal communications, talking about why we were doing this and why it was important, so it never became the tremendous distraction I’ve seen elsewhere.”

Finally, he says “nonprofits frequently spend a lot of staff time planning something—and then they go to the board and get killed. Or they finally begin to involve people outside the organization and discover the environment isn’t ready for them.”

The Importance of Sticking Out Your Neck

Others have recognized the willingness of RTR to take risks. In 1991 the organization received a national award from the Giraffe Project (honoring individuals and organizations that “stick out their necks for the common good”), and in 1998 RTR became the first nonprofit to win an

Entrepreneur of the Year Award in the national competition sponsored by Ernst & Young, the Kauffman Foundation, and NASDAQ.

But reactions from the nonprofit sector still exasperate him. "My god, the resistance!" he says. "To a great extent, nonprofit people are not risk-takers, and their unwillingness to think outside very standard parameters constantly amazes me. I see a few of them trying things, but usually on a very, very limited scale. Quite frankly, we've had a lot better luck getting people outside the nonprofit world to understand what we're doing and feel comfortable with it."

Critical Success Factors

In addition to **preparing stakeholders in advance** and **reducing risk by spreading it across a network of businesses,** Walker has identified seven other factors that have been critical to the success of his entrepreneurial endeavors:

Develop a mission statement for your entrepreneurial activities. Let that mission guide you as you seek new business ventures. Exactly what type of business you start isn't as important as your commitment to the idea of enterprise.

Make no excuses. "We will make no compromises on quality just because the work has been done by people with disabilities," says Walker.

Be willing to fire people who are developmentally disabled. Walker says "you've gotta be absolutely ruthless about making changes whenever they're needed. We fire people if they don't perform. What we actually do is tell them, 'This isn't working out,' and transfer them back to our supported employment programs. On the flip side, the full-time employees in our bookstores receive the same benefits I get …and I hope they'll stay with us until they retire."

Retain expertise. "You've got to figure out just what it is you can do best," says Walker, "and you don't want it to be expertise of such a narrow focus and in so few people's hands that it can walk out the door."

Acquire capital. "Access to the capital markets is just so difficult," mourns Walker, "but we've done a lot of creative stuff where the sellers financed our purchases—and I've used every other method of financing I can think of."

Capitalize on what nonprofits know how to do. "What kills most small businesses," says Walker, "are the things that nonprofits are often very, very good at—personnel management, accounting systems, cost management, purchasing systems. For us, it's a matter of taking those assets and applying them to our small businesses."

Make a name for yourself. "There are a million nonprofits in this country," Walker says, "and they're all competing for the same dollars. Do you have a story to tell? *Everybody* has a good cause, but that's not enough any more. Doing business ventures is almost a branding strategy, because you've got to come up with something to identify your nonprofit as worthy of the public's attention." ■

Resources

Boschee, Jerr, "Eight Principles for Nonprofit Entrepreneurs," *Nonprofit World*, Vol. 19, No. 4.

Boschee, Jerr, *Social Entrepreneurship Videotape.*

Brinckerhoff, Peter, "Why You Need to Be More Entrepreneurial–and How to Get Started," *Nonprofit World*, Vol. 19, No. 6.

Emerson, Jedd, "Famous Last Words of Failed Entrepreneurs," *Nonprofit World*, Vol. 15, No. 4.

Muehrcke, Jill, ed., *Enterprise (For-Profit) Endeavors, Leadership Series.*

Nonprofit Piggy Goes to Market.

These resources are available through the Society's Resource Center, 800-424-7367, www.snpo.org.

Jerr Boschee has spent the past 20 years as an advisor to social entrepreneurs in the United States and abroad. During that time, he has also played a leading role in the birth of numerous organizations, including the National Center for Social Entrepreneurs (where he served for nine years as president and CEO), The Affirmative Business Alliance of North America (as the organization's first president), the National Gathering for Social Entrepreneurs (as one of the six founders), and The Red River Academy for Social Entrepreneurs (as the catalyst for a consortium of six universities in the Mid-South). He is currently the founder and executive director of the Institute for Social Entrepreneurs; is a partner in the Social Enterprise Fund, a subordinated debt mezzanine fund providing long-term working capital and strategic guidance for established social enterprises; and is a member of the adjunct faculty at the School for Social Entrepreneurs in London, England. His e-mail address is jerr@orbis.net, and the Web site address for the Institute for Social Entrepreneurs is www.socialent.org. Articles in this series are excerpted from Mr. Boschee's most recent book, The Social Enterprise Sourcebook *(Minneapolis: Northland Institute, www.northlandinst.org).*

More on Social Enterprise

For more on social enterprise, see *The Social Enterprise Sourcebook* by Jerr Boschee. The *Sourcebook* contains stories about 14 nonprofits that have successfully started business ventures, along with fact sheets about each organization and brief profiles of the entrepreneurs. Copies of the book are available for download at no charge from the publisher (www.northlandinst.org), and bound volumes can be ordered either from the publisher or from Amazon.com.