What Should You Tell Your Board About Risk?

Having trouble convincing your board to try something new? Here are some strategies to help.

Q: I'm having a hard time convincing my board that it's a good idea to start a business and make money for our nonprofit organization. Till now, we've relied on traditional ways of raising funds, but it's clear to me that we need to take some risks and start a money-making business.

The problem is that many of our board 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. They also worry that if we make too much money, we'll have to pay taxes and may even lose our tax-exempt status. How should I respond? How do I convince them that we need to take some risks and break new ground?

A: There are few bodies more risk-adverse than a nonprofit board of directors. To a certain extent, that's as it should be, because it's the board's duty to be a responsible steward of the organization's resources. But there's a myth out there that entrepreneurs enjoy taking risks. They don't. What makes them entrepreneurs, however, is that they will take *reasonable* risks.

Entrepreneurs realize that in today's environment, if you're not willing to take risks, you're 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 shouldn't start a new program or make a significant change in an existing program until they are *certain* that what they're attempting will succeed. They fail to recognize that *not* taking a risk may be the biggest risk of all.

Giving your board members *Nonprofit World* to read is a good way to help them understand that nonprofits must take risks and earn money if they are to survive. As many of *Nonprofit World*'s articles and departments point out, there's 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 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're still committed to serving those who can't 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.

As for losing your tax-exempt status, that won't be a problem if you develop money-making ventures that are directly tied to your mission (which is the best idea, anyway, because your mission is what you know most about and you're most likely to be successful if you stick to what you know.) Yes, it's true that if you make a lot of money, you might have to pay taxes, but what's so awful about that? You should have such problems. Besides, it will be years before any start-up business venture incurs tax liabilities—and if you should reach the point where you are *that* profitable, wouldn't it be a nice problem to have? ■

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